**CBS** | **COPENHAGEN BUSINESS SCHOOL**
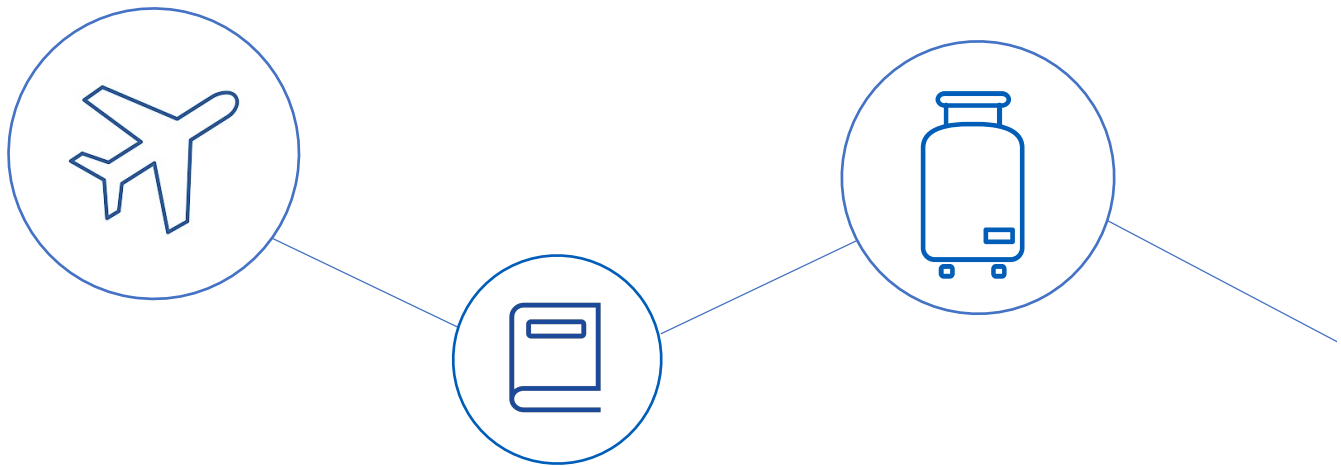HANDELSHØJSKOLEN

Master Thesis, M.Sc. EBA in Strategic Market Creation,

Copenhagen Business School, 2017

# CORPORATE SUSTAINABILITY AS COMPETITIVE STRATEGY

Arguments for Implementing Sustainability
into the Strategy of European Airlines

Author: Maike Lena Röder

Supervisor: Karin Tollin, Department of Marketing

Character count: 78 pages/188.602 characters

Hand-in date: September 15, 2017

# Agenda

# *Abstract*

PURPOSE

Despite the negative effect that the airline industry has on the natural environment, the airline industry is constantly growing. Various initiatives have been taken and are underway in trying to minimize the negative effects, in the industry and by governments. In this thesis, corporate sustainability (CS) is understood broadly including economic, environmental and social aspects. The core question dealt with in this thesis is: Is corporate sustainability a competitive strategy in the European airline-industry, and what are the arguments to further integrate corporate sustainability into the strategies of airlines? Hence, the thesis aims to address the meaning of emphasizing the social dimension of corporate sustainability and outlines arguments to implement CS as a competitive strategy in the airline industry.

METHODOLOGY

Large and globalized firms with a direct impact on the environment usually have high developed CS strategies. I selected the four most important airlines in Europe to examine their commitment level towards Corporate Sustainability with the means of a content analysis of reported social initiatives. Responsibilities from the governance, towards employees and towards society are grounds for categorizing each airline´s commitment levels (Beginning, Sufficient, Satisfying, Sophisticated/Outstanding). After considering social issues of airlines in the press, I needed to adjust my CS scores. Overall, the thesis provides a holistic picture of the phenomenon CS in an interesting and practical way that fosters further engagement and improvement of CS strategies.

FINDINGS

Although the social dimension of CS theoretically bears the potential of building long term competitive advantage, practically it is still given less attention than issues of the environmental and economic dimension. Corporate reports can be a valuable resource for generating an overview of sustainable behaviors of firms. However, different reporting frameworks make it hard to evaluate and compare sustainability strategies. Sustainability strategies vary significantly across the airlines. As no airline has reached an outstanding commitment level towards CS, the airlines do not understand to achieve competitive advantage through creating value for themselves and for the society yet.

# List of Tables and Figures

# 1   Introduction

## 1.1  Relevance of the topic

How absurd -  while huge sections of the Great Barrier Reef, one of the world's most magnificent natural wonders, were recently found to be dead, killed by overheated seawater, in the meantime, climate-change denial becomes increasingly common in the halls of the American Capitol (Hughes et al., 2017). And the denial is wide-ranging.

Transport is a significant and growing contributor to climate change (Gössling, Cohen, & Hares, 2016), and specifically air transport is the fastest growing source of Green House Gas (GHG) emissions. Currently, aviation contributes around 4.6% to the total GHG emissions (Becken, 2007) implying an 87% increase since 1990 (European Commission, 2006). Further, air transport causes 75% of all GHG emissions of all EU tourism transport (Gössling, 2017). Additionally, the exponential demand for aviation services will soon result in an infrastructure crisis in Europe as experts of the industry agree (International Air Transport Association (IATA), n.d.). As the industry grows rapidly, the negative effects it causes on our planet and people also increase. Taken together, these growing gaps between current mobility trends and sustainable transport scenarios (Gössling, 2017) call for immediate global action to curb negative effects of the travel industry as many researchers indicate. Action from whom? While tourists state that air travel has become an integral part of their lives, they know that this privilege conflicts with their social desire of being a sustainable citizen. This leaves the lead role for more sustainable tourism up to the government (United Nations, 2002). Various initiatives have been taken and are underway in trying to minimize the negative effects, in the industry and by governments, such as bringing air transport into EU Emissions Trading Scheme (European Commission, 2006). However, the negotiations' goal has become what is politically possible, not what is desirable. As establishing a global, 'top down' target for stabilizing emissions has failed so far, hitting the Paris Agreement goals still relies on voluntary, 'bottom up' commitments (Geden, 2015). Are companies the ones responsible for reducing negative effects from aviation as tourism's future depends on it? Why and how could airlines sustain travelling? Against this background, I intent to fill the research gap identified by Tollin: "Although a considerable number of companies appear to have embraced the sustainability construct insights into 'why' and 'how' some

companies have embarked on this path (and others not) is lacking." (Tollin & Vej, 2011) Hence, further research that addresses the meaning and implication of sustainability leadership is important (Tollin, Bech Christensen, & Wilke, 2015).

## 1.2 Problem statement and research question

As travelling and sustainability seem like a controversy to me, I conducted three pilot interviews to confirm or reject this consideration. In the interview, seven students replied to twelve open questions about their travel behaviors and attitudes towards airlines (Appendix 3) which can be interpreted as follows: All respondents see travelling as a major goal in life "If I could I would travel ALL the time". They naturally travelled often while the price determined mostly how they travelled. Most student´s opinion about airlines seemed random "I like Star alliance a lot. But I don't know why", "I don't really see the differences". Even if the respondents knew about airlines sustainability initiatives ("What do you mean?") their knowledge was limited to environmental issues as pay a surcharge to travel carbon neutral for example. Clearly everyone was willing to pay extra for travelling more sustainably "I´m in", "Why not?", "I would pay maybe 5%-10% - so for a 40€ Ticket, I would donate 4€". Overall, this pilot interview findings are congruent with the findings from Becken (2007) "If the value of freedom to travel is firmly established in the minds of many tourists and limiting travel is considered unacceptable" as well as with the critique of IATA "Airlines struggle to differentiate themselves, competing on network availability and to some extent on pricing and service" (International Air Transport Association (IATA), 2017). Thus, the core question dealt with in the thesis is:

> *Is corporate sustainability a competitive strategy in the European airline-industry, and what are the arguments for further integrating corporate sustainability into the strategies of airlines?*

In this thesis, the understanding of CS, as a marketing strategy for companies, is broad because as a core essence it contains economic, environmental and social aspects (Tollin et al., 2015). Additionally, CS is used as an umbrella construct including Corportate Social Responsibility (CSR), sustainability development, corporate citizenship, stakeholder engagement, triple bottom line (TBL) and similar terminologies closely related to the approach of Strand, Freeman

& Hockerts (2015) (Strand, Freeman, & Hockerts, 2015). I address the research question by describing first, what initiatives have until now been taken in the airline industry to improve the social quality of life (addressing the social dimension) and secondly, categorize these initiatives into commitment level to finally, reflect on the development of CS at this moment. Hence, the thesis aims to address the meaning of emphasizing the social dimension of CS and reflect on the arguments for implementing corporate sustainability into the core strategy of business. My primary theoretical perspective derives from stakeholder theory as the social dimension of CS mainly deals with the management and treatment of people (CCC). This stakeholder perspective on CS is extended by the resource-based view when adopting CS as corporate branding strategy. Both perspectives stress the necessity of turning the corporate´s culture focus from inside-out to outside-in (Tollin & Vej, 2012) when addressing how CS can be an opportunity for competitive advantage in the European airline industry.

## 2   Theoretical Framework

## 2.1  What is Corporate Sustainability?

CS is a broad concept with complex implications and therefore hard to define (Parmar et al., 2010). Despite half a century of research and debate around the megatrend sustainability managers still struggle to understand what it means to economize sustainably (T. Bansal & DesJardine, 2015; Mihalache & Silvia, 2013). Often sustainability is limited to environmental issues, synonymously used with the term CSR (Jenkins, 2006) or confused with the concept of shared value (T. Bansal & DesJardine, 2015). Especially in the praxis of sustainability, there is no consensus (Windolph, Harms, & Schaltegger, 2014). In the following, the term sustainability and its evolution is explained and on this basic knowledge, the definition of CS is prepared.

### 2.1.1  CS deriving from the construct Sustainability

In 1987, the concept of sustainability was originally created in the Brundtland Report *Our Common Wealth,* named after the Norwegian prime minister Gro Harlem Brundtland, and which was worked out by 'World Commission on Environment and Development' with the aim of preventing the deterioration of environment and natural resources by placing environmental issues firmly on the political agenda (Produced by the Environment Branch of the International

Civil Aviation Organization (ICAO), 2016). This explains why the political term 'Sustainability Development' is traditionally associated with environmental issues and why only increasingly, the term was seen in a broader view (Jenkins, 2006). Harmonizing prosperity with ecology was the challenge of the 1980s and the Brundtland Report can be marked as the birth of 'sustainable development'. But this narrow definition, due to the focus on environmental issues, obscured concerns for human development, equity, and social justice (WHO, 2002).

From a broader view, sustainability is a concept that balances the need for economic growth with environmental protection and social equity (Bradford, Earp, Showalter, & Williams, 2016). This explains why the view of CS is referred to as the ''three-legged stool,'' ''triple bottom line,'' or the ''three Ps'' of people, planet, and profit (Bradford et al., 2016). In 1997, The triple bottom line (TBL) was first put forth by Elkington whose book *Cannibals with Forks* marks another milestone in the evolution of sustainability because he declared the consideration of the TBL as a duty for every company (Elkington, 1997). Long-term sustainability requires that all three dimensions of the TBL are satisfied simultaneously (Dyllick & Hockerts, 2002). In 2002, the running concern over the limits of the sustainability framework was again addressed by the World Summit trough an expansion of the standard definition. The Johannesburg Declaration states that sustainability is "a collective responsibility to advance and strengthen the interdependent and mutually reinforcing pillars of sustainable development—economic development, social development and environmental protection—at local, national, regional and global levels." (United Nations, 2002, p.1)

The term sustainability derives from the Latin word *sustinere* which can be translated into 'to hold something up' (Strand et al., 2015). When acting sustainable we 'hold up' a balanced use of resources and supplies so that the future generations' use is not compromised (Sen & Das, 2013). In other words, the concept of sustainability pressures our generation to balance the short- and long- term supply and demand of resources in a way that secures similar opportunities for our children and further generations. Thus, we capture that the dimension of time is clearly essential when defining CS as Bansal (2015) points out. And Sen and Das (2013) claim as well, to understand sustainability as vision and way of thinking and acting one must see the world as a system that connects space and connects time. Generally, there are two reoccurring key concepts of sustainability: firstly, the ethical concept concerning fighting

poverty and secondly, the idea of 'limitations' of the environment's ability to meet present and future needs.

When transposing the idea of sustainability to the business level, Dyllick (2002) defines "corporate sustainability as meeting the needs of a firm's direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities etc.) without compromising its ability to meet the needs of future stakeholders as well" (Dyllick & Hockerts, 2002). But up until today, researchers and NGOs are still trying to make the definition of the construct sustainability understandable for non-politicians despite its very common usage (Tollin & Vej, 2012). For a comprehensive corporate sustainability strategy, it is crucial to internalize the interdependencies from sustainable development and CS. In this thesis, I will work with the definition of CS as nothing else than Sustainable development incorporated by the organization which contains consequently the same three interacting pillars: economic, ecologic, and social. (Baumgartner & Ebner, 2010)

## 2.1.2  The distinction between CS and CSR

Acting sustainably and feeling socially responsible as a company seems to go hand in hand. Although both phenomena are megatrends today it remains questionable if it is common knowledge what differentiates CS and CSR? While these terms are used synonymously by many, others argue that CSR is an integral part of sustainable development because it implies the same three dimensions: environment, economy, and society (Cowper-Smith & De Grosbois, 2011; I. Freeman & Hasnaoui, 2011). To clarifying how CSR differs from CS, both terms need to be defined more detailed.

The concept of CSR has a long history starting in 1926 when Clark firstly mentions the business obligations to society (I. Freeman & Hasnaoui, 2011). Despite this 80 years of background, the "modern era" with respect to  CSR definitions is marked when Howard Bowen published his book 'Social Responsibilities of the Businessmen' in 1953. In the last three decades the topic´s acceptance increased significantly so that today, the term CSR is recognized worldwide. Despite the overflow of CSR definitions, they describe the same phenomenon, just fail to guide managers on how to challenge this phenomenon (Dahlsrud, 2008). The most often utilized definitions of CSR have been created by the European Commission in the 21$^{st}$ century. The

Commission provided two definitions within one decade: First, in 2001, they determine CSR as ''a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.'' And then, ten years later in 2011, the European Commission redefined CSR as ''the responsibility of enterprises for their impacts on society.'' (Strand et al., 2015).

In the past, the notions of CSR and CS have shown separate paths because of narrowly interpreted definitions: While CS was mostly related to the environment, CSR was mostly referred to social aspects, such as human rights (Lynes & Andrachuk, 2008). Nowadays, CS and CSR have grown into convergence (R. Hahn & Kühnen, 2013) and thus, are treated as synonymous concepts by contemporary literature as well as by companies (Strand et al., 2015; Tollin et al., 2015). Marrewijk (2003) points out the remaining differences: CS focuses on value creation, environmental management, and human capital management in practice while CSR is associated with the moral obligation aspects like stakeholder dialogue and sustainability reporting (Van Marrewijk, 2003). Still, it is reasonable to treat CS and CSR synonymously as the two constructs´ efforts clearly share a common aim: the attempt to broaden the obligations of firms to include more than financial considerations. Neither CS nor CSR is a filler word anymore because by now, society expects that companies aim for much more than profit maximization (Conrady, 2012). Apart from that, 'The Economist' signed off on this umbrella approach when it invoked the phrase ''corporate responsibility - or sustainability or whatever'' in 2008 (Strand et al., 2015). In this thesis, CS and CSR will thus be treated as the same loose umbrella concept.
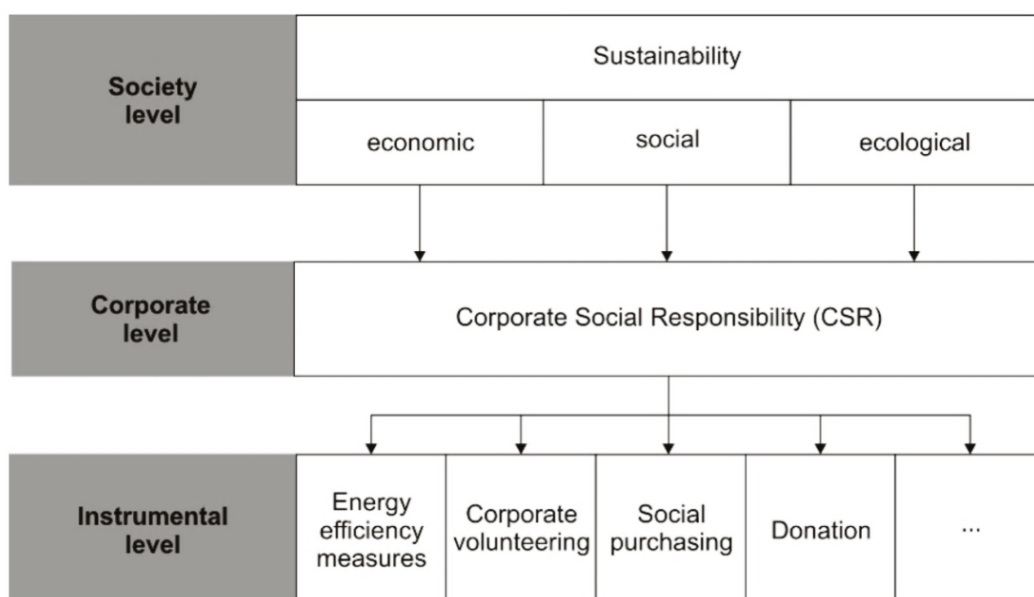


Figure 1 - The three dimensions of Corporate Sustainability by Willers & Kulik

The framework from Willers and Kulik (2011) finalizes the discussion on the definition of both concepts. As it is illustrated in figure 1, the framework embeds the TBL at the Society-, Corporate- and Instrumental level. At the top (society level), there is the broad concept of sustainability, at the corporate level, CSR activities must be adapted to the rapidly changing values and expectations of society, and at the instrumental level, the implementation of the company's responsibility including monetary donations, voluntary employee engagement, or ecological corporate action for example. (Willers & Kulik, 2011)

## 2.2 Why is Corporate Sustainability important and for whom?

Research promises that sustainability will have a huge impact on companies' ways of competing and creating value and thus became a key success factor of companies' long-term strategies (Hart & Dowell, 2011; Porter & Kramer, 2011). However, only a minority of companies have adopted a proactive role in facing environmental and social issues which implies considering stakeholder expectations (Tollin et al., 2015). By definition, CS stresses the relevance of companies proactively, systematically, and holistically taking stakeholders into consideration in their decisions-making from a truly long-term perspective (Bradford et al., 2016). In other words, stakeholder engagement is "at the heart of effective CSR and sustainability" (Strand et al., 2015). Scholars have discussed the relationship between CS (business) and stakeholder theory (society) for decades already but with some shortcomings (Bradford et al., 2016). Most literature on CS is missing the link to theory at all (R. Hahn & Kühnen, 2013). However, Hahn´s et al. extensive literature review helps to identify that those studies that do adopt a theory show a preoccupation with stakeholder theory, legitimacy theory, and to a certain extent institutional theory[1]. Truly, there is an "obvious tie of CS to stakeholder information needs" (Bradford, 2016, p.85) calling for stakeholder theory to explain the importance of sustainability reporting in practice. However, researchers' theoretical approach to pin stakeholder theory onto CS theory without a confrontation of the two theories have muddied the waters of the theoretical debate on CS, especially with regards to practical applications for managers Brown

---

[1] Next to stakeholder theory these two theories are common theoretical frameworks for CS:
- Legitimization theory implies that companies need a "license to operate" to conduct business which depends on the perception of society about the firm's relationship with stakeholders (Parmar, 2010).
- Institutional theory suggests that social norms and institutional expectations create such pressures for organizations that corporations must respond accurately to these increasingly important conventions. (Hahn & Kühnen, 2013; Martin, 2011)

argues (Brown & Forster, 2013). Still, I will focus on anchoring stakeholder theory onto CS instead of combining theories that support CS (another common practice that bears inconsistence research findings due to the lack of a comprehensive theoretical reference point (R. Hahn & Kühnen, 2013) because this link will pave the way for understanding the motivations behind implementing CS strategies.

### 2.2.1 Two paradigm shifts: CS and Stakeholder Theory

Since approximately 30 years, stakeholder theorists have rethought the purpose of the organization in the field of business ethics by discussing if the company is a private association or a public entity promoting the interest of a wide range of stakeholders (Mansell, 2009). Stakeholder theory is one of the major management paradigm shifts in the last century on how to manage firms – next to the corporate sustainability paradigm shift – and traceable to Freeman (Amaeshi, 2006). The definition of Stakeholder theory states that the managers´ duty is not limited to maximizing the firm´s success or profit for the benefit of shareholders exclusively (shareholder theory), but their duty expands to legitimizing the corporation's actions in front of a wider set of appropriate stakeholders as well as considering morals and ethics when dealing with them (Donaldson & Preston, 1995). Thus, from a stakeholder perspective, the reason for businesses engaging in CS grounds on both economic and ethical justifications, and these aspects should blend together in business decisions (Brown & Forster, 2013). The purpose of stakeholder theory is to provide business firms and managers with a powerful organizing tool when establishing corporate strategy by determining how stakeholders should be defined and prioritized (Schwartz & Carroll, 2008). But there is an ongoing debate about this definition and prioritization because there is a broad and a narrow view to this debate. According to Freedman (1984), stakeholders are broadly defined as ''any group or individual who can affect or is affected by the achievement of the organization's objectives.'' Freeman classifies customers, investors, and employees as ''primary stakeholders'' and other groups such as competitors as ''secondary stakeholders.'' (R. E. Freeman, 2010). According to Mitchell et al., the broad version is unrealistically complex for managers to apply (Mitchell, Agle, & Wood, 1997). The "narrow" version is based on groups that are "necessary" for the firm's survival (Schwartz & Carroll, 2008). Rather modern is the view of Lynes & Andrachuk (2008) who suggests that natural environment, as well, is considered one of many stakeholders.

Since the main issue of sustainable development for companies is to balance the multiple and often conflicting interests of stakeholders it is essential that stakeholder engagement and dialogue is at the core of an effective stakeholder relationship management (Amaeshi & Crane, 2006). In this shift from a mono-stakeholder (shareholders) to a multi-stakeholder model for strategic management reporting takes an essential role (Parmar et al., 2010). Indeed, sustainability reporting is increasingly recognized as an important contribution to corporate sustainability (R. Hahn & Kühnen, 2013). By disclosing sustainability information companies aim to improve transparency, enhance brand value, reputation and legitimacy, enable benchmarking against competitors, signal competitiveness, motivate employees, just to name a few motivations. Already in 1988, Elkington recognizes that the pressure from international consumers on business results in the companies´ inability to keep secrets any longer (Elkington, 1997). Like CS, Sustainability reporting is synonymous used with social responsibility reporting or reporting and combines long-term profitability with social justices and environmental concern. While Sen & Das (2013) argue that Sustainability reporting is rather an ongoing journey than a destination, KMPG entitles Sustainability reporting as mainstream and claims that it has reached its 'tipping point' (KPMG International, 2013). Additionally, Colquhoun declares that sustainability reporting is more than "greenwashing" as sustainability is becoming a dominant lens through which the company analyses its business process and practices (Colquhoun, 2016). Due to globalization, new stakeholders and different national legislations are putting new expectations on business resulting in a rapid changing strategy for CS (Dahlsrud, 2008). Business is expected to go beyond regulations and compliance with the law by supporting education and becoming involved in the governance of communities – a role previously occupied by the public sector (Jenkins, 2006). Moreover, stakeholders pressure force companies to internalize all the social and environmental externalities they create (Steger, Ionescu-Somers, & Salzmann, 2007).

## 2.2.2 Motivation for CS: Corporate Branding

The main motivation behind sustainability management (disregarding ethics) is government regulations, stakeholder pressures, and economic profit (Windolph et al., 2014). Though, in literature it has been claimed that governments and regulators are "clearly not a force driving companies towards more corporate sustainability" (Steger et al., 2007). And even the

customers, identified as the most influential stakeholder group by EY, do not exert high pressure on company's engagement in environmental and social initiatives (Ernst & Young, 2014) because their main concern by far is still the product prices. Hence, it is inevitable to look at the motivation behind company´s engagement in CSR activities from an economic stand point. So far, the evidence on the economic motivation behind CS is rather of theoretical nature than of empirical (Brown & Forster, 2013). Comparing researchers´ evidences[2], Lauring and Thomsen claim that legitimacy together with reputation might be overarching 'source of inspiration' for the sustainable engagement of a company (Windolph et al., 2014). In Steger's cross-industrial quantitative analysis (2007) sustainability managers state clearly that brand and reputation is the dominate driver for CSR engagement. Consequently, the economic driver for CS is discussed in the context of the competency "corporate brand management" due to its monumental importance for generating differentiating opportunities from the marketing perspective (Steger et al., 2007).

Corporate branding is the management of the corporate brand and has gained a central role in marketing research stressing for the fact that brands are increasingly seen as key organizational asset (Cunha & Louro, 2001). Brand theorists suggest that the knowledge of a person about a company heavily influences the perception on the company´s products and services (Jenkins, 2004). While a company can suffer from negative brand image, it can also positively link their brand to a socially responsible cause. From this perception-based interpretation, corporate brand is a distinctive image of a corporation not only from the consumer perspective but from all relevant stakeholders of the corporation (employees, customers, investors, suppliers, partners, regulators, special interests, and local communities) which highlights the tight connection to stakeholder theory (Fiedler & Kirchgeorg, 2007). Corporate brand management requires adjustments of corporate vision, culture and image. Moreover, effective brand

---

[2] These researchers suggest similar motivations for CS engagement:
- In Lynes (2008) semi-structured interviews with managers and employees from SAS the most frequently cited motivations for both corporate social and environmental responsibility simultaneously are stakeholder pressures, corporate citizenship and image.
- Brown (2013) finds evidence that CS initiatives can reduce costs and risks to the firm, build firm competitive advantage, enhance reputation and legitimacy, and create synergies.
- Windolph (2014) states that several studies emphasize competitive pressure, branding, or cost advantages as important reasons for sustainability management.

Tollin (2017) clarifies "Sustainability at a corporate level may be addressed from different areas of competences, and subsequently different theoretical fields in the literature (e.g. supply chain management, corporate branding, value creation, product innovation and business model innovation)."

management requires dedication for "self-assessment, responsive attitudes towards stakeholders, and respect for values that attract all parties to the corporation" (Jo Hatch & Schultz, 2003). If the brand is managed effectively, according to Aaker´s assumption that brands are resources for generating and sustaining competitive advantage, brand managers are able to capitalize and realize brand value, i.e. generate superior market performance (Cunha & Louro, 2001).

Parmar also argues, an excellent corporate reputation in the marketplace, defined as "corporate associations which individuals outside an organization believe are central, enduring and distinctive to the organization" (Varadarajan, 2017), can be a source of competitive advantage and increased economic value (Parmar et al., 2010). This seems logical: firms with a favorable reputation for sustainability across its stakeholder groups are more attractive business partners (resulting in a larger selection of better business opportunities and less transaction costs), can enter new markets, and attracting and retaining top talent (ibid). Furthermore, on another dimension of reputation is linked to the customer: A credible corporate reputation is likely to influence customers' brand choice, repurchase, and loyalty behaviors, according to Varadarajan (2017). Besides these promising benefits from the brand as asset, the psychological view of the perception-based brand shows that brand value is a 'soft', complex and intangible concept and thus, bears challenges for two reasons: firstly, the value of brand is hard to measure and validate due to its indirect impact on financial performance of the firm; and secondly, the assessment of CS influence on brand value is difficult to isolate because various other factors have an impact too (Steger et al., 2007); At the same time, the soft nature of brand image is beneficial because intangible resources are more likely to lead to innovation and competitive advantage (CA), as they are more likely to be valuable, rare, inimitable and non-substitutable (Toppinen, Li, Tuppura, & Xiong, 2012).

To sum up the discussion, we refer to argument that CS is not a threat to the achievement of corporate economic goals; Instead, companies can generate significant "brand love" through sustainable commitment and differentiation (Colquhoun, 2016; Uddin, Tarique, & Hassan, 2008). CSR is all about competing in areas where competitive advantage is short-lived like in technology, quality services and price (Mihalache & Silvia, 2013). This discussion shows why researchers emphasize the shift from customer needs to credibility in the center of branding.

Particularly after the financial and economic crisis starting in 2008, it is now up to the Western world´s businesses to rebuilt trust as a top priority and demonstrate responsibly with the means of CSR (Knopf et al., 2010). Considering the most influential branding frameworks, a change to a more inclusive approach compared to the strong customer focus that is present today seems necessary. Not only consumer wants and needs should shape marketing strategies but also social, economic and ecological drivers must also play a vital role to achieve a switch in focus from short term gains towards long-term visibility in the market place (Crittenden, Crittenden, Ferrell, Ferrell, & Pinney, 2011). Hence, a strong obstacle in integrating sustainability into branding frameworks is to include more drivers than just customers' needs and wants (ibid).

## 2.3 How to implement Corporate Sustainability

The business role regarding responsibility traditionally defined as a need to eliminate the negative effects of business is a defensive approach that belongs in the past because it became clear (from the previous sections) that responsibility can be basis for opportunity (Baumgartner, 2014). If responsibility is linked to opportunity, CS can be source of value creation for business and society simultaneously, as Baumgartner (2014) predicts. However, it seems that corporations implement sustainability issues coincidentally instead of following a clear strategy designed to improve performance (Baumgartner & Ebner, 2010). Indeed, no academic literature on this exists and thus, there is not sufficient knowledge about how corporations could manage the complex CSR-performance link - although, opportunities, risks, and obligations regarding sustainability needs have long been identified in literature, Baumgartner (2010) criticizes. Yet, challenges like climate change, resource depletion, and global poverty prompt business leaders to attempt creating "a form of commerce that uplifts the entire human community in a way that respects both natural systems and cultural diversity" (Hart & Dowell, 2011).

### 2.3.1 CS as resource for Competitive Advantage

Stuart L. Hart is one of the first studies to apply Resource-based view (RBV) to CS in 1995, arguing that corporate´s environmental and social responsibility is resource or capability[3] that

---

[3] In line with RBV), resources are defined as anything that the firm possesses which can be physical (land, money, machines) or intangible (reputation, brand value, skilled employees, innovation and knowledge). A capability, in contrast, is defined as the firm´s ability to deploy resources or in other words, to perform (e.g. visualize, plan, and implement strategies and improve its efficiency and effectiveness). (Barney, 1991

leads to a sustained competitive advantage and thus, leads to superior firm performance. The resource-based view (RBV) emphasizes the firm´s internal processes but originally did not include the firm´s connection to its natural environment. Though, this connection will be of immense importance in the future, Hart predicts by stating in 1995 "it is likely that strategy and competitive advantage in the coming years will be rooted in capabilities that facilitate environmentally sustainable economic activity - a natural resource based view (NRBV) of the firm". From the NRBV, the outcome of being a mindful firm aware of the potentially scarce nature of environmental resources is the motivation to develop additional capabilities and engage various innovative practices. (Hart & Dowell, 2011) Since in rapid changing environments intangible recourses are not sufficient to preserve competitive advantage anymore, organizational capabilities , or also called dynamic capabilities, to innovate become necessary.

The idea of 'sustainability oriented innovation' is defined as innovation that has "a positive overall net effect on the organization" (Hansen et al., 2009, p.687). Concretely, sustainable innovations capability allows the firm to integrate, build, and reconfigure internal and external sustainability–related resources to develop new products, processes, and practices, and modify existing products, processes, and practices, and thereby significantly reduce the impact of its activities on the natural environment (Varadarajan, 2017). It embraces considerations such as the physical product life cycle and the inclusion of a variety of stakeholders in the innovation process (e.g., suppliers and customers). Varadarajan´s framework is aligned to Bansal´s (2005) findings on more positive relationships: The resource-based view (RBV) of the firm supports a positive relationship between a high level of sustainable innovations orientation and product innovation performance, and sustainable innovations orientation and process innovation performance (Bansal, 2005).

From a managerial perspective, "Corporate sustainability management is more than adding another parameter to manager´s decision. It requires the integration of sustainability dimensions into the planning, processes, and other activities of a company on all levels of management, the normative, strategic, and operational levels" (Tollin et al., 2015), one of the interviewed managers answers. Although academic papers postulate a cross-functional implementation, Windolph reveals that sustainability management is not implemented as a

cross-functional task in practice (Windolph et al., 2014). One reason could be that this integrated view of CS (Appendix 1, b) and its implication in the context of corporations is relatively new (Toppinen et al., 2012). Also, managerial decisions on the corporate´s sustainability orientation and its relevance always depend on the actual business situation and the contextual factors (Baumgartner, 2014; Varadarajan, 2017). Factors that significantly influence the implementation of CS and are positively related to corporate sustainable development are the following as Bansal (2005) finds out[4]:

- International experience – A firm's international experience will become valuable source to comply with increasingly complex (natural resource) regulations, and are better at developing organizational structures and systems that allow coordination across different regulatory structures

- Media pressure – The total amount of media coverage raises the firm's visibility. The threat of negative media publicity pressures firms to commit to sustainable strategies

- Mimicry – Firms will likely mimic the reported sustainability strategies of their peers to reduce uncertainty and avoid financial sanctions

- Organizational size – larger firms need to legitimize actions in front of more media and larger stakeholder groups

## 2.3.2  Management and Planning of CS strategy types

As mentioned above, an "integrated view" on CS implies to implement all CS dimensions on each level of management, according to Baumgartner (2014). On the normative management level, the fit between sustainability engagement and organizational culture are questioned and then it should be evaluated whether the culture is open or restrictive and defensive regarding sustainable development. On the strategic management level, sustainability dimensions are considered in the Strength-Weakness-Opportunity-Threat analysis of the firm with the aim to develop an effective corporate sustainability strategy (table 2). And finally, on the operational management level, necessary projects and activities for corporate sustainability are implemented and carried out in the different corporate functions like materials management, logistics, production, maintenance, marketing, communications, and human resources policies.

---

[4]  Similar corporate characteristics that influence CS positively have been also identified by Toppinen including country of origin, company size, profitability, sector, stakeholders, and media. (Toppinen, 2012)

Aligned with Baumgartner´s framework (2014) about managing different CS strategy types, the following decision framework give managers guidance when strategically plan CS (figure 2).

Figure 2 – Strategically planning of corporate sustainability by Baumgartner (2014)

| 1. DECIDE ON BASIC STRATEGIC ORIENTATION | |
| --- | --- |
| Passive<br>(Introverted – risk mitigation strategy: focus on legal/external standards concerning environmental and social aspects to avoid risks for the company) | Active<br>(reactive or proactive) |

| 2. PLAN (LONG-TERM) SUSTAINABILITY OBJECTIVES AND ACTIVITIES | |
| --- | --- |
| Using forecasting: SWOT analysis and future developments are anticipated | Using backcasting: first define a desired future state and afterwards plan actions to achieve this desired state (more suitable) |
| Design strategic measurements and activities using classic approaches for strategy development. | |

| 3. DEFINE ACTIVE STRATEGY TYPE* | | |
| --- | --- | --- |
| Extroverted<br> – Legitimating strategy: focus on external relationships, license to operate | Conservative<br> – Efficiency strategy: focus on eco-efficiency and cleaner production | Visionary<br>– Holistic strategy: focus on sustainability issues within all business activities; competitive advantages derive from differentiation and innovation |

| 4. BE AWARE OF PERSPECTIVES | |
| --- | --- |
| Conventional visionary strategy<br>– Outside-in perspective: if sustainability issues lead to market advantages, they are part of the strategic management | Systemic visionary strategy<br>– Inside-out perspective: from a resource based view the sustainability strategies are deep seated in the normative level of the company |

*The strategy type must support the basic competitive strategy of the company to contribute to the strategic position of the company in the market to finally, secure and increase the economic success.

Baumgartner gives further advise: Only if the context-specific relevance of sustainable development for the company has been identified previously, the decision framework on the strategic management level is applicable to different organizations of different sizes in different sectors. After applying the decision framework, managers need to ensure the initiation of innovation and continuous improvement across all relevant functions on the operational level when setting up a clear sustainability strategy. (Baumgartner, 2014)

## 3 Managing the Social Dimension of Corporate Sustainability

### 3.1 What is the social dimension of CS?

Although social responsibility is the newest of the three dimensions of corporate social responsibility, it is previously getting more attention and many organizations increasingly address social concerns. When a knowledgeable manager expands the definition of CS outside of the 'green' it enables him to see the opportunity of sustainability as an integral part of value creation. The challenge of implementing CS is: For a comprehensive corporate sustainability strategy (Appendix 1, e) it is necessary to consider all the following sustainability dimensions, their impacts, and their interrelations (Baumgartner & Ebner, 2010):

- The economic dimension (or generic dimension) of CS embraces general issues of an organization that must be implemented to remain in the market for long time. Baumgartner suggests that the management should not focus only on the tasks that show immediate financial results but tasks that lead to increased financial and sustainability results in the long-term. These generic tasks include: Innovation and Technology, Collaboration, Knowledge management, Process, Purchase, and Sustainability reporting.

- The environmental dimension (or ecologic dimension) concerns the impacts caused by resource use, and emissions into air, water or ground, as well as waste and hazardous waste, not only caused during the production but also over the product life cycle. The higher the commitment level for environmental strategies is the more it should be concentrated on causes rather than on effects. However, eco-efficiency bears only short term improvement because usually it saves easily costs in the starting phase; but in the following years it becomes harder and harder to find further improvements.

- The social dimension CS is all about the corporate´s consciousness of responsibility for its own actions as well as a credible commitment in all business activities, aiming to stay successfully in the market for a long time. The main purpose of social initiatives is to positively influence all present and future relationships with stakeholders.

(Appendix 1, f)

Defining the social dimension of sustainability is challenging for corporate practitioners, due to its intangible, qualitative nature and lack of consensus on relevant criteria (von Geibler, Liedtke, Wallbaum, & Schaller, 2006). Baumgartner (2010) and von Geibler (2006) both identify social issues by considering existing classifications, for example the GRI Reporting Guidelines. Both authors identify similar eight aspects concerning the social dimension of CS. Baumgartner´s listing shows clearly the significance of both, the internal and external stakeholders. Uddin´s categorization of the social aspect according to responsibility towards customers/employees/community (Uddin et al., 2008) is also valuable. He defines the social dimension as "Social responsibility means being accountable for the social effects the company has on people - even indirectly" (p.205). Uddin´s definition of responsibilities towards customers include, for example, tasks such as providing good value for money, the safety and durability of products or services, standard or after-sales service, prompt and courteous attention to queries and complaints, adequate supply of products or services, fair standards of advertising and trading, and full and unambiguous information to potential customers (ibid). To provide a comprehensive overview of the social aspects of sustainability, I have chosen to compare aspects identified by all three authors, Baumgartner (2014), von Geibler (2006) and van Marrewijk (2003) as shown in table 1. As some aspects are congruent, I integrate several ones into one group so that table 1 shows eight distinct groups of aspects in the social dimension of CS.

| Aspects of the social dimension of CS as identified by Baumgartner (B), von Geibler (G), van Marrewijk (M) divided into eight content groups including examples | |
|---|---|
| Internal stakeholders (responsibility from governance, towards employees) | |
| 1 | - Corporate governance (B): Corporate transparency in all activities, BoD structure<br>- People management (M): Participatory or interactive people management<br>- Knowledge management (G): Employee involvement in decision-making |
| 2 | - Health and Safety (B, M): Guarantee that no health and safety risks occur at work<br>- Quality of working conditions (G): Employee Programs to prevent dangers/to stay fit |

| | |
|---|---|
| 3 | - Working environment (M): Awareness of needs, claims and motivation of employees<br>- Motivation and incentives (B): Incentives and reward systems for sustainability issues |
| 4 | - Employment (G): Creation and safeguarding of jobs<br>- Human capital development (B): Permanent education, mentoring, training<br>- Innovation potential (G): Contribution to scientific debate, number of patents<br>- Diversity (M): Policies for emancipation of women, colored people and minorities |
| | External stakeholders (responsibilities towards the community) |
| 5 | - Ethical behavior and Human rights (B): Culture of respect, fair rules/profit allocation<br>- Work ethics and globalization (M): Seriously considering stakeholders' ideals/needs |
| 6 | - No controversial activities (B): Not holding shares that are defined as not sustainable<br>- No corruption, nor cartel (B): No manipulation, no rule-breaking, no price-fixing |
| 7 | - Product acceptance and societal benefit (G): social standards in the supply chain<br>- Consumers (M): Good value for money, durability of products, after sales service<br>- Suppliers (M): Together win approach with suppliers, quality control external verified |
| 8 | - Corporate citizenship (B): Conservation of national subsidiary, increase social lifestyle<br>- Societal dialogue (G): Participation in sustainability activities for the local community |

Table 1 - Grouping aspects of the social dimension of CS as identified by researchers

Satisfying each stakeholder group is an important business strategy because, because it allows the company to (re)gain trust from consumers, better signal the company´s (potential) suppliers reliability which is important for business partnerships, and to earn respect from employees. Additionally, NGOs increasingly want to work together with companies seeking feasible solutions and innovations in areas of common concern (Uddin et al., 2008). Furthermore, Uddin (2008) claims that the social dimension of sustainability allows companies to maximize their commitment to all stakeholder groups which is especially beneficial for investors. He concludes: "The winning companies of this century will be those who prove with their actions that they can be profitable and increase social value" (ibid).

## 3.2  How to manage the social dimension of CS?

Whereas environmental management systems have a longer history in organizations, the management of social issues by corporations has only become a more significant concern since the mid-1990s, when the concept of the triple bottom line emerged and social issues become more prominent among corporate leaders (Elkington, 1997). Mihalache (2013) explains: The impact of companies' activities on the community is an excellent catalyst for social accounting

due to their impact on increasingly important intangible elements of value for an organization, such as brand, customer loyalty, and license to operate. Still, managing social issues remains a challenge: Social issues are generally more complex and harder to objectively quantify and the role of the corporation in addressing them is somewhat less clear than for environmental issues (Toppinen et al., 2012).

Carroll´s well-known model of the "CSR Pyramid" (Appendix 1, a) creates a framework that helps to characterize the nature of businesses' responsibilities to the society of which it is a part (Carroll, 2016). Her stakeholder perspective, also helps to understand the scope of the manager's decisions on social initiatives in society. Carroll (2016) suggests that the set of four social responsibilities constitute total CSR: economic, legal, ethical and philanthropic. While at the bottom of the pyramid economic responsibilities of business to the society serves as foundation to sustain, on top of it are the philanthropic responsibilities including giving activities that are not required by law, and not generally expected. It means for example to contribute facilities and human resources for humanitarian programs, or to contribute financially in arts, education, sports or community, or to promote human welfare. These voluntary activities meet community's desire of a company as good corporate citizen, and are not expected by the community like ethical responsibilities (Mihalache & Silvia, 2013). A company´s decision to pursue philanthropic responsibilities can be of strategic, ethical or altruistic nature (Schwartz & Carroll, 2008).

A series of high profile public controversies in the 1990s involving multinational corporations such as Shell, Nike, The Gap, and others have put the social dimension of sustainability back into the light. Worst case scenarios are for example, Shell Oil's decision to sink the Brent Spar, an obsolete oil rig, in the North Sea or Nike´s abusive labor practices at Indonesian suppliers in the early 1990s (Brown & Forster, 2013; Martin, Johnson, & French, 2011; von Geibler et al., 2006). Hence, managing reputational risk has become a serious concern for corporations. Mostly due to the growing importance of social issues in business, the United Nations initiated The Global Compact promoted in 1999 good practices by corporations by articulating ten principles that cover human rights, labor, and environmental issues and state (Appendix 1, h).. The Global Compact principles have been widely adopted by multinational corporations demonstrating the importance of the social dimension of CS once again. The Global compact

doesn´t solely list the principles but include a clear guidance on "What does it mean", "Why should companies care" and "What can companies do" for each principle.

### 3.2.1  Levels of commitment to CS

Marrewijk points out there is no "one solution fits all" concept of CS. Every company has the opportunity to create added value resulting in different levels of commitment to CS (Van Marrewijk, 2003). These commitment levels (also called ambitious levels, development levels or maturity levels) have been assigned different sustainability tasks as by researchers. So far, inappropriate managerial attempts to respond to the CS challenge let different strategies at various development stages emerge. In table 2, I combine Marrewijk´s different interpretations of CS (2003) with Carroll´s business responsibilities (2016) as well as with Baumgartner´s maturity levels of CS (2010). The matrix serves as self-assessment tool for managers or an evaluation tool as in case of this thesis.

| Interpretation of CS by Marrewijk | Carroll´s business responsibilities | CS maturity level by Baumgartner |
|---|---|---|
| Compliance-driven CS | Legal responsibilities: CS is perceived as a duty and obligation, or correct behavior | Beginning |
| Profit-driven CS | Economic responsibilities: CS is promoted if profitable, for example because of an improved reputation in various markets (customers/employees/ shareholders) | Elementary |
| Caring CS | Ethical responsibilities: Top managers believe that human potential, social responsibility and care for the planet are as such important | Satisfying |
| Synergistic CS | Ethical responsibilities: Stakeholder and top-management finds that sustainability is important in itself, especially because it is recognized as being the inevitable direction progress takes | Sophisticated |
| Holistic CS | Philanthropic responsibilities: Each person or organization has a universal responsibility towards all other beings | Outstanding |

Table 2 - Relating the categorization of CS strategies from three researchers to each other

Additional to the matrix reflecting different categorization models of the development of CS, table 3 and table 4 provide an evaluation framework and guidance for managers who aim to achieve a certain commitment level of CS. For every social aspect identified by Baumgartner and Marrewijk specific initiatives and norms are listed for each of the five commitment levels of CS. While table 3 addresses social aspects concerning internal stakeholders, table 4 addresses social aspects concerning external stakeholders. From an economic view, the optimum level of commitment to CS is remarkably debatable (Steger et al., 2007). Many researchers have found out that the nature of the relationship between sustainability performance and the financial performance is nonlinear and can even change. They argue that sustainability improvements pay off financially in the beginning but then become costly when companies are trying to achieve a zero-emission goal for example, resulting in a U-shaped relationship. Apart from this debate, a proactive sustainability strategy is associated with high-order learning, a corporate capability possibly resulting in competitive benefits such as for efficiency, productivity and continuous innovation (Sharma and Vredeburg 1988). Hence, when I later utilize table 3 and 4 to evaluate the commitment levels of Europe´s largest airlines I assume that the more proactive or more committed towards CS a company is, the more capability it has for innovation-orientation and opportunity for better performance.

In Appendix 2, I present a full evaluation framework including the criteria of all social aspects for each commitment level towards CS as identified by Baumgartner and Marrewijk. The two tables present which criteria to fulfill to reach a higher level of commitment towards CS, one for responsibilities concerning internal stakeholders and one for responsibilities concerning external stakeholders. Due to their extensive size the tables are moved to the Appendix:

<div align="center">

**Table 3 - Criteria of all social aspects for each commitment level towards CS
as identified by Baumgartner and Marrewijk; internal stakeholders**

**Table 4 - Criteria of all social aspects for each commitment level towards CS
as identified by Baumgartner and Marrewijk; external stakeholders**

</div>

### 3.2.2 Integrating Business and Society

Porter and Kramer propose a new perspective on the relationship between business and society because they claim that CS efforts become counterproductive when forgetting that corporate success and social welfare are interdependent (Porter & Kramer, 2006). They say

that business and society need each other is more than a cliché, it is the truth. Successful corporations need a healthy society: Education, health care, and equal opportunity are essential for a productive workforce. At the same time, a healthy society needs successful companies. Porter and Kramer further suggest that a highly-developed CS strategy is not only anchored on the strategic level of the firm, as explained above, but also requires an understanding of the interrelation of business and society. Their perspective that business and society must be integrated can help companies out of the current confusion about corporate responsibilities and help to realize shared value by making choices that are beneficial for both sides. When managers choose which social issues to prioritize they must consider outside-in and as well as inside-out linkages between society and business to transform defensive, responsive CS into a strategic, integrated CS. However, the truth is that up until today, only few firms have "truly embedded the sustainable practice into their operations" (Ernst & Young, 2014). Parmar agrees, advanced CS managers should not ask "How can the company do more good works?" – even though doing more good is never a bad idea – but need to ask "How does this company make customers, suppliers, communities, employees, and financiers better off? How can we work together to create value for each other?" Thus, Parmar also calls for an integrated approach to social, environmental and economic issues (Parmar et al., 2010).

"The integrative view on corporate sustainability argues thus that firms need to address economic, environmental and social aspects simultaneously without, a priori, emphasizing one aspect over another—even if this entails tensions and conflicts." (T. Hahn, Pinkse, Preuss, & Figge, 2015). Hahn et. al. (2015) identify further implications for managers: Instead of ignoring tension intensive situations with secondary stakeholders like NGOs, where environmental and social aspects cannot be aligned with financial outcomes or solved through market transactions, managers need to embrace these tensions and discuss some selected ones with the aim to explore and manage different resolution strategies. Altogether, managers that follow 'the integrative logic' might implement the most proactive corporate sustainability strategies simply through accepting tensions (ibid). Overall, the new integrated approach of CS, in which business and society are intertwined, follows a pragmatic approach because it focuses on managing the company´s stakeholder relationships as a key task of success. Further, Porter and Kramer (2011) believe that companies are responsible ones for taking the lead in bringing business and society back together. To achieve that, companies must see opportunities and

decisions through the lens of a principle called 'shared value' – a principle leading to the next transformation in business thinking, the authors claim. Companies can create shared value by creating economic value in a way that also creates value for society by addressing its needs and challenges. In other words, it can be created by better connecting companies' success with societal improvement. Result is that companies open up to multiple ways to serve new needs, gain efficiency, create differentiation, and expand markets. The authors notify that value is defined as the benefits relative to costs and not benefits alone. Consequently, the principle of shared value is the solution to legitimize business again. (Porter and Kramer, 2011)

### 3.2.3  Transparency of CS

One of the most successful approaches to manage social issues is stakeholder dialogue. Amaeshi explains: stakeholder dialogue or stakeholder engagement at the core of effective stakeholder relationship management is essential as the main issue for sustainable development concerns primarily the choices companies make between the conflicting interests of stakeholders (Amaeshi & Crane, 2006). Of course, data and reporting is a necessary basis for management decisions on trade-offs of different stakeholder interests because you cannot monitor what you do not measure. In that sense, for a socially sustainable company it is key to implement a transparent dialogue that seems fair and trustworthy for all stakeholder groups in order to derive value from its social initiatives (Dyllick & Hockerts, 2002). Stakeholder´s demand for transparency and accountability have pushed many companies to report externally on their CS activities (Bradford et al., 2016). In the past two decades, there was a "significant increase in the amount of information disclosed about environmental and social activities undertaken by companies" (Toppinen et al., 2012). If stakeholders are not aware of corporate social and environmental behavior the returns to such behavior are limited. However, when stakeholders were aware of it they would react positively to corporate responsibility, according to Sen et al. To put it in a nutshell, these studies suggest that firms should try harder building their reputations through the promotion and communication of social initiatives to their stakeholders.

A company who fails to engage in sustainability reporting could suffer from a negative effect on its performance, reputation, and the ability to raise capital (EY 2014). For example: Results indicate that firms higher in social performance are more attractive employers than firms lower in social performance. Of course, potential applicants need to be aware of firms' corporate

social performance first, so that those with more positive ratings may have competitive advantages by attracting more potential applicants (Bradford et al., 2016). However, gaining awareness is difficult because stakeholders are often reluctant to read too much into this information which makes the understandability of the reports particularly relevant for the willingness of users to read the reports, Bradford argues. One reason for this reluctance is that sustainability reporting is more consistent with image management than with rendering veritable accounts of actual social and environmental effects of corporate activities.

## 3.3  Best practices of implementing social initiatives

In this chapter, best practice examples of successful implementations of CS strategies serve as inspiration for other company´s how to improve their CS strategy further. Grant knows, when putting resources and capabilities to practical work, one must assess the intangible asset´s strength and weakness (Grant, 2016). Benchmarking is a powerful tool for an objective analysis of capabilities relative to the ones of competitors. "By systematically comparing processes and activities with those of other firms, benchmarking allows a company to make an objective appraisal of its capabilities" (Grant, 2016, p.142) . Porter and Kramer identify the following six firms have distinguished themselves through an extraordinary long-term commitment to social responsibility and I add one best practice example out of the transport industry:

- Nestlé Milk District Model: Nestlé works with more than 600 000 farmers, mostly small farms, with the aim to do more for the farmers and communities on the one hand, and on the other hand to have a reliable, safe and high-quality milk supply for their products. Nestlé´s Milk Districts and dairy industries has been adopted in 30 countries, including developing countries such as Colombia, India, and Pakistan. In Moga (Africa) for example, Nestlé´s knowledge transfer has helped to reduce the calves' death rate by 75% and to increase the milk production 50-fold. As the milk quality improved, Nestlé could pay higher prices to farmers than the government. It is a win-win, or shared value, situation on a wide scale: While Nestlé contributes to poverty reduction, they improve nutrition generally and for their products. (Porter & Kramer, 2006, p.12)

- Toyota´s Prius: Toyota's early introduction of the hybrid-engine car Prius tackled the public concern about auto emissions. The Prius has not only significantly reduced pollutants and serves worldwide customer needs, it has also given Toyota a unique superior position over rivals in hybrid technology which fits comfortably to the

company´s genetic mission and vision. Toyota has set the technology of the environmental friendly and innovative car model Prius as the world standard. (Porter & Kramer, 2006, p.1)

- Ben & Jerry's "Caring Capitalism": The first CSR report is regarded as having been issued by Ben and Jerry's Ice Cream in 1989 (Sen & Das, 2013). The founders of the premium ice cream Ben Cohan and Jerry Greenfield redefined corporate philanthropy. A caring company culture have been established because Ben & Jerry's began rewarding their employees with profit-sharing programs, free health club memberships, day-care service and college tuition aid. The Ben and Jerry´s Foundation donates 7.5 percent of the company's pre-tax profits to nonprofit charities nationwide. The Foundation mission is to engage employees in activities for social and environmental national justice and awards about $1.8 million annually to eligible. (The Entrepreneur, 2008)

- Patagonia product life-cycle: The company´s mantra — Reduce, Repair, Reuse, Recycle – demonstrates commitment to sustain the entire product´s life cycle. Patagonia promises to make long-lasting products, fix broken equipment, help to rehome gear that is no longer needed elsewhere, and accept/retool worn-out consumer items. In 1994, they made the decision to take a stand against chemically intensive cotton and switch to organically grown cotton throughout their active sportswear line. Patagonia works with suppliers that make high-quality materials while reducing their environmental footprint, and inspects factories to ensure fair labor practices and good working conditions. The retailer´s vision to "use business to inspire and implement solutions to the environmental crisis" serves as role model in the textile industry. (Patagonia, 2007)

- Unilever´s Project Shakti: For Indian´s rural areas Unilever has developed a direct-to-home distribution system which is run by underprivileged female entrepreneurs. The 45,000 entrepreneurs cover around 100,000 villages across 15 Indian states. Project Shakti helps communities not only by giving access to hygienic products to fight communicable diseases but also gives women skills through the Unilever´s training and microcredits which doubles the income of these women. In the meantime, project Shakti accounts for 5% of Unilever's total revenues in India and has extended the company's brand awareness in media-dark regions. We conclude again, Unilever has

created shared value by meeting the needs of life-struggling communities while enabling economic value from hard-to-reach consumers. (Porter & Kramer, 2011)

- Johnson & Johnson´s health benefits: Today it is common knowledge that costs from lost workdays, diminished employee productivity, and poor health often exceed the costs for health benefits for employees. By helping their employees to stop smoking (50% did) and by implementing numerous other wellness programs, the company has saved $250 million on health care costs and their workforce become more productive. (Porter & Kramer, 2011)

- Maersk´s Slow Steaming: A ship that reduces speed by 20% will use 40% less fuel, thereby reducing $CO_2$ emissions correspondingly. When Maersk Line decided to cut $CO_2$ emissions per container by 12.5% from 2007 to 2009, and by 25% in 2020, the concept of slow steaming took off. The concept implies adding 1-2 vessels per container, which not only reduces $CO_2$ emissions but is also a win-win-win situation. Slow steaming is a concept for the future because it is better for customers (higher degree of certainty), better for the environment (over the last 1½ year reduced Maersk Line's $CO_2$ emissions by about 7% per container moved), and better for our business (Schedule reliability improves leading to 77% on-time performance score with the closest competitors ranging from 59% - 64%). (Maersk, 2010)

## 4   Methodology

The central objective of the chapter is to connect the previous theoretical framework with the following empirical data. Each of the sections cover explanations for the chosen method. Guided by the question "Is corporate sustainability a competitive strategy in the European airline-industry, and what are the arguments for further integrating corporate sustainability into the strategies of airlines?", this research was designed to identify specific social initiatives implemented in the airline industry and their level of commitment. The data was collected from the airlines' environmental or CSR reports (free-standing or published jointly with annual financial reports) available online.

## 4.1 Philosophy of science and research objective

Positivism and Interpretivism are the two basic approaches to research methods in Sociology. While Positivist prefer scientific quantitative methods, Interpretivists prefer humanistic qualitative methods. (Payne & Payne, 2004) Additionally, new philosophical movements exist, such as Realism and Pragmatism, driven by Thomas Kuhn "paradigm shift" on how to see the world. Within qualitative research, an alternative to Interpretivism is Pragmatism. The two philosophies Interpretivism and Pragmatism are distinct in their research objectives: When a qualitative researcher adopts an interpretive stance he or she aims towards an understanding that is appreciated for being interesting; When the researcher adopts a pragmatist stance he or she aims for constructive knowledge that is appreciated for being useful in action (De Vaus & de Vaus, 2001). Further, the Interpretivist paradigm implies that the implications drawn from the research cannot be generalized or perceived as norms, as each case is unique (in accordance with the nature of interpretivism). In the interpretivist (social constructivist) school the ontological assumption on the nature of reality is that multiple realities exist, which are socially constructed by individuals (Corbin & Strauss, 2008). The Interpretivism-view of the world is necessary when I in-deeply assess the phenomenon CS (definition and development). As the different motivations underlying the social initiatives from airlines and its reporting are not easy to detect, I must interpret subjectively the commitment level of CS.

The following four levels of knowledge can all help to answer the research question how to manage the social dimension of corporate sustainability: Exploratory – What is this? Ask: What, who, how many; Descriptive – How does it look like? Ask: How; Explanatory – Why is it this way? Ask: Why; Normative – How can it be different? Ask: How. Exploratory research is used to examine "two or more contrasting cases" and "can be used to highlight differences similarities between them, leading to a better understanding of social phenomena" (Walliman, 2006). Descriptive research is sometimes dismissed as "just getting the facts", but this type of research is often the fundament of our knowledge of the shape and nature of society. The descriptions can be concrete (female rate in management positions) or abstract (commitment level of CS). When the description is good, the next step, asking the "why" question of explanatory research, is provoked. (de Vaus, 2001) Thus, explanatory research is another kind of descriptive research, which moves beyond getting the facts and tries to make sense of human, political, social, cultural and contextual elements involved (Walliman, 2006). As I aim

to explore the CS commitment level of the four largest airlines in Europe, I firstly need to describe the social initiatives they report. These two types of research combined help me to provide both, an understanding of the development of CS and its state-of the art for large European airlines.

## 4.2  Research Design

"The function of a research design is to ensure that the data that are obtained enable us to answer the initial research questions as unambiguously as possible" (De Vaus & de Vaus, 2001, p.1). In other words, without researchers knowing from the start, which methods are appropriate to collect data, no strong conclusions can be drawn in the end. My research design is not fixed but flexible, as it evolved over time. The capacity for flexibility is "one of the strengths of qualitative … to evolving circumstances as they naturally occur" (Payne & Payne, 2004, p.176).

### 4.2.1  Mixed research approach

For this thesis, I use a retroductive approach of social research combining deduction and induction as shown in figure YXY. The retroductive approach contains the interplay of starting the analysis with social theory (deduction) and evidence (induction) with the purpose to give the most adequate analysis of social reality (Ragin & Amoroso, 2010). See figure CY to follow the structure of the thesis chapter by chapter.

Chapter 2, 3, 5: Conceptual Framework - The social theory behind this paper can be divided into two parts. In Part A, a literature review on the definition and development of CS fosters an understanding for the three-dimensional mega trend CS and its different strategy types. In Part B, I provide a framework to assess how committed a company is towards the social dimensions of CS and give guidance on how to implement social initiatives. In both parts of the theory, I use research by Baumgartner for explaining CS strategy types (Introverted, Extroverted, Conservative, Visionary) and descriptive criteria for each commitment level towards CS. Moreover, an analysis of the air travel Industry ensures that the reader understands the regulations and risks that Airlines CS managers are facing. The two theoretical parts serves as source of knowledge on the state of the art of CS.

Figure 3 - Structure of the thesis

| Working experience |
|---|

| Pilot Interview | Pilot Interview | Pilot Interview |
|---|---|---|

| Problem Statement |
|---|

| Literature Review on CS | Managing social issues in theory |
|---|---|

| Industry Analysis |
|---|

| Theoretical evidence |
|---|

**Testing theoretical**          **Deduction**

| Case Study 1 | Case Study 2 | Case Study 3 | Case Study 4 |
|---|---|---|---|

**Building evaluation**          **Induction**

| Categorization of commitment levels |
|---|

| Development stage of CS |
|---|
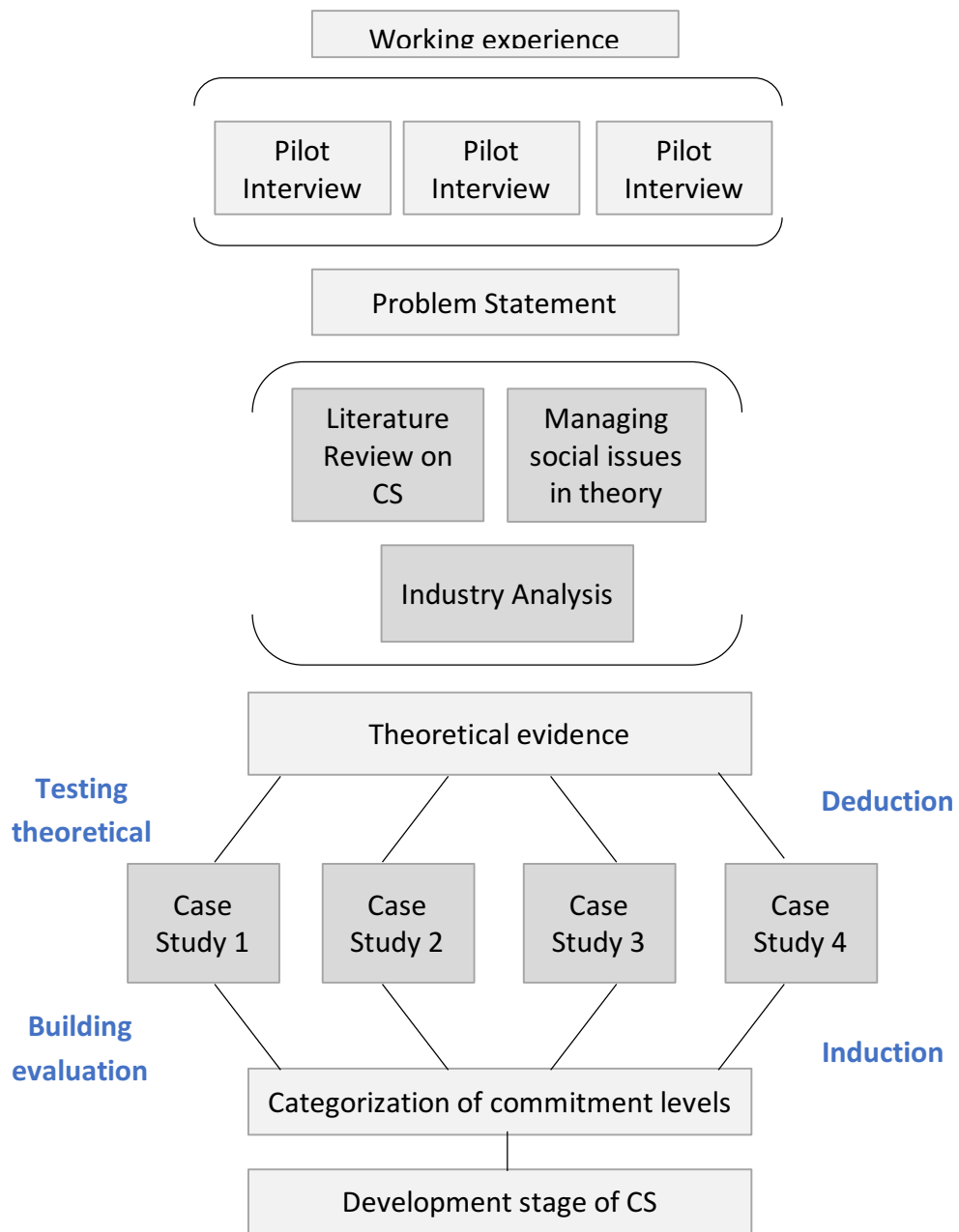
Chapter 6, 7: Empirical Findings and Discussion

This thesis uses inductive and deductive reasoning for a two-folded analysis. Firstly, a content analysis of the airlines social initiatives towards internal and external stakeholders is given. This content analysis grounds on the different types of reports that the airlines or its parent company publishes. Information on the airlines websites are additionally taken into account with the aim to reflect examples of each social responsibility issue. With the description of the social initiatives I test in which level of commitment the respective airline can be categorized. Using only deductive research leads to conclusions whether the airlines fit into the developed commitment levels. However, it does not include any further implications for CS managers on

how to improve their CS strategy. Therefore, I attempt to investigate inductively whether one can observe patterns of commitment towards CS. Hence, by using a retroductive approach in combining deduction and induction, this paper aims at producing scientific evidence about how corporations manage to implement CS strategies and explain what it means for the industry and what it implies for future prospects (Ragin & Amoroso, 2010).

## 4.2.2  Qualitative research strategy

For this research, I choose to conduct a multiple-case study. A case study can be described as the empirical investigation of a specified or bounded phenomenon and the focus of the research is often concentrated on instances of greater complexity (K, 2014). Case study designs tend to be flexible designs (Walliman, 2006). Moreover, case studies are not used for generalizability, but "is rather about the quality of theoretical analysis that is allowed by intensive investigation into one or a few cases" (Walliman, 2006, p. 45). Traditionally, there have been prejudices against case study strategy because it has been claimed that case studies lack reliability but today, here is some suggestion that the case study method is increasingly being used and with a growing confidence. Despite extensive critique, the case-based method has become a common approach for exploring organizational phenomena.

During the last century, the development of qualitative methods showed impressive advances and results, thus helping to gain more acceptance not only in the field of social research because qualitative research draws a strong connection between data collection and theory building. The results from the data analysis often require refinement of the theory, both during and after the analysis is conducted (Walliman, 2006). During any qualitative data collection, it is important to have a critical attitude towards the data being collected to reduce the amount of collected data. A qualitative research strategy is employed in the sense that we interpret and construct, emphasizing the meaning of words rather than quantifying data. The appropriateness of this strategy lies in the qualitative researchers' aim to gather an in-depth understanding of human behavior. Qualitative research strategy and the 'hollowed methodology' criticism may be overcome through codification. With the interpretation of qualitative data and the development of data categories, qualitative data can provide well-grounded conclusions. (Corbin & Strauss, 2008) I use procedures and strategies defined by

Corbin & Strauss to demonstrate how I code the content analysis and interpret empirical data (Appendix 1, c).

## 4.3 Data Collection

I combine primary data (sustainability reports) with secondary data (airlines in the media) because secondary data adds value and enhance the primary data by adding complementary information to the research. After critically analyzing what the corporation report themselves about their social initiatives (inductive reasoning), I compare their commitment level to what I find in the press (The Guardian) about their social issues. This comparison of primary and secondary data enriches the results of the airline´s commitment level towards CS as "theories are improved through this testing against evidence (deductive reasoning)" (Payne & Payne, 2004, p.171)

### 4.3.1 Case selection

Following a qualitative research approach, the focus is set on a detailed analysis of case studies on a small-scale. Case studies can have multiple functions: its rhetorical function is helping to dramatize and persuade by using a powerful example, and its logical function is helping to sort out ideas. (Payne & Payne, 2004) I have determined my thesis to assess CS of the four largest airlines Groups in Europe (Lufthansa Group, Ryanair, KLM-Air France, IAG) in terms of passengers carried during 2016. By showing how committed airlines are to implement and communicate social initiatives I explicitly do not intend to compare the airlines social strategies (which is, by definition, not the purpose of a case study) but instead, intend to trigger an intense discussion on the development stage of CS.

Airlines fulfill the following conditions that influence positively the implementation of CS identified by Bansal (2005) and Varadaranjan (2017): they operate on a highly international basis (fly to 33-118 countries), are exposed to the media due to their large end consumer base (93,4-110 million passengers per year), and can be considered as very large companies with regards to their employees and fleet size (11.500-124.000 employees, 4000-617 aircrafts operating in fleet), compete in an industry that causes great environmental degradation (figure X). According to all these characteristics summarized in table 5, airlines can be assumed to have

implemented a developed CS strategy. In other words, due to the industry characteristics and company characteristics it is more likely to assume a higher commitment level of CS than in less regulated industries and smaller companies.

| Characteristics from 2016 | Lufthansa Group | Ryanair Plc | IAG | Air France – KLM Group |
|---|---|---|---|---|
| Founded in | Germany, 1953 | Ireland, 1985 | UK, 2011 | France, 2004 |
| Employees | 124.000 | 11.500 | 63.400 | 82.100 |
| Revenue | 31.660 €m | 6.535 €m | 22.567 €m | 28.000 €m |
| Profits after tax | 1.803 €m | 1.316 €m | 1.952 €m | 1.05 €m |
| Passengers | 110 m | 106,4 m | 100,6 m | 93,4 m |
| Destinations | 308 destinations in 103 countries | 200 destinations in 33 countries | 200 destinations in 80 countries | 328 destinations in 118 countries |
| Aircrafts in Fleet | 617 | 400 | 548 | 534 |

Table 5 - Characteristics of the four largest airlines in Europe by passengers

## 4.4 Content Analysis

"Content analysis is one of the more important, but under-rated, research method" (Payne & Payne, 2004, p.51). Originally content analysis was used to analyze written and visual texts in a quantitative way. But content analysis was extended to be applied to literature, autobiography and other documents, photography etc. with emphasis shifting to qualitative. In qualitative research, content analysis should address attitudes, values and motivations. All collected data needs to be organized in a structured way by systematically allocating the content to pre-determined, detailed categories.  (Payne & Payne, 2004) To structure this thesis´ content analysis I apply the generic process model by Mayring containing four steps of a content analysis (Mayring, 2014):

- *Material collection*: Firstly, I define the material to collect. The airline´s own published reports serve as object for analysis. However, I need to delimitate which reports. As I am looking only for the information regarding the social dimension of CS the collected report must include at least one of the eight social aspects concerning the responsibility from governance, the responsibility towards employees and towards the community (society), as I define in chapter X.

Figure 4 – Limitation of data collection for empirical research
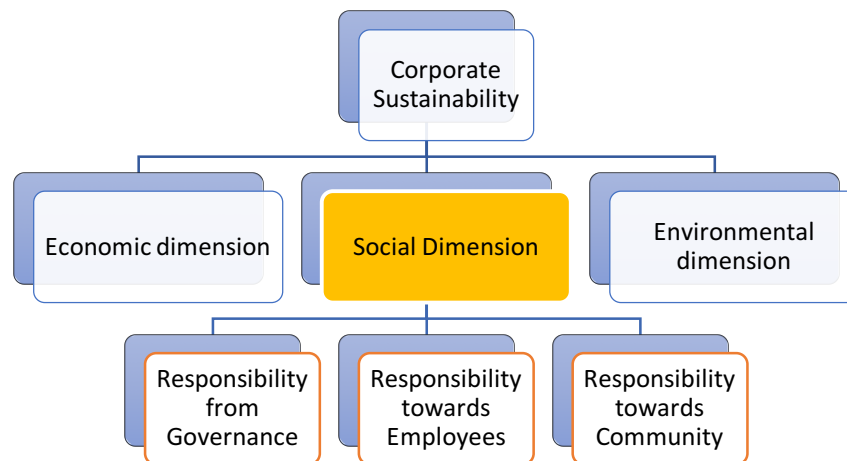
During the research process, I found out that some airlines do not publish a sustainability report itself but the Group or parent company reports it. Hence, I used the following reports which are published in 2017 and contain data from the financial year 2016:

- Lufthansa Group - Corporate sustainability report "Balance" and "Annual Report" from Lufthansa Group

- IAG - "Annual Report and Accounts – The best is yet to come" from IAG as well as "Annual Report and Accounts" from British Airways Plc

- Air France – KLM Group - "Registration Report"

- Ryanair - "Annual Report". In this case, information on some of the eight social aspects was missing completely in the report, so that I also screened the airline´s website to understand what they are doing socially.

- *Descriptive analysis*: The content of the reports was further screened for the existence and the extend of initiatives within the eight social aspects of sustainability. The eight aspects also guide my description in the sense that I pick out one example per aspect to illustrate it in the thesis. The examples are not necessarily comparable (do not deal with the same issue) across airlines because it is more important that the aspect illustrated is reported clear and understandable by the airlines. The purpose of this qualitative description is to assume the motivation, values and believes behind the airline´s social initiative. The evaluation criteria as identified by Baumgartner and Marrewijk can be found in table 3 and 4 and help to categorize my evaluation of motivation, values and believes.

- *Category selection*: Structural criteria are selected, forming the basis of the content analysis. As a first step, I independently searched the airline´s reports for recurring patterns: Initiatives that seemed standard were ignored, whereas initiatives that seemed special were given extra attention. In a second step, I evaluated the airlines CS strategy by operationalizing Baumgartner´s framework about maturity levels of CS and the expansion by Marrewijk (table 3 and 4). Criteria from both researchers serve as evaluation framework. Finally, I could categorize the social initiatives by the airlines into four levels of commitment: Beginning (Poor), Elementary (Sufficient), Satisfying, Sophisticated and Outstanding. To simplify the analysis, I assign each level a score from one to four points:

  √   1 point: Beginning (poor) level

  √   2 points: Elementary (sufficient) level

  √   3 points: Satisfying level

  √   4 points: Sophisticated and Outstanding level

- *Material evaluation*: In order to enhance objectivity and critical thinking, secondary sources are necessary to test my evaluation of the airline´s reports. I choose to reproduce one or two conspicuous events or immense scandals about each of the four airlines that are published in "The Guardian" since 2016. The selected articles lead to an adjustment of my evaluation about each airline´s commitment level towards CS. In general, it is not only Interesting which initiatives the corporations report but also how they report them: reporting profiles of the airlines are evaluated inspired by Toppinen´s categorization of voluntary disclosed data (defensive, proactive, or stuck-in-the-middle).

## 4.5  Quality standards

There is little point in research unless there are rational grounds for arguing that the accounts produced accurately reflect the nature of what we have studied, Payne argues. The most standard quality criteria used in social research are whether the research is valid and reliable. (Payne & Payne, 2004)

"Validity (…) refers to the capacity of research techniques to encapsulate the characteristics of the concepts being studied, and so properly to measure what the methods were intended to measure." (Payne & Payne, 2004, p.233) Payne further divides validity into external and internal validity, where external validity is defined as the degree to which the findings can be generalized and internal validity is concerned with the fit between the study's purpose and its findings and developed implications. Thus, I need to ask: Which are the limits of generalization when operationalizing this research (external validity) and are my conclusions plausibly defendable by a fully developed conceptual framework? In this study, the external validity is very narrow because I present unique examples, consisting of only four different European airlines and their reports, and not samples. Although I am not worried whether the case study examples are representative, I still decided to include one low-cost carrier (Ryanair) next to three flag carriers (Lufthansa, IAG, and Air France – KLM), which I hope will lead to a more interesting discussion. Additionally, the case studies are limited to one industry – the air travel industry. Corporations from other industry might show different patterns of commitment levels towards CS. The internal validity is based on the understanding of two phenomena: CS and Stakeholder theory. Still, the internal validity of this study is quite narrow because there exists only limited research on specifically the social dimension of corporate sustainability. How CS strategies contributes to achieve competitive advantage is mainly answered by environmental benefits. In general though, qualitative research handles most validity issues more effectively than quantitative work does, but qualitative research is less generalizable. (Payne & Payne, 2004)

Reliability refers to the extent to which one's data collection and data analysis produced consistent and credible findings. When I question if my findings are reliable I need to ask: Would another researcher get the same results as I did when repeating this study? (Payne & Payne, 2004) To ensure a decent amount of reliability I strictly used Baumgartner´s and Marrewijk´s criteria for each maturity level of CS to assessment of social initiatives and retrospectively compared my findings with sustainability certifications and external CSR ratings. Still, my assessment remains subjective. If another researcher would repeat the assessment, the airlines could be assigned to different commitment levels of CS. However, by striving for transparency throughout the thesis I aim to enable the reader to understand and interpret the results himself. Furthermore, multiple figures and tables are supposed to guide the reader through the

logical structure of this thesis. Finally, relevant appendices have been attached to the thesis to provide the reader with an additional overview of interesting information. This relevant information includes illustrations of theories, a list of the main concepts, information about the companies and their CS strategies, and transcriptions of the pilot interviews.

## 5   Industry Analysis

## 5.1   Trends and issues in the air travel industry

The travel and tourism sector has become one of the driving forces of global employment, economic security and social well-being of the 21st century. And as Travel and Tourism is one of the world's largest and fastest growing economic sectors it can be key driver of sustainable growth. However, to realize this transformative role concerted action from everyone involved is necessary calling for a suitable policy framework and coordination between public authorities and private stakeholders. It's a collective challenge to invest in environmentally-friendly tourism, to invest into a green economy. (Conrady, 2011) Today it is common knowledge for tourists as well as well-documented for airlines that the risks of over development and over exploitation of natural resources and environments are real. And they cannot be ignored because the industry depends on its sustainability. Often in contrast to this knowledge, the following five trends and issues appear in the air travel industry (other travel book). These trends must be taken into consideration by the airlines when planning their CS strategy. The trends of the airline industry have been identified by G. Kent in this book 'A Profile of the Global Airline Industry' as follows (Kent, 2015) and c. Roland in his book 'Trends and Issues in Global Tourism' from 2011 and 2012.

### 5.1.1   Increased competition

While the airline industry has fascinated the world since 1903, commercial aviation was only established during the 1950s, 60s and 70s. In the end of 1970, the American Congress decided to deregulate passenger airlines and thus, competing over the sky began as many new carriers entered the marketplace. In 1992, the creation of the EU's Single Aviation Market enabled European airlines to fly without restrictions anywhere in the EU. The gradual liberalization process in Europe facilitated the market entry of new operators so that the proliferation of low

cost carriers had started, notifiable during a time of regression. The main objection of low cost carrier´s (LCC) business model is to reduce costs to supply airline service to price sensitive passengers. Due to the increased high competition in the aviation market many LCCs and other established airlines either left the market or were acquired by other companies. Ryanair and Easyjet remain the most established players in the LCC category. As a result of the supply increase created by the new entrants with more competitive tariffs, a strong reduction in incumbents' revenue on routes within Europe was generated (the business model is not aligned to complete on international routes yet). Furthermore, the internet and fare search engines have strongly increased the transparency of airline pricing, while at the same time airline ticket prices have become the main driver for customer purchasing behavior. Altogether, the inflationary spiral puts pressure on the pricing for all airlines. From 1989, it began that large strategic alliances were formed voluntarily more and more often. Today, the largest alliances are Star Alliance (27 members) and Sky Team (20 members), and One World (13 members) that all together transport 61,2% of all passengers in the world. One of the reasons for that is that airlines want to extend their routes and fly to more destinations to stay competitive. Even more illustrative for the fierce completion is the recent insolvency of Air Berlin on the 15th of August 2017. As one of the top 10 European airlines and second biggest airline in Germany Air Berlin still has been loss-making for years and thus, was merely surviving. The German government, like Italy's before it with Alitalia, is now helping to find a solution to protect jobs. (The Guardian, 2017b)

## 5.1.2  Hypermobility

The demand for air travel increases, especially in nations such as China, India and those in Africa. On a global scale the economy is improving which makes travelling affordable to more and more people. IATA projects: In 2011, there were 2.8 billion passengers, in 2014 3.3 billion passengers, and the amount may double within 20 years so that in 2034 7.3 billion passengers are expected, and in 2050 there might be 16 billion passengers. This forecast then implies a 4.1 percent growth rate in demand for air connectivity. China and the United States are expected to remain the largest passenger market by far but the Asian market also expands. (International Air Transport Association (IATA), 2017) The main drivers for this current and increasing hypermobility are the following:

- Living standards/prosperity: When a nation´s economy is strong, airlines thrive. And when the economy is weak, they struggle.

- Population and demographics: younger populations and working-age groups are more likely to fly than over 65 year olds.

- Price and availability: Globally, real costs decreased by over 1 percent annually while air traffic grew by over 1 percent.

Europe faces similar trends: in the period 1995–2013, average annual growth in passenger transport in the EU was 1.0%. The number of daily flights has increased from less than 10,000 in 1992 to around 23,000 in 2016. Today, there are 7,400 routes in Europe which is 3 times as much as in 1992. In 2015, over 1.45 billion passengers departed or arrived at EU airports. The growing aviation industry brings Europe economic growth: More flights mean more business, tourism, trade, jobs and prosperity. In 2014 for instance, aviation supported 8.8 million jobs in the EU contributing over €621 billion. (European Commission, 2016) Rounding it up, holidays became an integral part of our lifestyle. Long-distance travels are no longer a privilege for only a few, but an organized mass event where "the price sets the direction" while hundred percent customer-orientation and satisfaction of needs are taken for granted (Conrady, 2011).

## 5.1.3  Environmental issues

**Figure 5 - The impact of air transport on the increasing GHG emissions of the industry**
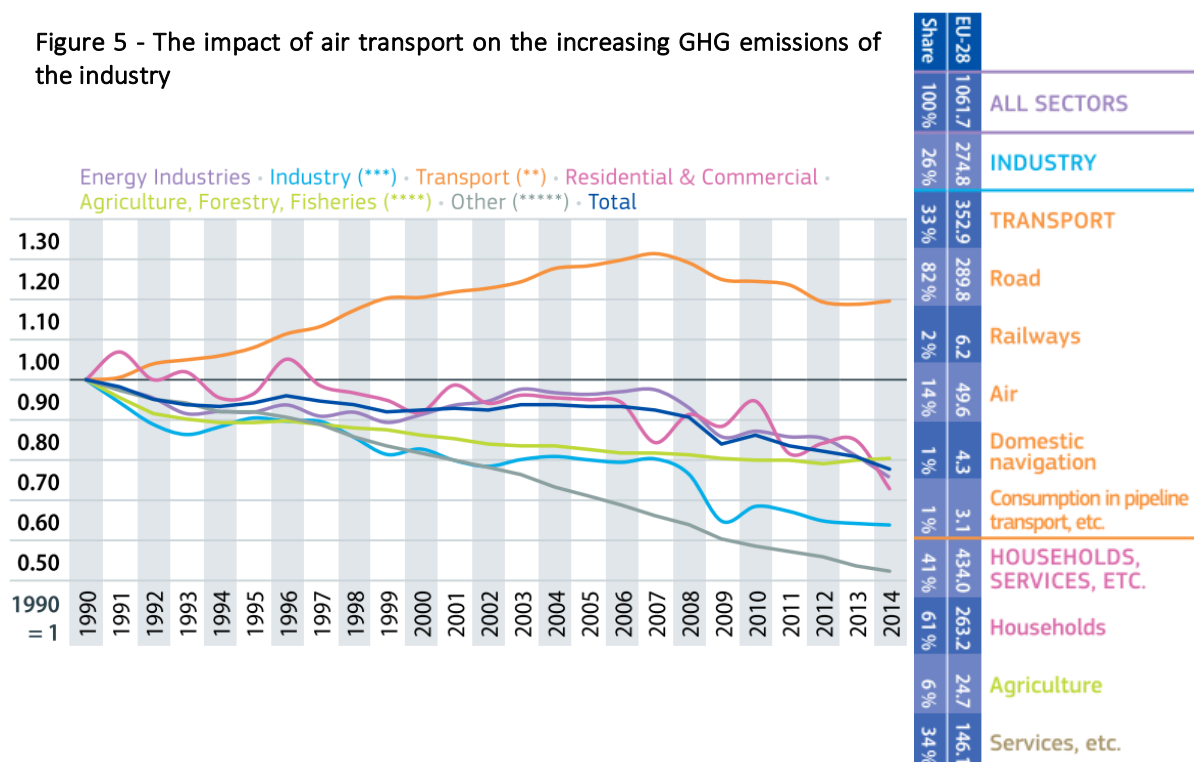
In the EU, transport accounts for 31.6% of final energy consumption, out of this 82.8% is a result of road transport and 13.2% of intra-EU air transport. Notably, the share of transport emissions increased from 18.8% in 1990 to 25.3% in 2012, while the share of emissions from non-transport sectors declined (Gössling, 2017). This makes the air Transport to one of the fastest-growing sources of greenhouse gas emissions. Mistakenly insignificant can be seen the facts, that Aviation accounts for about 3% of the EU's total greenhouse gas emissions and more than 2% of global emissions. These numbers appear to be more drastically in other words: If global aviation was a country, it would rank in the top 10 emitters. The European Commission predicts that by 2020, global international aviation emissions are projected to be around 70% higher than in 2005 and the International Civil Aviation Organization (ICAO) forecasts that by 2050 they could grow by a further 300-700% (European Commission, n.d.). Since 2012, aviation´s emissions have been included in the EU emissions trading system (EU ETS) which obligates all airlines operating in Europe are required to monitor, report and verify their emissions, and to surrender allowances against those emissions. They airlines can trade a certain level of emissions from their flights per year. The EU system has contributed to reducing the carbon footprint of the aviation sector by more than 17 million tons per year so far. (European Commission, 2014)

### 5.1.4  Ungentle tourism

The growing list of World Heritage in Danger proves that there are serious threats from tourisms to the world´s oldest places (UNESCO World Heritage Centre, n.d.). With the three following examples, I aim to raise awareness for various effects from mass tourism in different places:

- Gentrification in Venice: Venice status as a world heritage site is slowly sinking because it is underpopulated an over touristic. In July 2014, Unesco's world heritage site committee postponed the decision on whether to put Venice, the architectural masterpiece spread across 118 island, on its list of endangered sites. In 2015 followed a serious damning report about the effects of overcrowding, construction and pollution on Venice's teetering foundations and ecology. Most of the Venetians have been prized out and crowed out so that the resident population is only half of the size as in the 1970s. Today, Venice is a city of 54,500 residents and receives 30 million visitors a year, of whom many are grab-and-go day-trippers. Illustrative for this development is that

tourists often regard Venice as something like Disneyland. Further, it´s critical that more and more tourists arrive by cruise ships as statistics prove that cruise ships emit almost twice as much carbon dioxide as airplanes. (The Guardian, 2017g)

- Deterioration at Kilimandscharo: In the past ten years, the number of climbers on the highest mountain of Africa has nearly doubled - from 28,000 tourists in 2003 to 52,000 tourists in 2012. (PR) The National Park of Kilimanjaro was created in 1972 and was declared a World Heritage Site in 1989. Ever since the local Chagga community is losing gradually their control over their natural habit, for example due to unauthorized zones for the local populations but with opened roads for tourists or due to the institutionalization of private property regimes for water users. Meanwhile, industrial

- deforestation goes on because intensive agriculture is subsidized. As a result of the heavy use of the Marangu route a number of impacts from tourism are becoming apparent including litter, graffiti on the hut walls, improper sewage disposal, trampling of alpine vegetation, trail erosion, and firewood collection. Moreover, the climb is dangerous for visitors and tour guides: there are around 8 to 10 deaths reported per year caused by altitude sickness but the guide service believes that the actual number of deaths is two to three times higher. (Welch & Symmons, 2013)

- Conservation alarm for Great Barrier Reef: Although the world's largest coral reef ecosystem is protected as a World Heritage area since 1981, pollution, mining and tourism all have detrimental effects on coral reefs. More than two million people visit the reef each year. Tourism´s negative impacts (there are positive impacts too) include: fragile corals breaking by reef walking or dropped anchors, boats dropping fuel and other sorts of pollution. Even the number of people in the water with the associated run-off of sweat and suntan lotions may well have a negative impact on the fragile reef environment. Since December 2015, the Great Barrier Reef has been exposed to above average sea surface temperatures, due to the combined effects of climate change and a strong El Niño. These conditions triggered mass coral bleaching in late summer 2016 and led to an estimated 29% loss of shallow water coral Reef-wide, according to findings by the Great Barrier Reef Marine Park Authority. It is estimated approximately 28% of the total reef area in the Marine Park was within the 'catastrophic damage zone'. (Australian Government, 2016)

## 5.1.5  Impact of political events

Airlines operate and compete in a very complex environment that is also very much affect by political events as terror, governments and legislations as I explain next:

- Terror – Terrorism´s relationship with tourism is complex and multifaceted because terrorism can lead to It can lead to unemployment, homelessness, deflation, and many other social and economic ills (Mc Baker, 2014). 9/11, for example, hit the industry hard. Soon after two planes crashed into the towers of the World Trade Center in New York, US airlines announced employment cutbacks up to 20 percent. Especially after fatal terrorist attacks or terrorist attacks of targets such as airports, transportation or tourists, terror causes increasing psychological distress for passengers (Mitra, Pham, & Bandyopadhyay, 2017). The recent attack in Barcelona shows once more how terror makes travel stocks tumble. On the 18th of August at 8.40 a.m., one day after the attack, airline stocks are suffering and not only major budget airlines as Ryanair were losing more than 2% in early trading but also the International Airlines Group, the parent company of British Airways, has dropped more than 2%. But one of the UNWTO's basics has been confirmed that tourism recovers even after fatal crises and that it recovers sooner than other industries. Thus, going on holiday is considered to be almost crisis resistant (Conrady, 2011). (Business Insider Deutschland, 2017)

- Brexit - EU chiefs have warned airlines that they will need to relocate their headquarters or sell off shares to European nationals if they want to continue flying routes within continental Europe after Brexit. A Ryanair spokesman said: "While it appears that we are heading for a hard Brexit, there is still significant uncertainty in relation to what exactly this will entail." After Brexit, it is not clear whether the UK would continue to be part of the "open-skies" agreement. A British government spokesperson said that it will clearly be in the interests of both sides to maintain closely integrated aviation markets because the UK aviation industry is the largest in Europe. However, Michael O'Leary has warned of the huge dangers to the industry of a "cliff-edge" Brexit, and criticized the "mildly lunatic optimism" of the British government. (The Guardian, 2017f)

- US President Trump - Donald Trump is good for surprises with the following effects on the travel industry: First, Trump confirms that the US, the World's second largest greenhouse gas emitter, will quit the Paris Agreement because it will harm American jobs. Trump's decision risks destabilizing the Paris deal, with remaining participants

faced with the choice of trying to make up the shortfall in emissions cuts or following the US's lead and abandoning the agreement. Also in 2017, President Donald Trump's ordered to suspended the entry of people from Iran, Iraq, Libya, Somalia, Sudan, Syria and Yemen throwing airports into chaos. The decision caught airlines off guard, according to IATA, and brings a mix of administrative confusion, uncertainty for many travelers and practical operational complexities for airlines in planning their flight programs, according to an independent aviation consultant. Furthermore, the US forbid passengers from carrying larger electronic devices (laptops, iPads, Kindles) on some flights from eight countries in the Middle East affecting for example Saudi Arabia's Saudi Airlines and Royal Jordanian airlines. (The Guardian, 2017c, 2017i)

## 5.2 Consequences for Social Aspects

From the trends outlines above, I conclude that the airline industry has seen few fundamental challenges to business models over the past 30 years, except for the arrival of LCCs and the introduction of alliances. As governments pass new legislations and consumers expect more personalized solutions, stakeholders gain bargaining power while airlines themselves lose control. At the same time the airlines themselves lose control and struggle to differentiate themselves, competing on network availability and to some extent on pricing and service. (International Air Transport Association (IATA), 2017)

To elaborate in more detail on how these trends have affected the social dimension of CS in the air travel industry, I summarize the main findings from a survey concerning the social developments in employment, wages and working conditions in the EU air transport market in the period from 1997 to 2007. Due to the lack of other sources available at EU level, this section relies heavily on this study by ECORYS Netherlands (European Commission, 2007). In general, the social developments are related to the economic trends and the increase in employment in the past ten years, aa well as the financial crisis that the sector experienced between 1999 and 2004. The survey brings forward that the main issue of working conditions is the increasing operational pressure, exerted to foster productivity. It is plausible that the increased competition (and lower fares) on the short haul market have made it necessary for airlines to increase productivity. Looking more detailed to changes in these social issues concerning

governance and responsibility towards employees one finds that interviewed employees and trade unions have often different opinions, which was expected by the researchers (Appendix 1, d).

Concerning general global safety in the future of air travel, it has been indicated that a stable fatal accident rate cannot be guaranteed anymore because of an expected 5% growth increase until 2030 (the number of commercial aircraft in operation is anticipated to double by 2031). Instead, the number of accidents are expected to increase as a by-product of steadily increasing traffic volumes (European Commission, 2015b). However, one need to consider that the number of lives lost worldwide from EU operators has almost halved in the period of 2010-2015 (average of 78 lives lost per year) compared to the period of 2000-2009 (average of 46 lives lost per year) (European Commission, 2016). Another safety issue when flying was recently revealed by IATA: Almost 50.000 unruly passenger incidents were reported on aircrafts in-flight between 2007 and 2015. These incidents include violence against crew and other passengers, harassment and failure to follow safety instructions. Not only does unruly behavior threaten passenger safety, it also disrupts operational procedures and burdens airlines with additional costs. (International Air Transport Association (IATA), 2016)

## 5.3  Sustainability Reporting

KPMG estimates that 60% of the world's largest companies are producing sustainability reports. Although the number of reports is increasing, one must realize that reporting companies still constitute only a small share of global business (Knopf et al., 2010). Hahn assesses in 2013, that a wide span of labels for recent reports exists including: Corporate Citizenship Report, Corporate (Social) Responsibility Report, Sustainable Development Report, Sustainable Value Report, and Sustainability Report which underscores the umbrella concept of sustainability and CSR mentioned above (R. Hahn & Kühnen, 2013). Next to isolated one-dimensional reports (e.g., Environment Reports, Financial Reports), there is an increasing trend towards multidimensional reporting (reports including two sustainability dimensions) and recently even integrated reporting (integrates social and environmental sustainability information together with financial information in a single report). Nevertheless, to provide a holistic picture of value creation over time the company must report simultaneously all three dimensions of

sustainability. (ibid) The goal is for companies to communicate their sustainability practices and impacts in ways which make sense for shareholders. But "It is not until they start gathering data that they can understand, because you can't manage what you don't measure," says one Board member of the GRI's Global Sustainability Standards. (Colquhoun, 2016)

**Figure 6 - Different reporting styles as defined by Hahn & Kühnen (2013)**

| Reporting related to Sustainability (CSR) | | |
|---|---|---|
| *in the form of* | *covering* | |
| - Integrated reports | Three sustainability dimensions (financial, ecological, and social at equilibrium) | holistic |
| - Specialized sustainability, CSR, corporate citizenship etc. reports | Two sustainability dimensions (focus on ecological *and* social; financial rather neglected) | Extent of sustainability considerations |
| - Isolated environmental or social reports | One sustainability dimension (ecological *or* social) | isolated |

(Left axis: External information disclosure)

### 5.2.1 New reporting frameworks and goals

Current sustainability-related reporting practice is primarily of voluntary nature so that companies are flexible in experimenting with disclosing information (R. Hahn & Kühnen, 2013). "There is a trend towards the development of regulations that integrate existing international reporting frameworks such as the GRI or the UN Global Compact Communication on Progress, and require the integration of relevant stakeholders so as to reflect change and to facilitate the continuous improvement of regulations" (Knopf et al., 2010, p.31).

Established in 1998, the GRI framework was a significant step towards codifying CS reporting standards enabling third parties to assess social and environmental activities of the company and its supply chain. The guidelines from the world´s most used sustainability reporting standard GRI used to focused on the impacts on the environment. But the GRI committee committed quickly extended the guidelines for a more comprehensive scope including social, economic, and governance information. (Bradford et al., 2016) Now, The GRI suggests reporting on nearly 80 sustainability activities, called ''indicators,'' in six different categories or ''dimensions'' These dimensions are labor and decent work, economic, environment, human rights (Global Reporting Initiative (GRI), n.d.). New standards, such as the G4 Sustainability Reporting Guidelines issued by the GRI, go further into quantitative issues in the supply chain to create reports which don't just tick the compliance box but are created from a deeper view. Deloitte's lead partner in the Sustainability Team Paul Dobson argues, "Companies now

understand they have to take responsibility and make sure their products are being produced in an appropriate way, and that means understanding business partners and what they do". (Colquhoun, 2016)

In 2015, the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development were adopted by world leaders in September 2015 at an historic UN Summit and in 2016, they came officially into force. The SDGs provide a roadmap for ending all forms of poverty, fighting inequalities and tackling climate change, while ensuring that no one is left behind over the next 15 years. (Produced by the Environment Branch of the International Civil Aviation Organization (ICAO), 2016) UN Global Compact provides the tools to help business transforming these 17 global goals into concrete actions. The UN Global Compact supports businesses to commit to, assess, define, implement, measure and communicate the sustainability strategy. In the UN Global Compact Communication in Progress (COP) participate approximately 9,000 companies and 4,000 non-businesses. All participants have to implement the Global Compact´s ten principles as part of strategy, culture and day-to-day operations, and annually report this implementation along with efforts to support societal priorities to their stakeholders. If participants fail to disclose they will be expelled from the Compact (7208 companies delisted so far). (The United Nations Global Compact, n.d.) The new 17 Global Goals result from a process that has been more inclusive than ever, with Governments involving business, civil society and citizens from the outset.

Figure 7 - The broad scope of SDGs determines global action for people and planet



In the same year, in 2015, the European Commission published a comprehensive strategy for the European aviation sector. The road map for a more competitive EU aviation sector calls for coordinated efforts of all the stakeholders involved. The Commission has identified three key priorities: 1) Tapping into growth markets, 2) Tackling limits to growth in the air and on the

ground, and 3) Maintaining high EU safety and security standards. (European Commission, 2015a) Next to economic goals the third priority addresses social and environmental issues for a sustainable travel industry. Maintaining high EU safety and security standards inlcudes tasks as reinforcing the social agenda and creating high quality jobs in aviation as well as protecting passengers' rights. In April 2014, the European Parliament voted on the proposal for a directive on the disclosure of non-financial information: Starting now from 2017, large companies (with more than 500 employees and a balance sheet total of more than 20 million Euro or sales revenues of more than 40 million Euro) in the EU are obliged to disclose all informtion about the social and ecological aspects of their business as forced by the CSR-Guideline 2014/95/EU. (Nachhaltigkeitsrat, 2016)

## 5.2.2  Reporting profiles and dimensions

 "Sustainability reporting becomes an important tool to give a clear image of a company and also to make it comparable with others"(Elkington, 1997, p.9). Toppinen (2012) examines the level of voluntary disclosed data (GRI indicators) from 66 forest industry firms and clustered the 66 firms according to their reporting profiles: 38 firms were considered defensively reporting CS and 12 proactively reporting, while the rest was stuck in the middle. I have included a variation of Toppinen findings in table 6 because it shows how much less developed the sustainability aspects of the social dimension are compared to the environmental aspects, especially for these firms within an environmental-sensitive industry as the forest industry is. (Toppinen et al., 2012) Moreover, I aim to highlight in table 6 that, despite a crucial improvement for reporting on Environmental and Product & Service issues, proactively reporting companies still lack a commitment to report on Human Rights and Social issues. While companies keep highly proactively report on environmental initiatives, the issues concerning the social dimension of CS are relatively violated.

Table 6 - Reporting disconnect: social issues less important than environmental issues

| CS aspects by Toppinen | Defensive reporting profile | Proactive reporting profile |
|---|---|---|
| Economic | 12,88 | 20,89 |
| Environmental | 43,65 | 89,13 |
| Labor & Employment | 18,62 | 30,20 |
| Human Rights | **10,00** | **13,80** |
| Social | **9,12** | **14,79** |
| Product & Services | 9,12 | 23,44 |

Which dimensions are more important, Bradford (2016) tries to reveal: He finds out that customers of the reports find different sustainability dimensions important than the dimensions put forth by the GRI framework. According to his results, the customers are interested in the reporting of Risk & Compliance activities while they are less interested in the economic dimension of reports. Additionally, the new dimension of Social Justice is the most important to consumer stakeholders. In contrast to the interests of customers, companies proactively report mostly on environmental issues. Altogether my conclusion is congruent with Bradford´s: there is a disconnect between corporate sustainability reporting and stakeholder views and interests. (Bradford et al., 2016)

### 5.2.3  CS Certifications

Different stakeholders are increasingly relying on sustainability ratings to help inform their decisions (to invest, purchase, work etc.). Moreover, companies themselves rely on such ratings to validate their sustainability efforts, with "some even linking management performance evaluation and compensation to external ratings" (Johanna Klein MSc (adelphi), 2011, p.20)

International sustainability ratings that are related to stock exchanges are the Dow Jones Sustainability Indexes (launched in 1999) and the FTSE4Good Index Series (Financial Times Stock Exchange Index) on the London Stock Exchange. DJSI assesses the sustainability performance of the largest 2,500 companies listed on the Dow Jones Global Total Stock Market Index based on their long-term economic, social and environmental asset management plans. For each industry, DJSI lists the top 10%, but not the "top 10".  Introduced in 2001, FTSE4Good lists only those companies that meet the internationally accepted standards for corporate responsibility and gives each company a score of 1-100 based on its performance across three areas, environmental management, climate change, human and labor rights along the supply chain, corporate governance, and anti-corruption efforts. (Johanna Klein MSc (adelphi), 2011)

Rating agencies usually use the information from sustainability reports or send their own questionnaires to the companies with the aim to contribute to the transparency in the activities and strategies of companies. Often criticized is that these agencies use different rating criteria and often the criteria are not clear to the companies. Moreover, it even has been argued that these ratings could incite companies to disclose false data or held back ambiguous data

(Johanna Klein MSc (adelphi), 2011). Also interesting for this research, it the CSRHub LLC, the first one (by own information) to aggregate environmental, employee, community and governance data covering 15,000 companies across 135 industries and 130 countries into an accessible database platform making it possible to directly compare CSR and Sustainability performance among competitors and across supply chains, industries, and regions. (CSRHub, n.d.) For reputation reasons a company that is listed in the DJSI or awarded by another rating system hardly misses out on listing it on their websites or reports.

# 6   Empirical Findings

This chapter contains the findings from the content analysis of the thesis. It is structured in accordance with the analytical framework from Baumgartner and Marrewijk as presented in chapter 3, table 3 and 4. For each of the four airlines, initiatives in the eight aspects of the social dimension of CS are analyzed. Before presenting examples of the social initiatives, table 7 gives an overview of the reporting standards used by the airlines as well as certifications and rating they received for their sustainability performance in 2016. Table 7 gives a first impression of the airline´s different reporting styles and their commitment level towards CS.

| Report framework and rating for 2016 | UN SDG/ principles of UN GC | GRI | DJSI | FTSE4Good | CSR Hub* | CS-reporting since |
|---|---|---|---|---|---|---|
| Lufthansa Group | Committed | Used (G4) | Not included anymore | listed since 2001 | 56 | 1994 |
| Air France – KLM Group | Committed | Used | leader of Airline category since 2005 | Listed | 68 | 1999 |
| IAG | Committed | Not used | Not included anymore | Not listed | 59 | 2011 |
| Ryanair Plc | Signed since 2003 | Not used | Not included | Not listed | 49 | - |

Table 7 – European airlines´ reporting frameworks and sustainability certifications

*see Appendix 3

## 6.1  Lufthansa Group

### 6.1.1  Social initiatives reported

**Corporate Governance**

The Executive Board and Supervisory Board have a close and trusting working relationship. The common aim of the Executive Board and the Supervisory Board is to achieve lasting increases in the value of the Company. The Supervisory Board is made up of equal numbers of shareholder and employee representatives. The Executive Board informs the Supervisory Board at least four times a year on business developments at the Group. Also, the Lufthansa´s Board declared compliance with the German Corporate Governance Code (with one exception). And the management of the Lufthansa Group is value-based and an integral part of all planning, management and controlling processes since 1999.

**C30** Supervisory Board Committees

| Steering Committee | Audit Committee | Nomination Committee | Arbitration Committee in accordance with Section 27 Paragraph 3 Co-determination Act (MitbestG) |
|---|---|---|---|
| Wolfgang Mayrhuber (Chairman) | Dr Werner Brandt (Chairman) | Dr Werner Brandt | Wolfgang Mayrhuber (Chairman) |
| Christine Behle (Deputy Chairwoman) | Martin Koehler | Dr Karl-Ludwig Kley | Christine Behle (Deputy Chairwoman) |
| Dr Karl-Ludwig Kley | Doris Krüger | Wolfgang Mayrhuber | Dr Karl-Ludwig Kley |
| Birgit Weinreich | Eckhard Lieb | | Birgit Weinreich (since 16 March 2016) |
| | Jan-Willem Marquardt | | |
| | Monika Ribar | | |
| Seven meetings in 2016 | Seven meetings in 2016 | One meeting in 2016 | No meetings in 2016 |

**Health and Safety:**

Health protection and occupational safety have been central action areas at the Lufthansa Group for many years. The Group assessed both aspects as being "very important" in the materiality matrix developed in 2016. An Occupational Safety Committee (OSC) was established as the central steering body for all issues concerning work-related safety within the Group. Furthermore, the Lufthansa Group offers its employees and managers access to the services of the Psychosocial Center as a voluntary social benefit. In 2016, the division organized a total of 184 workshops, training sessions and information events.

**Working environment:**

Lufthansa asked an expert the question of what effects Digitalization has on the Work Environment 4.0 and learned "it is important to create jobs that allow for future changes. The

broader the definition of tasks and the more qualified the employees the greater a company´s ability to innovate in the future." Consequently, the Lufthansa Group CAMPUS offers formats for developing individual (leadership) competencies as well as those to support team development and organizational change since the end of 2016. The Lufthansa Group CAMPUS thus takes a role in continuous and high-quality personnel development as well as in a long-term dialogue between employees and managers across the entire company. Shaping the action area "Culture and leadership" was transferred to the Lufthansa School of Business during the reporting year, which at the same time evolved into the Lufthansa Group CAMPUS. Against this background, the alignment has changed from an interdisciplinary education provider to driver of culture changes at the Group.

**Human capital development/Diversity:**

The Lufthansa Group is one of the biggest employers in Germany with a 3% increase of total employees last year. Out of total 124,306 employees, 56,125 employees work in 85 countries outside of Germany (previous year: 53,732) which makes Lufthansa Group a truly global company. In 2017, the year of Digitalization at Lufthansa, it is their goal to be one of the most attractive employers for "digital natives". Furthermore, the Company has explicitly defined Diversity as a strategic element that secures and expands economic success. The working force represents 144 nationalities. Additionally, the Lufthansa Group launched the project "Promoting women in management" during 2016 because the number of female managers in upper-level management positions has changed too little over the last few years, as they state. Despite increased awareness within the Company, at the moment, 85 percent of the managers are male (Leadership Circle 1-3). They also report clear targets: At the end of 2016, the proportion of women on the Group's first management level came to 9.7 per cent (target: 10.5 per cent), and on the second management level to 17.3 per cent (target: 17.9 per cent).



Female employees Group

**45.7 %**

**34.1 %**
Share of women with staff responsibility

**15.6 %**
Share of women in management positions

**5.5 %**
Share of women in the cockpit
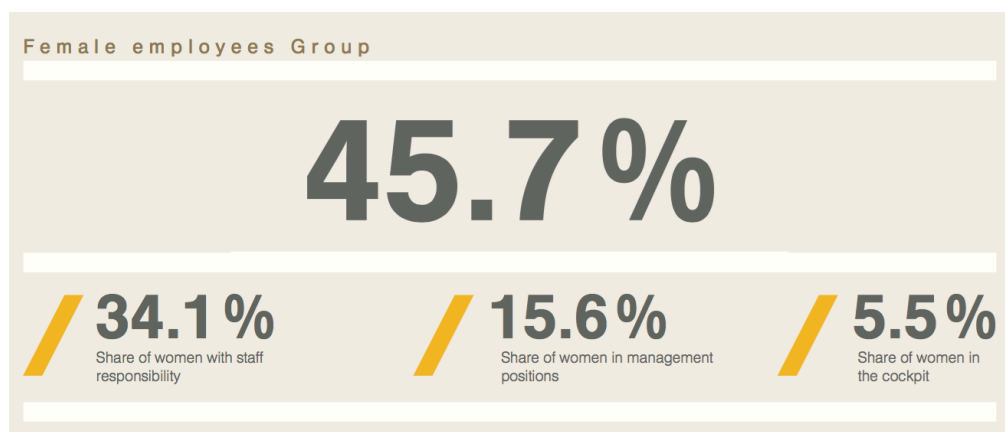
**Ethics/Human rights:**

The Lufthansa Group is a member of the UN Global Compact, Transparency International, the German Network for Business Ethics and of institutions that support individual aspects of human rights. In this way, the Group explicitly acknowledges its adherence to the respective standards and commits to aligning their business activities and strategies with the ten principles of the UN that are recognized around the world (including to respect human rights and to fight against corruption). During the reporting year, the Lufthansa Group worked intensively on the topic of human rights. One task was the development of a risk map for the Group that shows the number of employees by geographic region and the companies active locally. In the event of complaints concerning human rights issues, the map helps treating them in decentralized format and with appropriate countermeasures based on current law.

**No corruption:**

Lufthansa has been a member of Transparency International, an Anti-corruption organization, since 1999. A further basic component of the Lufthansa Compliance Program is the globally implemented and proven ombudsman system, which also allows anonymous information concerning possible breaches of compliance. It serves as an additional preventive measure against economic crimes. Relevant information can be given by employees or by third parties to an ombudsman outside the Company, by telephone, in writing or in person.

**Consumers/Suppliers:**

Orientation in line with customers' wishes and needs, includes for example appropriate information about environmental and social effects of products and services. Since 2014 the Lufthansa Group has been working in the project SMILE, a digital innovation with the purpose of making communications with customers along the entire travel chain as personalized as possible and to offer added value in this way. Thanks to SMILE, passengers receive tailor-made flight offers, travel information as well as offers for additional services and options – all in real-time via digital communication channels. Suppliers must take the standards and principles of United Nations' Universal Declaration of Human Rights and the four core work standards of the International Labor Organization into account.

**Corporate citizenship:**

The resources the Group has made available for various activities for social causes have overall not shown the desired results due to a high degree of division into individual projects. For this reason, the Lufthansa Group has the plan to bundle their corporate citizenship activities. Now, they plan to focus more and more on social and humanitarian issues. That´s why in 2016, the Lufthansa Group took a long, hard look at how to keep developing its social commitment. A prerequisite for this was the transformation of the Help Alliance e.V. employee initiative into a non-profit GmbH (limited liability company) at the beginning of 2017 enabling Lufthansa to concentrate entirely on the core areas of education/enabling and life/health and give even more aid foundations. In 2016, the help alliance supported about 40 projects in development cooperation with a total volume of nearly 1.5 million euros. Help alliance project portfolio comprises numerous education and integration programs for refugees as for example the Düsseldorf-based learning-and-coaching project for children and youths with a migration background and from educationally alienated families. Lufthansa's humanitarian aid project called Cargo Human Care (CHC) focuses on Kenya and provides direct medical support for poor, ill and destitute people – free of charge and unbureaucratically. Through the help of a pool of 50 German medical doctors with different specializations. All treatments are given at CHC's own medical center in Nairobi. The center also provides free medical care to needy people from the surrounding area and to 120 orphans living at Mothers' Mercy Home in Kianjogu,

### 6.1.2  Commitment level

Lufthansa Group has a proactive reporting profile because they are eager to highlight important figures and facts as well as differentiate between approach and goals of sustainability initiatives. The Group also manages to gain credibility by staying critical towards their own CS strategy. (see example of corporate citizenship in thesis and interview about "promoting women in management", report p.66)

| Commitment level of CS | Beginning | Elementary | Satisfying | Sophisticated, Outstanding |
|---|---|---|---|---|
| Corporate governance | | L | | |
| Health & Safety | | | | L |
| Working environment | | | | L |
| Human Capital/Diversity | | | L | |
| Ethics/Human Rights | | | | L |

| | | | |
|---|---|---|---|
| No corruption | | | L |
| Consumers/Suppliers | | L | |
| Corporate citizenship | | L | |

Table 8 – The CS strategy of Lufthansa reaches a very satisfying level of commitment

**Conclusion:**

Lufthansa Group reaches a very satisfying level of commitment towards the social issues of corporate sustainability. Not all activities are more than satisfying but some are outstanding. Their corporate governance seems eager to comply with several frameworks to create value for the company, but they do not report how they enhance transparency or participation of employees. Their Health and Safety strategy seems proactive and their activities even include the socio-psychological dimension. Lufthansa´s commitment towards a good working environment is also sophisticated as they seek to give non-monetary incentives through qualification and recognize the importance of innovation and change of behavior for a sustainable competitive strategy. Although Germany biggest employee Lufthansa admits to they have not reached its goals yet within Human Capital Development and Diversity, they have sophisticated policies for emancipation of women to improve in this field. Regarding social issues externally, the airline acts proactively when applying human rights and measure how they fight corruption. In both areas, consumers/suppliers and corporate citizenship the firm shows great ambition and outline concrete plans to improve creating value for consumers and communities.

## 6.2 International Airlines Group (IAG)

### 6.2.1 Social initiatives

**Corporate Governance:**

BA has extended the scope of sustainability governance to include all the operating companies and business units within the Group. The IAG Management Committee and Board have also approved the establishment of a new Sustainability Committee bringing sustainability in line with other governance models. The IAG Sustainability Committee reports regularly to the Management Committee and at least once a year to the IAG Board on sustainability risks, in line with the requirements of our Spanish Corporate Governance Code.

Sustainability structure
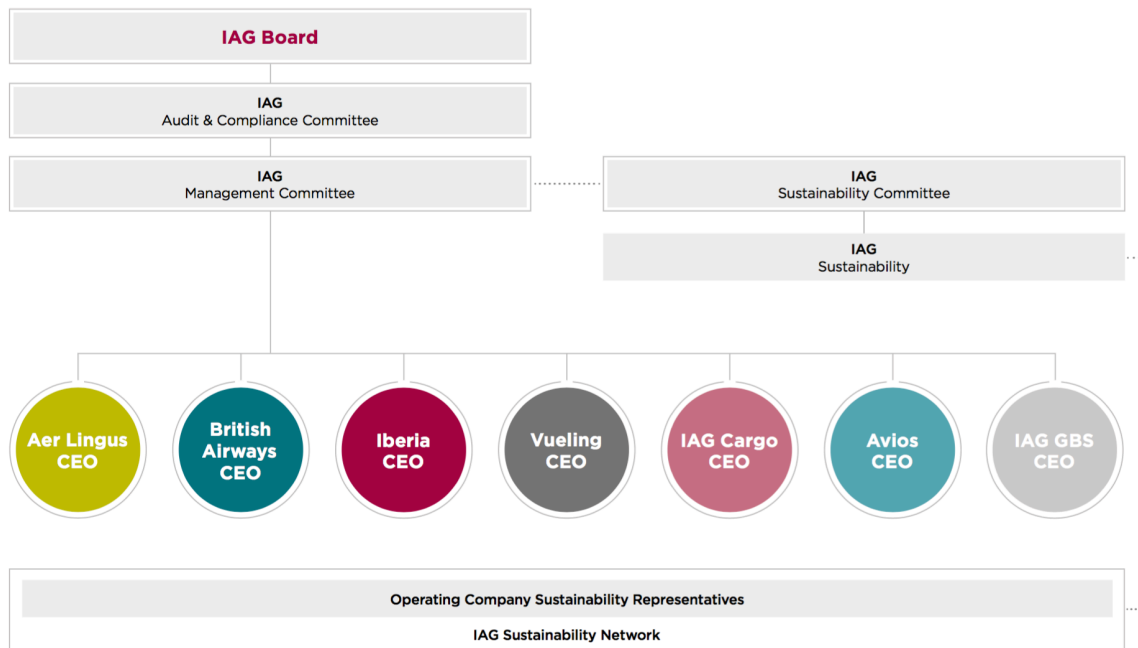


**Health and Safety:**

BA assists colleagues in taking a holistic approach to building their physical, mental and social health: An extensive health surveillance program helps to monitor colleagues whose health may be adversely affected by hazards at work. An Early Active Rehabilitation program scheme assists colleagues who are unable to access timely medical treatment from other resources. And access to an Employee Assistance Program, available 365 days a year, 24 hours a day, provides free counselling, information, and support. British Airways provides certain additional post-retirement healthcare benefits to eligible employees in the US.

**Working environment:**

BA ensures an inclusive culture: there are employee networks in the areas of ethnicity, LGBT, gender, working care and faith. British Airways recognizes the value these network groups. IAG reports that on average, the annual hours of training per employee have increased 1,7% compared to last year and reached 36,7 hours in 2016.

**Human capital development/Diversity:**

As one of the largest airline groups in the world, IAG contributes to global economic prosperity by transporting goods (5,454 million tons of cargo kilometers) and connecting people, places, communities and cultures. The Group contracted almost 2500 new employees in 2016 implying a growth rate of 4.1%.

| | | | | |
|---|---|---|---|---|
| Employment | Average manpower equivalent (Number) | Seeking efficiencies to maintain a competitive cost base but recognise that number of employees is a positive economic and social metric that will fluctuate with passenger demand and business growth. | • British Airways won Gold accreditation by Fair Train for quality work experience placements, 350 placements hosted | Average manpower equivalent<br>59,484 (2014) · 60,892 (2015) · 63,387 (2016) |
| Gender diversity | Board, senior management, and Group Level (%) Female | IAG encourages greater gender equality at all levels in the workplace including in our general work force, graduate programme, in senior management and at Board level. | • British Airways Science, technology, engineering and mathematics (STEM) work experience programmes attracted 19 per cent females to participate, 10 per cent increase on 2015<br>• Proactive recruitment of female Board members has improved IAG Board's female representation from 17 per cent in 2013 to 25 per cent in 2016 | % Female<br>Group: 43% (2014) · 44% (2015) · 44% (2016)<br>Senior Management: 23% (2014) · 25% (2015) · 27% (2016)<br>Board: 23% (2014) · 24% (2015) · 25% (2016)<br>■ Board ■ Group ■ Senior Management |

Gender equality has been a key consideration in planning the long-term composition of the IAG Board itself and further strategies are in place across the organization to encourage greater gender equality. The Group reports a 44% percent rate of females in the Group, 27& in the senior management and 25% in the Board. From the UN SDG´s the Group considers Goal 5: Gender equality, and Goal 8: Decent work and economic growth, as relevant for their sustainability strategy within the social dimension.

**Ethics/Human rights:**

BA is committed to uphold local and international laws on anti-discrimination and expect both colleagues and customers. Furthermore, IAG is part of the UK Modern Slavery Act, which requires them to publish a Group wide statement outlining activities in this important area. IAG have made efforts in the past to ensure that there are no examples of modern slavery within their business. They conduct audits and inspections to reduce any likelihood of activity within our supply chains as well as on-board of the aircrafts, particularly in relation to human tracking. In 2017, IAG will publish a statement outlining our commitment to reducing modern slavery on their website.

**No corruption:**

In 2016, IAG received significant monetary fines for non-compliances with laws and regulations. The total fines were 1,2 million Euros, which reflects an increase of 158% compared to the previous year.

**Consumers/Suppliers:**

British Airways states that all colleagues receive training on diversity and inclusion to be equipped with the knowledge and skills needed to provide a uniquely personal service to customers. British Airways focuses on customer experience in a cost-efficient manner and aims to improve their services and products as follows: Prior to travel, customers have access to travel health advice on ba.com and in the Highlife magazine, installation of WiFi on aircraft, renovate the premium customer lounges at key airports. Regarding their supply chain, British Airways always seeks to build relationships with suppliers who share their values. The airline is proud to be members of Sedex (Supplier Ethical Data Exchange), a not for profit membership organization that strives to improve supply chain standards. IAG also engages with suppliers on standards of quality, safety, environmental responsibility and human rights. Supplier audit priority is based on annual expenditure, factories located in high-risk geographies, and the supplier strategic importance. In 2016, IAG continued progress on health, safety and environment by executing audits and working on mitigation actions together with suppliers through a focus on safety leadership, training and local programs.

**Corporate citizenship:**

IAG´s total direct and in-kind donations to charity from IAG´s customers and colleagues decreased since 2012 and only in 2016 it decreased by 18,7%. Still, the total amount of donations was 9,3 million Euros in 2016. In 2017, IAG will continue to engage in international discussions about putting a cost on carbon to build further on a carbon emissions global market based measure. It is reported about Flying Start which is the global charity partnership between British Airways and Comic Relief. British Airways wants to help giving children in the communities which they fly to the chance to have a brighter future. That is why 100% of money raised by Flying Start from donations from colleagues and customers goes directly to Comic Relief. The launch of Big Charity Choice in 2016 enabled that £200,000 was allocated across five youth charities. In total, Flying Start fundraised 3 million Pounds in 2016.

## 6.2.2  Commitment level

British Airways´ reporting profile is neither proactive nor defensive. On the one hand, BA´s annual report mostly reports on financial issues, and barley includes sustainability dimensions. On the other hand, the British Airways´ parent company IAG reports in a holistic way on the

economic, environmental and social issues in their annual report. Also, important to notice is that the Group reports relevant data in numerical form which makes it easier to interpret and compare their performances. At this moment, BA seems to stuck-in-the-middle regarding their reporting style.

| Commitment level towards CS | Beginning | Elementary | Satisfying | Sophisticated, Outstanding |
|---|---|---|---|---|
| Corporate governance | | | | IAG |
| Health & Safety | | IAG | | |
| Working environment | | IAG | | |
| Human Capital/Diversity | | IAG | | |
| Ethics/Human Rights | | | IAG | |
| No corruption | IAG | | | |
| Consumers/Suppliers | | | IAG | |
| Corporate citizenship | | | IAG | |

Table 9 - The CS strategy of IAG shows almost a satisfying level of commitment

**Conclusion:**

For now, IAG just failed to reach a satisfying level of commitment towards social issues of sustainability. My arguments for this judgment is as follows: IAG has an outstanding governance regarding sustainability issues due to their new sustainability committees. However, the corporation´s responsibility towards employees are just on an elementary level. Social programs exist but to an extend that does rather signal a profit-driven motivation behind CS than a caring motivation for CS. The Group´s intention to improve various social aspects underline its development stages. Further, the firm´s responsibility towards external stakeholders seem not satisfying yet, mainly because of fees for corruptive behavior and decreasing donations. On a good level is their modern understanding of human rights as well as company-aligned community support through a significant amount of donations. Moreover, IAG´s Chairman statement "Sustainability is now highlighted as a central part of IAG's business model" could imply that there was no focus on sustainability issues before 2016. However, the promise from IAG Board of Directors "the best is yet to come" seems credible when considering the sophisticated structure of corporate governance.

## 6.3  Air France – KLM Group

### 6.3.1  Social initiatives

**Corporate Governance/People Management:**

2016 was marked by an active and regular ongoing workplace dialogue to accompany the strategic plans both ways, across the Company and within the framework of the Employee Representative Bodies during the various negotiation periods. The project is called "Trusted Together" and establishes guiding principles for the new HR ambition: the promotion of an in-depth workplace dialogue (both inside teams and within the framework of social relations between the management and the unions), prioritizing the business challenges and customers.

**Health and Safety:**

Evaluating and analyzing the risks then deploying the appropriate prevention measures enables the "Trust Together" project to be accompanied by pro-active measures in this area.

**Air France (100% of the staff headcount, registered and paid at the end of the calendar year)[a]**

|  | 2015 | 2016 | 16/15 |
|---|---|---|---|
| **Absenteeism**[1] |  |  |  |
| Due to illness | 3.91% | **4.20%** | 7% |
| Due to work accidents | 0.72% | **0.81%** | 13% |
| Maternity leave | 0.75% | **0.62%** | -17% |
| **Health and safety** |  |  |  |
| Total workplace accidents[2] | 2,256 | **2,381** | 6% |
| Number of fatal workplace accidents | 1 | **0** |  |
| *Frequency rate of workplace accidents*[3] | *30.93* | ***33.35*** | *8%* |
| *Severity rate of workplace accidents*[3] | *0.96* | ***1.00*** | *4%* |

In 2016, at Air France, there were 28 occupational physicians and 60 nurses to ensure the clinical and psychological screening of the Company's employees, advised on healthy lifestyles and the prevention of vocational risks, and provided emergency medical care. Additional support measures for employees facing temporary or long-term personal difficulties and the deployment of the appropriate training ("Managing by Quality of Life in the Workplace", "Preventing and Managing Violence and Incivility", "Awareness-raising on the Prevention of Suicidal Behavior", etc.). For KLM, the total number of workplace accidents leading to time off work slightly increased to above the Company's target. In 2016, three serious occupational accidents were recorded. Moreover, within the framework of the implementation of the High-Performance Organization, the Human Resources department opted to replace the network of

divisional health and safety managers with a specialized and centralized <u>Center of Health Expertise</u>. Thus, since October 2016, a <u>new group of health experts has been working on health-related issues</u>.

**Working environment:**

The Air France – KLM Group reports that the number of Full Time Equivalent employees decreased by 2.17% relative to the previous financial year to an average of 82.175 employees. However, the recruiting under <u>permanent contract increased by 45,1%</u> while the recruitment for fixed-term contracts decreased by

| Employees, expressed as full time equivalent (FTE) | | | Air France-KLM |
|---|---|---|---|
| **Financial year** | **2014** | **2015** [(1)] | **2016** |
| Ground staff | 65,088 | 54,859 | **53,560** |
| Cabin crew | 21,552 | 21,287 | **20,942** |
| Flight deck crew | 8,027 | 7,856 | **7,673** |
| **Total** | **94,666** | **84,002** | **82,175** |

14,5% in 2016. Also beneficial for Air France´s employees is a protocol that notably established the payment of an exceptional €300 bonus to Ground Staff and Cabin Crew, with €400 for non-executive staff, in respect of the realization of the measures in the "Transform 2015" plan in 2016. A budgeted 1.4% of the payroll, identical for both executives and non-executive staff, was earmarked for individual salary increases pursuant to the new provisions of the ground staff collective agreement. These individual salary increases were in respect of performance, promotion, exceptional adjustments, exceptional bonuses and seniority (for non-executive staff). Another point to mention is that the KLM´s Transformation Office was set up in 2015, to contribute to constructing the new KLM, in close cooperation with all the divisions, and to <u>establish an innovative organization which is constantly improving and learning</u>. <u>Part-time working is very widespread, particularly amongst women, although this is also increasingly the case for men.</u>

**Human capital development/Diversity:**

One of the Air France – KLM Group´s main priority is to promote a responsible social policy and encouraging personal development to <u>ensure the motivation and high professional standards of staff.</u> The training at Air France ensures a high and stable rate of access: 94.5% of Ground Staff received training in 2016 (45% in e-learning form)

**Air France (100% of the staff headcount, registered and paid at the end of the calendar year)** [a]

| | 2015 | 2016 | 16/15 |
|---|---|---|---|
| **Training** | | | |
| Number of training hours by employee [4] | 29 | **29** | 1% |
| **Disabled staff** [5] | | | |
| Total staff with disabilities | 1,560 | **1,617** | 4% |
| Total staff with disabilities recruited during year | 12 | **16** | 33% |
| Yearly spending in the sheltered sector in €m [6] | 16 | **20** | 25% |

For the training at KLM a Learning & Development tool was launched in 2016 to raise awareness within KLM of the Company's new corporate purpose, "Moving Your World" and the related KLM Compass. Around 1,400 KLM employees enrolled in the immersion sessions. Further, young professionals (< 35 years of age) are offered a six-month self-directed program for 60 participants and focuses on personal development. The young professionals collectively decide the themes on which they will work and plan the different sessions. With regard to diversity, Air France has reaffirmed professional gender and wage equality between men and women as a major priority for more than a decade already but is still ambitious to make progress in this area. Following that direction, human resources management signed an agreement with French Ministry of Women Right´s (2015-17 Agreement on Professional Equality between Men and Women). In general, the percentage of women was 44,1% of the total staff from the Air France – KLM Group which is equivalent to a 0,4% increase of women. At December 31, 2016, the Board of Directors numbered five women Board directors, i.e. a proportion of 35.7%. With regards to diversity at KLM, the airline continues to offer an employment guarantee to individuals whose disability rate is assessed at below 35%, meaning that they either remain employed by KLM or receive support in securing employment outside the Company. For employees with disabilities making them incapable of work, and who are within seven years of the legal retirement age, KLM offers protection from lawyers. Employees affected by disability and returning to work receive pro-active support from case managers within KLM.

## Ethics/Human rights:

In the Corporate Social Responsibility Statement and Social Rights and Ethics Charter, the AFKLM Group affirms its commitment to fostering a climate of trust and mutual respect in a working environment where no form of discrimination or harassment is tolerated and oppose all forms of child and forced labor. However, differences in employment legislation between France and the Netherlands require Air France and KLM's HR polices to remain separate. Air

France - KLM's Corporate Social Responsibility strategy enshrines the respect of fundamental rights as defined in the leading international principles: The Universal Declaration of Human Rights, the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organization for Economic Cooperation and Development's (OECD) guiding principles. Air France - KLM has been a signatory of the United Nations Global Compact since 2003 and is committed to respecting and promoting its ten principles in the areas of human rights, labor, the environment and anti-corruption.

**No corruption:**

The Manual to prevent the risks of corruption affirms the Air France - KLM Group's commitment to exercising its activities fairly, equitably, honestly and with integrity, and in the strict respect of anti-corruption laws wherever its companies or subsidiaries exercise their activities. In 2016, Air France established a "Reminder of the compliance regulations for relations with suppliers/service providers" memorandum, signed by the Chief Executive Officer. This document outlines the compliance principles and rules in force within Air France (Internal Regulation) and, more widely, within the Air France - KLM Group (Air France and KLM Manual for the Prevention of Corrupt Practices).

**Consumers/Suppliers:**

One of the main priority of AFKLM Group is to embed sustainable development across the entire value chain to offer customers sustainable and innovative products and services. The airlines of the Group have a common frequent flyer program "Flying Blue". Special about the program is that "Flying Blue" members can donate their "miles" to these start-ups to help them with their development projects. The CSR perception survey of "Flying Blue" for customers enables a better understanding of customer expectations and the identification of issues they deem to be priorities. More than 1,900 customers replied to the CSR Monitor survey realized in May 2016, expressing their views on the issues and actions they consider key, and ranking the development of renewable energies in first place. the KLM Takes Care website posts articles and videos, and offers customers the opportunity to share their views on sustainability topics. For several years, the Air France - KLM has aimed to incorporate Corporate Social Responsibility principles into relations with suppliers by reinforcing control over ethical, social and environmental risks. Also, in addition to sharing the Group's CSR commitments, the Air France

- KLM buyers are encouraged to sign a Code of Ethics outlining the ethical rules to be followed when dealing with suppliers.

**Corporate citizenship:**

One of the AFKLM Group´s main propriety is to contribute to the economic and social development of the territories where the Group operates. Air France works to help disadvantaged children through its Corporate Foundation which is involved in 84 projects across 38 countries. The Air France Humanitarian Aid department issued 428 tickets for the transportation of medical teams and the repatriation of sick children through more than 42 partnerships with NGOs providing medical assistance to children in 2016. Free excess baggage was also donated to more than 60 NGOs, for the transportation of medical and emergency public health equipment. Besides that, the KLM Takes Care program partners UNICEF Netherlands and five other organizations: Close the Gap, Doctor2Doctor, Aviation Without Borders, Wings of Support and SHO. In 2016, KLM also donated tickets and excess baggage to charitable organizations and, following the April 16 earthquake, carried tons of relief goods from the Netherlands to Ecuador free of charge.

## 6.3.2  Commitment level

Air France – KLM Group has established a proactive reporting profile with a long reporting history. The Group understands to report relevant details in numeric form and respects multiple forms of coding to increase credibility of what has been said and done. Hence, it becomes easy for the reader to form his or her own opinion.

| Commitment level of CS | Beginning | Elementary | Satisfying | Sophisticated, Outstanding |
|---|---|---|---|---|
| Corporate governance | | | | AFKLM |
| Health & Safety | | | AFKLM | |
| Working environment | | | | AFKLM |
| Human Capital/Diversity | | | AFKLM | |
| Ethics/Human Rights | | | | AFKLM |
| No corruption | | | AFKLM | |
| Consumers/Suppliers | | | | AFKLM |
| Corporate citizenship | | | | ARKLM |

Table 10 – The CS strategy of AFKLM shows a sophisticated level of commitment

**Conclusion:**

Air France – KLM Group has reached a sophisticated level of commitment towards social issues of sustainability (table 9). The corporation was able to establish a permanent dialogue within the firm bottom-up and top-bottom but also with their external stakeholders. All internal responsibilities fulfill at least a satisfying level of commitment which reflects how much the Group cares for its employees. Outstanding are the efforts to align the Groups ethical values and beliefs with its stakeholders along the entire value chain. Also, it fits the culture of the Air France – KLM Group that they focus on Humanitarian Aid and crisis help when it comes to show corporate citizenship.

## 6.4  Ryanair

### 6.4.1  Social initiatives

**Corporate Governance/People Management:**

The Directors are committed to maintaining the highest standards of corporate governance. This statement describes how Ryanair has applied the main and supporting principles of the 2014 U.K. Corporate Governance Code (the "2014 Code"), the version of the Code in force during the year ended March 31, 2017. Within the Board of Directors, there is a clear division of responsibilities between the Chairman and the CEO. The Board meets at least on a quarterly basis and in the year to March 31, 2017 the Board convened meetings on ten occasions. The MSCI Research "Governance Metrics Report" June 2016 noted that Ryanair "falls into the highest scoring range for all the companies we assess relative to global peers indicating that the company's corporate governance practices are generally well <u>aligned with shareholder interests</u>".

**Health and Safety:**

The Board of Directors established the Air Safety Committee in 1997 to review and discuss air safety and related issues. The Safety Committee reports to the full Board of Directors each quarter. Ryanair is proud of its industry <u>leading 32-year safety record</u>. Safety is Ryanair's No.1 priority and we invest heavily in safety-related equipment, training and internal (confidential) reporting systems. Fatigue Management ("FM") is a shared responsibility between Ryanair and

its Crews. Ryanair implements a scientifically-based and independently verified, data driven, flexible approach to fatigue management that forms an integral part of the Ryanair Safety Management System.

**Working environment:**

Ryanair negotiates with all its people, including pilots and cabin crew at all bases, through Employee Representation Committees (ERCs) regarding pay, work practices and conditions of employment, including conducting formal negotiations with these internal collective bargaining units. Ryanair's senior management meets regularly with the different ERCs to consult and discuss all aspects of the business.

**Human capital development/Diversity:**

Last year over 900 of Ryanair´s people were promoted and Ryanair created approximately 1,500 new jobs. Ryanair has also created over 90,000 indirect jobs based on Airport Council International figures. Our people remain one of their most important assets, and they will continue to invest heavily in recruitment and training. Training, career development and promotion opportunities are available and encouraged for all of Ryanair's people. Ryanair remains a committed equal opportunities employer regardless of nationality, race, gender, marital status, disability, age, sexual orientation, religious or political beliefs. Ryanair selects and promotes its people based on merit and capability, providing the most effective use of resources.

**Ethical behavior/Human rights:**

Ryanair's Code of Business Conduct and Ethics ("Code") sets out standards of integrity and ethical values that constitute Ryanair's way of doing business and is applicable to all Ryanair employees. Ryanair is committed to conducting business in an ethical fashion that complies with all laws and regulations in all the countries in which Ryanair operates. Ryanair does not tolerate any infringement of human rights, including the use of forced, compulsory or trafficked labor, or anyone held in slavery or servitude (whether adults or children) in any part of our business or supply chain. There are established channels for reporting code violations or other concerns in a confidential manner. The Personnel Department investigates any instances and the Head of Internal Audit reports findings directly to the Audit Committee.

**No corruption:**

The Irish rules generally prohibit anti-competitive arrangements among businesses and prohibit the abuse of a dominant position, also applying to the airline sector. Ryanair has been subject to an abuse-of-dominance investigation by the Competition and Consumer Protection Commission in relation to service between Dublin and Cork. The Competition and Consumer Protection Commission (then known as the Competition Authority) closed its investigation in July 2009 with a finding in favor of Ryanair.

**Consumers/Suppliers:**

The launch of the Always Getting Better ("AGB") Customer Charter in 2014, and increased focus on digital technology through the release of the new website and app, has improved Ryanair's interaction with customers, providing them with the services and information required to make their travel more productive and comfortable. Ryanair is fundamentally opposed to the introduction of any aviation taxes, including any environmental taxes, fuel taxes or emissions levies. Ryanair has, and continues to offer, the lowest fares in Europe, to make passenger air travel affordable and accessible to European consumers. Further, Ryanair endeavors to only use suppliers that adhere to the principles of Ryanair's Ethics Code and provide a safe and healthy working environment for their employees.

**Corporate citizenship (Community development):**

In 2017, the Company established the Ryanair Foundation to work with selected charitable partners and educational projects across Europe. The foundation recently announced its sponsorship (€1.5m over 5-years) for the new Ryanair Professor of Entrepreneurship position at Trinity College Dublin's Business School. Between 2008 and 2014, the Ryanair charity calendar contributed €100,000 per annum (€700,000 in the 7 years that it was produced) to designated charities across Europe.

## 6.4.2 Commitment level

The reporting profile of Ryanair is clearly defensive. The airline does not have a sustainability report or includes sustainability information in their annual report. One cannot find any reported numbers that give credibility to what they state.

| Commitment level of CS | Beginning | Elementary | Satisfying | Sophisticated, Outstanding |
|---|---|---|---|---|
| Corporate governance | | RY | | |
| Health & Safety | | | | RY |
| Working environment | | RY | | |
| Human Capital/Diversity | | RY | | |
| Ethics/Human Rights | | | RY | |
| No corruption | RY | | | |
| Consumers/Suppliers | | | RY | |
| Corporate citizenship | | RY | | |

Table 11 – The CS strategy of Ryanair shows an elementary level of commitment

**Conclusion:**

Ryanair missed to reach a satisfying level of commitment towards social issues of sustainability because they are growth- and consumer-oriented, but do not show extra efforts internally with regards to their governance or employees. It becomes clear that corporate culture is not a major theme. Instead, monetary incentives are set to motivate employees. Although Ryanair continues to create jobs and invests in training Ryanair does not fulfill a satisfying level of commitment towards human capital development because their aim is to create more efficient (human) resources. Further, there are not policies for emancipation of minorities reported. Regarding external responsibilities, Ryanair´s ethical code seems at a developed stage, but the airline does not report how it deals with the anti-competitive legislation. Lastly, their corporate citizen efforts are limited to monetary supports and employees are not integrated into the process.

## 6.5  Questioning Findings due to Bad Press´

The following paragraphs are extracts from articles in The Guardian concerning the relevant airlines. The Guardian is a British daily newspaper, founded in 1821 and has been named Newspaper of the Year four times at the annual British Press Awards. I shortly reproduce negative aspects about the airlines´ social responsibilities with the purpose of reflecting critically on the precious self-presentation of the European airlines in their reports.

*Lufthansa: Strikes and recruiting freeze*

Germany's flagship carrier Lufthansa said it would cancel nearly 900 flights on Wednesday because of a strike by pilots, causing travel disruption for tens of thousands of passengers in the latest escalation of a long-running pay dispute. It is the 14th strike since April 2014 started by Verdi in a row over pay and working conditions. The union says pilots have endured a wage freeze over that time and suffered a "significant loss of purchasing power" due to inflation, while Lufthansa has made billions in profits. Since the beginning of 2014, the Lufthansa core company had imposed a recruitment freeze of their own educated pilots because the cost structure of the Group tariff agreement is too expensive for the company. Now many young pilots sue Lufthansa for their right to work. (The Guardian, 2016b)

*German Wings (Lufthansa Group):  Suicidal pilot retains license*

Germanwings pilot Lubitz locked the flight captain out of the cockpit and put the plane into a controlled descent over the French Alps, killing all 150 people onboard. Relatives of the people killed when the German pilot Andreas Lubitz crashed a passenger jet into a French mountainside say Lufthansa should have done more to stop him flying after he was diagnosed with mental health problems. Jürgen Fischenich, whose son Sven, 33, died in the crash, said he and other families were still waiting for an apology from Lufthansa for failing to keep a pilot with a history of mental health problems out of the cockpit. He adds "Without the negligence on Lufthansa's part, my son wouldn't have died like this. It wasn't just an accident. This was a crash where Lufthansa's safety mechanisms failed." (The Guardian, 2016a)

*Air France – KLM Group: French-Dutch culture clash revealed*

French staff say KLM colleagues think only of money, while Dutch see Air France workers as aloof, report says. A clash of national cultures and an inability to understand each other's languages threatens to make the merged Air France-KLM group of airlines unmanageable, according to a leaked internal company report. Among the petty grievances, there is irritation that a KLM employee working in Paris is charged €10 for lunch in the canteen, while an Air France colleague pays only €4. Such is the state of relations, according to the 100-page report, compiled by unions acting for staff within the group, that there are fears for the company's future. (The Guardian, 2017h)

*Air France: Violent fight against management*

Air France workers rip shirts from executives after airline cuts 2,900 jobs. Staff from Air France was striking due to a controversial "restructuring plan" involving 2,900 redundancies between 2015 and 2017. The proposed job losses involve 1,700 ground staff, 900 cabin crew and 300 pilots. Several hundred airline employees had gathered to demonstrate outside Air France's head office and members of senior management were greeted by an angry crowd shouting and waving flags and placards featuring the company chiefs portrayed as criminals in police mugshots. The airline filed a criminal complaint about this "scandalous" outbreak of violence. (The Guardian, 2015)

*British Airways: Poverty wages to cabin crew*

British Airways cabin crew have announced four more days of strikes. Since the start of the year there have been 11 days of strike action. Basic pay in the mixed fleet, which all new recruits to BA join, starts at around £12,000, though the airline says crew earn a minimum of £21,000 after allowances and bonuses. Unite says cabin crew earn £16,000 a year on average. Willie Walsh, chief executive of BA's parent company, IAG, said: "The offer's on the table. There are no negotiations. The strikes have had no effect, the passengers are flying and flights are operating. (The Guardian, 2017a)

*British Airways: Major IT meltdown causes turmoil*

Disruption from a major IT failure that affected more than 1,000 flights on Saturday has continued into a second day, leaving more passengers stranded. Airport staff had handed out the mats, as well as thin blankets, for people who were stuck there overnight. The experience of many passengers who have written to the Guardian's consumer champion's column tell us claims are often protracted and frequently unsuccessful. Our consumer champs say that if airline counter staff make you a promise, video it on your phone – it may be your only chance of enforcing a claim. BA's explanations "It was not an IT failure. It was a failure of electrical power to our IT systems" have been met with skepticism and more questions. (The Guardian, 2017e)

*Ryanair: Only airline that puts passengers in wheelchairs on last*

Ryanair flight takes off without passenger, Student Niamh Herbert, who requires a wheelchair when travelling. Normally airlines put passengers in wheelchairs at first, but this time Niamh was told at the boarding gate she would have to wait 15 minutes to be helped on to the plane

in her wheelchair. At a later point a member of staff approached her and asked if she would be able to climb the stairs to the plane "for easiness' sake". What a disgrace – Herbert tweets. Herbert said she informed Ryanair she would be travelling in her wheelchair when she booked an initial flight, but decided to change her flight to Friday. Apparently, Ryanair doesn't pass the information on and Herbert was left alone at the gate. (The Guardian, 2017d)

*Ryanair: Michael O'Leary hopes to offer zero fares*

Ryanair chief executive Michael O'Leary plans to make money from sharing revenues with airports where it had attracted passengers instead from passenger´s flight fares. He said: "The challenge for us in the future is to keep driving air fares down. I have this vision that in the next five to 10 years that the air fares on Ryanair will be free, in which case the flights will be full, and we will be making our money out of sharing the airport revenues; of all the people who will be running through airports, and getting a share of the shopping and the retail revenues at airports." (The Guardian, 2016c)

After considering these recent negative headlines about social responsibilities towards employees, customers and communities of the relevant airlines I adjust the following scores:
- Lufthansa: The German airline seems to have communication problems from bottom to top. The two examples show how the governance did not take responsibility for their mentally ill pilot nor for their striking and suing pilots. Therefore, I lower the score in Corporate Governance from initial three points to two points as well as the Health/Safety score from initial four to three points.
- Air France – KLM Group: Cultural difficulties could not be solved after the merger or the French and Dutch airline so far. Grief lies behind the curtains of this union so that employees become violent towards their managers. Thus, I lower Air France – KLM Group´s score in Working Environment from initial four points to three points.
- British Airways (IAG): The examples from British Airways show that the working conditions are not promising. Wages are perceived to be low and IT systems seem to be in need for renewal. Hence, I lower the score of Working Environment from initial three to two points.
- Ryanair: Ryanair´s customer service lacks professionalism, apparently especially with disabled passengers. Also, Ryanair´s CEO makes clear that he only cares about profit and not about communities and environment when he says to aim for zero fares,

fostering mass tourism even further. Thus, I lower their score in <u>Customers/Suppliers</u> <u>from initial three to two as well as their Corporate Citizenship from initial two points to</u> <u>one point</u>.

When comparing the adjustment of scores, one must note that three airlines have a lower commitment level towards CS due to internal issues and only one airlines due to external issues. At this point, I would like to point out that the working environment at two airlines seem to be not as promising as reflected in their annual reports.

## 6.6  Synthesis of Empirical Findings

After the evaluation of commitment levels based on the content analysis of the airline´s own reports and the adjusted scores due to the airlines´ scandals revealed in the press, I can present now a final ranking of the airlines´ scores in issues concerning the social dimension of CS. The diagram in figure X shows that each airline puts emphasizes on different aspects of the social dimension of sustainability. One could argue that Lufthansa Group and Air France – KLM Group have similar social performance scores, same as Ryanair and IAG.

Figure 8 - Total score of each airline within the social dimension of CS
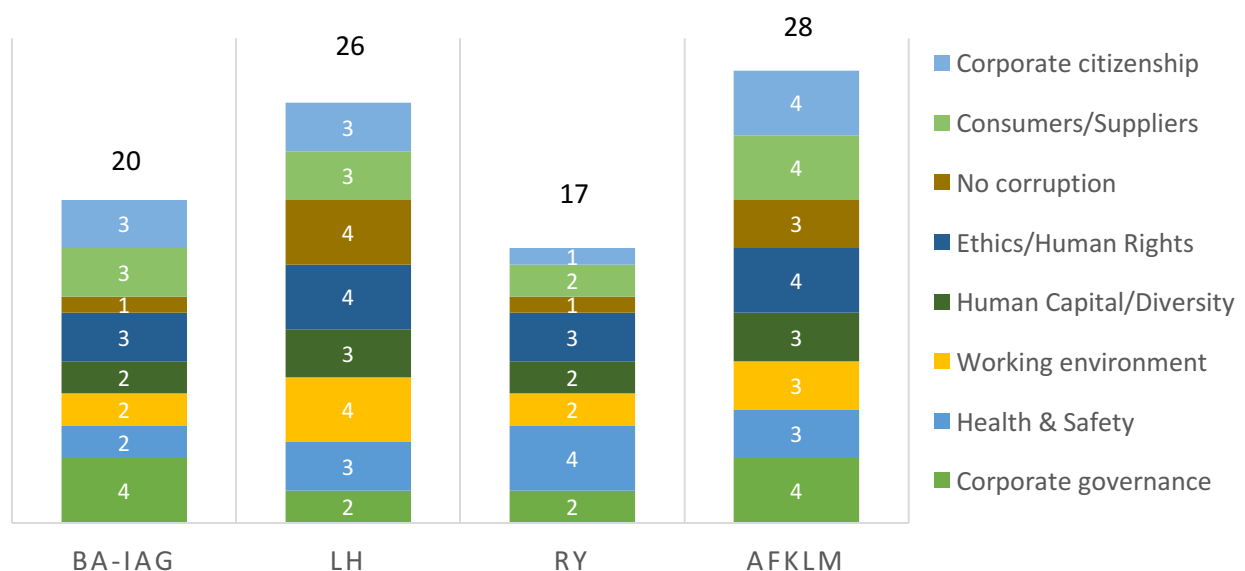


The maximum score for an airline to achieve in this assessment is 32 points. No airline has reached this score. The reason for this is as follows: Ryanair´s social initiatives are mainly compliance- and profit-drive and therefore, their CS strategy is not mature but rather elementary. IAG takes economic and sometimes ethical responsibility for its stakeholders which

is the reason for the airline almost fulfilling the criteria for a satisfying level of CS commitment. Then, Lufthansa has reached a very satisfying commitment level, because they express how much they care about their stakeholder groups. It seems that Air France – KLM Group has the most mature CS strategy because they are able to take on ethical responsibilities towards all stakeholders and recognize that driving sustainability means driving progress. Finally, in table 12 it becomes obvious that no airline has reached an outstanding commitment level towards CS which means that none of the four corporations is commitment to philanthropic responsibilities. This holistic interpretation of CS would be necessary to bring business and society closer together.

| Interpretation of CS by Marrewijk | Business responsibilities by Carroll | CS maturity level by Baumgartner | Ranking of the four largest airlines in Europe according to this research |
|---|---|---|---|
| Compliance-driven CS | Legal responsibilities | Beginning |  |
| Profit-driven CS | Economic responsibilities | Elementary | |
| Caring CS | Ethical responsibilities | Satisfying | |
| Synergistic CS | Ethical responsibilities | Sophisticated | |
| Holistic CS | Philanthropic responsibilities | Outstanding | |

Table 12 - Ranking the airlines according to their CS strategy

# 7  Discussion and Limitations

Table 13 provides an overview of the thesis' main theoretical and empirical findings. By emphasizing these findings, I give grounds for the following discussion on implications.

| Chapter | Main Conclusions/Findings |
|---|---|
| Chapter 1 | 1.1 As traveling, and especially aviation, harms the environment, to me, traveling and sustainability seem like a controversy. However, … <br> 1.2 …stakeholder theory suggest that sustainability is an opportunity for competitive advantage for companies. Thus, I aim to find out: Why and how have European airlines integrated sustainability into their core strategy? |

| | |
|---|---|
| Chapter 2 | 2.1 Understanding CS as nothing else than the concept to incorporate sustainability by the organization containing the three interdepend, interacting pillars: economic, ecologic, and social.<br><br>2.2 The motivation for CS is based on Stakeholder theory: businesses are responsible for their firms internal and external stakeholders - including society.<br><br>2.3 According to the RBV, CS can be source of value creation for business and society when it´s integrated into all levels of management and planned strategically. |
| Chapter 3 | 3.1 The social dimension of CS implies the idea of treating people within the company, within the supply chain, and in the community of the company with respect and attention. Its effects are hard to quantify due to its intangible nature.<br><br>3.2 Levels of commitment towards social issues show how much businesses contribute to society. As business and society are interdependent being committed to CS becomes an inevitable condition.<br><br>3.3 Best practice examples show how it pays off that some corporations manage to integrate social aspects of CS into their core strategy. |
| Chapter 5 | 5.1 The airline industry is highly competitive (e.g. due to the entry of low cost carriers), constantly growing (e.g. mass tourism damages world heritage sites), and involves many uncertainties (disruptions by terror and new regulations).<br><br>5.2 Regarding social aspects, the airline industry bears difficulties because operational pressure has increased, especially for employees.<br><br>5.3 More and more corporations disclose their data on sustainability. Reporting frameworks as GRI aim to standardize reports but so far different frameworks and local regulations make it hard to assess and compare the reports. |
| Chapter 6 | 6.1 Lufthansa reaches a very satisfying commitment level because they credibly express how much they care about their stakeholder groups.<br><br>6.2 Air France – KLM Group has the most mature CS strategy because they precisely report on how they assume ethical responsibilities for all stakeholders and recognize that driving sustainability means driving progress.<br><br>6.3 IAG reaches a satisfying level of CS taking mostly economic and sometimes ethical responsibility for its stakeholders.<br><br>6.4 Ryanair´s CS strategy is not mature but rather elementary because their social initiatives are mainly compliance- and profit-driven.<br><br>6.5 The credibility of the airlines´ sustainability reports seem debatable when considering negative headlines about the airlines in the press.<br><br>6.6 No airline has reached an outstanding commitment level towards CS. Thus, none of the four corporations is committed to bring business and society closer by interpreting CS holistically |

Table 13 - Main findings of each chapter as basis for discussion

Keeping in mind that the knowledge gained from the empirical data is not 'pure truths' but subjective judgments I recall the meanings of the empirical findings: Although CS has emerged as a megatrend and even CS reporting has evolved as mainstream, it is still not clear in which development stage CS is as managers have limited understanding of how to implement CS practically. Thus, I was wondering whether truly "good" corporations really exist. As the airline industry fulfills most characteristics that positively influence CS strategies and Europe is the leading region when it comes to CS, the case study of the largest European airlines helped to answer this question. The previous chapters can be thought of as an assessment or progress report on corporate´s commitment towards CS.

There are some interesting findings to highlight when looking at the empirical data: Unexpectedly, I found immense differences within the airlines CS strategies and their reporting styles. In the past, multiple standardizing frameworks for sustainability reporting have been established but remain voluntary so that it is difficult to compare the reports and evaluate their quality. Very interesting to see are the contrasting strategies of Ryanair and AFKLM: Surprisingly, a huge corporation as Ryanair with direct effects on the environment seems not to have any pressure from the government nor the consumers or other stakeholders to show efforts implementing CS initiatives beyond compliance or profit-orientation. In contrast to Ryanair, Air France – KLM Group is sophistically committed to improve and report on their CS strategy which they integrate into their core business strategy on all levels of the company. Although these two leading airlines have very different understandings of CS, their strategy seems straight forward. Similar straight forward, but on a lower commitment level, seems Lufthansa´s CS strategy. Lufthansa communicates credibly how digitalization and bundling of their competencies as in education and humanitarian aid will improve their responsibility towards internal and external stakeholder. Not straight forward at all seems the CS strategy of IAG even though they outline to focus on sustainability from now on. But so far, their efforts do not create value for either employees or customers which can be emphasized through their recent bad press. Thus, I interpreted IAG´s CS strategy as a symptom of being 'stuck-in-the-middle' with a focus on enhancing operational efficiency and with particular attention to not making any mistakes. After outlining the meaning of the commitment levels of each airline the following question remains:

*Is corporate sustainability a competitive strategy in the European airline-industry, and what are the arguments for further integrating corporate sustainability into the strategies of airlines?*

To answer this research question, I need to recall the theoretical framework of this thesis in the context of the airline industry´s characteristics. It only seems logical to anchor CS onto stakeholder theory. Creating value for each of the internal and external stakeholder groups is a more sustainable and more social business process than generating maximal profit for shareholders only. This organizational capability is directly linked to the desired result of generating innovation-orientation which finally increases profit and performance levels. From a stakeholder perspective, the competitive advantages generated by creating value for each stakeholder group varies with the stability of the business surroundings. Since the air travel industry is especially dynamic and unpredictable, sustainable resources and competences are key. To illustrate the industry´s dynamics I utilize IATA´s outlook 'Future of the Airline Industry 2035' which clearly demonstrates the dynamics of the airline industry by proposing four contrasting scenarios for the future (Appendix 1, i). These scenarios emphasize the airline´s loss of control due to the strong bargaining power of stakeholder groups. Hart includes the environment in the traditional resource-based view (1995). Consequently, a developed CS strategy requires to implement initiatives in each of the three dimensions, economic, environmental and social: The economic dimension ensures the survival of the firm, the environmental dimension helps to improve efficient use of resources in the short- and medium-term and finally the social dimension creates value for stakeholders for a long-term competitive advantage. But there are more arguments for integrating CS into the core strategy of corporations from the resource-based view. Following this understanding of resources and organizational capability, it is the belief that a company gains competitive advantage as it builds a brand that is different from its competitors. A strong brand can signal customers or stakeholders the firm´s values, norms and beliefs. If the brand strategy is perceived as credible and authentic the firm can be rewarded with a good reputation. And corporations with a favorable reputation for sustainability are more attractive business partners enabling the firm to enter new markets and attracting and retaining top talent. Furthermore, a credible corporate reputation is likely to influence customers' loyalty behaviors through differentiation. Thus, it is up for discussion if CS has the potential of reconciling the two generic strategies by

Porter, Differentiation and Cost-Leadership, without being stick-in-the-middle. (Grant, 2016, p.223).

Similar findings in the literature about CS as a competitive strategy are suggested by Conrady, Parmar and Porter & Kramer. Conrady states that a "strategic stakeholder model of engagement with the business environment means that the potential for avoiding disasters and increasing success and innovation"(Conrady, 2011, p.269). As CS strategies become more and more important to distinguish brands, it is a real advantage to include sustainability to the brand- and communication strategy. The main challenge for the management is to convince the stakeholders of the authenticity of sustainable engagement. For that purpose and to increase transparency, global sustainability certificates of performance need to be provided and communicated. Parmar points out that "Global warming, global financial crises, and global terrorism threaten to destabilize our world" (Parmar et al., 2010, p.267). It is more imperative than ever to study carefully and understand the power of markets and capitalism. He thinks about the "construction of a new narrative about how capitalism can be a force for good in the world" (ibid, p.267). By this 'new capitalism' Parmar implies: If stakeholder theory is in the center of thinking for all business disciplines, we can address the problems of value creation and avoid spoiling shareholders at the expense of other stakeholders, which ultimately destroys the value of both groups. Additionally, Porter and Kramer argue that "While responsive CSR depends on being a good corporate citizen and addressing every social harm the business creates, strategic CSR is far more selective." (Porter & Kramer, 2006, p.14) The interdependence between business and society takes two forms: "inside-out linkages" where company operations impact society and "outside-in linkages" where external societal forces impact companies. (Porter & Kramer, 2006, p.8) Because companies cannot address hundreds of social issues, they must select only a few opportunities to make a real difference to society and gain a competitive advantage, they believe.

To round up the discussion, I propose the practical implications for the sustainability managers of Ryanair and Air France – KLM Group according to the theoretical framework and its discussion in the context of the airline industry:

- Concretely, I would not recommend Ryanair´s CEO Michael O´Leary to turn his clearly profit-orientated sustainability strategy into a caring sustainability strategy because it

would require taking ethical responsibilities towards all stakeholders. And as discussed, this sustainability strategy should come from inside requiring implementation on all management levels to be authentic. By a sudden change of strategy Ryanair´s brand could run danger to be accused of greenwashing and might face loss of reputation. In the future, it remains critical though how long Ryanair´s employees can withstand the enormous operational pressures as constant striving makes them miserable. Further, it remains questionable if the organization is sufficient innovation-orientated to cope with rapid dynamics in the industry.

- Contrarily, I would recommend the Air France – KLM Group to turn their sophisticated level of commitment towards CS into an outstanding one, to literally stand out. Focusing on the social dimension of CS, the following skills are required when Air France – KLM Group wants to achieve an outstanding commitment level: Cultural competence means treating all people respectfully appropriate to their culture and behaviors of dominant cultures are analyzed in relation to other cultures. Thus, AFKLM could overcome their internal issues by reflecting on their values and working attitudes from its double cultural background to ensure clarity about a common goal. Further, as the future of the travel industry can't be predicted, and systems can't be controlled, AFKLM must ensure to design and redesign how they envision which changes the future possibly holds. Only then, is it possible for them to learn accordingly.  Finally, AFKLM´s must consider that life-enhancing resources and services cannot be assigned a monetary value. That´s why a focus on voluntary, non-monetary aid is essential to bring business and society further together. Sustainability managers must realize: As their firm shapes the society, the society shapes the firm.

At last, some limitation in terms of the chosen methodological qualitative approach are given. As the findings are based on data interpretation, they are, despite testing the finding through scandals in the press, still subjectively influenced. Also, an objective assessment of commitment levels by another researcher is not given because I conducted the study individually. Remaining true to the interpretivist approach, the data utilized may be interpreted differently, especially if guided by alternative assumptions and theories. Furthermore, the case study implies studying a lot of content in the airlines reports which cannot be considered totally. Taking into account more sources of information about the airline´s social initiatives offers a foundation for further

investigations. Additionally, some limitations in terms of generalizability have been mentioned already. Thus, for further research I recommend extending the study into multiple directions: First, more airlines should be assessed, for example in the Asian market or American market because the significance of sustainability´s varies between cultures. Other industry´s might show a significantly more or less developed stage of implementing and reporting CS. Secondly, not only the social dimension of CS should be assessed isolated but in relation to the economic and environmental dimension. Assessing all three dimensions of CS would give a much clearer picture of how developed CS strategies are today. Third, future research could consider a longitudinal study for multiple years to test how airlines ´overall performance depends on their (improvement of) sustainability strategy. This extension of research would help to reveal more arguments for further integrating corporate sustainability into the strategies of corporations.

# 8   Conclusion and Outlook

As the future of traveling depends on resolving its negative effects such as climate change the aviation industry is in need of disruptive innovation. When further analyzing the complexity of the airline industry, I agree with IATA that Airlines struggle to differentiate themselves. Inspired by this overall situation this thesis answers the research question: *Is corporate sustainability a competitive strategy in the European airline-industry, and what are the arguments for further integrating corporate sustainability into the strategies of airlines?*

The research is designed to answer this question theoretically and empirically, by inductive reasoning and deductive reasoning. Theoretically, I outline how treating stakeholders with respect and engage them proactively bears the opportunity for a long-term competitive advantage. From the RBV, I argue that strategic CS can be seen as an investment in the firm's competencies and in a good reputation. The integration of sustainability into the core strategy of companies can create value for both, business and society. Empirically, this descriptive thesis attempts to specify how airlines have implemented social initiatives in 2016 by analyzing the content of their annual sustainability reports in a qualitative manner. By categorizing airlines initiatives into commitment levels towards CS, I intend to detect the development stage of CS in this highly visible and politically sensitive industry.

In general, I notice that the boundaries between 'social', 'environmental' and 'economic' aspects are often overlapping. My findings show that especially the social dimension of CS presents a major obstacle for managers in practice when facing the challenge of implementing few targeted social initiatives that fit the corporate´s culture. Overall, there has been less debate on the social than on the environmental management. Evaluating the airline´s annual and sustainability reports, I find out that all four airlines have adopted CS to a certain extent but no airline is committed to CS on an outstanding level. This means that 30 years after the implementation of the international GRI there is still much room to improve CS strategies. With regards to the communication of CS, it is key to put transparency and credibility at the center of the CS strategy. Further, I recognized a lack of consistency in sustainability reporting from these large international companies, which makes it almost impossible to compare one company's sustainability strategy with another. That is why my evaluation of the airline´s commitment levels towards CS is very subjectively.

My first conclusion hereby is that it is necessary to strengthen global frameworks for developing sustainability reporting and make it a top priority task for corporations. Secondly, I suggest shifting the focus from 'green traveling' (environmental initiatives) to 'fair traveling' (social and environmental initiatives) as a broad holistically view on CS bears long-term competitive advantage in multiple directions. Overall, I conclude that CS is not only a necessary strategic asset for the airlines when integrated to build capabilities in all business areas to cope with fierce competition but moreover, CS will become a necessary ability to sustain traveling itself in the future. These are unambiguous arguments to further integrating CS into the core strategies of airlines. In the future, not only governments but also customers should force airlines to take a leading role in terms of corporate sustainability. Future research could extend the scope of cases and sources to be analyzed as well as detect the limits of the benefits from CS. I believe this thesis can enhance the current understanding of CS as well as guide managers to exploit the full potential of CS.

# 9 Bibliography

Amaeshi, K. M., & Crane, A. (2006). Stakeholder engagement: A mechanism for sustainable aviation. *Corporate Social Responsibility and Environmental Management*, *13*(5), 245–260. https://doi.org/10.1002/csr.108

Australian Government. (2016, May). Great Barrier Reef. Retrieved from http://www.australia.gov.au/about-australia/australian-story/great-barrier-reef

Bansal, P. (2005). Evolving sustainably: A longitudinal study of corporate sustainable development. *Strategic Management Journal*, *26*(3), 197–218. https://doi.org/10.1002/smj.441

Bansal, T., & DesJardine, M. (2015). Don'T Confuse Sustainability With Csr. *Ivey Business Journal*, (February), 1–3. Retrieved from https://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=101624236&site=eds-live&scope=site

Baumgartner, R. J. (2014). Managing corporate sustainability and CSR: A conceptual framework combining values, strategies and instruments contributing to sustainable development. *Corporate Social Responsibility and Environmental Management*, *21*(5), 258–271. https://doi.org/10.1002/csr.1336

Baumgartner, R. J., & Ebner, D. (2010). Corporate sustainability strategies: sustainability profiles and maturity levels. *Sustainable Development*, *18*(2), 76–89.

Becken, S. (2007). Tourists' Perception of International Air Travel's Impact on the Global Climate and Potential Climate Change Policies. *Journal of Sustainable Tourism*, *15*(4), 351–368. https://doi.org/10.2167/jost710.0

Bradford, M., Earp, J. B., Showalter, D. S., & Williams, P. F. (2016). Corporate Sustainability Reporting and Stakeholder Concerns: Is There a Disconnect? *Accounting Horizons*. https://doi.org/10.2308/acch-51639

Brown, J. A., & Forster, W. R. (2013). CSR and Stakeholder Theory: A Tale of Adam Smith. *Journal of Business Ethics*, *112*(2), 301–312. https://doi.org/10.1007/s10551-012-1251-4

Business Insider Deutschland. (2017, August). Travel stocks drop in aftermath of Barcelona terror attack. Retrieved from http://www.businessinsider.de/travel-stocks-drop-in-aftermath-of-barcelona-terror-attack-2017-8?r=UK&IR=T

Carroll, A. B. (2016). Carroll's pyramid of CSR: taking another look. *International Journal of Corporate Social Responsibility*, *1*(1), 3. https://doi.org/10.1186/s40991-016-0004-6

Colquhoun, L. (2016). Integrated Thinking and Reporting, (November). https://doi.org/10.1596/25190

Conrady, R. (2011). *Trends and Issues in Global Tourism 2011*. (B. M. editor & S. (Online Service), Eds.). Berlin, Heidelberg: SpringerLink Online service.

Conrady, R. (2012). *Trends and Issues in Global Tourism 2012*. (B. M. editor & S. (Online Service), Eds.). Berlin, Heidelberg: SpringerLink Online service.

Corbin, J., & Strauss, A. (2008). *Analyzing Data for Concepts. Basics of Qualitative Research (3rd ed.): Techniques and Procedures for Developing Grounded Theory* (Vol. 3). https://doi.org/10.4135/9781452230153.n8

Cowper-Smith, A., & De Grosbois, D. (2011). The adoption of corporate social responsibility practices in the airline industry. *Journal of Sustainable Tourism*, *19*(1), 59–77. https://doi.org/10.1080/09669582.2010.498918

Crittenden, V. L., Crittenden, W. F., Ferrell, L. K., Ferrell, O. C., & Pinney, C. C. (2011). Market-oriented sustainability: a conceptual framework and propositions. *Journal of the Academy of Marketing Science*, *39*(1), 71–85.

CSRHub. (n.d.). About CSRHub - Corporate Social Responsibility Company | CSR Ratings. Retrieved September 5, 2017, from https://www.csrhub.com/content/about-csrhub/

Cunha, P. V., & Louro, M. J. (2001). Brand Management Paradigms. *Journal of Marketing*, *31*(0), 849–875.

Dahlsrud, A. (2008). How corporate social responsibility is defined: an analysis of 37 definitions. *Corporate Social Responsibility and Environmental Management*, *15*(1), 1–13.

De Vaus, D. A., & de Vaus, D. (2001). *Research design in social research*. Sage.

Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, *20*(1), 65–91.

Dyllick, T., & Hockerts, K. (2002). Beyond the business case for corporate sustainability. *Business Strategy and the Environment*, *11*(2), 130–141.

Elkington, J. (1997). Cannibals with forks. *The Triple Bottom Line of 21st Century*.

Ernst & Young. (2014). Sustainability reporting — the time is now. *EY.com*, *N/A*(N/A), 24.

European Commission. (n.d.). Reducing emissions from aviation | Climate Action. Retrieved September 5, 2017, from https://ec.europa.eu/clima/policies/transport/aviation_en

European Commission. (2006). Climate change: Commission proposes bringing air transport into EU Emissions Trading Scheme.

European Commission. (2007). Social developments in the EU air transport sector, 1–7.

European Commission. (2014). The EU Emissions Trading System (EU ETS), (July), 4–7. https://doi.org/10.2834/55480

European Commission. (2015a). An aviation strategy for Europe. *European Commission*, 16. https://doi.org/10.1017/CBO9781107415324.004

European Commission. (2015b). *Study on the resources deployed in the area of European aviation safety before and after the creation of EASA*. https://doi.org/10.2832/12162

European Commission. (2016). *EU energy in figures. Statistical pocketbook.* https://doi.org/10.2832/91509

Fiedler, L., & Kirchgeorg, M. (2007). The role concept in corporate branding and stakeholder management reconsidered: Are stakeholder groups really different? *Corporate Reputation Review*, *10*(3), 177–188.

Freeman, I., & Hasnaoui, A. (2011). The Meaning of Corporate Social Responsibility: The Vision of Four Nations. *Journal of Business Ethics*, *100*(3), 419–443. https://doi.org/10.1007/s10551-010-0688-6

Freeman, R. E. (2010). *Strategic management: A stakeholder approach*. Cambridge University Press.

Geden, O. (2015). Climate advisers must maintain integrity. *Nature*, *521*(Comment), 27–28. https://doi.org/10.1038/521027a

Global Reporting Initiative (GRI). (n.d.). Integrated Reporting. Retrieved September 5, 2017, from https://www.globalreporting.org/information/current-priorities/integrated-reporting/Pages/default.aspx

Gössling, S. (2017). Carbon offsetting schemes for transport: https://doi.org/10.2167/jost758.0

Gössling, S., Cohen, S. A., & Hares, A. (2016). Inside the black box: EU policy officers' perspectives on transport and climate change mitigation. *Journal of Transport Geography*. https://doi.org/10.1016/j.jtrangeo.2016.10.002

Grant, R. M. (2016). *Contemporary Strategy Analysis Text Only*. John Wiley & Sons.

Hahn, R., & Kühnen, M. (2013). Determinants of sustainability reporting: a review of results, trends, theory, and opportunities in an expanding field of research. *Journal of Cleaner Production*, *59*, 5–21. https://doi.org/10.1016/j.jclepro.2013.07.005

Hahn, T., Pinkse, J., Preuss, L., & Figge, F. (2015). Tensions in Corporate Sustainability: Towards an Integrative Framework. *Journal of Business Ethics*, *127*(2), 297–316.

https://doi.org/10.1007/s10551-014-2047-5

Hart, S. L., & Dowell, G. (2011). Invited Editorial: A Natural-Resource-Based View of the Firm: Fifteen Years After. *Journal of Management*, *37*(5), 1464–1479. https://doi.org/10.1177/0149206310390219

Hughes, T. P., Kerry, J. T., Álvarez-Noriega, M., Álvarez-Romero, J. G., Anderson, K. D., Baird, A. H., … Wilson, S. K. (2017). Global warming and recurrent mass bleaching of corals. *Nature*, *543*(7645), 373–377. https://doi.org/10.1038/nature21707

International Air Transport Association (IATA). (n.d.). Tackling the European infrastructure crisis. Retrieved August 31, 2017, from http://airlines.iata.org/analysis/tackling-the-european-infrastructure-crisis

International Air Transport Association (IATA). (2016). Fact Sheet Unruly Passengers, *288*(June).

International Air Transport Association (IATA). (2017). Future of the Airline Industry 2035, 58. Retrieved from https://www.iata.org/policy/Documents/iata-future-airline-industry.pdf

Jenkins, H. (2004). A critique of conventional CSR theory: An SME perspective. *Journal of General Management*, *29*(4), 37–57.

Jenkins, H. (2006). Small business champions for corporate social responsibility. *Journal of Business Ethics*, *67*(3), 241–256. https://doi.org/10.1007/s10551-006-9182-6

Jo Hatch, M., & Schultz, M. (2003). Bringing the corporation into corporate branding. *European Journal of Marketing*, *37*(7/8), 1041–1064. https://doi.org/10.1108/03090560310477654

Johanna Klein MSc (adelphi), J. K. P. (adelphi) K. van W. Ms. (CREM) W. B. Ms. (CREM). (2011). The State of Play in Sustainability Reporting. *Group*.

K, Y. R. (2014). *Case study research: Design and methods* (5. ed.). Los Angeles.

Kent, G. (2015). *A profile of the global airline industry*. New York.

Knopf, J., Kahlenborn, W., Hajduk, T., Weiss, D., Feil, M., Fiedler, R., & Klein, J. (2010). *Corporate social responsibility: National public policies in the European Union*. *European Commission, Direcoreate-General for Employment, Social Affairs and Inclusion*. https://doi.org/10.2767/29577

KPMG International. (2013). The KPMG Survey Responsibility, 82. https://doi.org/www.kpmg.com/sustainability

Lynes, J. K., & Andrachuk, M. (2008). Motivations for corporate social and environmental responsibility: A case study of Scandinavian Airlines. *Journal of International Management*. https://doi.org/10.1016/j.intman.2007.09.004

**Maersk**. (2010). Slow Steaming Here to Stay. Retrieved September 5, 2017, from http://www.maersk.com/en/the-maersk-group/press-room/press-release-archive/2010/9/slow-steaming-here-to-stay

**Mansell, S.** (2009). A critique of stakeholder theory. The University of Essex.

**Martin, K. D., Johnson, J. L., & French, J. J.** (2011). Institutional pressures and marketing ethics initiatives: The focal role of organizational identity. *Journal of the Academy of Marketing Science*. https://doi.org/10.1007/s11747-010-0246-x

**Mayring, P.** (2014). Qualitative content analysis: theoretical foundation, basic procedures and software solution.

**Mc Baker, D. A.** (2014). International Journal of Religious Tourism and Pilgrimage The Effects of Terrorism on the Travel and Tourism Industry The Effects of Terrorism on the Travel and Tourism Industry. *International Journal of Religious Tourism and Pilgrimage*, *2*(2), 58–72. Retrieved from http://arrow.dit.ie/ijrtp

**Mihalache, Ş., & Silvia**. (2013). Aspects regarding corporate social responsibility definition and dimensions. *Marketing From Information to Decision, (6), 130-144. Chicago*.

**Mitchell, R. K., Agle, B. R., & Wood, D. J.** (1997). Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts. *The Academy of Management Review*, *22*(4), 853–886. https://doi.org/10.2307/259247

**Mitra, D., Pham, C., & Bandyopadhyay, S.** (2017). The Effects of Terror on International Air Passenger Transport: An Empirical Investigation.

**Nachhaltigkeitsrat**. (2016). Bundestag verabschiedet Gesetz zur CSR-Berichtspflicht von Unternehmen erst 2017 - Rat für Nachhaltige Entwicklung. Retrieved September 5, 2017, from https://www.nachhaltigkeitsrat.de/aktuelles/nachhaltigkeitspolitik/detailansicht/artikel/bundestag-verabschiedet-gesetz-zur-csr-berichtspflicht-von-unternehmen-erst-2017/

**Parmar, B. L., Freeman, R. E., Harrison, J. S., Wicks, A. C., Purnell, L., & de Colle, S.** (2010). Stakeholder Theory: The State of the Art. *Academy of Management Annals*, *4*(1), 403–445. https://doi.org/10.1080/19416520.2010.495581

**Patagonia**. (2007). Introducing the Common Threads Initiative – Reduce, Repair, Reuse, Recycle, Reimagine – The Cleanest Line. Retrieved September 5, 2017, from https://www.patagonia.com/blog/2011/09/introducing-the-common-threads-initiative/

**Payne, G., & Payne, J.** (2004). Key Concepts in Social Research. London.

https://doi.org/10.4135/9781849209397

Porter, M. E., & Kramer, M. R. (2006). Strategy and society. *Harvard Business Review*, *84*(12), 78–92.

Porter, M. E., & Kramer, M. R. (2011). Creating Shared Value. *Harvard Business Review*, (February), 63–77. https://doi.org/10.1108/09600039410055963

Produced by the Environment Branch of the International Civil Aviation Organization (ICAO). (2016). ICAO ENVIRONMENTAL REPORT 2016 - ON BOARD A SUSTAINABLE FUTURE.

Ragin, C. C., & Amoroso, L. M. (2010). *Constructing social research: The unity and diversity of method*. Pine Forge Press.

Schwartz, M. S., & Carroll, A. B. (2008). Integrating and unifying competing and complementary frameworks: The search for a common core in the business and society field. *Business & Society*, *47*(2), 148–186.

Sen, M., & Das, N. (2013). Corporate Sustainability Reporting: A Review of Initiatives and Trends. *IUP Journal of Accounting Research & Audit Practices 12.2 (2013): 7.*

Steger, U., Ionescu-Somers, A., & Salzmann, O. (2007). The economic foundations of corporate sustainability. *Corporate Governance*, *7*(2), 162–177. https://doi.org/10.1108/14720700710739804

Strand, R., Freeman, R. E., & Hockerts, K. (2015). Corporate social responsibility and sustainability in Scandinavia: An overview. *Journal of Business Ethics*, *127*, 1–15. https://doi.org/10.1007/s10551-014-2224-6

The Entrepreneur. (2008). Ben Cohen & Jerry Greenfield - Caring Capitalists.

The Guardian. (2015, October). Air France workers rip shirts from executives after airline cuts 2,900 jobs. Retrieved from https://www.theguardian.com/world/2015/oct/05/air-france-workers-storm-meeting-protest-executives-job-losses-paris

The Guardian. (2016a, March). Germanwings crash: victims' relatives say Lufthansa should have stopped pilot flying. Retrieved from https://www.theguardian.com/world/2016/mar/13/germanwings-pilot-psychiatrists-two-weeks-before-crash-final-report

The Guardian. (2016b, November). Lufthansa strike: nearly 900 flights cancelled in pilots dispute.

The Guardian. (2016c, November). Many Ryanair flights could be free in a decade, says its chief. Retrieved from https://www.theguardian.com/business/2016/nov/22/ryanair-flights-

free-michael-oleary-airports

The Guardian. (2017a). British Airways cabin crew set to stage new four-day strike over pay, 2. Retrieved from https://www.theguardian.com/business/2017/feb/14/british-airways-cabin-crew-new-four-day-strike-over-pay

The Guardian. (2017b). EasyJet could swoop for parts of Air Berlin as it goes into administration | Business | The Guardian. Retrieved September 5, 2017, from https://www.theguardian.com/business/2017/aug/15/easyjet-air-berlin-adminstration-lufthansa-etihad

The Guardian. (2017c, January). Emirates airline changes pilot and crew rosters on US flights after Trump order. Retrieved from https://www.theguardian.com/us-news/2017/jan/30/update-5-emirates-changes-pilot-crew-rosters-on-us-flights-after-trump-order

The Guardian. (2017d, February). Ryanair flight takes off without passenger in wheelchair. Retrieved from https://www.theguardian.com/society/2017/feb/20/ryanair-flight-takes-off-without-passenger-in-wheelchair-dublin

The Guardian. (2017e, May). British Airways: turmoil continues after IT failure grounds flights. Retrieved from https://www.theguardian.com/business/2017/may/28/british-airways-cyber-attack-unlikely-amid-scramble-to-resume-flights-on-sunday

The Guardian. (2017f, May). UK-based airlines told to move to Europe after Brexit or lose major routes. Retrieved from https://www.theguardian.com/politics/2017/mar/22/uk-based-airlines-told-to-move-to-europe-after-brexit-or-lose-major-routes

The Guardian. (2017g, May). Venice world heritage status under threat | Travel | The Guardian. Retrieved from https://www.theguardian.com/travel/2017/may/26/venice-tourists-cruise-ships-pollution-italy-biennale

The Guardian. (2017h, June). French-Dutch culture clash revealed in leaked Air France-KLM report. Retrieved from https://www.theguardian.com/business/2017/jul/20/french-dutch-culture-clash-revealed-leaked-air-france-klm-report

The Guardian. (2017i, July). Surrendering to fear brought us climate change denial and President Trump | John Abraham | Environment | The Guardian. Retrieved from https://www.theguardian.com/environment/climate-consensus-97-per-cent/2017/jul/17/surrendering-to-fear-brought-us-climate-change-denial-and-president-trump

The United Nations Global Compact. (n.d.). Impact - Transforming business, changing the world.

Tollin, K., Bech Christensen, L., & Wilke, R. (2015). Sustainability in business from a marketing perspective. *Journal of Strategic Marketing*, *236*, 471–496. https://doi.org/10.1080/0965254X.2014.991348

Tollin, K., & Vej, J. (2011). Mindsets for Green Innovation. *The XXII ISPIM Conference–Sustainability in Innovation: Innovation Management Challenges*.

Tollin, K., & Vej, J. (2012). Sustainability in business: understanding meanings, triggers and enablers. *Journal of Strategic Marketing*, *20*(7), 625–641. https://doi.org/10.1080/0965254X.2012.711347

Toppinen, A., Li, N., Tuppura, A., & Xiong, Y. (2012). Corporate Responsibility and Strategic Groups in the Forest-based Industry: Exploratory Analysis based on the Global Reporting Initiative (GRI) Framework. *Corporate Social Responsibility and Environmental Management*. https://doi.org/10.1002/csr.256

Uddin, M. B., Tarique, K. M., & Hassan, M. (2008). Three dimensional aspects of corporate social responsibility.

UNESCO World Heritage Centre. (n.d.). World Heritage in Danger. Retrieved September 5, 2017, from http://whc.unesco.org/en/158/#some

United Nations. (2002). Report of the World Summit on Sustainable Development. *26 Augustus - 4 September 2002*, (A/CONF.199/20), 176. https://doi.org/A/CONF/20*

Van Marrewijk, M. (2003). Concepts and definitions of CSR and corporate sustainability: Between agency and communion. *Journal of Business Ethics*, *44*(2), 95–105.

Varadarajan, R. (2017). Innovating for sustainability: a framework for sustainable innovations and a model of sustainable innovations orientation. *Journal of the Academy of Marketing Science, 45(1), 14-36*. https://doi.org/10.1007/s11747-015-0461-6

von Geibler, J., Liedtke, C., Wallbaum, H., & Schaller, S. (2006). Accounting for the social dimension of sustainability: experiences from the biotechnology industry. *Business Strategy and the Environment*, *15*(5), 334–346.

Walliman, N. (2006). Research strategies and design. *N. Walliman (Ed.), Social Research Methods*, 37–50.

Welch, P. G. J., & Symmons, D. A. D. (2013). The Dangers of Trekking on Mount Kilimanjaro. *Journal of Travel Medicine*, *20*(2), 137–137. https://doi.org/10.1111/jtm.12006_1

WHO. (2002). Johannesburg Declaration on Health and Sustainable Development, (January),

12. Retrieved from http://www.who.int/mediacentre/events/HSD_Plaq_02.8_def1.pdf

Willers, C., & Kulik, A. (2011). CSR as Corporate Strategy vs."Greenwashing": CSR as a New Paradigm of Brand Management? In *Trends and Issues in Global Tourism 2011* (pp. 301–313). Springer.

Windolph, S. E., Harms, D., & Schaltegger, S. (2014). Motivations for corporate sustainability management: Contrasting survey results and implementation. *Corporate Social Responsibility and Environmental Management*, *21*(5), 272–285. https://doi.org/10.1002/csr.1337

# 10 Appendix

a) Carroll´s 'CSR Pyramid' shows that each type of responsibility plays a vital role in the overall strategy for CS (Carroll, 2016)
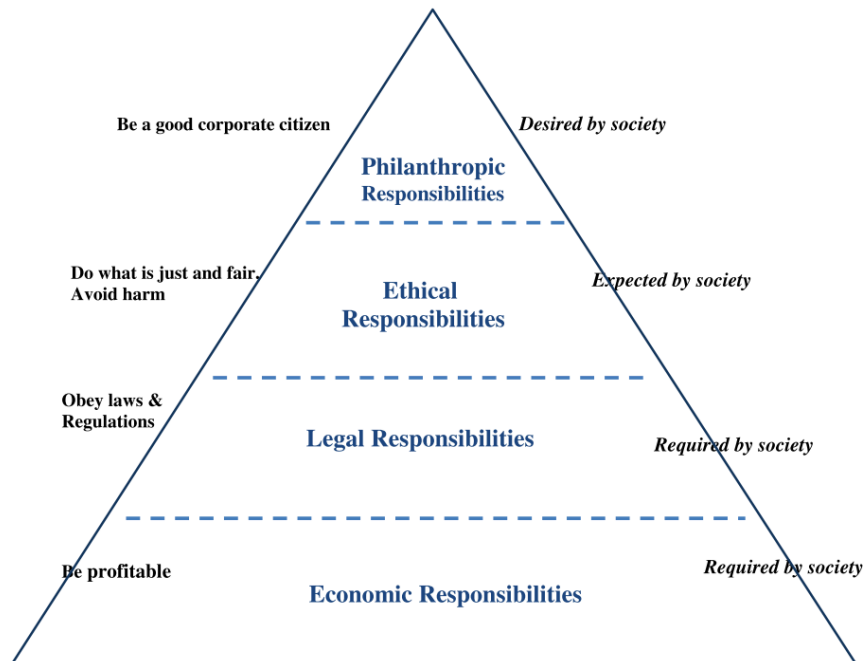


b) Residual (nonstrategic) and integrated (strategic) CS (CSR) according to Parmar; the relatively new 'integrated view' sees CS as part of core management processes and included in the business decision-making framework (Parmar et al., 2010)

|  | *Residual CSR* | *Integrated CSR* |
|---|---|---|
| CSR definition | Giving back to society (after profits are made) | Integration of economic with ethical, social, and environmental decision making criteria |
| Stakeholder focus | Shareholders first, then communities, or others | All stakeholders have moral standing |
| Economic focus | Profit redistribution (after profits are maximized) | Value creation |
| Purpose of CSR | Sustain legitimacy of business | Contribute to overall success of the corporation |
| CSR business model | Being responsive to societal claims | Building partnerships with stakeholder groups |
| CSR processes | Communication; public relations | Stakeholder engagement |
| CSR activities | Corporate philanthropy; sponsorships | Integration of "nonfinancial reporting" into traditional corporate reporting |

c) Through the development of data categories, qualitative data can provide well-grounded conclusions even though data is interpreted subjectively (Corbin & Strauss, 2008)

- Categories: Categories are sometimes referred to as themes. They represent relevant phenomena and enable the analyst to reduce and combine data. → In this thesis, I limit my data collection to the category "social aspects" of CS (table 1)
- Coding: Extracting concepts from raw data and developing them in terms of their properties and dimensions. → In this thesis, coding criteria are identified by Baumgartner´s and Marrewijk´s (table 3 and 4)
- Concepts: Words that stand for ideas contained in data. Concepts are interpretations, the products of analysis. → In this thesis, I differentiate airline´s reported data by assigning commitment levels towards CS (table 2 and 8-11)
- Dimensions: Variations within characteristics of concepts that give specificity and range to concepts. → In this thesis, I specify the concepts (or commitments levels) by assigning scores and range reported data by assigning reporting styles for each airline

d) The survey brings forward that the main issue of working conditions is the increasing operational pressure, exerted to foster productivity (European Commission, 2015b)

| Internal social responsibilities | Employees statement on social development | Trade Union statement on social development |
|---|---|---|
| Wages | Increased in pace with or above the development of the national average pay increase | Increase lacks behind wage developments in comparable professions |
| Contracts | More flexibility in contracts; The establishment of multiple bases across Europe raises the question which labor laws apply and limits the collective bargaining power. | |
| Working conditions | Improved | Deteriorated |
| Health & Safety | Positive | Negative |
| Operational pressure | The increase of operational pressure for flight and cabin crew seems to result out of a tighter scheduling of flights, an increase of responsibilities of the crew, and of an increase of duties between shifts and duty hours | |
| Working/rest times | Positive | Negative |
| Trainings | The new Multi-Crew Pilot License allows to perform co-pilot tasks in multicrew situations with substantially less training hours; employers often demand that pilots finance (parts of) their own training | |

e) Baumgartner and Ebner´s profiling of sustainability strategies revealing maturity levels from ppar to sophisticated for each aspect of CS (p.86)
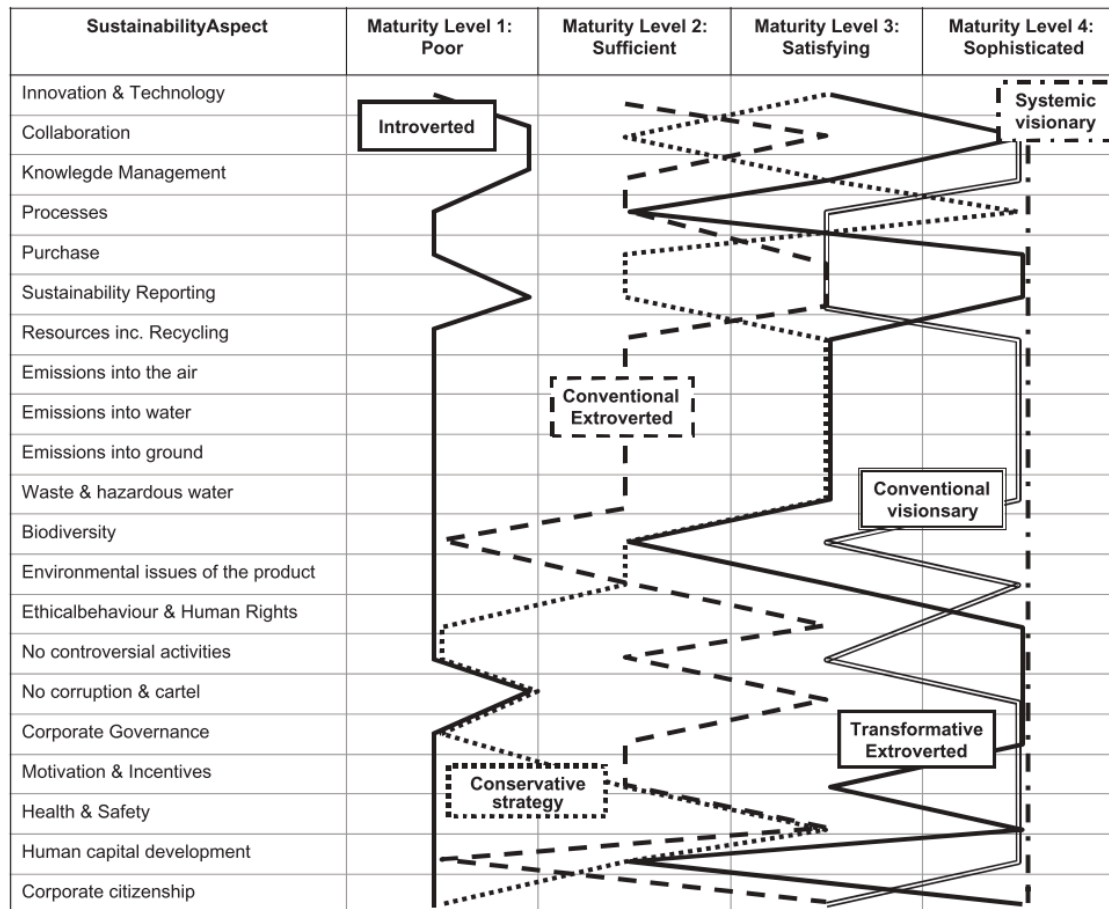


f) Creating value for stakeholders: definition and prioritization of the primary and secondary stakeholders; Figure from Freeman in 'Stakeholder Theory: State of the Art' (Parmar et al., 2010, p.24)

g) The conceptual model of innovation orientation by Varadarajan (2017) shows drivers and outcomes of Sustainable Innovations Orientation (SIO)



**Drivers of Sustainable Innovations Orientation**

**Institutional Pressures**
- Coercive Pressures
- Mimetic Pressures
- Normative Pressures

**Firm Factors**
- Size (P1)
- Globalization (P2)
- Reputation (P3)
- Slack (P4)

**Industry Factors**
- Relative environmental impact of industry (P5)
- Sustainability initiatives of firms in upstream supplier industries (P6)
- Sustainability initiatives of firms in downstream customer industries (P7)
- Size of end users customer base (P8)

**Sustainable Innovations Orientation**

**Outcomes of Sustainable Innovations Orientation**

**Sustainable Process Innovations Performance**

**Sustainable Product Innovations Performance**
- Number and percent of firm's *present products* enhanced with sustainable innovations during a specified time frame
- Number of ecologically superior *new products* introduced during a specified time frame

**Environmental Performance**
- Reduction in $CO_2$ emissions, energy consumption, water consumption and waste disposed
- Reduction in amount of material used in product and packaging
- Increase in substitution of nonrenewable energy with renewable energy
- Increase in substitution of nonrenewable materials with renewable materials

**Marketing Performance**
Mean change for the product portfolio of the firm in:
- Market share
- Sales growth rate
- Customer satisfaction
- Customer loyalty

**Financial Performance**
- Return on sales
- Return on investment
- Tobin's q

**Employees' Performance**
- Organizational commitment
- Job satisfaction

h) The 10 principles of the United Nations Global Compact; Seven out of ten principles relate to the social dimension of CS



**Human rights**
- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

**Labor standards**
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

**Environment**
- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

**Anti-corruption**
- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

i) Four scenarios for the airlines industry in 2035 (International Air Transport Association (IATA), 2017)



**New frontiers**

A world which has seen a shift of power to the East associated with the creation of alternative institutions. Competition for economic and military power has shifted to new frontiers, including space. China has become a champion of sustainability. Access to information is open and democratized, empowering people, companies and organizations. However, cybercrime, state surveillance and other challenges persist.

**Resource wars**

A turbulent world in which an aggressive, nationalistic China threatens a US distracted by continued conflict. The Middle East and Asia have seen a wave of territorial disputes and land grabs, and the world has realigned into resource trading blocs. Inequalities between resource rich and poor regions have limited movements between regions. Data asymmetries exist between countries, and governments increasingly use data to monitor and control their citizens.

**Sustainable Future**

A peaceful, multipolar world in which strong international governance has allowed infrastructure decisions to be prioritized. Open access to information and advances in big data, predictive analytics and artificial intelligence (AI) have had a positive impact on society. Rapid innovation helps people meet sustainability targets, while new trade routes have opened up within and between the Global South and Asia-Pacific.

**Platforms**

A peaceful world in which China and the US have cooperated to open up international trade. Corporations play an increasing role in the economy, and a dominant elite controls data and data platforms. Africa has failed to enter the global stage with a collapse in commodity prices. In many countries, a disempowered public is increasingly dissatisfied with the political elite.

j) List of Institutions enforcing sustainable traveling that are relevant in this thesis; information from each corporate´s websites

| Name | Institution | About / Purpose |
|---|---|---|
| EC | European Commission | Formulates and implements cost-effective policies for the EU to meet its climate targets for 2020, 2030 and beyond |
| EU ET | EU Emissions Trading System | The cornerstone of the European Union's drive to reduce its emissions of man-made greenhouse gases which are largely responsible for warming the planet and causing climate change. The EU ETS also covers emissions from aviation. |
| UNFCCC | United Nations Framework Convention on Climate Change | Overall framework for intergovernmental efforts to tackle the challenge posed by climate change. The Convention enjoys near universal membership. |
| UNGC | United Nations Global Compact | The world's largest voluntary corporate sustainability initiative, Action Platform on Reporting on the SDGs (sustainability development goals) |
| COP | Conference of Parties | The UN Climate Change Conferences serve as the formal meeting of the UNFCCC Parties (COP) to assess progress in dealing with climate change |
| ICAO | International Civil Aviation Organization | ICAO works with the Convention's 191 Member States and industry groups to reach consensus on international civil aviation Standards and Recommended Practices (SARPs) and policies in support of a safe, efficient, secure, economically sustainable and environmentally responsible civil aviation sector. |
| IATA | International Air Transport Association | Trade association of the world's airlines, consisting of 268 airlines, representing 117 countries. The IATA global carbon offset program offers the advantages of a standard carbon calculator and settlement through IATA's financial systems |

## Appendix 2 – Evaluation frameworks

| Commitment levels towards CS | Beginning | Elementary | Satisfying | Sophisticated, Outstanding |
|---|---|---|---|---|
| Corporate governance | Mandatory frameworks towards corporate governance are focused on (B); autocratic people management (M) | + Voluntary frameworks (B); supportive people management (M) | + Further measures to ensure corporate transparency are set (B); participatory people management (M) | + Proactive commitment respective stronger rules are given (B); interactive people management (M) |
| Health & Safety | Health and safety is respected to the extent of legal obligation (B); it is not actively focused on; systematic response to common problems (M) | + Measures towards health and safety are set, when specific dangerous situations/accidents occur (B), Deployment is of reactive character; only if benefits overweigh costs possible improvements (M) | Health and safety is systematically planned and deployed in most areas of the company. Activities are set to avoid health and safety risks in long term including socio-psychological dimension (M) | + Proactive Health and safety approach supports organizational goals towards sustainability throughout the company and linked to HRM, Activities are consequently improved and customized for individual employees (M) |
| Working environment | Motivation of employees to achieve sustainability goals is not focused on (B); standardization of work (M) | In several areas, incentive measures to improve motivation are set (B); improve employee motivation to increase productivity (M) | + In most areas of the organization, Top management has an exemplary function regarding sustainability issues (B); Corporate culture is a major theme (M) | + Employees are efficiently supported by (non)-monetary incentives. Sustainability principles are internalized (change of behavior) (B); Individual and collective alignment of requirements (M) |
| Human capital development; Diversity | No specific human capital development measures are set (B); homogenic work force (M) | Certain human capital development measures are set (B); Diversity only receives attentions when it creates results (M) | Various education programs are offered. Most employees are trained (B); policies for emancipation of women, colored, and disabled people | + Every employee is trained (B); Women and minorities in management positions (M) |

94

| Commitment level towards CS | Beginning | Elementary | Satisfying | Sophisticated, Outstanding |
|---|---|---|---|---|
| Ethical behavior & Human rights | Human rights are generally respected, but no codes, no guidelines, and no corporate common behavior exist within the organization (B); non-issue (M) | + Principal rules how to behave within the organization are defined (B); Pragmatism (M), ethical code describes the only correct way to handle (M) | Definition of corporate codes and guidelines regarding (internal) behavior throughout the whole organization exist (B); Ethical imperialism: act abroad as at home (M) | + Controlling and proactive improvement of these codes (B); Applying appropriate expertise for local improvements (M); Proactive policies to introduce better institutions worldwide (M) |
| No controversial activities, corruption or cartel | No declaration against controversial activities exists (B); Conformity with laws and regulations regarding corruption & cartel exists (B) | Firm declares itself to be to be aware of to whom it sells its goods (B); + most important impacts regarding corrupt practices are identified (B) | + sets measures to reduce controversial activities (B); Impacts regarding corrupt practices are fully identified and measures set to avoid them (B) | + Showing credibility by offering possibilities to avoid negative use of products (B); + Distinct rules exist to demonstrate all kinds of (internal) consequences of corrupt practices and measures to avoid them (B) |
| Consumers, Suppliers | Supply push for consumers (M); Traditional hierarchies with suppliers (M) | Market-orientation (M); Win-lose approach (sub-contracting) and output control (M) for suppliers | Discovering of the human being behind the customer (M); Introduction of co-maker-ships, process control and internal audits (M) | Truly customer-orientated (co-creation); integrated production-customer systems (M); strategic partnerships with suppliers, systemic quality control, externally verified, integrated supply chains (M) |
| Corporate citizenship | CC is not focused on (B) | Certain CC projects are initiated or supported, mostly in monetary terms (B) | CC is systematically planned and conducted (monetary and non-monetary commitment). The link between CC projects and the corporate business is mostly given (M) | + CC is focused on long-term-commitment, most employees are integrated into the process (M) |

## British Airways CSR Ratings

**NA** CSR Rating Compared To All Companies

See Rating    Percentile Rankings

CSR Rating History

This company vs 17,486 companies

The average for the 24 companies in the Travel Arrangement & Reservation Services industry

| Community | 68 | Employees | 64 |
| Environment | 59 | Governance | 66 |

Low   0-29   30-39   40-49   50-59   60-79   80-100   High

CSR News    CSR Jobs

0 Special Issues Affect This Company

**14** Active Sources 42 Total Sources

Share This Summary

## RYANAIR HOLDINGS PLC CSR Ratings

**49** CSR Rating Compared To All Companies

See Rating    Percentile Rankings

CSR Rating History

This company vs 17,266 companies

The average for the 82 companies in the Passenger Airlines industry

| Community | 45 | Employees | 54 |
| Environment | 51 | Governance | 45 |

Low   0-29   30-39   40-49   50-59   60-79   80-100   High

CSR News    CSR Jobs

0 Special Issues Affect This Company

**18** Active Sources 24 Total Sources

Share This Summary

## Deutsche Lufthansa AG CSR Ratings

**56** CSR Rating Compared To All Companies

See Rating    Percentile Rankings

CSR Rating History

This company vs 17,266 companies

The average for the 82 companies in the Passenger Airlines industry

| Community | 53 | Employees | 64 |
| Environment | 59 | Governance | 48 |

Low   0-29   30-39   40-49   50-59   60-79   80-100   High

CSR News    CSR Jobs

0 Special Issues Affect This Company

**25** Active Sources 55 Total Sources

Share This Summary

Air France - **KLM** CSR Ratings

**68** CSR Rating Compared To All Companies
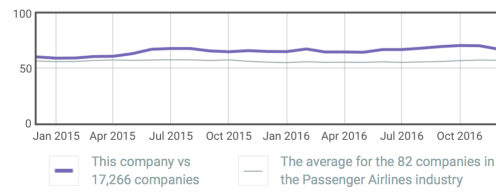
Community **63**    Employees **76**

Environment **69**    Governance **62**

Low   0-29   30-39   40-49   50-59   60-79   80-100   High

CSR News    CSR Jobs

○ See Rating    ○ Percentile Rankings

CSR Rating History

100

50

0

Jan 2015   Apr 2015   Jul 2015   Oct 2015   Jan 2016   Apr 2016   Jul 2016   Oct 2016

— This company vs 17,266 companies

— The average for the 82 companies in the Passenger Airlines industry

0 Special Issues Affect This Company

**21** Active Sources 60 Total Sources

Share This Summary

## Appendix 3 – Transcribed Pilot Interviews

QUESTIONNAIRE 1

Respondents: The three students are male and between 20 to 24 years old. Since they all have volunteered in a children's home in Africa where resources were limited and thus, a certain amount of responsibility towards people and planet is assumed. Two students are German, one is Dutch. Since they answer voluntarily, only the one or two persons that shouts out an answer is reflected.

1. How much do you like traveling?
   - Saying it on a scale from 1 to 10, I like traveling 11. The highest for sure!
2. How many times did you go on weekend trips and vacation last year?
   - Oh no, in one year – that´s a lot. If I had to count it- maybe 10 times, maybe a bit more.
3. Do you mostly go by car, bus, train or plane?
   - Why not bike? Haha. I go by car or bus.
   - I usually do not go by the train either because it is too expensive.
4. Please describe: do you plan to fly to far distant places this year or next year? (far distance means 1500km and more, like from Berlin to New York)
   - I will probably do it. I have planned it already for sure. I don´t have concrete plan, but I am pretty sure I will do it.
   - Does Russia count as a far distant place?
5. Do you have a favorite airline or a least favorite airline, why is that?
   - KLM. I like Star alliance a lot. But I don't know why. They always have good food at Austrian Airlines.
   - I like Air France. I don´t like British Airways. And Emirates is a good one. Also, Virgin Airlines seems cool. And I like Lufthansa too.
6. Why do you think airlines are „good" companies or why „bad" companies?
   - Depends on the airlines. Ryanair seems bad, the rest I have a neutral opinion about.
7. Have you heard of any initiatives from airlines so far that shows corporate sustainability, which ones?
   - No not really. What do you mean?
8. Have you seen or used carbon calculators before?
   - A what? What is it? I saw one, on a website once. But it´s a long time ago, a year or so.
9. Are you aware of carbon offsetting?
   - Yeah yeah sure, isn´t that the emission trading scheme in the European Union. They were struggling with the agreement how to include the aviation sector in it. Like which planes are just flying over Europe or landing there.
10. If you have not used offsetting before, how much extra you would pay for a flight from Frankfurt to Peru as a donation to protect the Amazon rainforest?
    - It depends on the price. For example, if I pay 100 euro for a ticket then 10 euro is a lot Maybe I would pay 5EUR. If I pay 500EUR, 10% is way too much. I wouldn´t pay 50EUR.
11. Can you imagine paying for these sustainable initiatives in the future for every trip?
    - Yes, I think so. Why not.
12. Discuss the ultimate holidays! What makes your travel trip perfect? (be creative)
    - I would like to go to Canada once, or maybe to Iceland. I would like to travel to many weird animals.
    - I think South America, Peru – Chile. Or, I would like to go to Madagascar!

QUESTIONNAIRE 2

Respondents: Two female students from Germany, 20 and 23 years old. Both have volunteered in a children's home in Africa where resources were limited and thus, a certain amount of responsibility towards people and planet is assumed.

1.  How much do you like traveling?
    - Actually, I like traveling best in Europe. I was only once in South Africa and once in New York.
    - I like traveling super much. If I could I would travel ALL the time, but of course thats not possible.
2.  How many times did you go on weekend trips and vacation last year?
    - I think, once a month I have a weekend trip.
    - I agree, approximately once a month is realistic for smaller trip. But I also went to South Africa last year and Morocco, and to France/Spain, so three times last year I did a longer trip.
3.  Do you mostly go by car, bus, train or plane?
    - I think I go mostly by train. Especially when traveling through Germany. It´s the fastest and most of the time the cheapest option. I almost never go by car because I don't have one and my friends don't have one either.
    - I also go by train or if I find a cheap ticket by plane I would take that. Sometimes the plane can be also very expensive though. I visit my boyfriend either by train or plane – depending on the price, the time consuming is the same anyways.
4.  Please describe: do you plan to fly to far distant places this year or next year? (far distance means 1500km and more, like from Berlin to New York)
    - No, not such a long trip is planned because I just went to South Africa. Therefore, my limit is full. But I will study in Norway this year and we will go there by car I decided, even though its far to drive there. One could fly but I decided not to. I will come back by train. When I will visit my family I probably won't go by plane either.
    - I will do some smaller trip to France and Spain and one long trip to South Africa with my mom. I will stay there 3 weeks.
5.  Do you have a favorite airline or a least favorite airline, why is that?
    - No, I am not very demanding with regards the service of the airlines. Actually, I don't really see the differences. And really, I have not experience a super good service anyways so far because I book what's cheapest.
    - I rather have made some bad experiences with the cheap airlines like Ryanair when we didn´t print out the ticket before and had to pay extra at the airport for it.
6.  Why do you think airlines are „good" companies or why „bad" companies?
    It depends, when I booked by flight to London I was frustrated because there was not the right connection that I looked for. But I like them when they have good offers. I think they are not doing something good. Especially I am confused with the price discrimination of the airlines, it's totally not understandable who pay what fee for the      same connection.
    - It´s rather necessary that the alternative transport like train offer cheaper tickets than planes. But I realized that I don't really have an influence on the price policies. But I know the demand it there for cheap flights.
7.  Have you heard of any initiatives from airlines so far that shows corporate sustainability, which ones?
    - Yes and no. Some airlines offer to pay $CO_2$ taxes to the airlines after booking your trip and that money goes to sustainability projects. On the one hand, it seems like a good project but on the other hand it would not work if everyone just does it like that.
8.  Have you seen or used carbon calculators before?
    - Yes, we saw these calculators before. But not at the airlines website but we privately looked it up

online.

9. Are you aware of carbon offsetting?
   - Do you mean that airlines voluntary set up some projects or do you mean the governments restrict emissions with selling certificates for it?
   - I saw that the bus has sustainable initiatives like that.
10. If you have not used offsetting before, how much extra you would pay for a bus ticket from Zurich to Amsterdam?
    - Well, I don´t know but maybe 5%-10% - so for a 40€ Ticket, I would donate 4€.
    - I know it´s actually much cheaper, maybe 1-2%. But that's good so many people decide to participate more easily. But I have to stress, that I think that is not the solution to the problem. I mean you can't stop traveling and stop taking part in the society. But we must find another solution.
11. Can you imagine paying for these sustainable initiatives in the future for every trip?
    - Yes, for sure I can imagine paying for it all the times we travel.
    - Sure, if it helps, I would donate some money for each trip.
12. Discuss the ultimate holidays! What makes your travel trip perfect? (imaginary or real)
    - For sure, I want water in holidays, like the sea or a lake that doesn't matter. It doesn't have to be the coast from Florida. I normally go to the Mediterranean Sea. And I also like it warm: A classic beach holiday would be best.  But I also like to go to a city. (laughs) I want it all.
    - I think you should differentiate between relaxing holidays and traveling. For getting out of the daily routine and relax, I would love to go climbing with friends, and with good music – maybe in the Schwarz Wald. For traveling I would start right from my home and drive towards Africa. My dream would be to drive spontaneously from Ethiopia to Cape Town and meet many people on the way and learn about their cultures.


QUESTIONNAIRE 3

Respondents: Two female students, both are 25 years old. They both study at CBS and are aware of the importance of sustainability within business. As both students are German and they answer in German to feel more comfortable.

1. How much do you like travelling?
   - Ich könnte nicht ohne Reisen leben. Aber es kann manchmal sehr anstrengend werden. (lacht)
2. How many times did you go on weekend trips and vacation last year?
   - 15-mal mindestens, weil ich 5-mal im Urlaub war und dann noch eine Fernbeziehung führe.
   - Stimmt, dank meiner Fernbeziehung bin ich auch ständig unterwegs.
3. Do you mostly go by car, bus, train or plane?
   - Meistens mit dem Zug, nie mit dem Auto
   - Fast immer mit dem Flugzeug oder manchmal mit dem Zug
4. Please describe: do you plan to fly to far distant places this year or next year? (far distant means 1500km and more, like from Berlin to New York)
   - Ja dieses Jahr. Nach dem Master, will ich erstmal verreisen. Am liebsten nach Asien.
5. Do you have a favorite airline or a least favorite airline, why is that?
   - Nein, die sind mir völlig egal,
   - Ich entschiede auch nach Preis welche Airline ich nehme. Aber Qantas mag ich trotzdem!
6. Why do you think airlines are „good" companies or why „bad" companies?
   - Fluggesellschaften haben es nicht leicht. Es ist ein hartes Business.
   - Der Konkurrenzkampf zwischen den Airlines verhärtet die Fronten.

7. Have you heard of any initiatives from airlines that shows corporate sustainability, which ones?
   - Warte mal. Da fällt mir gerade wenig zu ein. Aber vielleicht fällt es mir wieder ein, wenn du mir sagst welche Initiativen du meinst.
   - Klar, du meinst den Aufpreis um seine Reise klimaneutral zu machen, oder?
8. Have you seen or used carbon calculators before?
   - Nicht wirklich. Eigentlich schade. Man redet so viel über Klimawandel, aber hat dennoch nur Halbwissen über solche Faktoren.
9. Are you aware of what carbon offsetting is?
   - Die Ablass-Briefe von heute! So ein Witz, dass man an bedürftige Kinder spendet während man ein Luxusgut wie Reisen konsumiert. Ich habe es mal gesehen, aber dachte sofort, dass es eine Falle oder Fake ist, um noch mehr Geld einzunehmen.
   - Ich bin total uninformiert. Aber einmal habe ich bereits bei einem Flug mit Ryanair an UNICEF gespendet und war ich richtig stolz! Ich wollte als gutes Beispiel für das bewusstere Leben unsere Generation vorangeben.
10. If you have not used offsetting before, how much extra you would pay for a flight from Frankfurt to Peru as a donation to protect the Amazon rainforest?
   - Ein bisschen was sollte man schon dafür zahlen, in solche tollen Länder zu fliegen.
   - Klar, jeder der fliegt, kann auch etwas spenden. Nur muss es eben im Rahmen sein, also nicht über 20€ bitte.
11. Can you imagine paying for these sustainable initiatives in the future for every trip?
   - Kommt das nicht eh bald? Umweltsteuer und so?
   - Ja ich bin dabei. Wenn jeder ein bisschen Geld zahlt, kommt bestimmt viel zusammen.
12. Discuss the ultimate holidays! What makes your travel trip perfect? (imaginary or real)
   - Ich will unbedingt eine Weltreise machen um einmal die ganze Welt zu sehen. Zum Beispiel mit Zug, dann mal Segeln, oder eben weitere Strecken mit dem Flugzeug.
   - Mein Traum wäre es in Griechenland von Insel zu Insel zu segeln.