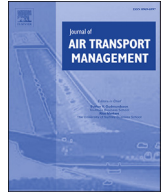




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Taking-off corporate social responsibility programs: An AHP application in airline industry

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ABSTRACT

The notion of Corporate Social Responsibility (CSR) involves multiple stakeholders and is directly pertinent with quality, strategy, sustainability, and brand image of an organization. CSR endeavors include a wide range of core focuses such as community participation and cultivation, customer involvement, equitable operating demeanor, and environment, among others. Stakeholders within the society expect excellent organizations attain and perpetuate culminating results from CSR conduct that entertain or outpace expectations. In this paper, a multi-criteria decision-making methodology (MCDM), Analytical Hierarchical Process (AHP), is applied in Turkish airline industry to assess and weigh the CSR program criteria among multiple alternatives. The proposed evaluation model identifies key factors regarding the criteria and sub-criteria of a CSR program hierarchically in the airline industry. Questionnaires based on the pairwise comparison, answered by thirty-one experts working in four different major airline companies, are used to assess the relative importance of related factors. Then, fuzzy linguistic variables are adopted to rank the selected CSR programs of airliner companies. It is observed that CSR paradigm in the airline industry is envisaged within a restricted economic realm besieging social and environmental dimensions, rather than within the totality of systemic efforts towards multi-faceted issues. The study is important in putting forth the current CSR opinion of the Turkish airline companies.

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1. Introduction

Corporate Social Responsibility (CSR) has grown into an intricate concept (Cochran, 2007). The corporations view CSR as a tool differentiating themselves from the others (Flammer, 2015) which help them form a competitive and sustainable concern. Though CSR is a voluntary engagement of an enterprise (European Commission, 2001) to contribute to environmental or social goals, the basic idea behind it is the recognition that firms do have ethical obligations and that they must respond to external or internal pressures. In fact, all the people or institutions that surround a corporation; owners, investors, creditors, employees, managers, legal bodies, NGOs, suppliers, customers, local

communities etc. are focused on their own interests (Öberseder et al., 2013). CSR policy of a concern potentially affects all the parties. In the aviation industry, where the audience is millions of ordinary people, the value brought by CSR can be particularly important. The positive perception of CSR programs of airline companies by the passengers significantly increases the trust and loyalty (Nikbin et al., 2016). Therefore, the corporations need to gain a favorable reputation on CSR to have steady customers, competitive advantage over competitors and strengthen their sustainability. CSR activities of an airline corporation have positive impacts on the profitability (Luo et al., 2015), financial performance (Inoue and Lee, 2011) and the firm value performance (Lee and Park, 2010) which mean higher stock returns and investor satisfaction. On the other hand, the research of Pelozo (2009) put forth that 59% of the studies support the positive relationship between financial performance and CSR investment while 14% of the studies report a negative association. Notwithstanding the dominance of positive relation, a considerable part of CSR

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investment cause losses to corporations which emphasize the importance of designing an efficient CSR policy.

The investors and analysts, which steer the funds of billions of dollars, incorporate CSR activities in their decisions. The study of Casado-Díaz et al. (2014) shows that investors in airline industry are particularly sensitive to CSR schemes as it produces the fastest and sharpest responses to new announcements among 30 industries. The investors are increasingly “investing with a conscience” (Luo et al., 2015) and becoming more “universal” who prefer socially responsible corporations globally (Stout, 2012) while seriously concerned about their profits. In addition, CSR activities enhance the sustainability of companies in the times of crises and economic turbulence as they increase comparative advantage providing customer loyalty (Kemper and Martin, 2010). Furthermore, Ilkhanizadeh and Karatepe (2017) put forward that the employee's perception of CSR activities has a direct influence on the performance of employees by means of betterment observed in work engagement, career satisfaction, and voice behavior. The commitment of employees is one of the most important factors for corporate success undoubtedly. Another decisive factor in the positive perception of CSR in the airline industry is the contribution to environmental issues such as climate change, air pollutants and noise reduction (Chang et al., 2015; Sheldon and Park, 2011) along with economic and social factors.

Corporate attitude towards CSR is largely shaped by external pressures, managerial preferences, organizational culture, and the values of the majority of employees (Gupta et al., 2017) as well as long-term financial strategy, the motivation to enhance the competitive advantage (Lynes and Andrachuk, 2008) and corporate reputation (Sheldon and Park, 2011). Public regulations, industry associations, NGOs, and self-regulatory programs of corporations can be influential in the development of CSR schedules (Mills, 2016). On the other hand, lack of necessary resources and awareness of the issue have an inimical effect on CSR implementation (Sheldon and Park, 2011). Aviation companies are aware of the necessity of acting more responsibly and engagement in CSR activities, but it is hard to state that this awareness produces successful CSR schemes and results (Coles et al., 2014). Whatever the architectural process of CSR programs are, they require considerable funds allotment and diverse types of company resources.

The CSR implementation and outcomes affect stakeholders and scrutinized by many different parties. The focal question here is if the corporations reach their goals by both increasing their sustainability and contributing to the demands of stakeholders (economic, social and environmental) with their costly CSR programs. The answer is undoubtedly not an easy one, as the results may flourish in years (Lee and Park, 2010). CSR reports show the activities and results of companies that they wish to share with the interested parties and 38% of the Top 100 airlines publish CSR reports (Heeres et al., 2011). Attitude towards corporate reports can be a useful indicator for observing the perceptions of the people. Most of the CSR reports of aviation companies are deemed as having low credibility (Lock and Seele, 2016) and lacking consistency (Coles et al., 2014; Cowper-Smith and de Grosbois, 2011). The evaluation of 2014 Dow Jones Sustainability Indices shows that the average score of the airline sector is below the overall score (Chang et al., 2015) implying the room for improvement in the CSR implementation of airline companies. This fact is surprising as the aviation companies allocate considerable amounts of funds for CSR activities. Though not our focused topic, the reasons for this outcome can be dealt with in

further studies. The possible causes of this outcome may be the deficiencies in the formation of CSR schemes as well as the erroneous perceptions of CSR implementations in the air transportation sector. The former indicates that there is a need for a more professional approach in CSR designing, while the latter implies the need for betterment in the communication with the public and other parties.

Torres et al. (2012) argue that the CSR schemes of corporations can be aimed at impacting customers, shareholders (corporate governance), employees, suppliers, or community. The researchers conclude that customer-focused CSR activities enhance global brand equity while combined CSR schemes aimed at multiple stakeholders generate better results. The drivers of CSR can naturally be distinctive for different sectors as each may have different dynamics. Cowper-Smith and de Grosbois (2011) state that the adoption and decisive factors of CSR initiatives in the airline industry are unknown generally. Furthermore, CSR activities do not generate stable results for airline companies and needed to be improved every year (Zhang et al., 2015). CSR studies are largely devoted to the environment or a selected characteristic of the issue and focused on particular case studies. Therefore, disentangling determinants of CSR activities by means of proposing a global model could be a significant contribution to the body of literature on this field. The current study covers the factors influencing CSR initiatives of Turkish airliners, which has not been addressed in the literature. There is an obvious need for designing more effective and successful CSR programs in the airline industry. Proposing a CSR evaluation model applicable to the most of the airline corporations is among main motivations of this study. Such a model can function as an efficient tool for both business professionals and academics in assessing and benchmarking current CSR implementations of the industry. The proposed model, based on consideration of multiple criteria and sub-criteria, has a potential to provide important implications for the describers of CSR policies by deciphering the priorities and identifying key factors for effective resource allocation. The key research question of the study is the investigation of the CSR program criteria and sub-criteria in a hierarchical manner, and assessing and weighing their relative importance.

The study is based on the opinions of business professionals on the proposed criteria, which may naturally be conflicting, and Analytic Hierarchy Process (AHP) is a proven method for bringing expert decisions together and producing dependable results. AHP is one of the most practical and accepted methods in multi-criteria decision-making (MCDM) (Mardani et al., 2016). AHP is used to decipher the hierarchical importance of CSR determinants or criteria in this research. The nature of the criteria assessment is qualitative with sometimes opposing assessments of experts. AHP enables to combine a group consensus by weighing the criteria and sub-criteria to select the best suitable criteria (Akman and Dagdeviren, 2017). Quantitative values are obtained from qualitative assessments by utilizing AHP. The number of respondents, aviation experts, to our questionnaire is thirty-one. Therefore, we consider AHP is an ideal method for the study. The study of Zavadskas and Turskis (2011) shows that AHP is an MCDM tool that has been used in many different fields like economics, education, commerce, manufacturing, finance, engineering, military, environment, and agriculture.

Mardani et al. (2016) reviewed MCDM methods utilized in the transport sector and stated that of the 89 papers, 32 papers (about 36%) are dedicated to the aviation industry and 23 papers (25.8%) used AHP as empirical strategy. This recent review paper shows that VIKOR and ELECTRE, which make 8% of the studies

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