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# A review of Corporate Social Responsibility assessment and reporting techniques in the aviation industry

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# Aviation Management

<https://www.coventry.ac.uk/course-structure/ug/2019-20/eec/aviation-management-bsc-hons/>

## Air Transport Management MSc

<https://www.coventry.ac.uk/course-structure/pg/2020-21/eec/air-transport-management-msc/>



*Corporate Social Responsibility (CSR) or corporate sustainability or business ethics or business in society or corporate citizenship:*  
great idea in the context of *sustainable development*

# Sustainability of Air Transport Sector



*Through **CSR**, corporations importantly contribute to the EU's treaty objectives of **sustainable development** and a highly competitive social market economy'*

*Mullerat R. (2013:5)*

*Part 3 of Art. 293 The Ukraine-European Union Association Agreement:*

*'the Parties shall strive to facilitate trade in products that contribute to **sustainable development**, including products that are the subject of schemes such as fair and ethical trade schemes, as well as those respecting **corporate social responsibility** and accountability principles'*

*EU 2014*



**Yuliya Gerasymchuk**  
ACMG Manager -  
International Air  
Transport Association  
(IATA)

Financial manager at  
Ukraine International  
Airlines (2013-2019)

Julia Gerasymchuk, in her interview for Ivan and Kristina:

“The topic of **CSR is absolutely essential** for Ukrainian airlines and airports. At the same time, it definitely requires much more promotion in terms of **understanding** its true importance and impact **among companies’ leaders** as well as general public, including passengers and all sorts of institutions.

**Certain shift in mindset is required at top-management level – to recognize broader company responsibility, promote sustainable values and lead by example”.**

## Theory:

- ❑ CSR approach aims to assess or evaluate the company's contribution to a holistic development of society over a period of time
- ❑ CSR reporting is intended to develop a holistic vision for investing and understanding how consumed resources are used.
- ❑ The indices of CSR should help investors and the public to make decisions about trust and possible investment in the company

## Practice:

- ❑ British Airways, Heathrow Airport Limited, Cardiff airport and Manchester Airport Group are the members of Business in the Community network;
- ❑ **Heathrow Airport Ltd and Manchester Airports Group are the finalists of The Responsible Business of the 2019 Year Award (BiTC 2019);**
- ❑ **ANA Holdings Inc** with the total **sustainability score 78** as a leader in the airlines industry (RobecoSAM AG 2018);
- ❑ **TUI** is listed on Dow Jones Sustainability Index (DJSI) and the FTSE4Good Index with the **average score of 4** (TUI 2016, TUI 2018);
- ❑ CSRHub website measured **EasyJet plc CSR / ESG Ranking as 81%, Aeroflot – 47 %, Wizz Air Holdings Plc – 38 % compared with 17,287 companies** (CSRHub 2019).



Are the above data sufficiently informative and transparent?

Are the data comparable for making investment decisions?

## Practice:

- ❑ Several independent agencies offer CSR assessment and ranking services (Business in the Community, RobecoSAM, KLD Research & Analytics, Inc., Calvert Research and Management)
- ❑ CSR assessment indices, awards rules and benchmarking are different, designed according with vague criteria

# Challenges of applying the CSR concept

❑ Different levels of economic development, cultural diversity and rather broad definition of social responsibility

Bhinekawati (2016), Bijlmakers (2019), Sullivan (2017), Chakrabarty (2011), Strauss (2015)

❑ The techniques of CSR assessment and reporting are in the initial stages of development

Giannarakis 2016, Hopkins 2005, Koep 2017, Güreş et. al 2017, Stevenson 2016

❑ Assessment systems are commercially oriented; therefore, data is not available

Hopkins (2005)

❑ Lack of transparency, weak information content and communication between businesses and society

(Saxena 2016, Giannarakis 2016)

## Some scientific approaches to the formation of a methodology for assessing CSR of aviation businesses

### - a novel entropy-grey analysis for CSR

Indicators: *ratio of return on equity; growth of net profit; average price; on-time performance; accident rate; flight frequency; growth of employees revenue; employees revenue; tax performance; environmental protection investment; donation contribute and sponsorship (total expense of donation contribute and sponsorship/total operating revenues).*

Chinese airlines CSR, Wang et. al (2014)

## Some scientific approaches to the formation of a methodology for assessing CSR of aviation businesses

- a pooled liner regression model of the impacts of CSR activities on financial results

*Return on assets (ROA) and return on equity (ROE)*

*Tobin's Q and price earnings ratio, MSCI ESG KLD STATS indicators, CSR data from Compustat database and web site, Yahoo! Finance*

Kang et. al (2010)

## However questions remain

- ❑ The concepts and content of CSR ‘performance measures’ and ‘criteria’
- ❑ The aviation businesses’ CSR framework
- ❑ CSR reporting

# The framework of reporting and assessment

❑ Cowper-Smith and de Grosbois (2011):

*the Environmental & Social and Economic + 11 themes drawn from the Global Reporting Initiative (GRI), United Nations Environmental Programme and World Tourism Organisation.*

❑ Wang et. al (2014):

*shareholders, customers, employees, government and the general public*

❑ International Airlines Group + GRI + IATA (2019):

*environment; noise; workforce; future competitiveness; corporate governance.*

## The Global Reporting Initiative (GRI)

Even though the main players in the European aviation market apparently decided to stick to the GRI concept, analysis of some annual reports, for example, LHR Airports Limited (n.d.), IAG (2019), Aeroflot (2019) shows that the issue of measuring and comparing the results of the company's CSR remains open.

*'One can only imagine the headaches that companies have in trying to adhere to the guidelines.'*

(Hopkins, M., 2005. *Measurement of corporate social responsibility*. International Journal of Management and Decision Making - Int J Manag Decis Making).



## **Suggested approaches to the formation of the CSR assessment criteria**

Based on the review and preliminary studies it can be concluded that there is an emerging call from regulatory authorities, aviation business and investors to improve decision-making tools for long-term investment decisions.

## Framework (themes) for aviation businesses' CSR report:

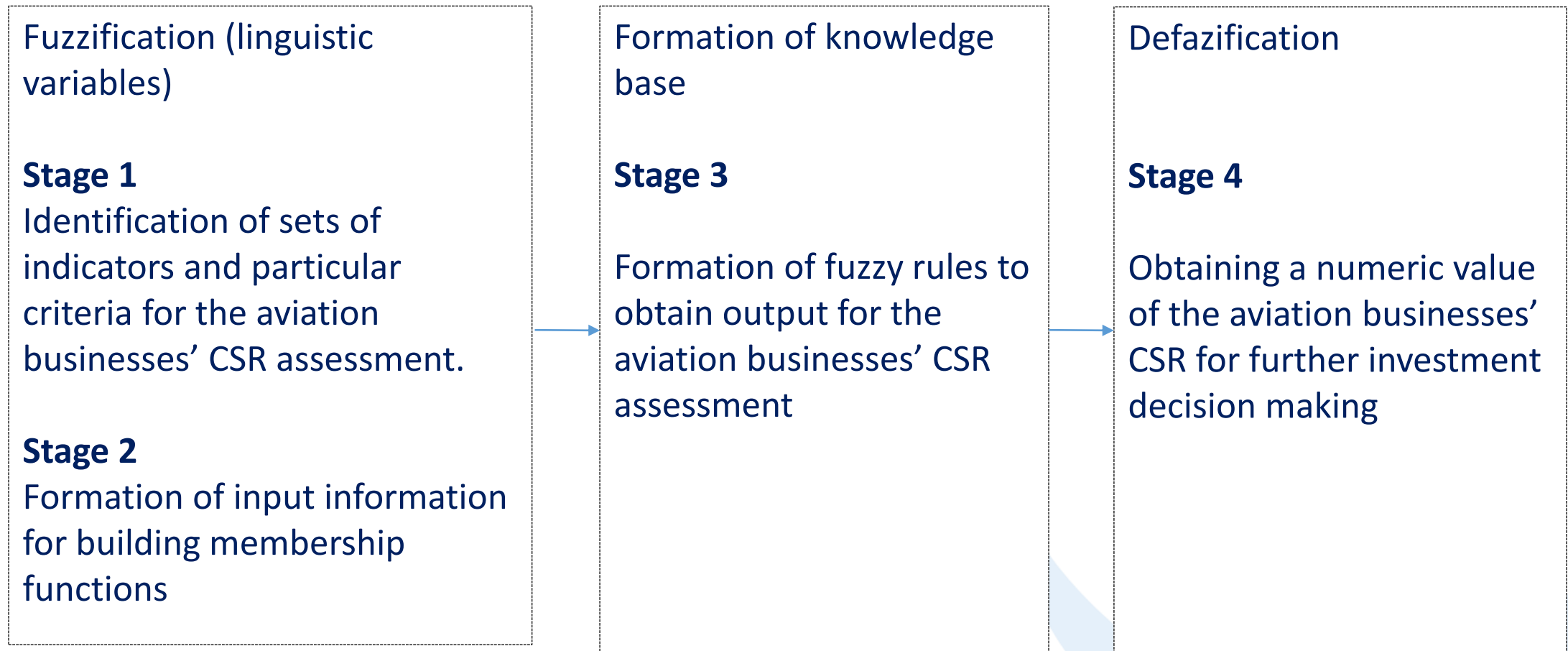
- Affordability
- Safety, security,
- Fairness and efficiency
- Air services while supporting a competitive economy and balanced regional development

ICAO (2013)

## Proposed blueprint for further research

Research question	Level	What to examine	Research Methods	Participants
Outlooks for the development of the aviation businesses' CSR policy	macro (region, county)	Legal, economic and social incentives and obstacles to the development of the aviation businesses' CSR	PESTEL Analysis, expert interviews	Stakeholders' Experts
Identification of framework in order to further harmonize the structure of the CSR report for the aviation businesses' self-assessment system	macro	Relevant CSR topics in policies and strategies for the development of the transport system and, in particular, the air transportation market.	Content analysis of ICAO, IATA, GRI, CAA, etc. relevant documents and expert interviews	
Identification of a set of significant indicators and partial criteria for the aviation businesses' CSR assessment	macro			
		micro	CSR themes in annual reports and strategic documents of airlines and airports	Content analysis of annual reports and expert interviews; expert assessment methods
Identification of the set of rules for the formation of the investment rating score (index) of the aviation businesses' CSR	macro	The established and promising practice of value judgments on the level of CSR development in airline and airport	Content analysis of expert interviews	Stakeholders' Experts
	micro		Expert assessment methods	Experts of airlines and airports
Aviation businesses' CSR assessment system simulation; testing and evaluating of the rating tool	macro	Adequacy of the system of fuzzy inference for the case of determining the investment rating of airlines and airports	Fuzzy theoretic approach	Experts of Stakeholders, airlines and airports
	micro	Adequacy of the system of fuzzy inference for the case of determining the level of fulfillment of tasks on CSR of aviation businesses (self-assessment)		

# The general scheme of the fuzzy inference system for the simulation of the airlines' and airports' CSR assessment system



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*Thank you  
for your  
attention!*

