

Good essay on etihad airways corporate social responsibility

[Business](#), [Company](#)



Introduction

Founded in 2003, Etihad Airways is the second largest airline of the United Arab Emirates (UAE), next to Emirates airlines. Operating over 1, 000 flights weekly to 96 destinations all across the world, Etihad is a cargo/passenger airline, generating revenues of \$4. 8 billion and a net profit of \$42 million (Etihad Airways, 2011). The current mission of the company is to become the world's best airline company by giving passengers a unique experience of hospitality that exudes the generosity and warmth of the Arabian culture. It understands its responsibility as a corporate citizen in the community and the environment, and therefore, seeks to offer environment-friendly, safe travelling experiences to its customers by conforming to the highest global standards. Unlike many UAE companies that are yet not familiar with the Corporate Social Responsibility practices beyond corporate philanthropy and emiratization, Etihad employs a full-blown strategic initiative to address the CSR issues. It puts a special focus on environmental sustainability practices, taking measures for carbon emission reduction, recycling, and efficient utilization of resources. This paper would discuss the Corporate Social Responsibility initiatives taken by Etihad Airways and the challenges it encounters, touching upon the definition of CSR, its meaning in the UAE.

Definition of Corporate Social Responsibility

There is no universal definition of Corporate Social Responsibility (CSR). CSR is a dynamic concept, and depending on social, economic, and environmental needs of a country, the definition of CSR varies. The definition of CSR not only varies beyond national boundaries, but also varies within

countries (Frynas, 2012). There exist more than 37 definitions of CSR provided by various opinion leaders. In general, CSR refers to the responsibility of an organization or a business towards the environment, stakeholders, and community, including social, economic and environmental aspects, in which it functions. The seven core subjects of CSR, as has been identified by the International Standards Organization (ISO), include organizational governance and anti-corruption measures, community involvement and development, human rights and gender equality, labor practices, the environment, fair operating practices, and consumer issues (Smith, 2011). While formulating strategies and developing policies, an organization must keep these core subjects in mind. Since the mid-1990s onwards, CSR has been readily associated with the terms 'corporate sustainability', 'corporate citizenship', and 'triple bottom line'. Corporate citizenship refers to a firm's engagement with stakeholders rather than shareholders alone. Corporate Sustainability describes corporate behavior that may affect sustainable practices of the company, which create opportunities for sustainable development. Triple bottom line refers to the equal promotion and the balance of the social, economic, and environmental interests of a corporation (Frynas, 2012). If CSR can be properly implemented, it can bring about a variety of benefits to an organization, including increased sales and profits, improved productivity and quality, enhanced accessibility to capital and markets, operational cost savings, enhanced customer loyalty, efficient human resource base, improved reputation and brand image, better risk management processes and decision making power (Smith, 2011).

CSR in the UAE

Comprised of seven semi-autonomous emirates, the UAE does not function by representative democracy. It is still led by the ruling dynasty of the seven emirates, especially in Abu Dhabi, with no obvious political opposition.

Expatriates constitute 80% of the country's population, and account for 95% of the labor force of the country. The UAE economy relies heavily on oil, which accounts for 26% of the country's GDP. Abu Dhabi alone contributes to 60% of the country's GDP and Dubai 28% (Ronnegard, 2011).

In the Arab nations, CSR is not a common concept. However, the United Arab Emirates (UAE) is an exception in this regard as it has begun to involve itself in different CSR activities. Along with Qatar, the UAE has been rated among the top two most transparent countries in the Arab world. However, the implementation of CSR activities is still in a rudimentary stage in the country, with most of the companies not following any CSR activity at all. In a survey conducted by the Dubai Ethics Resource Center in 2006, 72% local managers reported that they were very highly aware of the concept of CSR, however, only 24% of the local companies reported of implementing CSR activities (Ronnegard, 2011).

In order to gauge the significance of CSR in the UAE, it is crucial to distinguish between the multinational corporations (MNCs) that might be operating in the country, but have familiarity with the CSR concept because of their operations in the West and local companies for whom the CSR concept is absolutely new and outlandish. It might be the expectation that the MNCs by the virtue of their global operations and corporate practices maintain the same standard of CSR activities as they practice abroad.

However, this is not true. In fact, the MNCs operating in the UAE engage in less CSR activities in the country than they do elsewhere (Frynas, 2012).

Though MNCs are more active in terms of maintaining CSR activities than the local companies, they, however, have adapted to the local conventions and expectations, and therefore, there is not much difference between the CSR activities practiced by the MNCs with that of the local companies.

Though employee health and safety issues and environmental concerns are gathering attention, the most common CSR practices in the UAE, however, include corporate philanthropy and emiratization. Local companies especially put more focus on these two activities. Corporate philanthropy refers to the practice of contributing corporate donations to charity organizations or needy individuals. Especially, corporate donations are made during the month of Ramadan and in times of disasters. In normal times, the UAE organizations donate to either local or regional causes, such as for the plight of children caught amidst war-racked countries like Palestine and Iraq.

However, these donations rarely have strategic organizational goals.

Emiratization refers to the national endeavors to educate and prepare the UAE youth for the job market. Since a significant portion of the population (45%) is youth in the UAE, with many belonging to wealthy families, the common Emiratis often either lack the incentives or the required skills to join the workforce and compete with the expatriates (Ronnegard, 2011). The emiratization activities are both compulsory and voluntary. As mandated by the UAE government, it is compulsory for the organizations functioning in the country to recruit a certain percentage of nationals. The target percentage set for the insurance industry is 15%, and in the trading and banking

industry, the target is to increase the number of recruited nationals by 4% and 2% respectively (Ronnegard, 2011). The companies are liable to pay fines if they fail to meet these targets.

CSR Implementation Strategy of Etihad Airways

Etihad Airways is one of the few UAE companies that have started CSR initiatives. As part of CSR initiatives, Etihad Airways has joined the effort of Care by Air, which is a non-profit CSR initiative in the UAE aimed at delivering at-cost logistics to humanitarian organizations. Since 80% of the United Nations humanitarian budget is spent on logistics cost, and 30% of the cargo space, as reported by the International Air Transport Association (IATA), flies unused and empty, Care by Air initiative by utilizing this empty cargo space seeks to decrease the cost of humanitarian relief logistics so that more budgetary money can be spent on the actual aid and those in need of it most (Etihad Airways, 2011). Etihad Airways participates in Care by Air initiative by contributing to humanitarian mission at cost or no cost basis, meaning it provides empty cargo space on its flight without profit or for free.

Besides Care by Air initiative, Etihad also participates in the emiratization process by investing a significant amount of money in the three main emiratization efforts undertaken by the company; the cadet pilot program, the trainee engineering apprenticeship scheme, and the graduate management program. Since its inception in 2007, a total of 140 UAE nationals have graduated from these programs. Between 2007 and 2011, the number of UAE nationals within the workforce of Etihad has grown from 4%

to 21%, representing a year-on-year growth of 98% (Etihad Airways, 2011). As part of its CSR initiative, Etihad attaches a huge importance on the collaboration effort with stakeholders. Customers are the key group of stakeholders in the company, and Etihad has launched a new initiative to facilitate the communication process between the company and its customers. Its environmental strategy and program is fully driven by its commitment to reduce its carbon footprint. In order to reduce carbon emissions, Etihad has made a collaborative effort with various stakeholders involved with the INSPIRE program, which aims at developing and implementing operational procedures to decrease the carbon footprint of the aviation industry. Etihad also takes part in a carbon offsetting program in which 1.3 million loyal members of the company participated in 2011 by donating their miles to carbon reduction efforts in the world. Thus, Etihad contributed to the donation of 26,000 miles, offsetting about 600 tonnes of carbon dioxide (Etihad Airways, 2011). Etihad has also committed itself to the purpose of decarbonizing the aviation industry and supports the research of finding sustainable alternatives for the regular fossil fuel. In order to stay committed to this cause, Etihad has joined the Sustainable Aviation Fuel Users Group (SAFUG), which consisting of 23 international airlines, is focused on the effort to develop and commercialize sustainable alternative fuels (Etihad Airways, 2011).

Etihad's contribution to Corporate Social Responsibility differs from most of the UAE companies, which mainly focus on fulfilling their corporate responsibilities by participating only in philanthropic and emiratization

activities. Etihad is one of the very few UAE companies concerned about the environmental impact of its business and is taking initiatives to address that.

Challenges Encountered by Etihad

Three main challenges for Etihad in the coming future will be in the areas of de-carbonization, waste reduction, effective stakeholder communication, and aircraft emissions management. Currently, all the aircrafts run by Etihad are fossil fuel based. However, it is continuously working with Sustainable Aviation Fuel Users Group to come up with alternative non-fossil fuels that can be used in airplanes to reduce its carbon footprint. Primarily biomass fuel seems to be a viable option, and the company is working with other related organizations to come up with a process where biomass fuel can be produced and refined in such a way that it is cost competitive with fossil fuel and can also fulfill large percentage of the demand. Waste management is another big issue. By continuously monitoring the food consumption pattern and finding ways to reuse some of the items can hugely decrease total waste generated every year. Going paperless is another initiative that is helping the company reduce waste and go green. Apart from looking at alternative fuel options, the company is also involved with the aircraft manufacturers to come up with more fuel efficient engines and aircraft designs. It is changing its fleet to a more fuel efficient A330 from the current A320s. These aircrafts not only have a great design, but also have Trent 700 engines which are highly fuel efficient. The company is also working on reducing the aircraft by using lighter aluminum cargo containers than the original heavy steel containers.

Recommendations

Taking into account the policies the company has in place for its employees, it seems that all is not hunky-dory with Etihad Airways. Frequently, the airways is criticized for its restrictive and draconian rules that prevent employees from staying with their families and spouses in the accommodation provided by the company. Medical care benefits are allowed only to the employee signing the contract and not any member of his family. The most discriminating policy of all is the rule that forces female cabin crew to resign if they become pregnant (Ronnegard, 2011). This policy has been subjected to harsh criticism as human right violations. CSR initiatives emphasize equal opportunities and treatment for all. If a female employee is signed into a contract that states that she will have to resign if she becomes pregnant, it is not a fair and sustainable labor practice. Therefore, in order to improve its CSR activities and fulfill the cycle of the entire CSR system, the company needs to work on some of its rules and regulations set for employees.

Firstly, medical coverage should be extended beyond the employee to his immediate family members, including spouse and children.

Secondly, women should be given equal right and respect as men. If a man does not lose his job if he is going to become a father, a woman should not lose her job too if she is going to become a mother. Therefore, the policies in this regard should be fair and therefore, if women cabin crew members become pregnant, then instead of making them leave the organization, Etihad should make arrangement to transfer them to the ground operations.

Right now, Etihad does not provide maternity leave to female employees, and as a sustainable practice, Etihad should provide maternity leaves to female employees to encourage more number of women to join the airways.

Thirdly, the policies made for employees should be family-friendly.

Conclusion

Etihad is a responsible organization that understands about the importance of its contribution to the development of community and the overall society. Like a true corporate citizen, the country implements a lot of CSR initiatives in its current business operation, such as seeking for an alternative to fossil fuel, reducing carbon footprint, doing philanthropic work, and employing a high percentage of UAE nationals. However, some of the areas that Etihad lacks includes its policies and regulations that stand in direct contradiction with human rights issues, especially the one policy that forces women cabin crew members to quit the organization once they become pregnant. In order to improve upon its CSR initiatives, the company not only needs to implement sustainable business practices and address environmental issues, it also needs to treat women employee fairly by giving them maternity leaves and bringing a change in its current employment policy.

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