

Corporate social responsibility at british airways

[Environment](#), [Air](#)



Introduction

This report concerns with an investigation of business ethics in British Airways (BA) and in particular an event that happened in August 2005 with its catering contractor Gate Gourmet.

The main objectives of this report are:-

- To examine BA's approach towards Corporate Social Responsibility.
- To elucidate whether Gate Gourmet's employees are part of BA's stakeholder or not.
- To explain the negative outcome
- To explore ethical issues involved in the practice of outsourcing.

The objective of the report will be achieved by using theories and concepts of business ethics. This report will make possible a number of informative conclusions on how BA handles Corporate Social Responsibility and the particular problem with Gate Gourmet.

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BA's approach towards corporate social responsibility

Corporate social responsibility (CSR): CSR is a type of corporate self regulation integrated into a business model. Superlatively, CSR policy would function as integrated, self-governing device whereby business would observe and make sure that its adherence to law, ethical standards, and international norms. Business would accept responsibility for the influence of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public.

In order to weigh up the approach of Corporate Social Responsibility a well known framework has been used which was devised by Elkington (1999) called the triple-bottom line. According to triple bottom line a corporate doesn't have only one purpose that is to add economic value to their corporation but also to add environmental and social values too. Triple bottom line gives a clearer picture of what the components of sustainability actually represents in terms of a goal for business ethics by examining them separately.

- Social
- Environment
- Economic
- viable
- Sustainable
- bearable
- Equitable

John Elkington (1998)

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Economic perspective: The economic perspective recognizes that continued growth in population, industrial activity, resource use and population could mean that standard of living would in the long run decline. A narrow belief of economic sustainability focuses on the economic performances of the corporation itself: the responsibility of management is to develop, produce and market those products that assure long term economic performance for the corporation. This includes a focus on strategies that set in motion long

term rise in share price, revenue and share market rather than short term explosions of profits at the expense of long term possibility. A broader concept of sustainability would take account of the company's attitude towards bribes and building cartels. They could be regarded as economically unsustainable: they are not willing to fund the political institutional system (schools, hospitals, police and justice system) then they eat away at the key institutional basis of corporate success.

From 2000 the airline industries worldwide had been suffering from less number of passenger wanting to fly which was due to 9/11 incident, Sars epidemic and rise in the fuel costs following the war in Iraq. BA's approach towards Corporate Social Responsibility on economic is that to maintain its economic system BA has been outsourcing its services and reducing cost of personnel through redundancies and various other resources.

Social perspective: This is a recent improvement in the Corporate Social Responsibility. It has come to pass from apprehension about the effect of business activities on native communities in less developed countries and regions. The addition of social contemplation has marked a move in the way ideas about sustainability were put forward. The major issue in the social perspective of sustainability is that of social justice. In spite of the remarkable advances in standards of living that many of us have enjoyed, there are growing lack of correspondence of income and wealth within many countries. In a more just an evenhanded world, living standards will lead to more economic affluence.

BA's approach towards Corporate Social Responsibility on social is that it has decided to enable up to 500 applicants a year to realize their dreams through the London 2012 Great Britons Programme. Page: 5

It is aiming to raise £1.5 million for Change for Good to help vulnerable children around the world by 2009/10. BA has plans to increase the number of colleagues who donate to payroll giving by 50 percent by 2012. It will continue to work with Comic Relief and Children in Need. BA has aims to increase the number of young people participating in educational activities to 8000 per year.

Environmental perspective: The notion of sustainability came into sight mainly from environmental trepidation. The fundamental principles of sustainability in the environmental perspective alarm the effective management of physical resources so that they are preserved for the future. All bio systems are regarded as having limited resources and finite capacity and hence sustainable human activity must maneuver at a level that does not threaten the health of those systems. Even at the most crucial point these distress a need to dispatch a number of significant problems like greenhouse gases from industrial plants and consumer products.

BA's approach towards Corporate Social Responsibility on environmental is that it is planning to reduce Co2 emission by 50 percent by 2050. It is aiming to reduce noise per flight by 15 percent. BA has plans to recycle its waste up to 50 percent by 2010 and aims to send zero waste to landfill by 2010 across Heathrow and Gatwick.

Reference: Elkington, J. (1997)

[http://www.britishairways.](http://www.britishairways.com/travel/csr-corporate-responsibility/public/en_gb)

[com/travel/csr-corporate-responsibility/public/en_gb](http://www.britishairways.com/travel/csr-corporate-responsibility/public/en_gb)

It is can be concluded that BA uses or has an approach to Corporate Social Responsibilities put forward by Elkington's Triple Bottom Line. Those can be divided into Economic, Social and Environmental.

Weather Gate Gourmets' employees are part of BA's stakeholder

It has been made a case that contractors are not legitimate stakeholders for a client. On the other hand in order to find out whether this is the case; the concept of salience of stakeholders will be used. There are three factors that consider the salience of stakeholder and they are Power, Legitimacy and Urgency. Page: 6

- Power: it is the apparent capacity of a stakeholder to influence organizational action.
- Legitimacy: whether the organization perceives the stakeholder's actions as desirable, proper, or appropriate.
- Urgency: The extent to which stakeholder demand are professed to call for immediate attention.

Reference: Mitchell, R. K, Agle, B. R., and Wood, D. J. (1997)

Gate Gourmet had been losing £1. 5 million a day due to the new contract put forward by BA which had very tough terms. Because of this Gate Gourmet decided to employ new staff on lower wages. So, on 10 August

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2005 when 120 new employees were brought in the company the existing workers decided to go on strike while the trade union representatives went to talk to the management. But after three minutes the management of the Gate Gourmet sacked 700 staff without negotiating with the employees. The very following day BA's baggage handling staff at Heathrow airport went on one day strike grounding 700 flights and more than 100, 000 passengers in BA's global network. It was nothing to do with BA but the reason of the strike was because BA's suppliers of in-flight meal Gate Gourmet had sacked 600 of its employee who had relatives in the BA's baggage handling staff. BA termed this walkout technically illegal and refused to pay the strikers' wages and workers went back to their duty only after only a one day strike. On the other hand this incident brought bad reputation to BA's global operation and also lost cost of more than £60 million. After a lengthy and controversial talks and negotiations BA decided to revise its supply contract with Gate Gourmet on better terms.

Gate Gourmet had been losing £1. 5 million a day due to the tough terms put forward by BA but they could do nothing to make BA revise its terms. It shows that Gate Gourmet have no ability to influence the action of BA.

(Power)

BA didn't take any interest to the Gate Gourmets case and refused to pay its workers on strike and thought stakeholder's actions as undesirable, improper and inappropriate. (legitimacy) Page: 7

BA didn't try to solve its stakeholders (Gate Gourmet) immediately but took lengthy and controversial talks to revise its terms. BA didn't show any urgency to solve its stakeholder's problem. (urgency)

Reference: WWW. guardian . co. uk

Therefore I conclude that BA is not a legitimate stakeholder according to the concept of Saliency of stakeholder.

The negative outcome

Mendelow created a stakeholder analysis chart for mapping stakeholder's power over the corporate and the interest the corporate has over his stakeholder.

STAKEHOLDER ANALYSIS

Low Interest High

Minimum effort keep informed

A B

Keep satisfied key players

C D

Low

Power interest matrix

POWER

High

Mendelow (1991) Chart of Stakeholder Analysis Page: 8

Segment ' A' represents that the stakeholder has low power which means that the stakeholder has less ability to influence organizational goal and the corporate has less interest in the stakeholder. That is why the corporate puts minimum effort to satisfy the stakeholder.

Segment ' B' represents that the stakeholder has low power and cannot influence the corporate goal but the corporate has high interest on the stakeholder because the stakeholder in segment ' B' can be important allies in influencing the attitude of more powerful stakeholder through lobbying. Thus the corporate keep informed about its shareholder.

Segment ' C' represents that the stakeholder has high power and can influence the corporate goal but the corporate has less interest in the stakeholder. As the stakeholder is powerful the corporate tries to keep the shareholders satisfied.

Segment ' D' represent that the stakeholder has high power and can easily influence the goal of the corporate and the chart also shows that the corporate also has high interest on its stakeholder. The stakeholder has high power and the corporate also has high interest in them so they are a key player to the corporate.

Reference: Mendelow, A. (1991) in Johnson, G., Scholes, K. and Whittington, R. (2005)

Gate Gourmet had been losing £1.5 million a day due to the new contract put forward by BA which had very tough terms. As Gate Gourmet couldn't make BA revise its terms we can say that Gate Gourmet has low power. Because of this Gate Gourmet decided to employ new staff on lower wages and the existing employees of Gate Gourmet went on strike opposing the decision made by the management. The management sacked 700 staff without negotiating but BA remained quiet during this course of events. It shows that BA has low interest in Gate Gourmet and thus had put no effort in getting involved in the Gate Gourmet situation. Page: 9

When 600 employees were sacked by Gate Gourmet the relatives of the sacked employees who were in the BA's baggage handling at Heathrow went on strike in support of their colleague. Due to this strike 700 flights and more than 100,000 passengers were grounded. This compelled BA to revise its supply contract with Gate Gourmet on better terms. Hence, in this way Gate Gourmet became a key player from minimum effort.

Referencecorporate: www.guardian.co.uk

Ethical issues involved in the practice of outsourcing.

Problems with Outsourcing: According to Sheffi (2005) companies should never rely on only one contractor and in case of BA, it should have used more than one caterer or the relationship should have been closer so that it could have known more about what the contractor is doing. Some organizations, like banks, have been disapproved of for poor customer support from outsourced Indian call centers. Also Nike and Gap have been bothered over the sweat shops allegedly operated by some of their suppliers.

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Outsourcing an activity does not mean it is no longer an organization's problem. And according to Emmelhainz and Adams (1999), there is a shift towards global supply and competition and individual firms appear to be faced with the outlook of an extended chain of responsibility. Once it was perfectly satisfactory to argue that the ethics of an organization's suppliers, or a firm influence on its competitors, was simply not any of its business, this no longer seems to be the case. Hence, corporations have to take their ethical responsibilities much more largely; as a result, the supply chain has to be used as a means of expression for ethics management and regulation.

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Carroll's Model (1991)

Economic responsibilities: Companies have shareholders who require a reasonable return on their investments, they have employees who want safe and fairly paid jobs, they have customers who insist good quality products at a fair price, etc. This is by definition the motivation why businesses are set up in society and so the first task of business is to be properly functioning economic unit and to stay in business. This first layer of Carrolls's model is the basis for all the successive responsibilities, which rest on this solid basis. According to Carroll (1991), the satisfaction of economic responsibilities is thus required of all corporations.

From 2000 the airline industries worldwide had been suffering from less number of passenger wanting to fly which was due to 9/11 incident, Sars epidemic and rise in the fuel costs following the war in Iraq. So, BA outsourced its service (in flight meal served by Gate Gourmet) to reduce its

cost and to increase its profitability. The ethical issue of outsourcing regarding economical responsibilities is that it helps to give shareholders a reasonable return, its employees a safe and fairly paid job and satisfy the customers' needs.

Legal responsibilities: Laws are the codification of society's moral views. For example Microsoft has had to face an antitrust case for abusing its monopolistic position. Page: 11

To outsource cheap labour if a company brings illegal immigrants than it is illegal. Every firm has to follow society's moral view.

Ethical Responsibility: These responsibilities compel corporations to do what is right, just and fair even when they are not compelled to do so by the legal framework. For example it was legal to dispose of an oil rig in the sea but was it ethical?

Gate Gourmet had been losing £1.5 million a day due to the new contract put forward by BA which had very tough terms. Because of this Gate Gourmet decided to outsource new staff on lower wages. So, on 10 August 2005 120 new employees were brought in the company which made the existing employees insecure. So they went on a strike but they sacked 700 staff without negotiating with them. Outsourcing must not be used only to fulfill the economic responsibilities of a firm but also try to think ethically by not being unfair and unjust to its employees as the Gate Gourmet.

Philanthropic Responsibility: The word 'Philanthropic' is derived from the Greek word which means "love of the fellow human". According to this

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proposal in a business context, the mock-up incorporates activities that are within the corporation's judgment to improve the quality of life of employees, local communities and ultimately society in general. This feature of CSR addresses a great range of topic, including things such as charitable donations, the building of recreation facilities for employees and their families, support for local schools or subsidizing of art and sports events. According to Carroll's (1991), "philanthropic responsibilities" are consequently purely preferred of corporations without being estimated or required, making them 'less important than the other three categories'.

References: Emmelhainz, M. A and Adams R. J(1999)

A. Crane and D. Matten (2007)

www.guardian.co.uk

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By outsourcing its services BA has increased its profitability but it is also involved with many non profitable organizations which helps the society. In this way outsourcing can fulfill firms Philanthropic Responsibility.

So I conclude that ethical issues involved in the modern practice of outsourcing are economic responsibilities, legal responsibilities, ethical responsibilities and philanthropic responsibilities.