The importance of environmental and sustainability factors in the corporate procurement process when choosing an airline

HAMK
UNIVERSITY OF APPLIED SCIENCES

Master's thesis

Degree Programme in Business Management and Entrepreneurship
8.12.2011

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Degree Programme in Business Management and Entrepreneurship

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Title of thesis	The importance of environmental and sustainability factors in the corporate procurement process when choosing an airline	

ABSTRACT

The purpose for this master thesis came from my own work in Finnair's corporate sales. Environmental issues are mentioned in almost all requests for proposals received by corporate customers. In sales you should always think how to maximize revenue. And I was thinking how Finnair's advantage environment friendliness is seen in the price of air ticket? My aim was to find out if corporate customer's demands about the environment and sustainability have any real meaning when purchasing air travel services.

The theory started from the place where civilization started, classical Greece and from ethics. Ethics is the start of all good, which still guides people and corporate to good way of doing. Ethical procurement, corporate governance, and sustainability are all a continuum of Aristoteles' thoughts. Sustainability, corporate citizenship, and reducing a load for the environment are linked to each other and finding differences is difficult. But it is not necessarily important; all these issues are often under the same umbrella.

The study started by searching for information about corporate customers' own attitudes towards the research theme. If the corporate keeps environment, sustainability, or corporate citizenship important, these principals should also be adapted in procurement. The next stage was getting more information by asking customers about their procurement policy and how environmental issues are taken into account. According to the results from this study, environmental issues are meaningful for customers, but only one of four is ready to pay even a little bit more for it. In any case environmental aspects are good to keep in the sales toolbox and it can be part of pricing.

Keywords   air transport, aircraft, airline, alternative fuel, aviation, corporate citizen, corporate governance, diversity, emission trade, emissions, environment, EU Emissions Trading Scheme (ETS), green economy, natural resources, pollution, procurement, renewable fuel, responsibility, Rio declaration, self-regulation, social activity, social impact, sustainability

Pages   38 p. + appendices 9 p.

TIIVISTELMÄ

Idea lopputyön aiheeksi tuli omasta työstäni Finnairin yritysmyynnissä. Ympäristöasiat olivat mukana lähes jokaisessa tarjouspyynnössä. Myyntityössä pitää aina miettiä tuottojen maksimointia ja mietin miten Finnairin ympäristöystävällisyys näkyy lentolipun hinnassa. Tarkoitukseni oli selvittää onko yritysasiakkaiden ympäristöön ja kestävään kehitykseen liittyvillä vaatimuksilla todella merkitystä hankittaessa lentokuljetuspalveluita.

Teoria lähti liikkeelle sivistyksen synnyinpaikasta, antiikin Kreikasta ja etiikasta. Etiikka on kaiken hyvä alku, joka edelleenkin ohjaa ihmiskunnan ja yritysten toimintaa. Ostotoiminnan etiikka, yritysten hyvä hallintomalli ja kestävä kehitys ovat suoraa jatkumoa Aristotelesen ajatuksille. Kestävä kehitys, yrityskansalaisuus ja ympäristökuormituksen vähentäminen ovat nivoutuneet toisiinsa ja rajanveto näiden välillä on hankalaa. Toisalta ei välttämättä ole tarpeellistakaan, samat asiat tulevat esille näiden aiheiden alla.

Varsinainen tutkiminen lähti liikkeelle hakemalla tietoa yritysasiakkaiden omasta asenteesta tutkittavaan aiheeseen. Jos yritys kertoo pitävänsä ympäristöasioita tai kestävää kehitystä tärkeänä tai pitävänsä itseään yrityskansalaisena, näiden periaatteiden olettaisi käytettävän myös yrityksen ostotoiminnassa. Seuraavassa vaiheessa hain lisää tietoa kysymällä asiakkailta heidän ostotoiminnastaan ja kuinka ympäristöaisat huomioidaan.

Tulosten perusteella ympäristöasiat ovat merkityksellisiä yritysasiakkaille, mutta vain yksi neljästä on valmis maksamaan ympäristöystävällisyydestä edes vähän enemmän. Joka tapauksessa myyntityössä on syytä tuoda ympäristöaspekti edelleen aktiivisesti esille ja sitä voidaan käyttää tuotteen hinnoittelussa.

Avainsanat biopolttoaine, EU:n päästökauppa, halpalentoyhtiö, hyvä hallinnointitapa, itsesäätely, kestävä kehitys, lentokone, lentoliikenne, lentoyhtiö, lentäminen, luonnonvarat, monimuotoisuus, ostotoiminta, päästökauppa, päästöt, Rion julistus, uusi teknologia, vihreä talous, ympäristö, yrityskansalainen

Sivut 38 s. + liitteet 9 s.

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1   BACKGROUND INFORMATION

1.1   Finnair and the market

The Finnish carrier Finnair is the world's 4th oldest still operating airline, established in 1923. In 2010 Finnair's turnover was 2 023 million euros and it carried 7,1 million passengers. The average amount of personnel in 2010 was 7578. Today Finnair operates 66 aircraft and flies to more than 60 destinations. (Finnair 2010).

Finnair updated its strategy from local passengers from/to Finland serving carrier to a net-work carrier in the late 1990's. This gave the company possibilities to expand business opportunities abroad compared to the very limited home markets in Finland. Today most of the revenue comes from outside of Finland although Finland as one country is still one of the biggest markets for Finnair. (Finnair 2010).

1.2   Aviation industry

Air travel is a combination of free market and government restrictions, especially when operating outside of the European Union, and due to a heavy cost structure which has been built over a long time. Traditional carriers have met challenges in the competition with new operators.

Profit margins are now already low in times of good demand and competitors are often from countries where airlines receive support (visible or non-visible) from government (China) and even in the EU (Italy, Greece).

Low cost carriers (LCC) have changed the business environment, which has forced traditional airlines to re-think the business environment. At the same time heavy competition from Asian airlines is pushing European carriers' margin to a level which makes it difficult to make a profit, but this same pressure is also forcing airlines to a right cost-effective direction.

Growth in air travel during the next decades will be from and to Asia. We have seen Japanese travellers walking in good order after tour guide for years, but now Koreans and especially Chinese are also doing the same. When the standard of living makes it possible to travel, people normally start from close areas with easy access. For Asian travellers it means neighbouring Asian countries, but quite soon the natural curiosity of mankind will bring more Asians to Europe.

1.3   Kyoto Protocol and aviation

In the Kyoto Protocol from 2005, it was agreed by countries to reduce emissions, but the United States has never ratified it. Until now the European Union and the United States have both followed their own policy of how to handle greenhouse gas emissions, which contribute to global warming.

EU's Emissions Trading System will be a part of an airline's business environment in 2012, but this is valid only in the European Union. The US and Asian carriers, who operate into the EU, must take part in the program. This has caused heavy dispute between the EU and authorities and carriers outside of the EU. Carriers from North-America and Asia are lobbing strongly against emission trade, as governments outside of the EU have not paid that much effort to start similar approaches against greenhouse gases, at least with similar schedule.

According to the International Civil Aviation Organization (ICAO), airlines proportion of global emissions is 2-3 % of total, but this small part has a significant effect on audience opinions. Saving natural resource is part of everyday discussion in Europe, but for example in China, raising the living standard of 1,4 billion citizens has a much higher priority. But also China and other Asian countries have understood the importance of keeping the environment in shape. There are much bigger issues than emissions from flying, but all small parts in the big environment protection package are important.

There are two ways in which carriers can handle this challenge. They can either buy carbon permits or they can reduce emissions. Buying carbon permits tell the markets that the airline has not been able to meet emissions reducing requirements set by authorities. This will be direct cost, which needs to be covered. But this can be the best option for some carriers. The second alternative encourages carriers to invest on new technology, which will keep their operating fleet young and modern. And this will make the whole chain of operating aircraft more reliable – which reduces costs. But naturally, in order to buy new aircraft, an airline must be financially healthy.

Finnair has decided to openly come out with correct eco-facts openly and is actively taking part in the discussion in all countries where Finnair has scheduled flights. Environment issues are an important part of customers thinking; at least if you ask customer in public and this might provide new business opportunities. Finnair and Lufthansa were testing new bio-fuel opportunities in July 2011. These are small steps, but going tin the right direction. On a larger scale, using biofuel is not economically possible, but if the price of fuel continues to rise, biofuel could be opportunity. (Finnair 2010).

1.4   Emission trading

The purpose of emissions trading is to reduce environmental loading using economical means. But as emissions don't respect boarders, a global approach is best and for the long term the only solution. Local trading might turn against it, as it might distort competition, if part of the carriers need to pay extra costs, when the rest of the competitors can fly without concerning costs created by emissions. Finnair is supporting a global emissions trading scheme, but it should be equal to all operators worldwide. By the end of the day all costs must somehow be covered, which means higher airfares for passengers. This is an extremely difficult task in a competitive environment nowadays. (Finnair 2011).

In November 2011 a couple of months before the start, the structure of EU's emission trading is still unclear. For airlines it is a very challenging situation, when they know that there will be extra costs which need to be covered, but no exact instructions for what it will mean for business. The US and Asian countries are claiming it to be against international agreements, and they are heavily lobbying against it. The US is planning legislations which clearly forbid the US carriers to join the EU's Emissions Trading Scheme ETS. Russia has hinted that they will increase payments of using their airspace, which will especially affect Finnair.

The International Air Transport Association IATA is also planning for a world-wide system for how airline emission could be handled, but this work is unaccomplished and it is unclear what it includes. The EU has decided to start ETS regardless of pressure from other countries and it is to be seen what the reactions will be. In the worst scenario intercontinental flights would operate from airports close but outside of the EU (for example, St. Petersburg, Istanbul), which would vitiate whole idea of decreasing emissions and protecting the environment. (Kanter 2011, International Herald Tribune 7.10.2011, Ravio 2011).

2   RESEARCH OBJECTIVES

2.1   Ethics, trends and good citizenship for both mankind and corporations

Most people, especially in countries with higher living standards, are ready to protect the environment. Or at least they say so, when asked. Green thinking, sustainable development, being a good citizen are trends, which you are expected to follow. We should all start by thinking about our own actions and thoughts. Are we ready to invest part of our own family's wealth for the future generations? Or are we just demanding cheaper goods, better quality, and higher salary? This combination is difficult from the national economy's point of view. In order to make all these demands happen, you need more players in the game. Players who can provide things cheaper, more effectively or they

have access to natural resources when needed. This is why mankind has done trading for at least five thousand years, and it is hard to image world without global trading. But ethical behaviour is still needed.

The basis for these trends is the willingness of human beings to try to act the right way, ethically. People run business, so things like eco thinking, sustainable and corporate citizenship are issues which are part of business already at the moment.

In my daily work these issues pop up frequently. I have answered dozens of RFP's (Request For Proposal), where there are a lot of questions and demands of sustainability, environment, protecting minorities, charity, etc. This is before negotiations between the buyer and supplier, where often these matters are not on the table anymore.

My aim is to find out and to help the airlines sales force finding answers to the following questions:

- What is eco-issues importance on corporate decision making, when choosing airline?
- Can an airline transform a good environment attitude to new revenue?
- Are corporate customers ready to pay more per ticket, if an airline could offer less emissions per seat compared to competitors?
- How could airline sales personnel spread the "eco-friendly"-message to a corporate customer?

2.2 Target for study

The target for this study is to find out if the "eco-advantage" has any effect on the corporate client's decision making, and if so, what the possible extra revenue per ticket is? Or is it just a must for the airline to show customers that environmental matters are taken into consideration, to get in to the bidding process. For airline sales this information could be a remarkable sales tool in everyday humble sales work.

In today's very heavy business environment in air travel, it is crucial to dig in to all possibilities for new revenues. Naturally price, service, and product are the key issues, but new ideas of making more revenue are surely very welcomed by airlines. Aviation is a very global business, and market growth in the future is in Asia. When living standards among the population in Asia is getting closer to the western level, this brings more solvent passengers. This leads to new possibilities to all carriers, also to Asian airlines, who are keen to expand their operations to Europe and America as well. In future years we are going to see among the Asian passengers many more Chinese, Thai and Indians among nowadays Japanese and Koreans tourists. And there will be more airlines carrying these passengers.

This also creates new challenges for Western airlines. The mind sets of people and rules created by governments are different between the EU/North-America and Asia. Someone, in this case the EU, has to show the way. Ethically this is well respected, but it also creates new difficulties for European airlines in competition with expanding Asian airlines. If Finnair can somehow impact not only European passengers, but also Asian passenger's conscience, it gives good opportunities to one of the winners in the tough game of civil aviation.

3 THEORITICAL BACKGROUND

3.1 Ethics

Ethics (Greek. ethos = good way) is a study of what is good or what is valuable. It can also be described as a study of what is valuable or what is really important. Sometimes ethics is described as the search for the right way of living. Ethics studies the moral, what is right or wrong.

Aristotle thought that good things can be done only in the community. According to him, ethical virtues are for example friendliness and fairness. (Wikipedia 2011).

Philosopher Immanuel Kant said:" a *person and his actions are good only when it is done by a sense of duty or his will to do right*". In business this means, that it is not accepted to treat people as resources or productive means. But ethics does not provide any exact rules or instructions an how to process in real life. (Stanford Encyclopaedia of Philosophy 2008).

The concept of responsibility heritages from ancient Greece and Christian religion. During the Middle-Ages it become more complicated, a so called manorialism system, where "manor" = mansion is in the central unit, which creates production in the society. It had a responsibility towards society, meaning it had some kind of social responsibility, to take care of the people in its sphere of influence. But in the development at society there were steps backward, when society was seen as an agreement between kings and subservient's.

When modern capitalism was born, it was affected by Reformation and the birth of national states. During the time of mercantilism it was assumed that an individual is under control of the state and he was expected to work for the good of the whole nation.

Mr Adam Smith, who created the theory of an invisible hand of the market, said that the good for society is maximised when all individuals are allowed to focus on their own interests.

During the industrialization, companies were seen as a tool for business men looking for their own interest, which will then bring the best solution for society. (Hyrkkänen).

In the last century, there came a new type of manager, a professional boss, which meant separation between owner and management. At the same time, the focus transferred more from a short time profit to the idea of what is best for the company in the long time. And what is a company's responsibility towards society? As the companies had so much power, they had to take part of the well-being of society. If a company does not recognize its responsibility for society, it loses power in the social system and its capability to affect its surroundings. As society has given common resources, a company must consider the interest of other interest groups as well, not only owners. Corporates are seen as citizens; corporate citizens who have obligations towards society. (Juntunen 2005).

One reason for companies increased interest to Corporate Social Responsibility (CSR) is the fear of government's forced measure, unless companies act voluntarily. Critics towards companies about forgetting social situation, environment problems, and unethical behaviour have led to new kinds of business models; corporate social responsibility. (The Chartered Institute of Purchasing & Supply 2011).

3.2   Social responsibility

"The idea of social responsibility supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations. (McGuire 1963)

By carrying responsibility in the surrounding society, the corporate legitimates its action in the eyes of the surrounding society. The corporate is acting like a citizen (corporate citizenship) by carrying on selfish business which brings profit, but at the same time taking part of the development of society. Interest groups expectations towards corporate, affect corporate's level of activity of corporate citizenship.

All the corporates actions must answer its communication and values. The personnel should understand and follow demands of good corporate citizen and these policies should be in use in all of their actions. The personnel is very valuable in supporting corporate sustainability strategies, but in order to make the message clear, the corporate must inform staff and its places of business consistently. Also, subcontractors are counted as part of the team in this case.

The motivation for corporate taking responsibility is often thought to be only commercial – it brings more money. That is often the case, but there is also a change in management's personal views and values. Users of social, econom-

ic and environmental responsibility can be called "ethical leaders", who really use these values, together with corporates targets, in the decision making process.

Successful sustainable operation requires:
> -it should be part of the corporate mission and values
> -management commitment
> -sharing responsibility with lower levels or organization
> -detailed tailor-made actions
> -enough resources, both economical and human

The corporate management has an import role in implementing responsibility into organizations. Management must know how responsibility affects normal everyday business in the long-term and they must be capable to communicate this to shareholders and people who are in charge of corporate finance. Often, showing example is a good tool to implement new ideas. If management is not committing to corporate responsibility, it is not realistic to expect organization to commit to changes. The Corporate Code of Conduct should also include demands for social, economic, and environmental responsibility. (Juntunen 2005).

3.3   Corporate governance

Corporate governance includes laws and policies to direct, administer, and control corporate everyday functions. It is a process where rights and hopes of interest groups are told to the corporate. When considering shareholders investments in the long term, it is important to think about other interest groups interests, like customers, debt holders, trade creditors and suppliers. Not forgetting the board of directors, executives, and employees. The purpose of Corporate governance is to strengthen shareholders trust, by showing them that corporate management actions are fair and open. It is meant to strengthen the loyalty of customers and partners, motivate and bind skilled, high-motivated personnel to the corporate. And at the end of the day, owners a expect steady profit. Corporate responsibility is closely linked the Corporate governance. As the importance of economic, environmental, and social sustainability increases, these factor's impact on corporate success will have a larger value. (Arvopaperimarkkinayhdistys 2010)

3.4   Corporate social responsibility

Edwin Epstein describer the following: *CSR Corporate social responsibility relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects upon pertinent corporate stakeholders. The normative correctness of the products of corporate actions have been the main focus of corporate social responsibility.* (Edwin Epstein, 2001).

Corporate social responsibility CSR (also called Corporate Responsibility, CR or Corporate citizenship) is described in Wikipedia as the following: *CSR is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal is embrace responsibility for an encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, CSR-focused businesses would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. CSR is the deliberate inclusion of public interest into corporate decision-making, and the honouring of a triple bottom line: people, planet, profit.* (Wikipedia, 2011)

Shortly said: Corporate Social Responsibility (CSR) is voluntary activities, which helps the corporate to reach social, environmental, and economic targets.

Modern companies have their own ethical requirements and corporate social responsibility programs and the same rules are also binding companies who delivers product or services to them. CSR is a standard part of the corporate everyday operations and it is supposed to be a similar standard for partners or sub-contractors.

In different texts of the CSR, the word "self-regulation" often pops up. Self-regulation means the corporates own system of evaluating its way of doing. The minimum for self-regulation should be local laws and global agreements, agreed for example by the International Labour Organizations (ILO), but it can also be more.(ILO 2011).

One of the best declarations about sustainability is written on J.P Morgans website: *"J.P Morgan recognizes that sustainability is no longer a buzzword of environmental activities, but rather a necessary component of success and longevity"* (J.P Morgan 2009)

3.4.1 Corporate Responsibility and Climate change

CRS is often divided into three parts (often called the "triple bottom line):
1. Economical
2. Ecological
3. Social

Economical responsibility includes
- profitability
- effectiveness
- competitiveness

- producing economical wealth for the community

Ecological responsibility includes
- protecting water, air, and land
- fighting against climate change
- preserving nature's diversity
- saving natural resources
- the effective use of natural resources
- the responsibility of a product's whole life span

Social responsibility includes
- personals wellbeing and know how
- consumers protection
- good working methods
- human rights
- supporting the god of public

Taking part in environmental protection is only a small part of Corporate Responsibility, but a very visible part. A modern company must have a policy for how its operations affect people, society and the environment. This policy should be a part of the corporation's everyday doings and it should be publicly announced.

There are numerous ways to do corporate responsibility and one of the most common is to outsource it. The corporations can make financial or material donations or close co-operations with some charity organization. Or part of the responsibility process can be handled with the help of charity organizations. Corporate responsibility or protecting the environment cannot be handled only by charity. There is always the question, "what is behind this?". If it is a just an attempt to get good publicity, it cannot be considered as a corporate responsibility.

3.4.2   Corporate Responsibility, Climate change and airlines

ICAO (International Civil Aviation Organization) raised aircraft noise and the impact of aircraft engines emissions as the main challenges in aviation, in a report from 2001. The third issue was other local problems at airports, like water and soil pollutions, waste managements, and problems arising from the expansion of airports. This report was undertaken by the Organization's Committee on Aviation Environmental Protection (CAEP), which makes recommendations to ICAO. Challenges with aircraft noise and local problems are more or less under control, therefore in this study, I focus more on aircraft emissions.

When flying, aircraft engines produce emissions, which mean carbon dioxide (CO_2), nitrogen oxides (NO_2), sulphur oxides, soot, and water vapour. Even

if the amount of aviation's global emission is very small, only about three per cent of all emissions, it is one of the first industries to start emission trade in 2012 in the European Union. According to the Intergovernmental Panel on Climate Change (IPCC) report that the present subsonic fleet does not affect the ozone layer, but the situation might change when there are more supersonic civil aircrafts in operation. These next generation aircraft will fly much faster in much higher altitudes, up to 19 kilometres, which might create new environmental challenges. (IPCC 1999).

3.4.3   Finnair as a Corporate citizen

It is easy to ask others to do something good, but showing an example is often a good way to proceed. In the airline industry where a large use of fossil fuel is mandatory for operating business, it might feel difficult to act green or follow sustainable development. But even in the aviation industry, there are possibilities to act more responsible.

Nevertheless, air transportation is a must in the modern world and even if it is using natural resources, trying to minimize damage for the globe is a good thing and can even bring advantages for the company.

Finnair's vision from sustainability point of view:
Our vision is to become the most attractive alternative for all quality-conscious green air passengers in trans-continental traffic in the northern hemisphere. We build our vision using success factors: a functional Asian strategy and our strong geographical competitive edge. (Finnair 2011)

This way of thinking in Finnair is also a way of doing. Even 95 % of CO_2-emissions comes from the engine, everything else counts as well. The European Union's Emissions Trading Scheme (ETS) which starts in 2012, brings good motivation to focus more on a sustainable way of doing. ETS can make business operations more expensive, but in the long term, selling emission rights might also bring more revenue.

All industries have their own means of how to be a good corporate citizen. Finnair is targeting challenges from many different points of views:

- Young fleet. Newer generations of aircrafts are using less fuel
- Short routes. Flying between Asia and Europe very often crosses Finland's airspace, or close to it. Same goes with flights between India and North-America.
- Washing aircraft engines. Cleaner engines use 1-2 % less fuel
- An optimal amount of fuel. Non-stop flights might use more fuel than flights with stop-over. In order to manage ultra-long flights (more than 14 hours), you have to carry more fuel. And in order to be able to carry this extra fuel, more fuel is, again, needed

- Winglets (those up-right things on the tip of the wing), can save up to 5 % less fuel and emissions
- Lighter seats can save up to 10 % in fuel consumption and emissions. Passengers do not feel the difference when sitting, as seat pitch and the width are the same, or even more.
- Maximising load factor, both in the cabin and in the cargo hold.
- Optimising speed and height. This is naturally mainly instructed by the air traffic control, but pilots can also make small "greener" adjustments.
- European Union Emission Trade Scheme (ETS). Finnair is supporting the idea of ETS and it has been preparing for the start of ETS. (Finnair 2010).

3.4.4 Sustainable development

The idea of sustainable development came out in academic seminars more than twenty years ago in a United Nations report "Our Common Future". It combines economic developments and the environment, saying that it is possible to protect nature, take care of social justice, and make the economy better.

According to Our Common Future-report, a healthy environment provides better possibilities for the economy with essential natural resources. As an offset, a booming economy allows society to invest on better protection of nature, and higher social standards. The report indicates that even civilisations could disappear if natural resources and economical gains are not allocated fairly. As an example the report mentions Easter Island's vanished civilization. (United Nations 1987)

But there is always the other side. Although sustainable development has become a trend and an important part of business during the last years, there are also negative impacts. Small interest groups like green architects, large chemical companies, small island nations, human rights watchdogs, and nuclear power plant operators are using the idea of sustainability for their own goals. Often it is not about bringing together nature, the economy, and social justice. It is more about their own checklists and targets, which do not see the big picture that the possibilities co-operation brings. The basic idea of sustainable development is to guide all parties to viable total economics, not spreading advantages to many directions with different goals.

Corporate social responsibility heads towards durable development in business. Corporate principles of sustainable developments should understand its role as a part of society. It also creates benefits in long term. Answering the needs of sustainable development means that the company should consider how social, economic, and environmental matters affect its everyday business. (European Commission 2011).

In the United Nations Conference on the Environment and Development (UNCED) meeting in Rio de Janeiro 1992, the result was Agenda 21 Rio Declaration on the Environment and Development. This includes 27 principals, which covers a wide definition of corporate social responsibility. Agenda 21 is a comprehensive plan of action which should be taken in use globally in every area in which human's impact on the environment. More than 178 countries agreed to adopt these principals. The next step to follow UNCED was birth of The Commission on Sustainable Development (CSD) at the end of 1992. Its task is to follow and report about implementation of the agreements in all levels, from global to local. It was agreed to arrange a review meeting every five years. The Earth Summit United Nations General Assembly meeting is special session which was held 1997, World Summit on Sustainable Development (WSSD) 2002, Earth Summit was held in 2007 and next meeting will be on June 2012, again in Rio de Janeiro, Brazil. The meeting is called Rio+20 (20 years from the first meeting). (United Nations 2011)

Agenda 21 principals starts with a sentence which is key for a sustainable way of thinking:

Principle 1: Human beings are at the centre of concerns for sustainable development. They are entitled to a healthy and productive life in harmony with nature. (United Nations 1992)

It is all about our own actions in everyday life, in work, and outside of work. It is people who make decisions in a company and purchasing is part of every company.

Agenda 21's principals are a good guideline for any corporate and private person in everyday life. When handling corporate customers RFP's, it can be seen that these principals are behind the forewords of the RFP.

3.4.5   Sustainable development and airlines

Most of the airlines are publishing their strategy for sustainable development and it is very clearly mentioned in their communication. When reading airlines CSR or environmental reports, they are very close to each other. Keywords are: new technology, alternative fuel, optimizing operations, and emission trade. Airlines emphasis different values, but overall it seems that airlines have understood the importance of sustainability.

Lufthansa has implemented Group-wide environmental management and they consider themself as in the leading position of sustainable development in aviation. At their Balance-publication, the environmental statistic is on the same page as the economical parameters. In the future, Lufthansa will use the heading "Responsibility", which covers sustainability, economical, ecologi-

cal, and social issues, and all activities concerning corporate governance and social commitment. (Lufthansa 2011)

AirFrance/KLM's target is to be the leader in globalised sustainable air transport. According to AirFrance/KLM's CRS report, the fleet in operation ison average 9,9 years old and it is known for its fuel efficiency. It is also mentioned that they will place CSR at the heart of their business strategy. (AirFrance/KLM 2011).

Cathay Pacific offers a wide amount of information, but its approach is more technically oriented. As an airline that actively up-dates its fleet, it is understandable to focus on the advantages created by new inventions in aviation. But it can also been seen, that environment issues are not much in the hot-spot for Asia. (Cathay Pacific 2011).

Korean Air has also put a focus in fleet and engines (95 % of the emissions comes from the engine), but approach is wider than Cathay Pacific's. Korean "green thinking" has been widely spread in Korean society, and Korea is a forerunner in environmental issues among Asian countries. (Korean Air 2011).

3.4.6 Biofuel

"Environmentally-friendly" options are already well-known throughout the world. Because of the clash between global industries and the environment, there has been a growing movement to support development that goes together with the environment. While environmental protection in the past was merely an encouraged practice, the corporate and people will meet more and more mandatory sanctions and regulations.

Airlines are responsible for about three per cent of the world's carbon dioxide emissions. But still airlines are proactively making efforts in joining global movement to reduce carbon dioxide emissions. Partly, this is because it is demanded by the authorities in the European Union, but also because an aviation industry as any other industries, understands that this is a must in the modern business environment. Most of the emissions are created when keeping aircrafts up in the air, so naturally the best option is to start from the engines. Every new generation of aircraft engines are more effective than the previous one, but still the amount of fuel that is used and the carbon emissions that are left in to atmosphere per flight is remarkable. To reduce the costs of carbon emissions, the airlines need to consider all possible ways to better situation. Bio-fuel is one option.

Bio-fuel converts random waste and plants into efficient sources of energy. Unlike fossil fuels, bio-fuels are natural sources of energy and are referred to as new renewable energy sources that will replace the energy needs of the next generation. In 2007, the United States began to slowly increase its re-

quired use of bio-fuels through the Energy and Dependence and Security Act, while Brazil is in the process of increasing its ratio of bio-fuels to fuel automobiles. Korea is also pushing forward a bill to establish a Renewable Fuel Standard (RFS) that will enforce the usage of bio-fuels for transport vehicles beginning in 2012.

The material that makes up the bio-fuel is chemical-free and this makes bio-fuel itself a chemical-free energy source. Yet, the majority of the bio-fuel that is currently in production uses sugarcanes or corn as its main source, creating several problems. Some of them include the costs to grow corn and sugarcanes, along with the fuel needed by the machines to raise these crops and the resulting environmental destruction due to the excessive use of soil, which boils down to ineffective management of costs. In August 2010 a report released by the Korean Ministry of Finance stated that the usage of corn and sugarcanes for the production of biofuels would lead to a price increase of the respective crops. There is also a growing concern for food shortages because of the conversion of arable land once used for edible crops, into that of growing crops for the production of biofuels. In the long-term, food supply would be sacrificed for biofuels. Such development is difficult to maintain. Rather than the first-generation of biofuels which utilized crops, the focus needs to be on the second and third generation of biofuels. (Korean Ministry of Finance 2010).

The second generation of biofuels (advanced biofuels) are produced from a sustainable feedstock, which is often real waste. Like waste from the food industry and third-generation biofuels from fish and other marine life.

The International Air Transport Association (IATA) supports an increase of alternative fuels. IATA thinks a 6% share of sustainable second generation biofuels is achievable by 2020. But at the moment the price of biofuel is too high to be used in a larger scale. (IATA 2009).

According to tests made by aircraft manufacturer Boeing with a 50/50 mix of sustainable biofuel and normal petroleum-based jet fuel, there is no difference compared to regular jet fuel. These tests demonstrated that biofuel blends meet or exceed all technical parameters for commercial jet aviation fuel, including freezing point, flash point, fuel density and viscosity. By using biofuel, Boeing estimate up to 80 % less emissions, but reaching this will take years. Many carriers have also made test flights with bio-fuel mixed into regular jet fuel. In July 2012, Finnair started a series of test flights between Amsterdam and Helsinki, where the flight time is almost three hours. The bio-fuel in use was prepared from vegetable oil recycled from restaurants.

Through we have to keep in mind, that there are many economic, environmental, and social challenges before airlines fly with cooking oil from passenger's kitchens. But the process and debate have started and even if th target is challenging, it is reachable.

3.4.7 Sustainable development and social effect

When talking about sustainability, environment, green thinking, etc. we should not forget the people whose life these changes might affect remarkable. It might even be a matter of a whole family's standard of living. Saving energy or cutting emissions might have a direct link to production, and that way to individual's incomes, which might mean fewer incomes for individuals.

One theme in the Rio +20 meeting in May 2012 is a green economy. According to the Unites Nations Environment Program (UNEP), the best way to a green economy is creating green jobs. This could be a more affective use of today's resources and focusing on sustainable competitiveness. In the long term jobs in a greener world must offer decent salary, fair conditions of employment, and a safe working environment. (United Nations 2011).

3.5 Procurement

The responsible procurement is part of corporate social responsibility. Every company has a need to buy things and mainly the decision is based on price and quality. Private people in a corner shop make decisions like which bananas to buy, the banana from a big global Banana-Corporate or from a smaller producers, whose bananas are more expensive, but the money goes to the farmer and society around him. A corporate purchaser needs to also consider how the CSR is implemented on a company's procurement process.

Corporate procurement is combination of price, quality, and ethicality. Often only the company buyer knows the background information of the purchased product. This makes buyers responsibility critical factor when following corporate ethical rules.

Before making a decision to buy or not, a company buyer needs to consider the following matters:
- Is the quality of a product within an acceptable level?
- Is the price competitive?
- Does the product meet the corporate own ethical rules?
- How can a company make sure of the quality?
- How can a company be sure of the products ethical history?
- How a company's decision making is balanced with price, quality and ethics (Malinen 2010).

All these questions leads to taking responsibility of decisions made on behalf of the company. And as a company which acknowledges its part in social responsibility, it is vital to spread the own ethical rules to all parts of the organization, not only to the procurement department.

3.5.1 Sustainable procurement

Sustainable procurement is playing a larger role in every day purchasing process. There are many different definitions of sustainability, the reflecting needs and values of particular organisation, people or society.

One definition of sustainable procurement was developed by UK based Sustainable Procurement Task Force (SPTF) in 2009.
"A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment."

It is about a 'whole life basis', which takes into consideration, not only environmental, social and economic aspects, but also:
- consequences of design
- non-renewable material use
- manufacture and production methods
- logistics
- service delivery
- use
- operation
- maintenance
- reuse
- recycling
- waste

All these factors need to be implemented through whole supply chain, including the subcontractors. (STPF 2009).

According to the European Union's Sustainable Development Strategy, sustainable procurement should take into consideration economic, environmental, and social factors when analysing the impact of sustainable procurement in the supply chain. Research, discussion, and actions are mainly focused on issues around the environment. This is understandable, but we still need to keep into consideration triple bottom line (environmental, social, and economic) aspects.

This means that a company's needs also consider:
- The economic impact of sustainability
  - For example: ethical trading, corporate governance, payment in time to and from suppliers
- The environmental impact of sustainability:
  - For example: impacts on climate change and biodiversity
- The social impact of sustainability:
  - workers health, welfare, and rights
  - economic benefits for staff
  - diversity in the workplace

(European Commission 2011)

All these things are often steered by legislation, but it is better if the corporate and public sector follows at least the minimum requirements. Even better, if corporate puts its own targets higher and more challenging than the minimum level.

Organisations that recognise its procurement by addressing environmental issues, shows a good business sense and shows a responsibility to act according to the sustainability principals. In the long term this will be affordable, when for example energy use and the carbon footprint decreases. The environment can and should be considered in all levels of the purchasing process. Not forgetting the waste management. Building the supply management should be done together with environment management.

The world is getting smaller and in almost every business, there are operators involved from different parts of the world. The differences in living standards, ethics, and legal environment can make sustainable procurement challenging, but cutting corners can lead to much larger problems. Boycotting consumers is something no corporate wants to see.

3.5.2 Supply chain

Procurement is not only about buying a certain product or service. It should also include the chain behind it. A corporate buyer should consider the impacts of manufacturing, transporting, and waste management of goods and the services that are procured. Not only during the ownership of goods, but also before and after. A sustainable procurement practice will include all aspects of the product or service in question and its influence on the company's owns environment or sustainability strategy. The company procurement may have an impact, positive or negative, on the corporate reputation, which could affect the stakeholder's value. This also includes ethical issues, like circumstances of staff and their family, health care, and avoiding use of child labour.

3.5.3 Benefits of sustainable procurement

Following sustainability in procurement doesn't necessarily mean a higher cost.
- Cost savings can be created by thinking about goods or a services life time cycle, including waste, re-using, spare parts, maintenance, etc.
- The good corporate image can create higher revenue – at least if people are ready to pay for a better conscience
- Following sustainability it is possible to create new and better products and services
- In order to create more sustainable products, use of more advanced technology could bring higher revenue with lower costs

- It is easier to be in the front of future legislation
- Less waste is always cheaper.

All these need systematic process and planning, but it is very possible to make it to an advantage in everyday business. The challenge in comparing sustainable procurement is a difference of standards. There are auditable standards, which are internationally accepted, but there are different emphasises between these standards.

The standard for Social Accountability, SA 8000, is internationally accepted, and it covers child labour, discrimination, forced labour, health, and safety. The environmental standard ISO14001 covers environmental policy, planning and implementation of environmental aspects, like waste generation and air pollution. There are numerous other standards which can be used for evaluation for fair-trade or for forest protection.

3.6 The framework for the procurement process and for sustainability

Procurement includes many issues which need to be considered before decisions are made. Corporate buyer or anyone else who invests the company's money must have a clear picture about the purchasing process and the policy. Understanding reasons for the procurement policy is vital.

3.6.1 Before purchasing decision

Purchasing is an investment, and all investments must have ground. In order to make as a good decision as possible, a buyer needs to have accurate information about the product or service. Accurate information includes not only the product or price information, but also facts about circumstances around the product in question.

It all begins from ethics and laws. A company must make sure that the products or services that it is using are produced according to laws and instructions. The next step is self-regulation, where a company's own standards are met. A modern company can set its own targets higher than the minimum demands of legislation, which gives a good sign to the customers, and it keeps the company's own processes ahead of the authorities' demands. With good conscience it is easier focusing to a product's quality and price. Products whole life needs to be considered before procurement decisions, and also its effects on community.

3.6.2 Investment creating revenue

After the procurement decision is made, the company must do everything possible to gain the maximum out from this investment. But not with any cost. The ethics and laws must be followed also during actual use of the prod-

uct or service. To get the best possible result from the investment, a continuous follow-up, maintenance and training for staff helps maximise earnings, but again a good corporate citizen makes sure that the economic, environmental, and social standards are met and followed.

3.6.3   Waste or asset

When a product is needless for a company, a company still has a responsibility for it. The user's responsibility is to ensure that unused products are correctly disposed or recycled. Recycled waste can also mean revenue and less waste is a clear cost saving.
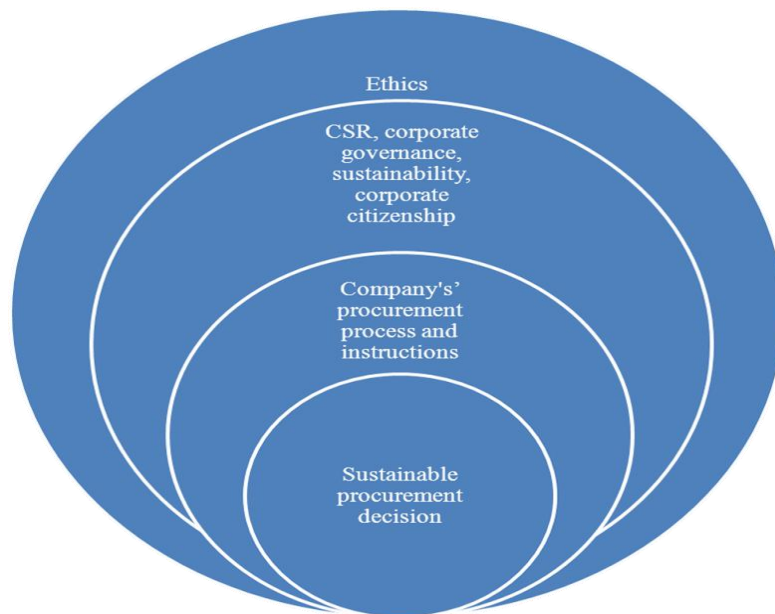

Figure 1.   Sustainable procurement framework

4   EMPIRICAL RESEARCH

4.1   Research method

The research had two approaches, quantitative and qualitative. The first task was to investigate companies' websites and study if they have an environment policy or a community responsibility program (or similar). Keywords that were used were; environment, sustainability, and corporate citizenship.

During the second phase I analysed the same companies customer's answers to a questionnaire, which included several questions about the companies approach to environmental issues, sustainability, procurement, and travel policy. Companies chosen have, have had, or had requested an offer including more

than one country from Finnair during 2010. This questionnaire was sent to people who have been informed by the corporate customers to be the contact person in the RFP-process, when purchasing air transport services for the company.

By comparing this information, the aim was to find out:

1. What is the weight of the eco-friendliness on a corporate customer's decision making process?
2. Are corporate customers ready to pay more per ticket, if the airline can show its eco-friendliness compared to a competitor?
3. What kind of an eco-friendly message could sales people carry in his/her sales toolbox?

4.2   Analysing corporate websites

I went through 117 target companies own websites with the intention finding out what was message told to the public by these target companies. Before starting my project, my assumption was that company websites are firstly in favour for selling or marketing purposes, and then for other information. I somehow had a feeling that many companies would not have been that keen on publishing their policies, when talking about the environment, social sustainability, or corporate citizenship. All these can be sensitive issues for customers, suppliers, or authorities. A corporate cannot publish whatever sounds good, the information has to be accurate. It is even better if the information is measurable. But if you can't produce suitable information, there might be a temptation to report very little or even nothing.

The homeland for a target company was set according to where a contact person was located. It might be a different country compared where the official head quarter is located. 19 different countries were informed to be the location of a contact person (Australia, Austria, Belgium, China, Denmark, Finland, France, Germany, Hungary, Italy, Korea, Netherlands, Norway, Romania, Russia, Sweden, Switzerland, the UK and the USA).

To my surprise I found that most of the company's had information about their ways of handling social sustainability, corporate citizenship, and environment issues, already on the opening page. These were mainly well-known global brands, which is understandable. These companies have to be in the front line of trends, as the impact negative impression might affect their business globally.

A big part of these companies are also publishing the same kind of report. The names of the reports differs and in some cases it was part of an annual report, but nevertheless, it gives a clear message for the public that these issues are taken seriously.

80 % of the corporate had some kind of information about sustainability, corporate citizenship, or environment on their websites. Only one fifth did not have anything about the issue.

59 % published separate reports or similar, which strengthens my view of these corporate attitude and actions around sustainable development. After all preparing a separate report is time consuming and costly. But it is also an investment; showing customers and the public how serious approach a company has towards sustainability might also bring new revenues.
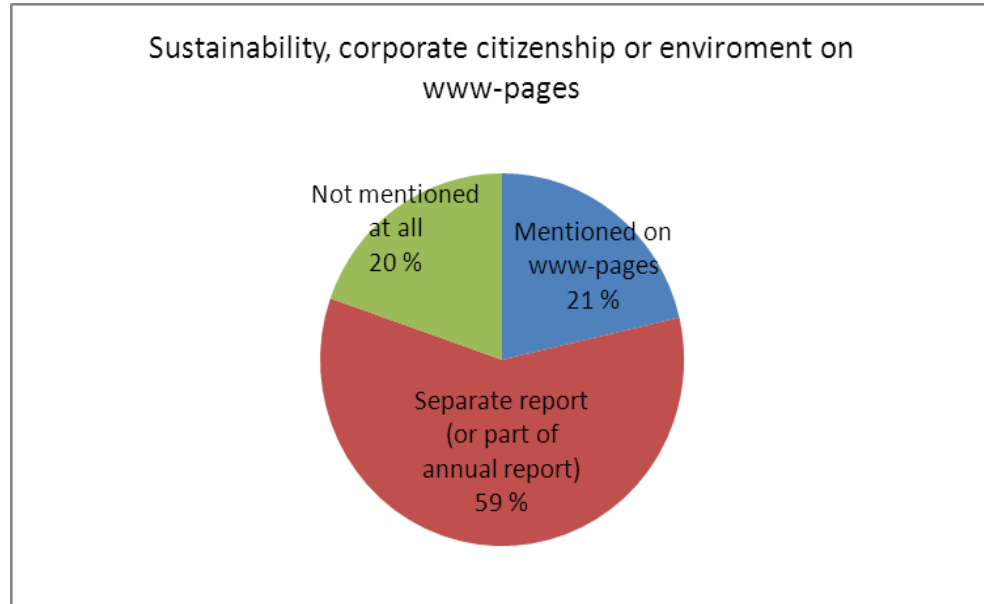

Figure 2.   Sustainability in company's websites

4.2.1   Top of the class corporate

Many of these corporates are publishing separate reports. For example, this report might be called as: environment report, sustainability report, or corporate citizen report. It can also be a part of an annual report, but in all cases the content is very similar. More or less these are reports which include all three fields of the CSR: economical, ecological, and social. The reports opening words are often written by the CEO, which ensures top-managements commitments to this important matter.

For a customer, a sustainability report brings a good impression of a company's attitude towards sustainability. It brings a clear message that a company has invested resources, which proves how important sustainability is for the company. Buying products which helps consumers keep a clear conscience is easier compared to products where the production history is unclear or manufactures actions are unclear.

4.2.2 Medium level pupils

80 % of the target companies had some kind of mention of the environment, social sustainability, or corporate citizenship. On total, 21 % had it mentioned on their www-pages, but did not publish a separate report. In many cases, the approach was light, which might raise an impression of a "must do"-issue, which is done because it is demanded in the business environment. There is nothing wrong with this approach, but when sustainability issues are gaining more and more attention, it would be better for any corporate to act as much as possible towards a common future. It is understandable to not have staff resources solely for environmental or sustainability issues, but this has more to do with a mind-set. Regardless of the size of the company, management should be able to steer the company's culture towards a sustainable way of working. It is not only what you say, it is what you do.

4.2.3 Corporate who need remedial education

20 % of the corporates did not have any mention of the keywords in their www-pages. This is a surprisingly big number, but shows that business can still be done without publishing any information about environment, social sustainability, or corporate citizenship. There is nothing wrong with this. After all, in all countries there is a legislation that every company needs to follow. There is nothing wrong with not being on the front line of sustainability, but if it is due to a negative attitude towards the whole issue, these companies could face some difficulties in the future. Global warming is not going away, and everyone must to take responsibility.

4.2.4 Summary of corporate sustainability awareness

Four out of five companies were able to publish information about their strategies and actions concerning the environment, social sustainability, or corporate citizenship. As it is published, it should influence every action they do, including procurement. This gives a good sign for a service provider who can offer a product or service with more eco-friendliness or sustainability. Such a large share of enterprises that have invested or at least thought about these issues is a good sign for people, society, and the globe.

4.3 Analysing the questionnaire

The questionnaire included 12 questions, which were related to corporate procurement, travel policy, and corporate citizenship. The total amount recipients were 117, and of this total 11 could not be contacted due to incorrect contact information, so I counted 106 in total who have received the questionnaire.

It was sent by e-mail, with a link to a questionnaire on Tuesday 13 September, in the morning European time. It was sent to personal e-mails and all recipi-

ents were contact people for travel related issues. After the first round, I got 12 replies, which means 11 % response percentage.

The second round was Wednesday 21 September to those had not yet answered. After the second round the total amount of answers were 21, which is 20 % of all the 106 who received questionnaire

On Saturday 24 September, the questionnaire was re-sent to 4 people, whose contact information was received during first and second round. These are included in the total 106 who had received the questionnaire. Finally, 22 receivers answered, which is 21 % of total.

The questionnaire was made by using a product offered by a company named Webropol (www.webropol.com). This tool was easy to use and the results were automatically created in Excel, which helped during the analysis.

4.3.1   Ethics (questions 1-4)

The purpose of the first questions was to find out more about the company's own thinking and processes.

Question 1: *Has your company written and published a policy or instructions of any of the following (you can choose several alternatives)?*

1. Policy or instructions for ethical behaviour in business
2. Policy or instructions to support social sustainability
3. Policy or instructions for protecting environment
4. Policy or instructions towards eco friendliness
5. Policy or instructions for supporting minorities
6. Our company doesn't have any policy which could match the alternatives mentioned above

The aim of the first question was to find out if any ethical issues were part of a company's everyday business. The basis of this study is ethics, people, and company's willingness to act right.

1. Does your company has written and published policy or instructions of any following (you can chose several alternatives)
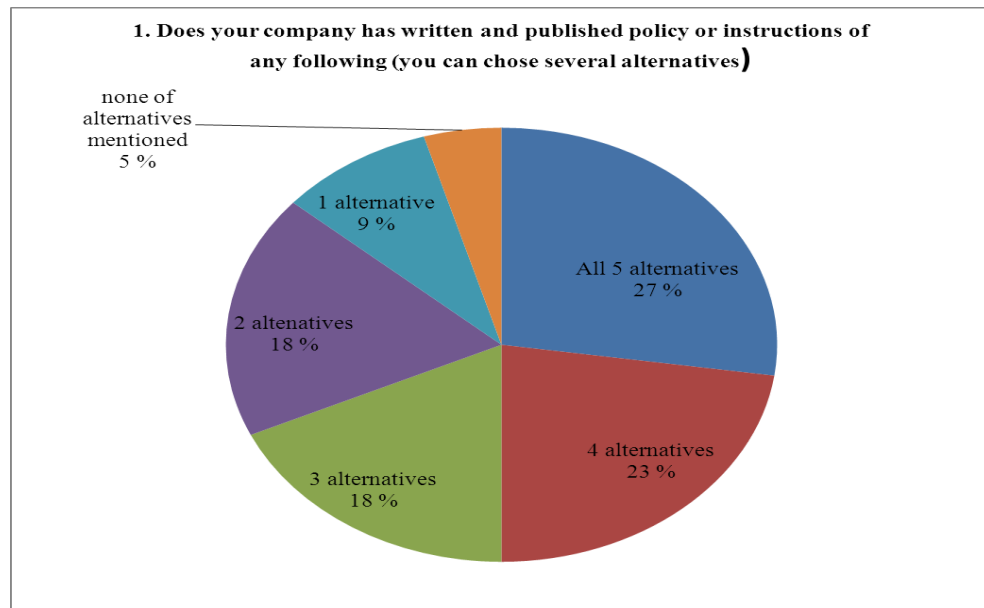
Figure 3. Company policy for ethical behaviour, social sustainability, etc.

95 % of companies had ethical instructions published and ¼ even had all five alternatives covered. We have to keep in mind, that companies might have different views towards what each alternative covers, but in total companies seem to be aware of sustainability and other issues surrounding it. It tells about enterprises willingness to act in a good way. Ethics (Greek. ethos)= good way.

Question 2: If you chose at least one of issues above, how long has this policy been effective (if several alternatives, the oldest)?

1. One year or less
2. More than one year, but less than two years
3. More than two years, but less than three years
4. More than three years, but less than five years
5. More than five years

Corporate citizenship, sustainability, and other "trends" are hot topics. I assumed that only a small part of corporate have thought about it before it became more well-known a few years ago.

If you chose at least one of issues above, how long has this policy been effective ?

One year or less 0 %

No answer 4 %

More than one year, but less than two years 14 %

More than two years, but less than three years 14 %

More than five years 45 %

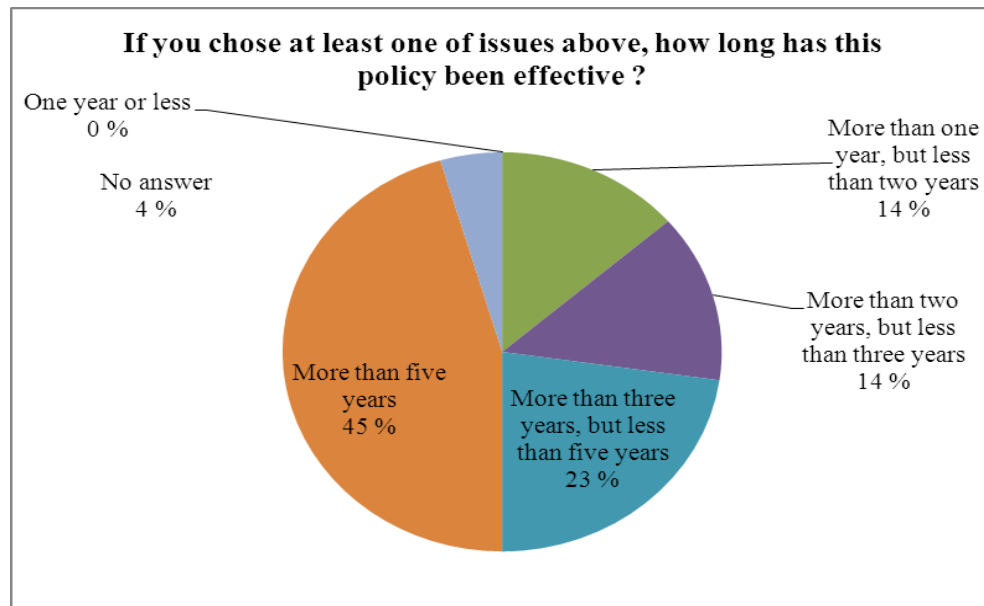More than three years, but less than five years 23 %

Figure 4.   Permanence of policy in question one

Almost half of the companies have had some of their policies in use for more than five years. 82 % of companies had introduced some sustainability related instructions more than two years ago. This gives a strong sense of the importance of the issues in question. Matters have been thought in companies for quite some time and companies have had time to adjust their working culture towards a more sustainable or environmentally friendly way. Naturally, implementation takes time, especially in large corporate, but two years should be enough to get the message through the whole organization. Nevertheless, most companies are active and seem to be committed to steer their way of working a greener way.

Question 3: *When purchasing goods or services, do you consider any of the issues in question one (ethical behaviour, social sustainability, protecting environment, eco friendliness or supporting minorities) as an item which plays a role in procurement decision making?*

1. Yes
2. No
3. I don't know

When handling RFP's (Request For Proposal) from various companies, I have noticed that most companies are requesting statements of environment friendliness or social sustainably. And often it is stated by the corporate customer to be an important part of the decision making process. We have often discussed with colleagues whether or not it is really important or just "thick-in-the-box"-type of thinking. Meaning is it demanded just because it is important topic, but which doesn't have any effect on final decision.

When purchasing goods or services, do you consider any of issues in question one (ethical behavior, social sustainability, protecting environment, eco friendliness or supporting minorities) as an item which plays a role in procurement decision making?

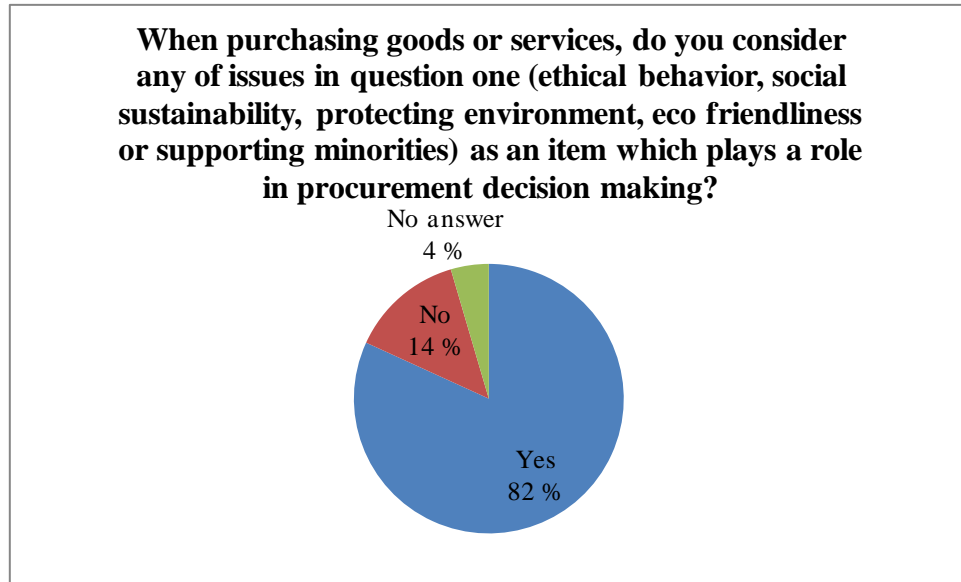No answer
4 %

No
14 %

Yes
82 %

Figure 5.   Importance of ethical behaviour, social sustainability, protecting environment, eco friendliness or supporting minorities

A clear majority of respondents said that ethical grounds play a role when deciding on what to purchase. But it can also be "thick-in-the-box" answer. Representatives of the company may feel that it is a must to answer yes. Either way, it is a clearer sign to keep these issues in an agenda, when offering services for corporate clients.

Question 4: *If your answer is yes for question 3, how important is it?*

1. Very important, even a deal breaker
2. Important, but not in the main role
3. Not that important, but must be discussed in the process
4. Of none or very little influence
5. I don't know

As sustainability, environment, and other related issues are more often becoming a part of RFP's, a natural assumption is that these issues play at least some part in the procurement process and in the final decision making. For a service provider, it would be useful to know, how much effort to put on these matters and if it is worth spending resources on.
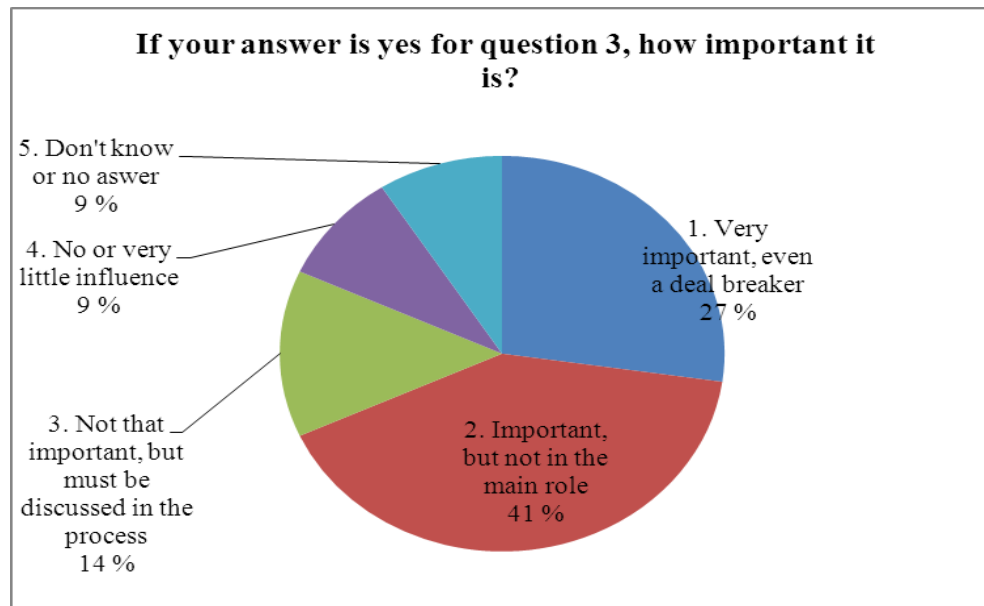
Figure 6.   Significance of ethical behaviour, social sustainability, protecting environment, eco friendliness or supporting minorities

Here we can see a crack in an until now much unified replays. About ¼ of companies keep ethical behaviour, social sustainability, protecting the environment, eco-friendliness, or supporting minorities as possible deal breakers.

55 % say these issues are important or must be handled during the procurement process, but the weight is not that heavy. These companies could be earlier mentioned as "thick-in-the-box"-buyers, who want to have these issues handled as it is part of corporate instructions, but in real life the procurement is mainly based on price and quality.

18 % of companies said these issues have little or no influence on their procurement process. This matches nicely to the amount of companies who had no mention about the environment, social sustainability, or corporate citizenship in their websites (20 %).

27 % of companies, who think good ethical behaviour, social sustainability, protecting the environment, eco-friendliness, or supporting minorities could even be deal breaker, give a positive sign to airline's sales function, especially if this airline can offer a product with less harm to environment.

4.3.2   Environment (questions 5-8)

In the next questions, the target was to find out more details on how important issues in the first questions were, and more importantly, are corporate customers ready to pay for a product with less harm to environment.

How does environmental friendliness show in your company's everyday actions (you can choose several alternatives) ?

1. We aim to save energy, water and natural recourses
2. We are recycling as much as possible
3. We travel less and use more IT-based meeting tools
4. We compensate our actions by supporting organizations that make common good (Unicef, Red Cross, Church, Wild Life Foundation etc.)
5. Something else. Please feel free to describe in a free format

There are numerous ways of acting green and to being a good corporate citizen. From the corporate reputation point of view, all alternatives are good and give a better conscience.
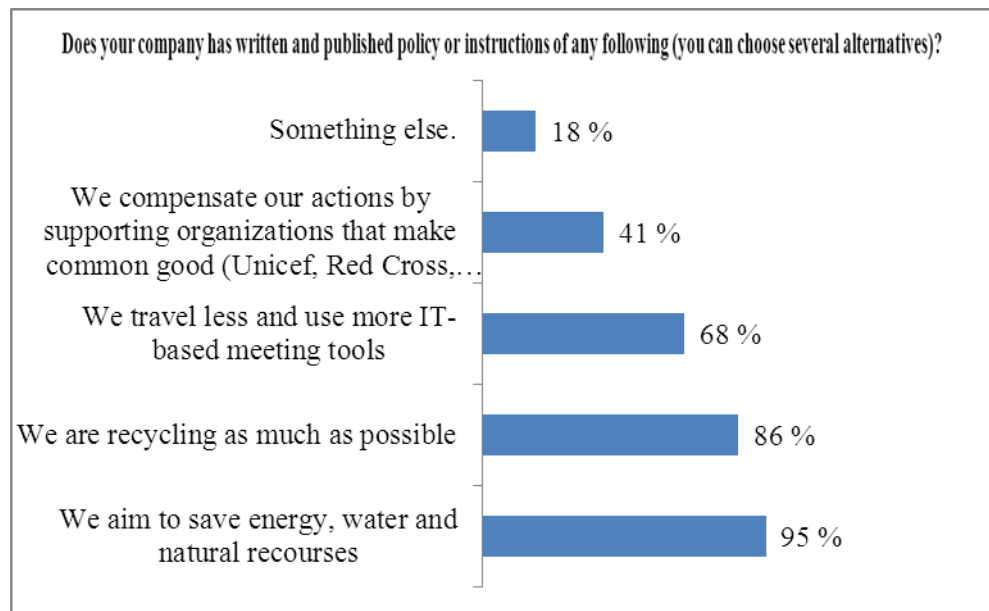
Does your company has written and published policy or instructions of any following (you can choose several alternatives)?

Category	Percentage
Something else.	18 %
We compensate our actions by supporting organizations that make common good (Unicef, Red Cross,…	41 %
We travel less and use more IT-based meeting tools	68 %
We are recycling as much as possible	86 %
We aim to save energy, water and natural recourses	95 %

Figure 7.   Environmental friendliness in company's everyday actions

Does your company has written and published policy or instructions of any following (you can choose several alternatives)?

1 alternative
14 %

All 5 alternatives
9 %

2 alternatives
14 %

4 alternatives
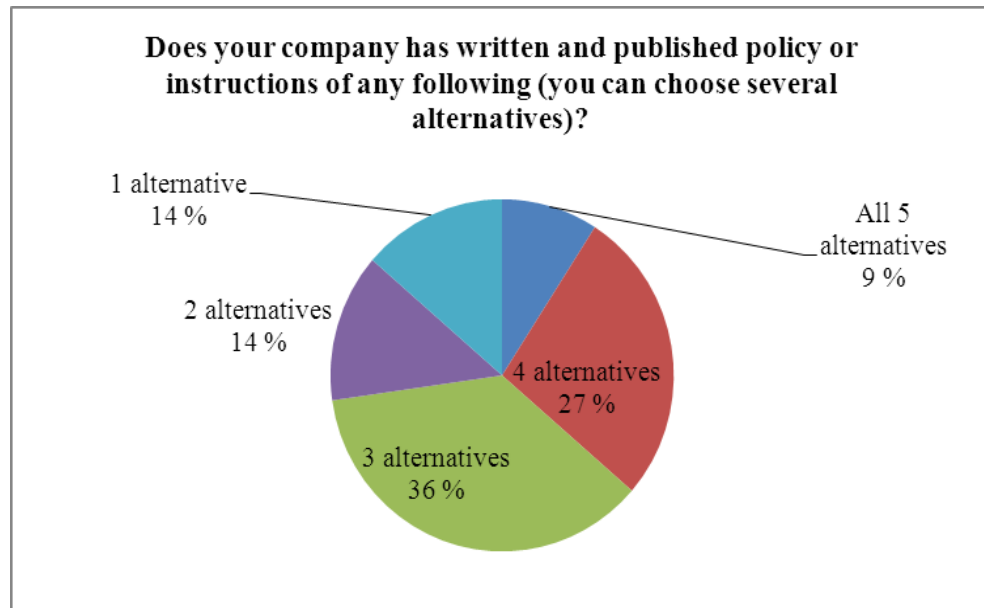27 %

3 alternatives
36 %

Figure 8.   Environmental friendliness in company's everyday actions II

In question 5 most of the respondents chose several alternatives. This is understandable as environment friendliness can be understood in several ways, which are all good. Saving natural resources and recycling are very natural and are easy things to do in everyday life. There are many ways to protect the environment and all can be underpinned.

From an airline point of view it is worrying, but not surprising, when 68 % of respondents said they will travel less and use more IT based meeting tools. Communication technology has become much more advanced, which makes teleconferences easier and cheaper to arrange. And these meetings emissions are very low.

One corporate mentioned their products are environmentally friendly, which is a good statement. Most likely this company's sales forces are using sustainability and environmental friendliness as a sales argument.

Question 6: *Would it be possible for your company to pay more for environment friendly goods or services?*

1. Yes
2. No
3. I don't know

This question is the key question for this study. Is environmental friendliness really important for a corporate customer and something they are ready to invest in? Protecting environment and supporting sustainability doesn't come cheap.
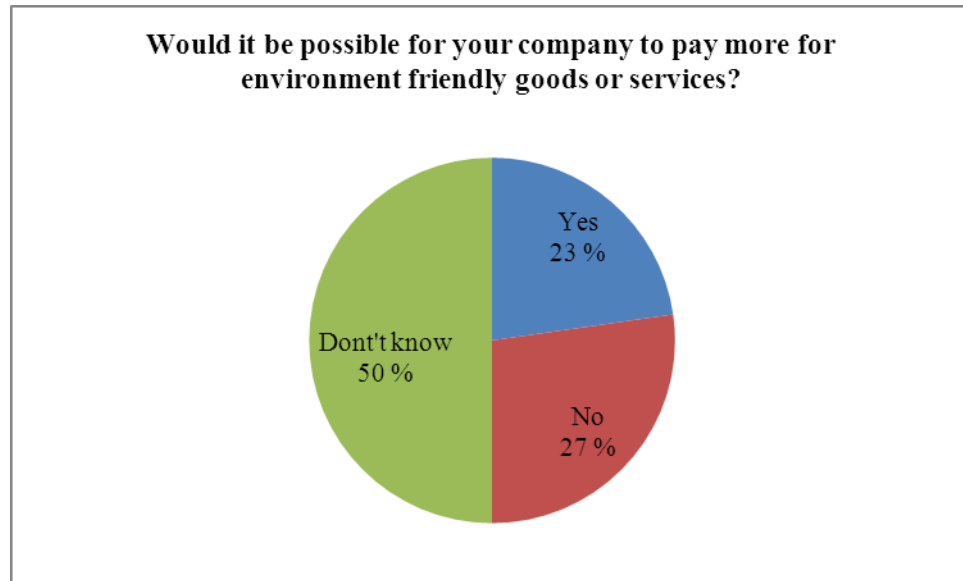
Figure 9.   Environment friendly goods or services and price

A good sign is that a quarter of companies are ready to pay more for environmentally friendly goods or products. At the same time, it is alarming when 59 % of companies are publishing sustainability report, but only 23 % are ready to pay higher prices for environmentally friendly products or services.

This shows that our assumption of "thick-in the-box" thinking is correct even with many companies are publishing reports of their own sustainability actions. Maybe this is difficult to handle for procurement departments, who often have heavy pressure to provide better quality products and services with lower fare for companies. This might also explain why half of the respondents said they don't know. If a corporate has given instructions concerning sustainability or protecting the environment, it should be a part of corporate procurement as well.

Question 7: *If you answered NO to question 7, why?*

1. Environmental friendliness should be included automatically
2. The effect of eco-friendliness is difficult or impossible to measure
3. Our purchases are based on price and quality
4. Eco-friendly products should be cheaper, due to new uses of technology
5. Some other reason. Please feel free to describe in a free format

Based on my own experience in analysing RFP's, I assumed most of the companies would answer *no* for the previous question. As many corporates are using, when possible, eco-friendliness and responsibility as a marketing tool in their own sales, what could be the reason for not having the same thing in their procurement?
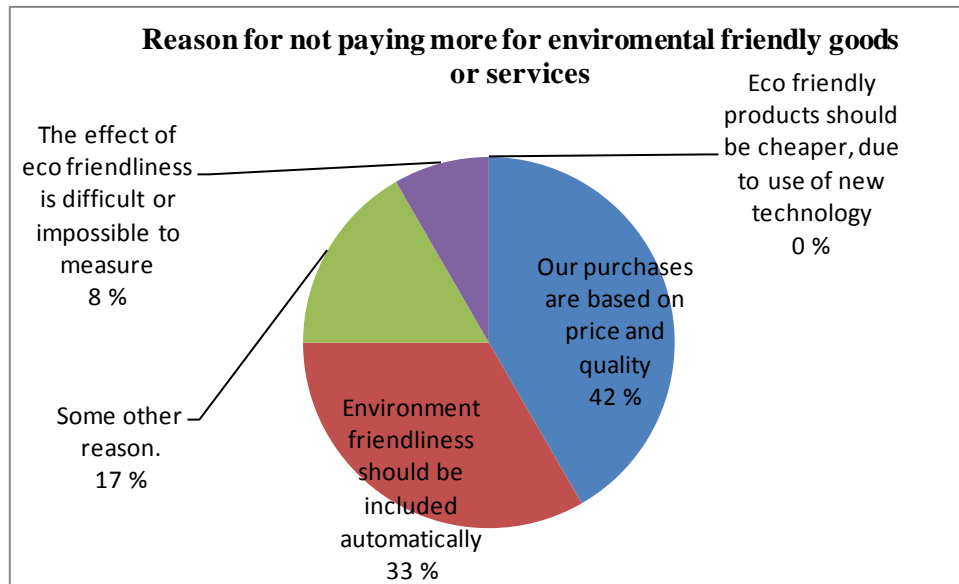
Figure 10.   Reason for not paying more for environment friendly goods or services and price

There was one company that replied*: "It is part of our corporate social re-sponsibility and awareness among employees and the way we treat our brand".* I think this one of the best ways to say it simply and clearly. When a corporate is considering itself as a corporate citizen, the reliability starts from inside.

There were nine companies who responded to this question, even though there were only six corporate who answered *no* in the previous question. I still counted all of the answers, as it gives a better view on the issue. It is not a surprise that price and quality are leading grounds for procurement. Based on my own experience handling RFP's, this seems to be the case. This was also confirmed on answers for questions one to four. One third of responders said that environment friendliness should be automatically part of a product or service. This might explain illogically in the answers from the previous ques-tions. Those companies who put manpower on publishing sustainability re-port, but are not willing to pay more for environmental friendliness, might be expecting it to be an axiomatic part of a product or service. This would be a good sign for a company like Finnair, when competitor's product creates more emissions and waste.

Measuring the environmental friendliness or sustainability in a way that can be understood by non-professionals is challenging. Still, it does not seem to be an issue among responders. Remembering that decision making needs number to support conclusions, could it be a problem due to a lack of stand-ards? Even thought there are standards on how to measure sustainability or environmental friendliness, these might be too complicated to use in pro-curement.

Question 8: *What could be the value, if any, for more environmentally friendly goods or services when compared to less environmentally friendly alternative?*

1. It should be cheaper
2. Same price
3. 1-2 % more expensive
4. 3-5 % more expensive
5. 6-10 % more expensive
6. 10-20 % more expensive
7. More than 20% more expensive

In question six, 23 % of respondents answered that environmental friendliness is so import for them, that they are ready to pay more for these greener products. It would be very useful for a service provider to know how much up-sell it could bring. And naturally, add that up-sell to its products.
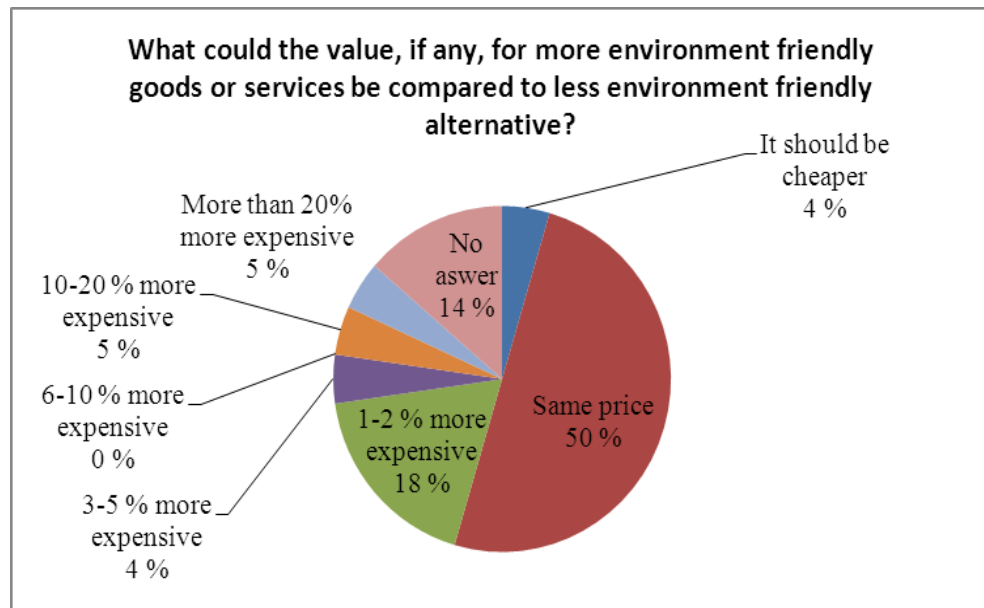

Figure 11.   The value of more environmentally friendly goods or services

Only one of the respondets think that enviromentally friendly products should be a cheaper alternative. A half thinks the price should be the as other similar products.

But there is also a remarkable share of corporate (32 %) who are willing to pay more if products can be shown to be more enviromentally friendly. Even a 1 % higher fare makes a large difference, at least in airline business, so this is important to know when dealing with corporate customers. Based on this feedback, service providers with a greener approach can turn it into new revenue. It might be a small increase, but it is something that is attainable.

Especially if corporate citizenship is adapted as part of service provider's culture.

4.3.3 Travel policy (questions 9 and 10)

The next two questions were about corporate travel policy. From an airline's point of view, it is very important to know how travellers and travel agents are instructed when deciding which carrier to use. When talking with corporate purchasers or travel managers and then with travellers, we often get different kinds of comments about travel management and its steering power. This is why question nine and ten contain very relevant information for airline.

Question 9*: Does your company have travel policy?*

1. Yes
2. No
3. I don't know

All responders said that they have travel policy. This indicates that travelling is considered as an important part of a company's operations.

Question 10: *Can passenger choose which airline to use when travelling on duty?*

1. Yes, passenger can choose freely
2. Yes, passenger can choose from alternatives given by the company
3. No, the company decides and the company's travel policy must be followed
4. As this is not our core business, it is not an issue for us
5. None of the above or can't say

The assumption I had when starting this study was that passengers first care about the benefits for themselves. But companies can put different kind of level for purchasing freedom for staff, which is followed-up in various levels. A recent tax-issue around the use of mileage earned from duty-trips for own private trips in Finland has forced companies to not only steer, but also ensure instructions given by employer are followed.

Can passenger choose which airline to use when travelling on duty?

Yes, passenger
can choose
freely
5 %

None of above
or can't say
0 %

No, company
decides and
company travel
policy must be
followed
50 %

As this is not
our core
business, it is
not an issue for
us
0 %

Yes,
passenger
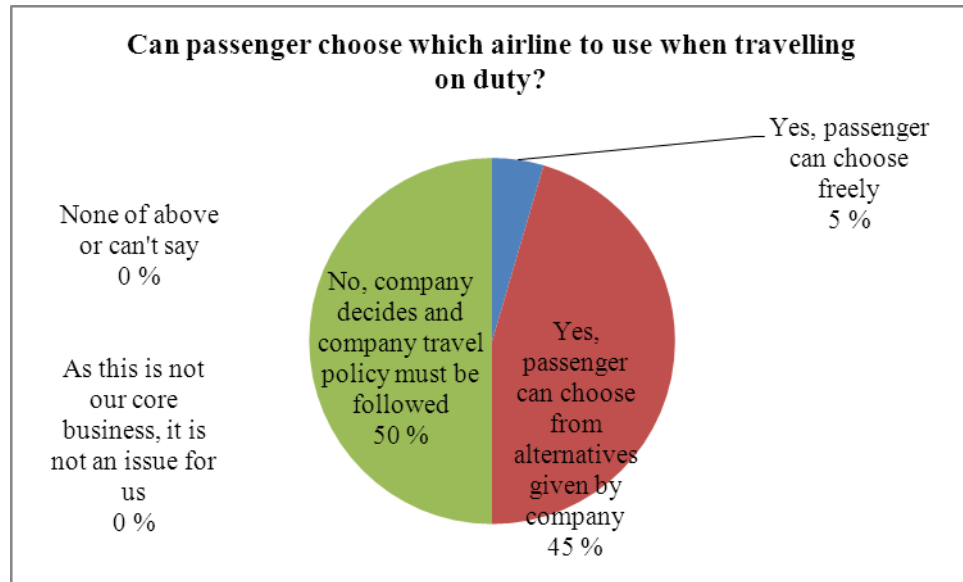can choose
from
alternatives
given by
company
45 %

Figure 12.   Company policy when choosing airline

95 % of corporate said that the airline is decided by corporate. This means that the corporates are steering ticket purchasing in the direction the corporate procurement has decided. This gives service the provider opportunities as companies are forcing travellers to follow travel policy, which also chooses an airline on behalf of the traveller. If an airline with a green advantege is able to sell its products with a slightly higher fare to a corporate customer, access to corporate travel reservation tools is very likely.

4.3.4   Emissions (questions 11 and 12)

Mostly (95 %) of the harm airline industry creates for the earth are emissions from aircraft engines. Emission-free travelling is not possible for the time being, but people's need to travel is still strong, and the fastest way to travel long distances is flying. When buying a car, fuel efficiency and emissions are already a part of marketing and sales. Selling air tickets is not that different, but do passengers think about emissions created when they fly?

Question 11: *Are passengers instructed or advised to take into account emissions from their business trips in decision making when choosing an airline?*
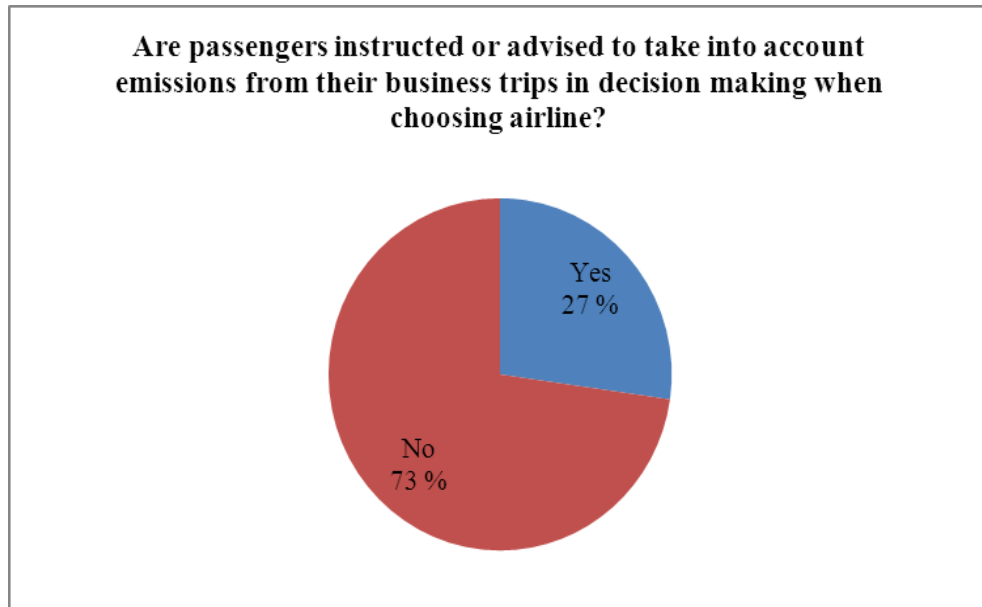
1. Yes
2. No
3. I don't know

Figure 12. Taking emissions into account when travelling on duty

An assumption I had when starting this study, was that the passengers first care about the benefits for themselves and emissions are not important. To my surprise 27 % of the corporate say their passangers are at least on some level comparing emissions. This is a good sign and useful for service providers who can provide less emissions.

On the other hand 80 % of companies are publising reports or informing thorugh their websites how sustainability and enviromental issues are handled. 82 % of corporates say that social sustainability, protecting the environment, and eco-friendliness are playing an important part in corporate procurement. But for some reason, the message seems to be disappearing on its way when an airticket needs to be bought.

Question 12: *Are your company's travellers instructed or advised to compensate emissions somehow?*

1. Yes
2. No
3. I don't know

If yes, please describe in a free format how?

In a way of showing that good corporate citizenship is to advise personnel to follow corporate own policies by, for example, compensating emissions created by one's own actions. It doesn't need any heavy investment into technology or complicating measurement system.
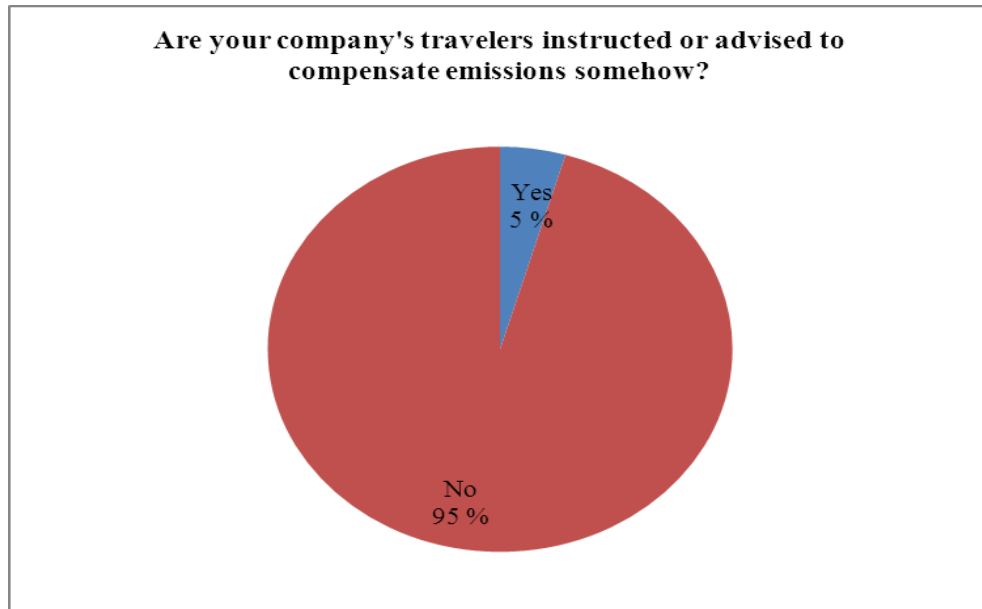
Figure 13.   Emission compensation

Only one company said that they offset travel emissions through pro bono work on environmental issues. The rest of the responders said that they don't ask travellers to compensate for emissions. This shows organizations who offer services for compensating emissions that they have a long way to go. But thinking positively, there is also huge potential. But for airlines offering the possibility to compensate emission somehow doesn't seem to be important, and sales resources are not needed for emission compensation.

5   CONTRIBUTION

The airline industry is very regulated by law, and there are a lot of politics involved, especially outside of the European Union. Most of the so called national carriers were, or still are, almost comparable to government departments. Business itself is very global and passengers can choose among many network carriers like Finnair. This means heavy competition against carriers from all over the world.

Keeping an aircraft in the air demands a lot of fossil fuel and this means CO2-emissions. That fact cannot be changed, but the harm created can and should be minimized. The European Union is starting ETS 2012, but there is a lot resistance from the US, the Russia and Asian countries. At the moment it looks like the EU will not back off, which means more costs for airlines. The airline industry has faced huge changes in the business environment and it doesn't look easier in the future. Income formation is more complicated and every possibility needs to be evaluated.

Citizens, also corporate citizens, want to act ethically. This also includes publicity, where corporate acts can be judged by outsiders. For when publishing example report on sustainability, companies must ensure it follows its own operations.

In any business, when a corporate has some advantage, it is important to get all the benefits out of it as long it exists. For airlines with relatively new fleet, geographical advantage, and open sustainable policy all these are sales opportunities.

Based on the data I gathered for this study, it would seem that protecting environment, sustainability, and corporate citizenship are important to most the customers. They are clearly matters which have been handled in the corporates and they are proudly telling it to the public. Companies also have policies for travelling and procurement is steering company purchasing.

Now we have good ethics, which can be told to the audience, and we have the power to steer decisions in the direction the company wants. Unfortunately the deeper I got into this issue with questions, it seems these important principals are partly down-graded whit the final moment of truth, when moment of paying is in the front of company. Not all companies, but as a trend it seems that protecting the environment, sustainability, or good corporate citizenship's weight on procurement decisions are not high on the list.

But there are many encouraging findings in this study. Approximately one fourth of corporate customers are considering environmental issues as important part of procurement and the same amount is willing to pay more for environmentally friendly products. For airlines these customers are something that needs to be found, and in communication with customers environmental advantage needs to be on the front line of sale activities together with the fare and the product. But as most companies have policies for the environment, sustainability, or corporate citizenship, it would be to good spread the message among these corporate customers as well.

A sales rep for airline with eco-advantage should have in his sales toolbox:
1. A green attitude
2. Knowledge of emissions created
3. Tools to show this simple way to a customer

Green attitude is understanding the importance of environment, sustainability, and corporate citizenship, and what are economic, social, and environmental impacts are from their own and customer's point of view.

Knowledge of emissions that the airline is producing is vital. Comparing the amount of emissions to for example emission for ordinary car gives perspective.

Tools to show this simple way to customers means an easy message, which should be part of the sales process. For example, a quick calculation of emissions created for corporate travellers on their heaviest routes.

In summary, a green message should be actively communicated to corporate customers and Finnair has sales advantages with a new fleet and shorter routes. These advantages are already utilized in sales, but there is still space for greener Finnair sales talk.

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AGENDA 21 RIO DECLARATION ON ENVIROMENT AND DEVELOPMENT

Principle 1
Human beings are at the centre of concerns for sustainable development. They are entitled to a healthy and productive life in harmony with nature.

Principle 2
States have, in accordance with the Charter of the United Nations and the principles of international law, the sovereign right to exploit their own re-sources pursuant to their own environmental and developmental policies, and the responsibility to ensure that activities within their jurisdiction or control do not cause damage to the environment of other States or of areas beyond the limits of national jurisdiction.

Principle 3
The right to development must be fulfilled so as to equitably meet develop-mental and environmental needs of present and future generations.

Principle 4
In order to achieve sustainable development, environmental protection shall constitute an integral part of the development process and cannot be considered in isolation from it.

Principle 5
All States and all people shall cooperate in the essential task of eradicating poverty as an indispensable requirement for sustainable development, in order to decrease the disparities in standards of living and better meet the needs of the majority of the people of the world.

Principle 6
The special situation and needs of developing countries, particularly the least developed and those most environmentally vulnerable, shall be given special priority. International actions in the field of environment and development should also address the interests and needs of all countries.

Principle 7
States shall cooperate in a spirit of global partnership to conserve, protect and restore the health and integrity of the Earth's ecosystem. In view of the different contributions to global environmental degradation, States have common but differentiated responsibilities. The developed countries acknowledge the responsibility that they bear in the international pursuit to sustainable development in view of the pressures their societies place on the global environment and of the technologies and financial resources they command.

Principle 8
To achieve sustainable development and a higher quality of life for all people, States should reduce and eliminate unsustainable patterns of production and consumption and promote appropriate demographic policies.

Principle 9
States should cooperate to strengthen endogenous capacity-building for sustainable development by improving scientific understanding through exchanges of scientific and technological knowledge, and by enhancing the development, adaptation, diffusion and transfer of technologies, including new and innovative technologies.

Principle 10
Environmental issues are best handled with participation of all concerned citizens, at the relevant level. At the national level, each individual shall have appropriate access to information concerning the environment that is held by public authorities, including information on hazardous materials and activities
in their communities, and the opportunity to participate in decision-making processes. States shall facilitate and encourage public awareness and participation by making information widely available. Effective access to judicial and administrative proceedings, including redress and remedy, shall be provided.

Principle 11
States shall enact effective environmental legislation. Environmental standards, management objectives and priorities should reflect the environmental and development context to which they apply. Standards applied by some countries may be inappropriate and of unwarranted economic and social cost to other countries, in particular developing countries.

Principle 12
States should cooperate to promote a supportive and open international economic system that would lead to economic growth and sustainable development in all countries, to better address the problems of environmental degradation. Trade policy measures for environmental purposes should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade. Unilateral actions to deal with environmental challenges outside the jurisdiction of the importing country should be avoided. Environmental measures ad-dressing trans boundary or global environmental problems should, as far as possible, be based on an international consensus.

Principle 13
States shall develop national law regarding liability and compensation for the victims of pollution and other environmental damage. States shall also cooperate in an expeditious and more determined manner to develop further inter-national law regarding liability and compensation for adverse effects of environmental damage caused by activities within their jurisdiction or control to areas beyond their jurisdiction.

Principle 14
States should effectively cooperate to discourage or prevent the relocation and transfer to other States of any activities and substances that cause severe environmental degradation or are found to be harmful to human health.

Principle 15
In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible dam-

age, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environ-mental degradation.

Principle 16
National authorities should endeavour to promote the internalization of environmental costs and the use of economic instruments, taking into account the approach that the polluter should, in principle, bear the cost of pollution, with due regard to the public interest and without distorting international trade and investment.

Principle 17
Environmental impact assessment, as a national instrument, shall be under-taken for pro-posed activities that are likely to have a significant adverse impact on the environment and are subject to a decision of a competent national authority.

Principle 18
States shall immediately notify other States of any natural disasters or other emergencies that are likely to produce sudden harmful effects on the environment of those States. Every effort shall be made by the international com-munity to help States so afflicted.

Principle 19
States shall provide prior and timely notification and relevant information to potentially affected States on activities that may have a significant adverse trans boundary environmental effect and shall consult with those States at an early stage and in good faith.

Principle 20
Women have a vital role in environmental management and development. Their full participation is therefore essential to achieve sustainable development.

Principle 21
The creativity, ideals and courage of the youth of the world should be mobilized to forge a global partnership in order to achieve sustainable development and ensure a better future for all.

Principle 22
Indigenous people and their communities and other local communities have a vital role in environmental management and development because of their knowledge and traditional practices. States should recognize and duly support their identity, culture and interests and enable their effective participation in the achievement of sustainable development.

Principle 23
The environment and natural resources of people under oppression, domination and occupation shall be protected.

Principle 24
Warfare is inherently destructive of sustainable development. States shall therefore respect international law providing protection for the environment in times of armed conflict and cooperate in its further development, as necessary.

Principle 25
Peace, development and environmental protection are interdependent and in-divisible.

Principle 26
States shall resolve all their environmental disputes peacefully and by appropriate means in accordance with the Charter of the United Nations.

Principle 27
States and people shall cooperate in good faith and in a spirit of partnership in the fulfil-ment of the principles embodied in this Declaration and in the further development of inter-national law in the field of sustainable development. (United Nations 1992)

QUESTIONNAIRE COVERING NOTE

Study : environment and sustainability factors & procurement

Dear Receiver

My name is Jan Skutnabb and I'm studying in Hameenlinna University of Applied Sciences in Finland. I work for airline Finnair and at the moment I'm stationed in Seoul as Sales Director for Finnair passenger sales South-Korea.

As a part of my MBA-studies, I'm preparing master's thesis, where aim is to study environment and sustainability factors effect on corporate procurement policies, especially when choosing airline. This questionnaire has been sent to more than 100 companies of different size and industry in various countries. All answers will be handled without any link to company or person who answered. Also in the master thesis none of companies who took part will be mentioned.

I would highly appreciate if you could spend 5 minutes of your valuable time answering this questionnaire. It opens directly from link-below and answering takes only few minutes. Your expertise will be highly valued in this study.

Thank you very much in advance.

Regards

Jan Skutnabb

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Mob. + 82 10 2078 2866 (South-Korea)

Appendix 3

QUESTIONNAIRE

Dear Mr/Ms XXXX.

My name is Jan Skutnabb and I'm studying in Hameenlinna University of Applied Sciences in Finland. I work for airline Finnair and at the moment I'm stationed in Seoul as Sales Director for Finnair passenger sales South-Korea. As a part of my MBA-studies, I'm preparing master's thesis, where aim is to study environment matters effect on corporate procurement policies, especially when choosing airline.

This questionnaire has been sent to 100 + companies in different countries of different size and industry. All answer will be handled without any link to company or person who answered. Also in the master thesis none of companies who took part will be mentioned.

I would appreciate if you could spend 5 minutes of your valuable time answering this questionnaire.

1. Does your company has written and published policy or instructions of any following (you can choose several alternatives).

> 1. Policy or instructions for ethical behaviour in business
> 2. Policy or instructions to support social sustainability
> 3. Policy or instructions for protecting environment
> 4. Policy or instructions towards eco friendliness
> 5. Policy or instructions of supporting minorities
> 6. Our company does doesn't have any policy which could match alternatives mentioned

2. If at least one of issues above, how long has this policy been effective?

> 1. One year or less
> 2. More than one year, but less than two years
> 3. More than two years, but less than three year or
> 4. More than three years, but less than five years
> 5. More than five years.

3. When purchasing goods or services, do you consider any of issues in question one (ethical behaviour, social sustainability, protecting environment, eco friendliness or supporting minorities) as an item which plays a role procurement decision making?

> 1. Yes
> 2. No
> 3. Don't know

4. If your answer is yes for question 3, how important it is?

     1. Very important, even a deal breaker
     2. Important, but not in the main role
     3. Not that important, but a must be discussed in the process
     4. No or very little influence
     5. Don't know

5. How does environment friendliness show in your company's everyday actions? (you can choose several alternatives).

     1. We try to save energy, water and natural recourses
     2. We try recycling as much possible
     3. We travel less and use more IT-based meeting tools
     4. We compensate our actions by supporting organizations who make common good (Unicef, Ref Cross, Church, Wild Life Foundation etc)
     5. Something else. Please feel free to describe in free format.

6. Would it be possible for your company to pay more for more for environment friendly goods or services?

     1. Yes
     2. No
     3. Don't know

6. a.   What could the value, if any, for more environment friendly goods or services be compared to less environment friendly alternative?

     1.   It should be cheaper
     2.   Same price
     3.   1-2 % more expensive
     4.   3-5 % more expensive
     5.   6-10 % more expensive
     6.   10-20 % more expensive
     7.   more than 20% more expensive

6b. If you answered NO to question 7, why:

     1.   Environment friendliness should be included automatically
     2.   The effect of eco friendliness is difficult or impossible to measure
     3.   Our purchases are based on price and quality.
     4.   Eco friendly products should be cheaper, because the use new technology.

5.   Some other reason. Please feel free to describe in free format.

7. Does your company have travel policy?

      1. Yes
      2. No
      3. Don't know

8. Can passenger choose which airline to use when travelling on duty?

      1. Yes, passenger can choose freely
      2. Yes, passenger can choose from alternatives given by company
      3. No, company decides and company travel policy must be followed
      4. As this is not our core business, it is not an issue for us
      5. None of above or can't say

9. Are passengers instructed or advised to take into account emissions from their business trips in decision making when choosing airline?

      1. Yes
      2. No
      3. Don't know

10. Are your company's travellers instructed or advised to compensate emissions somehow?

      1. Yes
      2. No
      3. Don't know

10 a. If yes, please describe in free format how?

Thank you participating this survey.
If you have any more question or comments, please do not hesitate to contact me.

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