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# CORPORATE SOCIAL RESPONSIBILITY IN SHIPPING COMPANIES IN THE BALTIC SEA

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**ABSTRACT**

The aim of the CAFE project (Competitive advantage by safety) is to examine, can the maritime sector achieve competitive advantages by focusing on safety aspects. This study is written as a part of work package 3 Task A "Theory of corporate social responsibility (CSR) and implications to the maritime sector", which is conducted by the University of Turku, Centre for Maritime Studies.

The concept of CSR has spread worldwide from one industry to another. Increasing number of businesses are utilizing principles and procedures of CSR on their business actions, and shipping companies have followed their suppliers and customers example, when it comes to CSR.

This report consists of brief literature review, which discusses the CSR and also presents CSR related studies from the 1950s to the 21st century. Numerous examples of different CSR related sections, found from the Internet pages, of different shipping companies are presented in this report. It is also analyzed, how CSR represents itself in the maritime sector.

In this report, 143 members of Finnish, Swedish and Danish Shipowners' Association were researched regarding to CSR. Research was conducted by searching through their Internet pages for sections related to CSR as well as mentions of CSR. This report also discusses why some shipping companies are advertising CSR visibly on their Internet pages and some do not even mention it at all.

**Keywords:** Corporate social responsibility, shipping company, Baltic Sea

**TIIVISTELMÄ**

CAFE-projektissa (Merenkulkuun kilpailuetua turvallisuudella) tutkitaan, pystyykö merenkulkuala saamaan kilpailuetua keskittymällä turvallisuuteen. Tämä tutkimus on tehty osana työpakettia 3 tehtävään A ”Vastuullisen liiketoiminnan teoria ja sen näkyvyys merenkulun sektorilla”, joka on Turun yliopiston Merenkulkualan koulutus- ja tutkimuskeskuksen suorittama osuus.

Vastuullisen liiketoiminnan konsepti on levinnyt maailmanlaajuisesti eri yritysten käyttöön. Yhä useammat alat hyödyntävät vastuullisen liiketoiminnan käsitteitä ja periaatteita toiminnassaan, ja myös varustamoliiketoiminta on seurannut asiakasyritystensä perässä omaksuen vastuullisen liiketoimminnan käsitteet.

Raportti koostuu lyhyestä kirjallisuuskatsauksesta, jossa käsitellään vastuullisen liiketoiminnan termiä ja sen määritelmiä, sekä vastuullisen liiketoiminnan tutkimuksen historiaa lyhyesti. Raportissa käydään myös läpi lukuisia esimerkkejä eri varustamoiden vastuullisen liiketoiminnan osioista heidän Internet sivuiltaan. Lisäksi analysoidaan sitä, miten vastuullinen liiketoiminta näyttäytyy merenkulun sektorilla.

Tässä raportissa tutkittiin 143 Suomen, Ruotsin ja Tanskan varustamoliiton jäsenen vastuullisen liiketoiminnan mukaiset toimet. Tutkimus suoritettiin käymällä läpi varustamoiden Internet sivut etsien osioita ja mainintoja vastuulliseen liiketoimintaan liittyen. Lisäksi analysoitiin sitä, miksi jotkut varustamot ovat panostaneet vastuulliseen liiketoimintaan näkyvästikin ja toiset taas eivät mainitse sitä lainkaan Internet sivuillaan.

**Avainsanat:** Vastuullinen liiketoiminta, varustamo, Itämeri

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## ABBREVIATIONS AND DEFINITIONS

| | |
|---|---|
| CAFE | Competitive Advantage by Safety -project |
| CSP | Corporate Social Performance |
| CSR | Corporate Social Responsibility |
| EU | European Union |
| HSE | Health, Safety and Environment |
| ILO | International Labour Organisation |
| IMO | International Maritime Organisation |
| ISO | International Organization for Standardization |
| NGO | Non Governmental Organisations |
| SOLAS | Safety of Life at Sea Convention |
| UN | United Nations |

# 1. INTRODUCTION

## 1.1. Background of the Study

Globalization affects every aspect of life and thus business makes no exception. World trade can be performed fast and reliably, making world a small place in an economical sense, for both the companies and also for the customers. New demands for the international companies are being made by the raising awareness of ethical consumption of the customers, but also at the same time customers demand the products and services at lower costs. This makes it a rough environment to operate for the international companies, balancing between ethical and economic choices in order to survive.

Ken Saro-Wiwa's activism against oil company Shell's actions in Nigeria and his execution in 1995 is probably one of the most known stories of neglect. The story shows, how many multinational companies lack knowledge and how they are not concerned about environmental issues and human rights on their business area. Ken Saro-Wiwa was an environmental activist and also a member of national minority group, Ogoni, who live in Niger delta, on the same area, where the company Shell had oil wells. Ken Saro-Wiwa's execution caused international outrage when many non-governmental organizations (NGOs) like Greenpeace and Amnesty started to campaign against companies, which business caused negative environmental impact and discriminated human rights. Oil and gas industry were forced to change their policies and start to act responsibly. Responsible business spread also to other businesses first on land and later on sea.

For companies corporate social responsibility can be seen as a tool, what they can use to act responsibly. There are several definitions for CSR, but it can rather be seen as a framework for responsible business. In order to be able to be used in different business environments, it is impossible to form an exact definition for CSR. CSR is a mean to balance environmental, social and financial needs of a company. CSR is not a stabile condition, but rather a developing process, which continues to create new forms of sustainable development together with the company's stakeholders. CSR is based on voluntarism and therefore it can not be ruled by laws. Although social, environmental, as well as financial responsibility are regulated to some extent by laws, they are not counted as a part of CSR. CSR means policies and procedures that surpass laws and conventions. CSR is part of company's strategy and in the long run, it can also become an economical benefit and thus increase company's competitiveness.

## 1.2. CAFE Research Project

The CAFE project will focus directly on shortcomings in the maritime safety, found in the past METKU (Developing Maritime Safety Culture) project. The conclusions of the past study showed that the management in shipping companies needs to be safety oriented, to have a structural basis of safety culture. In addition, METKU project found

some deficiencies connected e,g, to the reporting culture in shipping companies. The goal of the CAFE project is to develop safety culture and management in shipping companies and to show that safety can be a competitive edge for them. The CAFE project contains following work packages:

- WP 1 Reporting of incidents and near misses in the shipping industry
- WP 2 Modeling safety management to increase competitive advantage in shipping industry
- WP 3 Corporate social responsibility in international shipping.
- WP 4 International networking.
- WP Coordination and management.

This report is a part of the work package three. The research was carried out by the Centre of Maritime Studies of the University of Turku, Maritime Logistics Research in Kotka. The CAFE project is funded by the European Union and the financing comes from the European Regional Development Fund, the ERDF programmed for Southern Finland, Priority Axis 5 (where the Regional Council for Päijät-Häme coordinates the ERDF program and manages interregional projects), the city of Kotka, Varustamosäätiö, Kotka Maritime Research Centre corporate group: Aker Arctic Technology Inc., the Port of HaminaKotka, the Port of Helsinki, Kristina Cruises Ltd., Meriaura Ltd. and project partners: Merikotka Kotka Maritime Research Centre, the Centre for Maritime Studies at the University of Turku, Kymenlaakso University of Applied Sciences, Turku University of Applied Sciences and Aalto University.

The report has been written by Laura Arat, a trainee in the Centre for Maritime Studies of the University of Turku, under supervision of project manager Jenni Storgård and Professor Ulla Tapaninen.

## 1.3. Aims, Methods and Structure of the Report

The study is carried out by doing a literature review about corporate social responsibility (CSR) related books and articles as well as Internet pages of shipping companies that are part of Finnish, Swedish or Danish Shipowners' Association. The aim of this study is to find out how aware the shipping companies around the Baltic Sea area are concerning corporate social responsibility. The main research questions are:

- What is corporate social responsibility and how CSR can be seen in the shipping industry around the Baltic Sea area?
- How these shipping companies use their responsible business conduit in their marketing strategy and advertisement throughout their Internet pages?

The report is structured in the following way. Foreword, abstract in English, abstract in Finnish, table of contents, and abbreviations and definitions can be found in the beginning before the actual research content. In chapter 2 definitions and history of

CSR, as well as how corporate social responsibility is related to shipping industry, are presented. Chapter 3 briefly defines policies and procedures of the shipping industry. In chapter 4 analyzing different shipping companies and their CSR policy are being discussed. The last chapter, chapter 5, summarizes the report and some discussion of the future is carried through.

# 2. CORPORATE SOCIAL RESPONSIBILITY

## 2.1. History of CSR studies and some definitions

CSR is a concept, which does not have a general definition. It is an umbrella term for a concept of operations that companies use to act responsibly. CSR is built upon voluntary basis, and it seeks to overcome the ethical standards set by law. Many companies have acted responsibly long before the term CSR was introduced into business. A good example of this is that numerous industrial cities have grown surrounded by one or more factories and the management of those surrounding factories have supported the lives of the employees, for example through the establishment of health care, building houses and providing services. (Heald 1970).

This chapter is a brief review of CSR related studies and it also introduces various definitions of CSR. Most of these studies are from the United States, since the CSR research originated from the US in the 1950s and CSR has been an integral part of the corporate culture of the US. The following timeline presents numerous studies related to CSR and the various definitions of CSR from 1950s to 21st. century (Carrol 1999, Holme and Watts 2000, Walhurst and Mitchell 2000, Lockwood 2004).

**TIMELINE OF CSR DEFINITIONS AND STUDIES**

- 1953
  - Bowen: Social responsibilities of the Businessman
    - First time when CSR was defined in corporate business world
    - ”It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action, which are desirable in terms of the objectives and values of our society”
- 1960
  - Davis: Can business afford to ignore social responsibilities
    - CSR is ”businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest.”
  - Frederick: the growing concern over business responsibility
    - ”Social responsibilities mean that businessmen should oversee the operation of an economic system that fulfills the expectations of the public.”
- 1963

- McGuire: Business and Society
    - McGuire created the term corporation citizenship, while comparing the business to a responsible citizen, who acts for the benefit of the society

- 1966
    - Davis and Blomström: Business and its Environment
        - Defined corporate social responsibility as company's ability to look all its actions in broader horizon
        - An ethical point of view: the company has to see the ethical consequences of their actions
- 1967
    - Walton: Corporate Social Responsibilities
        - Social responsibility is a tool to identify the close relationship between companies and society, and this relationship must remain an important goal for the company, so that it can function in the society
        - Importance of the voluntary nature of CSR
- 1970
    - Head: The Social Responsibilities of Business: Company and Community 1900-1960
        - "Social responsibility must be not only businessmen, carried out by himself for himself, but it shold be governed by the law and decisions."
- 1971
    - Johnson: Business in Contemporary Society: Framework and Issues
        - A responsible company takes into account employees, contractors, vendors, local communities and leaders of the state and also of the government
    - Committee for Economic Development (CED): Social Responsibilities of Business Corporations
        - Three circles of solidarity according to CED:
            1. The inner circle includes all the basics of economic growth in order to guarantee the sufficiency of jobs and products
            2. The middle circle covers the impact of the economy on society, such as environmental care, hiring and keeping the concerns of employees, as well as safety
            3. Outer circles contents are an ever-expanding field, yet unclear, where the company should take part in the broader social problems such as poverty, inequality, etc.
- 1972
    - Manne and Wallich: The Modern Corporation and Social Responsibility

        - Responsibility in business extends to all areas
- 1973
    - Davis: The Case for and against business assumption of social responsibilities
        - ”CSR refers to the firm’s consideration and response to issues beyond the narrow economic, technical and legal requirements of the firm.”
    - Eilbert and Parket: The Current Status of Corporate Social Responsibility
        - Corporate Social responsibility is like good neighbourliness
- 1974
    - Eells and Walton: Conceptual foundations’ of business (3rd ed.)
        - ”In its broadest sense, corporate social responsibility represents a concern with the needs and goals of society, which goes beyond the merely economy.”
- 1975
    - Backman (Ed.): Social responsibility and accountability
        - ”Social responsibility usually refers to the objectives of motives that should be given weight by business in addition to those dealing with economic performance.”
    - Sethi: Dimensions of Corporate social performance: An analytic framework
        - Social obligation is corporate behaviour in response to market forces or legal constraints
    - Preston and Post: Private Management and Public Policy: The Principle of Public Responsibility
        - Emphasizing public responsibility instead of CSR
- 1976
    - Fitch: Achieving Corporate Social Responsibility
        - ”Corporate Social Responsibility is defined as the serious attempt to solve social problems caused wholly or in part by the corporation.”
        - Problem-solving perspective of CSR
- 1979
    - Zenisek: Corporate Social Responsibility: a conceptualization based on organizational literature
        - Model of a continuum of CSR (four time periods from 1960s to 1979)
    - Carrol: A three-dimensional conceptual model of corporate social performance
        - Conceptual model of CSR

        - ”The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time.”
- 1980
    - Jones: Corporate social responsibility revisited, redefined
        - ”Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that predescribed by law and union contract.”
- 1981
    - Tuzzolino and Armandi: A need-hierarchy framework for assessing corporate social responsibility
        - Developed new mechanism for assessing CSR according to organizational need-hierarchy
- 1983
    - Strand: A system paradigm of organizational adaptations to the social environment
        - A systems paradigm of organizational adaptations to the social environment that sought to illustrate, how related concepts such as social responsibility, social responsiveness, and social responses connected to an organization-environment model
    - Carrol: Corporate Social Responsibility: Will industry respond to cutbacks in social program funding?
        - ”CSR is composed of four parts: economic, legal, ethical and voluntary of philanthropic.”
- 1984
    - Drucker: The new meaning of corporate social responsibility
        - Business ought to convert its social responsibilities into business opportunities
    - Cochran and Wood: Corporate social responsibility and financial performance
        - Empirical study of whether socially responsible firms also were profitable firms
- 1985
    - Aupperle, Carrol and Hatfield: An empirical investigation of the relationship between corporate social responsibility and profitability
        - Empirical study seeking to understand the relation between CSR and profitability
        - Study used definitional construct of CSR from the theoretical literature as its measured CSR

- Wartick and Cochran: The evolution of corporate social performance model
  - Developed three-dimensional model for CSP (Corporate Social Performance)

- 1987
  - Epstein: The Corporate social policy process: Beyond business ethics, corporate social responsibility and corporate social responsiveness
    - Combined corporate social responsiveness and business ethics to the corporate social policy process
- 1991
  - Wood: Corporate social performance revisited
    - CSR is a broader context than just a stand alone definition
- 1995
  - Swanson: Addressing a theoretical problem by reorienting the corporate social performance model
    - Redefined version of CSP
- 2000
  - Holme and Watts: Corporate Social Responsibility: Making a good business sense
    - CSR defined as the commitment of business to contribute to the sustainable economic development, working with employees, their families, the local community and society in general to improve the quality of life
  - Walhurst and Mitchell: Corporate social responsibility and the case of Summitville mine
    - CSR defined as the internalization of the company and the social and environmental effects of its operations, through pro-active pollution prevention and social impact assesment, so that harm is anticipated and avoided and benefits are optimized
- 2004
  - Lockwood: Corporate social responsibility: HR's leadership role
    - Researching how CSR can be seen as a part of company's strategy
    - Some organizations still consider CSR to mean compliance and philanthropy, although some large companies are placing CSR in a more strategic framework

There is no one universal standard, which could be utilized to determine a responsible company. Instead of one universal standard there are several different standards, produced by different institutions such as: UN, European Union, OECD, ISO and GRI

and many others. Here are presented the most well known and well used standards for CSR.

European Commissions definition for responsible business is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” (European Comission 2006).

At the World Economic Forum in 1999 UN Secretary-General, Kofi Annan, encouraged the corporate world to contribute to achieving the UN Millennium Development Goals, by accepting their social responsibility; proposing the formation of the UN Global Compact (UNGC). Since its official launch in the July of 2000, the UNGC-initiative has grown to more than 7700 participants in 130 countries around the world, involving various social actors; corporations, governments, NGOs and the UN as an authorative convener and facilitator. The UNGC is not a regulatory instrument, but a voluntary initiative that “relies on public accountability, transparency and disclosure to complement regulation and to provide a space for innovation”, and it is emphasized that it does not `police or enforce the behaviour or actions of companies´. (UN Global Compact 2011).

In 1976, OECD made its own declaration of international investment and multinational enterprises (MNE), where guidelines for multinational enterprises play an important role. The guidelines constitute from a set of recommendations to MNEs in all the major areas of business ethics, e.g. employment and industrial relations, human rights, information disclosure and environment. Adhering countries comprise all 34 OECD member countries, and 8 non-member countries. (OECD 2011)

The International Organization for Standardization (ISO), perhaps best known for the ISO 9000 standard for Quality Management and the ISO 14000 standard for Environmental Management, has launched ISO 26000 standard for social responsibility in 2010. It is not yet officially a standard but rather guidelines. (ISO 2010).

The Global Reporting Initiative (GRI), founded in 1997, is a network-based independent organization that has pioneered the development of the world’s most widely used sustainability reporting framework. The GRI reporting framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. The cornerstone of the framework is the Sustainability Reporting Guidelines. In 2009, more than 1500 organizations from 60 countries released sustainability reports based on the GRI Guidelines. (GRI 14.07.2011).

## 2.2. CSR in shipping industry

CSR procedures in shipping industry do not have so long and well monitored history as CSR procedures in land based industrial sector. Shipping industry works in a different environment consisting of cross-border areas of different countries as well as on

international waters under international maritime laws. Geography does not imply the same physical obstacles to business processes as for land based industries. (DNV 2004).

Since 1970s shipping industry has changed radically. With the oil crisis and a strong reduction in the world trade, companies needed to drastically reduce operating costs in order to survive. The solution available was to change the country of the vessels and reduce crew costs by hiring officers and crew from all around the world. (Progoulaki & Roe 2011). Following decades brought these solutions to land based industry, thus shipping industry can be seen as a frontrunner of the globalization. Sea freighting remains the most cost efficient way to transport goods and raw materials around the world and shipping companies serve as key players in the global economy and in global production systems. (DNV 2004). The maritime transport industry has acted as one of the notable forces in moving the world towards globalization. Increasingly, shipping companies focus on establishing business in new areas and form joint ventures with local companies. (DNV 2004).

There are not so many powerful NGOs monitoring the responsibility of the shipping industry as there are monitoring land based industry. It is more problematic to monitor the shipping industry and its companies, because they operate in different nations and many nations have different laws concerning for example safety and health regulations. Monitoring of quality, concern about employees' health and safety, environmental impact of products and services and other CSR activities, are usually not taken into serious consideration by firms, whose corporate activities are in business to business level. This is the case for shipping companies, whose services are produced to satisfy the demand derived from the transport of cargoes (Willingale 1998). In particular, companies of the bulk-shipping sector are usually less interested in investing in activities aimed at improving company's image. The basic goal for companies of this sector has always been the ability to produce low-cost services. Due to the highly competitive business environment of the shipping industry, cost reduction of operational expenses became crucial for survival. This has had negative effects, such as loss of lives at sea, damage to the marine environment and maritime frauds, each of which affected the creation of bad reputation and negative public image to the industry. (Fafaliou et al. 2006).

However, many nations nowadays recognize the risk of unsafe ships and dangerous cargo to their local environment. The International Maritime Organisation (IMO) makes and supervises environmental and safety standards for shipping industry and has developed international conventions for sea law, environment protection and safety regulations. Until recent years the IMO has been monitoring technical standards, whereas International Labour Organisation (ILO) has been monitoring the welfare of the workers in the shipping industry. ILO has prepared several conventions that are usually referred to as "International Seafarers' Code". These IMO and ILO standards are often used as a minimum standard, which national governments have based their own regulations. (DNV 2004).

# 3. CSR PROCEDURES IN SHIPPING COMPANIES

## 3.1. Environmental Policies

Environmental policies in the shipping industry are based on several standards and certifications. Often the shipping companies have several different certifications especially regarding environment and safety issues. In this chapter most used and most well known environmental standards and certifications are briefly described.

The International Organization for Standardizations ISO 14000 standard series is probably the most well known environmental standard for companies. The purposes of ISO 14000 series is to help the companies to reduce their processes' and production's impact on the environment. The ISO 14001:2004 and ISO 14004:2004 describe an environmental management system and its requirements and guidelines. The ISO 14000 standards were created after United Nations conference on environment and development in Rio de Janeiro in 1992. The first versions of the standards were made in 1993 to support sustainable development. (ISO 2009).

The IMO has several conventions regarding environmental protection of the seas. In 1973 the International Convention for the prevention of marine pollution (MARPOL) from ships was established for the first time and for the second time in 1978. The MARPOL convention includes all kind of pollution from ships: oil, noxious liquid substances carried in bulk, harmful substances carried in containers, sewage, garbage, and the prevention of air pollution. MARPOL is one of the IMO's standards and IMO actively recommends its usage for the shipping companies all over the world. (IMO MARPOL 1.8.2011). The International convention for the control of harmful anti-fouling systems on ships (IAFS) was established in 2001. Purpose of this convention is to prohibit the use of harmful substances in anti-fouling paints used on ships and establish a mechanism to prevent the future use of other harmful substances. (Focus on IMO 2002). IMO has also Marine Environment Protection Committee, which develops new solutions to ensure protection of marine environment. (IMO MEPC 1.8.2011).

There are lots of environment related certificates and conventions and they cover widely all aspects of shipping industry. Since these certificates are used worldwide and their standardization is comprehensive, increasing number of shipping companies will include them as a part of their environmental management.

## 3.2. Social Policies

There are several instances on international and national level, which are working with social policies of shipping industry. Social policies usually concern worker's rights, ethical business and social awareness of the company. Social policies and human resources are often very important part of the company's CSR policy and following those policies companies may act as good corporate citizens. (Urminsky 2001).

The International Labour Organisation main purpose is to promote social justice and internationally recognized human and labor rights, pursuing its founding mission that labor peace belongs to all. ILO also focuses on the welfare of workers in different sectors and working environments. For shipping industry and for sea fearers, ILO has developed almost 50 different conventions and recommendations. These recommendations are often referred to as the"International Seafarers' Code" (DNV 2004).

### 3.3. CSR and Safety regulations

There are several national and international regulations for maritime safety. The most well known and most used of them is the International Maritime Organization's International Safety Management Code (ISM Code), which is part of the international convention for the safety of life at sea (SOLAS). The IMO issued ISM Code in order to guarantee the safe operation of vessels and also to prevent pollution of marine environment. The ISM Code system was founded in 1987 from the resolution A.596(15), in which IMO's Assembly requested that Maritime Safety Committee urgently had to develop recommendations for the management of Ro-Ro passenger vessels to guarantee their safe operation. In October 1989 resolution A.647(16), IMO guidelines for the management of the safe operations of ships and of pollution prevention was developed. These following resolutions created the basics of the present day ISM Code. However it was still a guideline. In November 1993, the guidelines were replaced by the resolution A.741(18), which is also the current ISM Code. The code was reinforced in December 2000 and the ISM Code came into effect worldwide in several phases between 1998-2002. (IMO 2005).

Since IMO's ISM Code is not anymore just a guideline for safe shipping, but they are ratified by several governments, it is no longer actually a CSR procedure, since it is not based on voluntarism. However, shipping industry is more regulated industry than the other industries, so IMO and ILO standards and regulations already set a certain level of responsible business practices to shipping industry. Although it does not cover all the values and notions that CSR seeks to achieve (DNV 2004).

# 4. ANALYSIS OF CSR PROCEDURES IN SHIPPING COMPANIES OF BALTIC SEA

## 4.1. Monitoring CSR Procedures

On these following subchapters shipping companies that are members of Finnish, Swedish or Danish Shipowners' Association are presented (Table 4.1). Some of them are members in more than just one association, so some overlapping may occur.

***Table 4.1 Shipping companies researched for this study.*** *143 shipping companies were researched, 119 of them had some kind of Internet pages and 76 of those pages contained CSR related material.*

| Shipowners' association | Members of association | Number of webpages | Number of webpages with CSR |
|---|---|---|---|
| Finland | 27 | 24 | 16 |
| Sweden | 76 | 57 | 36 |
| Denmark | 40 | 38 | 24 |
| In total | 143 | 119 | 76 |

According to research 76 of 143 shipping companies had CSR related material on their Internet pages which means roughly 53% of companies that are members of Finnish, Swedish or Danish Ship owner's Association have some kind of CSR, environment & safety or sustainability section on their Internet pages (Figure 4.1). Many had even downloadable CSR or sustainability reports on their Internet pages. However 24 shipping companies didn't have Internet pages at all, so no data was collected from them. That makes 17% of all shipping companies. 43 shipping companies had Internet pages, but they didn't have any CSR related material on their Internet pages, which makes 30% of all the companies researched.

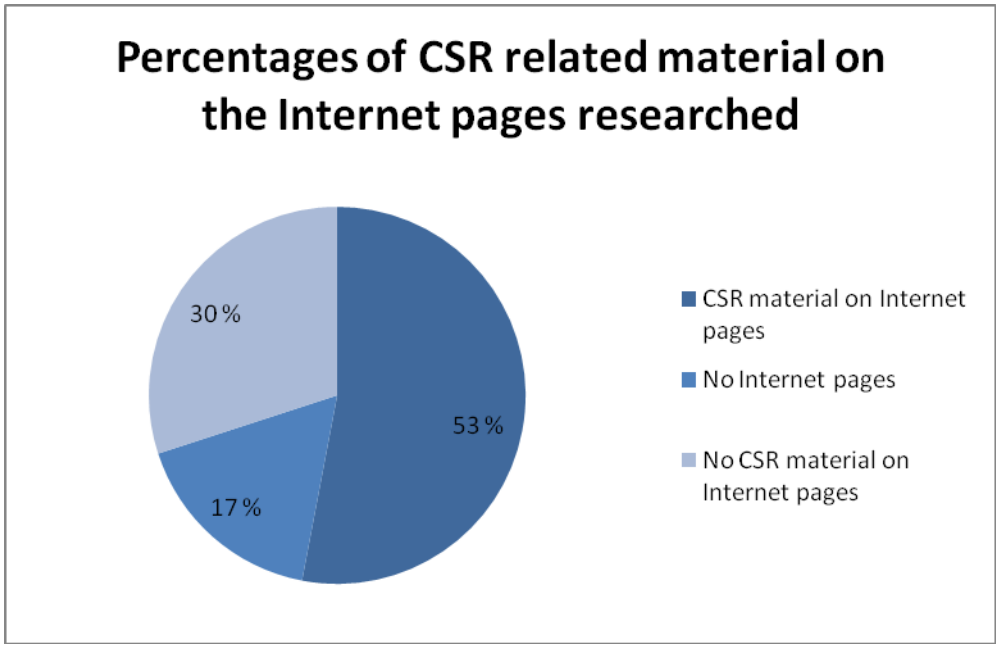


*Figure 4.1 Percentages of CSR related Internet pages of shipping companies researched for this study.*

### 4.1.1. Finnish shipping companies

27 Shipping companies that are members of the Finnish Shipowners' Association (Suomen varustamot ry 15. 6. 2011) were searched through. 24 of them had Internet pages and in some of those pages were mentions of CSR. Major as well as most of the Finnish shipping companies, and passenger shipping companies, have told about their safety, environment and quality issues as well as social values. CSR policies cannot be found completely from the Internet pages, but 16 of the shipping companies researched, state at least some of their CSR policies. In most cases they take into account the environment, as well as various certifications. Every shipping company, almost without exception, has certificates and they cite them on their Internet pages, but only a few provide the means to access the concepts and eligibility criteria of the certificate in question. In addition many shipping companies refer to the safety and quality, but only few to the safety on sea. Some of the companies also state to operate carefully on the Baltic Sea region, since it is a fragile ecosystem. The following shipping companies are listed below as examples.

Alfons Håkans Oy AB is an example of shipping company, which specializes in towing and situations where a ship has sunken. It is also said on their Internet page that a rescue ship is on call 24/7 and the page also presents numerous examples of successful rescue missions. They also only briefly present their DNV certification. (Alfons Håkans 11.7.2011).

Containership Ltd is a large shipping company, whose operational area is the Baltic Sea and the whole Northern Europe. It specializes in container cargo transport, and also offers and present operations in accordance with ISO standards at waste and gray water

recycling as well as at carbon footprint. In particular, the shipping company aims to underline the environmental frienliness of shipping by sea when compared to other transportation methods. (Containership 20.6.2011).

ESL Shipping Ltd is mainly a dry cargo transport company, whose operations extend to the Baltic Sea. ESL Shipping states that their punctual services are proof that company works both quickly and safely. The company's Internet site mentions the importance of skilled workers as well as the safety of shipping vessels in the Baltic Sea region considering the harsh ice conditions. (ESL Shipping 20.6.2011).

Finnlines is both freight and passenger transport company, which seeks to act responsibly and at least in part also represents this on their Internet page. The company has a comprehensive environmental and safety section, where their concept of environmental safety is introduced. A couple of pages are also included from a report, which deals with the shipping certificates and their access criterion and the principles of sustainable development practices in both the fuel consumption and the waste management sector. (Finnlines 2010.)

Neste Shipping Oy is an example of the energy sector company, which also owns ships and operates them. Since the company's primary point of focus is not in the shipping activities, the sections covering their social responsibility, financial responsibility and environmental responsibility on their Internet pages deal almost only with energy section rather than transport or maritime freighting. (Neste Shipping 14.6.2011).

Tallink Silja, a shipping company that mainly transports passengers, but also freight, has most thoroughly told about their responsibilities and also used it well in their marketing strategy. From their Internet page an environmental and corporate social responsibility report can be found, the latest of them from 2009. Extensive report deals with responsible business conduct in all aspects, not only concerning Tallink Silja, but also its suppliers and partners. The report shows that it is intended primarily for customers and it can clearly be seen from the report. The following are highlighted from the Tallink Silja environmental and corporate social responsibility report 2008/2009:

*"Safety first: Above all Tallink's priority both on land and at sea is the safety of its passengers, and we shall not hesitate to invest money and time in increasing safety."*

- ISO 1400 environmental management standard in order to prevent accidents and the presence of danger to people and the environment
- Safety management system audited every year
- IMO regulations to guarantee safety for both passengers and crew members
- Crew members have continuing emergency training
- Once a year organized sea rescue exercise in cooperation with authorities

*"Tallink's greatest assets are the thousands of employees over six countries, as they are the power behind the company's achievements. The duty of the employees is to assure*

*the satisfaction of our passengers with our services every single day. Likewise, the company is also trying to do its best to secure that its employees feel great. ”*

- Large variety of different training programs for crew members and also for onshore personnel (language trainings, sales trainings, training to customer service for different nationalities, professional barman training, team leadership training etc.)
- Cooperation with carious vocational schools and Maritime Academies in order to introduce young people to the maritime industry
- Spare time events for employees are arranged several times per year in order to make sure that everyone can participate (workers from both ferry shifts)

*”Corporate governance at Tallink is not a thing in itself. The main objective of our entire management system is to guarantee customer satisfaction and our employees’ compliance with Tallink’s core values in their daily activities.”*

- Tallink has supervisory council that engages in oversight and long-term management activities by approving business plans acting in the best interest of all shareholders
- ”As a service company, Tallink considers its values to be honesty, reliability, commitment, dynamism and enjoyment.”

*”AS Tallink Grupp and its subsidiaries are actively involved in supporting many public initiatives and events, especially youth and sport organizations. Being one of the largest Estonian companies in terms of its number of employees, it has also always been our goal to motivate our employees to participate in social events for the sake of the environment or society.”*

- Tallink acting as a responsible corporate citizen by supporting and sponsoring the environment, children and youth, sports and also some other companies and NGOs which are considered to be important all the countries in which Tallink has its operations
- Tallink has supported various campaigns for other parties such as European Road Safety Campaign and blood collecting campaigns for Red Cross

*“Environmental responsibility - our top priority AS Tallink Grupp recognises that environmental protection and management is one of its highest priorities. Every effort is to be made to conserve and protect the environment from marine and atmospheric pollution and any other form of pollution, including office-based waste.”*

- Several environment certificates such as :
    - ISO 14001:2004 environmental certificate by Lloyds Register
    - MARPOL sewage pollution prevention certificate
    - MARPOL air pollution prevention certificate

    - IAFS International anti-fouling system certificate
    - MARPOL oil pollution revention certificate
    - document of compliance for anti-fouling system
    - MARPOL garbage pollution prevention attestation

- Tallink has a goal to have all their vessels less than 20 years old: developed ship design allows to decrease fuel consumption, noise, vibration, reducing emissions and also increasing waste management
- Various partners are also working according to Tallink's environmental policy
    - STX Europe Shipyard has designed new vessels for Tallink Silja such as the Baltic Queen
    - WWF works together with Tallink Silja as a part of their Baltic program

- Environmental protection of water
    - both waste and oily water are either left to ports or cleaned before pumping it ashore
    - most chemicals onboard are biochemical and they are stored safely
    - hulls of the vessels are cleaned by divers, who do not use harmful chemicals to the environment according to convention on the Control of Harmful Antifouling Systems on Ships (IMO 2001)
- Environmental protection of air
    - maritime transport causes less exhaustion gases comparing to land-based transport
    - company uses only low-sulfur fuel on their vessels
- Environmental protection on land:
    - optimising energy consumption in offices
    - electronic documents helps to decrease paper usage
    - recycling of paper and other materials

- Employees are trained according to environmental policy to act environmentally friendly to and save natural resources.

### 4.1.2. Swedish shipping companies

There are 76 companies (Sveriges Redareförening 10.06.2011) that are members of Swedish Shipowners' Association (Sveriges Redareförening). 74 of them are shipping companies (two others are port of Luleå and Marin Mätteteknik, which is specialized to explore seafloor topography). 57 of those shipping companies have Internet pages and 36 of those Internet pages have some mentions related to corporate social responsibility.

The variety between the members in the Swedish Ship owner's Association is large. Many small shipping companies can be found from the association, which do not provide any information about themselves on the Internet, but there are also large internationally operating shipping companies in the association, with vast amounts of information about themselves on the Internet. One of the frontrunners for maritime safety is Stena Line Scandinavia. Of all the researched shipping companies, Stena Line Scandinavia had the most well covered section for corporate social responsibility and maritime safety. Viking Rederi AB (also known as Viking line) is also mentionable shipping company regarding their CSR policies. They operate cruise ships and on the company's Internet pages they inform passengers widely about their sustainability and social responsibility issues. This makes Viking line a good example of a shipping company, which advertise their sustainable business policy and uses it for marketing. These following examples represent Swedish shipping companies. Some of them are operating around the world and some just in Baltic Sea.

ACL Ship Management AB has large sections committed to health and environmental issues on their Internet pages, where the company presents earned certificates and describes the criteria behind obtaining them. They also emphasize marine transportation as an effective and environmentally friendly way to transport goods. The main goal of company's policy is zero accidents concerning environmental and material damage. On their Internet pages the company presents various policies that ensure healthy working conditions for the employees. They also require every employee to take personal responsibility of HSE (Health, Safety & Environment) by focusing on their own behaviour. ACL Ship Management is a good example of a company, which acts responsibly and uses it in their advertisement, however they do not use the term CSR. (ACL Ship Management 22.6.2011).

Donsötank, Rederi AB has published a part of their safety management manual on their Internet pages. The parts published concern only important information to their customers. Chapter called safety and environment protection policy contains their main safety priorities, their environment and safety strategies as well as examples of responsible practises. On their strategy Donsötank states that in shipping industry good reputation amongst customers, authorities and general public is difficult to gain and easy to lose. Donsötank's aim is to ensure that their transportations are efficient, safe and environmentally friendly. Donsötank's Safety and Environmental protection policy also offers examples of their safe and responsible practices:

- Donsötank's aim is zero spill and zero accidents on their vessels
- Complying both national and international regulations
- Safety is an integral part of daily activities
- Keeping engines in good conditions and usage of high quality fuels reduces air pollution
- Safety and environment policy applies to the whole company, both ashore and on board

- Donsötank's first priority is always safety: *SAFETY OF LIFE has the first priority and SAFETY OF SHIP has the second priority. SAFETY is to be more important than SECURITY if those interests are in conflict*. (Donsötank 2008).

Laurin Maritime has large sections dedicated to environment, quality & safety and social responsibility. Like many other shipping companies, Laurin Maritime also emphasize the environmental friendliness of sea transportation when compared to transport on land or in the air. Company presents all their certificates and their followed regulations. Laurin Maritime has launched a company specific energy conservation program, which contains procedures and policies, which reduce energy consumption and carbon emissions into the atmosphere. The company has also established targets to reduce the average sulfur content in bunkered fuel every year. Laurin Maritime has also developed new systems to treat oily water and ways to reduce chemical consumption. On the quality and safety section, Laurin Maritime ensures that every action both ashore and on board follows rules and regulations set in the legislation. They have several inspectors on board their vessels every year and all units are also using self inspecting system that observes waste management, chemical usage onboard and nearly missed accidents. On social responsibility section Laurin Maritime emphasizes company's core values, such as ethical and equal rights for all its employees. The company also funds several humanitarian projects all over the world such as SOS Children's village and Doctors Without Borders. (Laurin Maritime 5.7.2011).

Marin Mätteltekník is a company specialized to explore seafloor topography. They offer services concerning seafloor mapping, geology and ROV (Remote Operated Vehicle) services. Since environment is their core business, acting environmentally friendly is essential to Marin Mätteltekník. The company also follows Swedish regulations of equality policy and its main goal is to ensure that equality policy is realistic and adapted to working situations. Marin Mätteltekník aspires to achieve even distribution of men and women for each work position, making Marin Mätteltekník one of few companies in maritime industry, which actively works to increase amount of women working in maritime industry. (Marin Mätteltekník 17.07.2011)

Stena Line states on their Internet page that acting responsibly will be profitable for the company in the long run. (Stena Line 29.06.2011) According to Stena Line Scandinavia's Internet page, there are numerous advantages in using the sea for long-distance transport: a well-functioning infrastructure, less accidents, congestion and noise. Company still admits that as a transportation company they affect the environment. Stena Line has four Environmental goals they wish to achieve:

- *Reducing the energy consumption*
- *Reducing the emissions into the atmosphere*
- *Reducing the emissions into water*
- *Increasing the proportion of waste sorted at source*

Stena Line also cooperates with Swedish Sea Rescue Society (Sjöräddningssällskapet) and together they develop safety onboard. On safety section of the company's Internet pages the company present various examples to the customers how the safety management works in practical way on board Stena Line vessels. Stena Line Scandinavia has also collected frequently asked questions concerning safety and answered them. Questions and answers vary from amount of lifejackets and safety

equipments onboard to the frequency of crew's emergency training. (Stena Line 29.06.2011)

Swedia Rederi AB presents on their Internet page Swedia's Safety Management System, which covers all areas of safety such as navigational planning, emergency response, training, reporting and reviews etc. Swedia's own quality system SQS (the Swedia Quality System) is designed to support company's business activities and to contribute higher safety, quality and cost efficiency. Swedia's Health and Environmental policy pursues to achieve good working conditions for all employees, it also instructs how accidents can be prevented or avoided by assessment of risks in the daily operations. Swedia is one of the shipping companies, which actively advertises their responsible business actions without using the term CSR. (Swedia Rederi 12.07.2011)

Viking Rederi AB is mainly a cruise ship company. Therefore it is obvious that on their Internet pages most of the information regarding to CSR related theme is directed to the passengers. Viking line has brief environment and safety sections. Also from the recruitment section themes related to social security can be found. All the information provided on Viking line's Internet pages is understandable and suitable considering passengers. (Viking Line 11.06.2011)

### 4.1.3. Danish shipping companies

There are 40 shipping companies that are members of the Danish Shipowners' Association (Danmarks Rederiforening 11.06.2011). 38 of those have Internet pages and 24 of those Internet pages have some mentions about corporate social responsibility. Variety is large between the sizes of the shipping companies. There are a couple of very large shipping companies such as Maersk or Monjasa or Torma, as wells as very small shipping companies, who only operate with one or two vessels. Three of the companies are more than just shipping companies, like VT Shipping A/S and DONG Energy Generation A/S are both energy supplying companies rather than shipping companies. They do have vessels but their core business is more related to energy.

Companies that are members of Danish Ship owner's Association are often operating on a larger area than only the Baltic Sea and despite the operational area, same rules and policies still determine their functions. Especially largest companies have efficient policies for CSR and they are also well presented on their Internet pages. Many international companies recognize CSR as a part of their marketing strategy and medium sized companies follow this trend. Here are some examples of shipping companies that are part of Danish Shipowners' Association.

Maersk is a large shipping company, that operates worldwide and it is world's largest operator in the field of container transport by sea. They publish annually CSR related report which is named a sustainable report. (Maersk 2010) The following examples are

from Maersk sustainability report of 2010, where they present their sustainable strategy for 2010–2013, their health and safety management plans, social responsibility actions, climate and environmental policy and responsible business practices. Also smaller companies belonging to the Maersk group had their own section in Sustainable report.
*"We have grouped our sustainability work into four separate areas: health and safety, environment and climate change, social responsibility and responsible business practices. For these areas, we've established five priorities: group standards, performance management, trend spotting and stakeholder engagement, capital expenditure, and new markets and innovation."*

Sustainable strategy

- Globalized world with increasing need for transporttation and energy has been beneficial environment for the growth of the transportation companies
- Globalization is also a challenge because it creates disadvantages and inequality, shifts in consumption patterns and workforce access, as well as competition for natural resources
- `Maersk will always compete to win, and we will grow our businesses and make use of commercial opportunities as they arise. But we are also committed to balancing our competitive drive with the need for more sustainable growth.´
- Since 2010 the aim of sustainability strategy has been long-term goal for the company
- Maersk has special sustainability council that oversees compliance to sustainability standards and policies and makes recommendations to the executive board

Health and Safety

- Safety section shows that 12 fatalities happened during the year 2010. Most of them were in terminals and not in vessels, company shows openly all the numbers and reasons for these accidents.
- Maersk develops their safety culture by near-miss reports, risk assessments and safety cases
- Maersk's goal is to achieve zero accidents both in their own operations as well as their subcontractors operations
- According to their report, piracy is the main maritime security concern
    - In 2010 Maersk, CMA CGM and MSC (three largest container shipping companies in the world) started to cooperate while operating at the Gulf of Aden. Their cooperation includes information exchange on safety measures, piracy policies and procedures and coordination to fight against piracy together with authorities and stakeholders
- By providing good and fair labor conditions as a competitive advantage helps to attract talent and aids in maintaining a stable workforce
    - Maersk is a part of UN Global Compact group
    - *"Having these principles implemented will also reduce the risk of workplace conflicts, which can damage a company both financially and in terms of reputation. Therefore accountability*

*and transparency on governance of workplace conflict risks is in demand by customers and other stakeholders."*

Social responsibility

- Maersk has diversity programs and most well-known is their Danish Headquarters' goal to increase female representation in leadership
- Maersk joined in Logistics Emergency Teams (LET), which is a group founded under World Economic Forum
    - Under UN World Food Program LET provides logistics specialists, assets and transportation service for areas suffering from a natural hazard

Climate and environment

- *"The current political consensus in the UN negotiations leads to an increasing focus on identifying which products and services need to be expanded to enable a transition to a low carbon economy. A focus which is needed to secure a sustained spread of welfare globally and simultaneous reductions in $CO_2$ emissions."*
- It is possible to transport large amounts of goods by sea simultaneously making sea transportation both efficient and environmentally friendly way to transport cargo
- In 2009 Maersk set its first climate change target: to improve the group wide greenhouse gas (GHG) efficiency by 10% by 2012 using 2007 a baseline value
- Maersk has ballast water management plans and ballast water logs on majority of its ships. Their aim is to minimize the use of ballast water and to conduct internal and mid-ocean ballast exchange
- Safe disposal of waste generated both by machinery and by people on board the vessels is another item worked on by Maersk. Both Maersk Line and Maersk Tankers have begun a process of rating ports waste disposal facilities

Responsible Business Practices

- *"Maersk is determined to promote fair and clean business. It is part of our values and stakeholders expect it of us. At the same time, we need to navigate in markets where laws are not always obeyed and corruption may be widespread."*
- *"As a global company, with over 100,000 suppliers in more than 100 countries, we can positively influence our suppliers' development by embedding into our supply chain internationally-agreed standards for responsible business conduct in the areas of human rights, labor, anti-corruption and environment"*

TORM A/S has also corporate social responsibility & environment section on their Internet pages. They publish annual CSR reports and, they also share their policy against international piracy (TORM 2010). Like already mentioned TORM is also a large shipping company that operates worldwide. Following examples are from their CSR report of 2010:

- *"Responsible behaviour is central to TORM's business and culture. We bring value to our customers by taking their cargo safely to its destination in a responsible manner. Toward our employees we have a great sense of responsibility for their health and safety, not least due to their unique working*

*and living conditions on board a vessel at sea. As for the environment, we seek to limit the impact of our operations"´*

- *"We have been monitoring our performance on quality and health, safety, security and the environment (HSSE) for many years. More recently we have enhanced our focus on business ethics and responsibility in the supply chain, which will be new focus areas in 2011."*

- *"TORM was the first Danish shipping company to sign the UN Global Compact in 2009, and we continue the support of the 10 principles, which remain an important vehicle to document and communicate our CSR efforts. "*

Dampskibsselskabet Norden A/S is also a globally working shipping company and they have included a corporate social responsibility section in their Internet pages and also annually published CSR reports. (Dampskibsselskabet Norden 2010). They have also a section about maritime safety, which is relatively rare among Danish shipping companies. Many shipping companies are concerned about maritime safety but only few are willing to share their views of it. Following example describes their Dampskibsselskabet Norden A/S's best industry practice:

- *"Quality on board the vessels concerns safety, environment, service as well as efficient operation. In practice, this means that we will not alone comply with the legislation and the common standards agreed but in a number of areas we will go even further. It must be safe to be on board our vessels. They must navigate with a minimum of environmental impact and, at the same time, our crew must provide optimum service in interaction with customers and authorities."*

J. Lauritzen A/S is a Danish shipping company and it uses the good corporate citizen definition to describe its corporate social responsibility policy. The responsible business has been part of J. Lauritzen's values for over a century. As one of the oldest and largest shipping companies in the world they claim to have responsibility to act as an example for other shipping companies. Company has also their own charity foundation, which provides support and funding for various humanitarian projects in Denmark and abroad. (J. Lauritzen 2010)

VT Shipping A/S is a part of Vattenfall energy supplying company and shipping is not one of its core processes. However as an energy supplying company it has large sections for corporate social responsibility policy on their Internet pages, but as for all of the energy supplying companies, those sections cover their responsibilities as an energy supplier and not as a shipping company. (Vattenfall 13.07.2011.)
Hess Denmark ApS is an energy supplying company that also builds and operates oil platforms. They have also a large section committed to their corporate social responsibility on their Internet pages and annually published sustainability reports since 2000. In their social responsibility section they emphasize their occupational health care and communality amongst their workers. (Hess 2010).

Monjasa A/S is a large globally operating bunker company. They are a good example of a shipping company that follows the principles of corporate social responsibility and

even inform about their responsible business practices, but do not use the term CSR on their Internet pages. It might be a conscious decision, or just a lack of knowledge of the term CSR. (Monjasa 13.07.2011).

## 4.2. Shipping companies in comparison

It can be seen from these results that CSR is an increasing trend amongst shipping industry. It is not yet as remarkable phenomenon as in the land based industry, but it still is clear that CSR is going to be as important to the shipping companies as it already is to the companies, which operate on land. Land based companies have used CSR as a tool in solving challenges created by globalization and many land based companies expect also their suppliers and business associates to commit to the responsible business (DNV 2004). Since shipping companies are often those suppliers, they had to adopt the idea of CSR and start to use it themselves. So shipping companies increasing awareness to use CSR can be seen as an answer for the demands set by land based industries.

*Table 4.2. Terms and number of mentions in researched Internet pages*

| **Term** | **Number of mentions** |
|---|---|
| Marine Safety | 7 |
| Environment | 52 |
| Social responsibility | 27 |
| CSR | 17 |
| Safety | 41 |

As can be seen from the Table 4.2, environment related mentions were the most used ones on the Internet pages researched, second were safety related mentions. These two formed the most usual combination that could be observed. Social responsibility and HSE (human resource, safety and environment) were also relatively often mentioned. However, the term CSR was mentioned only on 17 Internet pages of the 143 researched shipping companies. Those companies, which mentioned the term CSR, were either large internationally operating companies, suppliers for the energy sector or subcompanies of the energy sector. Only seven shipping companies mentioned marine safety on their Internet pages and, like in the case of CSR, most of them were multinational companies, which operate worldwide.

Comparison of the different sized shipping companies shows that most large and multinational shipping companies are well aware of CSR. Shipping companies like TORM and Stena line operate worldwide and as suppliers to many other industries, they have developed their CSR system quite extensively. These large shipping companies also recognize the brand value of CSR; acting responsibly is a key role to gain positive reputation amongst customers and since CSR is a tool for responsible business, many large shipping companies are willing to share their CSR strategies publically. This is a trend, which started amongst large, internationally operating shipping companies and

has spread to medium sized companies, which also seek to use CSR effectively as a part of their marketing strategy in order to compete with larger companies. CSR is well known and well used in larger and medium sized shipping companies but only few small shipping companies use it as a strategic tool or advertise their responsible business on their Internet pages. Even though CSR is not a new term, it might still be less known amongst the shipping industry (Fafaliou et al 2006). Smaller shipping companies, which operate locally with one or more vessels don't necessarily have any means to gain information about CSR.

Comparing different type of shipping companies leads to large variance in results. Cruise shipping companies have usually straight contact to the customers and the competition between the cruise ship companies is fierce. Since these type of shipping companies are dependent on their passengers feedback, their reputation is much more vulnerable comparing to other shipping companies. Therefore cruise shipping companies have pressure to act responsibly, because if knowledge of their poor social performance spreads into public, their business can suffer severely. Thus shipping companies, whose core business is passenger transport, usually have safety and environmentally related sections on their Internet pages, because CSR has such a crucial impact to these companies. Those sections or reports are often directed to the customers, to whom they share information and base level knowledge of company's CSR actions. These sections can be seen part of company's marketing strategy since they are made for the customers.

Shipping companies, which operate with oil and gas industry, have also relatively high awareness of CSR. Shipping companies with tankers often use same performance requirements as the oil and gas industry companies, since they act as supplier for them. Some energy companies also have their own vessels or a subcompany for transporting their own products, like Neste Shipping Oy. These shipping companies often have large sections concerning CSR on their Internet pages. However since shipping is not the company's core business, in the CSR section is rarely mentioned anything specific regarding maritime safety or marine environment.

According to the research conducted, the bulk shipping companies were least aware of CSR. However many larger dry bulk operating companies had safety & environment related sections on their Internet pages and even some of the smaller operators mentioned that acting responsibly is part of their business strategy. It can be seen that since bulk companies are often suppliers to other industries, the use of CSR is increasing amongst these companies.

Based on this research, it is clear that CSR as a term and as a tool is spreading to the shipping industry. Many shipping companies nowadays want to profile themselves as a quality shipping company and CSR gives tools to promote sustainability, social performance and safety for their customers.

## 5. CONCLUSIONS AND DISCUSSION

Companies have pressure to be cost efficient, as customers want to pay less for products. Therefore companies try to be as cost efficient as possible. One possibility is using labor from countries with cheap labor force. Transportation costs are one way among many, how companies can lower their operating costs, when their only business strategy is to offer services at lowest cost. Since customers of transportation companies only care about their transportation costs, transportation companies need to reduce costs in all areas of business, which can lead to irresponsible business practices and to general neglect for safety. The pressure to be cost efficient is even higher on maritime transportation sector, because for years it has been the cheapest way to transport goods all over the world. In order to be safe and punctual transportation method, shipping needs to follow international laws and regulations, which may cause conflict between safety management and constant need to be cost efficient. Therefore shipping companies, which are following these rules, usually follow the bare minimum or the base level of safety, environment and social management. Since their responsible actions are to merely follow the rules and the bare minimum, according to international regulations, it can not be defined as responsible business, since CSR is based on voluntarism to act responsibly. However, because customers now demand more than just the lowest prices for products they purchase, responsible business culture and CSR terms has spread from land based industries to shipping industry as well. Increasing trend shows that shipping industry already use CSR and acts responsibly, not just following international rules and regulations, but also voluntarily, acting responsibly on their own areas of business.

Responsible business creates positive image and reputation to a company and also helps to preserve the image thorough crises, like accidents or oil spills. Company, which is caught acting irresponsibly by customers, audits or NGOs may suffer from a weakened brand value, which has a negative effect on the company in economical sense. However, only few companies get caught.

Acting responsibly can not be seen as only a way to increase and preserve the good reputation of the company. According to several studies (Cochran and Wood 1984, Aupperle, Carrol and Hatfield 1985, Lockwood 2004) CSR can increase company's economic growth in the long run. CSR is not just a tool to act responsibly in a business environment; it is also a tool to improve company itself. Many CSR methods are directed to improve benefits of the workers, by improving working environments, creating safer working methods and prolonging careers. Especially in shipping industry, satisfaction of the workers to their working environment is crucially important, because of challenging schedules and long working periods on board. Skilled workers can be seen as strength to a company and worth for keeping. Human resource management has an important role in the shipping industry, since the workers often come from different backgrounds and nationalities.

According to this research shipping companies are willing to act responsibly and many of them are able to use CSR as a part of their marketing strategy. Several examples from

their Internet pages showed that shipping companies can act responsibly and are willing to develop their CSR strategies in order to ensure sustainable transportation for products and passengers. Large and medium sized shipping companies have adopted CSR terms and are using them effectively together with their customer companies. Smaller shipping companies are still trying to find ways to promote their responsible business as a strategy. However, those small companies might have a lot of potential to act locally and sustainbly, they just need to find a way to emphasize it to the public. Study of small Greek shipping companies' awareness of CSR, shows that many small shipping companies have the will to act responsibly, despite their limited human resource management (Fafaliou et al 2006). Same willingness can also be seen in small shipping companies around the Baltic Sea.

Shipping is international business, which affects the lives of many people worldwide. Thus it also has a large impact globally. By acting responsibly shipping industry does not only promote responsible business to other shipping companies, it also promotes it to other land based companies and encourages also them to act responsibly. Since shipping industry has adopted the policy of CSR it will also spread it to other industries.

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