



# Binding rules or voluntary actions? A conceptual framework for CSR in shipping

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**Abstract** The debates on the need for new approaches to govern the globalized maritime industry and to address the negative environmental and social impacts of shipping have been extensive during the last decade. Public regulation based on international conventions is universal and global in scope, but it is facing several implementation gaps. Private regulation in shipping can complement the public regulation, but it is partial in its scope both thematically and geographically, and it relies on actors' commitment. Therefore, the central dilemma is how to effectively combine both public and private regulation in shipping in order to make it environmentally, socially and economically sustainable. Given a variety of private forms of regulation, this research concentrates on corporate social responsibility (CSR) as a special form of private self-regulation. Building upon a new institutional framework, this paper seeks to reconstruct the theoretical reasoning behind the expectations that the proliferation of CSR can improve the negative effects of shipping. Based on an extensive review of the literature, the following questions are addressed: (1) How does CSR function as a form of self-regulation in the shipping industry? (2) How can CSR as a form of self-regulation contribute to the renewal of maritime governance to ensure a better quality of shipping? The paper concludes with a discussion of the prospects for co-regulation to address the adverse impacts of shipping.

**Keywords** Shipping · Regulation · Corporate social responsibility · New institutionalism

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## 1 Introduction

Shipping causes various adverse environmental effects (Asariotis and Benamara 2012; Corbett et al. 2007; Coto-Millán et al. 2010; Kalli et al. 2012; Lack et al. 2009; Psaraftis and Kontovas 2010). Also, the socio-economic problems regarding maritime safety, working conditions of the seafarers and corruption in the shipping industry have been pointed out in previous studies (Couper et al. 1999; Obando-Rojas et al. 2004; Bloor et al. 2004). Therefore, the central governance dilemma is how to effectively combine both public and private regulation in order to make shipping environmentally, socially and economically sustainable. Since traditional maritime regulatory framework—where international conventions form the backbone—has been acknowledged as ineffective (Sampson and Bloor 2007; Bloor et al. 2013; Knudsen and Hassler 2011) and Roe (2012) even speaks of ‘maritime governance failure’, the potential of private self-regulation to correct the implementation failures is of particular interest. The present regulatory framework regarding shipping relies on implementation and enforcement of international standards by individual states (acting as port, flag or coastal states), so implementation of the international regulations is done at national level. However, there is significant variation in the willingness and ability of individual states to enforce the international regulations and sanction non-compliance (Alderton and Wichester 2002; Bloor and Sampson 2007). Therefore, to make shipping more sustainable, both public and private sector actors have sought for alternative ways to regulate shipping. Besides, international law governments can use financial, informational, partnering and hybrid policy instruments (Bemelmans-Vidéc et al. 1997; Steurer et al. 2012). Along with the efforts of the public sector, several self-regulatory measures were developed by the shipping industry actors in cooperation with each other, as well as in collaboration with public sector and non-governmental organizations (NGOs).

This paper contributes to the research on maritime governance<sup>1</sup> by concentrating on corporate social responsibility (CSR) as a special form of private self-regulation. Outside shipping, incorporating multi-stakeholder strategies has become popular and government authorities are seeking partnerships with private sector actors. Public policies that favour industry’s self-regulation and promote CSR thus complement conventional command-and-control regulations (Steurer et al. 2012). The literature on CSR in shipping is scarce, and the existing contributions say little about the implications of CSR on public policies and shipping regulation, especially regarding how CSR fits into the existing regulatory framework and how the public sector and governments address CSR (Steurer 2010; Steurer et al. 2012). This research seeks to reconstruct the theoretical reasoning behind the expectations that the proliferation of CSR can improve the quality of shipping (Shinohara 2005). Unlike managerial and business studies, which focus on questions such as why companies engage in self-regulatory practices

<sup>1</sup> Extensive use of the term ‘governance’ in various disciplines (e.g. political science, management, organizational studies, economics) and its embeddedness in the political agenda beyond academia has led to substantial blurring of its substantive boundaries (Benz and Dose 2010; Stoker 1998). This paper adopts a broad understanding of governance, taking into account the existence of various ways in which governance denotes a capacity to ‘get things done’, drawing upon multiple actors, various rules that structure the actions of the actors and different modes of coordination between these actors (Kooiman 2003; McGinnis 2011). For the purpose of this paper, we define maritime governance as a process in which institutions are shaped, interpreted and reshaped.

and what these practices bring to them, this paper takes a policy studies perspective on CSR to assess its relevance to and feasibility for shipping as a regulatory instrument. In particular, the following questions are addressed: (1) How does CSR function as a form of self-regulation in the globalized shipping industry? (2) How can CSR as a form of self-regulation contribute to the renewal of maritime governance to ensure a better quality of shipping?

The analytical framework of this article is based on a new institutional theory (Campbell 1998, 2006, 2007; Matten and Moon 2008; Koos 2012; Brammer et al. 2012.) New institutionalism underlines the importance of formal and informal rules, norms and shared understandings as the crucial structures regulating desirable or unwanted behaviour both among the actors in the industry in question and those responsible for policymaking and regulation (North 1990; Hukkinen 1999). The institutional analysis highlights that the concept of CSR touches upon fundamental issues regarding public and private regulation, the responsibilities of companies towards the society and the consequences of their activities to the environment at multiple geographical scales from local to global (Gjolberg 2011). Regarding the effectiveness of self-regulatory initiatives in general and CSR in particular, institutional analysis stresses informal institutions that are enabling collaboration, trust and transparency as critical factors ensuring compliance (Ostrom 2005). The paper shows that maritime governance can be made more effective by mixing public and private as well as mandatory and voluntary forms of regulation.

The paper proceeds as follows. In Section 2, the negative environmental and social impacts of shipping are briefly presented, and the attempts to mitigate these problems by public and private regulation are discussed. In Section 3, the concept of CSR is introduced. Basing on the institutional theory, Section 4 analyses CSR as a form of private self-regulation and provides a conceptual framework for understanding CSR in shipping. Section 5 discusses the findings and Section 6 concludes with an outlook on developing co-regulation by moving beyond the traditional regulation vs. self-regulation dichotomy.

## 2 Addressing adverse effects of shipping through public and private regulation

Shipping has various environmental, social and economic impacts. Even though the main pollution sources of the seas are located on land (National Oceanic and Atmospheric Administration (NOAA) 2013) and the global emissions caused by shipping per units of transported goods are lower compared to air or truck transport (Christ 2009, p. 10), maritime transport contributes to several environmental problems.<sup>2</sup> The constantly growing intensity of shipping is the main cause of the acceleration of global problems such as bioinvasion (Seebens et al. 2013) and air pollution, contributing also to climate change (Gilbert 2013). Locally, shipping and port activities cause pollution and environmental degradation (Klopott 2013). The negative environmental impacts of shipping on the natural environment, human health and coastal

<sup>2</sup> The main negative environmental impacts of shipping include harmful emissions to the air (SO<sub>x</sub>, NO<sub>x</sub> and PM) and CO<sub>2</sub> emissions that contribute to global climate change (Gilbert 2013); the spread of alien species in ballast water and in the hulls of the vessels; pollution by oil and hazardous or toxic substances from incidental, operational and illegal charges; discharge of wastes from ships; pollution and physical impact through loss of ships and cargo; harmful underwater noise; and collisions with marine mammals (OSPAR Commission 2009). In addition, shipping causes coastal erosion and above-water noise.

communities' well-being have brought shipping into the realm of public policy (Corbett and Winebrake 2009a; Ehlers et al. 2002; Roe 2008; 2012; Scott and Sinnamon 2009). Among the socio-economic problems posed by shipping, corruption and bribery, e.g. in the form of facilitation payments to speed up port operations (Andersen 2012); money laundering (Maltezou 2013); piracy (Fu et al. 2010; World Shipping Council 2014); and the poor working conditions of the seafarers (Couper et al. 1999) are often named. The negative implications of shipping have been addressed through a variety of technical and regulatory solutions.

In the second half of the twenty-first century, an intricate plethora of international and regional organizations, agencies and conventions was created to address the adverse effects of maritime transportation. International maritime law has embraced command-and-control rules and regulations aimed mainly at improvement of maritime safety and reduction of vessel-based pollution. After ratification, the international conventions are implemented by the nation states at national and supranational (EU level) in the form of laws and regulations (Hyvättinen and Hildén 2004; Lauer et al. 2009; Psaraftis and Kontovas 2010; Tan 2006). However, the enforcement rates of global shipping regulation are poor (Bloor and Sampson 2009; Bloor et al. 2006; Knudsen and Hassler 2011). One of the main difficulties arises from the absence of enforcement mechanisms to ensure efficient and unified compliance with international regulation. Non-compliance with public international law can only be sanctioned at a national level as a case of violation of flag, port or coastal state regulation, but there is a significant variation regarding how individual states implement and enforce their regulations (Alderton and Wichester 2002; Bloor and Sampson 2007; DeSombre 2006, 2008, 2010; Hassler 2011; Roe 2012). Moreover, the traditional regulatory paradigm is functioning according to 'polluter pays' principle, one of the grounding principles of international environmental law, thereby aiming to reduce vessel-based pollution by targeting vessels directly, i.e. putting the most pressure upon the ship owners. The current regulatory system therefore ignores the users of the maritime transport services (Rodrigue et al. 2009). These pitfalls in the existing regulatory framework and in the enforcement capacity of the nation states, the mobile nature of shipping, and complex ownership structures of the vessels enable operating substandard vessels without being caught or punished (Stopford 1997; Alderton and Wichester 2002; Bloor et al. 2013). Eventually, the traditional regulation framework has not been able to prevent non-compliance, since it does not give incentives for exceeding the minimum requirements and fails to integrate all the relevant stakeholders.

Problems of the implementation and enforcement of the existing public regulation have turned attention to private self- and co-regulatory arrangements in shipping (Corbett and Winebrake 2009b; Frynas 2012; Tan 2006). Already more than a decade ago, Furger (1997) showed that international shipping functions are based on a wide variety of systems of private regulations that are complementary to their public counterparts. Bennett (2001, 2000) investigated the role of P&I clubs in improving the quality of shipping operations, concluding that the contribution of private actors remains modest in comparison with the role of public regulation. Shinohara (2005) studied 'Quality Shipping' as an incentive scheme. He concluded that the quality of shipping cannot be improved unless the external stakeholders, e.g. the cargo owners, start demanding better quality and all the actors involved in the maritime transport change their mindsets to take, for example, safety and environmental issues more seriously. DeSombre (2008, 2009)

studied voluntary clubs (i.e. groups of states or shipowners), the members of which agree to move ‘beyond compliance’. She underlined that these clubs provoke regulatory competition and race to the middle, constituting ‘the only successful mechanisms at raising environmental, safety, and labour standards on ships globally’ (DeSombre 2009, p. 135). All these contributions investigated voluntary regulation, which is embedded into the maritime governance framework. New approaches were simultaneously developing in the shipping industry and among policy makers, including clean, green, blue and sustainable shipping policies. Only a few scholars have analysed these alternative approaches in terms of their ability to improve the failures of traditional maritime governance. The most recent contribution by Wuisan et al. (2012) analysed the Clean Ship Project as a private initiative and concluded that the potential of the initiative is constrained by several factors connected to its legitimacy, trust and robustness. Self-regulatory initiatives such as codes of conduct developed by the Chamber of Shipping, INTERTANKO, INTERCARGO and P&I clubs to assist insurance procedures; vetting developed by OCIMF and CDI; and voluntary certification schemes (Green Award, Right Ship, Clean Ship, etc.) are responses to the call for ‘better quality of shipping’ (Haralambides 1998; Shinohara 2005). The starting point of these private regulatory initiatives is that cargo owners, freight forwarders and the final consumers of the goods transported have started to require quality standards and have put pressure on shipowners and operators. These new approaches aim at changing the norms and raising the standards within the shipping industry.

The new concepts (such as quality shipping, green shipping, blue shipping, clean shipping and the like) recognize the need to develop new types of arrangements, which not only prescribe, prohibit and punish incompliant behaviour, but also encourage the development, introduction and use of improved environmental technologies and practices. In governance terms, these approaches seek to overcome the weaknesses of traditional command-and-control regulation by minimizing the implementation gap through the integration of all the relevant stakeholders to ensure the completeness and attractiveness of the actions undertaken. However, the main criticism exercised vis-à-vis private regulation in shipping is its partiality: the approaches are limited in their reach and only concern those motivated to engage with quality questions, leaving significant room for keeping ‘business as usual’. Thus, it is not likely that a shipowner who operates low-quality vessels and who avoids complying with the mandatory regulations is willing to appreciate any self-regulation either.<sup>3</sup> Finding the mechanisms that would allow the internalization of the negative environmental and social impacts of shipping is among the biggest challenges posed by the current economic and environmental situation.

### 3 Corporate social responsibility and shipping

#### 3.1 Corporate social responsibility concept

Among the multiple forms of voluntary private self-regulation, corporate social responsibility (CSR) represents a specific case. Though multiple definitions have been given to CSR, all of them point out that CSR is concerned with environment, safety, labour,

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<sup>3</sup> We would like to thank an anonymous reviewer for this comment.

customers, investors, community and business ethics (Vogel 2010). CSR can be distinguished from the other forms of private regulation by several characteristics. Firstly, CSR voluntarily goes beyond the existing regulation primarily in matters in which a company exerts an impact on the environment and the society. Secondly, CSR is primarily performed by private business actors who undertake commitments requiring them to make expenditures. Thus, Rasche et al. (2013, p. 654) conceptualize CSR as ‘corporate-oriented’ phenomenon where the main emphasis lies in the corporations and their supply chains, in the practices of the companies and the resources they need, and the consumption and disposal of the products and services. Thirdly, CSR strengthens the regulatory role of private actors (Vogel 2010). Summing up, CSR emerges when private firms assume the responsibility for improving their negative social and environmental impacts. Figure 1 shows a simple single-dimensional regulatory spectrum (based on Bartle and Vass 2005).<sup>4</sup>

Even though the literature on CSR is vast, only a few studies have analysed CSR within the governance landscape as a policy instrument (Brammer et al. 2012; Clapp 2005; Detomasi 2007; Scherer and Palazzo 2011; Steurer 2010; Tallontire 2007; Vogel 2010) and as a complementary tool to statutory regulation. The previous research has mainly addressed CSR from a corporate governance perspective, including (1) why do private actors engage in voluntary self-regulation, i.e. the rationale for CSR (Keim 1978; Lee 2008; Moir 2001; Snider et al. 2003; Windsor 2006), and (2) what are the effects of voluntary self-regulation for corporate performance (Balabanis et al. 1998; McGuire et al. 1988; Tsoutsoura 2004)? CSR is not only a way to enhance corporate performance but also a collective form of self-regulation that challenges traditional forms of governance and (re)shapes the boundaries between public and private, creating new actor constellations and ‘uncommon alliances’ (Pattberg 2005, p. 592). Thus, CSR contributes to proliferation of new forms of governance in which the boundaries between public and private sector regulation are blurred (Scherer and Palazzo 2011). CSR emerges when private actors create, specify, adopt, implement and enforce issue-specific norms, rules and/or strategies, thereby simultaneously appearing as regulators and regulatees.

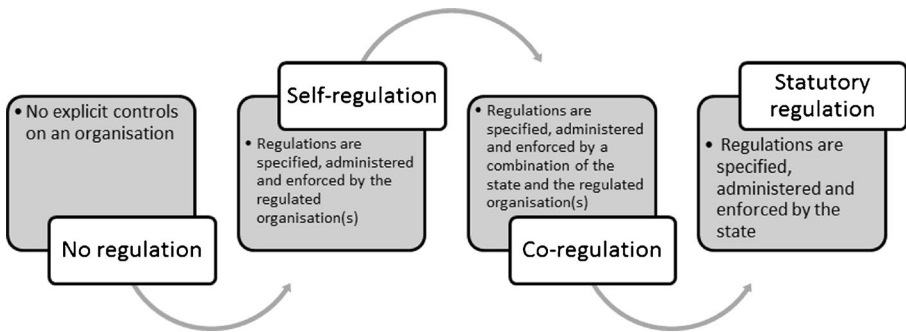
### 3.2 Corporate social responsibility in shipping

In shipping, CSR can be linked with environment, safety, labour issues, customer relations and increased transparency of operations (Roe 2012; Bloor et al. 2013). The concept is new and rather unknown for the shipping industry. Compared to many other globalized industries, e.g. forestry, clothing or chemical production, CSR has had only a modest role in shipping (Det Norske Veritas 2004). The few previous studies on CSR in shipping (Fafaliou et al. 2006; Lu et al. 2009; Bloor and Sampson 2009; Hargett and Williams 2009; Skovgaard 2012; Bloor et al. 2013; Coady et al. 2013) stress the several difficulties applying the concept.

Examples of CSR initiatives among the shipping companies<sup>5</sup> show that CSR activities mainly focus on environmental issues (e.g. cutting air emissions), improving

<sup>4</sup> In the Bartle–Vass classification, CSR is the pure form of self-regulation, since the totality of regulatory practice (specification, administration, enforcement) is performed by the regulated entity.

<sup>5</sup> Based on publicly available sources, e.g. company www-pages and their CSR reports of the following companies: CMA CGM S.A., Evergreen, A.P. Moller-Maersk, COSCO, NYK, MOL, OOCL, Yang Ming, Tallink-Silja, and Wallenius Wilhelmsen.



**Fig. 1** A simple single-dimensional regulatory spectrum

safety, quality management and transparency. Similar to other industries, the biggest companies with global operations have the most comprehensive CSR approach and they have been most active (Arat 2011; Coady et al. 2013). As an example, the CSR priorities for Maersk include labour, human rights, diversity, disaster response and community involvement, and the company is a member in the UN Global Compact (Maersk 2013). Wallenius Wilhelmsen has used low-sulphur fuel in their whole fleet since 2003, and for them, sustainable supply chain means minimal environmental impacts and risks. Their strategic aims include accountability, transparency and constant improvements in environmental issues, investments into future technologies and cultivating partnerships (Wallenius Wilhelmsen 2011; 2013; Bloor et al. 2013). Seen against the three dimensions of CSR (environmental, economic and social), safety is an essential component in all of them in the shipping industry. The economic and environmental benefits of safety often go hand in hand: keeping vessels in a good condition brings cost savings in insurance and fuel costs, causes less harm to the environment in the form of spills and discharges, and helps to attract qualified officers and crew on-board, and maintains a good reputation of the company (Coady et al. 2013). Motivated and well-educated crew in turn is the most important factor in accident prevention and cargo safety (Berg et al. 2013). Thus, investments into safety culture (Veiga 2002; Håvold 2005) can be seen as manifestations of CSR in shipping.

The early adopters of CSR in shipping started to report their environmental and safety performance under the label 'CSR' because cargo owners asked for this information. Container carriers with consumer goods are a good example: consumers and NGOs are demanding traceability and transparency regarding the production conditions of the products (Andersen and Skjoett-Larsen 2009). Producers respond by demanding audits, CSR reports and quality management systems from all the actors of the supply chain, including transport and logistics service providers (Wolf and Seuring 2010). Proximity to consumers increases companies' likelihood of community involvement and CSR initiatives (Haddock-Fraser and Fraser 2008; Koos 2012), explaining CSR reporting by individual shipping companies that transport containers (Maersk 2013) and cars (Wallenius Wilhelmsen 2013), or that operate RoPax vessels carrying both passengers and cargo (AS Tallink Grupp 2011). Operators conducting their business in shipping segments that are the most 'risky', such as oil and chemical transport (Frynas 2012), or in which the pressure is coming from other industries across the supply chain and 'spilling over from one industry to another' (Kovács 2008, p. 1575; Tzavara and Héri-tier 2012) are likely to adopt CSR and other self-regulatory measures earlier than

others. However, as shipping is a business-to-business (B2B) sector, the pressure from NGOs or directly from consumers is negligible (Skovgaard 2012). Neither consumers nor NGOs are interested in how goods are transported (Wolf and Seuring 2010, p. 95), so propositions of the crucial role of NGOs or other ‘watchdogs’ creating pressure on the industry by revealing the safety violations, as well as environmental and social problems caused by the industry in question (Pattberg 2005), do not fit into shipping. Therefore, industry networks and visionary individuals have had a more influential role promoting CSR in shipping.

In summary, CSR has the potential to address the several adverse effects of shipping and to complement the traditional regulatory framework by raising the norms regarding safety, environmental protection and transparency of the operations. In the following section, a conceptual framework is proposed to scrutinize under which conditions CSR will complement the existing system of public and private regulation and help achieve better quality in shipping.

## 4 Conceptual framework to understand CSR in shipping

### 4.1 Institutional approach to CSR as a private form of regulation

The institutional theory has been applied by researchers of CSR for it allows conceptualization of dynamic social processes (Campbell 1998, 2006, 2007; Matten and Moon 2008; Koos 2012; Brammer et al. 2012). The group of approaches under the label ‘new institutionalism’ focuses on studying the process of social development and change based upon an idea of institutions. Institutions are understood as latent structures which function as bearers of social constraints, or ‘rules of the game’ (North 1990) that structure social interactions. Institutions can be formal such as laws, regulation and codified rules. They can be informal, such as unwritten rules and ‘taken-for-granted’ assumptions (Hukkinen 1999). Institutional theories acknowledge that the interpretation which actors give to institutions has a crucial importance, as it allows actors to reshape and re-interpret the existing institutions. This behavioural change further contributes to changes in material reality and in physical environment. Finally, new institutionalism seeks to produce the so-called mid-range theories of the social world, paying attention to the interplay of the general and specific, and emphasizing that depending on the circumstances in place, different types of arrangements may result in varying outcomes. These dialectics of matter and idea, as well as ‘methodological localism’ (Little 1991) manifested in new institutionalism, have been appealing to researchers seeking to understand CSR and to explain its emergence and development as a private form of regulation.

Many authors utilizing the institutional approach have pointed out that the concept of CSR is highly contested and contingent (Lawrence 2007), since ‘CSR rests upon a paradox between a liberal notion of voluntary engagement and a contrary implication of socially binding responsibilities’ (Brammer et al. 2012, p. 3). In particular, an institutionalist investigation of CSR reveals the embeddedness of CSR in socio-political reality, scrutinizes the very notion of ‘voluntary’ as the core of CSR content and seeks to identify the conditions necessary for CSR functioning given both the context and the content (Campbell 2007; 2006; 1998; Koos 2012; Matten and Moon 2008). Following



Brammer et al. (2012), shipping markets do not exist outside social norms, rules and regulations; thus, any phenomena emerging in the markets need to be studied contextually. Being part of society, shipping markets are embedded within social networks that are shaped by institutions that are enabling or discouraging their sustainable functioning. These institutions also shape the operational environment in which the companies are located and conduct their activities as well as the power relations between the actors (Hayter 2004; Hess 2004; Yeun 2005). The institutional environment thus regulates corporate governance (Shinohara 2005). Basing on institutional theory, in the following sections, analysis of shipping is provided, exploring institutional constraints hindering sustainability and encouraging ‘irresponsibility’, as well as examining the nature of voluntarism and the role of external conditions and pressures.

#### *4.1.1 Institutional constraints in the shipping markets hindering sustainability*

Globalization has shaped the shipping industry (Selkou and Roe 2004). The maritime business, especially large shipping corporations, possesses significant power to shape global goods flows, alter their operational environment and ‘adjust’ labour, tax, safety and environmental policies in their own favour. The shipping industry ‘race to the bottom’ started with the proliferation of flags of convenience and continued with more elaborate forms to search for the least demanding regulatory environment and the most public benefits. Practices of ship scrapping (Graham-Rowe 2004) and the recruitment of seafarers and their living conditions on-board (Couper et al. 1999) are obvious examples. These very same companies can respect labour rights, reduce negative environmental impacts and perform other ‘virtuous’ acts—if the corresponding social norms, rules and regulations effectively support them in both negative ‘prohibitive’ and positive ‘incentive’ form (Shinohara 2005). The institutional perspective focuses on formal institutions supporting voluntary self-regulation through such concepts as the ‘shadow of hierarchy’ and the ‘shadow of anarchy’ (Börzel and Risse 2010). In many countries, governments have set standards of ‘socially responsible and sustainable behavior’ by encouraging companies to engage into CSR, by providing information about the concept and by requiring mandatory CSR reporting (Steurer et al. 2012). In the shipping industry, the International Maritime Organisation (IMO) has recently started to promote CSR, an environmentally sound and sustainable shipping (Sekimizu 2012). In contrast to these positive signals of institutional support, it is important to study how and why the prevailing economic institutions allow irresponsibility (Brammer et al. 2012; Doane 2005). The ‘social irresponsibility’ norms seem to be deeply embedded in the nature of shipping markets (Haralambides 1998; Bloor and Sampson 2009; Roe 2012), both at the level of the industry as a whole and at the level of individual companies. The norms and values adopted by the actors shape their everyday activities and long-term investment decisions (Shinohara 2005). How everyday activities are conducted inside individual shipping companies and on-board of vessels matters most in terms of safety and sustainability (Doane 2005).

#### *4.1.2 Voluntarism*

Institutions shape the conceptions of what is considered to be ‘voluntary’ (Andrews 1998). Though the notion of ‘voluntary’ can be understood in a strictly legal sense as

‘not mandatory by law’, this reading of the notion is somewhat naïve from the point of view of the importance of informal rules and norms (Sobczak 2006). Thus, there has been a growing interest towards compliance mechanisms regarding self- and co-regulatory arrangements in recent years (Rasche et al. 2013). The institutionalization of voluntary practices, including CSR, can be interpreted as a signal that it becomes ‘obligatory’ without being ‘legally binding’ as the logic of self-regulation in a strict sense expands upon collectives. In fact, the voluntary aspect of shipping self-regulation can be questioned. When voluntary standards are upheld by shipowners’ associations, like INTERTANKO or INTERCARGO, the ships that are failing to meet the standards lose their institutional bonds to the association and thereby also their reliability, running the risk of losing charterers (DeSombre in Potoski and Prakash 2009). Eventually, the discussion of the extent of voluntarism of self-regulation is connected to the effectiveness of maritime policies. If voluntarism of self-regulation constitutes the core of the response to maritime governance failures (and this argument holds both for the ‘altruistic’ and for the ‘cost reduction’ rationale of voluntary action), voluntarism induced by peer pressure and other non-endogenous mechanisms eliminates its very rationale, resulting in the so-called green wash. Therefore, self-regulation in safety, protection of the environment and respecting labour rights can be successful only if shipping companies truly internalize these values throughout their organization (Shinohara 2005.) The changes in values can be triggered but also hindered by external conditions.

#### *4.1.3 External conditions and pressures*

Finally, institutional theory draws attention to the institutional context in which voluntary self-regulation, CSR in particular, develops. Pattberg (2005) noted that private regulatory forms arise because effective statutory regulation to solve environmental and social questions is lacking—both on the national and on the international level. At the same time, many NGOs have realized that the large trans- or multinational companies (TNCs, MNCs) are not only a cause of but also a potential solution to global problems, contributing with their practices to decreasing information asymmetries. The third necessary ingredient is further social surveillance of corporate activities through extensive media coverage of large accidents in which the companies were involved, functioning upon the logic of reputational concerns and corporations’ motive to protect their image and brands. In addition, micro-level structures, such as the available organizational resources and knowledge to formulate problems in a meaningful way and to exert pressure, for example, towards the industry and commitment at a personal level, have been indicated as necessary conditions (Pattberg 2005).

Putting the conditions identified by Pattberg under scrutiny vis-à-vis the shipping case makes it look like an interesting exception. On one hand, shipping is one of the most regulated global industries, at least regarding the number of legal acts (Alderton and Wichester 2002; Roe 2012). At the same time, shipping regulation has been poor in enforcement with significant variation among states, as was already discussed in Section 2. Interestingly, these discrepancies hold in both compliance-avoiding and rule-seeking behaviours. Furthermore, the demand for a ‘level playing field’ is strong in the maritime industry, and free riders are disliked (Bloor et al. 2013).

At the same time, neither NGOs nor media have had a visible impact on creating public awareness of shipping operations. NGOs have been largely missing from the

shipping realm; media interest was only awoken when large marine accidents occurred and, occasionally, when pirates took over vessels and held their crew hostage. The conditions in which goods are carried globally rarely makes headlines, despite seafarers' working conditions in the worst case resembling slavery (Couper et al. 1999; Progoulaki and Roe 2011). However, shipping stakeholders themselves regularly communicate on the pitfalls of global shipping regulation: forerunner companies (such as Wilh. Wilhelmsen) have given a 'wake-up call' to press authorities to take actions with their proactive CSR practices. In addition, institutions can provide an explanation for the voluntary initiatives and the adoption of CSR measures in shipping companies originating from Nordic countries. Maersk, together with 12 other companies originating from the North Sea region, is demanding stricter regulation for other sea areas and in the main transport hubs, e.g. in the port area of Hong Kong and Singapore (Wang et al. 2013). Eventually, the global shipping industry will be dominated by 'local cases': voluntary self-regulation in shipping at large is marginal, and so far, CSR has played a modest role in shipping compared with many other industries, e.g. the forestry, clothing, chemical and food industries (Arat 2011). However, in those geographical areas where the conditions identified by Pattberg are fulfilled, CSR receives more credit. Such areas include emission control areas (ECAs), regions with effective sanctioning mechanisms, like EU ports, and regions with strong environmental consciousness and public awareness, like Scandinavia (Bloor et al. 2013; Lawrence 2007, p. 168). Since maritime transport is a transboundary industry (Rodrigue et al. 2009), vessel owners and operators from these 'special' regions increase pressure on the vessel owners/operators in other areas to redeem greater equality of the shipping markets. Through these 'filtering' mechanisms, CSR can change the existing shipping practices.

## 5 Discussion

Conceptual tools of new institutionalism were used to show how CSR as a specific form of voluntary self-regulation goes along together with the transformation of governance from the traditional command-and-control system to broader participatory governance. Initially, CSR emerged as a corporate strategy to address companies' impacts upon their social environment in order to increase the profits in the domain of corporate governance. Over time, CSR has penetrated the domain of public regulation when private actors have taken an active role in addressing issues such as safety and global environmental and social problems (e.g. climate change, poverty and barriers to trade) that have traditionally been occupied by the public sector. Simultaneously, the public sector has increasingly started to promote CSR in its own policies, 'in order to complement to conventional social and environmental hard-law regulations' (Steurer et al. 2012.) This shift has become viable due to the more fundamental changes in the way in which collective action problems are solved and issues in societies are addressed.

The analysis of the CSR as a special form of private self-regulation in the shipping industry shows that whereas there are theoretical reasons to assume that CSR has the potential to complement the pitfalls of public regulation. At the same time, shipping as a transboundary and mobile B2B industry, imposes severe limitations on the functioning of voluntary private regulation, which is similar to CSR in other industries with

global supply chains (chemical, clothing, forestry or agri-food). The transnational character of shipping is visible in several ways: the multinational shipping companies (carrying, e.g. containers) are headquartered in one country, the vessels they own may be registered under several different flags, the crews of the vessels comprise of multiple nationalities, the cargo the vessels carry may come from multiple locations on the globe, the cargo is being loaded and unloaded in several different ports in various different locations along the vessels' route, etc. There are thus 'multiple geographies' in place when shipping is practised: a vessel, its cargo and its ownership structures tie together multiple geographical locations with different environmental conditions, regulatory traditions and institutional habits and norms. This poses a considerable challenge for implementing CSR in shipping: under whose 'metrics' and values CSR activities are applied—basing on the institutional conventions and norms in place in the ship owner company's home base, or those practised in some other locations?

Several studies indicate that functioning of CSR differs around the globe (Doh and Guay 2006; Matten and Moon 2008; Steurer 2010; Welford 2004). Some studies also indicate that the CSR activities of the multinational companies coming from the developed world often function as a way to impose the home country's cultural traditions, norms and other institutions to the host countries that often are less developed (Dobers and Halme 2009). Since CSR cannot be uncoupled from its socio-economic background, it must be understood against the respective social norms. The multitude of normative contexts in which every shipping market transaction exists, together with the already-mentioned multiple jurisdictional divides and implementation gaps, adds up to what is called in this paper the 'social irresponsibility' in shipping. This problem is further complicated by a fundamental lack of trust in the shipping industry. Multiple isomorphic regulatory arrangements are used by different stakeholders to 'double-check' each other, which significantly increases the transaction costs. Yet again, the multitude of contexts with their respective, and often conflicting, interpretations of responsibility, transparency and accountability complicates the ability of maritime stakeholders to trace each other's operations. For the end consumers, shipping still resembles a 'black box' (see Andersen and Skjoett-Larsen 2009; Wolf and Seuring 2010). The emergence of corporate social responsibility, in its turn, is often connected with improved transparency, 'in contrast to traditional business self-regulation that is typically exclusively governed and controlled by firms' (Voge 2010). The optimism connected to the proliferation of CSR can thus be supported in so far as CSR helps to enable trust building, accountability and transparency in shipping markets.

Another fundamental challenge to the application of CSR in shipping governance is the nature of voluntarism, in particularly the boundary between 'pure' and 'induced' voluntarism. Many authors have pointed out that monitoring and enforcement are the weakest points of CSR (Campbell 2006) on the condition that CSR is considered as a 'purely' voluntary commitment. A 'purely' voluntary commitment is assumed to be highly effective in solving collective action problems, since actors' motivations are self-governed and there are no incentives to cheat. The positive side of such a 'pure' commitment—the absence of incentives to cheat—is undermined by the vulnerability of such a commitment, since an actor may decide to retreat from the action without further notice at any time. At the same time, such 'pure' voluntarism has one more potentially interesting effect, since an actor (e.g. a shipping company) undertaking a

voluntary commitment changes the status in the governance system from a target to a demander of rules, even though at initial stages, the respective company is the only actor showing commitment. This role change naturally increases the regulatory capacity of the actor. With time, other actors, driven by both altruistic and economic motives, might join the forerunner company in its commitment, thereby institutionalizing this one-actor practice and upholding its status to one of a norm. Steurer (2010, p. 54) helpfully clarified that ‘CSR is voluntary in the sense that it goes beyond what laws require’ but not in a sense of ‘pure voluntariness’. He argued that CSR can soften the dichotomy between regulation (in the command-and-control sense) and self-regulation, facilitating co-regulation as ‘an alternative between the two extremes’ (Steurer 2010, p. 67). Self-regulation can only work if the process starts endogenously and the actors are committed and motivated. ‘Induced’ voluntarism suffers similar deficiencies to any other type of regulation. At the same time, the durability of a voluntary commitment, highly vulnerable in the absence of institutionalized norms, increases in the presence of political support. Summing up, CSR and other forms of self-regulation do not a priori solve problems in maritime governance. Mechanisms for integrating voluntary commitments into the public governance systems are yet to be explicated.

## 6 Conclusion

This research analysed corporate social responsibility (CSR) as one of the forms of private self-regulation. Basing on the institutional theory framework, the research sought to enlighten the theoretical reasoning behind the expectations that the proliferation of CSR can improve the negative effects from shipping. An analytical framework informed by institutional propositions was used to investigate the concept of CSR in general and to reveal its relevance and applicability to shipping specifically. The analysis was based on three analytical categories, representing three dimensions of institutionalist CSR research. The first dimension uncovered the institutional constraints in the shipping markets that are hindering sustainability, the second explored voluntarism as the core of proactive responsibility, and the third investigated the external pressures and conditions outside the immediate realm of the companies that accompany CSR development. This conceptual analysis was undertaken in order to explicate the theoretical reasoning behind the growing support for the proliferation of CSR in shipping. It showed that the potential of CSR to advance maritime governance is neither straight forward nor unconditional.

The theoretical evidence shows that both command-and-control and voluntary forms of regulation have many pitfalls if they are executed alone. Effective maritime governance, with the aim to improve the quality in shipping and to discourage irresponsible behaviour, should thus be based on collaborative efforts utilizing already-existing networks that enable trust building (Steurer 2010). In fact, CSR can be a complement to public regulation in a co-governance system, which will exploit the potential of CSR to increase transparency and facilitate the institutionalization of responsibility norms. Since the tradition for self-regulation, in particular regarding CSR, is young in the maritime transport domain, the maritime actors can learn from the previous critique expressed by many authors (e.g. Doane 2005) and avoid regulatory pitfalls. However, in this constellation, it is important to understand how public and private regulation can

reinforce each other without undermining or duplicating functions. Governments can and already do utilize CSR as a governance instrument, and they can ease the institutionalization process with partnering instruments, by clarifying targets or simply by providing information. Hybrid forms of regulation, such as public voluntary programmes and negotiated agreements between public authorities and companies, could form missing parts of the public regulatory framework in shipping (Frynas 2012). Furthermore, effective governance in shipping can only take place by broadening the scope of the governing actors and governance instruments and a closer cooperation of different actors. Public sector support from flag, port and coastal states, and strong leadership and commitment by the ‘actors of change’ in the maritime industry are required on the road to sustainable quality shipping.

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