

VALUE-DRIVEN CORPORATE SOCIAL RESPONSIBILITY IN PORTS

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Abstract

This paper examines Corporate Social Responsibility concern at seaports where merely the "environmental" dimension takes the most part in the shipping and port literature and aims to present an overview of Corporate Social Responsibility (CSR) implementations of selected seaports in Europe. CSR variables for ports are extracted by the detailed analysis of specific CSR reports, annual and sustainability reports of selected ports. The paper demonstrates how the port organisations develop CSR applications in order to remain competitive in the global scale and this is executed by scanning the ports within the focus of the study according to the CSR-related dimensions (environmental, economic, social, stakeholder, ethical, philanthropic/voluntariness). Porter's Value Chain approach is adopted and a conceptual model encompassing value-driven CSR implementations at ports was developed. The value-driven CSR approach based on the strategies of the ports serves as a comprehensive tool to enlighten both the practitioners and the academics in the assessment of strategic and value-driven CSR practises. Research results indicate that, port authorities emphasize stakeholder and community engagement, voluntary participation on educational, cultural and sports activities and ethical values like transparency by reporting, integrity and honesty.

Keywords: Port, Corporate Social Responsibility, Value Chain, Sustainability.

LİMANLARDA DEĞER ODAKLI KURUMSAL SOSYAL SORUMLULUK

Özet

Bu çalışma ile denizcilik ve limancılık yazınında daha çok çevresel boyutları üzerinde durulan kurumsal sosyal sorumluluk konusu ele alınmakta ve Avrupa'daki seçilmiş deniz limanlarının kurumsal sosyal sorumluluk uygulamalarının belirlenmesi amaçlanmaktadır. Limanların yıllık raporları, kurumsal sosyal sorumluluk (KSS) raporları ve sürdürülebilirlik raporları analiz edilerek limanlar için kurumsal sosyal sorumluluk değişkenleri ortaya çıkarılmıştır. Çalışma ile liman örgütlerinin küresel boyutta rekabet edebilmeleri için gerçekleştirdikleri KSS uygulamaları sunulmakta ve seçilen limanlar analiz edilerek KSS boyutlarına (çevresel, ekonomik, sosyal, paydaşlara ilişkin, etik, hayırseverlik/gönüllülük) göre uygulamaları listelenmektedir. Çalışmada, Porter'ın Değer Zinciri yaklaşımı benimsenmiş ve limanlar için değer-odaklı kurumsal sosyal sorumluluk uygulamalarını kapsayan kavramsal bir model geliştirilmiştir. Limanların stratejilerine dayalı olan değer odaklı kurumsal sosyal sorumluluk yaklaşımı, limanların stratejik ve değer yönlü KSS uygulamalarının değerlendirilmesinde gerek akademisyenlerin gerekse uygulayıcıların yararlanabilecekleri kapsamlı bir çerçeve sunmaktadır. Araştırma sonuçlarında, liman yönetimlerinin daha çok liman paydaşlarının sorumluluğu, eğitimsel, kültürel ve sportif faaliyetlerde gönüllülük ve dürüstlük, raporlamada şeffaflık gibi etik değerler üzerinde durduğu ortaya çıkmıştır.

Anahtar Kelimeler: Liman, Kurumsal Sosyal Sorumluluk, Değer Zinciri, Sürdürülebilirlik.

Introduction

Sustainability issues have started to gain a considerable importance in the port industry, as ports have become more involved in the global supply chains which necessitate the deliberation of social, economic and environmental parameters (Lu, Shang and Lin, 2012). In addition to the sustainability practises adopted by the port authorities, CSR approach encapsulating the port industry by focusing on the various dimensions of environmental, social and economic factors as well as the stakeholder engagement and voluntariness (Dahlsrud, 2006) is deemed essential for port organisations to create value within their operational and strategic environment. Given the importance of the CSR implementations in the port industry, there is an increasing need for research to present a systematic overview of CSR applications and the strategies for the main ports in the world. In the light of this need, the present paper develops a value driven CSR approach to be implemented in the port organisations by determining the main CSR policies and applications of selected ports in Europe. Value driven CSR framework suggested in this study authenticates the main CSR components in the port value chains and offers a modified value chain model for port organisations attempting to be integrated to the port value networks by not only meeting the desired profit levels but also by providing the favourable benefits to the environment, community and the relevant stakeholders.

This research is structured as follows. The study starts with an initial discussion of CSR concept. Building upon the recent literature review on CSR in general, studies conducted in CSR field within the context of the shipping industry and the ports are presented together with the related applications in this field. Following the specified literature review on CSR, shipping industry and port management, port value chains within the consideration of port value network and value constellations are discussed. The methodology of the study is briefly explained by presenting the critical steps of the research. A detailed review of the CSR practises of the selected ports in the study is critically examined. Then, the synthesized version of the traditional port value chain concept enriched by the CSR philosophy, CSR-related parameters and the practises of the various port organisations is highlighted through the schematization of the main and the supporting port activities. Finally, the study is concluded with the main findings and the discussions followed by the managerial and academic implications and lastly the limitations of the research as well as directions for further research.

1. Corporate Social Responsibility: An Overview

CSR centres on the idea that an organisation can be held responsible in terms of its main actions within the field of social, environmental, economic, ethical and stakeholder-related issues. CSR is viewed as a social construction by Dahlsrud (2006) and through a content analysis of CSR definitions, five dimensions of CSR have been reached as environmental, social, economic, stakeholder and

voluntariness dimensions. Andersen and Skjoett-Larsen (2009) focused on two dimensions of CSR as the one that describes the relationship between business and the larger society and secondly as the one that refers to company's voluntary activities in the area of environmental and social issues (Hill, Stephens and Smith, 2003; McWilliams and Siegel, 2001). A definition of CSR covering both five dimensions has been made by European Commission (2001:6) as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'. In 2011 Commission put forward a new definition of CSR as 'the responsibility of enterprises for their impacts on society' (European Commission, 2011:6). Although such definitions clearly define the main content of CSR, Hill, Stephens and Smith (2003) argued that a single definition of CSR is elusive since the beliefs and attitudes about the nature of the relationship between business and society fluctuate in line with the relevant issues of the day. Van Marrewijk (2003) declared that organisations should have a definition based on the stage of development, awareness and ambition of each organisation rather than a 'one size fits all' approach. This brings out the absence of a universally applicable definition of CSR (Donaldson and Fafaliou, 2003). CSR has become a concept that continuously evolves and extends to various supply chain partners including suppliers, customers and service providers. The logistics and supply chain research investigated CSR from different perspectives including a single function of logistics management such as purchasing (Carter and Jennings, 2004; Salam, 2009), its application in the supply chain of a specific industry (Maloni and Brown, 2006), conceptual investigation such concept within the logistics and supply chain management (Carter and Jennings, 2002a) or its relationship with logistics performance (Goldsby and Stank, 2000). Although the recent literature studied the general elements of CSR in supply chain management (Carter and Jennings 2002b; Carter, 2004), different industries may require unique applications regarding the adaptation of CSR into their supply chains. Also the main motivations for the need to apply CSR implementations in their organisations may differ depending on their size, strategies, business focus etc. There are many reasons for companies to implement CSR practises such as the desire to provide leadership in the marketing, publicity and innovation (Maignan, Hillebrand and McAlister, 2002); globalisation, regulation and sustainable development (Panapanaan, Linnanen, Karvonen and Phan, 2003). Therefore, increasing number of companies has implemented environmental reports, sustainability reports and strategies and voluntary codes of conduct. Corporate social responsibility and sustainability have been considered as the same concepts since they have followed parallel evolutionary paths regarding the understanding that the company's survival is not only related to its own well-being, but also its reaction to the natural and social environment in which it operates (Hildebrand, Sen and Bhattacharya, 2011).

There are different approaches to CSR supported by the consideration of various models. Early models of CSR emerged in 1960s and as a very well-known

CSR approach, Carroll (1991) suggested a model advocating that CSR should be framed in such a way that a total range of business responsibilities are embraced. According to the pyramid model of CSR suggested by Carroll (1991), the total CSR of business necessitates the fulfilment of the company's economic, legal, ethical and philanthropic responsibilities which lead to Corporate Social Performance (CSP) and Corporate Social Responsiveness concepts. Since an organisation's principal role is to produce goods or services that the consumers needed and to make an acceptable profit, the economic factors play an important role in the survival of the organisation in a profitable way. Apart from economic responsibilities, organisations should comply with the laws and the regulations promulgated by the related authorities. On the other hand, ethical responsibilities manifest the standards, norms or expectations that reflect a concern for what consumers, employees, shareholders and the society consider as fair, or in keeping with the respect or protection of stakeholders' moral rights (Carroll, 1991). Philanthropy encompasses 'the corporate actions that are in response to society's expectation that business be good corporate citizens' (Carroll 1991:42). This is closely linked to being actively engaged in programmes to promote human welfare and goodwill. Schwarz and Carroll (2004) replaced the pyramid model with a Venn diagram and abandoned the philanthropy variable since it is not considered as a social responsibility due to its discretionary nature. Meehan, Meehan and Richards (2006) offered a different model so-called 3C-SR model which suggests that corporate responsibility and corporate citizenship require three simultaneous elements of commitment, connections and consistency. Such changes and modifications regarding the main determinants of CSR concept can basically be due to the changing business environment, globalization, increasing awareness regarding the ethical issues and environmental concerns and the expectations of the various stakeholders of the organisations. Shipping, as one of the most dynamic industries in the international context is also quite prone to considerable changes as well as the CSR implementations due to its character interacting with numerous stakeholders, being in a highly regulatory environment and acting as business which is considerably expected to be sustainable. In the light of these, the next section presents a general overview of CSR concept within the port industry.

2. The Nexus Between The Corporate Social Responsibility and The Port Industry

Heightened interest in CSR applications of the ports in recent years has stemmed from the increasing attention on the port supply chain systems, advent of globalization and global supply chains which have reflected in increased complexity and new demands for advanced environmental, social and economic implications. As ports are strategic nodal points in the logistics and supply chain systems (Robinson, 2002), their strategies regarding the application of CSR practises may differ compared to the other members of the supply chain. Although there is a limited research on pure CSR applications of ports, the research area which could

be linked to various dimensions of CSR such as the environmental and the social issues at the port organisations is quite diverse. While some studies heavily focused on the environmental issues (Kolk and Van der Veen, 2002; Adams, Quinoez, Pallis and Wakeman, 2009), some discussed the Corporate Social Reporting concept within the context of Australian ports (Grewal and Darlow, 2007) and the others investigated the sustainability practises regarding the ports (Lu, Shang and Lin, 2012; Denктаş Şakar and Karataş Çetin, 2012). Kolk and Van der Veen (2002) examined how ports deal with environmental issues in their strategies and relationships with stakeholders and other companies by discussing the win-lose situations resulting from societal debate that the port organisations face. In the qualitative research study conducted by Grewal and Darlow (2007), business paradigms of Corporate Social Reporting which are firstly the philosophical drivers (societal demands for inclusivity and accountability and governmental demands for transparency), secondly the management concerns and thirdly the key benefits expected to achieve from Corporate Social Reporting including trust and reputation and important cost savings were investigated from the viewpoints of Australian ports. Sustainability is one of the hot topics both in the shipping and the port management literature and it is often associated with CSR concept. The basic underlying parameters for the determination of port sustainability can be listed as; social, economic and environmental factors (Covil, 2012). Social dimension has basically been considered from the view point of stakeholder relationships of ports in the relevant studies conducted by Notteboom and Winkelmanns (2002), Doms and Verbeke (2007), Winkelmanns and Notteboom (2007), Doms, Verbeke and Haezendonck, (2012). In a survey conducted by Verhoeven (2011) for European Seaports Organisation (ESPO), 45% of the responding port authorities mentioned that they had a formalized CSR policy whereby the port authority integrates both social and environmental factors in its operations and in its interaction with its stakeholders voluntarily. From the social point of view, the dissemination of related CSR activities to the relevant stakeholders of the ports and the active management of stakeholder relationships within the port can be employed as the main social dimensions of CSR.

The main determinants for economic principles in the port organisation are that society expects the port organisation to fulfil its economic mission and objectives within the scope of legal requirements. Main economic principles that the ports should follow can be listed as; the maximization of handled tonnage, maximization of added value, maximization of the profits of the companies actively working in the port and increasing the profit of the port management company itself. In terms of the legal responsibilities, local, national and the international laws set out the legal requirements that the port organisations should obey. Adams *et al.* (2009) highlighted that regulatory compliance can be considered as one of the motives for a port entity to invest in improving its environmental performance. Ethical responsibilities are mainly concerned with environmental issues of the port (air and noise pollution within and around the port area, solid waste, land use,

recycling of water resources and ballast water, cold ironing and alternative energy sources, existence of environmental monitoring programme) as well as equal and reliable information sharing with the relevant stakeholders of the port, ethical purchasing agreements with the related suppliers of the port or efforts to combat green washing activities, working against corruption, etc. Finally the philanthropic responsibilities are the ones that the port organisations can consider even if there are no clear-cut social or economic benefits. The ports can adopt cause-related marketing activities under which their organisations invest in social causes that complement their corporate brands. These may include providing university scholarships for members of the local community, sponsorship of a major art exhibition etc. Considering the main elements of CSR from the view point of ports, it is obvious that the value that the port organisations should create typically depends on their ability to integrate CSR practises into their value chain systems. By doing so, a true value-driven CSR approach can be adapted in the port systems through the integration of main elements of CSR together with the main components of the value chain.

3. Value-Driven Corporate Social Responsibility in Ports

Value chain is a term which has extensively been discussed by a great number of scholars and practitioners as the concept which maps out the activities and the strategies that organisation should follow in order to remain competitive and achieve competitive advantage. Porter (1985) introduced the value chain concept in order to examine a firm can create a sustainable competitive advantage in its related sectors. The primary objective of value chain management is dictated as the integration of the value chain partners leading to improvement in efficiencies and resulting in value creation to the stakeholders (Ilyas, Banwet and Shankar, 2006). The various concepts regarding the value such as value creation in ports, value-driven chain systems or port value chains have become one of the critical issues in the port studies since it is the starting point for many ports to differentiate themselves in the highly competitive port industry. Robinson (2002) states that ports should be considered as the key elements in value-driven chain systems. By considering the ports within the view of channel management, Bichou and Gray (2005) argued that the channel management approach transforms various port operations to flows and processes related to a chain of activities of other parties or actors in the supply chain of the port to obtain a higher value to the customers. Ports are no longer seen as the organisations that compete simply on the basis of operational efficiencies but also on the basis that they are integrated in supply chains that offer the customers greater value (Robinson, 2002). The ports' contribution to the satisfaction of their customers depends also on the ability of logistics and transport operators to be involved in the value creation (Carbone and De Martino, 2003) which emphasizes the role of the stakeholders in the value creation stage of the ports. Hence, ports should act as the organisations that consider and understand the needs of the users and

stakeholders and serve them accordingly. This could be mentioned as one of the most important strategies of the ports that they can win the battle against their competitors via 'capture value' strategies that address unsatisfied needs and exploit relevant opportunities (Magala, 2008). Capturing value within the port systems can be achieved by recognizing the main activities and the supporting activities within the value chain of the port, understanding the main strengths and the weaknesses related to these activities and disseminating the benefits achieved as a result of successful management of the activities in the value chain. The benefits should also be shared by the port organisation with the partners in the value network of the port. This necessitates the adoption of value-driven CSR approach to be employed at the ports. By opening up a new insight, Porter and Kramer (2011) pointed out that shared value is a concept which enhances the competitiveness of a company while improving the economic and social conditions in the communities in which it operates. This supports many models and dimensions listed in the CSR literature by highlighting that the organisations can only be considered successful until they share the value created by the operations with their members and the stakeholders. In the light of the port systems, any failure to achieve the shared value may bring out some unfavourable consequences. For example, failure to meet the needs of the social needs of the parties in the value network of the ports may cause social harms as well as internal costs such as excessive waste of energy, accidents both related to the ships and the port infrastructure or the educational needs of the port labour in order to decrease the inadequacies. Although there may be internal costs occurred at the ports due to the aforementioned issues, some favourable consequences could also be achieved that the ports may find opportunities to be open-minded for innovations and to improve their infrastructure, superstructure, operations, productivity, and the marketing strategies.

Ports can create economic benefits by creating societal value. Three possible ways of doing this as adopted from Porter and Kramer (2011) can be suggested from the ports' perspective as; (i) reconceiving the services that the ports provide to their customers in a way that would include all the relevant dimensions of CSR; (ii) redefining the productivity in the value chain of ports and applying the relative productivity measures to the activities in the value chain and finally (iii) building supportive industry clusters mainly including the stakeholders of the port. Port value chain was defined as; 'a system of interacting functionally and spatially regionalized units, rather than to individual terminals, warehouses, rail, trucks etc. only' (Vitsounis and Pallis 2012:6). In Robinson's (2002) model of the port value chain, it is shown that various flows and relationships including the fragmented systems of many port users, customers and the stakeholders to a fully integrated systems controlled by an upper level players-so-called-mega carriers. Doms and Verbeke (2007) adopted the value chain concept to port organisations including the primary activities as; building and maintaining port infrastructure, operation and exploitation of port infrastructure, marketing and sales of

infrastructure as well as the supporting activities. They also discussed how stakeholder management can be injected in the different activities of the value chain of the port authority and added that stakeholder management can ideally be adopted in all primary and supporting activities. This shows that interrelations and the interdependencies play a very important role in the value creation as well as the sustainability of the ports. According to the port competitiveness framework based on a value constellation concept suggested by De Martino and Morvillo (2008), value is generated by collaborative effort of port actors for satisfying the needs of the customers. This is basically achieved through the exploitation of interdependencies-classified as serial, pooled or reciprocal- between port supply chain systems. De Martino and Morvillo (2008) also shed light on the role of port authorities in identifying the possible resources which motivate the improvement of inter-organisational relationships between port actors in the value creation process. This is also corroborated by Denктаş Şakar and Karataş Çetin's study (2012) which identified the influence of port stakeholders on sustainability of ports by deliberating the propositions of interdependencies, power imbalances and strategic options from the view point of resource dependence theory. In the light of these, it is strongly supported by the recent studies conducted in the relevant field and the common area that is highly dictated by the academics turns out to be the relationship of the port with various parties such as the customers, internal and external stakeholders and the legal bodies. By focusing on the role of connections with the stakeholders in the value network, Normann and Ramirez (1993:66) stressed that 'the stakeholder approach that ensures the mutuality of interests and uniform commitment to shared values across the value network' enables the organisations to be linked to the value network. Since each actor in port settings is part of a network structure that links actors, activities and resources (Vitsounis and Pallis, 2012), value creating system which allows the integration of different actors working together to co-produce value is achieved. In a completely volatile and competitive port environment, strategies of the port should not be considered as a matter of positioning a fixed set of activities along a value chain. Ports should redefine their strategies and the primary as well as the supporting activities along their value chain by considering the complex constellations they are involved in and by capturing value for themselves through the effective implementation of CSR practises.

4. Methodology

This study is a qualitative and a conceptual study since it employs the document and website analysis as well as suggesting a conceptual framework for the value driven CSR strategies of the ports. The study followed a two-phase research approach. The first phase consisted predominantly of an extensive review of the literature together with the investigation of the CSR reports and policy statements of the ports as well as annual and sustainability reports of leading ports in Europe. Apart from the relevant literature, there are also numerous reports

published by the individual port organisations reflecting their main strategies regarding the sustainability and the CSR applications and this study was conducted through a detailed investigation of such reports as well. Moreover, strategic plans, master plans, community reports, consultants reports were examined in case of an absence of a particular CSR report or information within the examined port management. Although some of the ports investigated had substantial sources regarding the CSR reports, annual or sustainability reports, some of them lacked such sources which directed the authors to examine the websites of the ports in order to understand whether or not there is any CSR-related information. The related sections of social responsibility, community, environment, health and safety were checked in the websites of the ports in which there is no available annual or sustainability report or CSR-related information. A total of 66 European ports were selected within the focus of the study. The information on EU ports is gathered from ESPO (2012a) Annual Report 2011-2012, Container Traffic Section. Among 66 EU ports, 53 ports were investigated based on their CSR policies and dimensions, since the rest of the 13 ports do not have publications including social responsibility, environmental matters, sustainability, etc. Information on a number of ports especially Spanish, Italian, Bulgarian ports cannot be reached due to the absence of the English version of their websites. As the data collection tools; 16 Port Annual Reports, 6 Sustainability Reports, 4 CSR Reports, 3 Environment Reports and 9 other type of reports such as master plans, community reports, best practise reports, port brochures, etc. are used within the study. ESPO (2013) Awards 2012 and ESPO (2010) Code of Practise on Societal Integration Reports were also utilised for the determination of the CSR practises of European ports. Regarding the 24 European ports without mentioned reports in their websites, the CSR information was gathered by the review of the related sections of the official websites. For the second phase, the value chain approach put forward by Porter (1985) was considered and adopted to the ports together with the discussion of supporting approaches borrowed from Porter and Kramer (2006, 2011), Doms and Verbeke (2007).

5. Conceptual Analysis of Corporate Social Responsibility of Port Authorities

As 'CSR policies at ports' is a rather new research concern for the maritime and port studies, with Table 1, it is intended to provide a conceptualisation of corporate social responsibility principles and perceptions of selected port authorities. The dimensions of CSR emphasised by port authorities and their philosophies and strategies based on CSR are also indicated.

Table 1: Corporate Social Responsibility Policy Statements of Selected Ports

Port Authority	Corporate Social Responsibility Policy	CSR Dimensions	Strategy & Philosophy
Rotterdam – The Netherlands	<p><u>Corporate Social Responsibility Policy:</u> *In performing core tasks and making decisions, continually seeking the balance between <i>economy, people</i> and the <i>environment</i>. *Utilization of <i>space in investments</i> to be <i>sustainable, involved</i> and <i>transparent</i>.</p>	<p>* Environment *Commitment - People *Economy *Transparency</p>	<p><u>Economic:</u> Growth strategy <u>Environmental:</u> Sustainability (Climate neutral) strategy <u>Social/Stakeholder:</u> Working together & Sustainable employment philosophy <u>Voluntariness:</u> Philanthropic strategy</p>
Hamburg / HHLA - Germany	<p><u>Corporate Social Responsibility Policy:</u> *A sense of responsibility towards employees, the environment and society as a whole. CSR activities focus on port and logistics-related education issues.</p>	<p>*Environment *Society *Economy</p>	<p><u>Economic:</u> Business partner philosophy, company value <u>Environment:</u> Sustainable environmental-friendly transport chain, expansion strategy <u>Social/Stakeholder:</u> People-friendly and health aware behaviour, investing in training <u>Voluntariness/ Ethical values:</u> Transparency and code of conduct</p>
Ghent – Belgium	<p><u>Corporate Social Responsibility Policy:</u> <u>Environment:</u> waste management and preserving the environment, realizing the liveability of the port area. <u>Economic:</u> developing, promoting and supporting new projects, multimodal concepts. <u>Social:</u> achieving commitment by stakeholders, turning everyone into port supporter, creating the broadest possible social basis</p>	<p>*Economic *Social *Environmental</p>	<p><u>Economic:</u> Economic growth and prosperity <u>Social:</u> Stakeholder relations: cooperation with all stakeholders for sustained prosperity <u>Employees:</u> commitment, focusing on common objectives, innovation and creativity</p>
Copenhagen Malmö Port – Denmark-Sweden	<p><u>Corporate Social Responsibility Policy:</u> * The voluntary efforts that CMP is making to integrate social and environmental concerns, both in its own operations and in relation to external stakeholders.</p>	<p><u>Four Key Areas of CSR Policy</u> *Environment *Safety *Training / Research / Competence * Social Responsibility</p>	<p><u>Economic:</u> Business partnership philosophy - Growth and innovation strategy <u>Environment:</u> Sustainability strategy <u>Social/Stakeholder:</u> Competence and development strategy <u>Voluntariness/ Ethical values:</u> Socially responsible port philosophy</p>
Göteborg – Sweden	<p><u>Corporate Social Responsibility Policy:</u> *The responsibility for everyone feeling well and being guaranteed a high level of safety at work is conducted actively, with health profiles and keep-fit grants among other things.</p>	<p>*Community *Health and Safety *Economy/ Business Partners *Environment *Ethical</p>	<p><u>Economic:</u> Sustainable growth <u>Environment:</u> Sustainability <u>Social/Stakeholder:</u> Social commitment <u>Voluntariness:</u> Philanthropic strategy <u>Ethical values:</u> Code of conduct</p>
Forth Ports – UK	<p><u>Corporate Social Responsibility Policy:</u> *Providing excellent service to our customers, providing a safe working</p>	<p>*Health and Safety *Employees</p>	<p><u>Economic:</u> Industry engagement <u>Environment:</u> Commitment to sustainability</p>

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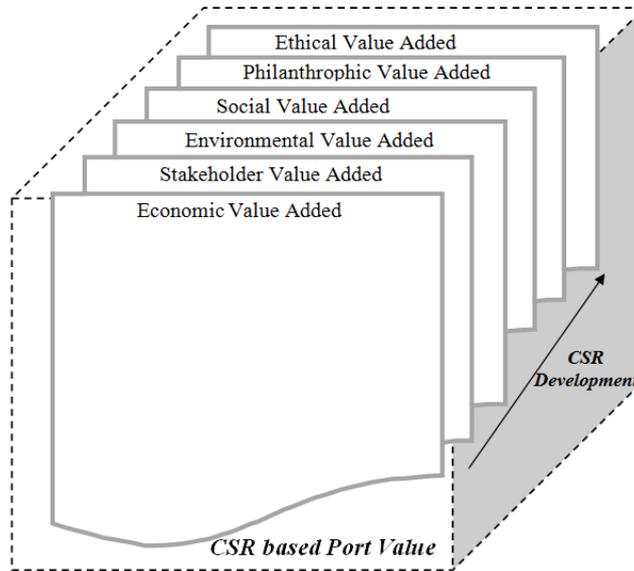
	environment for our employees and creating sustainable communities through long term investment.	*Environment *Community Engagement *Charity	<u>Social/Stakeholder:</u> Community engagement <u>Voluntariness:</u> Philanthropic strategy
Felixstowe – UK	<u>Corporate Social Policy:</u> At the Port of Felixstowe, we fully believe in giving something back to the local community, and remain committed to ensuring that as many people as possible have the chance to share in the continued prosperity of the UK's premier port.	*Health and Safety *People/Employee *Environment *Charities *Stakeholders	<u>Economic:</u> Business partnership <u>Environment:</u> Environmental commitment <u>Social/Stakeholder:</u> Community Partnership <u>Voluntariness/ Ethical values:</u> Philanthropic strategy
Algeciras – Spain	<u>Corporate Social Responsibility Policy:</u> *Commitment to sustainable development, environmental protection and high levels of safety and health in all our port activities or services.	*Economic *Community *Stakeholders *Environment *Health and Safety	<u>Economic:</u> Economic and social welfare <u>Environment:</u> Sustainability <u>Social/Stakeholder:</u> Community involvement <u>Ethical values:</u> Transparency
Barcelona – Spain	<u>Corporate Social Responsibility Policy:</u> * Ensuring the Port of Barcelona's sustainable development involves attaining its strategic goals with the greatest possible efficiency and commitment in order to avoid compromising the resources or opportunities of future generations.	*Economic *Society *Environment	<u>Economic:</u> Free competition, sustainable development <u>Society/Voluntariness:</u> trust of society; image and reputation, shared knowledge and good practises <u>Environment:</u> Sustainability <u>Ethical Values:</u> Transparency
Lisbon - Portugal	<u>Principles of Social Responsibility:</u> *Maintaining a <i>relationship of well-being</i> and sharing with employees, clients, suppliers and local communities. *Supporting employees and added value they represent, showing permanent recognition of their various professional skills. *Forming an <i>open space for the community</i> and supporting initiatives in education, sports, culture and leisure. *Involving clients and suppliers, encouraging them to share company's principles.	*Social responsibility *Environmental responsibility *Economic sustainability *Transparency	<u>Economic:</u> Business growth through partnership - Value generation <u>Environment:</u> Sustainability <u>Employees:</u> 'Employees as collaborators' philosophy <u>Social:</u> Community engagement <u>Stakeholder:</u> Stakeholder engagement <u>Voluntariness:</u> Sponsorship <u>Ethical values:</u> Transparency
Piraeus – Greece	<u>Corporate Social Responsibility Policy:</u> *Respect the <i>environment</i> and reduce the <i>impact of port activities</i> are key priorities in the political development of PPA.	*Environment *Community *Voluntariness	<u>Economic:</u> Contributor <u>Environment:</u> Environment protection <u>Social/Stakeholder:</u> Community support <u>Voluntariness/ Ethical values:</u> Transparency and publicity
Riga – Latvia	<u>Corporate Social Responsibility Policy:</u> *Promoting general well-being of the society through responsible business practise and investment of corporate resources, which is not established by the law, but is rather a voluntary initiative of the company.	*Voluntariness *Environment/ Green Port *Social responsibility *Employees/ People	<u>Economic:</u> Contributor <u>Environment:</u> Environmental awareness <u>Social/Stakeholder:</u> Community support

Source: Compiled by the authors from the websites, annual, sustainability and CSR reports of selected ports.

In many ports, CSR values are embedded in the business processes and business culture. Port authorities like HHLA and Copenhagen-Malmö integrate CSR principles in their organisational structures by establishing CSR project groups (Copenhagen-Malmö PA) and employing corporate sustainability managers (HHLA). Regarding the relation between CSR principles and port performance, ESPO has taken a first step in establishing a culture of performance measurement in European ports with the two year PPRISM project (Port Performance Indicators: Selection and Measurement), co-funded by the European Commission that has delivered a shortlist of indicators that form the basis of the first European Port Performance Dashboard (ESPO, 2012b). According to the related project, reporting 'corporate and social responsibility' is regarded as one of the port governance indicators including port authority's activities that enhance corporate responsibility, where the others are autonomous management and integration of various stakeholders composing a port cluster. In line with the work by ESPO (2012b), leading port authorities incorporated CSR based measures in their Key Performance Indicators. Where management considers 'sustainability' in the decision making process concerning investments in the Port Authority of Rotterdam, key performance indicators also focus on this concept particularly in the recent years (Port of Rotterdam, 2012). Port Authority of Lisbon (2008:8) states that service quality depends on the performance of its employees and the involvement of the port community in its objectives and strategy. Thereof, they are the focus in the materialization of its principles of sustainability and CSR. In addition, in 2010 ESPO launched the Code of Practise on Societal Integration of Ports incorporating the CSR applications of European Ports (ESPO, 2010).

In accordance with the approach of the study which is 'CSR based Port Value Approach' as well as the outcomes of the review of CSR practises of selected European ports, the CSR dimensions for ports are indicated as; economic, stakeholder, environmental, social, philanthropic and ethical value added. As seen in Figure 1, these dimensions constitute a holistic CSR based port value where economic value added is the initial step moving towards the ethical value added as the final step for the CSR development process of ports.

Figure 1: Holistic CSR Based Port Value Approach



Source: Authors

Considering the holistic CSR based port value approach, CSR determinants for port authorities and ports are determined based on the detailed investigation of the selected ports in Europe. These determinants are listed in Table 2.

As can be seen from Table 2 incorporating the several dimensions of CSR principles and activities of ports and port authorities, ‘environmental sustainability’ is embraced as a significant dimension of CSR by the leading port authorities such as Rotterdam, Antwerp, Hamburg, etc. ESPO (2003) in its ‘Environmental Code of Practise’ declares that to increase awareness of environmental concerns and to integrate sustainable development into ports’ policies, by encouraging port administrations to prepare a publicly available environmental policy setting out their strategies and methods of achieving them contribute to promote a ‘corporate social responsibility’ on the port could be achieved.

Table 2: Corporate Social Responsibility Dimensions for Ports

Economical	<p>*Added value: raise prosperity at all locations / sustainably optimizing the high direct and indirect added value of the port / creation of employment and welfare / labour productivity (added value per employee)</p> <p>*Commercial policy: economic diversification policy / pursue an active commercial policy to support new and existing customers</p> <p>*Shareholders: long-term increase in enterprise value and transparency for investors</p> <p>*Investments: expansion and renovation of port infrastructure / port development / economic use of space / investments to new buildings and equipments / utilization of space in investments / efficient and sustainable use of space / involvement in the investments in railways</p>
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	<p>*Pricing / Financial Issues: preserving the profitability / implement a moderate price development</p>
Stakeholder	<p>*Business partners: potential participations to other ports' management / global strategic partnerships / port community systems integrating stakeholders / study visits to foreign ports / 'Dialogue at the Port' sessions with customers / reliable cooperation with suppliers / intensifying dialogue with the community, with discussion on the subject of port logistics / consultancy assignments</p> <p>*Education/ Training Organisations: collaboration with training/ technology centres / collaboration with educational institutions</p> <p>*Environmental matters: partnerships with natural and environment protection associations / membership in several environmental coordinating agencies / working with government parties, local residents, customers, etc. on sustainable accessibility / meeting regularly with customers, staff, investors, suppliers and the general public to discuss sustainability issues</p>
Social	<p>Public (Social External): increasing the relationship between port and city (Port Info Centres) / social contribution to direct and indirect employment / contribution to knowledge and education / Port Days / Port tours /exhibitions / museums and exhibitions / strengthening social support for the port / ensuring a healthy social climate / consultation hearings with area residents / communication with the media / informing local residents on port related issues / make land available for public events / annual regatta</p> <p>Employees (Social Internal):</p> <p>*Working climate / Employee relations: 'sustainable employment' principle / well-supported personnel policy / flexible working hours / special parent & child room for / employees / activities for employees' children / staff satisfaction surveys / long-term relationship with employees</p> <p>*Social events: recreational boating discounts / visits to cruise ships / invitations for events</p> <p>*Employee diversity: projects to increase the percentage of female managers / employing disabled people</p> <p>*Occupational safety/health protection: certification OHSAS 18001 / health management programmes: in-house fitness programmes, special 'health days' / 'stop smoking' schemes / addiction counselling / sickness absence policy / investments on prevention of work accidents / work safety by training and innovation</p> <p>*Staff development: vocational education and training / tailored staff development programmes / own training centre / commercial trainees, internships / 'Leadership Forum' senior executive networking / 'Dialogue meetings' improving internal dialogue / common programme for change and development</p>
Environmental	<p>*Sustainable port transactions/activities: green IT / sustainable purchasing and tendering / encourage suppliers to give priority to environment / PR activities on marine environment protection / knowledge centre for coordinated environmental and nature policy</p> <p>*Ecological transport chains: networking with logistics operators / creation of sustainable transport chains / environmental and resource conservation measures / environmentally friendly transport policy: 'modal split' / sustainable mobility of employees / green company fleet</p> <p>*Space conservation: increasingly efficient use of port and logistics areas *Nature conservation: minimize impact on nature and actively protect natural habitats / designated Special Conservation Areas *Climate protection: utilize technically and economically viable means of reducing specific CO₂ emissions / use of renewable energies / converting equipment and machinery to electricity / ISO 14001 / commercial waste recycling / energy efficiency in the business community, through</p>

	<p>reuse of residual heat and steam / generation and use of renewable energy such as biomass, bio fuels, wind and solar / CO² capture, transport and storage / waste management system / use of wind, solar energy / biomass power plants & using residual heat / steps taken to minimize water consumption / action plans for preventing air and water pollution / sediment and soil studies / environmentally compatible dredging / noise protection / renewable energy use, solar cells, LED technology / preventing air and water pollution / reduction of discharge of oil products from machinery to water and soil *Environmental risk: specify safety boundaries for the port area to reduce risk to the environment / avoiding accidents / prepare for and respond to environmental incidents or emergencies *Workplace/Employee-related matters: employee transport policy to reduce congestion / cycling to work / motion detectors and timers in the company's premises to reduce energy consumption / installations to work machines to reduce emissions / use of solar panels / internal awareness raising campaigns</p>
Philanthropic / Voluntariness	<p>*Charity / Donations: volunteer activities of young employee group as participation in UNICEF activities, help ill, disabled children, etc. / charitable donations to children's charity, local clubs and societies, etc. / donations to museums / contributions to civic organisations / support to the young businessmen in the industry / donations to medical organisations *Sponsorships: sponsorship policies as 'soft values' focusing on culture, sport and art / sponsorship of sea rescue services / sponsorship for local community organisations *Education: knowledge sharing / port teaching programmes / collaborative arrangements with universities for innovation and research projects / make the knowledge and expertise of employees available to ports in less developed countries / Young Port Project: collaborating with education networks / attending 'Careers Days' / education projects for school children / development of the children's television series *Environment: involving in campaign to tidy up an area of beach / creating intertidal habitat / support for bird habitats *Medical: emergency services, fire ambulance service / supports to projects focusing on disabled people *Entertainment: play areas for young people</p>
Ethical Values	<p>annual report audits by external auditor / transparency and financial accountability / compliance with legal requirements and internal company guidelines / code of conduct in the competitive environment / the prevention of corruption and conflicts of interest / equal and fair HR policies / 'Conduct and Behaviours in the Workplace' training initiative / fair and transparent relationships with business partners based on trust / respect for the sensitive nature of commercial agreements / complying with relevant legislation for health, safety and the environment through open and honest regulatory dialogue / ensuring appropriate 'duty of care' in respect of stakeholders, customers and suppliers</p>

Source: Compiled by the authors from the websites, annual, sustainability and CSR reports of selected ports.

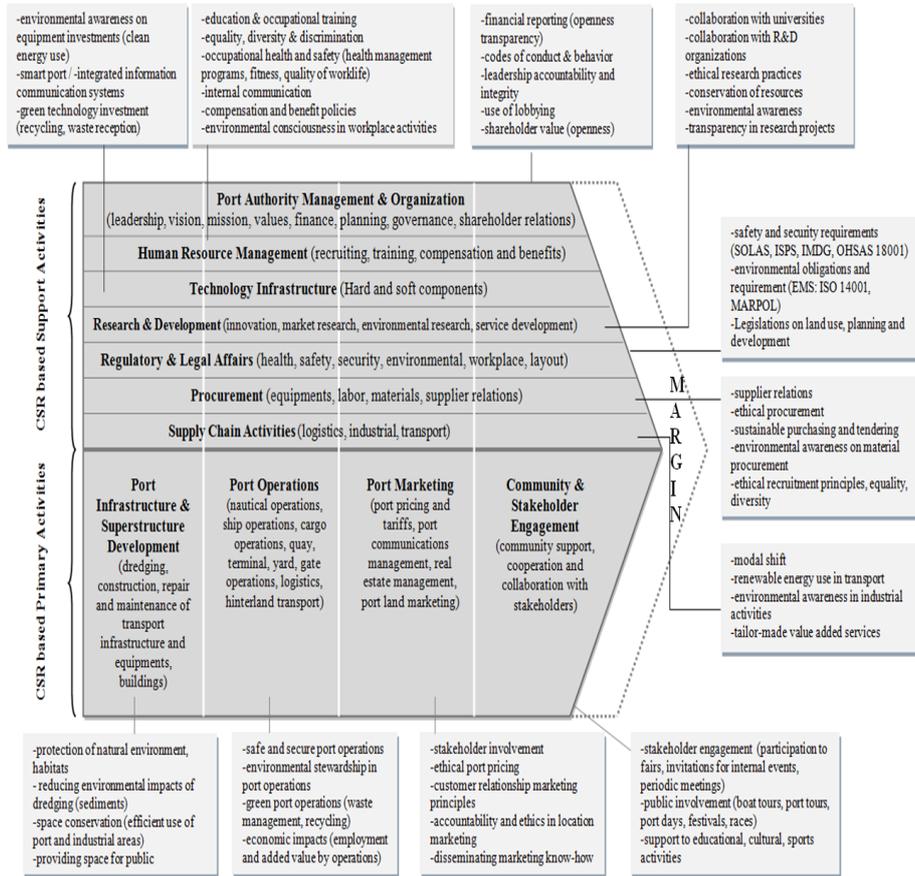
The summary of CSR activities grouped under different dimensions given by Table 2 are used to develop the 'value driven CSR' model. Based on the previous arguments and the tables, Figure 2 is suggested by the authors for a CSR based value chain. As Porter and Kramer (2006) argued that the same tools used for analysing the competitive position of the companies, interdependence of a company and a society can also be analysed with the same tools. When a company uses the value chain to map out the related consequences of its activities, it also creates an inventory of problems and opportunities for development at the same time (Porter and Kramer, 2006). In doing so, the company may reconfigure its value

chain by reducing the impact of the value chain activities as well as the individual costs incurred in these value chain activities.

In this case, the importance of margin concept depicted in Figure 2 is obvious since the organisations accomplish a profit margin which depends on their ability to manage the links between the primary and the supporting activities in the value chain. Any failure to achieve a match between the activities in the value chain may cause unavoidable and unfavourable costs in the operations of the company. In case of any problem experienced in the port marketing communications classified under port marketing category may give rise to disorders in regulatory and legal affairs.

As seen from Figure 2, CSR based primary activities of the port fall into four groups as port infrastructure and superstructure development, port operations, port marketing, community and stakeholder engagement. While port infrastructure and superstructure development is mainly concerned with the building up of the port area in accordance with the environmental measures, port operations basically focus on all related operations taking place at the port from foreland to the hinterland by considering the economic and the environmental issues. Port marketing activities mainly consist of ethical port pricing, stakeholder involvement in port marketing studies, customer relationship marketing principles and dissemination of marketing know-how. As one of the most critical dimension of CSR, community and stakeholder engagement is included in the main activities of CSR based port value chain. On the other hand, CSR based support activities include supply chain activities, procurement, regulatory and legal affairs, research and development, technology infrastructure, human resource management and port authority management and organisation.

Figure 2: Corporate Social Responsibility Based Port Value Chain



Source: Authors.

Discussion and Conclusion

Ports are at different stages of maturity according to their level of CSR knowledge since they have different management structures, people employed, different business drivers, different reporting mechanisms as well as different cargo types handled and different levels of profit (Grewal and Darlow, 2007). According to the survey of ESPO (Verhoeven, 2011), 45% of the responding 116 port authorities have a formalized Corporate Social Responsibility (CSR) policy where ports coming from Latin (e.g. France, Italy, Spain) and Anglo-Saxon (e.g. UK, Ireland ports) tradition capture the most shares respectively, 60% and 47%. The findings from the review of port authorities CSR, annual and sustainability reports support the outcomes of ESPO’s study. Port authorities of UK and Ireland have clear statements of CSR policies and working closely with community and stakeholders to implement such principles. However, even if some Latin ports have

CSR reports in their websites (e.g. Algeciras) they could not be utilised in the review process because of lack of English versions of such reports. It is seen that several port authorities emphasise more on the importance of healthy, safe and harmonious working culture and implementing family-friendly HR strategies. Port authorities particularly located in the Northern Europe (e.g. Rotterdam, Antwerp, Bremen, etc.) are taking steps to promote women work force. Both local community and industrial stakeholders are seen as business partners and stakeholder engagement strategies are developed in several ports with the strong through collaboration philosophy as seen in the port authority of Antwerp. Voluntariness and philanthropy is mostly based on sponsorships and support to educational, cultural and sport activities. Ethical values and guidelines are widely accepted by the embracement of code of conducts and behaviours.

Practicing CSR in port supply chains requires that CSR is embedded within the entire port organisation and it has to be disseminated to all functional areas including the main members of port supply chain as well as the value chain. Carroll (1979) presented the argument that companies aiming to engage in CSR need to have (a) a basic definition of CSR, (b) an understanding of the issues for which a social responsibility existed and (c) a specification of the philosophy of responsiveness to the issues so that port organisations should constitute a similar approach.

Scientific and Managerial Implications

In the light of the contribution of the research, the study attempts to fill the gap in the literature by suggesting a modified version of a port value chain from the view point of CSR. Hence, the study is the one of the first to elaborate value driven CSR applications in the field of port management and sustainability. In particular, the study suggests that by taking the value-driven CSR perspective delineated in this study, practitioners in the port industry will be able to build up a more congruent CSR based management by achieving more enduring relationships with stakeholders. Furthermore, the study establishes a path forward for both practitioners and the scholars to explore the importance of value creation within their CSR based strategic planning activities and the policies of the port organisations without underestimating the relationship between the value creation and the competitive advantage.

Limitations of the Study

The main limitations of the study can be listed as follows. Firstly, some ports investigated in the study did not have any CSR related information so that they were eliminated. Secondly, investigating the web sites of the European port organisations in order to reach the main dimensions of CSR and their main activities within this concept can be assumed as one of the limitations of this study. Although some ports excluded from the study were assumed as the ones that do not have CSR policy or relevant information about the CSR activities, they could have their related annual or sustainability reports or CSR reports in published form

rather than sharing at their websites. The language problem can be deemed as another limitation of the study since the websites of some ports located in South Europe and Mediterranean regions provide information only through their local language such as Spanish or Italian. In addition, since this study is an exploratory one aiming to develop a value driven CSR approach to be implemented in the port organisations, a detailed quantitative analysis clustering the selected ports according to their CSR practises and other organisational characteristics was not conducted.

Recommendations for Further Research

Since this research is preliminary in terms of understanding the main determinants of value driven CSR applications at ports, there is room for further research in multiple ways. Firstly, a scale development study combining the applicable variables obtained from the detailed investigation of the selected ports in the context of the study can be employed in order to construct a 'Value-driven CSR' scale. This scale can be evaluated by the concerned parties actively involved in CSR activities at the ports and the stakeholders. Secondly, this scale can be implemented through a field study by focusing on definite port groups and hypotheses tests can be employed in order to achieve quantitative findings which measure the impact of the specific variables such as port size, port services provided, geographic region etc. on port value chain activities. Such empirical research based on a diversified sample of ports could provide interesting insights to evaluate the CSR applications as well as the value added as a result of CSR practises. Moreover, a cluster analysis could demonstrate the position of the investigated ports according to their value-driven CSR practises.

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