In an economic downturn, the bottom line rises to the top of management’s agenda and commitments to be sustainable – made in better times – can begin to fade. However, stakeholders continue to demand greater accountability. They are seeking independent scrutiny of social, economic and environmental credentials which go to the very heart of Organisations’ brand.

The area of sustainability and social responsibility has slowly crept up the corporate agenda and awareness of this topic is growing. However, in relation to other corporate governance issues which capture the interest and attention of stakeholders and board directors, Sustainability is still low on the list.

This paper explores the development of sustainability and its links with Corporate Social Responsibility (CSR). In particular it will discuss those tools for the risk identification and performance measurement using Management Systems - setting of strategic aims and their subsequent monitoring.

The paper will then conclude by looking at what companies can do to demonstrate their commitment towards sustainability through Management Systems. Production of credible, open and transparent accounts of these non-financial operations is just one such mechanism and one that can help to protect your brand reputation and hard assets.

**RELEVANCE OF CSR IN SHIPPING INDUSTRY**

As mentioned, CSR themes such as Safety, Health and Environment and external environment are high on quality shipping companies’ agenda. As illustrated above, global CSR-initiatives are supported and dominated by land-based industries. Participation by shipping companies is limited. As touched upon several questions arise from this:

- has the globalisation process been different for shipping companies?
- does the institutional structure of the industry leave CSR superfluous?
- how much of business practices referred to as ‘quality shipping’ equal CSR in other industries?

With globalisation civil society in general and NGOs in particular have raised the question of accountability of corporations with increased frequency. Who, in a global economy, holds corporations accountable for their actions? Human and labour rights are codified in international conventions and declarations, but breaches are often penalized neither by a company’s host nor home country. By voluntarily involving
stakeholders more and imposing social and environmental minimum standards on own activities, companies have sought to meet the concerns expressed over a business sector perceived to be accountable to few other stakeholder groups than their shareholders. To what extent does this description apply to the shipping industry?

**IS THERE A NEED FOR CSR IN SHIPPING?**

CSR for land-based companies does involve defining self-imposed unilateral codes of conducts or development of voluntary industry guidelines and codes. The institutional structure of the shipping industry is different than for land-based industries. Whereas companies and industry associations in land-based industries to a larger extent are lacking international organisations regulating and defining industry-specific performance levels for the industry, the shipping industry has organisations passing global rules and thereby making a potential level-playing field and a more equal competitive situation possible. The shipping industry has also come further than most land-based industries in developing a system for industrial relations and wage and contract negotiations in a globalised business environment.

**CSR ARGUMENTS FOR SHIPPING COMPANIES**

Governmental failure to secure enforcement of shipping rules and regulations, increases expectations’ to shipping companies’ ability to self-regulate. International regulation is a compromise between a wide range of actors and thus often takes on a least common denominator-character. Shipping companies situated in societies with higher expectations will benefit from proactively defining higher performance levels and communicating them.

Land-based companies are increasingly solving challenges raised by globalisation by working with CSR. Their suppliers and business associates are more and more expected to demonstrate a commitment to social responsibility. Shipping companies increasingly need to be able to communicate with customers using CSR-terminology and to demonstrate supply chain responsibility. Expectations to shipping companies have changed. The shipping industry has played a central role in bringing about many of these new expectations. By enabling global transport of goods the industry has helped give momentum to the globalisation process, a process that has altered notions of the extent of responsibility in all industries. Social and environmental dimensions of the full life-cycle of products as well as co-responsibility for business associates’ performance through ‘guilt by association’ are today business realities. Although the shipping industry is a more regulated industry than others, the IMO and ILO-regulations do not effectively cover these new notions that CSR seeks to address. Globalisation blurs the traditional divide between business and government. Public and private roles become less clear in a globalised world. Considerations that previously could be left for governmental agencies to solve, today is becoming an integral business process in companies. Oil and gas-companies have long been challenged for negative consequences such as corruption and destabilisation of developing countries that revenue from corporate activities brings about. A related situation is criticism of revenue going from shipping companies to ship registries and strengthening the power base of oppressive regimes etc. CSR offers both an
explanation for why corporations increasingly are challenged on such consequences as well as a prescription for how companies can work to forestall criticism.

In the developed world, the image and reputation of the shipping industry is not as strong as previously. It has been argued that quality shipping is too often silent and not communicating positive contributions from the industry. Engaging in CSR forms a good basis for working with social and environmental performance, and also gives guidance on how to engage with stakeholders and undertake activities influencing the perception of the industry positively. Work with CSR creates ‘brand capital’ which helps the company sustain its reputation in time of crisis or accidents etc. Lastly, CSR is per definition a voluntary undertaking. Quality shipping companies wishing to excel further by addressing social responsibility will benefit from CSR.

**WHAT IS A SOCIAL RESPONSIBLE SHIPPING COMPANY?**

Whether a company is known to be socially responsible or not, ultimately rests with how the company is perceived by its stakeholders. It is, however, possible to say that a socially responsible shipping company is a company working actively to integrate economical, social and environmental concerns in their running business operations. And a company that manages to find a sound balance between the need for operational efficiency, shareholder value and attention to the interests of non-financial stakeholders. CSR can be approached from both an upside and a downside-perspective. Companies may engage in CSR to avoid exposure of poor performance, unethical business practices or potential negative impacts on local communities etc. Companies also seek to get a competitive advantage from choosing to go beyond rules and regulations, implementing Management Systems (MS), working proactively to strengthen a brand or increase employee pride and loyalty. There are also certain organisational processes/activities that typically are performed by a socially responsible company.

**IN VolvEMENT OF STAKEHOLDERS**

Stakeholder involvement is a central CSR activity. In addition to commercial stakeholders such as customers, partners, suppliers etc., companies increasingly seek to identify and consult with non-financial stakeholders such as non-governmental organisations, trade unions and local community organisations etc. Stakeholder involvement takes place because companies increasingly see that having a dialogue with stakeholders directly rather than through, for example, the media is helpful. Dialogue and direct involvement helps companies register expectations and gather alternative views on social, economical and environmental dimensions of business processes. Stakeholder dialogues are therefore frequently argued to increase a company’s ability to determine responsibility, risk management capacity and ability to innovate.
Companies use different methods for gathering stakeholder input ranging from:

- meetings with stakeholder representatives
- development and implementation of MS
- industry stakeholder dialogues (performed by industry associations, for example to gather shipping companies in similar market segments and relevant NGO-representatives etc)

**CSR – SUSTAINABILITY & MANAGEMENT SYSTEMS**

CSR work with a management system approach. Like work with quality environmental or Occupational Health & Safety (OHS) environment, work with social responsibility and sustainability, can be approached within a **plan-do-check-act Management System** systematic. Shipping companies addressing their social responsibility that have quality, environmental Occupational Health & Safety indicators and an Integrated Management System in place should seek to broaden the existing management system rather than creating a new one for social indicators.

**DEMONSTRATING COMMITMENT TO SUSTAINABILITY**

The final part of managing sustainability is to demonstrate to stakeholders your performance; whether it is good or bad. This is currently achieved by the:

- production of a separate sustainability/corporate responsibility/non-financial operating report
- inclusion of text in a company’s annual accounts and report on material issues, this may be
- elements of sustainability
- submission direct to the national government’s regulating authority of legislated data.

Stakeholders also expect to be able to trust any data and information presented. Companies therefore need to take steps to enhance the credibility and quality of published data, information and/or reports. In particular for non-financial reports this can be done by a variety of means, through MS implementation, such as:

- internal audit of data collection and reporting systems
- issue-specific audits by appropriate experts
- reviews and commentaries by independent external experts
- external independent assurance.
**CONCLUSION**

It is due to this increasing interest from stakeholders and government; together with the need for companies to be both transparent and accountable that performance, including that of sustainability, is becoming a regular feature on the corporate agenda. Consequently the board of directors must have confidence in the data used to govern their company. Management systems and standards play a vital role in helping companies govern their activities and manage sustainability. By taking a systems approach companies are able to focus on identifying their risks, legislative requirements, operational controls and ensure that material issues are not overlooked. Standards, meanwhile, provide a means for companies to quantify their performance, and to identify areas for improvement whilst the production of a non-financial report allows companies to demonstrate their commitment to sustainability.

Consequently, shipping companies may, if desired, participate more actively in the CSR-field and highlight much of their quality efforts under a Sustainable development umbrella. Nonetheless, a project conclusion is that there is considerable room for shipping companies to extend their commercial considerations and relation with business associates to include broader social considerations. To engage more directly with stakeholders, broaden training given to employees and to communicate and report more openly with the surroundings on social and environmental responsibility are also timely activities.