

Position of Stakeholders and Policy Making in the CBR: Comparisons and Policy Suggestions

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See Beyond the Sea

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Agenda

- Concept of stakeholders;
- Important private and public agents in maritime sector;
- The position of maritime sector stakeholders: comparisons;
- Stakeholders and policy making;
- Policy suggestions;
- Conclusions.



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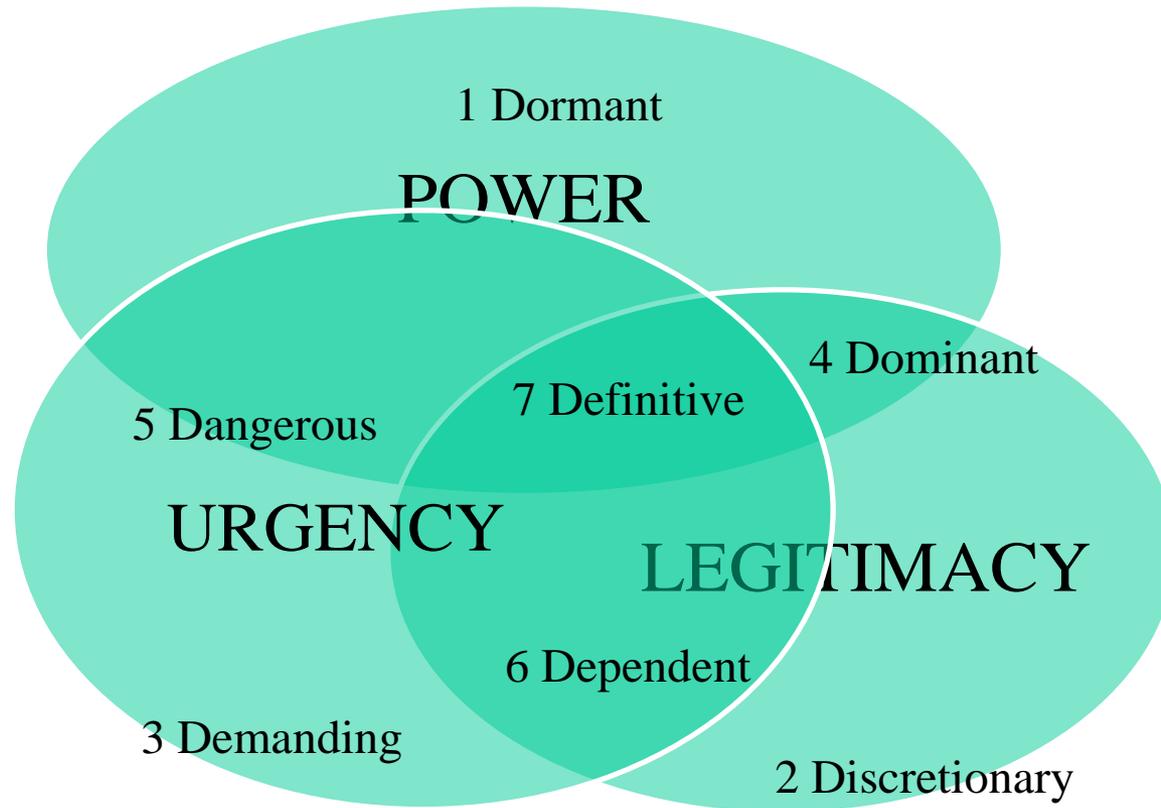
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Stakeholders (1)

- In very general terms a stakeholder is any group or individual who can affect or is affected by the achievement of the organization's objectives (Freeman 1984, p.46);
- Mitchell et al have developed a classification based on three attributes: legitimacy, power and urgency (Michell, Agle and Wood, 1997);
- The legitimacy is attributed to stakeholders that have a legal, moral or presumed claim on the company;
- Power belongs to stakeholders who are in position to influence the company's decisions;
- The urgency is related to a possibility or to a need to demand immediate attention from managers.



Stakeholders typology: Qualitative Classes of Stakeholders. One, Two or Three Attribute Present (Michell et. Al. 1997)



The latent stakeholders

- *The latent stakeholders* are entities possessing only one of the attributes – legitimacy, power or urgency;
- Actors with legitimate claims but without power or demand that require immediate actions will become stakeholders at the discretion of the company;
- Groups with power but without legitimate claim and urgent demands are stakeholders to the extent that they are willing or able to use their power (dormant stakeholders). They are stakeholders in reserve and could be activated by the actual use of power or by a threat to use it;
- Groups with urgent claims but lacking power and legitimacy are irksome but not dangerous (demanding stakeholders).



The expectant stakeholders

- The *expectant stakeholders* are those who possess two of the three attributes and imply more active relationship with company;
- Groups and organizations with legitimacy and power like government agencies or employee organizations (trade unions) have to be taken into account and they participate very often in decision making on company level. They are dominant stakeholders;
- Dependent stakeholder are legitimate and with urgency claim, but without power to enforce it, could use media attention and get attraction of powerful stakeholders;
- The stakeholders who have power and possess urgency, but lack legitimacy, are dangerous for company. This group of stakeholders will support their interests through the use of force.



The definite stakeholders

- The definite stakeholders are those who possess power, legitimacy and urgency. Their demands and interests should be taken into account by all other stakeholders;
- The position of different groups of stakeholders is dynamic. Situation, changes in political system and also regulations could change nature of the claim of one or another group of stakeholders. The stakeholders themselves are active in improving their position.



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The maritime sector activities (1)

- Large infrastructure companies like ports are providers of business and technical infrastructure for shipping and cargo companies;
- Shipping companies operate ships, some shipping companies also own them, other companies lease them from other companies. One product of shipping companies is a business line;
- The cargo and service companies' activities are based on networks because their main business is to serve owners of traded products, the companies also provide related services, like warehousing, customs clearance and insurance. Shipping lines are considered as strategic partners.



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The maritime sector activities (2)

- In shipbuilding there is involved in production technically very different processing operations and different technical systems are combined together in producing certain products;
- These parts of production could be vertically integrated into one company or could be organized through horizontal value chain integrating together companies active in different production sectors.



The maritime sector activities: public agents

- The public agents are organized interest groups of citizens, political parties, the EU institutions, central and local governments, non-profit organizations, associations of business organizations;
- Very important agents are organizations dealing with environmental issues;
- The public agents could be interested in consuming certain services (passenger transportation), to limit use of certain resources (land used by ports, sea traffic), the marine sector provides tax revenues, dividends if companies are in ownership of state or local government.
- The associations of companies of marine sector represent interests of companies which belong to these associations.



A sulphur directive

- The legal framework for vessel traffic will be tightened with the sulphur directive from 2015, the main requirement being that the proportion of sulphur in fuel should be not more than 0.1%, up to now the limit being 1.0%;
- The sulphur directive occupies the entire Baltic Sea, the southern region of the North Sea, in addition the coast of the US, Canada and the Canary Islands;
- There is a plan to adopt a similar regulation for other seas in ten years;
- The shipping companies have in principle three ways for adjustment to this new regulation:
 - purification of emission with scrubbers,
 - using better and more expensive fuel,
 - to construct LNG using engines.
- These requirements introduced by the directive have been an activator of stakeholders: power, legitimacy and urgency.



Maritime sector stakeholders and their impact (1)

- The definite stakeholders:
 - **government agencies** for the reason that they have power and legitimacy to act and also urgency is related to the need to introduce respective legislation which is foreseen by international commitments,
 - **shipping companies, especially operating ocean lines**, could be considered as the definite stakeholders because their decisions on shipping lines are framing the flows of traded goods;
 - **international shipbuilding companies**, which have shipyards in different countries, could be also considered as definite stakeholders in some circumstances.



Maritime sector stakeholders and their impact (2)

- The expectant dependent stakeholders:

Ports, cargo handling, shipbuilding, local governments, local communities, environmental groups, associations of maritime industry;

All these companies and other agents have legitimacy and urgency, but not power, their strategy is to build alliances and appeal to the values of decision makers:

-Ports have to develop new infrastructure to serve waste treatment and to provide other services,

-Cargo handling companies have to adjust their services to new conditions,

-Smaller, national shipbuilding companies should develop new products taking into account new technical conditions,

-Associations of maritime sector have urgency and legitimacy of actions because they represent companies which are very directly influenced by the new regulation, they do not have power, but could intermediate information between the companies and the government.



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Maritime sector stakeholders and their impact (3)

- The latent stakeholders at discretion are stakeholders with legitimate claim, but without power or urgency:
trade unions, citizens, academic institutions, future generations;
 - trade unions have legitimate claim, but their power depends on their position in particular country and could be considered relatively weak, no urgency;
 - citizens have the claim to environment conditions, including conditions of sea, but their direct impact is limited, could be presented by intermediating bodies;
 - academic institutions have legitimacy and obligation to examine environmental conditions and develop technology for industries, but their impact depends on access to political decision making and urgency for particular businesses;
 - the future generations have legitimacy for reliable environmental conditions but the urgency and power are limited in taking account of their interests.



Maritime sector stakeholders and their impact (4)

- The latent dormant stakeholders are media and banks:
 - media belongs here because it has power, but not always urgency or legitimacy in very direct sense,
 - banks also have power, but their claims are not urgent and are very much project based.



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Comparisons by countries (1)

- Estonia:
 - ports are providers of infrastructure, they have a central position in framing of maritime transportation and related services, a big shipping company (Tallink), some impact of networks in shipbuilding (BLRT, but also construction of small boats and yachts).



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Comparisons by countries (2)

- Latvia:
 - ports are also relatively influential, logistics sector is more important than in Estonia or Finland, building of national cluster is combining different types of transportation plus logistics companies.



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Comparisons by countries (3)

- Finland:
 - maritime business has been more focused on shipbuilding, ports are providers of infrastructure, there are some big international companies setting technological patterns of industry (Värtsilä),
 - Finland has a strong maritime cluster, which combines different industries.



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Policy recommendations (1)

- The structure of stakeholders is a very crucial aspect in governance issues of the maritime sector;
- The different pattern of industries in Estonia, Latvia and Finland means that the structure of national level policy making could be influenced by different stakeholders and the policy suggestions could be reflected by these differences;
- On the other hand, these differences demonstrate that there are opportunities for a wide regional networking, the missing elements of national clusters could be submitted by other countries, there are possibilities for specialization and economies of scale in different industries of maritime sector.



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Policy recommendations (2)

- The SmartComp policy recommendations are structured into four groups: 1) international, 2) the EU level, 3) the CBR level and 4) national recommendations;
- The CBR level recommendations are covered here, first of all;
- National policy-makers should agree on a clear and shared vision for the maritime sector's future development, supported by strong triple helix commitment.



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Policy recommendations (3)

- It can be concluded that the most topical policy-level cooperation opportunities between the CBR countries are related to international networking, infrastructure, technologies, and education and training;
- To embrace the stakeholders with different positions in policy making could be a very crucial task in this process.



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Policy recommendations: international networking

- It is highly important to organize targeted problem solving networking events with participation of representatives of maritime associations, government agencies, research institutions and enterprises, which makes possible match-making, pooling of resources and sharing of best practices;
- To embrace the stakeholders with different positions in policy making could be a very crucial task in this process;
- State delegations and embassies, incentives for big companies to share their international connections and experience with smaller companies.



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Policy recommendations: infrastructure and technologies (1)

- Ports in the CBR should cooperate and there could be distribution of responsibilities for treatment of waste, investments in infrastructure for bunkering new fuels – these projects should have high priority in public procurement of respective countries, in the EU projects;
- The ports should work together with fuel suppliers to examine the need for new investments in infrastructure to make new fuels available for shipping companies (LNG), the coordination of policies between the countries is needed;



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Policy recommendations: infrastructure and technologies (2)

- CBR countries could compete of the East-West traffic but the North-South transportation corridor could offer great potential for cooperation;
- Through the Arctic corridor initiative and connecting the national logistics and transportation clusters, the CBR should be strongly integrated into global freight network as a provider of comprehensive, energy efficient and environmentally friendly services and technical solutions.



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Policy recommendations: education and training

- Universities need to build contact point for companies to approach them with their problems;
- Wider cooperation between the higher educational institutions in the CBR: student exchange and double diploma programs as well as harmonized and joint training programs;
- The wider approach to maritime systems should be considered;
- The popularity of maritime education is firstly related to employment perspectives but it is also connected to youth education.



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Conclusions (1)

- The activities of maritime clusters are influenced by international organizations (IMO, ILO, WTO), by the EU level initiatives (Europe 2020 Strategy, the EU Strategy for the BSR), by the national level programs and policies;
- The CBR level policy actions are partly targeting joint regional goals, which are decomposed from more large scale policies, partly are reflecting common interests, which would take the form of very different type of joint activities (like the business clusters, for example);
- In this policy making process, the different positions of stakeholders is very important to take into account.



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Conclusions (2)

- The stakeholders approach is important also for the reason, that nevertheless in creating the BSR cluster, the vision and policy design are important, the other side of such kind of development is related to strategies and choices of very different type of agents what could follow more evolutionary pattern;
- For that reason, the stakeholders approach provides a tool to examine the relationships between these very different type of agents;
- The stakeholders network is also a very important channel to address the policy tools, to get feedback and support.



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Thank you!



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