

19th International Scientific Conference; Economics and Management 2014, ICEM 2014, 23-25
April 2014, Riga, Latvia

Estonia's maritime sector stakeholders and their reaction patterns

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Abstract

The paper examines Estonia's maritime sector issues from the point of view of stakeholders and their strategic choices regarding several critical issues. Business activities of maritime sector are dependent on public services and regulations like safety and security related services and regulations, environmental conditions related issues, the sulphur emission regulation which will be introduced from 2015, giving the most recent example. One impact of this dependence is that a big number of different stakeholders are involved and would like to see their values and preferences followed in governance process. The paper provides a structured overview of these stakeholders and about their position in governance issues.

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Peer-review under responsibility of the Kaunas University of Technology.

Keywords: Estonian maritime cluster; environmental policy; stakeholders; public governance.

1. Introduction

The object of the paper is position of different stakeholders of maritime sector. The Estonian maritime business sector has three large components: infrastructure (ports), operating services (shipping and cargo treatment) and shipbuilding and repair. Ports provide first of all infrastructure for other activities. Shipping companies operate ships and their networks depend on their customers. They could deal with passengers or cargo or both. The cargo and service companies' activities are based on networks because their main business is to serve owners of traded

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products by transporting these products from one geographical location to another with providing all necessary services for it. The shipbuilding and repair companies produce ships and provide different kind of repair services to the ship owners. Especially ports and passenger ships provide services related to retail and wholesale trade, catering and entertainment, therefore they are closely connected with different type of tourism. The ships also need different services as repair, bunkering, pilot service. So this interrelated maritime sector altogether creates quite a big amount of Estonia's GDP (Purju, Dedegkajeva and Soosaar, 2003, 285-293; Portsmouth, Hunt, Terk, Nõmmela and Hartikainen, 2012, 3-4).

The maritime sector activities are using the Baltic Sea which is a natural resource and environment for countries on the coast of it and also part of wider ecosystem. The maritime sector companies operating in the area have to take into account the special requirements set by the natural conditions of the Baltic Sea. The sea has high emotional value for the inhabitants of these countries. There is a well-known historical heritage related to development of nations in the area. That makes developments related to use of sea very sensitive and creates a good basis for public interest. The important role played by the maritime sector in Estonia's economy and accompanied controversial externalities of it support there have been calls for institutional arrangements that take the public interest into account (Blue Growth, 2012, HELCOM, 2007, Schinas and Stefanakos, 2012, 81-99, Suris-Regueiro, Garza-Gil and Varela-Lafuente, 2013, 111-124).

The legal framework for vessel traffic has been tightening, the sulphur emission regulation which will be introduced from 2015, giving the most recent example. The shipping companies have in principle three ways for adjustment to this new regulation: 1) purification of emission with scrubbers, 2) using better and more expensive fuel, 3) to construct LNG using engines. Current fleets need to be reviewed and renewed, which means getting rid of old tonnage and making sure that the rest meets the new demands regarding environment and fuel efficiency. These requirements introduced by the sulphur directive have been an activator of stakeholders.

The aim of the paper is to examine Estonia's maritime sector strategic choices. The problem is related to a big number of different stakeholders who are involved and would like to see their preferences followed in governance process. At the same time, their reaction patterns depend on their position as a stakeholder. The paper applies a typology of stakeholders and tries to produce suggestions for governance of maritime sector. The paper is based on results of the EU Interreg project "Smart Competitiveness for the Central Baltic Region".

2. Method: Qualitative Typology of Stakeholders and its Application

The stakeholders' impact and its dynamics are derived from semi-structured interview with key stakeholders. Reaction to requirements of the sulphur directive has been considered as an activator of stakeholders.

In very general terms 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. (1997) have developed a classification based on three attributes: legitimacy, power and urgency (Mitchell, 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 a position to influence the company's decisions. The urgency is related to a possibility or to a need to demand immediate attention from managers. To be a stakeholder means that there is either a legitimate claim, there is an urgent problem or crises which should be solved and there is more or less power to influence the company's decisions. The stakeholders could have one, two or three of these attributes describing the possibilities of involvement in company's decision making.

The seven types of stakeholders examined are the following: three possessing only one attribute, three possessing two attributes and one possessing all three attributes. According to Mitchell et al. (1997) concept, 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 become stakeholders at the discretion of the company. Groups with power but without legitimate claim and urgent demands are stakeholders to the extent 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 are those who possess two of the three attributes and imply more active relationship with the company. Groups and organizations with legitimacy and power like government agencies have to be taken

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