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## How the Landlord Port Model Impacts Corporate Social Responsibility Policies: The case of Incheon Port Authority

### Extended Abstract

The government of South Korea requested that state-owned enterprises improve management efficiency as a priority in the past. However, two topics: consolidation of publicness and reflection of social value, are recently referred to as recommended tasks of state-owned enterprises (Kim and Pyo, 2018). In 2020, Korean politicians proposed the Basic Act for the Realisation of state-owned enterprises' Social Responsibility. Once this becomes lawful, state-owned enterprises have to promote public interests such as human rights, safety, environment, and job creation. These regulations are essentially in agreement with the definitions of corporate social responsibility (CSR) claimed by the International Organization for Standardization, i.e., ISO 26000:2010 Guidance on social responsibility.

Port devolution had improved port competitiveness by rectifying inefficient management and assigning the port's future growth engines (Munim *et al.*, 2019; Zhang *et al.*, 2019). However, there was emerging political controversy in South Korea related to the role of state-owned enterprises in expanding tasks in CSR (Kim 2018). This is because South Korean taxpayers ask that port authority (PA) should not only be focused on the economic at micro and macro levels, but they should also take care of the environmental and social pillars of CSR. In this manner, Incheon port authority (IPA) has recently been expected to digest many local

demands in the context of CSR.

In the meantime, Korean government conducted port reform and founded IPA in 2005. The structure of IPA is a typical example of landlord governance model. In this model, PAs possess infrastructure and lease it out to logistics service providers (LSP), such as terminal operators, and shipping companies (Brooks, 2004). At the same time, PAs retain regulatory functions by direct controlling of strategic port activities (Soares and Casaca, 2022).

Incheon port authority implemented CSR activities on three pillars: economic, social, and environmental. These activities are comprehensive of its efforts to minimise pollution in the port cluster, to create more jobs in Incheon, and to foster operating earnings of stakeholders. The ratio of handled cargo is arguable to justify case selection in this research. The quantify of cargo transported by container and bulk ships in Incheon port showed relatively equivalent volumes (Incheon port authority, 2021). On the other hand, the importance of container cargo in the Port of Busan, the busiest port in Korea is more than 90% percent (Lee *et al.*, 2021). It means IPA not only has to remain indifferent to types of maritime cargo but also deal with a wider range of CSR.

Previous container terminal authority in Korea was pilloried for inefficient management and spending. Therefore, port reform is regarded as the proper step to solve the situation in Korea. However, there is a missing link between how stakeholders can influence and be influenced by CSR policies and what implications the devolution to PAs rendered in CSR above and beyond economic purpose. This study mainly explores stakeholders' understanding of CSR – the relationship between IPA's CSR as landlord and its achievement.

Hence, research questions were formulated as follows to answer identified research gaps:

RQ1) How do the port stakeholders understand the role of the port authority and their CSR aims?

RQ2) Which are the main factors influencing port authority's CSR planning?

RQ3) How does the role of the port authority, as landlord of the port, impact on CSR?

## **Objective**

The outcome of CSR in port cluster: CSR's positive contribution to the green port, employment creation and its impact on regional economy, and improved efficiency of container terminals have been widely evaluated in the literature (Acciaro, 2015; Vanelislander, 2016; Ashrafi, *et al.*, 2020). It has also demonstrated the need for port reform and its potential influence on regional communities. Scholars mainly

investigated causality; therefore, the findings gathered from the study demonstrates the necessity of expanding CSR alongside quantitative analysis (Martinez-Moya *et al.*, 2019).

However, comprehensive exploration in this context is still remote. Because of the unique ownership structure of state-owned enterprise, port authority's decision-making in relation to CSR could form a link with national policy projects by central government. For instance, the Port Authority Act in Korea enables the Ministry of Oceans and Fisheries to directly guide and supervise port authority (Choi and Choi, 2021). Hence, research results may not account for wide discrepancies in demand and satisfaction quoted for CSR in local communities. Appropriate interpretation of the mechanism on interactions between PAs and their stakeholders should therefore be elaborated.

### **Data/Methodology**

The grounded theory approach has been adopted in this study, because it is effective when existing literature was insufficiently implemented to determine both suitable and non-suitable variables in specific phenomena. Three reasons to justify this methodology in this study are:

- 1) to develop a theory in the conditions that previous studies about stakeholder's understanding of PA's CSR is inadequate
- 2) that is the most compatible method if research questions are primarily concerned with the process
- 3) to explore PA's CSR in the perspective of interaction between PA and its stakeholders, including diverse factors such as economic, social, and environmental elements. Grounded theory is a favourable method for this study as it is originated from interactionism.

This study recruited participants based on theoretical sampling, claimed by Strauss and Cobin (1990) for semi-structured interviews. 12 IPA-related informants and 23 of IPA's stakeholders, such as LSPs were selected. This study had supplementary questions to fill insufficiently developed categories for indiscriminate sampling. All interviews lasted around an hour and 10 minutes. To ensure high standards of research ethics, every participant was made aware that they had rights to withdrawal, and data protection.

Qualitative coding was conducted in the process of open, axial, and selective. IPA-related informants and their stakeholders showed 37 and 42 concepts, respectively and the numbers of categories were 20 and 22, respectively. As a result of axial coding, the paradigm model presents discrete perceptions of IPA and their stakeholders. The coding process was undertaken using QSR Nvivo 11 for computer-assisted qualitative data analysis.

### **Results/Findings**

The finding explains hierarchical organizational structure in planning PA's CSR and interactions between PA and stakeholders involved as a figure is described below.

In terms of causal condition, IPA shows: 1) the Ministry of Oceans and Fisheries has the power to appoint, thus IPA considers the requirement of central government as priority; 2) because of competition between domestic PAs, rental fee for LSPs is impractical and IPA is faced with financial difficulties.

On the other hand, stakeholders address that: 1) IPA has an amateurish insight to businesses; 2) IPA has insufficient will to talk with LSPs and has a high-handed policy instead.

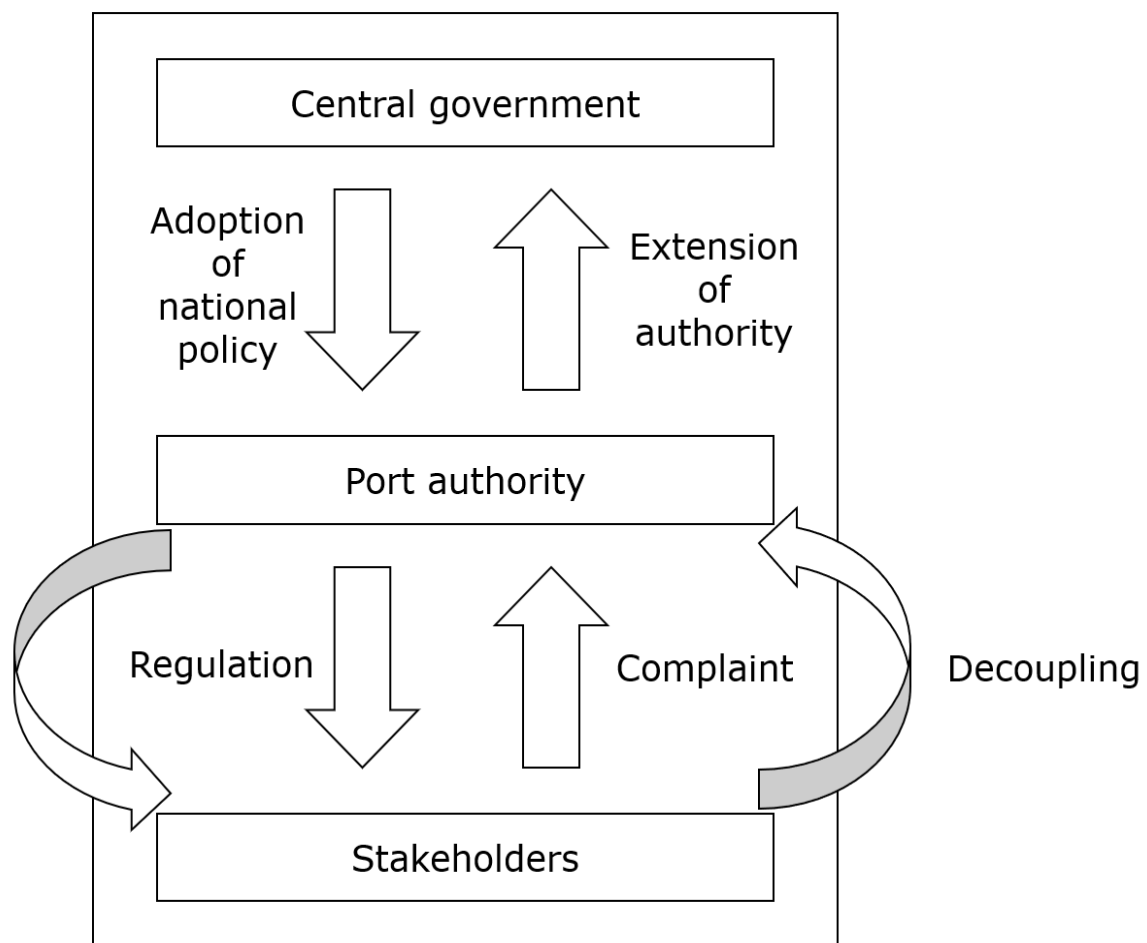
The analysis of core phenomenon for IPA's side displays: 1) repeated complaints from LSPs but IPA has no rights to resolve it; 2) central government asks them to hire more employees to reduce nation's unemployment rate, but it causes financial pressure; 3) central government demands financial autonomy to IPA.

Stakeholders pointed out: 1) IPA argue environment-related CSR activities are done by them but IPA just commanded LSPs to do it without financial support; 2) IPA's CSR makes no practical impact, unlike their CSR report.

When it comes to the intervening condition, IPA claimed existence of the CSR advisory committee to highlight their efforts to communicate. Meanwhile, stakeholders suggested dispatched workers between IPA and LSPs to help understand each other, as IPA does not recognise what CSR policies the field needs.

In terms of action-international strategy, IPA assists trading companies to foster exports as a part of CSR's economy pillar and believes it helps LSPs at the same time. Moreover, IPA requested extended legal rights to implement localised CSR to central government. However, stakeholders argued that most of the requests to IPA had no response, and they gave up communicating with IPA. Lastly, this consequence showed that there is clear decoupling between IPA and stakeholders for CSR.

**Figure 1 - CSR-related interaction framework in port sector.**



Source: Author

### **Implications for Research/Policy**

This research can contribute to building a more effective and impactful governance model based on the principles of CSR. In terms of practical implications, this study found application of landlord models into the port of Incheon caused decoupling due to limited authority and finance. Although both central government and stakeholders expected the role of IPA in the port to outdo the given discretionary power, in recent years, actual impacts of CSR of IPA had even reduced significantly by central government's guideline. Hence, this study informs future Korean government's PA rationalisation reform in relation to CSR, as the current governance structure is not fit for purpose.

Existing literature conceptualized PAs' CSR based on economic, social, and environmental issues in management. However, this research could find that political system can be conducive of good CSR. Such phenomena has previously been neglected in CSR literature.

Keywords: Corporate social responsibility, Landlord model, Incheon port authority, grounded theory.

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