

Management offers contrasting debate

The last four decades have seen the rise of third party ship management and its evolution into an industry in its own right. An innovative study undertaken at the University of Piraeus aims to review independent ship management with a view to identify those issues that can be considered to be conducive to reluctant ship owners employing of professional ship managers, writes Dr. Kiriaki Mitroussi, author of the report

Comparison of two traditional maritime centres, Greece and the UK and their attitudes to the third party ship management, throws up all kinds of interesting issues of common interest and contrasts. For the purposes of this study the two countries were selected on the basis of their long history in ship owning and ship operating and their diverse stance on third party ship management, with the UK being itself a major ship management centre and the Greeks not easily being regarded as potential clients for third party ship managers.

Our aim was to obtain 50 responses from Greece and 30 from the UK, coming from both ship owning and ship management firms, a sample size decision that was based on the population and goals of the study and on considerations of cost and limitations.

We used face-to-face interviews for the Greek shipping society and telephone structured interviews in the UK which exhibited wide geographical dispersion of shipping firms and we achieved 50 responses, out of the 65 companies randomly contacted in Greece, and 31 responses out of the 42 firms randomly chosen in the UK.

Of the total 81 companies that participated in our research 66 were ship owning firms - 46 Greek and 20 British - and 15 independent ship management enterprises, 11 located in the UK and only 4 in Greece. The research results presented below have been reached by the use of data retrieved from ship owning companies.

The first main conclusion that we reached is ship managers do not always get to undertake responsibility and exercise authority on all of the assets of a particular firm as a significant proportion of owners entrust less than half of their assets, that is less than half of their fleet, to third party management companies.

Technical or commercial

Ship owners do not frequently assign full management to third parties. Ship owners who declared the use of ship management confirmed that they tend to give out more frequently the crewing and the technical management of their vessels and less frequently the commercial management. It is worth mentioning that their fellow ship owners, who have never taken on professional managers for their fleets, appeared especially willing to hand over the chartering and even the sale and purchase, whilst maintaining the right to take the final decision. The Greek ship owners, many of whom have never had any transactions with management companies, appeared to be particularly negative to the idea of giving up the technical management of their fleets, an issue closely connected with cost savings, cost control and longer operational life for the vessels.

All owning firms state that there are decisions, some of them even pertaining to the group of management activities they have already contracted out, that they prefer to have complete control over and make themselves, despite the recruitment of independent management. Ship owners exhibited an increased sensitivity regarding issues such as the determination of the maintenance levels and of the crew nationality or selection of officers even when they had already assigned crewing and technical management to third parties, while the choice of flag, of the trading areas

and of the insurance agreements were also described by the majority of respondents using ship management as decisions traditionally kept in-house.

Considerable attention and focus was also given to the reasons that make ship owners turn to third party management. For those owners being provided with ship management services the ability, offered to them by management enterprises, to satisfy their need for flexibility and to relieve themselves from economic pressures were especially stressed as the main reasons for turning to outside managers. Flexibility was understood as the capability to move out of and into market sectors without having to consider employment related or other issues. For the Greek ship owners the desire to find more cost-effective ways to operate their fleets was also declared to constitute a primary reason for using ship management companies.

Cost reduction

The matter of reducing the running costs seems to be of particular significance for all ship owners who ranked it in the study, together with the availability of expertise, the access to qualified crew and the provision of flexibility, in the first most important benefits they receive from management enterprises.

For those ship owners who have never hired outside managers for their ships, almost 30% of whom are completely negative to the idea of ever giving up the management of their vessels to third parties. The availability of in-house expertise, and their desire to keep overall control over their assets and contact with the relevant markets, and to a lesser extent a potential lack of confidence in third party ship management itself, are the most significant reasons for their reluctance to employ professional managers.

Greek respondents appeared to be more eloquent and hold stronger opinions than the British owners regarding their reluctant to employ third party managers underlining particularly five ideas; their ability to operate at low costs, the Greek maritime tradition with the abundance of expertise and the possession of the know-how, the existence of certain cultural features pertinent to the personality of the Greek ship owners, the personal, and many times emotional, involvement in the business and the nature of the business itself.

As for our investigation into the factors that affect the choice of a ship management company, it clearly revealed that, primarily, the overwhelming majority of the owners rely heavily on the reputation built by the management company they eventually decide to employ and that quality factors are more important considerations than cost factors are in the purchase of professional ship management services. The provision of specialised services fitting the company's ship types can also influence the choice of specific ship managers, while neither their nationality nor their location appear to be of any significant concern to the owners.

The current study aspires not only to help ship managers understand the motives and the needs of their clients, as well as of their potential clients, but also help the ship owners themselves realise what lies behind their company's behaviour and learn more about the concept and the exercise of ship management. It constitutes the first comprehensive scholarly effort to view the ship management industry from the ship owners' side and as such it is our hope and belief that the findings of this research will be of practical use to ship managers and ship owners and initiate and promote further research in the area.

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