

Foreword

Strategic Management and Shipping: Establishing the missing link

It is quite surprising to realize that minimal academic research has been conducted on the subject of Shipping Strategy. In contrast with adequately researched Shipping related areas such as Shipping Finance and Shipping Technology, the area of Shipping Strategy is seriously under-researched with the exception of a limited body of literature including the notable work of scholars such as Lorange (2005) and (2009) who can cut across the two areas being a prominent Business School academic and a former shipowner at the same time.

This missing link between Strategy and Shipping comes as a surprise since shipping is very “strategic” in nature since it involves huge discrete investment decisions. Strategy has been defined as a framework for limited resource allocation and a strategic framework for systematizing and guiding such vital shipping investment decisions seems to be of paramount importance.

A partial explanation of this missing link is possibly related to the traditional historical “strategic secrecy” at the upper echelon of traditional shipping firms, and more so in family controlled shipping firms within the Greek shipowning cluster. This strategic secrecy is possibly an evolved imitation barrier mechanism in a hypercompetitive context. Notorious stories of famous shipping tycoons such as Aristotle Onassis taking away prestigious deals from other shipowners over informal lunch discussions still abound.

Strategic top level trade secrecy can still be witnessed today and has been an impediment in conducting Shipping Strategy research based on empirical evidence. However, the degree of secrecy has been gradually diminishing in contemporary shipping, a welcome fact that facilitates exchanges between theoreticians and practitioners and consequently, shipping management research. Furthermore, sectorial openness facilitates benchmarking and best practices diffusion with obvious benefits for the whole shipping sector. Secrecy has been steadily diminishing in recent years especially in larger shipping firms due to the following main factors:

Proliferation of public shipping companies

Several shipping companies went recently public in their efforts to finance fleet expansion strategies. In fact, many medium to large Greek shipping companies including 4 out of 6 of the companies examined in this book are listed in the New York Stock Exchange. These companies became much more extroverted in order to satisfy corporate governance, transparency and information disclosure requirements as posed by the Stock Market and the Federal Trade Commission, and in an effort to attract investors. A quick glance at the official website and the annual reports of any listed company reveals a wealth of publicly available information of great strategic importance which was not there before. Such easily retrievable public information facilitates strategic analysis and represents a major departure from the traditional strategic secrecy mentality which has been endemic in the shipping sector. Over time, public companies and their CEOs become increasingly extroverted not only to comply with regulatory requirement but also in their effort to positively attract the attention of shareholders, stakeholders, potential investors, customers. This increasing extroversion eventually led to the development of an open system logic and communicative culture in many major shipping groups representing a large share of global tonnage.

Increasing shipping complexity and managerial professionalization

In contemporary management, strategy is not viewed as a black box secretly kept at corporate headquarters or inside the brains of top executives but as a collective and organic agenda that mobilizes the whole organization. Based on an Information Processing theoretical perspective increasing complexity and turbulence in contemporary shipping necessitate a higher degree of managerial professionalization, decentralization, and fast but informed decision making process through collective sharing, processing, and synthesizing of strategic information. This is a major departure from the "one man show" traditional logic common in the early days of shipping or in smaller firms today. The drive is towards increasing management professionalization in contemporary shipping and especially in medium and large shipping groups where strategic agendas must be shared, crafted, and acted upon by many. Strategy ought to be known and understood by employees, stakeholders and especially customers. Barriers to imitation are not raised by strategic secrecy but by strategic factors that act as barriers to segment entry and will be examined throughout the book. Secrecy on specific projects of sensitive nature is naturally kept but overall strategic secrecy increasingly becomes a remnant of the past as the advantages of an open all-involving system approach far outweigh the advantages of absolute strategic secrecy. The heroic "one man show" management style that characterized the early days of Greek shipping is clearly outdated in today's complex shipping reality. The old fashioned centralized model can still be witnessed in

many small shipping companies today in which most of the required knowledge necessary to support strategic decisions can still be handled by one person.

Plethora of global shipping reporting

There is a wealth of publicly available information nowadays provided by shipping bureaus, news magazines, websites, data bases, fleet acquisition and movement reports, international conferences, classification societies etc. which is given free of charge or at a relatively low cost. A shipping analyst can deduce and track the core strategy of a shipping group through the careful analysis of such available secondary data. A careful historical analysis of fleet development investment patterns which can be composed through industry public data reveals much of the strategy of any shipping firm. With all this reporting abounding the industry is fast becoming one of the most transparent global industries.

Synergies from the shipping practice – Strategic Management theory integration

The transition from a “closed universe” towards an open systems logic in contemporary shipping for reasons outlined above facilitates research, strategic analysis and benchmarking, and makes possible the development of comprehensive frameworks for analysing Shipping Strategy. The present book capitalizes on the research opportunities generated by the “open systems” paradigm of contemporary shipping and draws empirical evidence from the practices of leading shipping firms in order to contribute towards to the development of useful analytical frameworks and the structuring of a body of knowledge in the recently emerging field of Shipping Strategy. In simple terms, Strategic Management can learn from Shipping and Shipping can learn from Strategic Management. In fact, Shipping can benefit from Strategic Management in order to capitalize on the vast body of Management knowledge and become more professionalized and effective and Strategic Management can benefit from the study of shipping practices in order to expand its reach and explanatory power by shedding light in this fascinating, yet academically under-researched, competitive arena. Shipping can learn from established management theory and management can learn from shipping through this juxtaposition. After all, the principles of management and economics are universal in nature and apply to the analysis of all industries. The time is now ripe to bring these two universes together and reap synergistic benefits which is exactly the main purpose of this book.