

## Development Paper

## WOMEN AND THE SHIPPING INDUSTRY

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## Summary

This paper reports on the role of women in the shipping industry with special references to the challenges facing the shipping industry as well as the need for innovation and empowering people in shipping companies to become more competitive.

There are many women who are supporting the family businesses in sustaining the companies' competitiveness through cooperative decision making processes and transfer of innovation and good management practices.

One of the major problems in family businesses in shipping industry is the issue of succession and it is the male siblings who expect and are often appointed to run the business even if they are not the best choice for the company in terms of suitability. In many progressive shipping companies there are now cases that women are being appointed to senior posts and the successor(s) of the family are picked according to their skills and abilities as a leader as well as business acumen.

The paper is based on the recent research in developing novel business models and practices for shipping family business and as to why a new business model may now be necessary which could take the issue of succession more seriously and allow women to compete for senior posts more fairly.

It has also been found that having a woman at the helm of the entrepreneurship may bring another dimension to the complex issue of lean family business management.

**Key Words:** Challenges of the Shipping Industry, Women Leaders, Competitive Advantage, Lean Management

## Introduction

### The Challenges facing the shipping industry

A review of current business clearly shows that the secret of success is 'looking into future' and keeping a close eye on the legislation particularly with regard to manning issues and engine emissions. Therefore while Safety and Security will remain key issues, environmental aspects will gain, if not more, equal significance.

A review of recent publications (Lloyd's Register, Life Matters, June 2012) and the IMO's own reports (Marine Environmental Protection Committee (MEPC), 64 session, Agenda item 4, 29th June 2012) and similar reports by learnt societies and classification societies and maritime organisations give a clear view of the roadmap for reducing the

marine engine emissions in particular in the near future. The whole of Central and North America coastal areas are now almost an ECA (Emission Control Area) and it is expected that coasts of Mexico, Alaska and the Great lakes, Singapore, Hong Kong, Korea, Australia, Black Sea, Mediterranean Sea and Tokyo bay are currently considering becoming ECAs. What is significant is that these constitute 90% of shipping routes so the implications are serious.

The IMO has devoted significant time and effort in order to regulate shipping energy efficiency and thereby control the marine emissions in addition to EEDI also the Energy Efficiency Operational Index (EEOI) and the Ship Energy Efficiency Management Plan (SEEMP). The Regulations on Energy Efficiency relating to the EEDI and SEEMP entered into force on 1st January 2013 within a new Chapter 4 of MARPOL Annex VI. Within the regulations, there remains the option for administrations to adopt a waiver up to 4 years from the entry-into-force criteria.

It is important to note that the IMO has also been working on a number of Market-Based Measures (MBMs) for the marine industry. The MBMs' development is still ongoing and EEDI is only one of several these emerging.

### **Opportunities and threats for the industry**

Shipping is a global business and opportunities and threats are often appear hand-in-hand. There are so many opportunities and threats. The greatest threat to shipping is competitiveness and greatest opportunities are new good practices and technologies that can help the industry to become more competitive. Applications of 'Lean' techniques and policy deployment approaches have been known in the aerospace and automotive industries for some time but are relatively new in the shipping industry. Lean is an opportunity that needs to be harnessed as it is about the use of resources in most effective (doing the right things) and efficient (doing things right). The EEDI can be seen as a threat and an opportunity. It is pertinent to remember that this the first time an international piece of legislation (EEDI) has been introduced with far reaching consequences for the shipping industry.

### **Innovation in shipping**

Innovation is about 'doing business not as usual' (Ziarati, 1995). You have to put yourself out of the box sometimes and not to rely on conventional wisdom only. Shipping is story of globalisation and efficient, reliable trade over many years and is littered with innovative advances in technology, efficiency and new business models. So what happens next and where should a company focus its efforts in the future? The future in my view is innovation, specifically through maximisation and optimisation. Developing future maps for the companies and identifying the resources needed. Then to seek knowledge through for instance EU funded projects or specific collaborative research to address a particular need. We recently established a major European platform ([www.marifuture.org](http://www.marifuture.org)) and set up, major R&D consortia, to identify problems areas and future needs. We have some 30 transnational partnerships now each with specific set of tasks seeking either to identify a deficiency or in resolving a problem we are facing or likely to face in the future.

Future is also knowledge and what to expect. We need to see into the future and assess demand for ships and shipping services. It is important to project into the future and studies trends

## **Women and the Maritime Business**

While many businesses operated by women entrepreneurs are in traditionally female dominated occupations, women are also broadening their participation in non-traditional fields (Stevenson; 1986) such as maritime businesses.

Although there are only few women holding top management positions in the different sectors of the maritime industry , the world of maritime has significantly changed in the recent years and it is no longer all male.

However, having women at the top management positions is still not a convincing prospect in shipping industries. Existing research reveals that only 2% of family businesses last more than three generations, the reason has been attributed to deep psychological factors preventing elaborate strategic and succession plans to be realized often due to poor delegation, poor leadership, lack of coordination and lack of expertise (Kaptanoglu, 2007).

A family business is one that has been owned by a family or a family member and has been passed on, or is expected to be passed on, to succeeding generations of the family. Descendants of the original founder(s) will own and control the business. Plus, the members of the family work, participate in, and benefit from the enterprise. A family member is defined as anyone related to the family, by birth or marriage, or anyone related to the officers of the company (Bork, 1986).

What unites people and structures in the moving stream of a family business are the individual and collective aspirations of family members. Family enterprises are highly personal systems which evoke the same depth of feeling in the participants that most people reserve for their children and their marriages. Too often, elaborate strategic and succession plans go unrealized because these deeper psychological factors have not been taken into consideration (Lansberg, 1999).

FBs are found to be older and to have lower sales, fewer employees, and fewer full-time employees on permanent contracts, smaller share capital, fewer shareholders, and a higher proportion of board members among the shareholders. However, when going in depth, the financial policies implemented in both types of companies, the differences found indicate that personal preferences concerning growth, risk, and ownership-control may be the driving forces behind the ‘peculiar financial logic’ of FBs (Gallo, 2004).

According to Kirim (2000), the most important two aspects of human life are ‘family’ and ‘business’. Shipping concerns family as well as business, hence embracing both aspects. Family businesses are unique in that they combine both of these two important aspects. Therefore, they are different than non-family businesses and thus their study has to be carried out by considering both aspects simultaneously.

Having women at the top management positions in traditional countries such as Turkey and especially in male dominated sectors of business such as maritime business brings another dimension to the complex issue of family business management.

Following sections intends to discuss succession problems and lean management techniques for family business by proposing strategic solutions to overcome women’s problems as well in the family run shipping businesses.

## **Shipping Family Business and Women**

Shipping can be defined as everything related to marine transport. Transport is an essential facility for the development or exploitation of economic resources on a national or international scale. It allows the materials to be conveyed from areas of low utility to areas of high utility (Ziarati, 1995; Branch, 1982).

There are very large volumes of goods and materials as well as people which are transported daily from one geographical location to another. Considering the volumes involved, the demand for shipping becomes clear. Shipping therefore allows economic resources to be transported and hence facilitating economic developments to be realized.

Today shipping is growing in line with the world's developed economies to satisfy the need of growing global trade. The increase in marine transport has necessitated larger and more advanced vessels, better equipped shipyards utilizing high technology facilities, higher qualified personnel and more progressive support industries. The shipping and maritime industry is dominated by well educated and international minded people.

It would not be wrong if we say without shipping our living standards would have been dramatically low.

When referring to shipping, it should also be noted shipyard owners, entrepreneurs and many are operating in the supply chains and in the service industries. Most of the shipping industry's business is concerned with international trade and inevitably it operates within a complicated world pattern of agreements between shipping companies, understandings with shippers and policies of governments (Stopford, 1995).

From the nature of business point of view, especially for top management positions, gender is not supposed to be the focal point for the success of business. Required qualifications such as education, international personality, and communications give equal opportunity to women for a successful business management. Besides, considering the increasing number of female seafarers, women managers are likely going to be more effective by having better understanding on female problems in the business.

Sailors have a long tradition of superstition; looking for any edge they could find to give them comfort on stormy nights at sea. One of the longest standing superstitions – one that could also be classified as a bit of an urban myth – is that women on board a ship equalled bad luck.

There were so many aspects in the ancient sailor's life that he had no control over, such as the sea, the weather, market prices, politics, health that they seemed to seize control over any aspect that he some degree of control. Some believe this was out of a need to have some hopes and some control over his fate. This superstition will no longer be accepted by any women manager who will have at least full control of market prices through knowledge and wisdom of often running a household before taking up a senior post in a company.

## **Gender Related Succession Problems in the Family Businesses**

For many family businesses, innovation drives the early years of the family business. The following generations often tend to be caretakers rather than innovators. Not paying sufficient attention to "innovation" within their business, their industry and in their market place may be one of the contributing factors why so many family businesses fail to transition into being generational family businesses.

It is often argued that successful family businesses become more risk-adverse as the company matures. In that process, the concept of innovation does not get proper attention, support or funding. The ultimate challenge is achieving balance between the "traditions" of the family's business with "innovative" ideas and business practices that will enhance the growth, profit and sustainability of the family's business

Typically, in successful family businesses, the senior generation earned their spurs by hard work and commitment to the success of the business. That type of work ethic encourages genuine loyalty from the management team and the employees. The next generation of family must EARN the respect of the management team and the employees.

Succession planning is often discussed from the family's perspective. However, how the employees of the family business perceive the succession process can have an enormous impact on how well the business does on a day to day basis. How the succession issue is perceived by vendors and customers is another important part of the succession management process. If key managers perceive a lack of competence in the leadership skills of the next generation, key

employees may move to some other company where they may have more upward mobility and/or more influence on the organizational structure of the business.

Gender is one of the main issues in Turkey when it comes to succession in family business. In many families, even if the eldest and the most talented of the children is female, a son may easily be chosen as a successor of the family. This may have quite adverse effects on the family business by creating a sibling rivalry. Sibling rivalry may bring the business to its end as well as family itself. A female successor should take all these considerations into account to maintain the integrity of the family. A women manager will obviously need to spend more energy for the family business than her male counterparts to earn the respect of management team and employees. Therefore, to set the gender issue aside, family must establish criteria for the leadership of the company as early as possible to develop a profile of the prerequisite skills of a successor.

Similar considerations should also apply for the innovative changes in the family business structure. Change, even for the better, can be painful. The Japanese have a successful model of change used in business organizations that would also apply to the families. For them, change is a process as delicate as transplanting a fragile plant. For the plant to thrive, the soil must be carefully prepared. Thus, in Japan much time is spent preparing the organization for change. Women have to spend more efforts than men to convince other family members for the changes to sustain competitive advantage of the business. They will be more hesitant on the changes and preparation of the soil will take longer if there is sibling rivalry in the family just because of the gender of the successor.

In the American business tradition, taking a woman into the company was on a par with taking a woman to sea: bad luck at worst and a lot of trouble at best. A daughter was considered successful and useful if she married well. A wife was expected to be an extension of her husband's property. In fact, the idea of the woman as weak and incompetent persisted well into the twentieth century. Now, social and economic circumstances have jolted many women out of these limited roles and put them in charge of their lives (Bork, 1986). Explosion in transportation, communications, banking, manufacturing etc. are changing role of women in business by giving way earlier attitudes and traditions such as succession by the oldest son and women as business inferiors. Better educational opportunities, increased sexual equality in the job market, and enlightened social conditions will provide a professional business atmosphere and increased communication among family members who work together.

## **Lean Management Techniques**

It is believed that one of the most important tools for the efficient management of the family business as well as its succession to next generation is the employment of lean management techniques. This may overcome problematic issues such as gender and sibling rivalry by setting logical steps to follow.

A family managed business is regarded as successful when it remains solvent for at least four generations, it is profitable and that the value is added to the business generation by generation (Lansberg, 1999). A list of methods ensuring successful and profitable family run businesses are summarised under the following headings by Kaptanoglu (2007):

*Success in family* - improved and direct communication, conflicts balanced, a lasting legacy created and protected, retirement and estate planning made as well as building personal security, what is good for business is good for the family.

Success in management - strategic planning, goal specific and accurately measuring goals, creating a learning/teaching environment, leadership coaching, providing regular feedback, sharing and delegating, assigning different roles, ensuring proper training.

Success in corporate governance and ownership - integrating non-family members, equal is not fair.

The concept of competitive advantage which is achieved through a co-operative decision making processes is about creating the right organisation, offering product/service to the market at the right time, at the right place, at the right price so that the customer is satisfied (Ziarati, 1995). There are also value stream management approaches (quality tools) to improve competitive advantage (Tapping et al, 2002).

In their landmark book "Lean Thinking" (1996), James Womack and Daniel Jones define a value stream as follows:

" The set of all specific actions required to bring a specific product through the three critical management tasks of any business:

- Problem solving
- Information management
- Physical transformation

Management of these value streams – value stream management – involves a process for measuring, understanding, and improving the flow and interactions of all the associated tasks to keep the cost, service, and quality of a company's product and services as competitive as possible (Keyte and Locher, 2004).

A lean enterprise is market driven and customer oriented, which means the company must design its future state to meet the needs of the market in an effective and efficient manner. To this end, a company must challenge all current business practices and improve them by implementing lean principles and practices. One of the key concepts of lean thinking is systematically eliminating waste during a lean implementation.

From this point of view, lean office management becomes the focal point of any family business especially for those working in the maritime transportation sector which main production line is the office itself. Most of the siblings, cousins and in-laws would like to take responsibilities in the office as managers without considering their background and skills for the respective position.

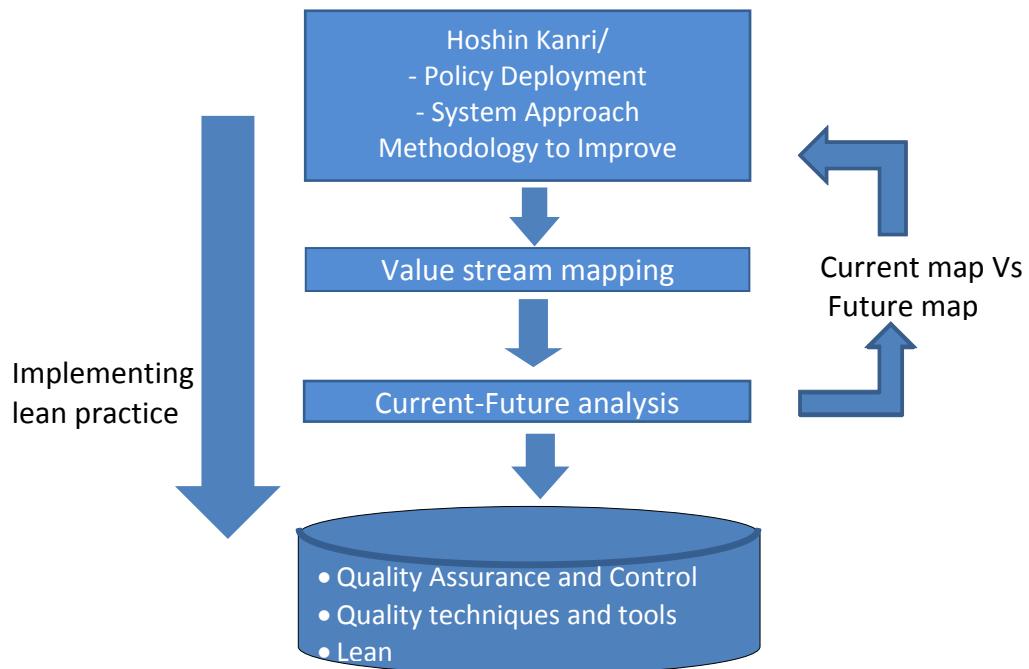
One premise of Hoshin Kanri is that people who are charged with executing a plan should participate in the planning process itself (Akao, 2001). The objective is to obtain alignment among all participating factions, and focus the business as a coherent whole system on its core objectives. Achieving this goal means that a company's management team (family members) must have the ability, desire, and means to communicate, cooperate, and integrate its planning process with the entire business structure. A women manager can be more successful to achieve these goals in the management of family members if she is accepted as a maternal figure embracing whole family.

Lean enterprise is a philosophy that focuses on using continuous improvement to eliminate non-value-adding activities in a company's own production facilities. Lean enterprise refines the control of time throughout all business functions by eliminating obstacles to the flow of material and information. The most famous of these obstacles are the "seven deadly wastes" of overproduction, transportation, waiting, inventory, defects, over processing, and unnecessary

movement (Jackson, 2006). All these obstacles are very important for the successful shipping business but if these wastes are occurring due to misplacement of family members in the managerial positions, than it becomes a real challenge to eliminate them.

Value stream management is not just a management tool; it is a proven process for planning the improvements that will allow a company to become lean. The key ingredient in this recipe is the involvement of people throughout the process (Tapping and Shuker, 2003). As long as the involvement of whole family members is provided and maintained through a solid leadership, initial steps will be easily achieved to gain the competitive advantage in the business.

According to the generally accepted principles of financial management, the ultimate objective of the financial function is to maximize the value of the company's stock in terms of the market price. In FBs, however, the value of the stock is not only its price, but includes other considerations such as passing on a tradition, offering job opportunities to family members, and staying in power for long period of time (Gallo et al, 2004). The role of power refers to owner-managers' abilities, such as knowledge and skills, motivation and willpower, and view of life to use their personal and institutional power Gallo et al (2004). Therefore, even in the rather complex environment of family business, gender is not supposed to be a consideration anymore in the effective business management as long as knowledge and wisdom prevails. The Figures 1 to 4 are extracted from a recent PhD thesis (Kaptanoglu, 2013) which emphasis the importance of relating policies to current and future maps of the business and applying lean techniques to make the business more competitive. The separation of business management and family issues, as demonstrated from Figure 4, is equally important consideration for the future survival of the business.

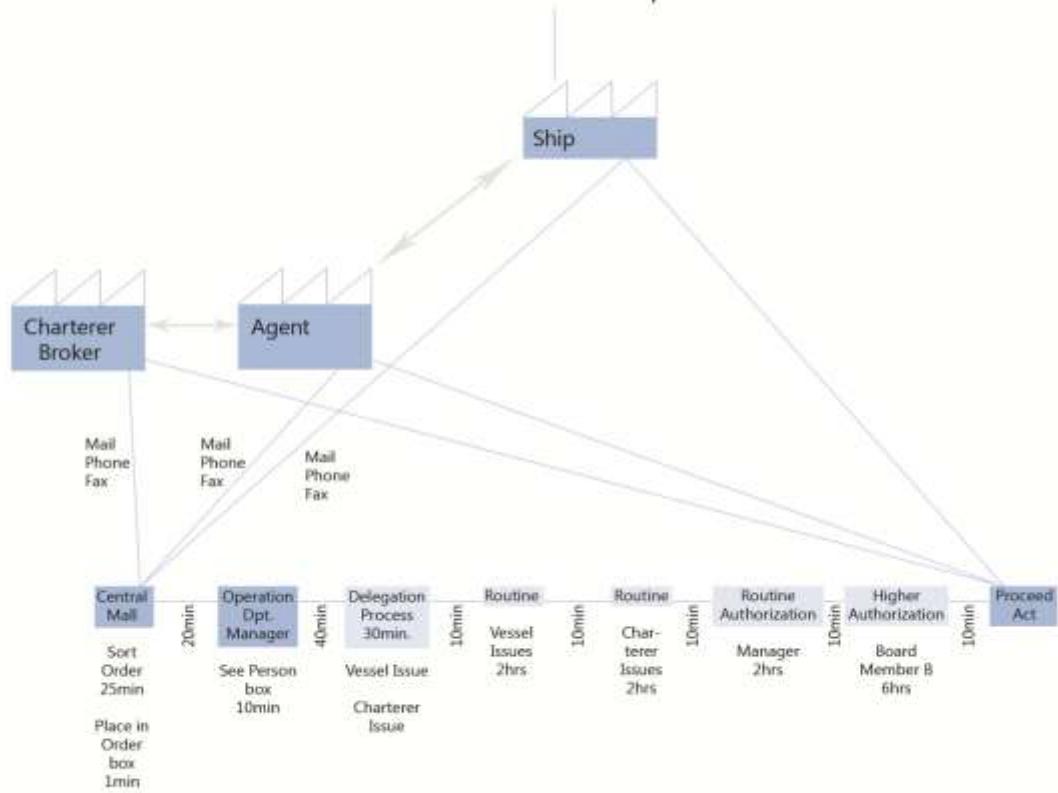


**Fig1.** The Family Business Model Implementation Process

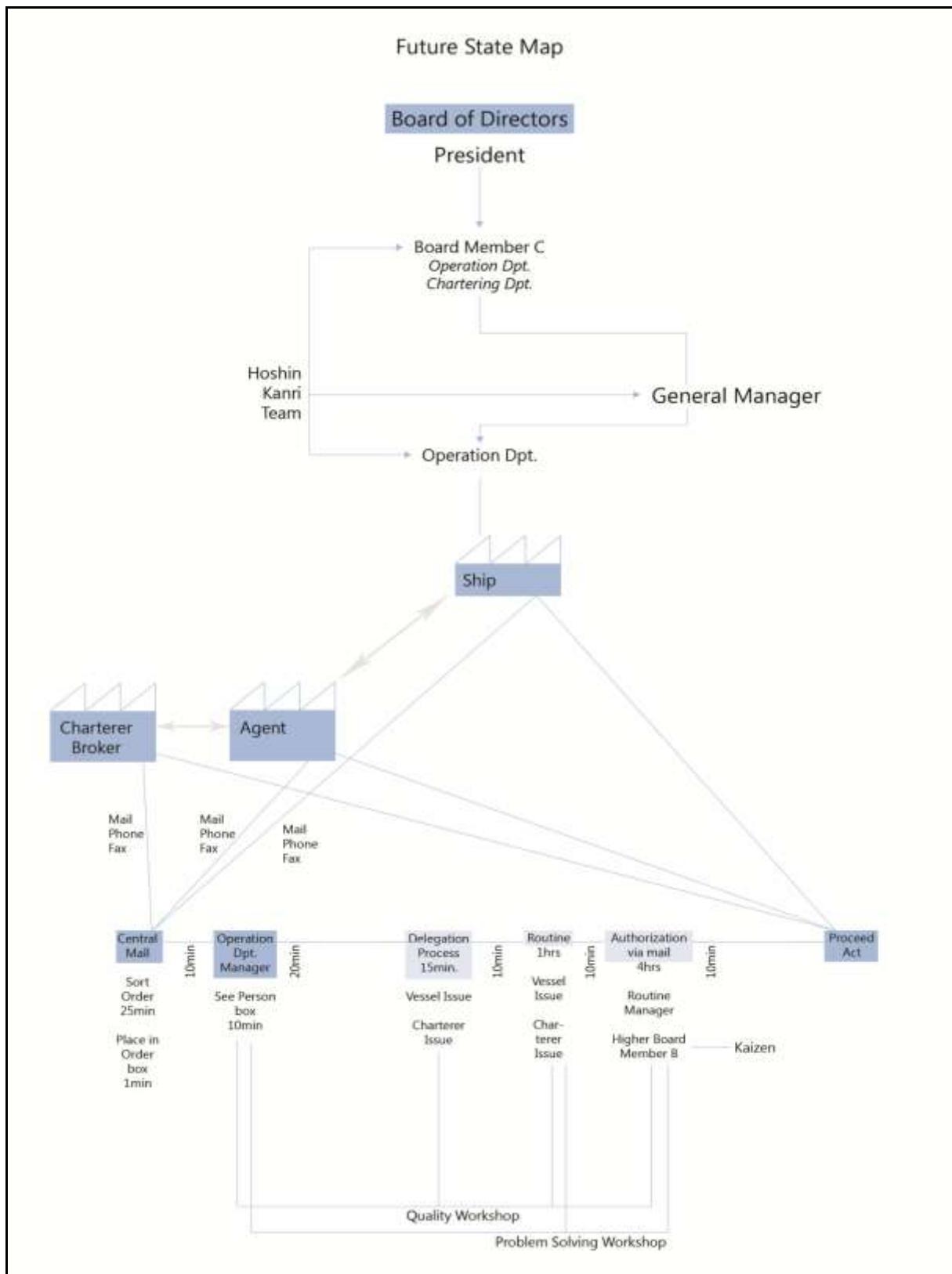
## Current State Map of Shipping Co.



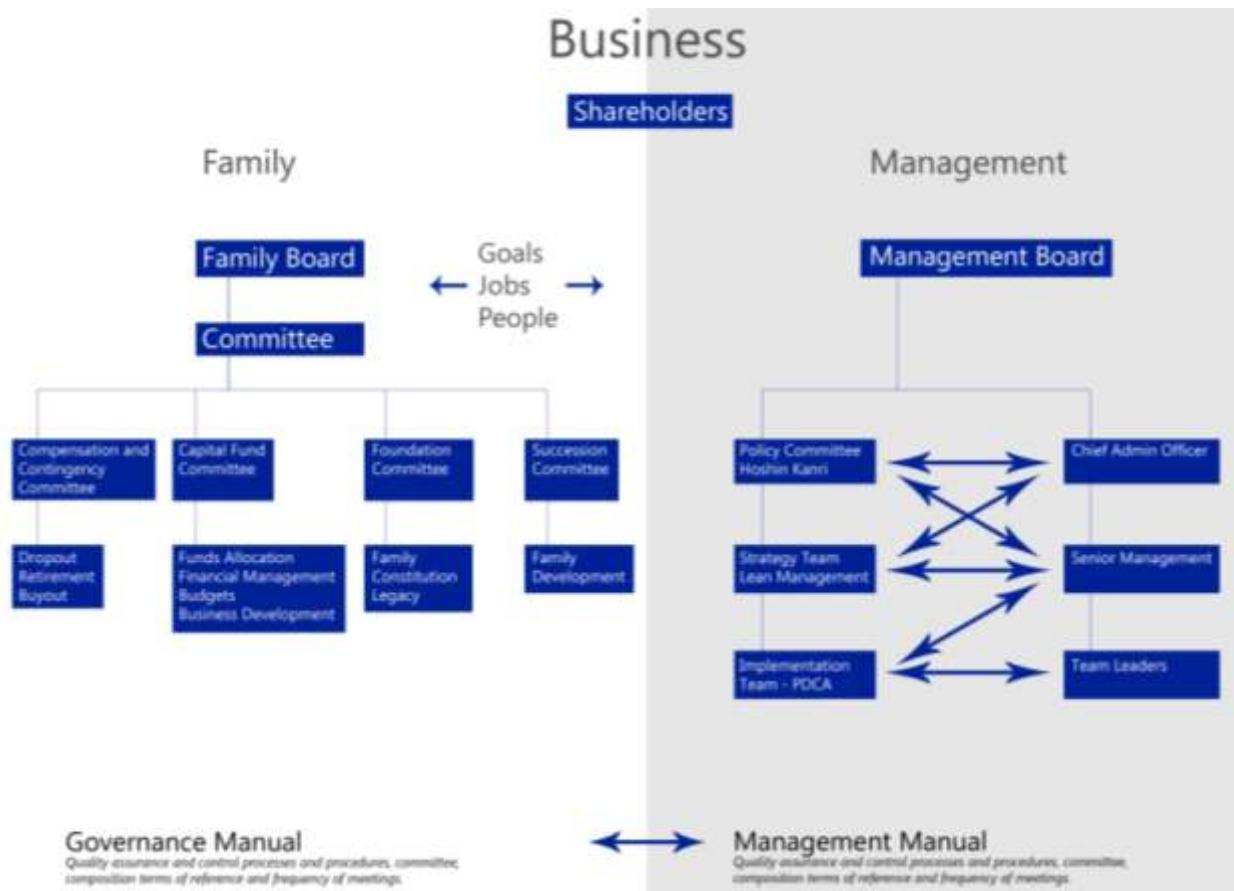
## Current State Map



**Fig2.** Current Maps of a Ship Operation Department Page 23 of the Paper



**Fig3.** Future Maps of a Ship Operation Department



**Fig4.** A Proposed Management Framework for Family Business

## Conclusions

It is important not to lose sight of the challenges facing the shipping industry. The companies which will do whatever necessary to remain solvent and competitive are the ones that will have the greatest chance of survival. Concept of lean practices applied in other industries should be taken seriously by the shipping industry as it deals with avoiding waste in the system. There are now new developments such as Lean Optimal (Ziarati, 2013) which not only identifies waste, it predicts waste and offers opportunity to prevent waste in a proactive manner. It is also important for family businesses to separate their business affairs from their family affairs and bring in people from the outside of the family to support their business activities.

The women entrepreneurs with good education and assertive personality are becoming a major driving force in many traditional businesses that has been primarily male dominated. In Turkey, shipping industry has been primarily managed by men but this trend is not been challenged by several very resourceful and highly educated women. However, research to date is inconclusive as to whether this modest influx of female entrepreneurs would have major visible or tangible impact in shipping business.

The concept of lean management is not new but women have proven to be good manager of budgets and hence have shown to pay attention to details and this may prove to be beneficial in the medium to long term.

Review of the recent research by female scholars in Turkey (Kaptanoglu, 2007 and Akdemir, 2008) clear shows that women are here to stay and are asking questions that have never been asked. They are setting the standards for future

management of companies and demanding equal rights. They certainly are being noticed as good and reliable colleagues who need to be taken seriously or else!

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