

Μελέτη περίπτωσης

Rapid fleet growth:

*A story of Maritime HR Planning and People Management**

by Dr. Maria Progoulaki

It was another Friday evening at the office. Dimitris was looking at the view from his window, thinking the Chairman's saying during the last meeting:

"We need to do what needs to be done, in order to be fully compliant, over and above regulations, industry standards and principals' requirements. Our commitment to compliance 'by-the-book' is our way of doing business, and money should be spent for this concept".

Dimitris is the company's COO and in the management team since the company was managing 5 tanker vessels, manned with less than 80 seafarers and 17 people ashore. Today the Chairman and CEO has announced the new strategy of the company. He envisioned his family shipping company running in a niche market, that of Liquefied Petroleum Gas (LPG) carriers. LPG was considered one of the energy resources of the future, and at that time, there were very few ships in the world, specialised to carry this commodity. The number of competitors in the LPG market was limited, and entry barriers were high, due to stringent regulations and industry standards. Clients were also few, and already known to the management team, as the same oil majors were chartering the company's tanker vessels for decades. The option to buy second-hand ships was not even an option, as the characteristics of the existing fleet (in terms of ship age, capacity, technology) did not match to the company's strategy which would focus on modern, fuel efficient ships with clear advantages over the existing ones.

The company managed to raise funds from stock exchange markets, and invested in building new, high specification LPG ships. The original order book included six LPG ships, but in 2013, the company purchased the new building contracts of a competitor. Deliveries started in 2014, with 16 new ships being delivered only in 2015. The company more than tripled its fleet within a time frame of less than two years. Today the company has a fleet of 22 modern very large LPGs (VLGC). The rapid fleet expansion raised a great people management challenge. An extensive Human Resources (HR) planning for both sea and shore based personnel was required. Considering the clients' demanding standards, the limited sources of qualified and experienced seafarers for the specialised fleet of the company, and the limited time for running the expansion and strategic HR Planning programme, the management team knew they were facing a storm ahead.

* The current version of case study is developed for the special needs of this course. The original version is published with the shipping company's permission in 2018 by Springer.

About the company

Background

The family holds experience and know-how on managing tanker vessels for the transportation of crude oil, which was later expanded to the management of LPG ships. The company's philosophy is based on five key values: (i) respect for the customer, (ii) commitment to quality, (iii) appreciation of each and every worker, (iv) contribution to community and environmental sensitivity, (v) tradition of hard work and modesty. The company is highly committed to safety; "*safety does not merely happen- it is the reward of good management, good housekeeping and good procedures*".

In 2013 the company had managed to raise capital from a stock exchange market in Europe, while about a year later, successfully stepped in the public domain on the New York Stock Exchange market. In October 2013 the company announced that it has successfully come to an agreement with a competitor to acquire its VLGC new building contracts. After the first months of 2014, the enormous restructuring programme concerning the operation and HR management in Greece began to take shape.

The company's new building plan relied on the construction experience and expertise of two major global shipyards. Ships were designed to meet future international environmental regulations and deliver economical performance with low fuel consumption engines and optimised hulls. The existing regular VLPG fleet was 3. The first two new built eco-ships were delivered in 2014, followed by a mass delivery of 16 in 2015. The last vessel was delivered in 2016, completing a fleet of 22.

The company's headquarters are in the USA, and has offices in Greece and the UK. Marine operations, technical management, Health, Safety & Environmental Management (HSE), supplies and accounting activities run from the Athens office, while chartering, legal and commercial operations are conducted in London. Crew management is conducted by the Athens office, in collaboration with independent crewing companies.

The company's clientele comprising Big Oils (world oil and gas producing companies) had specific requirements for the qualifications and experience of the staff. Based on the Tanker Management Self-Assessment guide (TMSA) (OCIMF, 2008), vessel operators are encouraged to assess their safety management systems, measure them against listed key performance indicators (KPIs) and improve them based on the provided best practices. Oil companies exercise due diligence in selecting well-maintained and well-managed ships for charter; part of their auditing process focuses on the recruitment and management of the shore-based and vessel personnel.

Strategic HR Planning and People Management

The management team knew that the rapid fleet expansion project in such a specialised market and in a very short span of time increased the complexity of the challenge. The strict clients' requirements concerning the current employees' profile and the limited sources of available and appropriate seafarers, would increase enormously the cost for people management. However, the relative cost was taken as an investment in people and a necessary element for the success of the whole project. The profitable market at that time did not require the company's forced economising; on the contrary, the conditions of the project allowed the executives to proceed to operational actions needed for the future fleet to be managed effectively. The company's special people management programme for recruitment, training and compensation (further discussed below) cost about US\$ 5 million. Today Dimitris confesses that:

"The high cost of implementing the maritime HR planning and people management programme was worth it; in fact, crucial in our opinion. The company's principals communicated the need for such a people management cost to the shareholders immediately and very clearly, everything was transparent, and most importantly, rationally justified. The HR cost was budgeted in the overall fleet expansion project, because it was needed to make the fleet operational at the standards we had built our market reputation on. Everyone, and most importantly our executive team and shareholders, understood and acknowledged that need signing off the necessary investment early on".

Sea-going people management

The complicated fleet expansion project relied heavily on the careful crew planning, so as to ensure that within a year the company would have adequate number of fully qualified and experienced officers to lead the new fleet. Luring with attractive remunerations, crew rotation and regular employment, the company's sea personnel grew from less than 100 in 2002 to around 1,000 in 2017, including stand-by seafarers. The pool of seafarers, with high retention rate (97%), was managed by the crew department in Greece (with a team of five), and the two third party crewing outsourcers in Croatia and the Philippines.

TMSA aimed to ensure that all vessels in the fleet have competent crew who fully understand their roles and responsibilities, and who are capable of working as effective teams. Further, the clients' requirements emphasised on the qualifications and experience of the top four heads in the ship's hierarchy. Thus, the biggest challenge in the hiring process was linked to the level of skills required per rank and the years of experience needed both on the specific ship type and the specific company's management system. Recruitment specifications were determined by Crew Requirements Matrices, slightly different among the Big Oil principals. In order to satisfy these complicated and demanding conditions, the company decided to follow the stricter matrix. The main problem came from the "time in the same type of tanker" requirement, especially in the case of LPG ships, and more importantly of similar VLPs to the ones the company was building. This requirement narrowed the pool of available officers significantly. For this,

"the only remedy was to accept LPG qualified officers from different LPG types and sizes, and train them on the existing LPG fleet during the same period (four months in total, two times of two months each)".

Dimitris explained that in terms of the required seagoing personnel it was extremely difficult to manage compliance to the customers' requirements if not rotating the top four senior officers more frequently and training onboard the new-joining senior officers. The crew rotation plan was developed to ensure not only principals' requirements, but also satisfy crew's desire for a work-life balance. The idea was to identify the actual number of seafarers required in order to fulfil a position onboard, depending on seafarer vacation (or employment) duration ratio.

The most difficult requirement during the expansion was the "time with operator" part of the matrix, which necessitated the company to go with the training programme. Until the fleet enlargement the company was employing Croatian cadets. This development programme was ceased for 1.5 year, due to the urgency to train new fully qualified, certified and experienced

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officers. Each available cabin onboard had to be utilised for the urgent training programme. The onboard employment was following the ship type's safe manning restriction of minimum 22 (plus two cadets) while a few other vacant cabins have been utilised. The cabins occupied by cadets were given to new trainees while 2 or 3 vacant ones (depending on the ship) were also reclaimed. A policy of maximum 5 trainees were imposed to ensure their training did not overwhelm the existing crew. It is worth noting that all new comers were senior officers, thus fully qualified and active professional sailors, being asked to be trained by the same-ranked colleagues on the specific ship type (i.e. VLGC) and the specific company's Safety Management System (SMS).

To assist on the speedy induction of the new entrants onboard, the company developed in-house a web-based familiarisation programme that was offered before sign-on. While the company has been using third-party independent training providers for the sea staff, they found out that the web-based training was mitigating the burden to group seafarers and train them in-class. The familiarisation training programme, mandatory by international regulations, describes the company's safety, quality and environmental protection policies and procedures. For other training programmes, the company appoints independent training providers per occasion.

In terms of the cultural synthesis of the crew, the top management team believed that there was no time for experimenting; thus, decided to retain the known crewing companies for outsourcing foreign crew. Independent crewing companies were already supplying the company with Croatian officers and Filipino ratings. The company's order to its Croatian officers' supplier was clear:

"The fleet expansion does not allow us to be dependent on a single country for the provision of senior officers. Provide with alternative culturally compatible seafarers".

In order to reduce the cultural shock, the supplier targeted countries that have similar or close cultural profile to the Croatian and compatibility to the Filipino culture for matching to the commonly used cultural mix onboard. Since the market of Croatian senior officers with experience on LPG ship operation was saturated, the European crewing company was directed to turn for LPG officers in Latvia, Russia and Ukraine; these countries are the ones recognised for the seafarers' expertise on the specific ship type, along with India. The two main concerns in the selection of the seagoing labour sources were: the manning cost being influenced by the average market wages, along with the cultural synthesis of the crew per ship. For instance, a mixed nationality crew of Croatian officers and Filipino crew was less costly than a single nationality Croatian or Indian crew.

The compensation function of the seagoing personnel has been also affected by the fleet expansion and the maritime HR planning programme. The competition in the LPG market has long introduced a complex and expensive compensation system, comprising a base salary [way over the minimum wage of the seafarer collective bargaining agreement (CBA) as per International Transport Workers Federation (ITF)], owners' bonus and stand-by wages. The company aimed at developing an overall pay package that would attract experienced officers without resulting to an unsustainable crewing cost structure. Seniority bonuses (recognising serving time within the company) and pay allowance for time spent under shore training were some of the key benefits, apart from the basic salary and owner's bonus, that were adjusted for each rank individually to achieve that goal. All pre-existing benefits were honoured despite sometimes being of significant cost. Other factors considered in the design of the compensation package, included: market perceptions towards the expertise of the seafarers of certain education and training, attractiveness of the salary in the targeted labour markets, competition with other shipping companies, cost of living in the source countries. On another point, stand-by wages represent a common practice in the tanker and gas market, as a way

to retain an officer available for the company, while the sailor is off duty. Offering attractive financial perks has been widely used as an attraction tool and a way to create a pool (Progoulaki & Theotokas, 2010). Stand-by wages may be of the same or reduced level of a working salary, but represent an important element of the overall pay package.

The big investment of the company to new recruits, training, compensation and rewards was very much linked to the need for ensuring a high retention rate of the sea personnel. Retention can be a difficult task in a market where seafarers are free-lancers (Progoulaki, 2012). Apart from the stand-by wages, the company had to apply a working scheme (as agreed in the seafarers contracts) that would satisfy the need of the seafarers for sufficient time ashore to spend with their family. The contract scheme that applies today varies: three months onboard and two or three months ashore.

The crew planning and rotation was received by the investors and shareholders as a proof of commitment and 'by-the-book' focused management aiming at retaining high quality at all levels. However, the existing seafarers felt threatened by the new comers onboard and the company's expanded pool. It was the personal intervention of Dimitris and the crew manager in company and officers meetings explaining the company's strategic plan and clarifying that future jobs were to be ensured, that eased their concerns.

Shore-based people management

In the case of the office in Greece, the organisational structure of the company has been evaluated. After analysing the workload, possibilities of merging departments and other options, the organisational structure remained the same during and after the fleet expansion; only the people flow increased significantly.

In the case of the office in Greece where the technical, operation and crew key functions are taking place, the team of the shore-based personnel also had to be enhanced. Hirings ashore have been taking place in parallel to the normal ship management operations and the recruitment of the seagoing personnel. Similar to the sea staff, the job description for all shore-based positions followed the requirements of TMSA2. The aim of the OCIMF Guide is to ensure that the fleet is supported by key staff that is competent to carry out the full range of responsibilities and tasks. Thus, the recruiters of the company should check and verify validity of the new recruits' qualifications, offer a formal familiarisation, and identify any training needs. Moreover, the ship operator shall monitor the job retention rate, encourage and support additional and higher education courses, and promote appropriate interpersonal skills training.

Under the fleet expansion project, the shore staff recruitment strategy was to hire experienced and ready-to-work maritime professionals so as to enhance the existing teams and cover the extreme workload of operating the existing and expected new fleet, especially the 16 new vessels to be delivered all within 2015. This led to headhunting and lateral moves of professionals for positions ashore. The number of company's shore- staff in Greece grew from 17 in 2002 to 47 people in 2017. Since there was no room for new comers and in order to facilitate the enlarged shore-based operations, the Greek branch moved to new premises.

The attraction, recruitment and selection process was done using regular tools, like advertisements, screening of applications, and multiple interviews. The single HR Coordinator was in charge of the process, i.e. hiring, screening, short listing candidates. Key recruitment related to the identification of HR needs, setting the criteria, conducting all interviews and approval of candidates were taken by the top executives team. The USA office approved the hirings especially of new line managers. For

key positions, attractive remuneration schemes were offered to professionals being employed elsewhere. Some additional benefits, like private insurance, company mobile phone and laptop were also provided.

With regards to the cultural synthesis ashore, almost all of the people working in Athens were and are Greeks, while in the UK the majority is local nationals, with limited presence of foreigners (i.e. a Greek, an Indian, and two Danes). The USA team generally comprises Americans with a couple of Indians too. In terms of turnover, the retention rate was overall extremely high for the shore staff.

The main challenge that the executives' team had to deal with when increasing the number of people in the Athens office, was related to the varying corporate cultural values, working practices, professional behaviours and perceptions of the new entrants, when mixed to the old company team. The new entrants were joining the company, coming from small or big tanker management companies. They were carrying knowledge and experience of the strict regulatory framework and the tanker industry standards, but also a different working culture - sometimes more lax, more cost- prioritising or less quality-oriented, at least in comparison to the company's culture. As Dimitris noted,

"we managed this by clearly communicating from the very beginning the strategic priorities and expectations of the company, not simply with regard to the execution of the fleet expansion project, but mostly on how we want things to be done. The 'by-the-book' mentality towards safety and quality is in all our procedures and had to be followed by all employees, since deviations, alterations and of course, non-compliance is non-acceptable because it will ruin the reputation and our brand. This is extremely important for a NYSE-listed company".

The outlook

2016 signalled the successful completion of the fleet expansion programme. The company's main source of strategic competitive advantage is indeed, its large, modern, young, specialised fleet. In terms of future goals, the company is still in a growth mood, continuing to consider strategic opportunities, including the acquisition of additional vessels through joint ventures or business acquisitions and repurchases of its own securities. While the COO emphasizes on the importance of a strict vessel maintenance programme, he also underlines the humans' role, both onboard, and from shore:

"The truth is that anyone can order tomorrow a ship exactly the same like yours, if money allows. So, the only potential advantage can derive from the management of the fleet, which means, management of people that man the fleet or direct the crew from ashore. The expertise, experience of the seagoing personnel, the effective utilisation of these people, their learning ability, monitoring when the process has reached a plateau... people is the only thing that can make a difference in the long-run".

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