

AN EMPIRICAL INVESTIGATION OF PROFESSIONAL SHIP MANAGER-CLIENT RELATIONSHIPS

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Abstract

The undisputed importance of professional ship management in international shipping makes the area worthy of scholarly consideration. This paper identifies that problems faced by contemporary ship management organisations may be effectively tackled by applying relationship marketing. The empirical investigation of professional ship manager-client relationships identifies the existence of relationship segments among the ship management sector. The results culminate into a series of recommendations for achievement of greater effectiveness in marketing ship management as well as suggestions for future research in the area.

INTRODUCTION

The practice of ship management has achieved remarkable growth and has undergone many changes over recent years. Nowadays many shipowners seriously contemplate entrusting their vessels for management to professionals. Obviously such a decision will require detailed consideration and should not be based on reputation or price alone. On the other hand, ship management companies have to implement commercial principles that have been applied with considerable success in other professional service organisations.

Despite its importance in international shipping, professional ship management has received limited attention in terms of scientific research. Hence, the application of commercial principles seems to be lagging when compared to other industries. The lack of extensive scientific research and the needs of shipowners and ship managers make the subject area worthy of scholarly consideration. The aim of this study is to identify the prevalent issues in ship management and by adopting suitable theoretical and methodological concepts to further the subject area's academic knowledge whilst contributing to its more efficient practice.

PROFESSIONAL SHIP MANAGEMENT

Professional ship management has been defined as *"the rendering of services related to the systematic organisation of resources required for the sustenance of a ship as a revenue earning entity"* (Panayides and Gray, 1997, p. 233). Ship management came about as a professional service some 30 years ago, mainly to satisfy the needs of non-traditional owners like oil majors and later-on banks. The viability of ship management was further enhanced by the needs of owners who were more interested in trading their vessels, and were willing to entrust their assets to the hands of professionals offering personalised services.

Sletmo (1989) described ship management as an efficient organisational adjustment to the conditions of a global shipping market. Efficiency arises from firm co-ordination of the resources required to sustain the ship, and achievement of economies of scale. Efficiency and the demand for ship management services resulted in the quick achievement of economic returns, which has brought an influx of ship management companies in the shipping industry.

The shipping industry has not been especially renowned for the application of marketing principles. This seems to be the case in ship management in particular. A review of the current marketing practices indicates mere application of the basic marketing mix variables in a non-systematic manner (Panayides and Gray, 1997). The marketing mix variables, however, are considered outdated and simplistic in marketing theory and practice nowadays (Gronroos, 1994).

Apart from relatively poor marketing practices, the influx of ship management companies has also brought other problems to the ship management sector. It would seem that competition among a large number of companies would be beneficial for improvement of efficiency. However, it can also be unhealthy competition when it is specifically directed towards attracting clients from competitors as is the case in ship management (Willingale, 1992). On the other hand, the greater availability of companies resulted in owners looking for other opportunities when contracts end. Price has become a very important aspect for clients who are faced with uncertainty over the quality of service they receive and, thus, opt to shop around (Williams, 1993). Client uncertainty and dissatisfaction over the level of service quality has resulted in the propensity of shipowners to take management back in-house in order to be able to exercise better control. The issues discussed in the ship management

literature indicate the lack of systematic marketing directed towards retention of current clients, and an overall weakening in ship manager–client relationships which results in contracts having a shorter time cycle.

SHIP MANAGER–CLIENT RELATIONSHIPS

The aforementioned problems indicate the need for the implementation of systematic marketing strategies, which should also aim towards the enhancement of the relationship with the clients. Marketing research and practice indicates that relationship marketing is an appropriate concept for studying business-to-business relationships with a view towards reinforcing and stabilising them.

Relationship marketing

Marketing theory and practice has generally been oriented towards customer attraction and the creation of a transaction. It has been recognised, however, that where there is a supply of essentially similar products or services, marketing should seek the establishment of continuous exchanges. This is especially true in the supply of professional services such as ship management. On this basis, Gronroos (1994) suggested that marketing should seek to establish, maintain and enhance relationships with clients at a profit, so that the objectives of the parties are met. This approach to marketing has been termed “relationship marketing”.

Relationship marketing facilitates the retention of customers over the long-term. It involves development of bonds that will tie the customer to the particular service supplier and ensure continuing exchanges. These bonds may be economic or social in nature. For instance, it may involve the investment of idiosyncratic resources in the relationship. Such investments will raise the barriers to exit of the client, since it will be more difficult to find alternative suppliers that will make similar investments. Investments may take the form of adaptations, i.e. actions by the service supplier that will modify the offering in terms of processes or administrative routines in order to accommodate specific needs of the client.

Social bonds involve the development of mutual trust and commitment to the client. Trust is a key element in successful business relationships because it encourages co-operative behaviour (Pruit, 1981), and the mutual resolution of conflicts (Anderson and Narus, 1990). Conflict resolution is essential in ship management relationships where the complexity of ship operation provides breeding ground for disagreements.

Relationships between buyers and sellers are now receiving increasing attention in marketing theory. The main approach utilised is to borrow concepts and measures from theories of social exchange and personal/romantic relationships and apply them in a business-to-business context. Although such an approach may have succeeded in identifying whether certain concepts apply to ship management relationships, it would have failed in identifying the actual key concepts that exist in ship manager–client relationships. Hence, the approach envisaged for this study is that of identification of the actual dimensions of ship manager–client relationships, and their classification.

Aims of the study and conceptual development

The main aim of this study is the identification of potential relationship clusters within the ship management companies under scrutiny and their classification. Organisational classification provides the basis for strong research by breaking the continuous world of organisations into discrete categories well suited for detailed analysis (Rich, 1992). McKelvey and Aldrich (1983) state that organisations may not be all alike or all individually unique. On similar grounds it may be conceptualised that ship management organisations may not have exactly the same or individually

unique relationships with their clients. Classification of ship management relationships will provide the ability to recognise fundamental structures (cf. McKinney, 1966), and a basis for theory development and hypothesis testing (cf. Haas *et al*, 1966).

Any study of complex organisations and their interactions and exchanges involves many factors whose inclusion will make any conceptualisation unmanageable at an operational level. Aldrich and Whetten (1981, p. 385) state that "*the starting point for all studies of aggregates of organisations is a relation or transaction between two organisations*". Hence, although relationships between ship management companies and other organisations (agents, associations etc) may influence the particular manager-client relationship, such influences are assumed to be constant for all relationships. It follows that the focus of this study is the ship manager-client interaction, i.e. a dyadic interaction model. In a dyadic interaction model, marketing behaviour is regarded as an inherently social activity, where the outcomes of the exchange depend on structural arrangements and shared affective and cognitive images existing between the buyer and seller (Bagozzi, 1978). Based on the above an exploratory investigation of ship manager-client relationships should take into account the cognitive images and other characteristics of the relationship, and the structural characteristics of the interacting organisations.

In order to guide methodological development and achieve the aims of the study, the following objectives were set:

- (1) To identify the characteristics of the relationship between ship manager and client organisations.
- (2) To identify the organisational characteristics of the interacting entities.
- (3) To explore the existence of potential segments within the sample under scrutiny based on relationship characteristics.
- (4) To explore the possibility of classification of any potential segments, in relation to the characteristics of the interacting organisations.

METHODOLOGY

The methodological process involves the selection of respondents, the design of the research survey, validity and reliability assessment and the selection of analytical methods that would satisfy the research aim and objectives.

Respondent selection

The first step in the methodological process is the identification of potential respondents that would provide the data required for fulfilling the objectives of the study. This involves selection of which side of the dyad (ship manager-shipowner) to research, selection of the appropriate informant(s) within the organisation(s) and deriving an appropriate sample.

Dyadic model: respondent selection

Imperative in the development of an approach for collecting and analysing the data for this study, is the selection of respondents. Research concerning dyadic relationships is faced with the dilemma of which member of the dyad to study. Ideally one would survey both members of the dyad. However, few studies on buyer-seller relationships actually do so. In a ship management context it was decided to study the ship manager's side of the relationship. This was because it was practically impossible to identify enough respondents that would admit of having their vessels under management and due to the lack of a sampling frame specifying such data. Ship managers would be extremely reluctant to identify their clients. However, researching the ship manager's side of the dyad serves the aim of the research, which is classification of ship management relationships. On the other hand, relationship

initiation and development would begin from the ship manager's side of the dyad, bearing in mind the distinct advantages that may accrue to ship management companies. Hence, the study will be of practical usefulness to the members of the ship management fraternity through the identification of their relationship perceptions and their classification, pinpointing strengths and weaknesses. It must also be pointed out that for purposes of comparability the homogeneous nature of the relationships under scrutiny is imperative. Hence, the relationship between the ship manager and their particular major client only was studied.

Key informant technique

Imperative in the research is the collection of data, which reflect the relationship characteristics of ship management organisations rather than those of individual respondents. This may be done by adopting the key informant technique, which involves the reliance on a small number of knowledgeable participants, who provide valid information about the organisation at large. A single member of the organisation may be sufficient (Campbell, 1955), although he/she must occupy a role that enables them to possess sufficient knowledge of the research issues. Phillips (1981) provides evidence to suggest that high ranking informants are more reliable sources of information. Hence, executives at the top of the hierarchy in ship management organisations were selected for participation in the study. Senior managers' views are also more likely to reflect organisational views (Walton, 1986).

Evidence suggests that the validity of the key informant technique has improved due to the reduction in size of decision-making units (DMUs) in business (e.g. Stock and Zinszer, 1987). Regarding research in business relationships in particular, John and Reve (1982) found evidence supporting the validity and reliability of the technique and encouraged its further use for researching dyadic interactions.

Sampling

The selection of an appropriate sample that would allow statistical generalisation to a population based on probability theory requires the availability of perfect sampling frames. A perfect sampling frame may be for instance a maritime directory where ship management companies would be represented once and only once. Unfortunately, the maritime directories available did not fulfil this rule. Hence, selection of cases was made on a judgmental basis that would, however, fulfil the research purposes. The cases selected were all the companies based in the UK and Cyprus. These two different ship management centres would allow comparisons to be made.

Non-probability sampling does not allow the generalisation of findings to populations, however, it is more appropriate for in-depth investigation of cases (Neuman, 1994). The use of a non-probability sample minimised the cost of the research and allowed completion within the specified period. Most importantly, the use of a non-probability sample did not affect the research aims and objectives. Given the research emphasis on discovery rather than justification, a small, geographically restricted sample does not mitigate the value of this undertaking. Rather, the potential contribution is obtained from the exploration and identification of original ideas, which in future research can be exposed to justification-oriented research strategies.

Forty-four companies of the ninety-eight reported in maritime directories participated in this study. Attempt was made to contact all ninety-eight companies. Nevertheless, many of the companies were in-house organisations or not engaged in ship management activities, whereas others have ceased to exist. This provides justification of the earlier assertion that maritime directories are not perfect sampling frames.

Survey methodology and data capture

The objectives of the study require selection of survey techniques to elicit relationship dimensions from the respondents, and to obtain data on the organisational characteristics of the ship management and client companies.

Telephone interviews were utilised in order to elicit the relationship characteristics present in the ship manager–client interaction. The selection was made on the basis of the type and quality of the data that can be obtained, potential response rates and minimisation of measurement error. Discussion of the merits and flaws of the technique is provided elsewhere (e.g. Neuman, 1994). Characteristics of ship manager-major client relationships were elicited using brainstorming methodology (Jones and Sims, 1985).

The data obtained from the telephone interviews consisted of short phrases or sentences describing the characteristics of the ship manager–major client relationship. The statements were analysed and edited. This resulted in eight relationship marketing variables (viz. personal/contractual relationship, trust, commitment, co-operation, conflict, functional conflict, adaptations, and investments). These variables were found to be present in the relationships examined, but in varying degrees. The statements were used as categorical type dimensions of each variable. The variables were used in a mail questionnaire sent to the ship managers in order to obtain homogeneous answers that could be analysed by statistical methods. Additionally the mail questionnaire was used to obtain organisational characteristics of the ship management and client companies. Thirty-eight questionnaires were returned representing a response rate of 87%. Of these, four questionnaires were incomplete hence; thirty-four questionnaires were used in the analysis.

Validity and reliability assessment

In trying to measure a specific phenomenon in the social sciences, it is inevitable that some degree of systematic or random error will exist. In order to minimise bias it is essential to establish the validity of the research instruments and the reliability of the data obtained. The scientific status of any inquiry in maritime organisations will only be established if evidences of unreliability and invalidity are actively sought to discover their sources and try to minimise the effects of bias.

Validity of the research questionnaire was established by ensuring that all items included in the questionnaire measure accurately the characteristics sought. The elicitation of the characteristics of the relationships from the ship managers themselves, provides in itself evidence that the subsequent questionnaire reflected accurately the dimensions of ship manager–shipowner relationships. The questionnaire was also assessed by academics, ship managers and shipping market experts before utilisation. Evidence of construct validity is obtained from the investigation of the hypothesised association between organisational and relationship characteristics. To the extent that such an association exists, this provides evidence that the measures developed and the procedures employed, measured accurately the items required.

Reliability of the data is established when the results obtained from a particular measuring procedure are the same on repeated trials. A degree of random error will always exist and reliability is established from the minimisation of random error rather than its elimination. The usual procedure is to re-administer a questionnaire and assess the correlation of the results. This procedure was impracticable in the context of this study. The study involved a combination of qualitative and quantitative oriented methodologies, hence, there was a focus on the quality control of the data during the research process. Additionally, as suggested by Kirk and Miller (1986), it is imperative for the researcher to document the methodological procedures in detail in order to ensure that a similar study will produce the same results. The reliability of the relationship data was established to a

certain extent by comparison of the results obtained during the qualitative telephone interviews and the subsequent questionnaires for each company individually.

Analytical methodology

The choice of appropriate analytical techniques is based on the objectives of the study. The methods employed should be capable of identifying segments in the sample of ship management companies based on relationship characteristics and profiling those segments in accordance to the organisational characteristics of the interacting entities. Cluster analysis and multiple discriminant analysis satisfy the two requirements respectively.

Cluster analysis

Cluster analysis was utilised in order to ascertain the existence of relationship segments among the sample of ship management companies. The identification of a structure of inter-relationships requires the use of inter-dependence multivariate analysis. In this particular case, since the structure of relationships is among variables, cluster analysis is utilised instead of factor analysis, which reduces dimensions of the variables into principal components. The objective of cluster analysis is to group the ship management companies into clusters such that each cluster is as homogeneous as possible with respect to their relationship characteristics (clustering variables).

A choice had to be made regarding the particular clustering procedure to utilise. It has been stated that if clusters are really distinct then any strategy worthy of use would find them (Gower, 1969). However, non-hierarchical procedures require the *a priori* specification of the number of clusters. To overcome this, Hair *et al* (1995) suggested the initial use of hierarchical methods to identify the number of clusters, followed by non-hierarchical methods to "fine-tune" the results by allowing the switching of cluster membership.

Multiple discriminant analysis

The objectives of the study include the profiling of any relationship clusters in accordance to the characteristics of the ship management and client organisations. Multiple discriminant analysis is the appropriate technique when a problem involves a categorical (non-metric) dependent variable and several metric independent variables. Non-metric independent variables can also be used if they are dummy coded (Hair *et al*, 1995). In this case, the relationship clusters (cluster centroids) would serve as the dependent variable and the organisational characteristics would be used as the discriminating (independent) variables.

RESULTS

The results obtained from an initial analysis of the data indicated three variables present in the majority of relationships between ship management companies and their major clients, viz. commitment, functional conflict and co-operation. Hence, the aforementioned variables were not used in the subsequent cluster analysis.

Distinctive categories of ship management companies

Both hierarchical and non-hierarchical methods of cluster analysis were utilised. The hierarchical method was used initially in order to ascertain the number of clusters from the resulting dendrogram. The dendrogram indicated the existence of four clusters. The non-hierarchical procedure validated this result. Further validation of the cluster analysis results was performed by re-running non-

hierarchical cluster analysis four times, but allowing the programme to select each time 85% of the cases and assign them into clusters. The results validated the original clusters obtained.

Examination of the clusters revealed the existence of four distinct groups of companies among the sample, in terms of their relationship with their major client. Multiple discriminant analysis was utilised to classify the clusters in accordance to a number of characteristics of the interacting companies, hypothesised to be associated with relationship characteristics. The procedure identified certain organisational characteristics that were significantly associated with particular relationship clusters.

Based on the distinguishing relationship characteristics of each cluster and the associated organisational characteristics of ship management companies, the categories were termed the **investors, friendship, rigid and reactive**.

The investors cluster

This cluster was comprised of eleven ship management companies. The cluster consisted of those ship management companies that would invest resources in the relationship with their major client. Companies in this cluster have not experienced any conflict with their client during the course of the relationship. Executives of companies in this cluster indicated that the nature of the relationship is not based on strict contractual terms. The companies are prepared to assist the client, even if that assistance requires actions beyond those stipulated in the ship management contract. The existence of a high level of trust was another characteristic found in this relationship cluster.

These companies were found to be greatly dependent on their major client. It was revealed that up to 37% of the revenue generated by companies in this cluster was attributed to the contracts with the major client only. It is hence, quite logical that these companies would invest heavily in the relationship, since it seems that their financial viability, not to mention existence is based on the contracts with their major client. This dependence would also seem to contribute to their proactive stance with respect to potential conflicts with the client. Another characteristic of these companies is that they manage very few vessels under crewing only management contracts for their major client. In fact, most of the vessels managed for the major client are under full management contracts. This explains why most of the revenue of the companies comes from the major client and establishes the high degree of dependency on the major client.

The friendship cluster

Companies in this cluster exhibit the highest degree of a personal friendship relationship with their client. It is widely accepted that business relationships in the shipping industry are often based on acquaintances and friendship relationships which, later develop into business co-operation. This seems to be the case in this cluster of ship management companies. In business relationships in other industries it was found that formal relationships may be transformed to friendship relationships at a later stage (Mummalaneni, 1987). The evidence from the qualitative interviews carried out in this study suggests that old friendship relationships may also be the basis for business co-operation in ship management. However, the number of companies exhibiting such a relationship with their major client is relatively small (four in the sample of thirty-four companies).

It is interesting to note that unlike companies in the investors cluster, the ship manager-client relationship in this cluster is characterised by minor conflicts. Such disagreements occur frequently however, they are viewed as just another way of doing business, i.e. that conflicts of this type are incidental to doing business and that their resolution is amicable.

Up to 75% of the companies in this cluster are based in the UK. The same percentage of companies were also found to be independent companies. This indicates that friendship type relationships are a characteristic of independent UK based companies. Additionally, it was found that 50% of the client companies in this cluster are also based in the UK. Hence, it seems that geographic proximity may go some way towards explaining the nature of relationships in ship management. Ship management companies in this cluster were found to have the longer relationships with their major client. This finding supports the relationship marketing propositions which state that social bonds of friendship contribute to the longevity of a business relationship. For instance, Halinen (1997) has found that favourable personal relationships at the top management level are crucial to the continuity of business relationships. Companies in this cluster either do not own vessels or own very few vessels and fewer than companies in any other cluster. The companies are relatively small when compared to those in other clusters, both in terms of employees ashore and on board the vessels as well as in terms of the number of ships managed.

The rigid cluster

The third cluster was made up of five ship management companies. Companies found in this cluster show no flexibility in terms of accommodating the changing needs of their clients. Companies are rigid in that they are not prepared to make any adaptations in their business processes or divert from established procedures. The reasons for this behaviour may not always be associated with poor business practice. The lack of flexibility may be justified by considering the power position of the companies in relation to their client. It may be the case that the cost of flexibility is a more important factor for these companies than the benefits derived from it. Additionally, companies in this cluster do not make investments in the relationship with their major client. Any investments they make are for the benefit of all the clients, despite the importance of the major client. Executives of companies in this cluster are also less likely to have a friendship relationship with their major client.

The greatest majority of the companies in this cluster were found to be independent, Cyprus-based ship management companies serving clients that are based in Europe. Companies in this cluster manage more vessels under crewing management only for their major clients than companies in any other cluster. Additionally, these companies do not manage any vessels for their major client under commercial only or technical only management contracts. In fact, companies in this cluster manage the least number of ships under commercial management contracts for any client. This is despite the fact that they manage the largest fleets. It would seem that the reluctance to undertake management contracts other than full or crewing only management is consciously pursued by these companies. Full management and crewing only management provide the greater profits for ship management companies. On the other hand, the profits that may be made from commercial or technical management are marginal. The costs associated with provision of spare parts and technical advice on an individual basis for vessels are high and the returns relatively low. On this basis it may be inferred that companies in this cluster are commercially oriented and would seek business with higher returns. It is not, hence, surprising that the average annual turnover of companies in this cluster is much higher than that of companies in any other cluster.

It has also been revealed that relationships between the ship management companies in this cluster and their clients are much shorter than those between the interacting organisations in the other three clusters. Hence, it may be inferred that the short term nature of relationships in this cluster is attributed to the reluctance of companies to allow flexibility in their business processes and also the lack of any investments specific to the relationship.

Companies in this cluster have also invested in the purchase of vessels and undertake their operation and management. This again indicates the commercial orientation of these companies and their willingness to engage in business ventures beyond the provision of third-party ship management services.

The reactive cluster

All fourteen companies found in this cluster are prepared to show some flexibility towards their major client, although that will be of a minor nature. For instance, the companies are prepared to change their accounting reporting style and procedures in order to accommodate specific requirements of the client.

Ship management companies in this particular cluster make investments as a matter of being in business and not for specific clients. Many executives indicated that a close personal relationship exists between them and their counterparts in the client's organisation. Trust in this cluster ranged from high for the majority of companies to fairly high, although two of the respondents indicated that they would not trust their client at all. Overall, the characteristics found in this particular cluster are indicative of a "reactive" nature in the stance of these organisations. An important characteristic of these companies is that provision of third party ship management services is their major or only business activity. In addition, the companies in this cluster operate very large fleets (like companies in the previous cluster) but with the vast majority of their vessels under crewing only management contracts. Companies in this cluster are very large with the greater number of employees both ashore and on-board (as expected since many vessels are managed on a crewing basis).

DISCUSSION AND IMPLICATIONS

This study has identified that ship management companies may be assembled into four clusters based on the relationships with their major clients and that companies in distinct clusters share some similar organisational characteristics.

The results obtained provide some indication of why ship management companies face the problems discussed earlier in this paper. In particular, it was found that in two of the four clusters, companies were not prepared to commit resources or make major adaptations in the relationship with their major client. On this basis, it is not surprising that contracts are on a short time cycle.

Investments specific to a particular relationship made by the ship management company will tend to draw the client closer together and ensure a longer-term relationship. This is because the barriers to exit will be raised, as the alternatives available to the client will be reduced. With two clusters of companies making few or no idiosyncratic investments in their relationships, clients are sure to be willing to consider different options when contracts come up for renewal. Additionally, the tangible nature of certain type of investments will reduce client uncertainty about the level of service quality that the client receives.

On the basis of the above, ship management companies must consider the potential of making investments in their client relationships if they are willing to keep their clients over the long term. Although the relationship with the major clients only was researched, it is extremely doubtful whether investments are made in the relationship with other less important clients. It must be pointed out that it may not be feasible or indeed beneficial to make investments in all relationships with all clients. Assessments should be made of the potential of making an investment in the relationship with a particular client. Such assessments should include the need for making a particular investment and the client's demands, the importance of the client and the potential returns.

The investors cluster seems to be comprised of UK based companies (mostly subsidiary organisations). One distinguishing characteristic of these companies is that they manage large fleets on a full management basis for their client and hence, are prepared to invest in the relationship with the client. It seems that this would be the ideal ship management company for a shipowner wishing to entrust a large number of ships to third-party managers under full management contracts.

The friendship cluster includes small and medium sized UK based companies that manage vessels mainly under crewing management. This seems to be the ideal type of company for UK owners wishing to entrust a few ships or even ships under crewing only management. The relatively small size of these companies makes the development of personal friendship bonds easier and the provision of a personalised service is assured. Such companies have been recently formed and it seems that expansion into ownership or other business activities is not a major concern. Hence, the individual dedication towards clients.

Companies in the third cluster are large well-established ship management companies that have recently diversified into ownership. They spend heavily on advertising and quality management systems. These companies are also keen to expand their service offering and attract more clients, or offer more services to their current clients. This study indicates that these companies are addressing certain marketing issues and at the same time expanding into ownership. It is possible, however, that by doing so they have forgotten the basis of their existence; the demand for ship management services which came about due to certain needs of potential clients. Investments in client relationships should not be overlooked or substituted by investments in ship ownership.

Companies in the fourth cluster seem to be the ones associated with the "expected" form of the ship management organisation. This may be the reason that these companies can be found both in the UK and Cyprus and in significant numbers. They are large organisations that can make substantial returns by virtue of their size and the provision of ship management services without expansion into ownership. These companies do show some flexibility in their client relationships, since management forms substantial part of their business. The companies seem to be earning substantial part of their revenues from the major client (27% on average). Therefore, it is advisable that investments in the relationship with specific clients are pursued. It seems that the UK based companies manage vessels for UK based clients, whereas Cyprus based companies manage ships for German clients. This combination seems to work as these companies have reported long-term relationships with their major clients.

The development of long-term stable relationships with clients needs to be addressed by professional ship management companies. In particular companies need to consider strategies for adapting their business processes to client needs and for making investments in important relationships. Relationship development may also produce strategic benefits for the ship management company, like for instance improvement in reputation and greater competitive advantage. It has been suggested in the literature (Spruyt, 1994), that the large ship management organisations may continue to grow and widen their service offer, whilst the small ones will be pushed out of the market. This study provides evidence to suggest that the large organisations are commercially oriented and pursue expansion, whereas smaller ones find it difficult to compete because of the unavailability of financial resources. Nevertheless, competitive advantage must not be confined within the bounds of service range and financial resources. Competitive advantage in ship management may be achieved by building a unique relationship with clients. Ship management firms must recognise and reap the benefits of their organisational, human, informational and relational resources. The client himself will be more closely involved and can assist in the enhancement of the quality of the service offered by the ship manager.

The analysis indicates that larger companies that generate greater revenues and manage owned ships need to address client relationships more urgently than those smaller companies whose executives have close personal friendship bonds with influential people in the client organisation. On the other hand, the large organisations that provide ship management services only, seem to have long-term relationships probably on the basis of convenience. For instance, the UK companies manage vessels for UK clients, and the German companies based in Cyprus manage vessels for German clients. They also achieve that by delivering the expected form of the ship management service.

It is not suggested here that the companies appearing in any of the four clusters, have serious problems in their commercial practices. What is suggested is that the problems identified in the literature may be due to the relationship that companies have with their clients. Hence, if such problems are encountered, ship management companies may need to consider their client relationships. On the other hand, it may be that certain types of clients are reasonably happy with the current state of affairs and the relationship with their ship manager. Nevertheless, there is an overriding need for ship management companies to conduct market research surveys of their clients and identify their requirements. Only then, strategic relationship positioning should be considered, and this study can form the basis for that.

LIMITATIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

A limitation of the study is that it assesses ship manager-client relationships from the ship manager's point of view only. The reasons for this choice include time and cost constraints as well as the difficulty of identifying those shipowners that entrust their vessels to third-party professionals. However, this study by identifying the characteristics of the interacting organisations and relationship characteristics from the ship manager's point of view, may form the basis for a future client-centred or dyadic assessment of the relationship. Any future study of this nature should almost certainly adopt a case study methodology bearing in mind the difficulty of identifying client organisations.

This study is cross-sectional and not longitudinal, i.e. it assesses ship management relationships at a point in time and not over a period of time. A study of the latter type may give a more comprehensive picture of the cycle of ship management relationships. However, fieldwork of this type will require spending time in the organisations and that might be difficult bearing in mind the secretive nature of ship management organisations. Additionally a wholly qualitative approach (e.g. participant observation or case study) will need to be adopted.

One criticism of this study may be that a probability sample was not drawn, therefore inferences from sample to population cannot be strengthened by knowledge about the probability that certain kinds of cases will fall into the sample. However, probability sampling requires large populations, large samples and a perfect sampling frame. Although statistics about professional ship management companies of the type under scrutiny in this study are limited, it may be suggested that their number does not exceed 400-600 world-wide. This can be inferred as all directories indicate a number in this range. A convenient sample of 98 companies was drawn; most of which proved not to be offering services to third parties. Additionally, the lack of a perfect sampling frame and time and cost constraints meant that the only feasible approach of studying the ship manager-shipowner relationship was the one adopted for this study. It must be pointed out, however, that companies participating in this study were of the largest and most reputable world-wide, and according to available statistics they control some 35% of the total fleet under third-party ship management.

Although statistical generalisation may not be possible on the basis of the approach utilised for the study, that is not true for analytic generalisation. In analytic generalisation, the investigator generalises a set of results to a broader theory (Yin, 1989). This means providing evidence to support (but not definitively prove) that theory. The theory conceptualised in this study is the existence of clusters among ship management companies on the basis of their relationship with their major client and the association between those clusters and organisational characteristics. The study provided evidence to support the theory in the sample examined. The study also provided evidence to support the theory of resource-dependence (e.g. Pfeffer and Salancik, 1978) in a ship management context. Generalising to the whole ship management population would require replication of the study and testing of the theory put forward.

CONCLUSION

This study represents an initial attempt to assign greater scholarly consideration to the practice of ship management, whose importance in international shipping has grown over recent years. The study identified that ship management companies may be profiled on the basis of their client relationship and organisational characteristics into four distinct types. It is evident that the ship management industry is segmented in terms of the providers of the service and also in terms of their clients. The study is useful in practical terms because it addresses the real problems faced by ship managers. It also identifies possible sources of those problems and makes recommendations for their rectification. The study may also prove useful to shipowners who consider entrusting their vessels for management. It is essential to endeavour in researching other aspects of the professional ship management industry. It is hoped that this study will provide a basis for the further development of research and practical application for the commercial viability of professional ship management.

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