

The ship owners' stance on third party ship management: an empirical study

The last four decades have seen the rise of third-party ship management and its evolution into an industry in its own right. Specifically, the present study reviews independent ship management with a view to identifying those contemporary parameters, relating to several environmental forces that can be considered to be conducive to the employment of professional ship managers. The focus of the investigation is on the comparison of two traditional maritime centres, Greece and the UK, which have been chosen after a thorough selection process and found to serve in the best possible way our research objectives. An analytical examination of the ship management sector in Greece and the UK is undertaken looking into the ship owners' viewpoint on a number of key issues. The analysed data yielded some very interesting results.

1. Research focus and objectives

This study is concerned with the concepts and practice of third-party ship management, in other words, the undertaking of responsibility by third parties of the whole process or of some aspects of ship operation.

From the time of the signing of the first such third-party ship management contract in 1957, professional ship management evolved into an industry in its own right. The need to undertake an analysis of third-party ship management at a scientific level is justified not only due to the remarkable growth it has demonstrated over the last 40 years and the importance it has acquired in international shipping, but also because, despite the fact that it has been the subject of discussion in the commercial press on numerous occasions, it has constituted the focus of scholarly inquiry very few times and was examined only from the ship managers' point of view. This study is an exploration of the attitudes and opinions of the ship owners who represent the other constituent part of a ship management contractual relationship. It presents valuable information gathered from the ship owners themselves thus considering, for the first time, their stance on the industry on a scholarly basis. Ship-owning companies in Greece and the UK were successfully contacted and produced the desired data.

The aim of the study is to investigate the reasons, which ship owners identify themselves, instrumental in their choice to use or not third-party ship management for their vessels. The reasons which have been identified as conducive to the ship owners' decision to turn or not to professional ship management have never been substantiated by a scientific research. Although some of them are particularly

consistent in appearing in many commercial articles, seminar papers, or even books, they seem more to be logical inferences rather than the results of relevant scientific research. Our literature review in the aforementioned sources revealed a number of specific trends that kept appearing as having a positive effect on the growth of third-party ship management:

- The globalization of shipping: the need to take advantage of all the opportunities offered by the development of new, more efficient factor markets, especially the sources of manpower. Closely connected to the globalization of shipping is also the issue of ‘flagging out’ [1–2].
- Logistics: shipping is becoming more and more part of a logistics distribution chain. The complexity that goes with it brings about the increased need for involvement and expertise in a wide range of activities [3].
- The use of information technology: massive investments in specialized equipment and skilled labour is required [4].
- Increasingly specialized vessels and markets: specific knowledge and expertise are required by staff both ashore and at sea [5–6].
- The quest for economies of scale: the need to always keep costs as low as possible [7].
- The shortage of manpower: can drive many ship-owning companies to turn to ship management firms for the timely supply of appropriately qualified crew from distant supply centres [8–9].
- Increased legislation: the alternative to leave a ship management company to cope with the burden of the vast amount and increasingly stringent regulations could be too attractive to pass by [10].
- Increased liability: in case of disastrous marine accidents and pollution, employment of professional ship management can potentially free the ship-owning firm from legal accountability, save the owning firm money and its public image, and thus protect its other assets or even its viability.
- Provision of a wide range of main and value-added services on part of ship management companies: can make the option of third-party ship management quite attractive [11–13].

These parameters were used as a basis—a guiding tool for our research—and attempted to determine the role each of these plays in the decision of a ship owner to turn to independent ship managers.

2. Methodology design and implementation

We carried out cross-sectional research with the purpose of exploring a relatively unstudied field and a completely unattended [14], on an empirical basis, issue, i.e. the role of certain environmental features in the use of ship management.

Using the key-informant technique, that is asking participants, of the top management hierarchy in this case, to report on personal information as well as information about the area in which they are experts [15], we gathered our data from ship-owning firms belonging to a subset of the whole population, that is, firms located in the UK and Greece. Both of the two countries were carefully selected on the basis of their long history in ship owning and ship operating, and their diverse stance on third-party ship management, with the UK itself being a major ship management centre and the Greeks not easily being regarded as potential clients for third-party ship managers.

The choice of our population elements depended on internationally recognized maritime directories, which, however, are themselves already, in a way, non-probability samples due to the element of self-selection found in all of them and a number of well-known problems, such as blank or foreign elements and duplicate listings [16]. Given the specific circumstances of our study and research purpose, at different stages of the process of the elements' selection we used different non-probability methods, i.e. the most dissimilar/typical case sampling, the snowball technique and the convenience/systematic sampling. Our aim was to obtain 50 responses from Greece and 30 from the UK, coming from both ship-owning and ship-management firms, a sample size decision that was based on the population and goals of the study and on considerations of cost and limitations [17].

We used face-to-face interviews for the closed Greek shipping society which called for rapport and special respondents' motivation [18] and which also exhibited an overwhelming 98% geographical concentration in the wider area of Piraeus and Athens. We used telephone structured interviews, which are closely comparable to personal ones in terms of response rate [19], quality of data [20–21], and respondents' motivation [22] in the UK which exhibited wide geographical dispersion of shipping firms.

Careful pilot tests done to more than the 10% of the main survey [23]—personal interviews to ten firms in Greece and personal and telephone interviews to ten firms in the UK—using the snowball technique to include in them the diversity of the population contributed to the improvement of the basic tool for gathering data, the questionnaire. A number of other techniques, like the use of an advance letter [24] and techniques for reducing refusals and interview bias, facilitated the conduct of the research and achieved 50 responses out of the 65 companies randomly contacted in Greece, and 31 responses out of the 42 firms randomly chosen in the UK.

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

3. Research results

3.1. General features

Table 1 gives us the picture of our ship-owning sample in respect of their choice to use or not third-party ship management for their vessels. Clearly the majority of our total sample, 77.3%, does not indicate any use of third-party managers for their fleets and only 12.1% are currently employing some form of third-party ship management for their ships, with a percentage in the order of 10.6% stating that they have used third-party ship management in the past but they no longer do.

Table 1. Use of ship management.

Use of ship management	Greece	UK	Total
Yes	2 (4.3%)	6 (30%)	8 (12.1%)
Yes but not now	2 (4.3%)	5 (25%)	7 (10.6%)
No	42 (91.3%)	8 (40%)	50 (75.8%)
No but thinking about it	–	1 (5%)	1 (1.5%)
Total	46 (100%)	20 (100%)	66 (100%)

Perhaps the most notable point in the table is the striking difference between the Greek and the British ship-owning firms with respect to their preference for employment or not of outside managers. Of the participating British ship-owning companies, 45% answered no to the use of independent management but the equivalent per cent for the Greek enterprises was double that figure, reaching 91.3% of the Greek sample, with not one company declaring any immediate plans to consider such an option for its vessels. In the same way, the UK exhibits significant percentages of firms currently employing, that is, at the time of the interviews, third-party management, 30%, and of firms with a past experience of outside management, 25%, whereas for Greece the pertinent percentages correspond to only 4.3% for both cases.

The Greek ship owners' stance as one essentially characterized by hesitancy and skepticism is asserted here. While, at the same time, it becomes apparent that the British owners are distinctively much more favourably inclined to the use of third-party ship management for their vessels.

The relationship of the owners of the sample to independent ship management was further illustrated by information retrieved regarding the following general points.

First of all, we wished to find out how well informed participating ship owners really were about third party management. The position was taken, that we could not assume beforehand, that respondents were necessarily familiar with the concept of professional ship management and what that involved, especially as many times ship managers themselves have indicated that ignorance of the nature of third-party ship management and what it entails on the part of ship owners could, in some cases, be regarded responsible for their refusal to use it. None of the respondents said that that they had no information on third-party ship management, but we did come across 11 cases of companies which admitted to not being adequately informed on the subject. It is characteristic that all of these 11 firms, representing the 16.6% of the total sample, were located in Greece, demonstrating once more that the notion of third-party management is not as common or as popular in the Greek shipping context as it evidently is in the UK. What is more, all, except for one which had a fleet of 48 vessels, were small companies owning basically less than five ships—there were also three firms of six, seven and seven ships respectively—were very reluctant to envisage a situation that would make them turn to third-party management, while four of them stated that they would never consider taking on independent managers.

Most of the ship-owning companies that use ship management entrust the operation of their fleets to only one management company, as the overwhelming majority of respondents, 73.3%, suggested exactly that. The remaining firms proposed, as reasons for using more than a single management enterprise, the desire to increase competition among the pertinent managers, and the different types of ships which comprised their fleets, whereas one company indicated that it was not a conscious choice but a situation they had inherited together with the ships in question. No difference was observed between the Greek and the British sample in connection with this issue, as they both demonstrated similar percentages of firms employing more than one management company, 25% for Greece and 27.3% for the UK.

3.2. Degree of control ship owners allow their managers to have

With regard to the proportion of third-party managed fleet to total owned fleet, table 2 shows that of the firms that assert the use of professional management only the 53.3% do so for the entirety of their owned vessels, and the 60% for

Table 2. Proportion of third-party managed fleet in relation to total owned.

Proportion of third-party managed to total owned fleet	Greece	UK	Total
< 25%	1 (25%)	3 (27.3%)	4 (26.7%)
25%–49%		2 (18.2%)	2 (13.3%)
50%–99%	1 (25%)		1 (6.7%)
100%	2 (50%)	6 (54.5%)	8 (53.3%)
Total	4 (100%)	11 (100%)	15 (100%)

Table 3. Types of management by location for firms that use ship management.

Types of management	Greece	UK	Total
Crewing	4 (100%)	10 (90.9%)	14 (93.3%)
Technical management	3 (75%)	10 (90.9%)	13 (86.6%)
Insurance	1 (25%)	3 (27.2%)	4 (26.6%)
Freight management	2 (50%)	3 (27.2%)	5 (33.3%)
Accounting	2 (50%)	5 (45.5%)	7 (46.6%)
Chartering	1 (25%)	2 (18.1%)	3 (20%)
Sale and purchase			
Provisions	3 (75%)	7 (63.6%)	10 (66.6%)
Bunkering	2 (50%)	2 (18.1%)	4 (26.6%)
Operations	2 (50%)	5 (45.5%)	7 (46.6%)

more than half of their ships. The remaining 40%, which is a significant proportion, state that they recruit outside managers for less than half of their assets and indeed 26.7% do so for less than a quarter of their fleet.

No major differences are detected between the Greek and the British sample, except perhaps for the fact that Greece demonstrates a higher percentage of companies with third-party managed vessels that represent more than half of the total owned fleet. This could be accounted for by the fact that, by and large, a greater proportion of small companies, of less than 10 ships, can be found among the Greek firms that use ship management, while generally the decision about the number of vessels that are placed under third-party management is most of the time associated with the particular reasons that make ship owners choose the option of outside managers in the first place. For instance, in cases when ship management is used to smooth the way into a new shipping market for an owner who has just bought one or two ships of a special ship type, then inevitably third-party management is practised on a restricted proportion of the total owned fleet. Generally, it becomes clear that, even when the use of ship management is asserted by an enterprise, this does not necessarily mean that managers get to exercise authority on all of the assets of the particular firm.

In connection with the services ship owners tend to be provided with, table 3 shows that the majority of the firms assign the crewing and the technical management of their vessels to independent managers. On many occasions this involves, at the same time, assignment of the responsibility for, particularly, provisions, hence the significantly large percentage, 66.6%, of companies being provided with that service, accounting and operations, 46.6%, and to a lesser extent, 26.6%, bunkering. None of the aforementioned services, that is, provisions, accounting, bunkering and

operations, are offered on their own, as they always appear in connection with the provision of technical management, while no important discrepancies between the two countries, Greece and the UK, seem to exist with regard to the aspects of ship operation they do tend to hand over to professional managers more frequently. Employment of outside managers for chartering of the vessels is indeed quite limited and restricted to only 20% of our total sample and, since chartering seems to be always handed over together with other ship operations, namely together with the technical management, we can say that only 20% of the entire participating ship-owning firms that use ship management receive full management services. It is also characteristic that none of the firms accept sale and purchase services from the management enterprises they employ.

Owners appear to be very reluctant to give up that aspect of ship operation that is directly connected with the basic income of the company, the chartering of the vessels, while the ultimate fate of an asset, its sale for example, is also left to be decided only by those with ownership rights in it. Ship managers, on the other hand, have distinctively developed an expertise in crewing and in the technical support of vessels, offering substantial economies of scale and thus cost savings to owners that cannot enjoy such advantages on their own. The general observation that crewing and technical management, and not commercial management, is most of the time assigned to ship managers by owners is actually confirmed here.

Nevertheless, it is worth mentioning at this point that ship owners who have never taken on outside managers express significantly different views with regard to which types of management they would be willing to give up. Table 4 demonstrates clearly these differences.

Despite the fact that the overwhelming majority of the owners with management contracts, 86.6%, declare that technical management is one of the services they are provided with by the employed managers, only 48.6% of those who have answered no to the use of ship management seem to have the same intention. This considerably lower percentage is attributed to the Greek sample, which state that only 40% would think about contracting out the technical management of their vessels in comparison to the 85.7% of the British sample. They appeared to be especially negative to the idea of giving up the technical management of their fleets because, on the one hand, they have technical expertise in abundance, and, on the other, because they maintain that cost savings and cost control in general are made possible only by retaining a close relationship with the ship and its technical support.

Table 4. Types of management by location for firms that do not use ship management.

Types of management	Greece	UK	Total
Crewing	28 (93.3%)	7 (100%)	35 (94.6%)
Technical management	12 (40%)	6 (85.7%)	18 (48.6%)
Insurance	14 (46.7%)	4 (57.1%)	18 (48.6%)
Freight management	9 (30%)	2 (28.6%)	11 (29.7%)
Accounting	9 (30%)	2 (28.6%)	11 (29.7%)
Chartering	14 (46.7%)	4 (57.1%)	18 (48.6%)
Sale and purchase	8 (26.7%)	2 (28.6%)	10 (27%)
Provisions	13 (43.3%)	5 (71.4%)	18 (48.6%)
Bunkering	12 (40%)	5 (71.4%)	17 (45.9%)
Operations	10 (33.3%)	3 (42.9%)	13 (35.1%)

Another very interesting point that emerges from table 4 is that commercial management as a part of ship operation that would be handed over to independent managers scores notably highly among respondents. It is indeed remarkable that, although only 20% of those that employ professional managers are supplied with chartering services and 26.6% with insurance services, 48.6%, nearly half of those that have never taken on outside managers, assert their inclination to hand over to them the chartering of their vessels and insurance-related activities, while 27% of the total sample declare that they would consider assigning the sale and purchase of their assets to professional managers, too. It is also characteristic that respondents from both countries appear to have the same attitude towards the aforementioned issues, thus strengthening even more the accuracy and value of the findings.

One final note with regard to services provided should be made and that is in connection with the provision of ancillary services. There is a percentage of owners who profit from such offered activities, and that reaches 25% for Greece and 36.4% for Britain. Among the additional services that most frequently appear to be received by owners are travel services and naval architect, port agency and marine consultancy, and, to a lesser extent, financial consultancy.

Our investigation revealed that there are decisions owners prefer to make themselves, despite the recruitment of independent management companies. In fact, many of these decisions attached to the group of management activities they have already assigned to managers, for example they have a tendency to retain decisions that have to do with the selection of the crew, while they have already given up the crewing of their vessels to the employed managers. It is characteristic that, although the overwhelming majority of the companies hand over the crewing and technical management of their fleets, the vast majority, 85.7%, of the same enterprises decide themselves about the maintenance levels of their vessels, whereas significantly large numbers of owners appear to be the sole decision makers in issues such as the crew nationality, 64.3%, the selection of officers, 57.1%, and the crew screening, 35.7%. Notable proportions of owners that use ship management and wish to keep authority on the relevant sectors have generally attracted all the topics that were included in the response categories of our questionnaire. Especially, the choice of flag was stressed as particularly important and was not left to the managers' control in 85.7% of the cases, while the choice of the trading areas and the insurance agreements, both of which are connected closely with the commercial aspect of the ship operation, are also two subjects that do not seem to fall frequently outside the owners' authority, as 71.4% said that their managers have no real say in them.

Interestingly, owners who have never taken on independent managers are prepared to allow, on the whole, a greater degree of freedom to their potential managers in connection with the operation of their vessels. It is also characteristic that two of the companies in Greece, representing the 6.7% of the Greek sample and the 5.4% of the total sample, stated that they would not keep any decisions for themselves in case they employed a management company.

Apart from the choice of flag, which as we saw is an issue that concerns the 64.9% of the respondents to the degree of not considering to give it up to third parties, the next most important decision of ship operation that owners who have never used ship management are more unwilling to hand over is the maintenance levels of their assets, as 56.8% of them agree that they would definitely keep such decisions in-house. An important percentage of respondents, 54.1%, state that they would not delegate to managers decisions that have to do with insurance agreements,

whereas the proportion of respondents that assert the same thing with respect to the choice of trading areas is less than half, only 35%, of the analogous one declared by the owners that use ship management. This can be taken to allude also to the inclination ship owners that have never employed managers exhibit towards the problem of contracting out commercial management, that is, to the fact that they are prepared to hand it over to a greater extent than their fellow ship owners who have had the experience of third-party management.

The remaining decision categories also follow clearly the general trend we have detected from the beginning regarding the particular sub-sample of respondents, that is, they exhibit distinctively smaller proportions of firms wishing to retain in-house the decision making in certain fields. Crew screening and the choice of agents appear to be of less importance to the ship owners in question, as only 18.9% and 16.2% of them respectively would think about keeping such decisions only for themselves. One last observation we can make is that Greek owners appear, on the whole, to be less interested in continuing to have authority on the issues discussed once independent managers are recruited. Many of them argued that it would be meaningless and expensive to give up specific aspects of ship operation and then maintain personnel to control certain relevant decisions, while this could also cause hindrances to the successful ship management on part of the hired, outside managers.

3.3. *Reasons for turning to third-party ship managers*

Respondents were free to tick, and in fact did, more than one response option if that applied to the case of their company, hence our inability to calculate total column percentages. From the information in table 5 it becomes clear that the majority of the total sample, 46.7%, initially turn to outside managers to satisfy the need for flexibility, which primarily alludes to the capability of moving out and into market sectors without having to consider employment related or other issues. For instance, the philosophy of a company concentrated on the ability to operate a big fleet and have a big turnover while maintaining a small staff, whereas two other respondents indicated that due to the fact that the size of a ship-owning firm is subject to unexpected fluctuations the option of third-party management is a more attractive alternative than keeping an in-house management department. What is more, flexibility is understood in another way by our respondents, namely in relation to the capacity of the firm to enter new, mostly shipping, markets, as we had two such cases with one company using third-party managers to enter the tanker market and another to go into the reefer market.

The second most frequently chosen reason for using ship management appears to be the desire to take advantage of the expertise provided by management companies.

Table 5. Reasons for turning to ship management by location.

Reasons for turning to ship management	Greece	UK	Total
Economic pressures	2 (50%)	2 (18.2%)	4 (26.7%)
Expertise	1 (25%)	5 (45.5%)	6 (40%)
Flag out		1 (9.1%)	1 (6.7%)
Family conflicts	1 (25%)		1 (6.7%)
Flexibility	2 (50%)	5 (45.5%)	7 (46.7%)
Principals' age		2 (18.2%)	2 (13.3%)

It was, however, mostly ticked together with other response categories and only once represented the only reason for turning to outside managers for a company. A significant proportion of firms employ ship managers in order to relieve themselves from economic pressures, as they find that approach to be a more cost-effective way to operate their fleets. There were also two companies which admitted turning to professional managers due to the old age of the principals and the lack of experience and/or interest of successors in the business, while the need to flag out and to avoid family conflicts were stated only once each by respondents.

Regarding the differences between the two countries, we can observe that cost cutting is of highest concern to Greek ship owners and appears very often, 50% of the cases, to be the reason for turning to ship management, whereas this does not seem to be the case for Britain, where only 18.2% declare the same thing. Once again, the preoccupation of the Greek owners with cost minimization becomes evident and alludes to the business strategy they tend to follow. On the other hand, Greeks do not turn to ship managers to take advantage of their expertise, at least not as often as the British do. It is also characteristic that when the presence of the younger generations in authority positions in the firms play a role in the recruitment of outside managers, for Greece it is associated with problems of conflict and the desire to resolve them by bringing in professional managers, while for Britain it is related to the inexperience or the lack of interest on the part of the successors in the shipping business.

Among the reasons for turning to independent management companies two respondents also stressed the fact that the situation was imposed on them by external factors and was not really a matter of choice, as in one case the ship management was inherited with the newly bought ship, and in another it constituted a charter-party condition because the firm was new in the tanker market and the charterers wanted the reassurance of an experienced and reputable management company.

3.4. *What owners value most about ship management*

Most of the response categories in the question 'What do you value most about third party ship management?' were retrieved from statements and remarks made by the ship-management companies themselves and in relation to advantages they claim to offer. Respondents were asked to rank them in terms of priority starting from what they considered to be the most important advantage for them and moving on to the least important.

Table 6 displays information concerning those areas that owners declare to have benefited more from with their use of third-party ship management. No data is reported in the table regarding the degree of importance respondents attached to each one of those issues but relevant comments will be made in our discussion later in this paper. The thing that owners seem to value most about third-party ship management is its expertise, as 73.3% of all the respondents indicated its importance with 53.4% of them placing it in the first two highest positions of importance in the ranking order. It is by far the most popular advantage offered by management companies, as seen by their clients, since the access to cheap and qualified crew and the flexibility, both of which display the second highest percentage of companies, 60%, are not ranked as high in importance as the expertise.

Of considerable significance to our sample also appears to be the provision of economies of scale by management firms and the relief they provide from dealing with increased legislation, as 53.3% and 46.7% of our total sample, respectively,

Table 6. What owners value most about ship management by location.

What owners value most about ship management	Greece	UK	Total
Information technology	2 (50%)	3 (27.3%)	5 (33.3%)
Expertise	3 (75%)	8 (72.7%)	11 (73.3%)
Economies of scale	1 (25%)	7 (63.6%)	8 (53.3%)
Access to crew	2 (50%)	7 (63.6%)	9 (60%)
Tailor-made services	1 (25%)	4 (36.4%)	5 (33.3%)
Wide range of services		3 (27.3%)	3 (20%)
Relief from legislation	1 (25%)	6 (54.5%)	7 (46.7%)
Escape liability	1 (25%)	2 (18.2%)	3 (20%)
Offices worldwide		4 (36.4%)	4 (26.7%)
Flexibility	1 (25%)	8 (72.7%)	9 (60%)

stated exactly that. With respect to the supplying of economies of scale, 25% of the Greek companies and 27.3% of the British ones admitted this being the first most important benefit they got from their employed managers, while another 18.2% of the latter also placed it among the first three most serious gained advantages. The relief from increased legislation is not an advantage Greek owners declare to value to a great extent, as only 25% of them in comparison to 54.5% of the British sample take that position. A relevant remark we can make, and which verifies the situation described by the aforementioned results, is that although the adoption of the ISM Code, one of the most stringent pieces of legislation, was expected to make many ship owners and particularly the small Greek operators turn to third-party ship managers that proved not to be the actual case. Generally, 26.7% of the total sample ranked the relief from dealing with increased legislation among the first three most important things they valued about third-party ship management.

The provision of tailor-made services and the use of information technology also appeared quite often among the advantages of ship management that ship owners valued most, although they were indeed placed fairly low in the ranking order, while those that appeared less often were the supply of a wide range of services and the opportunity to escape liability through the use of independent managers. Greek firms appear to value more than British the use of information technology by management companies. Lastly, for one company the first most important thing they valued about ship management was its ability to charter ships to unknown (for them) markets, while yet another stated that they valued absolutely nothing about the independent management company they had employed in the past, that they were completely dissatisfied with the service they had received and that they would never again consider giving their vessels up for third-party management.

It is worth mentioning here briefly the reasons owners who had used ship management in the past and were not still using it at the time of the interview gave for ending the employment of the professional managers. Of the seven such respondents only one, coming from Britain and representing 20% of the total sample, said that their company was dissatisfied with the services they had been provided with, while the biggest percentage, 85.7% of all the pertinent firms, all of the Greek ones and 80% of the British enterprises, declared their wish to regain control of their assets as the main reason for taking the management of their vessels back in-house. On two occasions it was stressed by British firms that the cost control they exercised was insufficient and that it proved that the ship operation in the hands of third-party

managers was much more expensive, while one case was also encountered when the ship-management contract ended because the relevant ship was sold for further trading or demolition. Not once was it stated that the ship management agreement was broken with the ship managers' initiative.

On the whole, except for the one company that asserted their complete dissatisfaction in relation to their experience of third-party management for their vessels, the firms that had taken on professional managers in the past were not negative to the idea of hiring them again under certain circumstances, which in the overwhelming majority involved the ability of the management company to run the ships more cost-effectively than them. The two companies which had used ship management to enter a new shipping market successfully, stressed that diversification of the company in new shipping markets would potentially constitute the most important factor for turning once more to independent managers. In addition, the applicable owners appeared to be quite consistent in the types of management they would consider giving up again in comparison, that is, with the types of management they had already handed over in the past, lest the occasion should arise.

3.5. *Reasons for not using third-party ship management*

The factors that have made the owners who have never taken on professional managers adopt such an attitude appear on table 7.

The availability of in-house expertise was ticked by 98% of the owners and occupied positions in the ranking order of importance that ranged from the first to the lowest one. In fact, 56.9% of the total sample marked it among the first two most important reasons for not turning to outside managers. The desire to retain overall control over the vessels and to keep personal contact with the related shipping organizations and market conditions in general demonstrated significant percentages, 88.2% and 84.3% respectively. However, the desire to retain overall control appeared to be indeed a considerably more popular answer, as 68.7% of all the respondents characterized it as the first or second most substantial reason for not employing independent managers. On the other hand, the desire to keep personal contact with all relevant market organizations was included among the first two most significant factors by only 35.3 per cent of the ship owners.

The lowest proportion of responses, 49%, was observed in relation to the statement about the lack of confidence in ship management. It is in this response category that we also observe the only difference at this point between the two countries, as clearly the Greek ship owners exhibit this distrust to a distinctively greater degree than their fellow British ship owners. This finding could partly be connected with the reality that in Greece we also find the 11 companies with inadequate information about third-party ship management. However, only seven out of these 11 firms

Table 7. Reasons for not using ship management by location.

Reasons for not using ship management	Greece	UK	Total
Desire for control	37 (88.1%)	8 (88.9%)	45 (88.2%)
Lack of confidence in ship management	24 (57.1%)	1 (11.1%)	25 (49%)
Keep contact with market	36 (85.7%)	7 (77.8%)	43 (84.3%)
Available in-house expertise	41 (97.6%)	9 (100%)	50 (98%)

marked this distrust as one of their reasons for not wishing to employ professional managers and this represents only 30% of all the Greek enterprises with the same stance. What this indicates is that, adequate information or not, Greek ship owners are particularly wary of outsiders. Greeks were also much more eloquent and firmer with the remarks they made in addition to simply filling in the questionnaire. Broadly, five themes kept coming up in their comments about their unwillingness to employ third-party managers for their vessels, and these were their ability to operate at low costs, the Greek maritime tradition with the abundance of expertise and the possession of know-how, the existence of certain cultural features pertinent to the personality of the Greek ship owners, the personal and, many times, emotional, involvement in the business and the nature of the business itself.

Many of the aforementioned issues, such as the stress on tradition and the desire to carry on the British maritime legacy, the desire to keep personal contact with the crew in order to motivate them to work for the sake of the company, as well as the issue of the cost reduction, were also brought up in relation to the reasons British ship owners gave for not wanting to use ship management. However, neither the frequency of the statements nor the emphasis on their importance was the same as in the case of Greek shipping companies.

3.6. *Factors affecting the choice of a ship-management company*

In table 8 we clearly see that the overwhelming majority of owners rely heavily on the reputation built by the management company they eventually decide to employ, as 93.3% of the entirety of the respondents declares. Of all the respondents, 60% regard this as the first most serious criterion in their choice of a management firm and another 13.3% as the second most substantial.

What is more, 86.7% affirmed the importance of the quality of services offered by management firms in comparison to 66.7% who supported that obtaining the least expensive service package was one of their criteria for choosing a management firm. Of the total sample, 26.7% claimed that in their choice of managers the first consideration was ensuring the best quality of services for their vessels, and another 40% said that the issue of acquiring the best quality was their second consideration. Conversely, hiring managers that offer the least expensive package of services was the first consideration for only 9.1% of the British sample, and the second consideration for the 27.3% of the British owners while all of the Greek companies that supported the idea placed it in the lower ranking order of importance.

Table 8. Factors affecting choice of management firm for owners that already employ ship managers.

Factors affecting the choice of a management firm	Greece	UK	Total
Nationality of managers	1 (25%)	3 (27.3%)	4 (26.7%)
Same location as owning firm	1 (25%)	3 (27.3%)	4 (26.7%)
Offices worldwide		3 (27.3%)	3 (20%)
Least expensive	2 (50%)	8 (72.7%)	10 (66.7%)
Best quality	3 (75%)	10 (90.9%)	13 (86.7%)
Specialized services	4 (100%)	8 (72.7%)	12 (80%)
Solid reputation	3 (75%)	11 (100%)	14 (93.3%)

In addition, many ship owners, 80.7% of our total sample, seem to opt for the management company that offers specialized services, fitting their company's ship types. Only one British firm ticked that response category as first in the ranking order, but 75% of the Greek respondents and another 9.1% of the British described the provision of specialized services as the second most important factor in choosing a management enterprise. Such a decision is clearly affected by the specific needs of each ship-owning company, it is, nevertheless, indicative of the fact that especially Greek owners exhibit a preference for management companies that specialize in the operation of certain ship types.

On the other hand, neither the nationality of the managers nor their location, nor the existence of offices around the world for part of the management company appear to be of any significant concern to the owners, perhaps underlining, in this way, once more the international nature of the shipping business and the international mentality of its people. There was, however, one respondent who said that one other criterion in the use of a ship management company would be the western nationality of the managers involved, while another stressed as important the fact that the managers speak the same language or at least they are in the same time zone and not necessarily in the same location as the ship-owning firm.

4. Conclusions

The first main conclusion reached is that the degree of control ship owners that employ independent managers are willing to give the latter is eventually much lower than what appears to be with a simple assertion of the use of ship management or even an examination of the services owners are provided with. This is because, first of all, ship managers do not always get to undertake responsibility and exercise authority on all of the assets of a particular firm as a significant proportion of owners entrust less than half of their assets, that is less than half of their fleet, to third-party management companies.

On the other hand, ship owners do not frequently assign full management to third parties. Ship owners who declared the use of ship management affirmed that they tend to give out more frequently the crewing and the technical management of their vessels and less frequently the commercial management, while it is worth mentioning that their fellow ship owners, who have never taken on professional managers for their fleets, appeared especially willing to hand over the chartering and even the sale and purchase, keeping, of course, the right to take the ultimate decision. It seems that many potential clients, in order to relieve themselves from the excessive workload and with a view to acquire better employment prospects for their fleets, are prepared to give up that commercial aspect of ship operation, thus, in a way, exploding the myth that commercial management cannot be considered to be a lucrative field for ship-management companies. What is also important to note is that the Greek ship owners who have never had any transactions with management enterprises appeared to be particularly negative to the idea of giving up the technical management of their fleets, an issue closely connected with cost savings and cost control.

Another notable observation that arose from the investigation is that all owning firms state that there are decisions, some of them even pertaining to the group of management activities they have already contracted out, that they prefer to have complete control over and make decisions on themselves, despite the recruitment of independent management. Ship owners exhibited an increased sensitivity regarding

issues such as the determination of the maintenance levels and of the crew nationality or selection of officers even when they had already assigned crewing and technical management to third parties, while the choice of flag, of the trading areas and of the insurance agreements were also described by the majority of respondents using ship management as decisions traditionally kept in-house.

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

The quest for competitive advantage, by either reducing the costs of the operation of the business and becoming a 'low-cost service provider', or by specializing in the operation of certain, new for the company, ship types, and, on the other hand, the changes brought about by the advancement of technology and generally the changes from the environment, have a significant role to play in the decision of a ship-owning firm to employ or not independent managers. Generally, the matter of reducing the costs of running the business seems to be of particular significance for all ship owners who rank it, together with the availability of expertise, the access to qualified crew and the provision of flexibility, in the first most important benefits they receive from management enterprises.

For those ship owners who have never hired outside managers for their ships, almost 30% of whom are completely negative to the idea of ever giving up the management of their vessels to third parties, the availability of in-house expertise, and their desire to keep overall control over their assets and contact with the relevant markets, and, to a lesser extent, a potential lack of confidence in third-party ship management itself, are the most significant reasons for their reluctance to employ professional managers. Greek respondents appeared to be more eloquent and firmer than the British owners with their remarks regarding their unwillingness to employ third-party managers underlining particularly five ideas: their ability to operate at low costs, the Greek maritime tradition with the abundance of expertise and the possession of know-how, the existence of certain cultural features pertinent to the personality of the Greek ship owners, the personal, and many times emotional, involvement in the business, and the nature of the business itself.

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

The present study aspires not only to help ship managers understand the motives and needs of their clients, as well as of their potential clients, but also help the ship owners themselves realize what lies behind their company's behaviour and learn

more about the concept and the exercise of ship management. It constitutes the first comprehensive scholarly effort to view the ship-management industry from the ship owners' side and as such it is our hope and belief that the findings of this research will be of practical use to ship managers and ship owners and initiate and promote further research in the area.