

COMPETITIVENESS AND BUSINESS STRATEGIES OF SHIPPING COMPANIES

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Summary

The paper analyzes the factors which have an effect on the competitiveness of the shipping industry along with the business strategies that shipping companies use to gain a better position on the market. The empirical part of this study is concentrated on the business operations of the largest Croatian shipping company Tankerska plovidba d.d. and one of the largest companies in the world - Royal Dutch Shell, and the analysis of the methods which these two companies use to achieve competitiveness. The concluding segment of the analysis presents a general conclusion regarding the dynamics and laws of the shipping industry.

Key words: *countries of convenience, competitiveness of shipping industry, risks of shipping companies, human resources in maritime transport, innovation in shipping industry, concept of strategic fitting.*

1. INTRODUCTION

Maritime shipping activity is one of the factors of globalization and is influenced by numerous economic, political, social, and other issues. The international environment in which shipping companies do business has an important influence on the choices of a business strategy that a company will select as well as the choice of methods aimed at improving their competitiveness. Some of the factors affecting competitiveness of shipping companies are freight rates and fuel prices on the international market, fol-

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lowed by exchange rate fluctuations, the choice of the country under whose flag to sail, the competence of human resources and so on. In addition, shipping companies should select one specific business strategy taking into account the dominant market risks, as well as the factors needed to achieve competitiveness with regard to the expected future global economic picture of the world.

This paper analyzes the factors that influence the choice of business strategies of shipping companies and the way in which they correspond to each other. It does so by examining the case of two shipping companies (*Tankerska plovidba d.d.* and *Royal Dutch Shell*), which achieve their competitiveness on the shipping market. For the purpose of this research, in-depth interviews were conducted with the CEO of the shipping company *Tankerska d.d.*, Mr. Mario Pavić and the CEO of the company *Tankerska Next Generation*, Mr. John Karavanić. Furthermore, the financial and business reports of the *Royal Dutch Shell* were also analyzed in order to illustrate the type of business policies that these companies follow. The conclusion presents the similarities and differences of the two companies, derived at by using the method of comparison.

The goal of this research is to identify the most important factors affecting the competitiveness of shipping companies, to determine how the choice of business strategies affects the business of shipping companies, and to compare business practices of the best Croatian shipping company (*Tankerska plovidba d.d.*) and one of the world's major shipping companies (*Royal Dutch Shell*). The purpose of the research is to show the market competition factors within the shipping industry, and the way in which they influence the business strategy within the companies.

This study should contribute to a better understanding of the shipping market and the way shipping companies do business. In conclusion, the analysis of the competitiveness and business strategies of the largest Croatian shipping company and a selected global shipping company will contribute to the understanding of the specifics of this economic sector and will provide insight into how the adaptation of business strategies of shipping companies according to market needs is reflected on their success.

2. SHIPPING COMPANIES AND THEIR BUSINESS ACTIVITIES WITHIN INTERNATIONAL MARKET

Along with the development of modern technology, globalization is becoming increasingly prominent, and the international context is becoming increasingly important for business activities of shipping companies. The international market is very dynamic and it is influenced by many factors. Therefore, shipping companies must constantly analyze their environment (Alfirević & Pavičić, 2004).

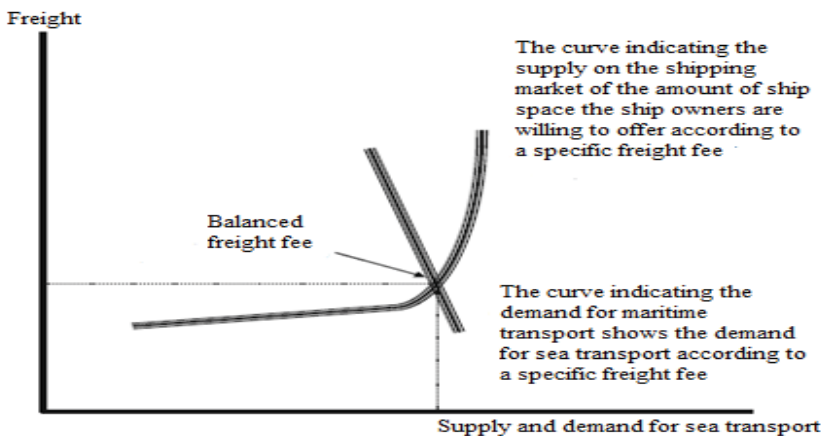
2.1 Formation of freight within the shipping market

Freight is the fee charged by a ship owner for a concluded maritime transport service. This fee is always determined in relation to the structure of the maritime market and certain relations of supply and demand on that market (Glavan, 1992). It can be said

that demand is the relationship between the freight fare (cost of transport by sea) and the demand for shipping services over time. According to the law of demand, consumers will increase the amount of goods they purchase in relation to the decrease in the price of goods, and reduce their purchases in relation to the increase in price. In this case the term goods is used for shipping services, while the term buyers denotes users of maritime transport services (Zelenika et al., 2008:189). Therefore, the curve indicating the demand for sea transport is declining down and to the right creating a negative slope.

The curve indicating supply shows how much cargo space is available with respect to freight at a given time. We can therefore conclude that supply depends largely on freight fees at a particular time. If freight declines below the level of the operating costs of a ship, it is very likely that the ship will be withdrawn from service. The slope of the curve indicating the availability of shipping space depends on several factors. First of all, larger ships have lower transportation costs per unit of cargo, which gives them greater flexibility in moving freight. Old vessels, on the other hand, have higher operating costs which are decreasing their flexibility. When the entire existing tonnage of ships is in use, the supply can be increased only by increasing the speed of navigation of the existing fleet or by increasing the operational efficiency of the ships, as shown in Figure 1 by the steep sloping of the curve (Lun et al., 2010:28).

Figure 1: The balance on the shipping market



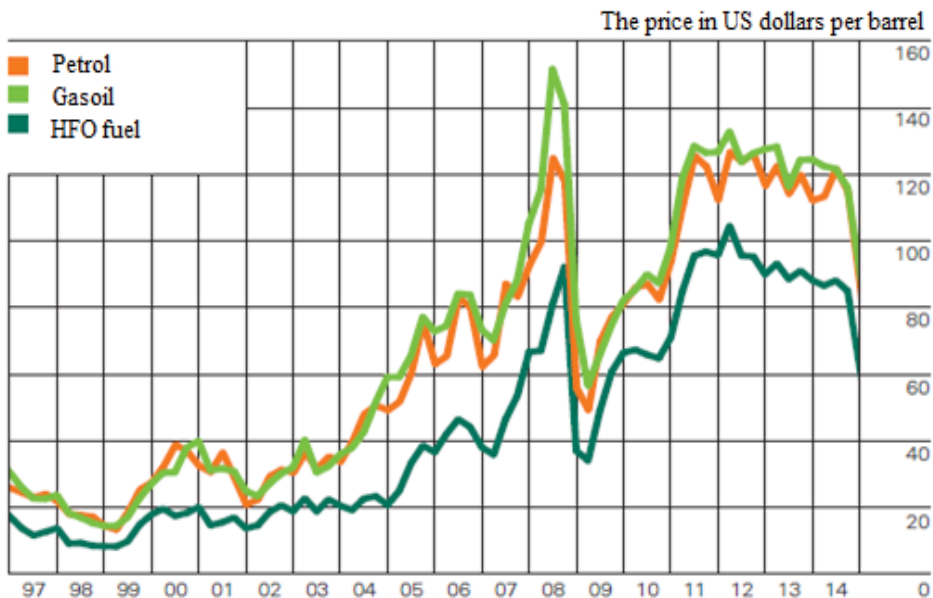
Source: Adapted according to LUN et al., 2010.

Sellers and buyers interact within the market and their expectations cause the shifting in prices. The current price is the equilibrium value at a point where supply and demand intersect. The equilibrium point is the one in which the amount of cargo space demanded by users of marine transportation is equal to that offered by the ship owners (Lun et al., 2010:28). This point indicates the point where both sides are willing to do business at a balanced price. Therefore, it can be concluded that the shifting of freight fees on the world market affects the supply and demand for shipping space.

2.2 Influence of fuel prices on the selection of business strategies of shipping companies

When considering the price of fuel over a specific short time interval, it can be noted that it is never stable, and that it is subject to a constant variation over time, affected by a number of factors such as geopolitical events in the world, the world's oil reserves, the degree of technological progress, etc. Nevertheless, through history the price of oil always had a tendency to increase, and will surely continue to do so in the future. This occurs primarily due to the increasing industrialization of the world, and thus the growing demand for this important energy source. This trend of price growth creates a huge financial pressure on the shipping companies, because the cost of fuel now accounts for more than half of the operating costs of the ships. In addition, ships use a particular type of fuel – HFO (*heavy fuel oil*) (Ivče et al. 2009:12-13). Figure 2 shows the shifting of fuel prices per barrel in Rotterdam, which is the main and largest port in Europe. Furthermore, three different lines can be observed in Figure 2, the most important one being the dark green one indicating the fuel used by ships - HFO. As shown on the chart, the price of HFO has been steadily rising since 1999, with further acceleration in price growth in early 2005. The growth continued until 2009, when a decline occurred, ending in August 2015 with the price settling around \$60. Therefore, the problem that shipping companies have yet to solve is how to deal with the increasing prices of HFO in the future. In any case, their business strategies will have to adjust to international developments.

Figure 2: HFO fuel price changes over the years in Rotterdam



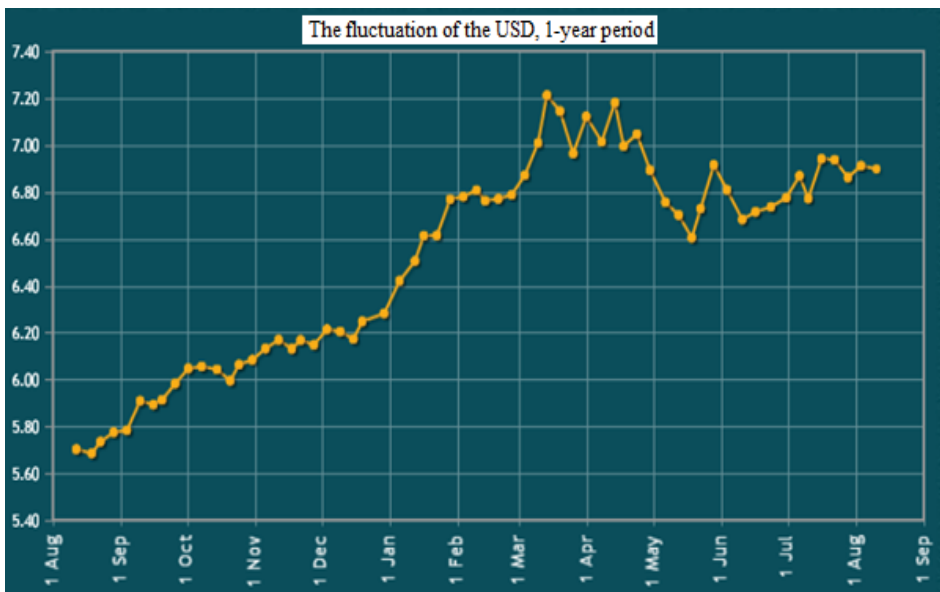
Source: Adapted by authors according to British Petroleum, *BP Statistical Review of World Energy*, London, BP, 2015, page 14.

2.3 Exchange rate fluctuations and its impact on the financial performance of shipping companies

Shipping companies operate on the global market and their business is mostly conducted in foreign, rather than domestic currencies. Most often it is the US Dollar that is used as a universal currency for stipulating almost all activities relating to cargo transport. This way the exchange rate fluctuations can have a positive or a negative impact on the operation of companies. It primarily depends on the period during which the contract of the lease of the shipping space has been made, as well as the duration of the contract (Saurman, 1986).

For example, to demonstrate how exchange rate fluctuations may affect the financial performance of companies, imagine a hypothetical situation in which a company leased a shipping space for a period of six months, more precisely from November 9th 2014 until March 14th 2015. Figure 3 shows the exchange rate of the US dollar against the Croatian kuna in the period from August 11th 2014 until August 11th 2015.

Figure 3: The fluctuation of the US dollar in relation to the Croatian kuna from August 11th 2014 until August 11th 2015.



Source: Currency exchange list of the Croatian National Bank

At the beginning of the period, the dollar exchange rate was 5.90 kuna per 1 US dollar, while six months later it reached a high of 7.22 kuna for one US dollar. According to data from 2014, the price of leasing a *Handymax*⁴ vessel amounted to \$ 9,812 per day

⁴ A *Handymax* vessel is a ship designed to transport dry bulk cargo such as iron ore, coal, cement, grain, etc. A *Handymax* vessel is typically 150-200 meters in length, with five holds and four cranes with a

(PBSL, 2014). Based on this data, a simple calculation of the impact of exchange rates on the financial performance of shipping companies can be made.

$$\begin{aligned}
 &9,812 \text{ USD} \times 179 \text{ days} = 1,756,348 \text{ USD} \\
 &1,756,348 \text{ USD} \times 5.90 \text{ HRK} = 10,362,453 \text{ HRK} \\
 &1,756,348 \text{ USD} \times 7.22 \text{ HRK} = 12,680,832 \text{ HRK}
 \end{aligned}$$

As it can be seen, the exchange rate fluctuations in the amount of 1.32 HRK / USD contributed to the ship revenue being 2,318,379 HRK higher than expected. In this example the exchange rate fluctuations had a positive result in the company’s business, but it may not always be so. In some cases the overall result may be negative.

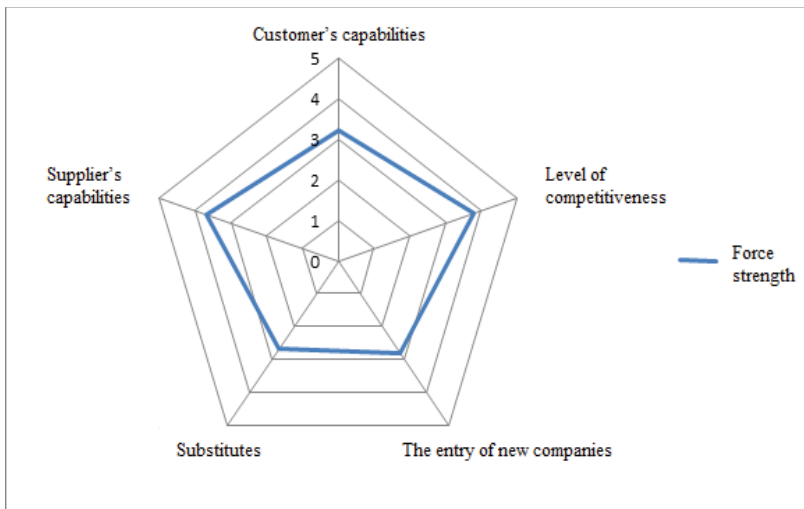
3. COMPETITIVENESS OF SHIPPING COMPANIES

For companies to successfully deal with competitive pressure, it is necessary to identify the main competitive forces and to implement an appropriate shipping business policy within their business strategy.

3.1 Competitive forces that drive the shipping industry

Within the shipping industry there are five key competitive forces that drive the shipping market, as shown in Figure 4.

Figure 4: Competitive forces in the shipping industries



Source: Created by authors according to MIP (2013)

capacity of 30 tons. Due to their cranes, these ships are the best option for the transport of cargo in less sophisticated ports. (Available at: <http://maritime-connector.com/wiki/handymax/>)

Which element/force (customer's or supplier's capabilities) will at some point prevail depends on various factors such as geopolitical events in the world, the growth of the world economy, the level of international trade etc. However, it is certain that marine transport offers today the cheapest and most economical transport of goods around the world. What follows is that the demand in this sector is stable, but still subject to certain fluctuations and therefore the supply element/force has a stronger impact on the competitiveness of the shipping market by controlling the supply of shipping space (MIP, 2013).

The entry of new companies in the shipping market is a demanding and expensive capital investment. Large companies operating within this market are conducting economies of scale,⁵ which discourages smaller companies from entering the market. Furthermore, large fixed costs typical for this sector can be compensated only by transporting large amounts of cargo, which in turn reduces the cost per unit of the transported cargo and raises the entry barrier. In addition, the shipping industry is highly regulated and subject to constant changes in regulations and conventions, which ultimately discourages the entry of competitors who cannot cope with frequent changes that constitute a significant operating expense (MIP, 2013).

Although 70% of the total value of international trade is transported by sea, alternatives do exist, although not all of them are equally effective and financially viable for the transport of all types of cargo. Air transport, although more expensive, allows for much shorter delivery periods. Sea transport is therefore considered to be more appropriate for non-perishable goods that can withstand storage over a longer period of time. The road and railway transport sectors also serve as alternatives. However, they are limited in terms of available traffic routes, which is particularly evident if we analyze intercontinental transport of goods (MIP, 2013). When it comes to the transportation of oil and gas, one of the most important alternatives to sea transport are the pipelines. Oil and gas pipelines are used primarily to transport cargo over smaller terrestrial distances between different states. Pipelines are not suitable for transport over long distances, especially when it comes to the transcontinental type of transport. There are a number of factors that limit the use of pipelines over long distances, such as political and economic barriers in different countries through which a pipeline passes, the impossibility of crossing seas and oceans because of extremely deep seas, and the risk of diversion or attacks by various groups (Sydney & Dave, 2003). In addition, pipelines require large initial investments, and the amount of investment increases proportionally to the length of the pipeline (Pienaar, 2008:103). Therefore, the threat from alternative modes of transportation is moderate.

The degree of rivalry has the greatest impact on the competitiveness of the shipping market. The high fixed costs are causing increasing rivalry among the companies that have to maintain a certain level of employment in order to maintain business activities at a profitable level. In addition, exiting the sector would result in considerable expenses since the main assets are ships specialized for transport of specific goods, which

⁵ The economy of scale in shipping represents a reduction of unit cost (cost per unit of transport of 1 t of cargo) achieved by transporting large volumes of cargo per trip.

are in turn strictly related to a specific sector of the economy and cannot be used in other industries. This fact raises the exiting barrier. The limited possibility of differentiation increases rivalry between companies. Economic turmoil in the world further intensifies rivalry, which was evident during the global crisis of 2009, when a number of smaller shipping companies were forced to abandon the shipping business (MIP, 2013). Sudden oscillations in demand will continue to be the main cause of fluctuations of freight rates, as well as the difference in supply and demand that generates uncertainty and encourages growing rivalry between companies. Therefore it can be concluded that the degree of competition within the shipping industry is great.

3.2 Flag of convenience as a factor of competitiveness

Today, Panama and Liberia are the countries with the most famous flags of convenience, used by more than 50% of the world fleets. By definition, a ship displays a flag of convenience when it is registered in a state registry of a state where the owner does not have an office, permanent residence or/and citizenship. The most significant legal consequences arising from this is the fact that the ship does have the “citizenship” of the flag that it displays, and therefore is subject to the laws of that country. Although the UN Convention on the Law of the Sea stipulates the necessity of the existence of a genuine link between the State and the ship, this concept has remained incomplete and not fully defined. Therefore, the flag of the ship usually does not represent the nationality of its owner (Kološ, 2010). In these countries, the registration of ships is offered under the conditions and in a manner that suits ship-owners. Stopford (2003:431) states that there are four main reasons for registering the ship in one of the countries of convenience:

- Lower taxes, more freedom and rights for companies, financial laws favorable to ship owners;
- Possibility of failure to comply with international conventions regarding maritime safety;
- Freedom regarding the employment of the crew on board;
- Military protection.

It can be concluded that the choice of the country in which the ship will be registered can have a big impact on the shipping company and on its profits.

3.3 Importance of human resources

Careful selection of new employees is essential for the company. High quality staff can be a major competitive advantage for a company. The problem faced by the shipping companies is the diversity of their employees, which complicates the process of homogenization of the collective (Zelenika & Zanne, 2008). Large portions of employees usually do not come from just one country, but from different continents and have a different work culture. Therefore, it is extremely important to establish good cooperation between the employees on land and the crew on board, and in a way that

allows everyone to feel equally essential for the business enterprise, since they are all equally important for achieving the goals and implementing the shipping business policies. Managers in the shipping companies should pay particular attention to human resources and the motivation, training and development of employees. Management of successful shipping companies is directed towards human resources and creating a climate of open communication with their employees, both formal and informal (Kundu et al., 2007). These companies constantly improve the motivation of their employees, encourage teamwork and invest in their knowledge through various training programs. It can be said that the 20th century was the century of the machine, while the 21st century will be the century of people.

3.4 Innovation and knowledge as factors of competitiveness

Shipping companies base their competitive advantages today on innovation and knowledge, in other words the *know-how* that is becoming a major strategic tool in market competition. Poulis et al. (2013) state that there are three main advantages that allow the application of modern information technology within the shipping business:

- Effective management of resources;
- Access to information in real time;
- Monitoring of cargo at any time.

This method of conducting business enables a company to achieve a higher level of integration with stakeholders and logistic companies involved in the maritime transport industry. In addition, higher speed and quantity of available information helps the management make strategic decisions and allows for greater agility upon occurrence of unanticipated events.

4. BUSINESS STRATEGIES OF SHIPPING COMPANIES

The business strategy is less focused on the scope (area of operations) and the deployment of resources, and more on competitive advantages and synergies. It needs to provide an answer about how to compete on a market specifically selected by a company. However the shipping industry market is a very dynamic and complex one and its management sometimes cannot strictly adhere to one established solid strategy. Instead, it has to strategically place itself within the existing environment. The concept of a strategic fit has become one of the “classics” when considering business strategies. In order for the concept of a strategic fit to function successfully, it is necessary that the structure of the company follows a strategy of having and adaptive ability to adjust rapidly to new conditions. The successful change management of the organization of companies could therefore be interpreted as a superior adaptation to an uncertain environment and to be equated with the concept of strategic capabilities as a potential source of a competitive advantage. In this way, the thesis could be reversed by stating that structure follows strategy (Alfirević & Pavičić, 2004). Therefore, a modern shipping company requires

only a small management team that is capable of properly coordinating dispersed functions. Achievement of balance between the stability of the company and its adaptability to its environment is becoming one of the fundamental objectives in structuring shipping enterprises in the 21st century (Buble, 2000).

The choice of business strategies is also affected by various market risks such as the latest global crisis when demand for marine transport decreased by 14.4%. This data illustrates almost perfectly the resilience of the shipping sector in relation to the world economy. There are several strategies used by shipping companies during market troubles. To begin with, most companies will stop with new orders of ships or postpone the construction and delivery of already existing orders. Some companies will decide to send part of its fleet to the scrap yard. It is precisely the cutting and recycling of ships that has become one of the industries achieving strong revenues during the global crisis. However, most companies will first decide to reduce the sailing speed of their ships. Contrary to this practice, some companies started ordering new ships during the crisis, when the prices for newly constructed ships were in decline and the time lag between the order and the delivery of ships was exactly as long as the anticipated market recovery. This way, when the market recovered and the demand started to increase once again, the companies had new and modern vessels that were able to respond to the demand, to compete or to sell them at a price higher than the purchase price. Therefore, it appears that there is some truth in the old (somewhat cynical) saying that successful companies do not generate profit by transporting goods, but instead by buying and selling ships at the right moment (Hoffmann, 2010).

It is evident that the basic capital resource in maritime shipping is the vessel. When it comes to the risk of investing in shipping, the main issue remains the investment into the wrong ship, as well as the risk associated with the purchase value of the ship. Therefore, two key questions include in which ship to invest and when (Bistričić et al., 2008). Time variable is the key to a successful investment. Timing of investment should be aimed at buying cheap and selling with a profit. Apart from shipping companies, there are also banks, stock exchanges, and various private funds that are also approaching the issue of investing into the shipping business. Private equity is introduced mostly in the form of hedge funds⁶. Their main goal is the acquisition of economic benefits arising from tight credit markets. More precisely, they aim at buying ships at record low prices, and selling or leasing them to shipping companies once the market recovers.

The selection of the right business strategy is also influenced by strategic partnerships. The most important ones are cooperation, acquisitions and clusters. Cooperatives are the most common form of collaboration in the container shipping industry. There are several reasons why shipping companies enter into cooperation within the container market. The most prominent reasons are large capital investments, the requirements of the shipper and high operating costs (Karmelić, 2007). This is how large global entities (i.e. alliances) are developed, and today they serve the busiest maritime routes.

⁶ *Hedge fund* is an investment instrument and a business structure that collects capital from many investors and invests in securities and other financial instruments.
(Available at: <http://www.investopedia.com/terms/h/hedfund.asp>)

Some ship-owners expand their business by buying and merging with other shipping companies. By using the strategies of mergers and acquisitions, shipping companies actually aim at streamlining their operations, dispersing risk, creating economies of scale and reducing the costs. Clusters are another form of strategic association. Clusters can improve the competitiveness of maritime activities and the marine industry as a whole. The creation of clusters is typically defined as a process by which companies and other stakeholders within a certain geographical area work together in order to create functional niches and establish closer links and cooperation to promote mutual competitiveness (Batur, 2010). Clusters are perceived today as a way of preserving the European maritime economy.

5. THE RESULTS OF THE ANALYSIS AND DISCUSSION

This part of the paper presents the results of the research into competitiveness and business strategies used by the largest Croatian shipping company *Tankerska d.d.* and one of the world's largest companies, *Royal Dutch Shell*. The method used for analyzing the company *Tankerska d.d.* was in-depth interview, while the data for the analysis of the company *Royal Dutch Shell* were obtained from the business and strategic reports available on the official website of the company.

Tankerska as the largest Croatian shipping company and *Royal Dutch Shell* as one of the world's largest shipping companies are both operating within the same competitive shipping market. Therefore, they share a number of similarities regarding business, while retaining some differences in relation to business philosophies that they apply. Both companies share a long tradition of conducting business. *Tankerska* has been present on the market since 1955, while *Shell* has been present since 1897. Moreover *Shell* has built a reputation of being one of the most valuable and the most recognizable businesses in the world. *Shell* has built its brand through continuous investment, innovation, and by expanding its portfolio. In contrast, during the expansion of the shipping market, *Tankerska* was trying to survive the war in Croatia during the 1990s, as well as its subsequent privatization. Today, both companies have a good reputation with clients within the market, and both companies use their reputation as their competitive advantage. While *Tankerska* still offers its consulting services only to its daughter company *TNG*, *Shell* went one step further by offering its consulting services to a larger number of small start-up companies. This is the field in which there is space for *Tankerska* to expand and develop their business – something that will occur when a strategic opportunity arises. In addition, both companies used similar strategies during the last global crisis. While *Tankerska* sold several ships, reducing the costs and streamlining operations, *Shell* started disinvestments from unrelated activities and turned towards sustainable development. Also, the end of the crisis and the cyclically low prices in the market were used for a “major strengthening” of their core businesses. *Tankerska* is set to conquer the crude oil market with the newly founded daughter company *Tankerska Next Generation*, while *Shell* started new large-scale projects such as *Prelude FLNG* and *LNG Bunker Vessel*. In terms of innovation, *Shell* is a company that imposes itself as a market leader while *Tankerska* can be considered a company that follows market trends.

This is quite understandable considering the size of the *Shell* Company and its portfolio of activities when compared to the size and portfolio of the Croatian company. There is also a large discrepancy in the budget of the two companies in terms of possibilities for innovation. Human resources have a very important role in innovation. In this aspect, *Tankerska* and *Shell* have two completely different business philosophies. More precisely, *Tankerska* tends to encourage the homogeneity of its crews and the creation of a “local” working atmosphere, while *Shell* aims for a more varied workforce with different religious, linguistic, cultural and working backgrounds. Each approach has its advantages and disadvantages, depending on the context in which they are analyzed. It is obvious that every company builds the type of approach that gives them the most benefit in relation to their market position and their possibilities. The reality is that a small company like *Tankerska*, which has fewer resources for investing into research and development, does not require a heterogeneous crew. On the other hand, *Shell*, with large amounts of resources available for this purpose, needs employees of different views and opinions who can more easily and quickly develop and implement new ideas. Therefore, each company views their personal approach as a competitive advantage. Since the two companies manage human resources differently, they also apply different leadership styles. *Tankerska* uses a combination of authoritarian and charismatic leadership, while *Shell* emphasizes charismatic leadership. There is a logical explanation behind this decision, one premised on a large employee base that possesses its own *know-how*, together with an established rapid transfer of knowledge through the company. Such context needs a *leading-by-example* charismatic leadership, based on the desire to succeed in order to relatively quickly achieve their ideas and concepts. This large base of employees and knowledge at *Shell*'s disposal results in innovative solutions in all areas of their operations, including environmental protection. While *Shell* is actively working with governments and non-governmental organizations around the world on implementing projects that promote care for the environment, *Tankerska* keeps up with market trends within its possibilities. For example, *Tankerska* invests in the eco-design of their ships because it also means a cost-effective way of doing business, while *Shell* surpasses this context and carries out projects that are more expensive, but the company uses them to build trust with its customers and maintain its reputation with stakeholders. *Shell* is after all an international company with significant capital resources and a large number of stakeholders. Although as an international company, *Shell* does have several of its centers located around the world, there is no strong correlation between the flags displayed by their ships and the countries in which their management facilities are located. It is an international company, and almost all of its fleet is registered in countries of convenience. Therefore, *Shell* is primarily focused on achieving a competitive advantage. On the other hand, *Tankerska* is still trying to keep most of its fleet registered in the state where the company has its headquarters. The entire management team is located in its business center in Croatia and this has not changed over the years. There still exists an emotional connection between the shipping company and the country, and *Tankerska* still uses the national flag on its ships. Such a small management team located in a business center has its advantages. Unlike *Shell*, *Tankerska* does not have to invest considerable resources in communication equipment to be used by its business units. In addition, all strategic decisions can be implemented quickly and efficiently. On

the other hand, *Shell* must allocate considerable resources for communications technologies in order for the management team to be able to effectively do their job. For example, their servers are frequent targets of hacker attacks, and this represents a market risk for both *Shell* and their users. Differences in time zones also represent a problem for countries located on different continents. With this in mind, *Tankerska* can consider its management team its own competitive advantage. Ultimately, both companies have a similar long-term strategy development. While *Tankerska* places more emphasis on organic growth, moderate development and focuses on the capital market, *Shell* emphasizes sustainable development while focusing on high yield projects. It can be concluded that as a leader in energy and shipping industry, *Shell* is setting the standards, while *Tankerska*, although a much smaller company, manages to follow modern trends on the market, but also identifies the right market opportunities for spin-offs in the same way as larger companies do.

It can be concluded that the shipping market is a very dynamic one, influenced by a large number of variables. The changes in freight fees are one of the key variables and influencing factors for the supply and demand of shipping space. Specifically, through changes in freight fees, the amount of available shipping space offered on the market also changes, as well as its demand. This confirms the auxiliary hypothesis H1.1 which states: Changes in freight fees on the global market affect the relation between supply and demand of shipping space.

Fuel price is another key variable in the shipping market. The ship, as one of the largest means of transport, consumes large amounts of fuel during its long journeys, and therefore the price of fuel is one of the important factors that affects the total expenses of a shipping company and its competitiveness. Shipping companies constantly invest in new, modern ships and marine structures that are more efficient in terms of fuel consumption. Such investments are part of a long-term strategy development of a company confirming the auxiliary hypothesis H1.2 which states: The price of fuel has a significant impact on the choice of the business strategy of a company.

Fluctuations in the dollar exchange rate can also affect the overall financial performance of a company. Whether the result will be positive or negative depends primarily on whether the value of the dollar will increase or decrease, as well as on the period in which the contract was signed. This confirms the auxiliary hypothesis H1.3 which states: Exchange rate fluctuations significantly influence the financial results of business operations.

The shipping industry is specific in that shipping companies themselves are able to decide in which countries to register their fleet. Shipping companies whose ships are registered in countries of convenience benefit greatly in terms of cost. This may be a method to achieve a competitive advantage for shipping companies, which confirms the auxiliary hypothesis H1.4 which states: The choice of the country where the ship will be registered affects the commerce of the shipping company.

Shipping companies operating on the international market often employ crews consisting of employees of different nationalities who share different cultural values and speak different languages. It is the responsibility of the management to find how to best

motivate their employees and provide them with additional vocational training since human resources can become a competitive advantage for the company. This confirms the auxiliary hypothesis H1.5, which states: Human resources are an important factor in achieving competitive advantages of the shipping companies.

6. CONCLUSION

The world has become a global society that is based on a global economy that simply cannot function without ships and the shipping industry. It is still used today to transport two thirds of the world's goods. This information emphasizes the size and importance of maritime shipping as a mode of transport, which is now more complex than ever. There are a number of factors directly affecting the shipping market, which are also in direct correlation with the competitiveness of shipping companies. Some of these factors are managed by the companies themselves - the selection of the flag to be used on the ships (selection of a country of convenience), the choice of the business strategy and the human resources strategy, etc. Companies cannot influence other factors such as the cyclic changes of supply and demand on the market, the exchange rate fluctuations and the fuel price fluctuations. Therefore, companies adjust their strategies depending on the prevailing characteristics of the market. It can be concluded that, regardless of the complexity and the dynamic nature of the shipping markets, the success of the company depends primarily on the quality and creativity of the management, which has to manage these companies in a way to make them adapt their development strategies in accordance with the prevailing factors within the dynamic shipping industry market.

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KONKURENTNOST I POSLOVNE STRATEGIJE BRODARSKIH PODUZEĆA

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Sažetak

U radu se analizira koji su to faktori koji utječu na konkurentnost brodarske industrije te kojim se poslovnim strategijama brodarske kompanije koriste u svrhu što boljeg pozicioniranja na tržištu. U empirijskom dijelu rada istraženo je na koji način najveća hrvatska brodarska kompanija „Tankerska plovidba d.d.“ i jedna od najvećih svjetskih kompanija „Royal Dutch Shell“ ostvaruju svoju konkurentnost i kojim se strategijama koriste, pomoću čega je izveden opći zaključak o dinamičnosti i zakonitostima brodarske industrije.

Ključne riječi: *zemlje pogodnosti, konkurentnost brodarske industrije, rizici brodarskog poduzeća, ljudski resursi u pomorskom prometu, inovativnost brodarskog sektora, koncept strateškog uklapanja.*

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