CONTENTS

Foreword	1X
CHAPTER 1	
A Truly Challenging Industry: Shipping Company Strategies	1
Historical Background	1
Macro Issues	3
Turbulent Conditions	6
Leif Hoegh & Co.	11
A.P. Moller-Maersk	18
The Strategic Challenge	22
Shipping Company Strategies: A Model	23
Trade-Specific Impacts on the Major Shipping Markets	26
Coal	26
Steel and Iron Ore	26
Grain	27
Crude Oil	27
Shipping Rate Forecasting—Marsoft Example	28
Financial Markets	31
Technological Developments in Ship Building and Ship Design	31
Conclusion	32
CHAPTER 2	
Commodity-Based Shipping: Playing the Market	33
Market View	33
The Classic Shipping Segments	36
Tanker Markets	36
Bulk Carrier Markets	37
Container Markets	38
Liner Shipping	40
Shipowners' Classic Responses—Play the Markets	42
Chartering	43
Purchase and Sale of Ships	44
Withholding Capacity	45

vi Shipping Company Strategies: Global Management under Turbulent Conditions

	46
Operations and/or Asset Play	47
Understand the Market Better	48
The Marsoft Example	52
Doing Good Even Better	52
Risk	54
Hedging Instruments	56
Some Successful Protect and Extend Strategies	56
The Torvald Klaveness Group	57
Norden	59
Frontline	62
Teekay Shipping Corporation	70
Beyond This—"Live With" Commoditization	73
Conclusion	73
CHAPTER 3	75
The Drive toward Non-Commodity Segments	75
Industry Structure Impacting the Demand Side	76
Demands for Larger "Packages" of Ship Services	78
Integration of Several Value Chain Segments	78
The Investment Size per Ship as a Barrier to Entry	79
Non-Commodity Business Growth	80
Build	82
Leverage	83
Transform	84
Distinctive Innovative Competences	87
Industry Structure	88
Highly Specialized Shipping Businesses	88
Industrial Chemicals Shipping	89
The Specialized Drinks Segment	89
The Cruise Business	91
Liquefied Natural Gas (LNG)	93
Further Examples of Niche Strategies	93
I. M. Skaugen	93 97
Farstad Shipping	100
TMT	
The Torvald Klaveness Group	101
Leif Hoegh & Co.	105
Conclusion	107

CHAPTER 4	
Portfolio Strategies	109
The Classic Portfolio Model Applied to Shipping	109
Stock Picking	112
Index-based Portfolios	113
A Portfolio Management Work Station	116
Executive Dashboard	117
Cash Flow Dashboard	117
Portfolio Dashboard	117
Performance Dashboard	118
Performance versus Budget Dashboard	118
A "New" Portfolio Model Based on Developing Several Business Platforms	
Proactively	119
Very Long Term Time Horizons	122
A Newbuilding Scenario	123
Political Risk and the Portfolio Strategy	124
Examples of Portfolio Strategies	130
Predominantly Commodity-Oriented: Norden	130
Frontline	132
Mix of Commodity and Niche: The Torvald Klaveness Group	133
Farstad	134
I. M. Skaugen	135
Teekay	136
Niche: Leif Hoegh	137
Conclusion	139
CHAPTER 5	
Organizational Issues	141
Relevant Prerequisites for Shipping Organizations	141
The Know-How Base	142
Ability to Change	145
Keeping It Simple and Focused	145
Lowest Possible Cost Provider	146
Network-Type Organizations	148
Customer Centric Business Principles: How to Achieve Customer Focus	153
Oldendorff Carriers	153
I. M. Skaugen	155
Norden	155

Torvald Klaveness Group	156
A. P. Moller-Maersk	156
A High Performance Business Culture	157
See Business Opportunities Not Yet Obvious to Others	159
"Meeting Places" between "Problems" and "Solutions"	159
More Experimentation	159
More Systematic Learning	160
Juxtapose Traditional and Radical Business Views	160
Fight "Not Invented Here"	160
The Need for "Internal Entrepreneurs"	161
The CEO and the Board of Directors	162
Diversify out of Shipping—Or Not	165
Success Stories	166
Less Successful Diversifications	167
Conclusion	168
CHAPTER 6	160
The Future of the Industry	169
Unattractiveness for Public Firms	169
Family Firms: Succession Planning, Professionalism	172
Family Members with Different Risk Profiles	174
The Need for Capital	175
Strategic Alliances	177
The Stock Market: "Steel" vs. Shares	179
Change and Stability	180
Three Key Evolutionary Forces	181
Physical Assets	181
Organization	183
The Business Model	185
Shaping the Shipping Company of the Future	186
Short Term and Long Term	180
Local and Global	180
Commodity and Niche	18'
Intuition and Discipline	18
Conclusion	187

References 191