COMPETITIVENESS OF SHIPBROKING COMPANIES

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Bachelor’s Thesis
November 2015

Degree Programme in International Business
School of Business and Services Management
Title
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Abstract
The objective of this thesis was to identify the key factors generating competitive advantage in the shipbroking industry and also, assess the practical achievability of them.

The concepts of competitiveness and competitive advantage were analysed in the literature review. According to that, a theoretical framework was created, which served as a basis for the on-field research. Both quantitative and qualitative data were collected and analysed. The quantitative data included industrial statistics, and the case study looked into the practical applicability of the results. As an outcome, a data matrix was created highlighting the factors that are the most important in terms of competitiveness and are also relatively easy to implement in an enterprise.

The results revealed the factors which can be used for achieving a competitive advantage over rivals with relatively little effort. These factors are: responsiveness and availability, motivation, level of communication, teamwork and post-fixture matters. Using this information, the decision-makers in the shipbroking companies will be able to locate the areas worthy of improvement in order to raise the level of their competitiveness.

The study was conducted in coordination with representatives of the industry to ensure that the research results reflect the actual situation in the industry and that the results will carry a practical meaning for the decision-makers. The usage of the results is limited to the shipbroking sector. However, the theoretical framework can be adapted to analysing the competitiveness of other service-bound sectors, such as the ship agency services.

Keywords
Competitiveness, competitive advantage, shipping, shipbroking, Five Forces model, sustainability, strategic management

Miscellaneous
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1 Introduction

1.1 Background

The global shipping market is by its nature volatile and sensitive to any of the happenings in the economy. Overcapacity and world trade fluctuations result in increasingly volatile freight rates (Challenges in sea freight forwarding 2013, 7). Especially the last decade showed the picture, where most of the companies involved in the maritime business faced challenging times and had to implement new strategies and modes of operation to cope with the rapidly changing environment.

The volatility of a shipping market can be represented by the Baltic Dry Index (see Figure 1). This index shows the cost of the sea transportation of dry bulk cargoes on the most common routes. High value means high freight rates, which is lucrative for the ship owners. The low index is respectively a mirror of a bad market for the ship owners, who are not able to generate high income. The market is usually balanced by the supply side, which is the world fleet, and demand side, which represents the charterers who are having a cargo to ship.

Figure 1. Baltic Dry Index (Durden, 2015)
The volatility of the market can easily be seen from the chart, where the average freight rates for the years 2007 and 2008 were about 5 times higher than those during the year 2002, followed by the drop in 2009, when the freight rates could be compared to the year of 1987.

Shipbroking is highly dependent on the overall shipping market. That is the reason, why the businesses inside this sector have also gone through difficulties. For example, during the recession of 2009, a significant number of the ships worldwide were laid up and the brokers were not able to earn their commission fees on fixing them. Moreover, the future prospects are neither promising any good time. The Secretary General of the International Maritime Organisation (IMO) Koji Sekimizu said that the shipping industry is “facing rough seas and many challenges ahead” (2015). Therefore, it will have a strong impact on the shipbrokers’ businesses.

At the same time, the development of the information communication systems is threatening to change the nature of business operations inside the industry. In this light, the managers of shipbroking companies have more willingness to search for the areas of improvement. “The increasing risk of error, costly mistakes, and even economic ruin are causing today’s professional managers to take strategic management seriously in order to keep their companies competitive in an increasingly volatile environment” (Hunger & Wheelen 2007, 3). The term “strategic management” in this context refers to “seeking a competitive advantage by considering implementation and evaluation and control when formulating strategy” (ibid., 3).

The previous citation shows the importance of seeking a competitive advantage, which can be used then for the future managerial implications. In order to build up a sustainable growth model that will lead to greater performance, the company has to know them well. According to Porter (1985, xxi) "Competitive advantage is at the heart of a firm’s performance in competitive markets." However, there is no prior research done in this segment on the shipbroking business in particular. The studies that have been carried out are mainly touching close industries, such as ship owners, shipping ports and charterers. However, the listed industries have different type of
assets employed. Therefore, they require a tailored approach, which in turn means that it is not viable to apply the results of the studies made in those industries, to the shipbroking industry.

1.2 Relevance

As it was identified in the previous sub-chapter, there is gap in competitiveness studies within the shipbroking industry, which this research intends to fill in. Such research is a valuable document for the managements of the shipbroking companies, who are seeking ways to increase their level of competitiveness. By going through the report, they will be able to determine those key areas, which need the most attention in order to raise the level of the competitiveness of a company. In Bert Markgraf’s view (2015), successful companies capitalize on their competitive advantage in the marketplace in order to reach a high level of performance.

The author has personal interest to develop a study in this specific field, because of having strong connections within the industry. By having a work experience in the field, the author is able to understand the key mechanics of the industry which is a base for the research. Further studies will help to extend his professional knowledge, which he will use to develop a career in the shipping business.

1.3 Research objective and question

The research objective of this thesis is to find the main competitive advantages of the shipbroking companies that the players from the shipping market find to be important, and to determine, whether some of those factors are more influential than others. The further research will help to understand the level of difficulty of achieving these sources of the competitive advantage.

The research question is: What are the key factors that drive competitive advantages in shipbroking companies? The sub-question is: What key factors are the easiest to achieve and give the highest outcome in return?
The first research question will be answered based on the industry statistics, which will be revealed from the analysis of the quantitative data. The sub-question will be answered through the combination of quantitative data and qualitative data, which will be gathered from the case study. More details about the methodology can be found in Chapter 4.

1.4 Outline

The thesis consists of six parts. The section one explains the background and the purpose of the thesis. The next part is the description of the shipbroking industry and its analysis based on the Porter’s Five Forces model. The third part is literature review, which analyses the underlying pillars of competiveness and the theories, which are used to figure out the competitive advantages. After that the current models are modified to meet the criteria of the shipbroking industry.

In the methodology part the research methods are explained. The mixed-method approach is used to solve the research problem. First, the quantitative data was collected using the survey. According to the results from quantitative part, the qualitative data was collected and analysed. The results of the data collection is provided and described in the part number five and the following section “Discussion” is covering the implication of the results and explains the limitations of the study.

2 The shipbroking industry

2.1 Introduction

Shipbroking is an old industry, being present even in the Roman Empire (History of Shipbroking 2012). The roots can be traced back to around 1000 AD in Norway (ibid.). The term “shipbroker” refers to “someone who arranges the ocean transport of goods and commodities by sea, the employment of a vessel or buys and sells ships on behalf of his clients” (Baltic Exchange 2014, 511). It is noticeable that the
arrangement of the transportation includes a long chain of activities and services that are based on availability of the skills and knowledge in the company. “Contract making, along with a smattering of knowledge, is simply not enough anymore” (Rahman, 2003).

There are different categories of shipbrokers, depending on their specialization, such as sale and purchase brokers, who are involved into buying and selling the ships, or container brokers, who are mainly dealing with containerships. This thesis is concentrating mainly on competitive dry cargo shipbroking, due to the author’s possibility access the market by having contacts from his previous working experience in the industry. Simultaneously it is a proper sample to represent the industry, since the sale and purchase brokers are often treated separately, because they have a different nature of a work.

The daily routine of a dry bulk cargo shipbroker would be to screen the availability of the empty ships on the market and from the other side look for the charterers, who are willing to ship the cargo. Ideally the broker would find the suitable size of a ship, in the close-by area of a loading port, where the cargo is stored, and with suitable dates. He would be then a middle-man in the ship owner’s and charterers negotiation about the price, terms, dates and other relevant clauses. If the ship owner and charterer finalise the negotiation and conclude the deal, the ship broker would take a fixed percentage of the freight value. For example, if the ship was fixed to carry 19 000 tons of iron ore at the price of 9.5 USD per ton, it would result the freight of $180 500, from which the broker would charge 1.25 % commission fee. It is also a normal practice in the industry, where there are several brokers in a chain between the ship owner and a charterer and each of them adding their own commission. Therefore, it is possible to see offers with the commission rate of 2.5 % and 3.75%.

Due to the nature of the industry, the shipbrokers can work nowadays remotely and do not have to be geographically connected to some certain area, by benefiting from the availability of modern communication technologies. However, it is historically
formed that the shipbrokers are located near the major shipping clusters, such as Athens, Singapore and London.

A wide geographical spread and the similarity of the shipbroking activities worldwide are giving the opportunity to analyse the industry as a whole. The need for looking beyond the national boundaries in order to identify potential international competition, is expressed by numerous writers, including Michael Porter (1998, 32). It is especially valid in the shipbroking industry, where the companies from two different locations might compete for one client. For example, the shipbroker residing in Auckland, Australia, may try to conclude a deal with a same charterer and ship owner as his colleague from Anchorage in Alaska. This example shows the fierceness of a worldwide competition in this industry, which in turn supports the author’s initiative to analyse this industry as a whole. However, the author identifies a need to validate his assumption. Therefore, a geographical location will also be considered in the data collection process and the following analysis will take this factor into the consideration.

2.2 Forces driving industry competition

The industry is considered to be highly competitive. In order to measure the level of the competition, the model of Five Forces developed by Michael E. porter will be used. According to Porter (1998, 3), the state of competition in an industry depends on five basic competitive forces, which are shown in Figure 2.
2.2.1 Threat of new entrants

According to Porter (1998, 7-11), there are six major sources of barriers to entry:

- economies of scale,
- product differentiation,
- capital requirements,
- switching costs,
- access to distribution channels,
- cost disadvantages independent of scale.

In the shipbroking industry, the economies of scale cannot be reached so easily, as compared to the manufacturing industry, such as automobile or mobile devices. By increasing the amount of human resources available in the company, the unit cost of a service will not fall significantly. Most of the employees have their own pool of clients, which they would like to keep. Consequently the newcomers are expected to bring their own or to build a new customer network.
Branding and customer loyalty are highly ranked thorough the whole shipping industry. Therefore, product differentiation can be ranked as a high level factor in the industry. The “word of mouth” is well-spread there as the whole industry is known for being communication intensive (Shipping Business 2013, 114). For example, if some player in the industry fails to meet its obligations, it is highly common that the sufferer will spread the news across the industry which will cause the damage to the reputation for the offender. It is the reason, why the companies are taking care of it, since it is their “business card” in the industry. Therefore, many resources, including time and money, are spent on the reputation, networking and branding.

The capital requirements are low. That is the factor which eases the access to the market. As a service providers, the amount of tangible assets required for the operations, is low. It includes basic office equipment including the communication technologies. Based on the services offered, the need for the tangible assets can raise, but the capital requirements will be still low compared to the other industries. Bigger players in the market are investing more in human resources, by providing training and raising qualification. For example, Clarksons, one of the biggest broking companies in the shipping industry, is not only providing trainee placements, but also an ongoing training and development programs (Clarksons 2014). Clarksons is well-known for providing a wide range of services. However, for the basic operations the amount of capital required is low, as described at the beginning of this sub-chapter.

The analysis of the switching costs is sophisticated due to the nature of the operations. Most of the independent shipbrokers are working with a wide variety of ship owners and charterers, and from that perspective the switching costs are low. However, in case the broker is limiting himself to work exclusively with a small number of ship owners or charterers, he is exposing himself to a risk for losing a majority of his turnover. From that perspective, the switching costs are high, because it includes a lot of time resources, which are used to build and develop new relationships. Generally, the broking companies are not limiting themselves to a small pool of clients. Therefore, it is possible to claim that the switching cost are commonly low in the industry.
The access to distribution channels for the new entrants is limited, since most of the channels are covered by existing competitors. New entrants have to persuade the channels to accept their services. It is complex since the competitors have usually established long-term relationships, therefore complicating the access of others to the market. The aspect of the distribution channel remains to be one of the major components of an entry barrier in this sector.

There is number of cost disadvantages independent of scale being present in the industry, such as experience. It is one of the factors that is affecting the cost, because with the accumulation of experience, the costs are declining. However, it is hard for established companies to keep experience inside the company. It is a common phenomenon in the industry, where the employees are leaving the company and taking experience and contacts with them to enter another one or to establish a new business. An alternative scenario is when the company hires one of the competitor’s employees. It often says in the job advertisements that the existence of the applicant’s own customer network will be a great advantage. Therefore, experience is highly valued, but it does not significantly contribute to the entry barrier due to the high level of mobility.

Considering information analysed before, the threat of new entrants is high, due to the relatively small entry barriers. The tendency is showing that the entry barriers are going to decline even further, due to the rapid development of the communication technologies.

2.2.2 Rivalry among existing firms

World seaborne trade is increasing constantly. According to the International Chamber of Shipping (2013), “over the last four decades total seaborne trade estimates have quadrupled, from just over 8 thousand billion tonne-miles in 1968 to over 32 thousand billion tonne-miles in 2008”. The increase of the market is having a positive effect on companies. It lowers competition compared to a situation, where the market is stagnant and companies have to capture each other’s share in order to increase their revenue.
There are numerous shipbroking companies operating on the market and a noticeable percentage of them are small-sized businesses. Despite of a number, there are institutions operating in the market, which are coordinating activity of the companies, such as Baltic Exchange. This institution, with more than 600 member firms, has developed The Baltic Code, which “covers the basic principles of shipbroking and highlights a range of unacceptable practices” (Baltic Exchange 2014). Such institutions decrease instability in the industry. However, the number of the shipbroking companies worldwide is too large to control them all under one codex.

Because on the characteristics of the industry, there is a lack of price competition for a core service. There is a non-written rule that a shipbroker takes a 1.25 per cent commission from the freight. This eliminates costly price competition between competitors. Similarly, a low level of exit barriers is also reducing rivalry among the competitors. The industry does not have any high fixed costs of exit, because as it was described previously, the number of physical assets involved and the initial investment is low.

The level of rivalry is changing over time. It was especially observable during the global recession of 2009, when the shipping market was suffering as a result of declined global trade. On the market, where less fixtures were made, the level of rivalry raised, which in turn led many companies to leave the market.

2.2.3 Threat of substitute products

There has been a lot of discussion over the changing role of a shipbroker over the time. As it was mentioned previously, the shipbroker is providing more than a simple matchmaking: the complex service based on his knowledge, experience and skills. It is a hard to develop substitute services or products that could overtake such a process. However, there are several scenarios that have been carefully analysed.

Firstly, according to Batrinca (2008, 293) the number of deals made directly between the ship owners and charterers, is increasing over the time. This is seen as a direct threat towards the activity of shipbroking companies. However, there are other
factors that have to be taken into the account. As it was covered previously, the world seaborne trade is also rising constantly. Therefore, the companies within the industry have a chance to concentrate on acquiring new customers instead of fighting over existing clients. Simultaneously the shipbroker is seen more than a simple matchmaker – a professional analyst, who can provide insights from the industry to help ship owners and charterers in decision making, therefore being a valuable source of information.

Secondly, the rise of electronic platforms, developed for exchanging positions of the ships and the cargoes, has been viewed as a direct threat for the shipbroker’s activities. However, the history has shown that those platforms are not successful, due to a several reasons.

_Some portals did not meet the industry’s needs, some had a market and no product, some had a product and no market, and even those who had a market and a product had to learn that adoption was not as swift as all had expected_ (Batrinca 2008, 294).

During the work in the industry, the author was observing a company, which was called Copenhagen Shipping Exchange. The company created a website, which allowed ship owners, charterers and brokers to interchange vessel’s positions and available cargoes. Such a website could lower the importance of a shipbroker, since information is critical resource in this industry. The company even reported of a growing customer base. However, by now the company has ceased its activities. This example further stipulates the practical inability of such platforms to eliminate the shipbroker’s work.

**2.2.4 Bargaining power of buyers and suppliers**

In Porter’s Five Forces model (1998, 4) a bargaining power of buyers and suppliers is analysed separately. In this thesis, they are analysed as a single entity, due to a specific nature of this business. The competitive type of shipbroker, which is analysed in this thesis, is providing services for both ship owners and charterers.
Once it may be the ship owner, who is contacting the broker and providing ship’s position. With the same respect, next time it may be a charterer, who will provide shipbroker with information about the cargo for finding a suitable vessel to carry it. Such example shows that the roles of buyers and suppliers are interchangeable and it is reasonable to treat them composedly. From now on, the combination of words “buyers and suppliers” will be shortened to only “buyers” in order to avoid confusion and will be reflecting the position of ship owners and charterers as a buyers of a shipbroker’s service.

There are a number of factors that are determining the level of the power of buyers and the most important of them will be analysed here. First of all, there are a number of alternatives that buyers can choose. It is widely known practice, that several shipbrokers are approaching a client with the same offer. Such situations giver buyers more power, which increases the overall intensity of the competition within the industry.

Another factor that is contributing towards the high bargaining power of buyers, is a threat of backward integration. As it was mentioned in the previous sub-chapter, the number of direct deals between the ship owners and charterers is increasing, which in turn is a direct threat towards the activity of shipbrokers and is increasing the bargaining power of buyers.

The amount of information that the counterparties in the shipping markets hold, is also determining the level of competition. The buyers usually have a good overview of the market, knowing well the current situation, which may weak the position of shipbrokers. The importance of information is high, since it is shaping the core of shipbroker’s services and they are very sensitive to any possible leak. However, the fact that some of the ship owners and charterers are turning to the broking houses to ask for a market information, still stipulates the relatively high importance and power of the shipbrokers in that aspect.
2.2.5 Summary of Porter’s Five Forces model

Based on information analysed in previous chapters, it is possible to conclude that the level of the competition in the shipbroking industry is high (see Figure 3).

Figure 3. Strength of the Five Forces in the shipbroking industry

Firstly, low entry barriers are not limiting the pool of entrants, which has negative impact on the competition from the viewpoint of the existing players on the market. Secondly, there is high rivalry present in the industry. The geographical factor may not even hold back the competition, since many shipbrokers are comfortable with operating through different time zones. The author also had sometimes to take calls at 03.00 AM in order to serve clients from India.

The factor, which is softening the high level of competition, is a relatively low level of substitute products. The electronic platforms developed for exchanging information, which were seen as a threat for shipbroker’s activities, proved to be not as effective
as was expected before. On the other hand, the bargaining power of buyers is extremely high. First, there is a threat of backward integration, as more deals are concluded directly between ship owners and charterers. Secondly, the buyers have often a variety of brokers to choose from. Usually the “first come first served” principle works there. However, the ship owner may take the time and pick up the offer with the lowest commission rate.

All of those factors are contributing towards a relatively a high level of competition in the industry, as it was described in the introductory sub-chapter. However, this situation should not be seen as a static position, since the level and nature of competition can change as the industry evolves (Porter 1985, 3). Those factors further highlight the importance of competitiveness studies in the industry, where no such specific research has been carried out previously.

3 Literature review

3.1 Competitiveness

The debates about the meaning of the term “competitiveness” have been held for a wide time period. Different authors, researchers and organisations are providing it in a form that reflects their disparate viewpoints. Competitiveness is also analysed at different levels (company, industry or country and etc.)

It is noticeable that many of the definitions of the competitiveness are carried out at a national level or associated with a certain geographical area. This phenomenon has a close connection with the transportation costs, which may decrease product’s price attractiveness in foreign markets. Therefore, the products, where the transportation costs account for high percentage from the sale’s price, can also be analysed from a geographical viewpoint. In the shipbroking business the transportation costs are low and often the only geographical limitation is a time zone.
One of the most well-known and quoted definitions of the competitiveness on a general level is provided by Klaus Schwab (2013, 4) as “the set of institutions, policies, and factors that determine the level of productivity of a country”. Economist Robert Atkinson (2013) has doubted this approach, because in his words there is no accurate measurement for national competitiveness. He proposes the term “the ability of a region to export more in value added terms than it imports when including for “terms of trade” to reflect all government “discounts” and import barriers” (ibid.). There has been done a study by Eckhard Siggel (2007, 15-16), where he collected concepts and indicators of competitiveness from different scholars and researchers (see Table 1). This gives a good illustration over different approaches by authors towards competitiveness. It is noticeable that on the micro-economic level, researchers concentrate often on a price competitiveness, which is attribute of a comparative advantage. However, the market share, which is also the leading measurement criteria, is often a direct indicator of the existence and the right treatment of the sources of competitive advantage.
Table 1. Concepts and indicators of competitiveness and their characteristics (Sigel 2007, 15)

<table>
<thead>
<tr>
<th>Proposing author or organization</th>
<th>Concept characteristics</th>
<th>Measurement criterion or Indicator</th>
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<tbody>
<tr>
<td><strong>Macro concepts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lipschitz/McDonald (1991),</td>
<td>u s/d det p ea</td>
<td>real exchange rate, real effective exch.rate</td>
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<td>Marsh, Tokarick (1994), IMF</td>
<td></td>
<td></td>
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<tr>
<td>Hatsopoulos, Krugman, Summers</td>
<td>two s/d det n ea</td>
<td>trade balance with rising real income</td>
</tr>
<tr>
<td>(1988)</td>
<td></td>
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<tr>
<td>Markusen (1992),</td>
<td>two s/d det n ea</td>
<td>real income growth with free balanced trade</td>
</tr>
<tr>
<td>Dollar/Wolff (1993)</td>
<td>two s det p ea</td>
<td>productivity</td>
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<tr>
<td>Fagerberg (1988)</td>
<td>m d sto n ea</td>
<td>market share increase</td>
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<tr>
<td>Sharpe (1986)</td>
<td>u s det p ep</td>
<td>market share</td>
</tr>
<tr>
<td>WEF/IMD (annual since 1995)</td>
<td>m s/d det p ea</td>
<td>world compet. index</td>
</tr>
<tr>
<td><strong>Micro concepts</strong></td>
<td></td>
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</tr>
<tr>
<td>Balassa (1965)</td>
<td>u s det p ep</td>
<td>revealed comp. advantage</td>
</tr>
<tr>
<td>Bruno (1965)</td>
<td>u s det p ea</td>
<td>domestic resource cost</td>
</tr>
<tr>
<td>Buckley et al. (1992)</td>
<td>m d det n ea</td>
<td>composite, multi-variable</td>
</tr>
<tr>
<td>Durand/Giorno (1987), OECD</td>
<td>u s det p ea</td>
<td>price competitiveness</td>
</tr>
<tr>
<td>Helleiner (1989)</td>
<td>two d det p ea</td>
<td>real effective exch. rate</td>
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<td>Hickman (1992)</td>
<td>u s det p ea</td>
<td>unit labour cost</td>
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<td>Jorgenson, Kuroda (1992)</td>
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<td>Krugman, Hatsopoulos (1987)</td>
<td>u s/d det p ep</td>
<td>market share, change</td>
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<td>u s/d det p ep</td>
<td>market share, change</td>
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<td>Oral (1993)</td>
<td>m s det p ea</td>
<td>indust. mastery, unit cost</td>
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<tr>
<td>Porter (1990)</td>
<td>m s/d det p ea</td>
<td>composite, multi-variable</td>
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<td>Sigel/Cockburn (1995)</td>
<td>u s det p ea</td>
<td>full unit cost</td>
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<tr>
<td>Swann/Taghavi (1992)</td>
<td>m s sto p ea</td>
<td>price/product attribute</td>
</tr>
<tr>
<td>Turner/Gollub (1997)</td>
<td>u s det p ea</td>
<td>relative unit labour cost</td>
</tr>
</tbody>
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**Concept characteristics:**
(1) dimensions of concept: u = uni, t = two, m = multi-dimensional
(2) s = static or d = dynamic nature of concept
(3) det = deterministic, sto = stochastic nature of concept
(4) p = positive, n = normative nature of concept
(5) ep = ex-post or ea = ex-ante nature of concept

From the moment, when the definition of competitiveness was presented on a national level, scholars have taken this further and adopted the definition at more narrow and specific levels, such as industries and companies. Michael Porter has explained in his study (1990) that the basic unit of analysis for understanding the competition is the “industry”. He elaborated further that many scholars employ “overly broad industry definitions” such as banking, machinery or chemicals. In his opinion, it is not viable to analyse such vast industries, as the nature of the competitiveness varies inside them greatly, since they may contain many different sub-industries. (33).
McKinsey Global Institute (MGI) (2010) has identified competitiveness as a “capacity to sustain growth through either increasing productivity or expanding employment”. This definition goes in compliance with the study made by Chang Moon and Newman (1995), where they discuss that the competitiveness is often mixed with productivity. They detailed that productivity reflects rather company’s internal capabilities, whereas competitiveness stands for the relative position of a company among its competitors. (37-43). CBS Competitiveness Platform (2015) also described competitiveness as company’s ability to overtake its competitors in order to win the tender and qualify for an order, which supports Chang Moon and Newman’s (1995) propositions. Therefore, it is possible to validate and further elaborate MIG’s statement, where the competitiveness of a certain company is seen as a mix of two critical ingredients: internal capabilities and position among its competitors.

### 3.2 Competitive advantage

The term “competitive advantage” is closely related to the competitiveness. Some scholars have used these terms interchangeably. However, this research sees a relatively thin but a clear distinction between them. The relationship can be described in simple words. The ability of companies and industries to utilise, sustain and develop their competitive advantage is a part behind forming overall profile of competitiveness. Therefore, the identification, maintenance and development of the factors that are driving competitive advantage, will help firm or industry to raise their level of competitiveness. The words “nation” or “country” are excluded from the definition, because many researchers bring macroeconomic policies inside while describing competitiveness on a national level. However, there is no direct relationship between single company’s competitive advantage and governmental policies. Therefore, the nation-wise level is excluded from the relationship proposed by the author.

#### 3.2.1 Definition

Similarly with the term “competitiveness”, there are different opinions concerning the definition of a competitive advantage and some researchers claim that it remains
still poorly defined and interpreted. In author’s opinion, the essence of competitive advantage is accurately described by Hao Ma (2000, 53) as “the asymmetry or differential among firms along any comparable dimension that allows one firm to compete better than its rivals”. This term involves both factors: an explanation how it can be identified and where it leads to. It also mentions the words “any comparable dimension”. Therefore, it is possible to first analyse all underlying factors of good performance and after examine, which of them are serving as a source of competitive advantage.

There is also a need to distinguish this concept from “comparative advantage”, which was first presented by David Ricardo (1821) on a national level. He explained that the countries would benefit the most, if they would specialize on the goods, which they can produce more efficiently in relation to others, and then exchange those products. (par. 7.16.) On a company’s level it would mean company’s ability to produce certain products or services better than others, due to having certain advantages based on its location. However, as it was discussed previously, it is inapplicable to the shipbroking industry, as the geographical presence does not give any substantial competitive advantage over others.

The author solely agrees with Bredrup’s (1995, 43) statement that a competitive advantage should not be seen as a stable characteristic. It can be achieved, lost or changed over the time, due to external factors affecting the whole industry or due to the internal difficulties, such as stagnation or failing to operate efficiently.

More insights about the nature of competitive advantage is given by Michael Porter (1985, 3) and this definition has been widely used in the field:

*Competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm’s cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. There are two basic types of competitive advantage: cost leadership and differentiation.*
However, Porter’s statement does not explain competitive advantage as a concept, rather describing factors surrounding it. From the types of competitive advantage proposed, the differentiation is more relevant for the shipbroking industry and it will be discussed in the next sub-chapter.

The underlying factors of competitive advantage are well-explained by Teece, Pisano and Shuen (1997, 509):

*The competitive advantage of firms is seen as resting on distinctive processes (ways of coordinating and combining), shaped by the firm’s (specific) asset positions (such as the firm’s portfolio of difficult-to-trade knowledge assets and complementary assets), and the evolution path(s) it has adopted or inherited.*

Such a definition allows categorizing sources of competitive advantage, which will be done in the following sub-chapters.

### 3.2.2 Influential factors

The structure and the nature of a competitive advantage is heavily influenced by the stakeholders surrounding a company and by the nature of the competition. More generically it can be described as a result from five major forces affecting the industry, as presented in the Five Forces model by Porter (1998), which are potential entrants, buyers/suppliers, substitutes and industry competitors which in combination are shaping the status of the competition in the industry.

Each industry has an individual profile of competition. For example, even if one of the competitive advantage types is described as cost-leadership, this definition is not applicable to the shipbroking industry, where this pillar has a minor influence, whereas on the other hand the differentiation has a significant role. Such an importance of differentiation is caused by the high level of rivalry among the existing players and the need to find other ways of achieving competitive advantage rather than cost leadership.
It is also common for the shipbroking industry that the substitute products do not affect the state of competition, as it was discussed in the previous chapter, and hence have a little impact on influencing a competitive advantage of individual company. On the other hand, the high rivalry between existing players on the market has a very high impact on forming competitive advantage in the industry, which is hardly maintainable due to high pressure and the competitor’s eagerness to achieve the same. This also shows the inequality between the factors affecting the competition, where some are more influential than others.

3.2.3 Sustainment and further development

The importance of sustaining and developing competitive advantages cannot be underrated. The sustainable competitive advantage is a basis for solid performance in the long run (Porter 1985, 11). It can be defined as “implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy” (Barney 1991, 102). Porter also named three conditions in his research for sustaining competitive advantage (1990):

- **Hierarchy of source (durability and imitability) - lower-order advantages such as low labour cost may be easily imitated, while higher order advantages like proprietary technology, brand reputation, or customer relationships require sustained and cumulative investment and are more difficult to imitate.**

- **Number of distinct sources - many are harder to imitate than few.**

- **Constant improvement and upgrading - a firm must be "running scared," creating new advantages at least as fast as competitors replicate old ones.**

The framework proposed by Barney (1991, 112) complements Porters study (see Figure 4).
Figure 4. The relationship between resource heterogeneity and immobility, value, rareness, imperfect imitability, and substitutability and sustained competitive advantage (Barney 1991, 112)

These four key characteristics of the resources, which lead to the sustained competitive advantage, are widely cited and used by different researchers (Hoskisson, Hitt, Wan and Yiu 1999, 439; Wright, McMahan, McWilliams 1993, 7) and accepted as a proper approach while analysing sustained competitive advantage. Therefore, if a resource meets those criteria, it is likely to be a source of competitive advantage (Barney 1995, 55).

Knowledge is often seen as an important source of sustained competitive advantage. Nonaka (2007) argues that the knowledge is even “one sure source of lasting competitive advantage”. Geus (1988) discusses that “the ability to learn faster than competitors may be the only sustainable competitive advantage”. According to the frameworks presented before, both of these statements are true, since both of them are hardly imitable and not easily mobile, whereas the ability to learn also represents constant improvement. The firms achieving such state can enjoy long-lasting sustained competitive advantage.

Capabilities and competences are considered to lead to sustained returns, since they provide value to the customers, are hard to imitate, do not have substitutes and are firm-specific, therefore with reduced mobility (Rugman & Verbeke 2002, 769). They
will be analysed in the next sub-chapter under the “dynamic view” along other sources that are leading towards sustained competitive advantage.

### 3.2.4 Sources and driving factors

There are different sources of competitive advantages provided and the researchers are generally dividing them into two general sub-divisions: external and internal factors. The external factors were previously analysed in this research under the Five Forces model. However, they are hardly influenced by a single firm. This sub-chapter will be concentrating on the internal factors, which can be influenced by each individual company and this analysis in turn will help to find the answers for the research questions of this thesis.

Depperu and Cerrato (2005, 8) discussed that the internal sources of competitive advantage can be divided into two major sub-categories, a static view and a dynamic view (Figure 5).

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**Figure 5. Sources of firm competitiveness (Depperu and Cerrato 2005, 8)**
The static view represents the assets and the access-based resources at the firm’s disposal, whereas the second pillar represents the way those assets and resources are deployed. It is noticeable that even if the dynamic capabilities are responsible for “creation and reconfiguration of resources into new sources of competitive advantage” then this “creation and reconfiguration” process itself can be seen as stand-alone source of competitive advantage. Such statement is also supported by the examples proposed by Barney (1995, 50), where he compared firms with great resources (tangible and intangible), where some of them were able to successfully exploit the resources and the continuous process of finding new business opportunities and the usage of the current resources was a competitive advantage by itself.

According to Depperu and Cerrato (2005,) such categorization goes conjointly with Ma’s (2000) division of “positional” and “kinetical” advantages, where the first term is derived from ownership or access-based resources, whereas the “kinetical” stands for “firm’s knowledge, expertise and competence or capabilities”. In that study, authors go further to analyse the term of international competitiveness, which ideologically should suit this thesis. However, they put significant emphasis on a geographical movements, taking into the consideration barriers of international trade (ibid., 11) and other attributes, which are not applicable to the shipbroking industry, where the export cost of services is minimal and working in the international market is considered to be a norm rather than an exception.

**Static view**

Static view has many similar elements with resource-based view (RBV). Similarly, it takes into the consideration resources involved in creating a product or a service, such as labour, capital, land and analyses, how it leads to sustained competitive advantage (Wernerfelt 1984, 171). Therefore, both approaches will be analysed simultaneously and the elements, which are appropriate for this study, will be adopted from each of them.
While discussing about the fundamentals of RBV, Barney (1991, 101) has included both capabilities and organizational processes into the study. However, under this framework those factors will be analysed in the next sub-chapter under dynamic view, since those factors represent the capability and the way the underlying resources are deployed. Simultaneously, Barney discussed in the same study that not all of the resources carry same strategic relevance (ibid., 102) and this fact will be considered in the future research.

Barney (1991, 101) has collected firm’s resources from different researchers and classified them into main categories: physical capital resources (Williamson 1975), human capital resources (Becker 1964) and organizational capital resources (Tomer 1987). Whereas the physical capital resources and human capital resources represent directly the static view, the organizational capital resources are a part of a dynamic view. They include “firm’s formal reporting structure, its formal and informal planning, controlling and coordinating systems, as well as informal relations among groups within a firm and between a firm and those in its environment” (ibid.). These factors are falling under the description of a concept of dynamic view and they will be analysed and processed further in the next sub-chapter. In his latter study, Barney (1995, 50) indicated history, trust, compensation policy and organizational culture also as an organizational capital. Both history and trust are intangible resources and therefore are a part of a static view, whereas organizational culture and compensation policy being an instrument behind reconfiguration existing resources and therefore fall under a dynamic view.

The human capital resources are in the core of the shipbrokers industry. Barney (1991, 101) includes following components into this category:

- Training,
- Experience,
- Judgment,
- Intelligence,
- Relationships,
- Insights of individual managers and workers in the firm.
While most of these points are often considered to be a basis of a good performance, there is a lack of clarity with intelligence and relationships. There is a problem behind measuring intelligence, since there are many different ways of approaching it. This may cause difficulties, since the respondents can think of various explanations which will make the results to be incomparable. Psychologist Robert Sternberg (2000, 31) explained three main categories of intelligence, which he proposed in his earlier study (1988): analytical, practical and creative. The first one stands for the ability to analyse and evaluate and take decision afterwards, which is also in line with Barney’s “judgment” factor. Practical intelligence means the ability to utilize and apply the ideas in the real life, whereas creative stands for generating new ideas. (ibid.) Derived from these categories, it is possible to develop three more potential sources of competitive advantage, under the category of human resources: analytical skills, decision-making skills and creativity of the staff.

During a personal discussion, one shipbroker proposed two more factors, which fall under the category of human resources: education and motivation. With the first one being self-explanatory, the motivation requires specification. This can be seen as management’s ability to raise the motivation inside the team, which would help to increase the work effectiveness of the employees, compared to the rival companies.

Similarly the network size may give a substantial advantage over other firm, due to the access to many potential clients. At this point it is also reasonable to include keyword “exclusive channels”, since there are companies on the market, who are exclusive representatives of certain owners or charterers and it is important to validate, if the participants of a shipping market see it as a potential source of competitive advantage.

The category of “relationships” proposed by Jay Barney (1991, 101) remains unspecified, whether it stands for intra-firm relations or external relations with all of the stakeholders. Since in this study the sources of competitive advantage are divided in two sub-categories, then under the static view the relationships will be analysed as relationships inside the company, reflecting the vertical and horizontal
communication lines. The “relationships” as a connection with the stakeholders, will be analysed under the dynamic view.

The point of “insights of individual managers and workers in the firm” can also be expressed as a knowledge, which is represented by knowledge-based view (KBV). Hoskisson et al. (1999, 441) proposed that KBV is an extension of RBV by “conceptualizing firms as heterogeneous, knowledge-bearing entities”. The KBV considers the knowledge to be the most important resource of a company, which is the reason it is seen as an extension of resource-based view (Grant 1996, 110).

The knowledge lies in the heart of the competitive advantage of each individual firm. Davenport and Prusak (1998, 13) discuss that knowledge has the greatest potential to form company’s competitive advantage. According to Kogut and Zander (1992, 384), the knowledge is divided into two categories: information and know-how. Those categories carry a potential of having great competitive implications, since they are easily transferred inside the company and on the other hand hardly imitated by the competitors (ibid.). Such a distinction requires a separate treatment of these factors. Therefore, information as a source of competitive advantage will be treated separately, whereas the know-how will be seen under “experience”, since experience is the “fundamental source of tacit knowledge” (Choo & Bontis 2002, 448).

One of the most important and widely recognized resources in a shipping sector is a reputation. The industry players often use it as a selective filter, when choosing a partner whom to work with. The importance of a reputation as a resource is also proven by a number of researchers. Carmeli and Cohen (2001, 129) disclose that the reputation is expressed by researchers as a core resource (Weigelt & Camerer 1988, 452; Fombrun 1996) or similarly as a critical resource of an organization (Shrum & Wuthnow 1988, 909). Teece et al. (1997, 521) discuss that the reputation often “summarizes a good deal of information about firms and shape the responses of customers, suppliers, and competitors”. Reputation is partly dependent on a reliability of a company. Therefore, it will also be seen as a source of competitive advantage before the field research, which will help to see the validity of this statement.
Many of the shipbroking companies are a part of the organizations, such as BIMCO, Institute of Chartered Shipbrokers (ICS) or local ones, such as The Finnish Shipbrokers’ association. The ICS (Membership Benefits) claims that being part of a professional body will definitely help to gain a competitive advantage. Therefore, this statement will also be part of this framework in order to check its validity through the research.

There are shipbroking companies that choose to specialize on a certain geographical area (e.g. Baltic, Mediterranean), a certain commodity (e.g. coal, wheat) or certain ship sizes (e.g. only coasters). Therefore, it is important to analyse, whether or not such specialization gives a competitive advantage, since on the other hand there is also a number of companies present, who state that their strength is in covering a wide area of subjects. Such a wide spread of opinions shows a necessity to seek for the answer.

Some shipbroking companies are providing only a core service – matchmaking, whereas others expand their service-list with the shipping research, market advice, dispute solving and etc. Whereas it seems to be logical that the presence of wider range of services will provide additional value for the client, there is a need to seek for the answer through the research, to understand the level of importance of this factor as a source of competitive advantage.

The second big category under the static view is physical capital. According to Barney (1991, 101), it includes equipment, plant, access to raw materials and geographic location. Whereas there is no raw material or any physical plant involved in the shipbroking industry, an attention will be paid to the geographic location and the equipment. The equipment represents the technology involved in the process as well as IT-systems. As it was described in the first chapters, the revolution in the communication systems has changed the shipbroking industry. However, there is a need to validate this factor through the field research, to see, if the participants consider it as a source of competitive advantage.
The need to picture geographic location as a source or a factor heavily influencing competitiveness was thoroughly discussed previously and concluded that it is a minor factor due to the company’s abilities to compete internationally. However, it is possible that companies can benefit from being geographically close to the ship owners and charterers and being able to physically meet them more, which can be a source of a competitive advantage. Therefore, this point is given attention under this framework, since this statement still requires validation from the industry players through the field research.

Dynamic view

The dynamic view focuses more on the business processes and on the way the available resource are deployed in the company. It is discussed that under the dynamic view there are factors that are hard to imitate (Teece et al. 1997, 510). Therefore, they are more important as a source of competitive advantage. As a result, dynamic capabilities are seen as an emerging approach to understand the sources of competitive advantage (ibid.).

The relationships with the stakeholders (charterers, ship owners, competitors and others) are part of a dynamic view, because it reflects the capability of the organization to utilise their network resources. It is seen as a complex and hardly imitable element, since it requires a solid input, such as time, trust and reliability, therefore allowing it to contribute towards sustained competitive advantage.

There have been several factors discussed under the static view that were assigned to this sub-chapter. First of all, the “reporting structure” was mentioned. However, as it was elaborated before, the shipbroking companies do not tend to employ a lot of staff, compared to the manufacturing industry, where the number of employees might be hundred, thousand or more. Therefore, the importance of a “reporting structure” is low. However, under the bureaucracy there are other important factors to consider. After the deal is made between a ship owner and a charterer, the broker has to often draw up the contract and add all of the clauses agreed upon. The speed, quality and the reliability of this work may have an important role in forming overall
customer satisfaction. In the shipbroking industry this is referred as “post-fixture” matters and it will be a part of the research.

It was previously identified that the brokers may have to serve clients from a geographically wide area, which may result working through different time zones. Therefore, brokers have to often work outside normal office hours. Consequently, the “responsiveness and availability” can also be an important source of competitive advantage. Furthermore, after being available and responsive, the brokers will have to process the request fast and if the charterer and the ship owner are coming closer to a deal, the shipbroker has to be able to do the communications and the mail exchange fast, when applicable. Thus the speed will also be considered as a source of competitive advantage, which is also supported by CBS Competitiveness Platform (2015). The speed and the quality constitute the factor “level of communication”.

The discussions about communication lead to another possible factor of the competitive advantage: “networking”. It is noticeable that the companies in the shipping business appreciate conferences, seminars and other ways of networking in order to increase their personal networks and get to know people face-to-face, which can open new business opportunities. There are many famous conferences held each year, with often more than a thousand participants from the shipping industry. The importance of networking should also be validated through the field research in order to find out how ship owners, charterers and the brokers rank this factor.

Formal and informal strategic planning (Barney 1991, 113) is seen as a source of sustained competitive advantage. Therefore, they will be analysed here. It is often a choice of a management behind a strategic planning and some decide to also involve regular employees in this process. From that it is possible to derive the next source: “management policies”, which is a critical element since it shapes the way the available resources in the organization are deployed.

Furthermore, the management and shareholders have an impact in shaping organizational structure, which has far-reaching consequences. For example, it might
result in less bureaucracy, or on the other hand increase the distance between different layers of management, which in turn negatively affects the innovation. Similarly, the management can choose to stimulate teamwork or to encourage single performance. However, the teamwork itself is a sufficiently big element by itself to be treated separately from the management policies. The management is also responsible for shaping the firm’s culture, which is also seen as a source of competitive advantage (Fiol, 1991). It might boost innovation or on the other hand let the employees feel useless. It is an important element and therefore, part of this research.

The compensation policy, which was proposed by Barney (1995, 50), is discussed by many to be a relevant element in shaping the internal atmosphere of a company, which in turn affects the effectiveness and productivity of a labour. It is especially interesting in the shipbroking industry, where the employees in different countries are paid differently for doing the job which by nature is the same. Therefore, the brokers in Norway are expected to earn a higher salary together with other incentives compared to some Asian countries even though they might work on the same fixture.

Learning is identified to be one of the key components of the dynamic view. It is a process “by which repetition and experimentation enable tasks to be performed better and quicker” (Teece et al. 1997, 530). This factor is especially tied with the sustained competitive advantage, which has a high relevance for a single firm to maintain their level of competitiveness in the industry.

Reconfiguration and transformation is also proposed by Teece et al. (1997, 520) as part of a dynamic view. It includes the organization’s ability to cope with the rapidly changing environment by adjusting their business processes. The importance of such a factor is especially visible during noticeable changes in the economy, such as the global economic crisis, the influence of which is still recognizable (discussed in the first paragraph), since “in dynamic environments, narcissistic organizations are likely to be impaired” (ibid., 521).
The innovation, which has close ties with flexibility and adaptability in the fact-changing environment, can significantly contribute towards sustained competitive advantage (Rugman & Verbeke 2002, 770). Even though the innovation is often an output of management policies, a firm’s culture, internal atmosphere and other factors, it is viable to see it as a stand-alone source of competitiveness, due to its high importance in shaping organization’s business processes.

3.2.5 Theoretical framework

As a result of the analyses and proposals made in the previous sub-chapter, here are summarized all the findings under one framework, which will serve as a basis for a research in a field. This is a list of potential sources of competitive advantage (see Table 2), which were collected through the literature review, author’s personal working experience and intuition. All of the data presented in the table will be further exposed to the validation process, through the on-site research.
Table 2. Sources of a competitive advantage (adapted from Barney 1991, 101; Barney 1995, 50; Carmeli et al. 2001, 129; Sternberg 2000, 31; Teece et al. 1997, 510-530)

<table>
<thead>
<tr>
<th>Static view</th>
<th>Dynamic view</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organization</strong></td>
<td><strong>Organization</strong></td>
</tr>
<tr>
<td>History</td>
<td>Culture</td>
</tr>
<tr>
<td>Reputation</td>
<td>Organizational structure</td>
</tr>
<tr>
<td>Trust</td>
<td>Relationships with stakeholders</td>
</tr>
<tr>
<td>Reliability</td>
<td>Level of bureaucracy</td>
</tr>
<tr>
<td>Specialization</td>
<td><strong>Human resources</strong></td>
</tr>
<tr>
<td>Membership in an organization</td>
<td>Learning</td>
</tr>
<tr>
<td>Variety of additional services</td>
<td>Networking</td>
</tr>
<tr>
<td>Internal communication</td>
<td>Teamwork</td>
</tr>
<tr>
<td><strong>Human resources</strong></td>
<td>Post-fixture matters</td>
</tr>
<tr>
<td>Education</td>
<td>Level of communication</td>
</tr>
<tr>
<td>Training</td>
<td>Responsiveness and availability</td>
</tr>
<tr>
<td>Experience</td>
<td><strong>Management</strong></td>
</tr>
<tr>
<td>Information</td>
<td>Management style</td>
</tr>
<tr>
<td>Analytical skills</td>
<td>Compensation policy</td>
</tr>
<tr>
<td>Decision-making skills</td>
<td>Strategic planning</td>
</tr>
<tr>
<td>Creativity</td>
<td>Innovation</td>
</tr>
<tr>
<td>Motivation</td>
<td>Reconfiguration and transformation</td>
</tr>
<tr>
<td><strong>Physical capital</strong></td>
<td><strong>Clients</strong></td>
</tr>
<tr>
<td>Office equipment</td>
<td>Network size</td>
</tr>
<tr>
<td>IT-systems</td>
<td>Access to exclusive channels</td>
</tr>
<tr>
<td>Geographic location</td>
<td></td>
</tr>
</tbody>
</table>

The table is separated into two parts: static view and dynamic view. The factors on the left side represent the resources that a shipbroking company can possess; whereas the right side shows the factors that shape the way those resources are deployed in a company. For example, the category “management” is a part of a dynamic view, because most of the factors in this category represent the way the resources in a company are used.

The factors are further grouped according to their role in a company (organization, management, etc.) in order to make the table more readable. The high number of factors belonging to the category of “human resources” represents well the fact that
the employees are the most critical resource of a shipbroking company and therefore each aspect of them has to be analysed. At the same time, the category of “physical capital” contains only 3 factors, since the physical capital is not believed to be a key factor behind the competitive advantage.

This table allows developing survey questions and establishing a base for a case study to find answers for the research questions of this thesis. Each factor developed there, will be tested with the respondents, to reveal the most important factors behind the competitive advantage. The methodology of this research will be discussed in the next chapter.

4 Methodology

4.1 Research approach

The purpose of this bachelor’s thesis is to study the key drivers behind the competitive advantage in the shipbroking companies. First, the literature was analysed in order to study the nature of the competitiveness and competitive advantage. Based on that research, the theoretical framework was formed as a synthesis of literature review and author’s vision of the problem. It was tested further using the data collected through the empirical study. Such an approach is called “deductive” and it is advisable in a situation, where there is a sufficient amount of literature available to form a theoretical framework (Saunders, Lewis, & Thornhill 2003, 90).

The secondary data, which was collected through the literature review, was critically reviewed and assessed considering the reliability of a source. The main definitions of core terms were collected from the leading researchers from the field. The quality of those works was assessed by many other researchers, who referred to these definitions as the most accurate ones. However, a special attention was paid to the criticism of those works, as it helped to reveal the possible pitfalls in their studies. Moreover, this research avoided single opinions or statements, which are not
grounded or justified. As a result, the literature review is a thoughtful synthesis of different studies, which are adopted to this study and complemented by author’s own ideas and intuition.

Both quantitative and qualitative data were analysed in this research. The suitability of mixed-method approach is also supported by Hoskisson et al. (1999, 443), who in discussion about the research methods of resource-based view (similarity of which with sources of competitive advantage was proved before) gave as an example Henderson and Cockburn (1994), who both used quantitative questionnaires and qualitative interviews. The quantitative data was a base to form the picture of the industry statistics. However, the statistics might oversee the practical applicability of the results in the companies. Therefore, a case study was used to further analyse the quantitative data, because it helps to retain real-world perspective (Yin 2014, 4).

The particularly important statement was made by Hoskisson et al. (1999, 443), while discussing the difference between multi-industry studies and single industry studies that “single industries provide a particularly important context for examining resources critical to the industries and markets in question” which is helpful to find an answer for the research question and justifies the choice of using one industry as a research subject.

4.2 Data collection

The data was collected using means of survey and a case study. The benefits of a survey are the possibility to cover a wide area and a large number of respondents, which is critical for identifying the industry statistics. The survey consisted of two parts: a cover letter (Appendix 1, Cover letter) and a main part (Appendix 2, Survey). Both were written in English language, since it is the most popular and widely accepted language of communication in the international shipping market.

The survey was delivered to the respondents by emails. This gave respondents also a time for filling in the survey in order to assess each factor without rush. The contacts were taken from author’s professional network, which is consisting of shipbrokers,
charterers and ship owners. It allowed collecting information not only from the shipbrokers but also from other major stakeholders from the industry, who can analyse shipbroker’s activities from aside. Since ship owners and charterers are buyers of shipbrokers’ services, it gave an opportunity to see the problem from their perspective, since they can judge the service accurately and detect any potential pitfalls or give additional suggestions. However, in order to separate the responses of ship owners, brokers and charterers, an according question was inserted to the questionnaire, which allowed more detailed analysis of the data.

The purpose of the cover letter was to catch the attention of the receivers and persuade them to fill in the survey. In order to make it look attractive, the cover letter stated that the results of a survey will be disclosed to the responders. Since information studied in this thesis is relevant for a shipping sector, such an offer encouraged receivers to proceed to filling the survey. In order to get the attention of those, who were still deciding, whether or not to fill in the survey, a catching phrase was inserted. It asked people to recall the time they were studying in a university and to remember that collecting information was not easy. Ultimately, this catching phrase worked, as there were respondents, who replied by saying that they do remember, how hard was to collect information. Therefore, it is possible to suppose that this lead them to fill in the survey.

The survey had different parts. First, the main business activity of a respondent was asked, to determine from which viewpoint he will approach the survey. Secondly, the country of origin was asked to determine the geographical spread. Further on the main part was presented. In order to get more accurate answers, a text was included before the main part, in order to explain the aim of this study, which helped the respondent to understand, for what information this research is looking for.

The main part consisted of the factors developed in the theoretical framework which were combined with the rating scale. It helped to reveal the importance of one or another factor as a source of competitive advantage in the opinion of a respondent. The rating scale was from “1” to “5”, where 1 stands for “not important at all” and 5 “extremely important” as a source of competitive advantage. Such scale was large
enough to have proper understanding about the opinion of the respondents, yet not too large enough to confuse them. There was also a “no opinion” choice, which is additional way of contributing towards the validity of the research, since forcing to select any of the proposed number in a rating scale would decrease the validity of the results.

The words that could be understood in different ways by the respondents were replaced with the more specific ones. For example, instead of inserting word “knowledge”, which has many definitions and is often an object of disagreements, two specific subcategories of knowledge were proposed: information and experience. Such a division allowed to understand better, what the respondents have in their minds. Furthermore, certain factors such as “compensation policy” and “membership in an organization” were followed by the explanatory notes, to make sure that the respondents get the precise meaning of a factor.

The study took into the consideration the possibility of not covering all the sources of competitive advantage in the literature review. For that purpose, there was intentionally inserted a space in the questionnaire, where the respondents were able to write by themselves, what they consider to be a source behind a competitive advantage. Since many of the answers fell under the categories, which were proposed in the original table, then the rating of the proposed factors was added to the existing ones. The changes that had to be made are included in the Table 3.
Table 3. Changes in the response sheet

<table>
<thead>
<tr>
<th>Original proposal</th>
<th>Changed to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowing people</td>
<td>Network size</td>
</tr>
<tr>
<td>Attitude</td>
<td>Motivation</td>
</tr>
<tr>
<td>Unbiased</td>
<td>Being neutral</td>
</tr>
<tr>
<td>Thinking outside the square</td>
<td>Creativity</td>
</tr>
<tr>
<td>Relationship with owners</td>
<td>Relationship with stakeholders</td>
</tr>
<tr>
<td>Being exclusive</td>
<td>Access to exclusive channels</td>
</tr>
<tr>
<td>Cargo broker</td>
<td>Access to exclusive channels</td>
</tr>
<tr>
<td>Professional &amp; personal networking</td>
<td>Networking</td>
</tr>
</tbody>
</table>

The survey ended with a devoted space for emails, which respondents filled in, if they wanted to receive the results. Also a clause about a data safety was inserted, by stating that the emails will be deleted from the system after the results have been sent, therefore avoiding the use of emails in any other purposes than research. At the end, the respondents were thanked for their contribution.

A total of 57 replies were received as a result. However, not all of them qualified for the data analysis. One respondent said that the survey form did not work for him. Since the platform for sending out the surveys was Google Forms and the respondent was from Russia, then there is a possibility that this respondent’s web browser did not support the format of the survey.

Another two responses were not taken into the account, since the respondents were S+P shipbrokers and as it was stipulated at the beginning of this study, this is another segment and will not be analysed in this research. Also one respondent was bunker broker and the same treatment applied to him.
One of the respondents marked his activity as “Specialized tonnage” and as it is hard to assign this role to any other in the list. Therefore, this respondent’s results were excluded from the research in order to keep the reliability of the thesis high. Therefore, the number of the replies that were taken into the account was 52.

The case study was primary relying on the data collected using the survey. The purpose of a case study was to look into the practical realisation of the sources of competitive advantage in a company. It helped to understand the difficulties behind achieving the sources of competitive advantage. The sources of a competitive advantage, presented in a theoretical framework, were be commented by a company. The respondents were also asked to rank the ease of achievability of each source on a scale from 1 to 10. Such larger scale allowed having more space for manoeuvring. As a synthesis of a survey and a case study, it was possible to see, which of the sources are easily or hardly achievable and which of them possess low or high importance. Based on that, there was a possibility to develop an optimal mix, where the sources which are important and easy to achieve are carrying strategic importance.

However, one of the factors from the quantitative research was not assessed by the case study company, due to practical reasons. The factor was “organizational structure”. Since most of the shipbroking companies do not have such a large pool of employees to have a sophisticated organizational structure, then this point was left without assessment due to its low importance.

There were several criteria behind choosing a target company for a case study. Firstly, it had to have a sufficient pool of employees, otherwise it was impossible to assess such factors as “teamwork” or “internal communication”. In a small company, those factors may be overlooked and the validity of the results may suffer. More employees can also help to form a collective opinion, rather than being dependent on a single person’s opinion.

Moreover, the company had to perform all the main business processes as the other shipbroking companies in the industry, in order to being able to comment on them. The geographical location was also important while making selection, since it
enabled author to conduct a face-to-face interview, which provided more insights and gave the possibility to acquire maximum amount of information.

Based on the criteria mentioned before, the company “Finnshipping Oy” with a head office in Helsinki was selected and Mr. Ronald von Hertzen and Mr. Julius von Hertzen were interviewed. They were interviewed both at the same time, enabling them to comment on each factor simultaneously, which opened up the discussion. The interview lasted about 1 hour and 15 minutes. The notes about the discussion were written down and the papers with respondents´ rankings were taken for the analysis.

4.3 Data analysis

In the first phase of the analysis, the data from the survey results was transferred into a quantitative table, which eased the further work on it. In order to make the analysis easier, various graphical tools were used, which helped to track down certain patterns and regularities. This was critical in order to answer research questions.

The frequency distribution table was used to characterize the sample. The respondents´ location (country) and the role in the shipping market (shipbroker, ship owner, etc.) were expressed as percentage, because it helps to generalise the research results (Kananen 2011, 101). For reviewing the potential differences in the opinions of the different players from the market, the cross tabulation table was used. It gave a possibility to have a look at a market from a shipbroker’s point of view (as service provider) or from the ship owners and charterers point of view (as service buyers).

The weighted average scores based on a ranking system, helped to understand the respondent’s opinion about the underlying factors of the competitive advantage. It gave a possibility to list the sources of competitive advantage from the most important to the least important. A further analysis revealed the most important
qualities that clients are looking for, and which serves as a base, on which the broker’s company should build their strategy.

The analysis of the qualitative data was done in a synthesis with the quantitative data in order to maximize the data utilisation. The table with a weighted average score from the quantitative data was compared to the rankings given to each of the factors in the case study. The field notes that were made during interview were coded into the themes. Each of the opinion that was given by the respondents during the interview was labelled with the factor’s name that the opinion was describing. This organized the data and helped to review each factor simultaneously in different datasets: in the two tables and in the field notes that were made during the verbal communication. Based on such comparison, the patterns and the regularities in the data were revealed with the help of spreadsheet formulas.

The synthesis of quantitative and qualitative data helped to identify the most critical components of the company’s strategy: the areas, which are the most easily achievable and bring the most value versus those, requiring a lot of effort, but bringing the lowest value to the customer. This result was basis of the recommendations for the practical applicability of the results in the shipbroking industry.

4.4 Validity and reliability

In a quantitative research, the reliability refers to the consistency of the research results (Johnson & Christensen 2014, 185). Based on the survey results, it was possible to justify the reliability of them by identifying certain patterns in responders´ opinions, which is a sign of a general understanding of a concept of the research by the responders. At the same time, the metrics used in the survey, stayed the same for every survey round, making it possible to analyse the whole data under the same metrics.

For the purposes of maintaining objectivity, there was a devoted blank space in a survey, where the surveyed had a chance to insert their own proposals of the
sources of competitive advantage. It allowed them to deliver the answers beyond the factors proposed by author, therefore making sure the true overview of the market is revealed, rather than accepting or declining only author’s viewpoint.

The validation issues were taken up at different levels in this research. At the beginning of the data collection phase, the survey was presented to one shipbroker in order to ensure that the survey is easy to read, all the points are understandable and nothing crucial is left out. Such a pre-validation helped to reveal two extra factors driving the competitive advantage, which were inserted to the survey.

The case study helped also to validate the results from the quantitative research. During the discussion, the company’s representatives had a chance to go through the results of a survey and comment on each of the factors. It was an extra way to ensure that nothing irregular would be in the research results and that the data from the quantitative research is interpreted right.

The external validity refers to the “generalisability of the findings to the population” (Kananen 2011, 126). It applies to the quantitative research only. In this research, the geographical spread represented the shipping market well. First, it was wide enough, to bring up the opinions across cultures and secondly, there were more respondents from the “shipping nations”, which is a good reflection of the shipping population.

Securing validity of content was well-explained under data collection sub-paragraph. The option for the respondents to add their own factors eliminated the possibility of using wrong measures, since too many proposals from the respondents would reveal that problem.

In order to validate the quality of the qualitative research, the findings have to be documented first (Kananen 2011, 126). The results of the case study are presented in the Appendix number 3. Next to the each factor, there is a ranking of achievability, which was assigned to them by the respondents.
Moreover, the possibility of having two respondents from the company working on each factor raised the overall reliability of the results of the case study and the long discussion during the case study helped to make sure that the results are understood the same way. Since there was not critical contradiction between the quantitative and qualitative data, but they rather complemented each other, then it is a positive sign of the data validity.

5 Results

The results from the secondary data search, indeed show an alarming situation. In the bad market, where the shipping companies are struggling to keep their nose above the water, the shipbrokers are feeling the plunge especially well. In the primary data collection, many of the shipbrokers said in an informal way that the times are very tough and that many of the companies are disappearing from the market. This statement is also supported by numerous shipping industry specialists, whose opinions were also provided in this research.

5.1 Sample description

The geographical spread of the respondents was wide. It underpins the fact, which was previously pointed out in this research that the shipbroking is a truly global industry (Figure 6).
Predictably there were more respondents from the nations with rich maritime history, such as United Kingdom, Greece and Turkey. Due to the access to a local market, the Finnish respondents were also well represented in the study.

The study aimed to collect information not only from the shipbrokers, but also from the other market players, such as ship owners, in order to keep the level of objectivity high. The ship owners and charterers represent the buyers’ role. Therefore, their opinion is also important in determining the way the shipbrokers should tailor and modify their business. The following figure represents the respondents’ main roles on the market (Figure 7).
Due to a good spread between the shipbrokers as service providers and ship owners and charterers as the service buyers, it is possible to assess the shipbrokers activities internally and externally, which gives high objectivity as an outcome.

5.2 Factors driving the competitive advantages

Each of the factors developed in the combined framework was rated on a scale from 1 to 5 by the respondents and the average rating is presented here (Figure 8).
The results represent well Ronald’s comment from Finnshipping, that shipbroking is “people’s business” and there is a high level of communication intensity in that business segment, since most of the leading factors are connected to the communication and relationship with different stakeholders and players from the market.
The reliability was placed on the 1st place with overall rating of 4.65 which on a scale was from “very important” to “extremely important”, being more close to the latter one. When this point was discussed in the case study, then the high rating of that factor came without any surprise. In such business, little people would let their vessels or cargo to be in the hands of a company, which they consider to be unreliable.

The relationship with stakeholders was presented in a survey as “relationship with ship owners and charterers”, who are the main stakeholders of the shipbrokers business. However, even though this factor can be seen as a stand-alone point, it is more an outcome of the other factors, which are leading to the good relationship with owners and charterers. Such a viewpoint was also confirmed by Finnshipping.

Trust, which was placed on a 3rd place with the average score of 4.62, is essential to any of the business nowadays. Trust is decreasing transaction costs and is vital for operating in the market. It is hardly achievable and similarly with the previous factor it can be seen as an outcome of many contributing factors. The trust is often connected to the reputation, as it was pointed out by Julius, and the reputation may often be a base for building up the trust.

Information (score 4.46) plays relevant role in this business. In the survey it had help-text added: market situation. So, it represents also market awareness. Since in the shipping the market can change rapidly, a fresh piece of information may be vital. Therefore, all parties are interested to deal with a shipbroker that knows the latest insights and can fix the vessel for lowest/highest possible price, depending whom he is serving: a charterer or a ship owner.

Responsiveness and availability (5th place) means being available for the clients, even if it is outside office hours. It is especially common to the spot market, where the speed of the fixture is important in order to not to waste the time, which in shipping is especially expensive. Therefore, it is essential that the clients want the shipbroker to be available when needed.
The next point is similar to that one and it is “level of communication”. In the survey it was specified that it means the speed and the quality of the communication. Ronald elaborated that point and added that a shipbroker cannot simply act as a post office, by just forwarding messages between different parties, but there has to be a human touch and the clients should know shipbroker as “my guy”. Therefore, it is evident that besides the speed, the quality is even more important. At the same time, according to Ronald, there is visible a clear difference between the way the different generations are communicating. He told that for example, during the earlier days the communication was done by telex, but now he is using mobile phone a lot. At the same time, Julius prefers more written communication, rather than calling. Both pointed out that this is not a big problem, but just a difference between the generations.

Motivation has been also placed high (7th place) and this phenomenon is easily understandable. Similarly with the other industries, the way the work is carried out is still mostly determined by the attitude of a person doing it. A broker, with a bad attitude, will not go far in this business. It is also important to keep in mind that it is easier to de-motivate people, rather than motivate, as it was pointed out by Ronald.

After the motivation, the “access to exclusive channels” was placed. The place, which this factor got, was reasonable, since brokers representing exclusively a charterer or a ship owner have fixed their income source and are desirable partners to work with.

Experience, with the average score of 4.35, is similarly to the previous factors to a large extent self-explanatory. It has close ties with the reliability, as experience is serving as one of the sources of the reliability. An experienced broker is a valuable partner for the clients.

During the discussion with Finnshipping, it was highlighted that gaining reputation (average score 4.31) is a long-term process. However, it might serve as a good basis for expanding the client base and attracting potential customers.
Creativity and decision-making skills are coming together one after another. Both are the qualities that the personnel can possess. However, as Ronald pointed out, the decision-making is not as much of a skill, but is more a quality of certain people. Julius added that it is important to have a skill for making good decisions, as basically everyone can take some decision, but which might be in the end the wrong one. In order to be able to make a good decision, one could possess good analytical skills, which would serve as a basis of decision-making. The analytical skills got an average score of 3.9 and were close to the rating of the decision-making skill.

The network size, which is an outcome of a “networking” (visiting conferences, making personal meetings) had also an average score of 3.9. However, it is important to bear in mind that a large enough network is not worthwhile as a stand-alone factor, unless it is supplemented by the other factors listed in this research. Only such combination would lead to good performance.

Network size was followed by “reconfiguration and transformation”, which represents the ability to configure the company according to the market situation. It is the ability, which was especially tested during the last years, after the downturn happened in the shipping market. According to Ronald’s comments, it is a must-do thing, which if does not receive enough attention might be the reason for the company to cease their activities. Therefore, it is a factor, which has to be given high attention.

Teamwork received an average score of 3.82. However, it is important to bear in mind that the shipbroking companies are not usually large and it might happen that it is simply not feasible to do any teamwork. Based on the example of Finnshipping, it is possible to identify a good mixture, when approaching this factor. In that company, the employees might pair up when needed: one being as the main initiator and communication point with the client and the other one serving as a back-up, when the main person is not available, to ensure a smooth information slow. This in turn requires extra internal communication inside the company, to make sure that the one who does the back-up knows enough to be able to perform the duties of the one, whom he is replacing.
The points, which came after the “teamwork” will not be considered as an important sources of the competitive advantages, due to their rating and middle or low placement in a list. However, the lowest five points will be covered, to understand the reasons behind such a low placement.

The office equipment was number 5 from the bottom and has a straightforward explanation for being placed so low. From the clients’ perspective, it does not matter much, how the outcome is achieved. Therefore, any processes in the middle are not given any big attention. At the same time, no special office equipment is required for ensuring the operations of the shipbrokers.

Variety of additional services was number four from the bottom. This is the opposite reflection of the factor “specialization”, which achieved relatively high position in the list (average score if 3.67). It means that clients are looking for the narrow specialization, which a good broker can deliver.

Level of bureaucracy was also placed at the bottom level. According to the Ronald, it is not much the case of the shipbroking companies, as they have to adopt under their clients’ needs and are usually doing the paperwork the way their client wants it.

The factor “geographic location” was second low. It confirmed the assumption made at the beginning of the thesis that it carries low importance nowadays. It has to do with easier communication and with cheaper travelling costs, which allows to access the customers from different geographical locations.

The very last factor in this list was “membership in an organization” and by organization it was meant for example Baltic and International Maritime Council, or shipbrokers´ associations. However, according to the results, it is not important for the shipbrokers nor for the clients.

There were few factors proposed also by the respondents. However, the total number of them was too low to make into the comparison table and therefore they are provided in a separate table (see Table 4).
Table 4. Key factors proposed by the individual respondents

<table>
<thead>
<tr>
<th>Factor</th>
<th>Rating(s) given</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance (stability)</td>
<td>5, 4</td>
</tr>
<tr>
<td>Being neutral</td>
<td>3</td>
</tr>
<tr>
<td>Business Ethics</td>
<td>5</td>
</tr>
<tr>
<td>Multilingualism</td>
<td>5</td>
</tr>
<tr>
<td>Consistency of service</td>
<td>5</td>
</tr>
</tbody>
</table>

The factors, which received high score and were also elaborated in the previous sub-chapters are direct answer for the main research question: What are the key factors that drive competitive advantages in shipbroking companies? The rating of the each factor gave the overview of its importance as a source of the competitive advantage, which helped to separate the key factors from the factors that carried low importance.

Since the survey collected separately viewpoints of charterers and ship owners, who are the buyers of shipbroker’s services, then it created a possibility to analyse their results independently from the shipbrokers responses. Based on the rankings given by the shipbrokers and buyers, a comparison was made, which revealed the factors that are perceived the most differently by the parties (see Figure 9). The figure was created by comparing two top-lists and the number in the figure means the difference in the position of the factor in the buyers and shipbrokers lists. The dark green means that the buyers marked the factor to be more important than shipbrokers and the light green is vice versa.
During the discussion with Julius and Ronald, the reason behind such a strong difference in the perception towards the factor “specialization” was revealed. The reason is simple: the owners have often a specialized type of fleet, for example only suitable for carrying refrigerated goods or biomass, thus they need a shipbrokers with a strong expertise on a particular market. Shipbrokers, on the other hand, need to serve a larger pool of clients and therefore possess wider market knowledge about...
other types of cargoes and vessels. As it was pointed out jokingly by Ronald that the old story says that a ship owner knows a lot about a little but a shipbroker knows little about a lot.

From a researcher’s point of view, Finnshipping has an optimal mix – they have shipbrokers that are responsible for their own specific market. Therefore, they are able to deliver the needed specialization for the ship owner, yet they have enough shipbrokers to cover different markets.

The second point, which is “IT-systems”, is straightforward and requires a little explanation. The clients care only about the outcome, whereas the shipbroker is the one who has to work to deliver that outcome and is familiar with all the processes leading to that outcome. Since IT-systems are responsible for carrying out the daily business, the shipbrokers have to use it on a daily basis and for them a good IT-system possess a high importance.

There was a great discussion with Ronald and Julius, why the “company´s culture” was placed on such high place in that list. Logically one might think that the employees are the ones who are seeing and feeling the outcome of a company´s culture on their own skin. However, the data showed that this point was valued by the ship owners. The conclusion was that this point was still unclear for many of the respondents and was perceived from different angles, because the company´s culture can be interpreted in many ways. One can think that this symbolizes the way the things are handled in the company (for example, knowing that the people in Germany tend to perform things accurately, whereas for some other nations it takes a lot of time to process the order). On the other hand it can be interpreted as a motivation of the employees, which was marked as a separate point in the survey and was more valued by the shipbrokers. Therefore, it is possible to drive a conclusion that this factor was not explained well to the respondents and cannot be properly assessed.
The two next points, learning and office equipment, were expectedly ranked more important by the shipbrokers as these things are often unseen for the buyers of the service. Therefore, only the brokers have to encounter these factors on a daily basis.

The reputation was more favoured by the shipbrokers and this reflects their efforts to keep up a good reputation on the market. However, the buyers did not give it such a high rank.

Education was more important in the eyes of the charterers and ship owners. During the case study discussion, Ronald revealed that the bigger companies nowadays tend to look more for the educated people. However, there is no separate education for becoming a shipbroker and it is done mostly by the principle “learning by doing”. Therefore, it reveals the fact that shipbrokers know that education does not have such a high importance here, whereas for the buyers it might seem that it does.

The other factors in the Figure 9 did not have such a big difference in the perception. Therefore, they are not a subject of discussion under this sub-chapter.

5.3 Data matrix

The sub-question of this research was: What key factors are the easiest to achieve and give the highest outcome in return? In order to answer that, the data collected in the case study was used.

The main list of the factors, which was assessed by the respondents, was compared with the list, where Ronald and Julius ranked each factor by their achievability in a company. The combination of them gave a result (see Figure 10), showing which factors require less input and give a high output and the ones that require a lot of efforts, but in return give a little value.
The factor that has to be given the maximum possible attention according to this figure is “responsiveness and availability”. It received a high score in the survey results and it is easy achieve according to the results from the case study. Therefore, it should be one of the first factors receiving consideration by the decision-makers in the shipbroking companies.
The following factor is motivation. Having a high score and being relatively easy to achieve put it on a 2\textsuperscript{nd} place. The achievability of this factor is highly dependent on the management, responsible for ensuring a working atmosphere, where the employees feel motivated. As an outcome, the clients would feel well when working with motivated and result-oriented brokers.

The level of communication reached the 3\textsuperscript{rd} place. The importance of this factor was discussed in the previous sub-chapter. Referring to the discussion with Ronald and Julius, it is a factor which is easy to achieve, since it does not require a lot of resources and it can be improved by a good management of the employees.

The low applicability of teamwork in the shipbroking sector has been discussed previously. However, the ease of achieving it makes it a strategically useful tool, to use whenever necessary or applicable. For example, for the bigger projects, this factor has to be given proper attention, due to its ability of promoting the quality of the job done.

The post-fixture matters were placed roughly in the middle on the rating scale in the quantitative research. On the other hand, this factor is easy to achieve, which secured it a high placement in the matrix of effectiveness. Similarly, the IT-systems did not provide a substantial source of competitive advantage by being placed in the middle of the list. However, the ease of creating a proper IT-system lifted this factor up in the data matrix.

Information was seen as a crucial factor driving the competitive advantage, based on the survey results (4\textsuperscript{th} place). The collection of information is not easy task. However, a good piece of information is increasing the reputation of a broker in the client’s eyes. Even though this factor requires solid input, it gives even greater outcome in the return.

The ease of training is understandable even for the outsider and as commented by Ronald and Julius, it is always possible to train an employee. Especially nowadays it can easily be achieved, as training seldom requires physical presence but can also be
done via the Internet. This phenomenon connected to the relatively high importance of this factor as a source of competitive advantage ensured “training” a high rank in the matrix.

Reliability was ranked as the most important source of competitive advantage. However, it is wrong to say that it is the hardest to achieve. Ronald and Julius ranked this factor as number 7, on a scale from 1 to 10 when assessing the achievability of that factor. Therefore, it does require good efforts to achieve it but the effect of it on the competitiveness level of the company is even higher.

The relationship with stakeholders was ranked 2nd in the quantitative research. Similarly with the reliability, the score it received from Finnshipping was 7, therefore it comes right after the reliability. The same description can be applied here, that even if the input is high, the result of it outdistances the input.

Management style was ranked to be very easily changeable (score was 2). Ronald and Julius made it clear that it is possible to change the way the company is managed. It has to do with the fact that most of the shipbroking companies are not large in scale. Consequently, any changes concerning the management are relatively easy to execute.

Since this part of the research concentrates on pointing out the factors, which require a little output and give a high value in return and vice versa, then the factors which followed after “management style” will not be taken into the discussion here, as they are considered to have relatively equal balance between the input and the output. However, the last 5 points in the list will be evaluated in order to understand the reason behind such a low score.

Reconfiguration and transformation had 15th place in the quantitative research, hence being in an upper half of the list. However, in terms of achievability it was ranked as hardy achievable (8). This fact might reflect the reason that many shipbrokers left the market recently, because they were unable to adjust their business operations according to the new market reality. At the same time, even
though this factor landed in the orange area, meaning that it does generate little value compared to the input it requires, Ronald told that this factor cannot be ignored, otherwise “you are out”. The low rank of this factor also reflects the shipbrokers’ negligence while dealing with it, which in turn, as was said before, can cause significantly bad consequences.

The 4th factor from the bottom was innovation. Ronald commented this point by saying that shipping is traditionally a very conservative business, although change is happening more quickly nowadays. The ship owners or more specifically shipbuilders are the ones, who can innovate successfully by bringing in new technologies into their production process. However, there is a little a shipbroking company can do here and it does not give any big competitive advantage over rivals.

The next factor was compensation policy and it requires extra attention, since it has great affect on the employees. In the shipbroking, the company’s income is closely related to the performance of each broker. This factor is having such a low score, because it is hard to configure or modify it. As Julius said, there is a little, what managers can do concerning the salary, because if the company is not earning much enough on the commissions, then they simply will not have enough funds available to pay out the salary. In that sense the management has its hands tied and often does not have enough space for manoeuvrability.

The “variety of additional services” received a low score in the quantitative research and was marked as not easily achievable, which made it to be a good candidate for the low place in the data matrix. As it was accurately pointed out by Julius and Ronald, it is easy to say that you are providing many different services, but in reality many of the companies do not have enough expertise to do that and the quality of such services is low. Another reason behind a low popularity of this factor is an importance of specialization. The clients are valuing a tailored and precise service, rather than a general knowledge about many different subject areas.

The last point on this list is history. Last place should mean that it requires a lot to achieve it and does not give any valuable outcome. However, there has to be a
special attention paid to this factor. First or all, Ronald explained that history cannot be bought, created nor trained, but only time is the judge. Also we cannot influence history nor how different people read the history in question. History is partly an outcome, how the factor “reconfiguration and transformation” was treated in a company. From the rating point of view, it got 10 out of 10 as very hard to achieve, because there is no shortcut to get it. From the other side, based on the survey results, the respondent did not rank history as one of the key factors behind the competitiveness of a company. It is common in the industry that the experienced shipbrokers start up their own business and in that case the company would not have a rich history. However, it would possess other valuable qualities, which the clients are looking for. That is the reason the “history” cannot be treated equally with another factors in this list.

All in all, the results from a case study helped to tailor the quantitative data in order to provide a good source of the recommendations for the decision-makers and managers, which will be presented in the next chapter.

6 Discussion

6.1 Research results

The objective of this research was to list the main competitive advantages of the shipbroking companies that the players from the shipping market find to be important and rank each factor based on relevance. Furthermore, the aim was to analyse the ease of achievability of each factor in order to produce a data matrix, indicating the factors that are relevant from the perspective of achieving competitive advantage and are easy to implement in the company.

The research questions were: What are the key factors that drive competitive advantages in shipbroking companies? What key factors are the easiest to achieve and give the highest outcome in return?
The results showed that the most critical factors that drive the competitive advantages in the company are: reliability, relationship with stakeholders, trust, market information and responsiveness and availability for the clients. The factors that posed little importance were: bureaucracy, geographic location and the membership in other organisations.

A further analysis revealed the difficulty of achieving and implementing each of those factors in a shipbroking company. The synthesis of quantitative and qualitative data highlighted the factors that do not require a lot of efforts to achieve, but which are considered to be important sources of competitive advantage in the shipbroking sector. Such factors were: responsiveness and availability, motivation, level of communication, teamwork and post-fixture matters. These factors are strategically relevant for achieving competitive advantage over rivals.

6.2 Implications for managers

Due to the high and unprecended volatility in the shipping market last years, the decision-makers and the managers of the shipbroking companies are looking for the ways to improve their operations and boost the effectiveness in order to stay competitive. In order to do so, there is a need for clear instructions, rather than for generic words about the need of improving customer service and acquiring new customers.

The data matrix, which was created as a symbiosis of quantitative and qualitative data, collected by means of a survey and a case study respectively, is serving as a tool and guideline for improving the competitiveness of a company and delivering better performance than rivals.

These factors, which made to the top of the data matrix, are the ones that the managers can start implementing without hesitation, since the effect of these factors outweighs the input requirements. For example, it is not hard to achieve “responsiveness and availability”: a person with good management skills can motivate the employees to be available for the ship owners and charterers whenever
needed. However, this factor is very important in the eyes of the clients. A company which is able to deliver that quality will gain competitive advantage over their rivals. That represents the idea of this thesis: to give a manager keys to the better level of competitiveness.

Similarly, there exists area, which should be better avoided in order to cut unnecessary spending. These are the factors that made the bottom of the list and which require a lot of efforts for acquiring them, but which do not possess any great value in the eyes of the industry. For example, there is no practical need in starting to develop a large variety of services, such as consulting, claims handling and etc. This requires a lot of resources and can ultimately lead the company away from the core business. It is seen as a wrong move in the market, where the specialization on a certain trade is considered as a strong word. Equivalently there is no need to start artificially force the implementation of the innovation atmosphere in the company: it takes a great deal to implement it and the outcome is not as desirable for the clients as it is for other factors.

6.3 Reflection on the research process

In the literature review about the competitiveness in general, one major issue arised. Many of the researchers, including Michael Porter, have assigned competitiveness to a certain geographical area. It has roots in the history, when one region was better at producing something than another one. Such a region- or cluster-based view still exists and is applicable to many industries. However, due to the nature of the shipbroking business, it seemed that it was not viable to assign this research to a certain geographically limited area. Such a statement at the beginning of the study was relatively risky since there was no enough data to prove that and there was a need to confirm that through the field research.

Ultimately the research results proved the appropriateness of such approach in this study. The geographical location was placed as the second to last factor in the list. Moreover, the case study showed that the location is nowadays not critical, as shipbroker can work even from the remote areas.
Due to the authors previous working knowledge from the industry, many of the factors received expected ratings from the industry. However, for example a “network size” did not receive such a high attention as it was believed. Instead of having a large network, with many possibly useless contacts, it is more valued to have a limited network with exclusive channels.

Such a specialization and narrowing down phenomenon was seen throughout the whole thesis process. The clients require that the brokers know a lot about the trades that suit them. At the beginning, it seemed to be hardly achievable for shipbrokers, because they need to work with many different clients, and it is difficult to always know all about everything since there will simply not be enough resources for that.

However, the company, where the case study was conducted, has a very suitable way of approaching this problem. Each of the employees is specialized in a certain trade, but as a team they are able to cover a wide variety of trades. This point further highlights the importance of teamwork and the benefit of having a relatively large team in the shipbroking sector.

**6.4 Future research avenues**

The framework, which was created as a result of the literature review, is universal product, which can be used while assessing the competitiveness of other service-bound companies. Indeed there will be a need to eliminate the factors that are attributable only to the shipbroking sector only, such as “post-fixture matters” or other specific components, but after the proper modification this table can be used for analysing other industries, which are working based on the middleman principle.

There is also a room for conducting such a research on the other players in the shipping market, those who have not been widely analysed, for example the shipping agents. There is still a need to perform competitiveness studies for those segments as well and parts of this thesis can be utilised in the future research on those sectors.
The applicability of the results is limited to the shipbroking industry as they contain industry-specific elements. However, it is possible to filter out these elements and get a broader understanding about competitiveness in general.

The results of this research will be valid for a relatively limited time span. The rapidly changing technology and the rise of the information age means that the nature and pace of business competition are likely to be different (Brown & Eisenhardt, 1995; Hitt, Keats, & DeMarie, 1998; Stimpert & Duhaime, 1997). For example, the advancement in the communication technologies in the last decade remarkably changed the shipbroking industry. Therefore, there is a possibility of an emergence of other similar factors, which will shape the way the industry is operating now, and then there will be an additional need to review the factors driving the competitive advantage in the shipbroking industry.
References


Appendices

Appendix 1. Cover letter

Good day,

My name is Pavel and I am looking for the sources of competitive advantage in the shipbroking sector as a part of my Bachelor Thesis. This will help me to understand, why some shipbroking companies perform better than others. If you can find 2 minutes to answer this survey, I will send you later on back the results by email, so you can see what the industry (you) considers to be the sources of competitive advantage, which also may help you personally to take certain efficient decisions.

Link to the survey:

http://goo.gl/forms/NVj6P93qvX

P.S. If you are still considering, whether or not spend these 2 minutes, please recall the time you were studying and remember how hard was it to collect the information :)

Thank you!
Appendix 2. Survey

Competitiveness of shipbroking companies

In this research we are analyzing, why are certain shipbroking companies performing better than others. In order to find an answer we need your opinion.

Please mark your main activity: *
Shipbroker (dry bulk)
Shipbroker (tankers)
Shipbroker (S&P)
Ship owner / manager
Charterer / Shipper
Other: (blank space)

Please mark your country *
/list of countries/

So, why are some shipbroking companies better than others in your opinion?

Please rank the importance of the following factors as a potential source of competitive advantage, where (1) = not important at all and (5) = extremely important source of competitive advantage.

(1) not important at all
(2) slightly important
(3) moderately important
(4) very important
(5) extremely important

or no opinion

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**Can you name other sources of competitive advantage, which are not listed here?**

Please add also a number of importance of it, from 1-5, where the 5 is “extremely important”:

/blank space/

**Results**

If you wish to receive the results and see what other companies are seeing as the sources of competitive advantage in the shipbroking sector, please insert your email here. The results will arrive in 2 weeks and after that your email address will be permanently deleted.
Thank you very much for your time and I wish you a nice and prosperous day!

### Appendix 3. Case study results

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