

# **Success in a Complex World**

**Tanker Operator Conference  
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- Complexity
  - Complex Market
    - Demand
    - Supply
  - Complex Industry
  - Complex Company
- Strategy for Success
  - What is complexity?
  - Resilience
  - Leadership
  - People
  - Keeping it simple
- How resilient are you?

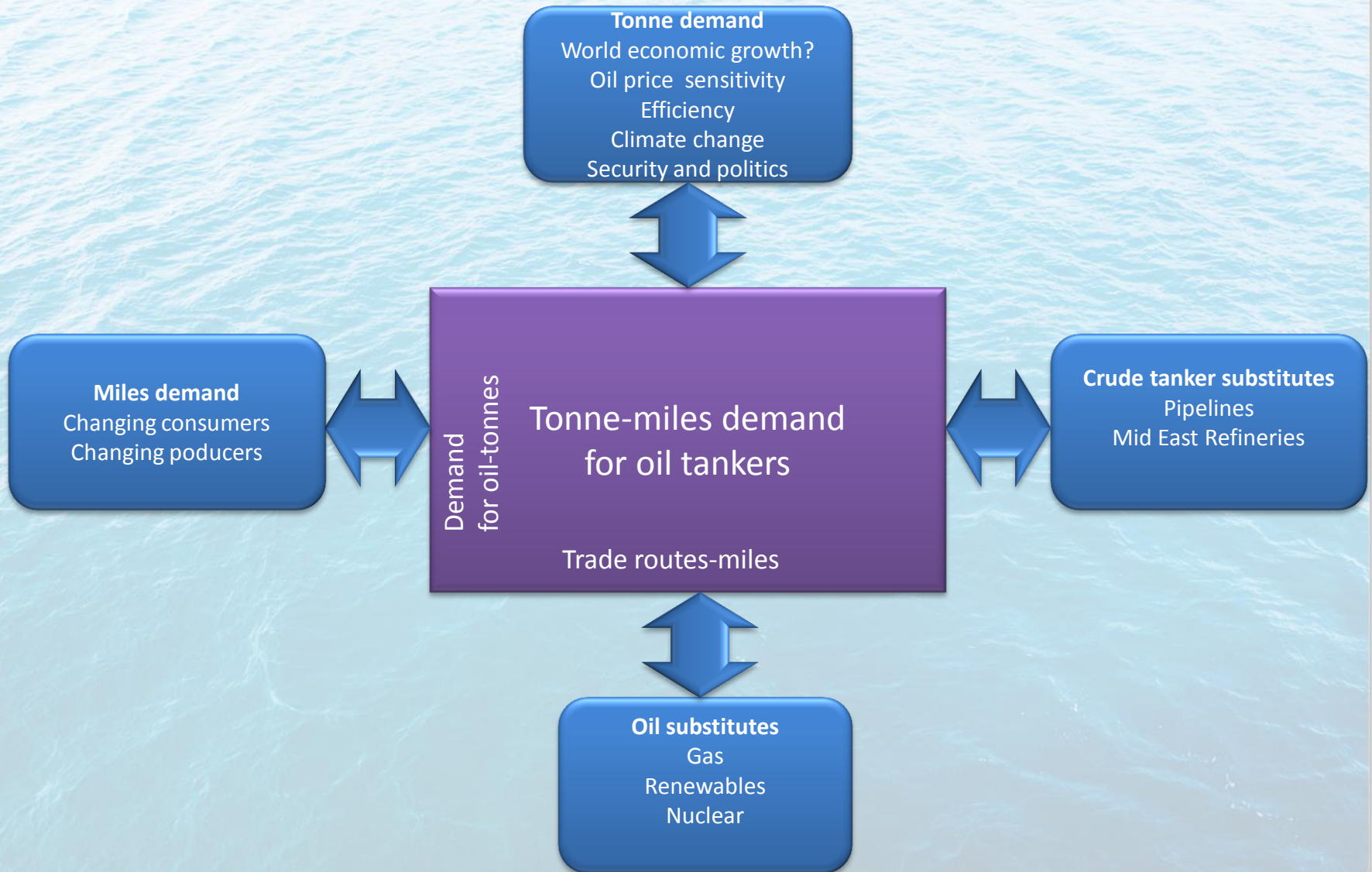


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**Complexity**

- China boom
- Freight market and shipbuilding boom
- No more 'boom and bust'!!
- Credit crunch
- Shipping Finance – private equity
- Activist investors in shipping
- Oil price
- Shale oil and tar sands
- US importer or exporter?
- Oil demand growth or not?
- The environment-its always with us!!!
- What's next?? Who knows??

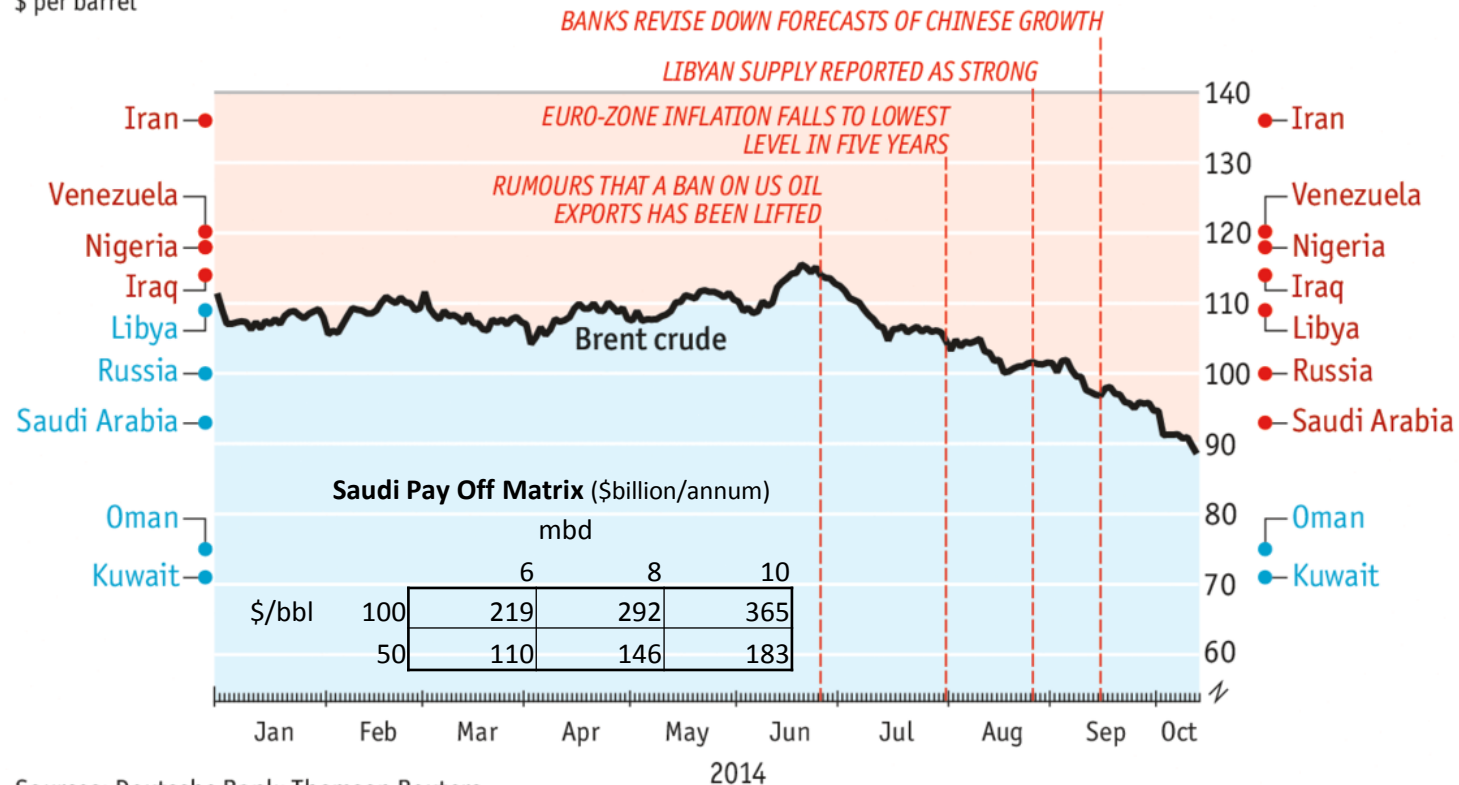




## Breakeven prices

Oil price at which national budget breaks even from income and taxes  
\$ per barrel

Budget: ● deficit  
● surplus



Sources: Deutsche Bank; Thomson Reuters

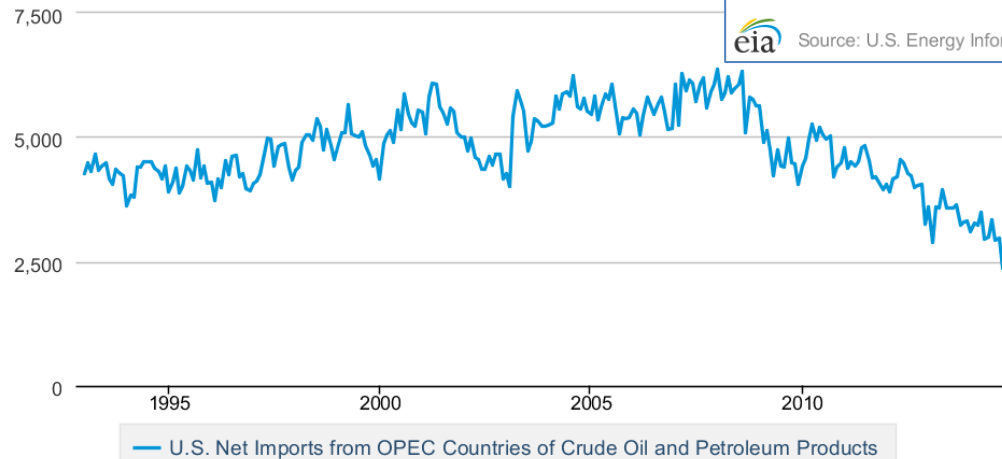
Economist.com/graphicdetail

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# US Importer or exporter?

**U.S. Net Imports from OPEC Countries of Crude Oil and Petroleum Products**

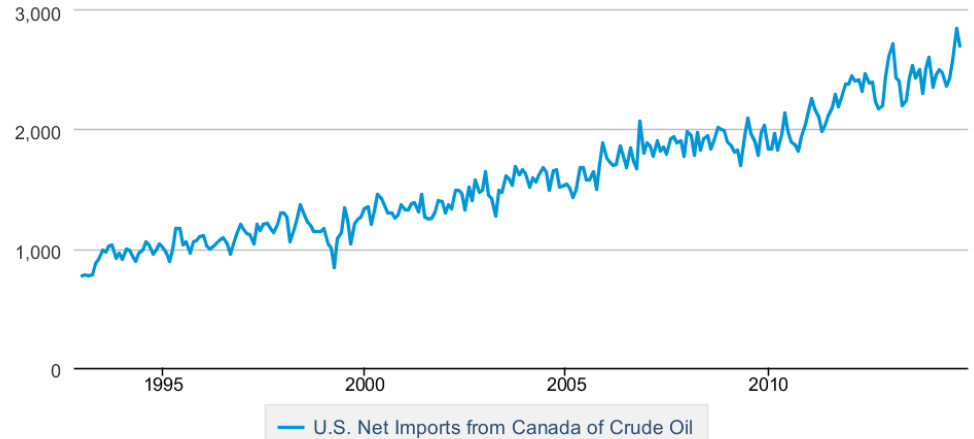
Thousand Barrels per Day



eia Source: U.S. Energy Information Administration

**U.S. Net Imports from Canada of Crude Oil**

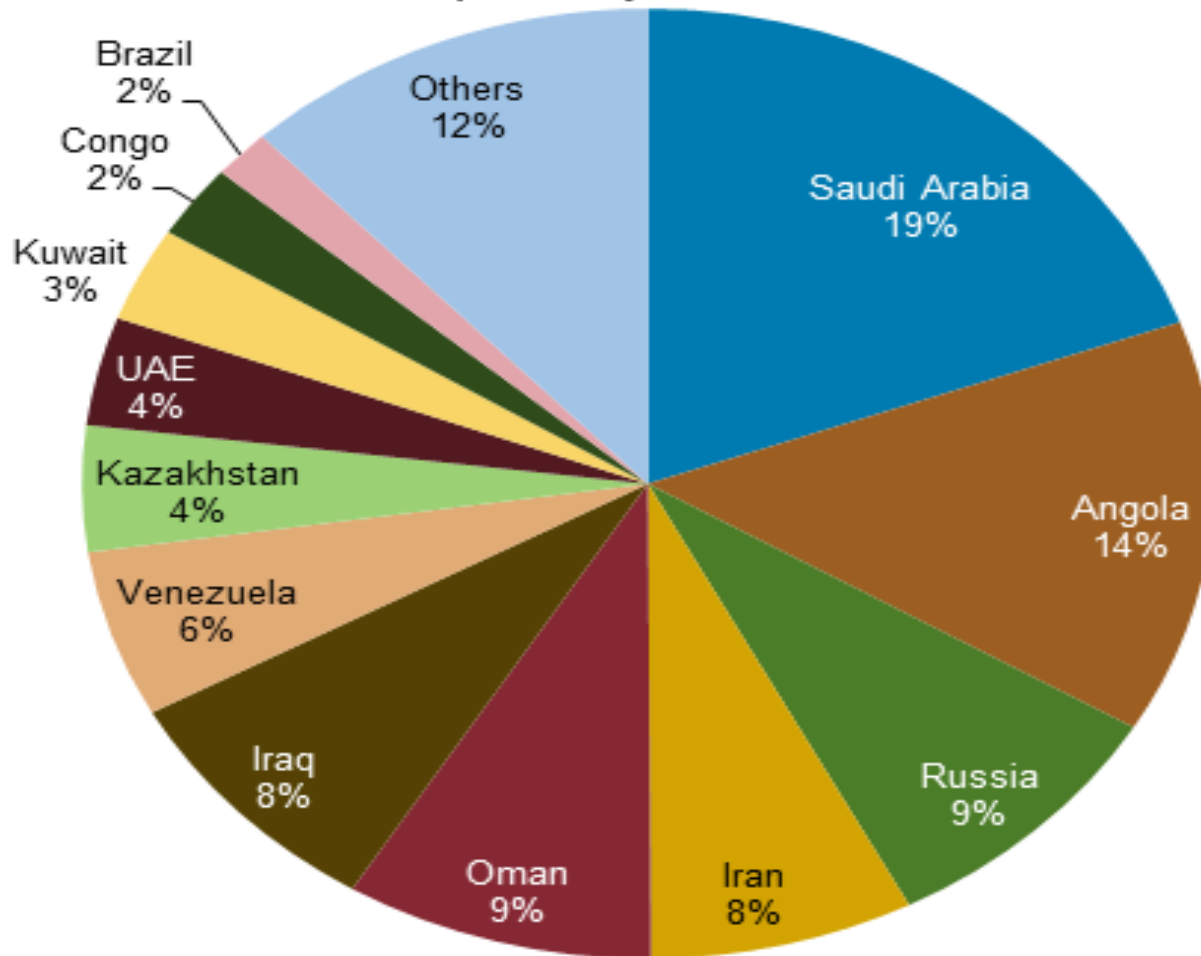
Thousand Barrels per Day



eia Source: U.S. Energy Information Administration



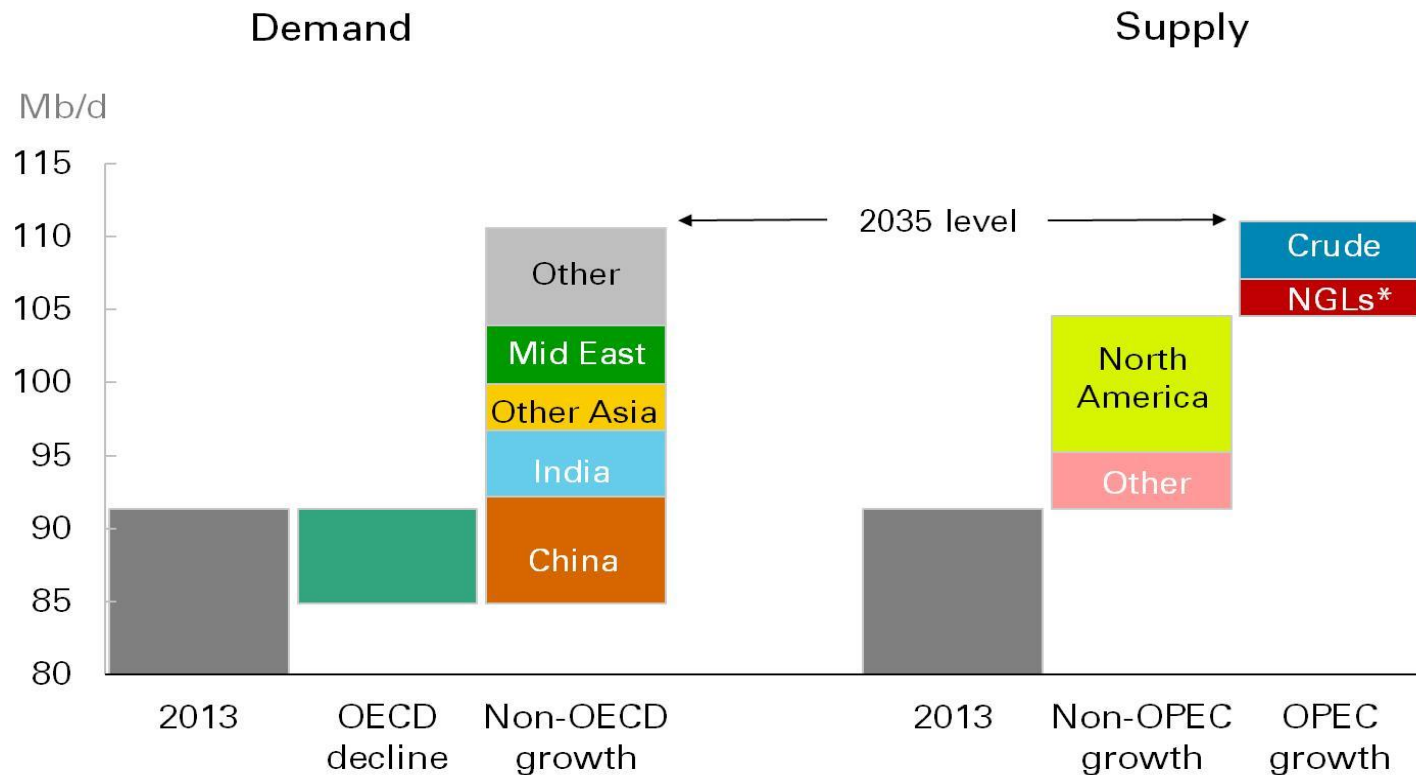
China's crude oil imports by source, 2013





# moams Long Term World Oil Growth?

The global liquids balance reflects shifts...



\*Natural gas liquids including condensate

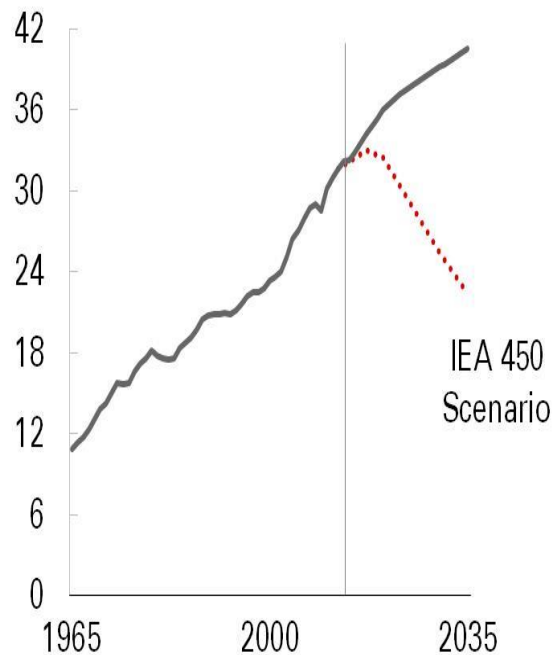
# moams The Elephant in the Room

## Carbon emissions



### Global emissions

Billion tonnes CO<sub>2</sub>



IEA 450  
Scenario

Energy Outlook 2035

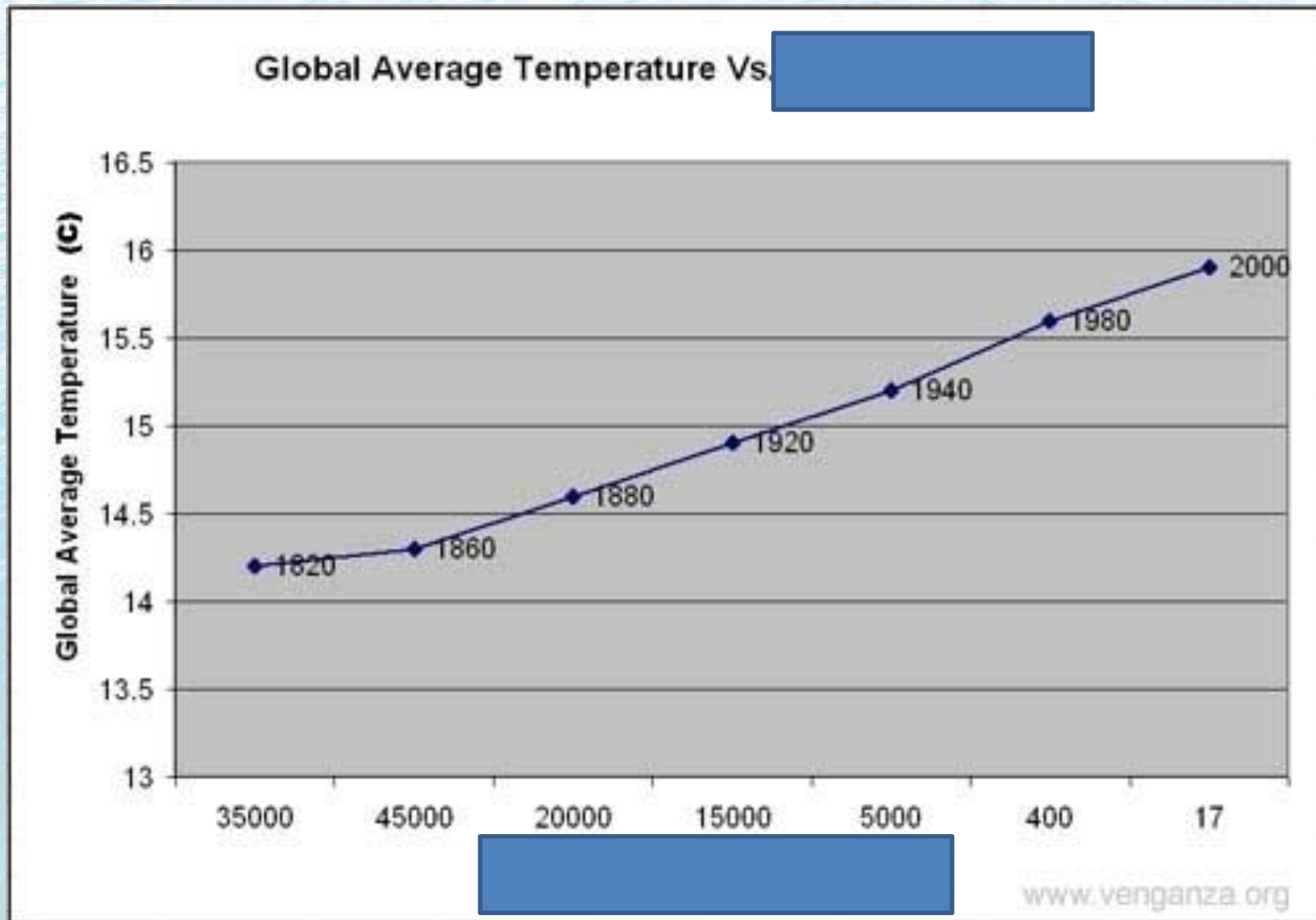
### Comments on graph

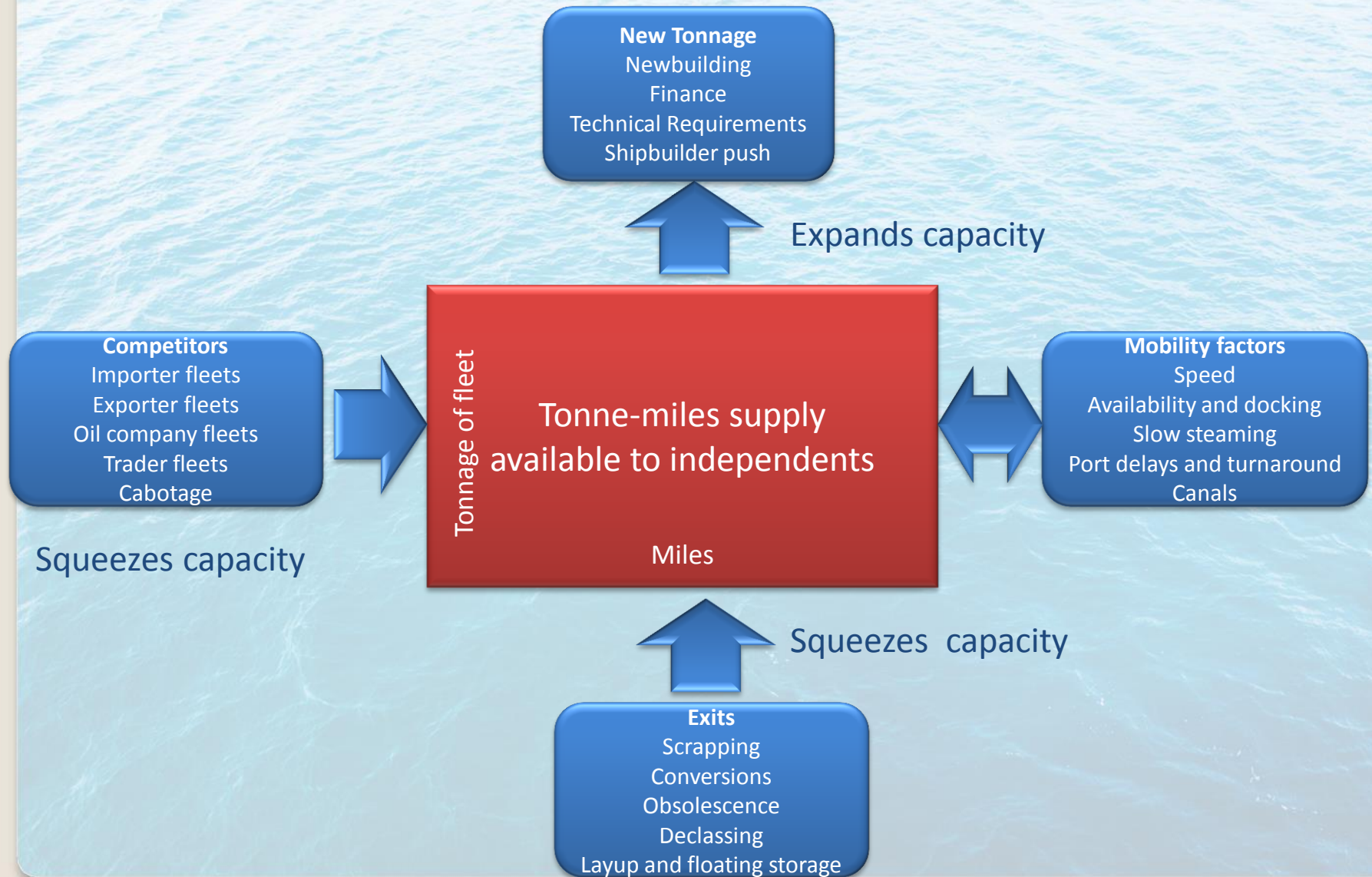
- IEA scenarios
- On target for 6%
- Reducing CO<sub>2</sub> emissions by 2017
- 25% reduction in CO<sub>2</sub>...more in oil?
- Gas still creates carbon
- Waves of Interest

© BP p.l.c. 2015



# moams What causes global warming?

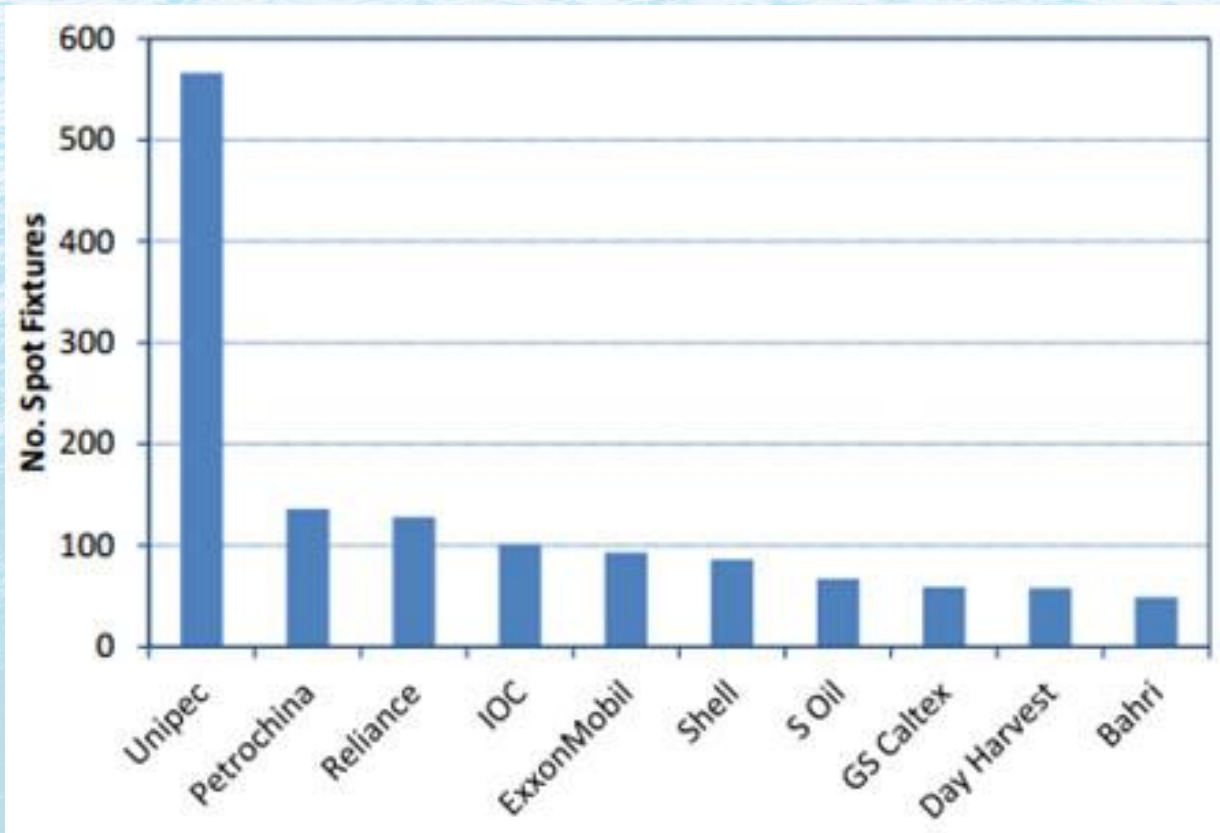






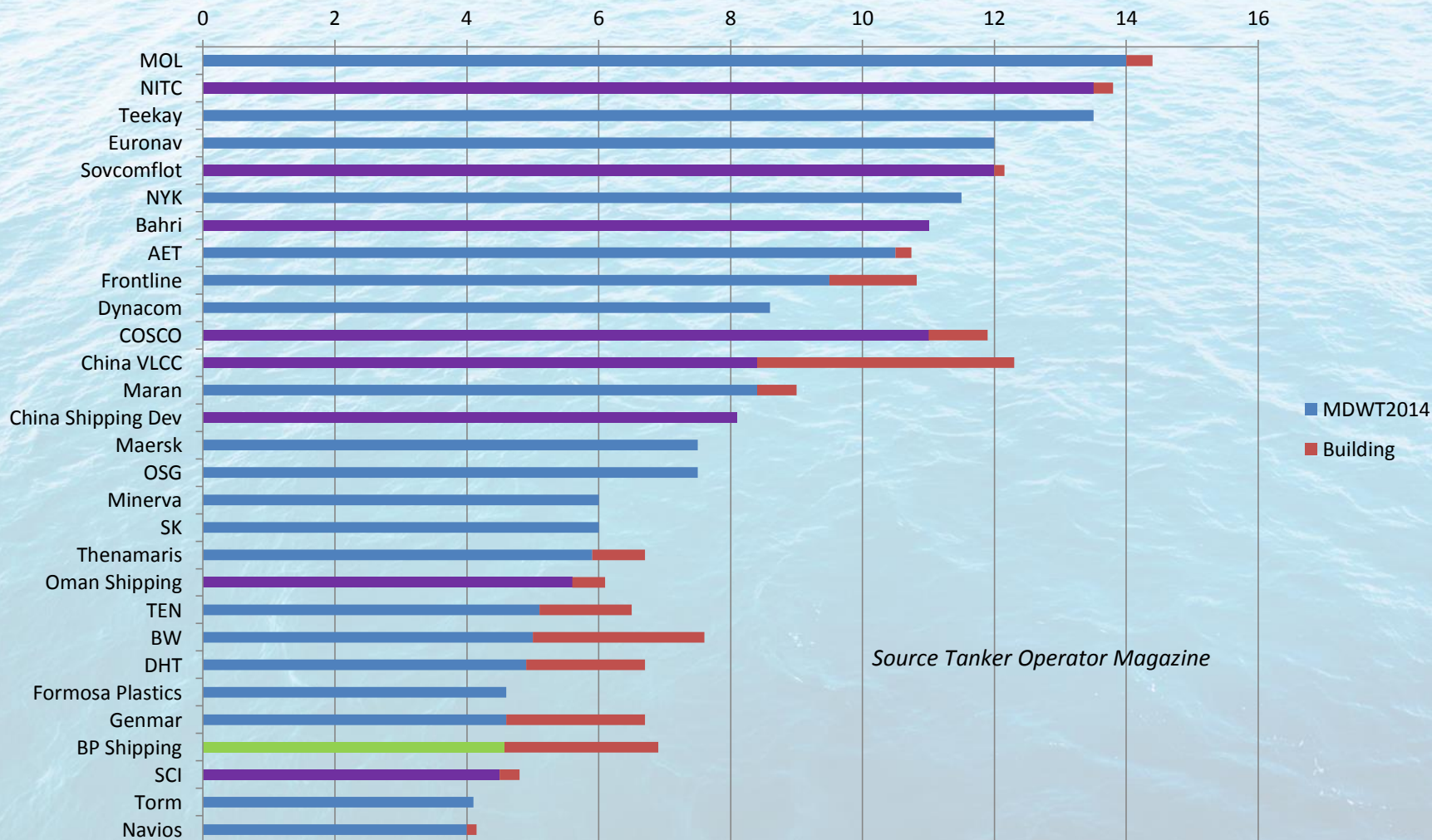
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## Who's the customer for VLCC's?



Source Potens

2014 Top 30 Tanker Owners



Source Tanker Operator Magazine



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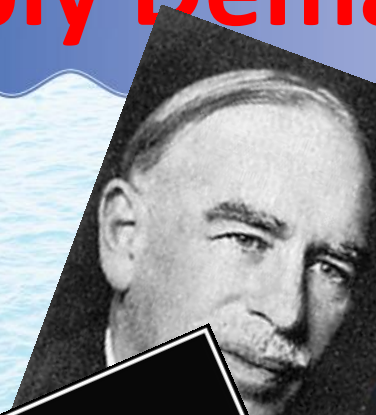
# Supply Demand Balance

Tonne-miles  
demand  
for oil tankers



The only function of economic forecasting is to  
make astrology look respectable.  
(John Kenneth Galbraith)

izquotes.com



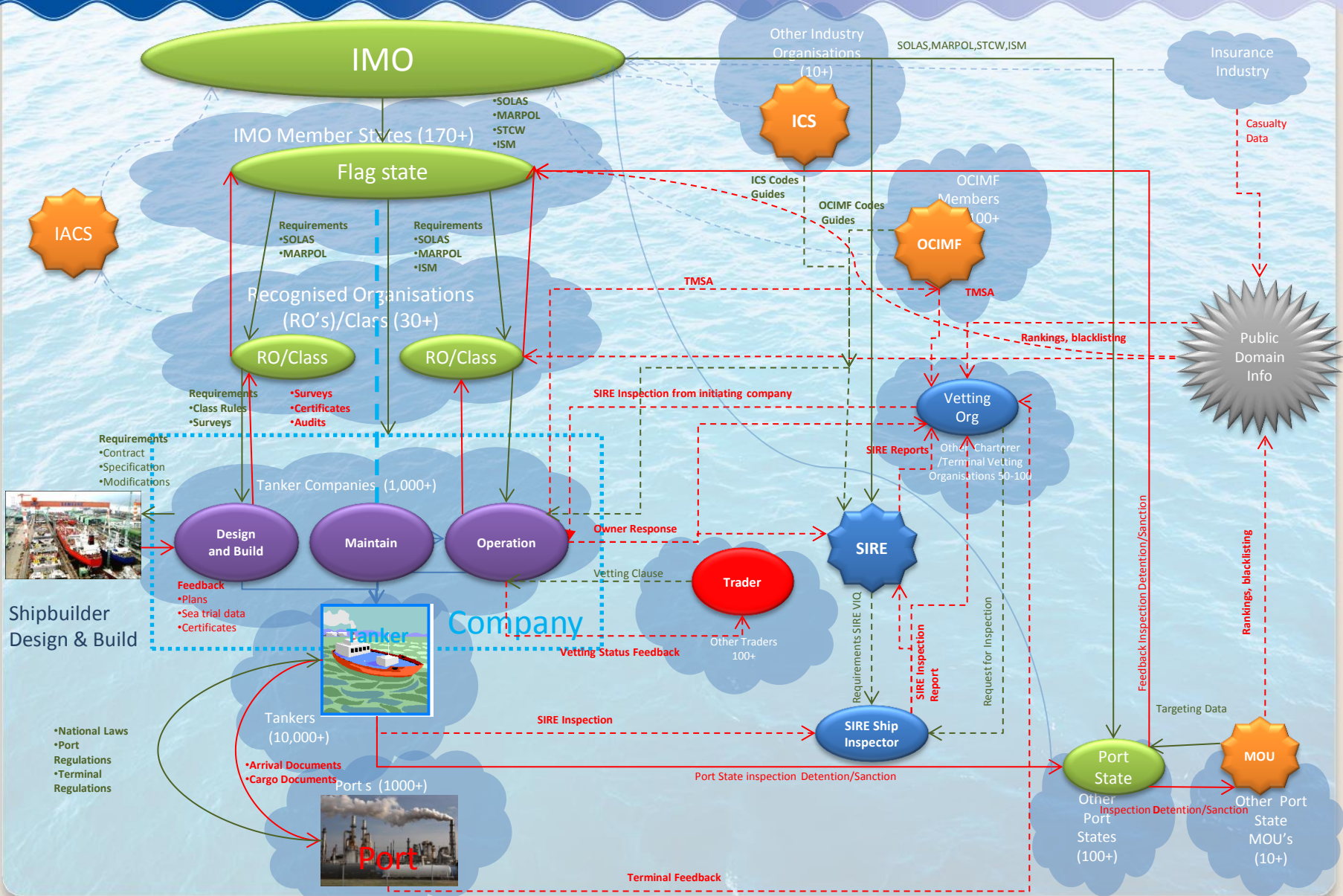
"If economists could  
manage to get  
themselves thought of  
as humble, competent  
people on a level with  
dentists, that would be  
splendid."

John Maynard Keynes

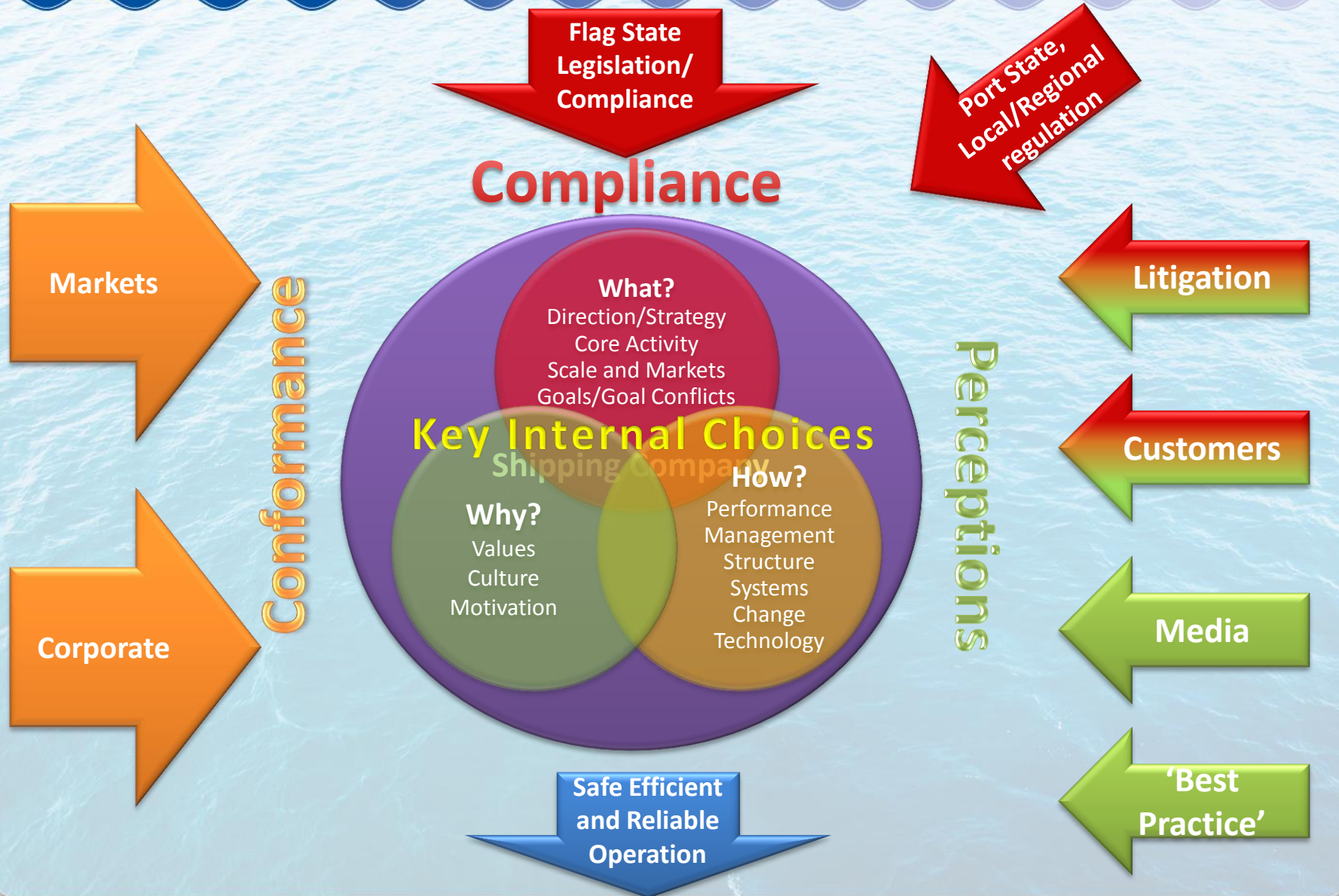
Tonne-miles  
supply  
available to  
independents

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# Complex Industry?



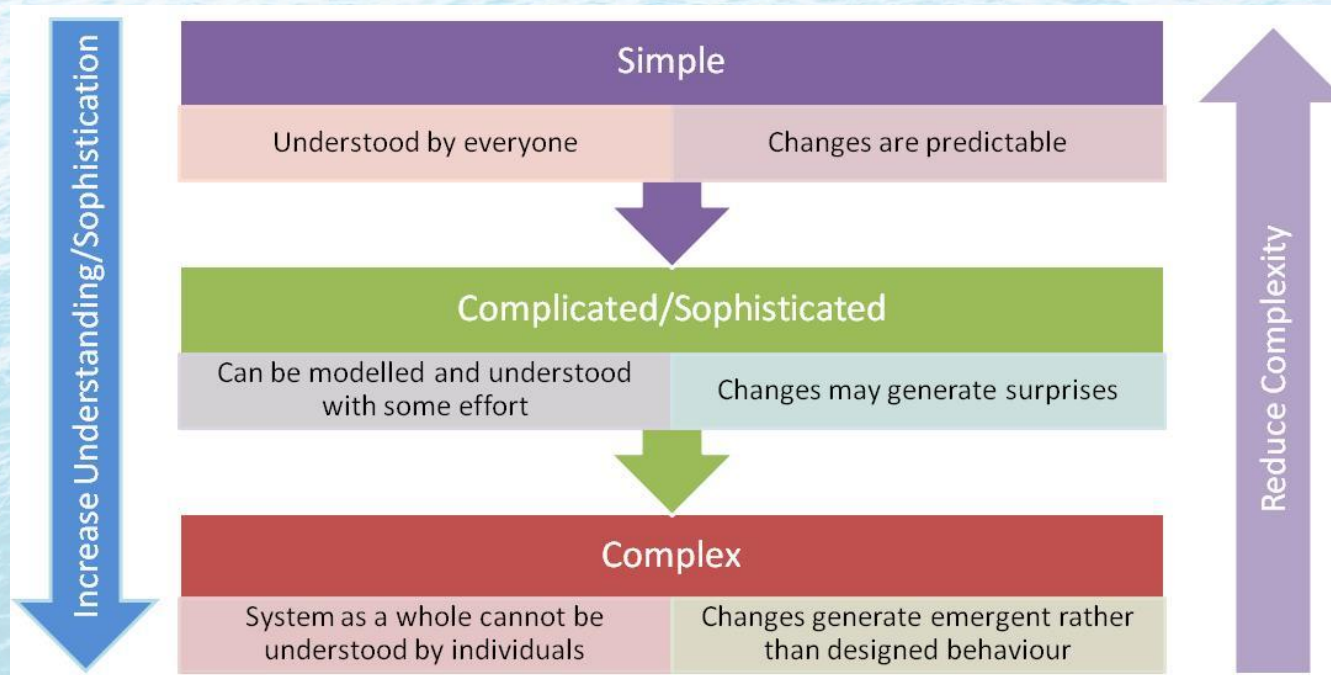






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# **Strategy for Success**



## Behaviour

- Alive
- Emergent (Surprising)
- Organised then suddenly disorganised
- Dancing on the edge of chaos
- Explainable after the event

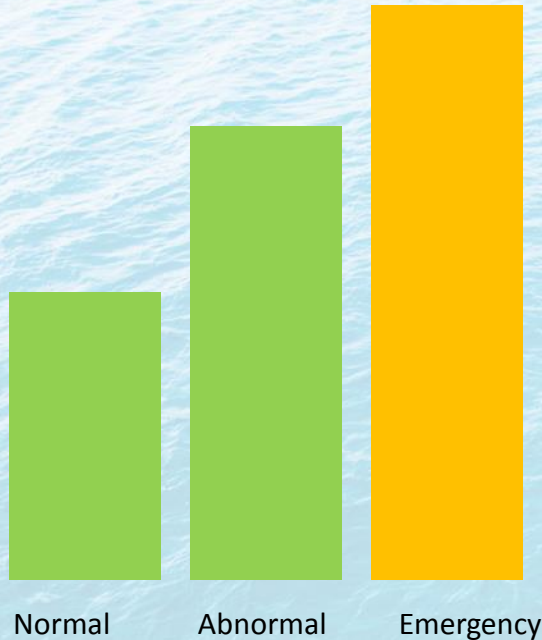
## Resilience

The ability to succeed, not just survive, in a fast changing, complex, environment.



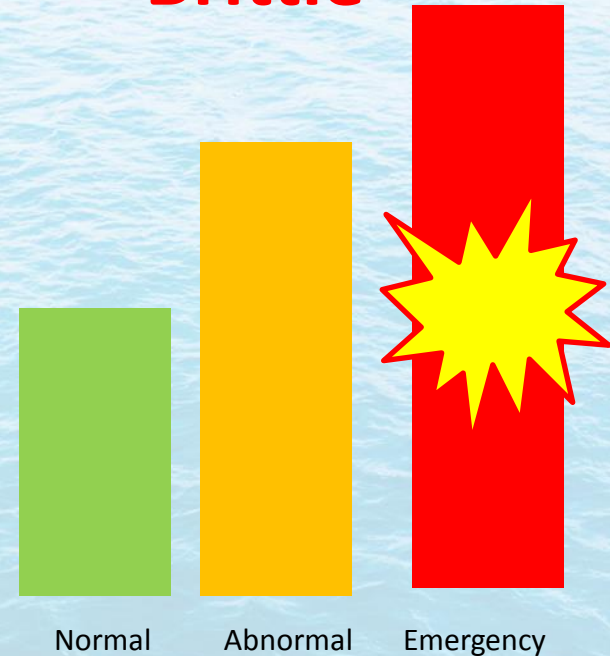
# moams Complexity needs Resilience

## Resilient



Resilient organisation will adapt from normal operation to abnormal operation and recover. In emergency will be able to adapt further to avoid catastrophe

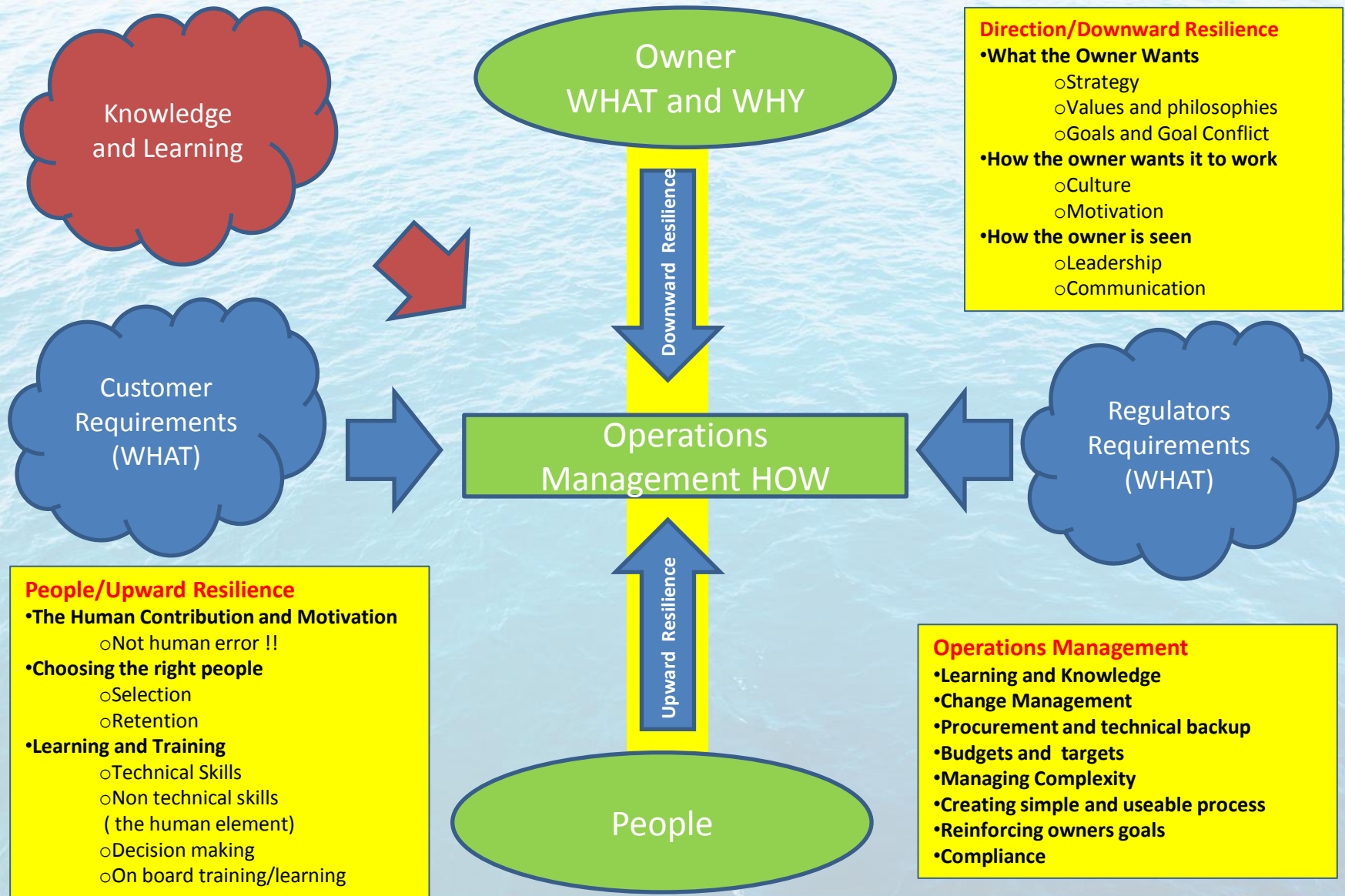
## Brittle



Brittle organisation will need all its resources to maintain normal operation leaving limited capacity to deal with the abnormal. Rule based mentality will be unable to cope with novel emergencies and will fail.



# moams Resilient Tanker Operator



## Directing

- ✓ Developing Strategy
- ✓ Building the Organisation
- ✓ Outward Focus

Directing

Leading

Managing

## Leading

- ✓ Motivating
- ✓ Individual
- ✓ Teams
- ✓ Tasks

## Managing

- ✓ Resourcing
- ✓ Organising
- ✓ Controlling
- ✓ Performance

From the Art of Action by Stephen Bungay



## Direction

Should I be buying news ships?  
Should I be selling ships?  
What markets should I be in?  
What ship sizes should I be in?  
Should I get out of shipping?  
How do I finance the business?  
Is my business sustainable?  
How do I want my ships run?  
How do I want the office to run?  
What's important to me?  
Do I have to get rid of people?

## Leadership

When did I last visit a ship?  
When did I last talk to the people in the office?  
When did I last see a captain or chief engineer in the office?  
Do people really know what I want?  
Do I set the right example when I talk to people and visit ships?  
Do people know how to deal with conflicts?  
Are my managers doing their job properly?

**'Over -management demands your time, uses your energy and fills your diary**

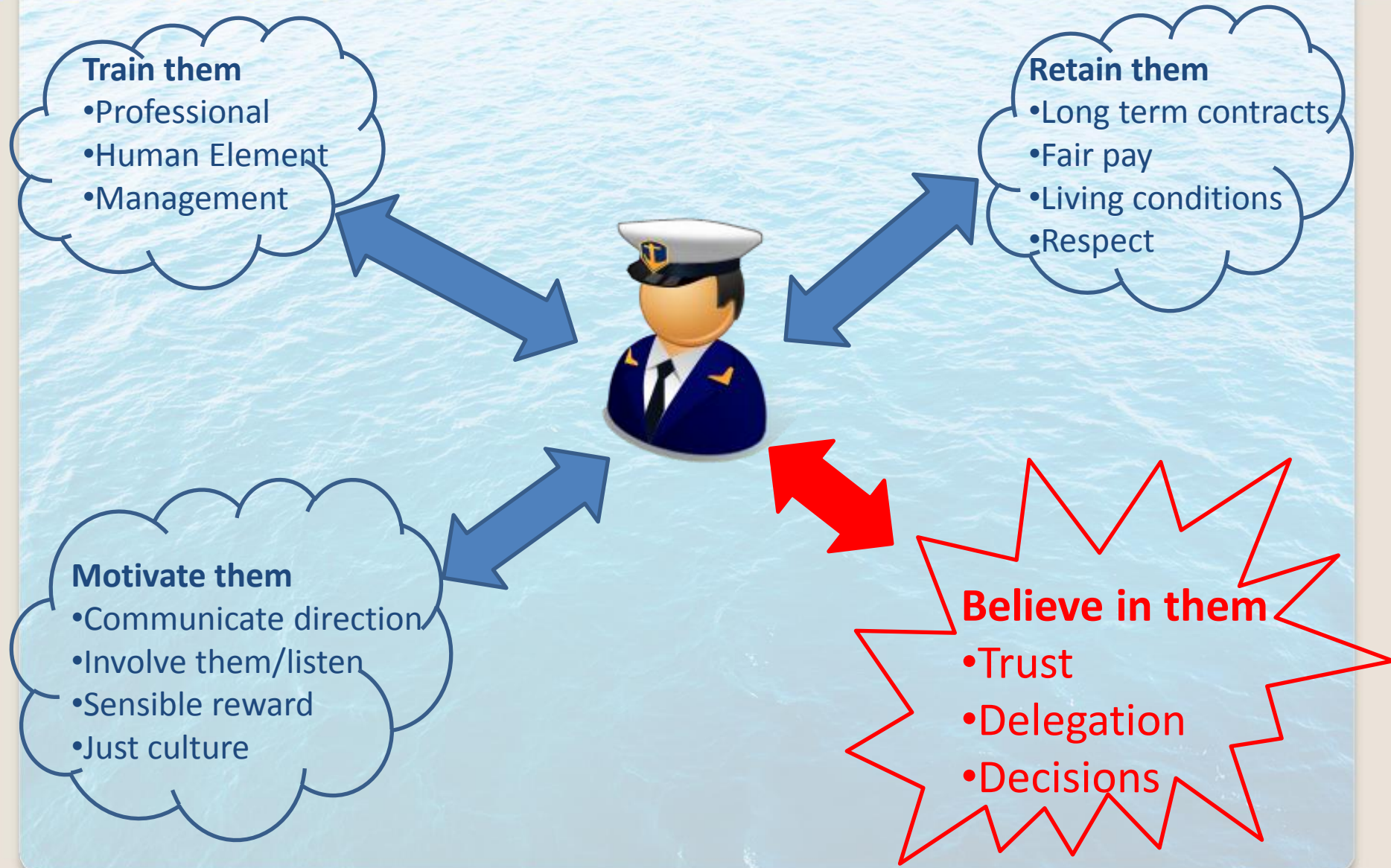


## Management

Approve this procedure  
Authorise this expenditure  
Read this audit report  
Read these accounts  
Read this investigation report  
Attend this review meeting  
Resolve this dispute  
Deal with this oil major report  
Review this drydock spec  
Review these drydock tenders

**'Direction' and 'Leadership' require your time and will drive the company's success**





# moams How to make things simpler

## The Laws of Simplicity

1. Reduce
2. Organise
3. Time
4. Learn
5. Differences
6. Context
7. Emotion
8. Trust
9. Failure
10. The One

*From 'The laws of simplicity'  
by John Maeda*

## Rules of Simplicity

1. You need to put a very high value on simplicity
2. You must be determined to seek simplicity
3. You need to understand the matter very well
4. You need to design alternatives and possibilities
5. You need to challenge and discard existing elements
6. You need to be prepared to start over again
7. You need to use concepts
8. You may need to break things down into smaller units
9. You need to be prepared to trade off other values for simplicity
10. You need to know for whose sake the simplicity is being designed

*From 'Simplicity' by Edward de Bono*



- The oil market is complex and will become more so as oil becomes scarce and climate change becomes an issue again
- Cycle times will shorten on technology and markets
- The tanker market and the tanker industry are complex and unpredictable
- To deal with complexity tanker operators need resilience not more rigid process
- Look at your direction, leadership, management and people to get the best result
- You need to be effective and efficient
- Look at yourself!!