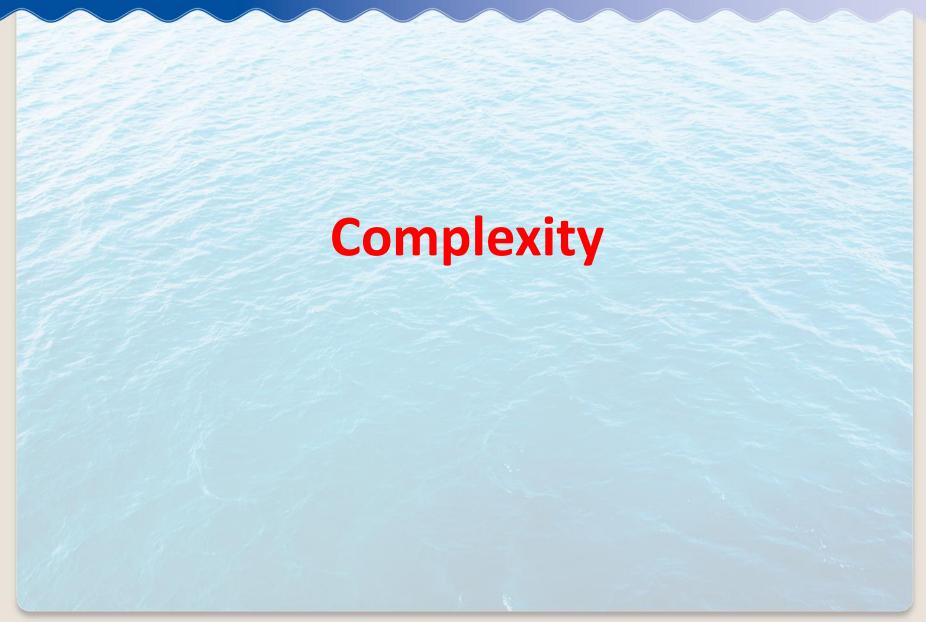
# Success in a Complex World

Tanker Operator Conference
Athens 2nd April 2015

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## **Outline**

- 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?



# 10 years of surprises

- 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??

### **Complex Markets - Tanker Demand**

#### **Tonne demand**

World economic growth?
Oil price sensitivity
Efficiency
Climate change
Security and politics



#### Miles demand

Changing consumers
Changing poducers



Tonne-miles demand for oil tankers

Trade routes-miles



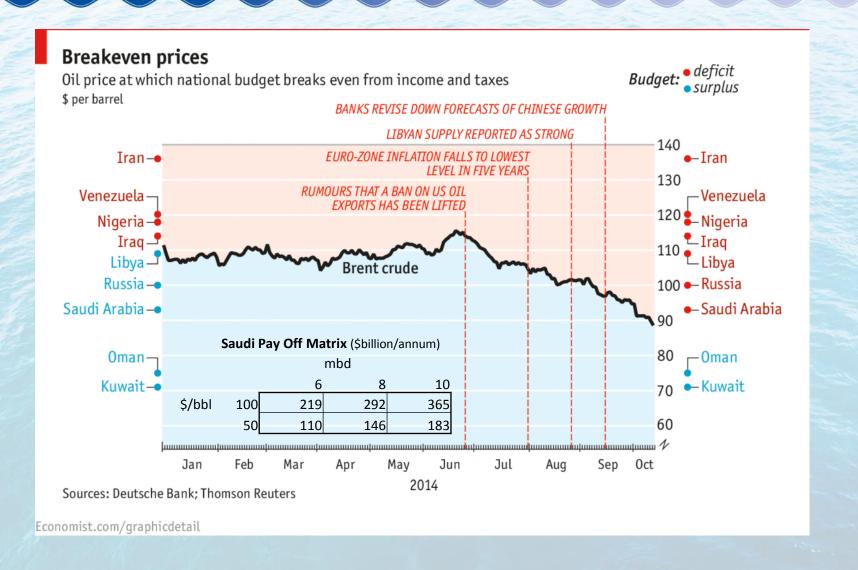
#### Oil substitutes

Gas Renewables Nuclear

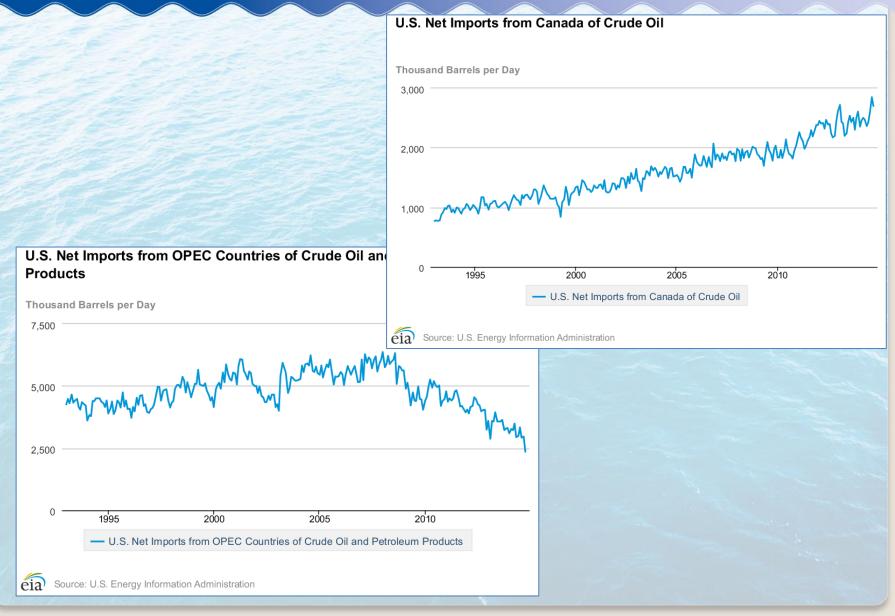


Crude tanker substitutes
Pipelines
Mid East Refineries

# **Oil Price Surprise**

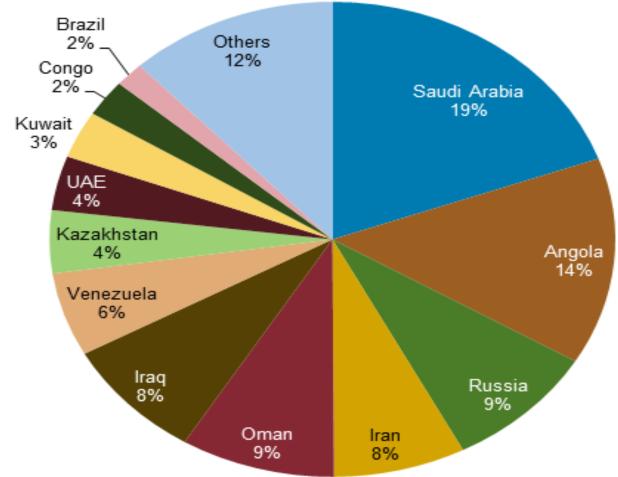


# moams US Importer or exporter?



# moams China's new best friends?





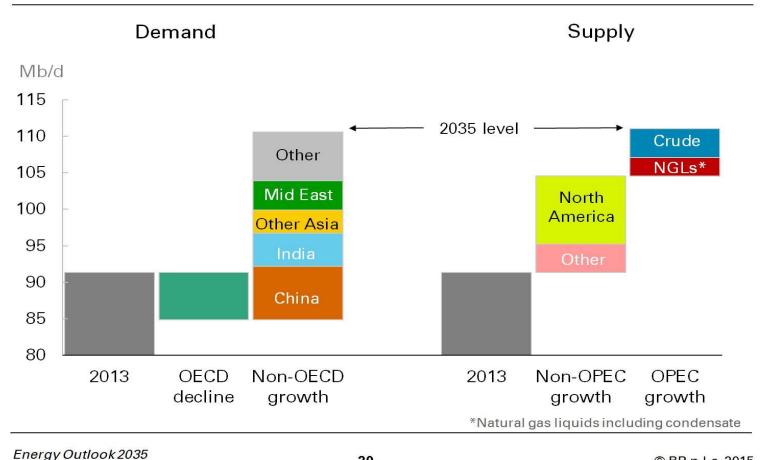
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Source: FACTS Global Energy, Global Trade Information Services.

## moams Long Term World Oil Growth?







30

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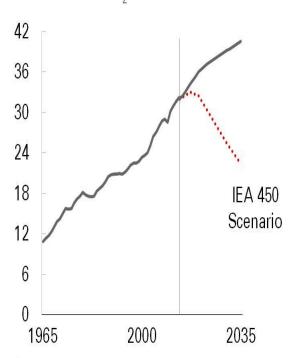
# moams The Elephant in the Room

### Carbon emissions



#### Global emissions

Billion tonnes CO<sub>2</sub>



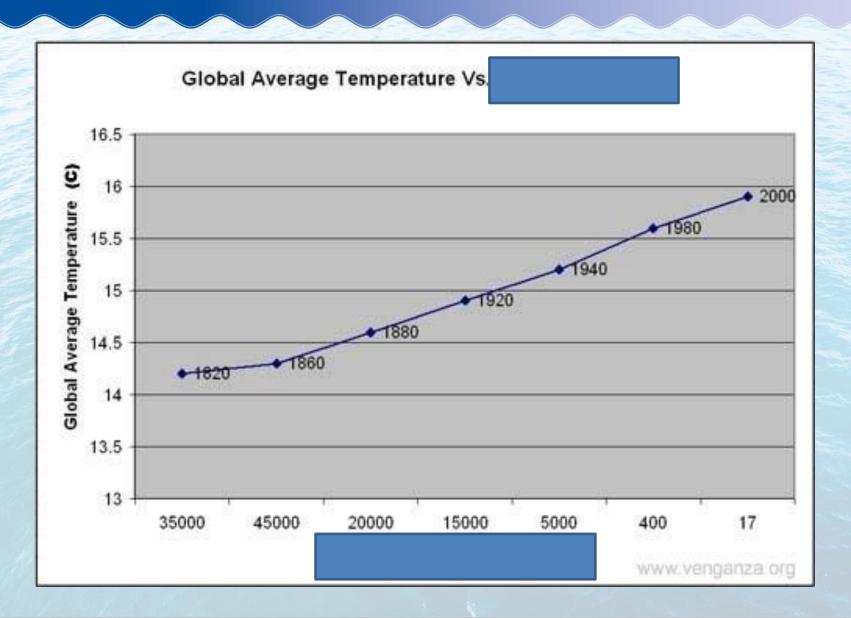
### Comments on graph

- IEA scenarios
- On target for 6%
- Reducing CO2
   emissions by 2017
- 25% reduction in CO2...more in oil?
- Gas still creates carbon
- Waves of Interest

Energy Outlook 2035

© BP p.l.c. 2015

# moams What causes global warming?



### **Complex Markets - Tanker Supply**

New Tonnage
Newbuilding
Finance
Technical Requirements
Shipbuilder push



**Expands capacity** 

#### **Competitors**

Importer fleets
Exporter fleets
Oil company fleets
Trader fleets
Cabotage

Squeezes capacity

Tonnage of fleet

Tonne-miles supply available to independents

Miles



#### **Mobility factors**

Speed
Availability and docking
Slow steaming
Port delays and turnaround
Canals

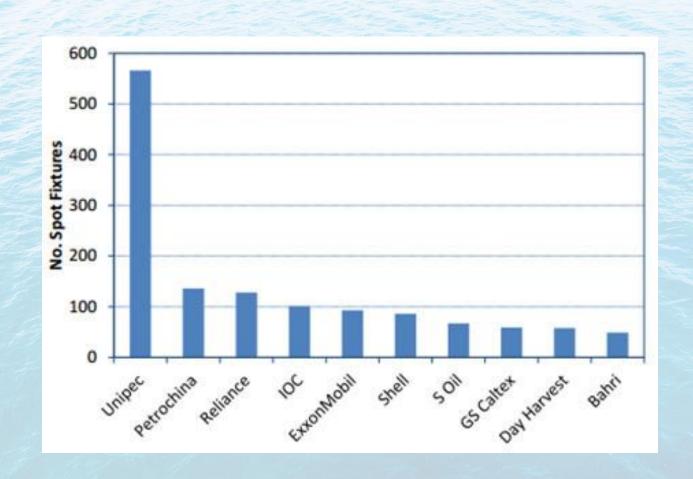


Squeezes capacity

#### Exits

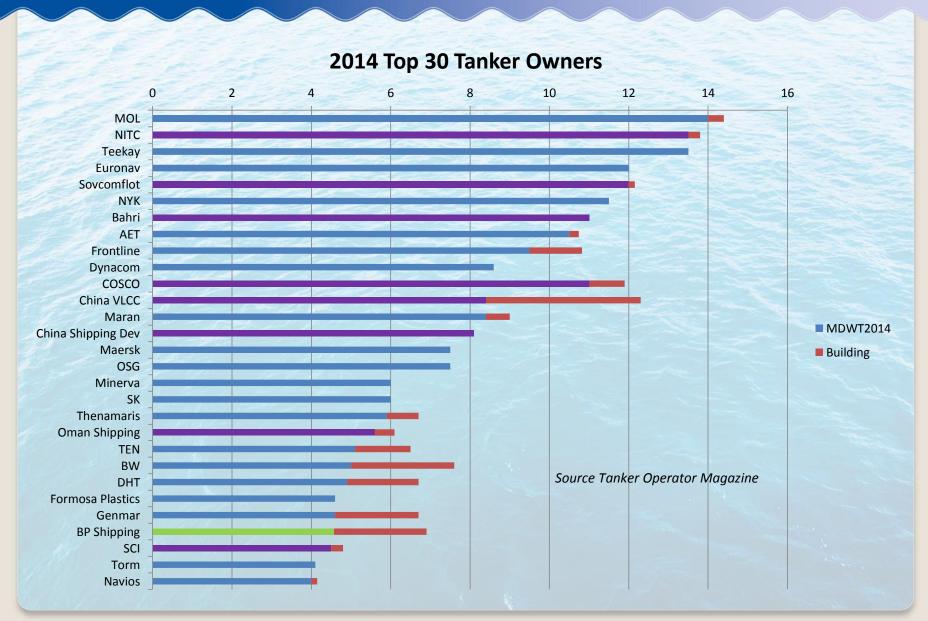
Scrapping
Conversions
Obsolescence
Declassing
Layup and floating storage

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



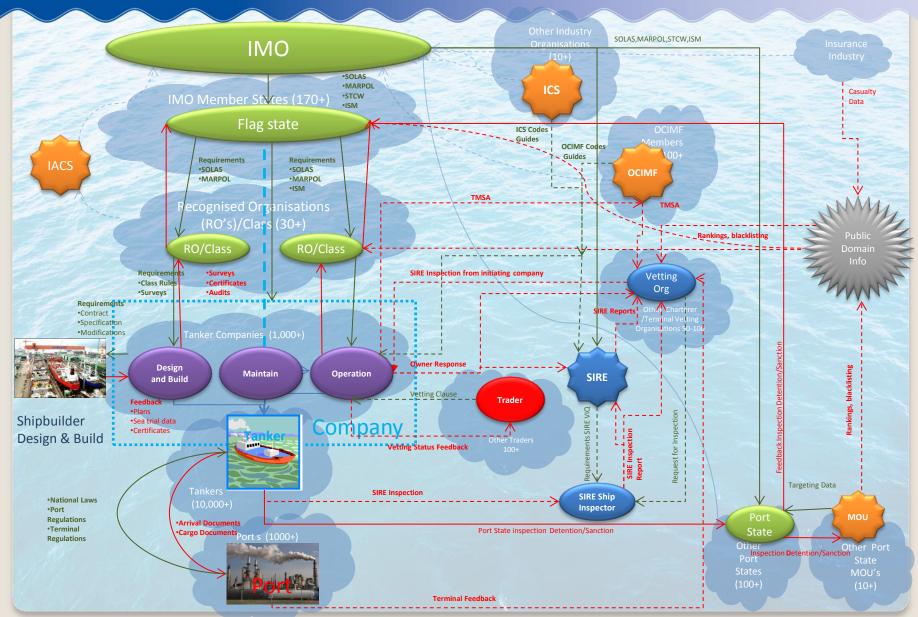
**Source Potens** 

# moams Top 30 Tanker Companies

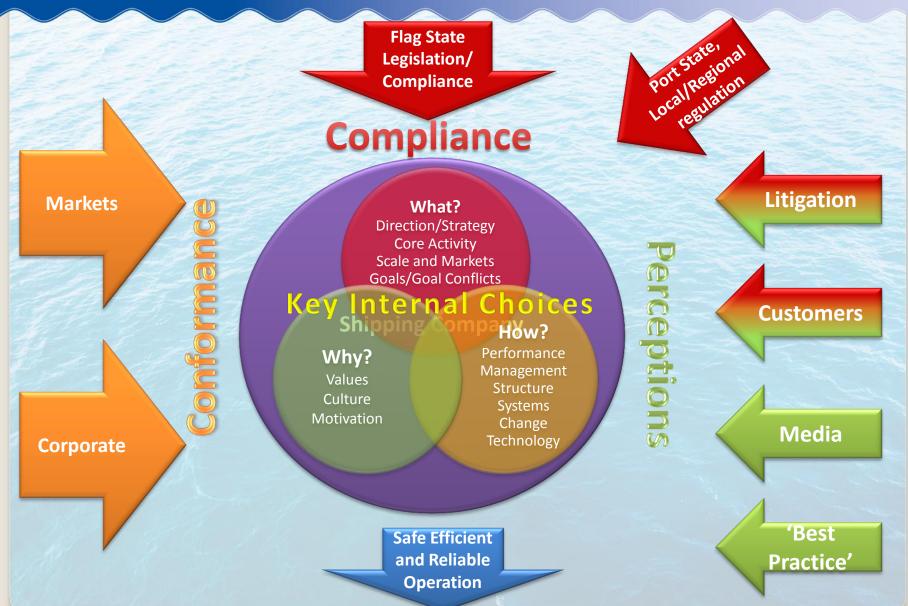


### **Supply Demand Balance** moams "If economists could manage to get themselves thought of as humble, competent people on a level with dentists, that would be Tonne-miles splendid." demand The only function of economic forecasting is to for oil tankers John Maynard Keynes (John Kenneth Galbraith) Tonne-miles supply available to independents

# **Complex Industry?**



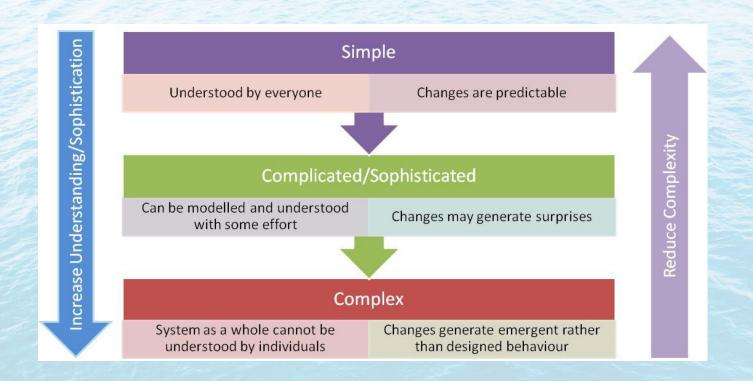
# **Complex Company**







# moams Dealing with complexity



#### **Behaviour**

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

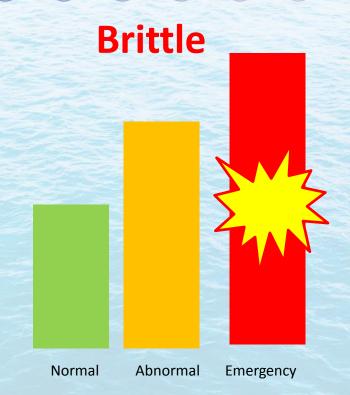
#### Resilience

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

## moams Complexity needs Resilience



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



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

Knowledge and Learning

Owner WHAT and WHY

Downward Resilience

#### **Direction/Downward Resilience**

- What the Owner Wants
  - ○Strategy
  - OValues and philosophies
  - oGoals and Goal Conflict
- •How the owner wants it to work
  - oCulture €
  - OMotivation
- How the owner is seen
  - oLeadership
  - ○Communication

Customer Requirements (WHAT)



Operations

Management HOW

Regulators Requirements (WHAT)

#### **People/Upward Resilience**

- The Human Contribution and Motivation
  - oNot human error !!
- Choosing the right people
  - ○Selection
  - ○Retention
- Learning and Training
  - oTechnical Skills
  - Non technical skills
  - (the human element)
  - Decision making
  - On board training/learning

Upward Resilience

People

#### **Operations Management**

- Learning and Knowledge
- Change Management
- Procurement and technical backup
- Budgets and targets
- Managing Complexity
- •Creating simple and useable process
- Reinforcing owners goals
- Compliance

## Leadership

### **Directing**

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

Directing

Leading

Managing

### Leading

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

From the Art of Action by Stephen Bungay

### **Managing**

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

# Your day at the office?

#### **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

## **People**

#### Train them

- Professional
- Human Element
- Management

#### **Retain them**

- Long term contracts,
- Fair pay
- Living conditions
- Respect

#### **Motivate them**

- Communicate direction/
- •Involve them/listen
- Sensible reward
- Just culture

### Believe in them.

- Trust
- Delegation
- Decisions

## 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
- 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

## **Conclusions**

- 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!!