

Thammasat University - Case Competition for Precious Shipping

About the Company

Precious Shipping Public Company Limited ("PSL") is a pure dry cargo ship-owner operating in the Handysize, Supramax and Ultramax sectors of the tramp freight market. PSL was established in December 1989 and commenced commercial operations in March 1991, after obtaining the approvals from the Bank of Thailand and the Board of Investment. PSL was granted "listed" status on the Stock Exchange of Thailand on the 16th of September 1993.

PSL won the Public Debt Deal of the Year for 2016 from Marine Money!

At the 10th Seatrade Maritime Awards Asia 2017, PSL was adjudged finalist in 3 award categories: 'Ship Owner/Operator', 'Ship Manager' and 'Deal of the Year' awards.

At the Lloyd's List Asia Pacific Awards 2017, PSL was adjudged finalist for the 'Class NK Dry Bulk Operator of the Year' award, and our subsidiary company Great Circle Shipping Agency was adjudged finalist for the 'Ship Manager of the Year' award.

At the International Bulk Journal's IBJ Awards 2017, PSL was adjudged finalist for the 'Bulk Ship Operator of the Year' award, and our cement carrier, Apinya Naree, was adjudged finalist for the 'Bulk Ship of the Year' award.

Industry developments

2017 saw Chinese government ordering closure of 150 MMT of Coal mining capacity to reduce the environmental issues it faced. It also banned imports of Coal from North Korea. US President Donald Trump came out with issues like the US-Mexican border wall, reduction in taxes and huge infrastructure spending, known as the "Trump bump". Demand in 2017 was certainly stronger than what anyone would have anticipated at the start of the year with many analysts suggesting that we have had demand growth in ton-mile terms of around 5.0%. China was the stellar performer and this helped to drive time charter rates higher as the year progressed. Dry bulk market rates were expected to continue improving in 2018.

Supply Side developments were interesting. We started 2017 with 790.41 MDWT and increased to 813.53 MDWT for a 2.9% net fleet growth during 2017. The question is how will owners react to the market conditions during 2018 to 2020? The lower the freight markets the greater the number of ships ending up at the recycling yards. While 2016 was the perfect example of this logic, we saw a disappointingly low figure of just 15.16 MDWT being scrapped as the average BDI almost doubled year over year in 2017.

With the Ballast Water Management (BWM) convention coming into force on the 8 Sept 2019 and IMO warning there will be no exceptions or delays to the 1 Jan 2020 0.5% global Sulphur cap for marine fuel oils, these regulatory impacts should see many more older ships heading for the recycling yards in 2018, 2019 and 2020.

As the maritime industry is gearing up with the latest digital advancements, one can look at 2 main reference points (i) Technical Aspects and (ii) Commercial Aspects; which should be incorporated into the day to day functioning of the industry. How could digitalization be incorporated to monitor the operations of the ships under PSL's fleet? How can we enhance the ease of communications between the ships and the various parties that the Master has to interact with? How can the industry use the latest digital advancements for fixing their ships at a better rate than their competitors? How can we ensure our staff – sailing and ashore, are trained to keep abreast with the latest technological offerings?

Steady Leadership in Choppy Seas

Being a strong leader means that even if you are averse to certain things, you need to change your profile if that's what is best for the business. – Khalid Hashim

On February 18, 2015, Khalid Hashim, Managing Director of Precious Shipping Public Company Limited (PSL) woke up, as he often does, contemplating the future of the company he has lead since its inception. "How can I plan for the succession of my top management team and for my own role in a way that sustains PSL far into the future?" he thought. After waking up, he received the news that the Baltic Dry Index (BDI) had hit an all-time low of 509 points. As an assessment of the average price to move raw materials (e.g., grain, coal, iron ore) by sea, the BDI is an accurate indicator of potential revenue for ship owners like PSL. Though this was not welcome news for Hashim, it certainly was not the first time in the company's 26 years of operation that he was tasked with navigating the company through difficult times. Not only has PSL survived periods during which countless competitors went bankrupt (e.g., the Asian Financial Crisis), Hashim has managed to forge and maintain strong relationships characterized by trust and respect with various stakeholders from creditors to shareholders and employees.

PSL is a leading dry bulk tramp owner and operator in the highly fragmented, small handysize and supramax segments. Though the shipping industry is cyclical, it can also be highly unpredictable with many companies exiting the industry every year. It is a capital-intensive business characterized by high leverage. The risk is especially great because vessel supply is inelastic (building a ship can take up to three years), causing the supply of ships to often be at disequilibrium with demand. There are also significant operational risks in the industry, which include mechanical malfunctions, labor strikes, piracy, and inclement weather conditions. To be successful in such a VUCA (volatile, uncertain, complex, and ambiguous) environment requires financial prudence and strong, principled leadership, which PSL has showcased over the years.

Leadership Style

Hashim's leadership style can be characterized as decisive, empowering, transparent, and approachable. As the company's founder, he has the ultimate say in all decisions. However, his style has always been to very carefully hire capable people that he trusts so that he can give them the autonomy to do their jobs. In this way, all decisions can be made efficiently and quickly. This is important in the shipping industry because decisions often need to be made overnight to take advantage of changing market conditions. Although the shipping industry has a history of opaque decision making, Hashim is sure to be decisive but also to explain his decisions in a clear and transparent way.

Hashim's staff also describe him as open and approachable. Khushroo Wadia explains,

Although Khalid [Hashim] is the MD, he is always accessible to staff at all levels. He does not have a private office and does not have an administrative assistant. This creates an impression that he is open to chat and give advice to anyone, anytime.

It is also clear that Hashim cares deeply for the well-being of his staff. During periods of fleet downsizing, he never once cut onshore staff. Instead, he was more likely to cut his own salary or sell off assets before letting anyone go. For example, Hashim voluntarily took a 10% salary cut in 1998 when the crisis hit and the rest of the directors did the same in 1999. This upset the board because they thought it sent a bad message about the company's financial situation. However, Hashim thought it was exactly the right message to send because they were, in fact, in trouble. This was also something that the bankers supported as a responsible decision while PSL was going through financial restructuring. During this time Hashim also told his staff not to worry about their job security and just to work hard. He assured them that as long as he was the MD, nobody would lose their job and he stayed true to his word.

Organizational Culture

It has been said that leaders – especially company founders – set the culture of the organization.¹ This certainly appears to be true at PSL. Fitting with Hashim's personality and leadership style, the culture at PSL has been described as open and informal and characterized by loyalty, mutual trust, and independence. In addition, although the team is performance-oriented, there is also a culture of work-life balance.

PSL maintains an onshore staff of about 25 people at the central office in Bangkok, which is divided into the following verticals: Technical, Risk Management, IT, Safety, and Finance. It is a very flat organization with most of the staff reporting to the directors and the directors reporting to the MD.

As mentioned above, the office has an open concept, which results in a lot of communication between staff. The top management team is not exempt from this and is thus accessible to the junior members of the team. PSL employees also describe the culture as informal and even, "like a college dorm." Although the office is tight-knit and communicative, each employee is given a lot of independence and has the autonomy to make decisions. To highlight this fact, Hashim says,

I travel about 30 times a year and can be gone for 3-4 days at a time. Yet, I very rarely receive any calls on my phone while I am away because I trust my colleagues and staff enough to give them full authority to make decisions without me.

A defining feature of the culture at PSL is loyalty. Many of the PSL's employees join just after completing tertiary education and plan to stay for life, something that PSL welcomes. Hashim says that other than people deciding to retire, almost his entire team is still with him that was brought on in the 1990s. One problem associated with having such a flat organization with extremely low attrition is that it is difficult to promote high potential talent through the ranks.

Hashim believes that this is currently not a major problem for three reasons:

- Employees appreciate the autonomy to do their jobs, which they find interesting and engaging.
- Lateral moves to other teams in the company is permitted, which can satisfy intrinsic needs of employees and increase fit in some cases. However, employees need to show that they have done the homework to help fill their current role and can also show how they will benefit the company in the new role.

¹ Schein, E. H. (1989). The role of the founder in creating organizational culture. *Readings in managerial psychology*, 278.

PSL is committed to the health and well-being of employees and employees are encouraged to maintain good work-life balance. For example, staff often leave work at 5 pm to take a run (as Hashim often does) and then either come back to the office to finish up work or go home.

Problem Scenario

If you are the managing director of PSL, what do you think is the future of PSL?

What plans will you make for the company for the next 3 years to take the company forward, taking into consideration how *“the advancement of Digitalization”* can be incorporated in the existing company set-up and can carry out their existing “Operations” more efficiently and have an edge over their competitors in the market?

Preliminary Round Deliverables Deadline

Executive Summary

Cover Page should include

1. Team Name
2. Team Members’ Name (Maximum THREE (3) per team)

PowerPoint Slides

1. Cover Page should include Team Name and Team Members’ Name
2. Maximum of 10 slides (excluding cover page and references)

Judging Criteria

Judges’ assessment and decisions are based on (but not limited to) the following factors:

- Quality, usefulness, originality and feasibility of the plans as well as value it creates
- Evaluation of risk management
- Clarity and completeness of the oral presentation