

**Managing a 'people business' in times of uncertainty:  
Human resources in Ocean Transport & Trading's strategy  
in the 1970s**

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# **Managing a 'people business' in times of uncertainty: Human resources in Ocean Transport & Trading's strategy in the 1970s**

## **1. Introduction<sup>1</sup>**

Ocean, established in 1865, was 'one of Britain's and the world's leading lines of cargo vessels.'<sup>2</sup> While there were larger shipping companies in terms of tonnage (see table 1), these were active in the tanker and bulk trades which used very large ships; Ocean was the UK's most important operator in the prestigious sector of general cargo liners carrying the most valuable items and running to a strict schedule. The company pioneered and then dominated cargo shipping from Liverpool to East Asia for over a century and was at the forefront of containerisation which revolutionised sea transport from the 1960s. During the 1970s, a period of structural change and global recession, Ocean went through a strategic reorientation, the pace and direction of which seem to have been influenced significantly by human resources considerations. This article will draw on board-level minutes and strategy documents to highlight the ways in which human resources were perceived as of critical importance to the company and how managing staff numbers and staff morale played a key role in strategic decisions.<sup>3</sup>

## **2. The industry, the company, and human resources**

Ocean's history needs to be understood in the context of that of British and world shipping in the postwar era. During the long boom from the late 1940s to the early 1970s, shipping grew along with world trade, driven by the hunger of the European, American and Asian economies for imported raw materials and oil and by the increasing international exchange of manufactured goods.<sup>4</sup> Changes within the shipping industry underpinned the expansion of the global economy, with technological and institutional innovations making transport cheaper and more efficient.<sup>5</sup> The

bulk trades paved the way with the development of 'supertankers' and large bulk carriers from the 1950s onwards, along with large-scale shore installations that permitted the speedy loading and unloading of bulk cargoes. Increasingly, these ships operated from the deregulated environment of the so-called 'flag of convenience' states. In Ocean's business of liner shipping, such rationalisation was impossible as long as cargoes arrived in port in myriad shapes and sizes and had to be expertly stowed by hand by increasingly well-paid, and increasingly fractious, dock workers. Only with the introduction of container ships which could be loaded and unloaded quickly using specialised equipment was rationalisation possible in the liner trades.<sup>6</sup>

After the 1973 'oil shock', the shipping industry fell into deep and prolonged depression as large numbers of ships built to serve a seemingly ever expanding world trade were chasing a limited amount of cargo. All major sectors of shipping – tankers, bulk and liners – were hit during the years of 'stagflation' when output and trade were depressed, demand for raw materials fell, economies grew more energy efficient and oil sources closer to the places of consumption were exploited. The shipping crisis of the 1970s and 1980s spelt the end for the merchant fleets of most of the 'Traditional Maritime Nations', the primarily Western European countries (plus Japan and the United States) that dominated mercantile shipping in the 19<sup>th</sup> to mid-20<sup>th</sup> centuries. Low-cost shipping both in developing countries, particularly in Asia, and in flag-of-convenience states such as Panama and Liberia, expanded at the expense of high-cost providers in the developed world. Thus, the shipping industry went through a period of disruptive change in the 1960s and 1970s. It experienced technological change, increased competition, intensified global interaction, pressure on companies in the industrialised countries to adapt and threats to established patterns of work and employment. Far from unique in this regard, the shipping industry can be regarded as one example of an industry contributing to enhanced globalisation, while at the same time experiencing its effects.<sup>7</sup>

The British fleet, along with that of Norway, was the worst affected by the shipping crisis. From a British perspective, the history of postwar shipping is one of at first relative and then absolute decline (see table 2).<sup>8</sup> Expansion in the early postwar years was followed by a period of complacency and disappointing profits. In the 1960s, British shipping companies began to modernise and expand their fleets, helped by generous government support.<sup>9</sup> Liner companies such as Ocean and P&O diversified into the booming bulk and tanker sectors, as well as pioneering the new container business. The UK-registered merchant fleet remained the largest in the world until 1967 when it was overtaken by that of Liberia, a 'flag of convenience' mostly used by Greek and American controlled tankers. From the mid-1970s, the UK fleet shrank rapidly as established shipping companies either went out of business or abandoned shipping for other activities.

There has been nearly as much debate about the reasons for this decline as about those for the UK's overall economic underperformance in the postwar era. Shipowners highlighted unfair competition from 'flags of convenience', subsidised developing country ships and state-owned Eastern bloc shipping lines. They also protested against wide-spread 'flag discrimination', the restrictions placed on foreign-flag shipping by the United States and many developing countries. The comparatively high cost of unskilled labour in the UK was mentioned as well.<sup>10</sup> There also were a number of structural factors weighing particularly heavily on British shipping:

Decolonisation led to the loss of protected imperial markets and took place in the context of a general rebalancing of UK trade towards nearby Europe. British imports and exports were depressed by the general weakness of the British economy. Nonetheless, some authors blame the British shipping industry itself, accusing it of managerial failings and a lack of entrepreneurial spirit.<sup>11</sup> In this view, British shipowners failed to invest when shipping volumes were expanding in the early postwar years, only invested in tankers and large bulk carriers when the boom in these

sectors was almost exhausted, were long complacent about their abysmally low profitability, and in general did not behave very much like profit-seeking entrepreneurs.

In this context, the story of Ocean has both typical and individual elements. The company had experienced a period of complacency after the War and even though its return on capital was double the average in shipping, it was disappointing when compared to other industries.<sup>12</sup> Ocean had developed a well justified pride in its long history of successful operations, in the quality of its service and its ability to run its fleet efficiently and with hardly any accidents or downtime. Ocean officers and managers were proud (to the point of arrogance, in the view of colleagues in other firms) of their record and the 'Ocean way' of doing things.<sup>13</sup> Ocean, along with P&O, was among the first European shipping firms to realise both the potential of containers and the threat they posed to traditional liner shipping. In 1965, Ocean, P&O, British & Commonwealth and Furness Withy formed a consortium, Overseas Container Lines (OCL), to invest heavily into the containerisation of their Australian and Far Eastern trades. It was obvious that one large container ship would replace several conventional liners (figures between five and nine are usually cited), not only because it was much larger but also because it would spend one or two days rather than two or more weeks in port. While pioneering the new form of general cargo shipping, Ocean's managers were fully aware that their traditional general cargo liner business, along with the ships and seafarers employed in it, would become redundant as a result.<sup>14</sup> Nonetheless, containerisation seemed inevitable as liner shipping was suffering from poor returns because of ever higher costs and ever longer delays suffered in clogged-up ports.<sup>15</sup>

1965 (the 100<sup>th</sup> anniversary of the company) was a crucial year for Ocean. The company expanded through the acquisition of Liner Holdings, initiated the launch of Overseas Container Lines and listed on the stock market. Plans for diversification, both within shipping and into land-based service industries, were developed. In 1967 and 1972, Ocean went through two rounds of

restructuring which reflected both Ocean's specific situation and the influence of management concepts developed at US business schools.<sup>16</sup> Like many other firms at the time, Ocean turned to outside consultants and sent promising young managers on MBA courses.<sup>17</sup> Nicholas Barber, who joined Ocean in 1964 and later rose to the position of CEO, took an 18-month MBA course at Columbia University in 1969-71 and then returned as the company's Strategic Planner, introducing a system of budgeting and five-year strategic plans.<sup>18</sup> While strategic planning was kept firmly under the control of Ocean's own executives, the new company structure was largely the work of Boston Consulting Group. It turned Ocean Steam Ship Co. Ltd. into a parent company with three main divisions (the so-called M-form or multidivisional structure that was a common outcome of company reorganisation in the UK at that time):<sup>19</sup> Ocean Liners Ltd (OLL) took over the commercial operation of all liner ships from the hitherto separate lines (Ocean's main shipping line, Blue Funnel, as well as Elder Dempster, Glen, Henderson and the Dutch subsidy NSMO); Ocean Titan Ltd (OTL) managed non-liner shipping (tankers and bulk carriers) and Ocean Fleets Ltd (OFL) provided maintenance and manning services to all ships in the group. Another operating division was added when Ocean bought the logistics and services company Wm. Cory in 1973. Group strategy was in the hands of a three-man Executive Committee free from operational responsibility, exercising centralised control over the operational divisions run in a decentralised manner (see figure 1).<sup>20</sup> Overseas Container Lines (OCL), as a joint venture with other leading British shipping lines, remained outside the new structure but relied on OFL for the manning and management of those of its ships that were owned by Ocean and was led by Ronald Swayne, an Ocean man.

Strategic planning, diversification and the move to a multi-divisional structure were common responses to corporate crisis at the time and often involved the help of management consultants. Ocean nonetheless stood out among shipping companies by taking these steps proactively, in

response to clearly identified challenges. Ocean faced a decline in its traditional business of conventional liner shipping, not least because of the rise of container shipping. The company had substantial reserves, investments and tax allowances which made it an attractive target for a hostile takeover, in particular while its share price was dragged down by low profits in shipping in general and heavy initial losses in the new container business. In this situation, the solution seemed to be to use cash reserves and tax allowances to diversify away from shipping through the acquisition of new businesses in growth areas. At the same time, Ocean would use its expertise in manning, maintaining and operating ships to move into new, more profitable areas of shipping such as tankers, bulk and LNG carriers that were benefiting from the oil and raw materials booms, as well as to offer ship management services on the open market to third-party owners.<sup>21</sup> Not all of these initiatives were successful. From 1973, bulk shipping suffered and eventually was abandoned and diversification developed much more slowly than initially envisaged, while liner shipping proved more resilient than expected. Nonetheless, by the mid-1980s Ocean had developed into a commercial services company with only a minor interest in shipping.

Access to properly trained staff, in particular nautical and engineering officers who take a long time to train,<sup>22</sup> is essential to running a shipping business, and in particular to running it well. Shipping had begun to face labour shortages in the post-War boom as a result of wages and working conditions that were lagging behind those offered on land. The industry had a long history of making inefficient use of large numbers of unskilled, underpaid manual labourers, including seafarers from developing countries who received even lower wages than their British colleagues. Rationalisation and automation in the 1960s were a response to rising wages, a shorter working week, more overtime payments, and the increasing reluctance of young Britons to commit to a career at sea, whether as ratings or officers.<sup>23</sup> Containerisation, automation and economies of scale through the use of fewer, larger, more efficient ships reduced the demand for seafarers but

while the industry was undergoing both technological and organisational change and the British economy began to lurch from boom to bust it became very difficult to manage human resources so as to have the right number of staff with the right qualifications available at all times. With all shipping companies suffering from similar uncertainty, effective management of its human resources could give Ocean an edge over competitors.

### **3. Manual labour and Ocean's outsourcing strategy**

Together with the American-inspired science of management, notions of measuring business performance and profitability, of introducing a functional division of labour into organisations and operations, and of what later became known as outsourcing were spreading through British industry.<sup>24</sup> We can see the role defined for OFL in the new company structure as an example of this trend: OFL became a service department charging the ship operating companies OLL and OTL for its services which it offered both to internal customers and on the open market, allowing other shipping firms to outsource ship management functions. The services provided by OFL covered all aspects of ship management, including manning and personnel management, maintenance, victualling, ship design, research, medical advice and examination, and even a linen department. Most of these operations were on a small scale; maintenance and, above all, manning (*i.e.*, Human Resources) were the most important ones.

OFL's key function was to employ the nautical and engineering officers who served on Ocean's ships (including those operated by OCL). Officers were company employees, usually joining as cadets when still in their teens. Wastage rates were high throughout the industry and Ocean was no exception in this respect. But Ocean took pride in having the best-trained officers and paying them enough to make them stay if they passed their exams and embraced a seafaring career. Ocean's officers benefited from support in acquiring the professional certificates required for

promotion as well as from a company pension scheme. Ratings (the seamen working on deck and in the engine room) were on short-term contracts. Some of them were British, hired through the Merchant Navy Establishment labour pools, the majority however were Asians and West Africans hired through local agencies with whom Ocean had long-standing relationships, having traded on imperial routes since the mid-19<sup>th</sup> century.

Ocean saw its expertise in training and managing a highly skilled workforce of officers and white collar employees while finding it increasingly difficult to manage manual labour. For example, Ocean had for a long time provided its own stevedoring (loading and unloading) services in major UK ports (Liverpool, London, Glasgow and Hull), convinced that doing this in-house would ensure higher quality and speed and give Ocean direct control over all aspects of handling the cargo entrusted to it by its customers. But in 1972-3, long before containerisation made it necessary to do so, Ocean decided to give up all its UK stevedoring operations. Some were closed, others transferred to local port authorities. The reason was the increasing power of unions, constant threat of stoppages and dockworkers' demands for guaranteed employment so that it had, 'in practice, become impossible for us to alter the number of men employed, regardless of whether the business expanded and contracted'. Stevedoring was given up as a result of the 'mountainous difficulties' created by fractious industrial relations even though Ocean expected that this would have a negative impact on the cost, speed and quality of the services it could offer.<sup>25</sup>

This reluctance to continue employing a unionised blue collar workforce also seems to have shaped the company's approach to ship maintenance. Ocean's maintenance functions were scaled down and parts of the ship repair business were sold off with the intention of employing the new owners' services for fleet maintenance as and when required – a classic example of outsourcing. One reason for doing this was that, with fewer, larger ships, Ocean's need for maintenance services was reduced. A second, more immediate one was the 'frustration and acrimony' of

industrial relations, the lack of 'co-operation from the labour force', their 'confused discontent' and apparent unwillingness 'to adapt working habits to modern needs in an atmosphere of disciplined humanity and mutual self-respect', along with the 'restrictive practices' imposed on work as a result of jealousy between the twenty-two unions representing the workers in the yard.<sup>26</sup> The shore gang, the maintenance workforce, were made redundant in 1976.<sup>27</sup>

By the late 1960s, most shipping companies were shifting from a system where parts were replaced when they were worn out to one of scheduled maintenance, regular servicing and replacement of components after a specified service life. Ships were becoming technologically more complex, and often it was no longer possible to effect repairs with the skills, spares and tools available on board. With ever more valuable ships and cargoes and an increased emphasis on speed and regularity of service, the business risk of failures increased. In many companies, on the Continent but also in UK-based BP Tankers, maintenance was completely taken out of the hands of ships' crews. Instead, scheduled maintenance would be undertaken by specialised shore-based staff, saving the time of scarce seafarers and allowing further reductions in crew size.<sup>28</sup> This was in many ways a textbook solution – a complicated task occurring regularly but infrequently is taken out of the hands of relatively low-skilled and scarce seafarers and handed to a group of specialised skilled staff. If based in the shipping company's home port, they would be shore staff, easier to recruit than seafarers, and the whole function could even be outsourced to an outside maintenance firm. German studies about the 'ship of the future' envisaged that 'everything that is possible is done ashore' to be able to run a ship with as few as twelve seafarers.<sup>29</sup>

However Ocean went in the opposite direction, making provision 'for the increased use of ships' crews, particularly non-British crews, for work currently performed by the shore gang.<sup>30</sup>

Maintenance was as far as possible carried out during a voyage, either in port or at sea, and the regular crews were joined for that purpose by a small group of additional, specially trained

seafarers. It was expected that this would 'reduce costs of work which normally has a high involvement of shore labour' as well as 'increase the job satisfaction and cost consciousness of ships' personnel.' Another advantage of doing maintenance work at sea was that it minimised the time a ship spent in port or out of service altogether.<sup>31</sup> Finally, it was possible to make productive use of seamen who were on board only because of legal minimum manning requirements and not because their presence was indispensable to operate the ship. Increased involvement of seafarers in shipboard maintenance was regarded as successful and produced the desired 'economies in repair costs' within the first year.<sup>32</sup> One reason Ocean decided to rely as far as possible on the labour of its sea staff was that many ratings, and almost all engine-room ratings, were non-domiciled seafarers from China and Africa. With access to non-unionised foreign labour and a confrontational attitude of unionised domestic shore staff, Ocean – like some other shipping companies in a similar situation – found the text-book solution based on specialisation and a deeper division of labour less efficient than carrying out maintenance at sea.

The employment of 'non-doms' at wages substantially below those paid to UK seafarers was allowed under an exemption from non-discrimination legislation granted to the shipping industry, but it was increasingly difficult to justify and threatened by legislative change under the Labour government that came to power in 1974.<sup>33</sup> The lower wages paid to these ratings were only one aspect of Ocean's interest in employing them, though definitely an important one: In 1975, Ocean estimated that paying UK wages to non-domiciled seafarers would cost the Group £2.7m a year and 'about half of our liner fleet i.e. about 25 ships ... would be in danger of becoming unviable in their particular trades'.<sup>34</sup> Beyond that, however, employers found 'it necessary to retain foreign seamen, even if wages were increased, in order to avoid a sudden demand for and artificial scarcity of U.K. seamen.' Ocean executives spoke of the 'shortage of acceptable UK ratings' and the 'stranglehold' exercised by the National Union of Seamen over the supply of seamen. OFL's

financial report for 1974 stated that despite substantial pay rises throughout the sector in the UK, 'great difficulty is still being experienced by all ship owners in maintaining the minimum necessary manpower levels.' And while OFL realised that 'paying some categories of employees on a much lower level than others was not compatible with Ocean's conscience as an employer', the fact that the non-doms' home countries were fiercely opposed to higher pay for their nationals conveniently alleviated such concerns.<sup>35</sup>

Maintaining access to overseas labour was important for Ocean, and this was threatened not only by proposed legislation requiring British wages for non-domiciled seafarers. In addition, keeping in touch with seafarers and manning agents by reliably offering employment opportunities became more and more difficult as fleet size declined. Soon, OFL were 'worried at the drastic reduction in the number of Chinese ratings due to the sale of ships'. The Chinese were regarded as 'a highly skilled component of our seafaring expertise', and giving up the foothold in the Hong Kong labour market would leave OFL 'with all our eggs in a British or West African basket'.<sup>36</sup> It was discovered that, from a human resources point of view, fleet size could not be flexibly scaled up and down at will; reducing it beyond a certain point implied giving up access to a pool of labour that was necessary for any future expansion. While Ocean delayed decisions about fleet size in 1976-77, it sought to maintain a foothold in the Hong Kong labour market. Once the decision to plan for a permanently reduced fleet had been made Chinese crewing was abandoned altogether.<sup>37</sup>

As a general rule, Ocean seems to have sought to avoid the direct employment of UK-based, unionised manual labour. Activities such as stevedoring and maintenance were outsourced and Ocean managers were willing to accept a higher costs and lower quality in such services as the price to pay for extricating the company from involvement in UK industrial relations. The ratings employed on Ocean's ships were not permanent employees of the company and many were

seafarers from developing countries who were not members of UK unions and remained outside the cultural and institutional setting of UK industrial relations.

#### **4. Third-party ship management (TPSM) and Ocean's officer workforce**

While Ocean was seeking to reduce direct employment of unskilled manual labour, it put considerable effort into managing officer staff numbers. OFL's managers always had a clear idea of the officer numbers required for a given level of company activity and were aware of wastage rates, training requirements, salary levels within the industry. Advanced manpower planning techniques were applied only to the shore-based managerial staff.<sup>38</sup> Paternalistic concern for the company's employees was strong, and, in internal discussion, finding continued employment for highly valued officers and ship managers at a time when the prospects for traditional general cargo liner shipping were dim was frequently given as a key reason for strategic decisions. The tanker and bulk trades were entered in the late 1960s not only because they seemed more profitable than liner shipping, but also because, unlike radical diversification away from shipping, they would allow Ocean to continue to make use of its existing sea staff and shipping expertise. Ocean always saw itself as dependent on the quality and dedication of staff and hoped to provide 'rewarding careers' for them. Taking stock after the restructuring of 1971-3, Ocean's 1973 annual report listed four strategic objectives, with building on and developing the 'quite exceptional quality and dedication' of its staff at the top. Reduction of dependence on liner shipping and expansion in bulk trades was the second objective, expansion into non-marine activities the third and expansion in continental Europe and Southeast Asia (*i.e.* reduced dependence on the UK) the fourth.<sup>39</sup>

***From expansion to uncertainty***

This focus on employees as Ocean's key resource made it difficult to shift away from shipping altogether when expansion in bulk shipping came to a sudden halt in the early 1970s as a result of overcapacity and the 1973 oil crisis. From then on, it was hoped to turn the acquisition of Third-party ship management (TPSM) business into a means of employing the officer and engineer workforce. Though only managing three ships for other owners, Ocean had experience in costing and supplying ship management services to its own ships operated by OCL. It was hoped that as Third-World countries were setting up shipping companies without having access to qualified seafarers and managers, OFL could make money by supplying officers and organising supplies, maintenance, and other aspects of ship operation. It was also envisaged that OFL might make use of Ocean's reputation and high standards of pay and accommodation to attract additional staff for its TPSM business. The business plan for OFL's TPSM activities set out three objectives: '(a) To improve the morale of seafarers. (b) To make a profit. (c) To benefit other Group business relations.'<sup>40</sup> Staff morale was placed first, demonstrating the rationale for engaging in TPSM. Ocean believed: 'The key resource is manpower.' In an industry 'desperately short of seafarers', in particular officers, Ocean had to 'build up and retain a loyal sea staff.'<sup>41</sup> Losing scarce skilled staff to competitors could severely restrict Ocean's ability to man and operate its own ships. But if Ocean managed its human resources better than the competitors, it could hope to make a profit from shipping as well as from selling ship management services to companies who were 'unable through shortage of numbers to continue to man their own ships.'<sup>42</sup> For these reasons, human resources took centre stage in company strategy.

In theory, Ocean's priorities were clear: OFL was to provide seafarers for Ocean's own ships and engage in TPSM activities, giving 'priority to Group interests at all times' and approaching TPSM projects 'in a profit-oriented and business-like manner'. The business plan cautioned that TPSM

should not be seen 'as a year to year method of "smoothing over" peaks and troughs in Group ship numbers' – at least 'in the absence of a contraction in the number of Group ships'.<sup>43</sup> Yet, contraction in the number of ships and uncertainty over the future extent of Ocean's shipping activities were precisely the problems that dominated the agenda from 1975 onwards.<sup>44</sup> Indeed, TPSM was most often discussed not in terms of exploiting the company's proven strengths but as a tool to manage staff numbers.

Considerable discussion took place in the middle of 1975 about the role and importance of TPSM contracts for OFL and for the Group as a whole. It was recognised that, for Ocean, TPSM was primarily about manning ships rather than maintaining and operating them, and that this business was 'not *per se* particularly attractive.' There was no need for it when good officers were in short supply and all of them were required for Ocean's own ships, while a surplus of officers would usually arise as a result of a downturn in the industry when it would be difficult to find profitable TPSM business.<sup>45</sup> Nonetheless, the Marine Committee, the body co-ordinating the activities of Ocean's three marine divisions, saw reasons to persist with TPSM.<sup>46</sup> The most important of these was morale: 'To the extent – and it will be a considerable extent – that our marine activities will continue to generate a large part of our profits, our seafarers will remain essential to our future profitability. They represent, therefore, a highly valuable, and currently scarce, resource.' While Ocean was selling off older ships, TPSM contracts were needed 'in order to maintain ship numbers – and to avoid a belief in the Fleet that we are committed to a policy of ship contraction.'<sup>47</sup> The second reason for persisting with TPSM was that it might be the only way for Ocean to establish a foothold in growing markets such as the Middle East where governments insisted on building up their own national shipping companies. While OLL, Ocean's liner shipping division, feared TPSM would have a negative impact on its own manning needs, the Marine Committee decided that TPSM was 'necessary to convince the Fleet ... that OFL was not a shrinking business', offering a

‘useful boost to morale’.<sup>48</sup> These discussions made it clear that shipping was to a considerable extent a ‘people business.’ This came with specific risks and commitments, such as worrying about staff morale, as well as ‘redundancy risks or additional pension commitments which were likely to be increasingly burdensome’.<sup>49</sup>

Barely profitable TPSM contracts continued to be considered because they would allow Ocean to hang on to staff and ‘to enable the Group to grasp any future opportunities for expansion’.<sup>50</sup> Such opportunities always seemed to be just around the corner but never actually materialised. Global recession and the UK’s specific economic difficulties made for a ‘very bleak’ outlook for all of Ocean’s businesses by early 1976.<sup>51</sup> With the effects of cyclical recession and structural change in the industry superimposed upon each other, the situation was difficult to read. Initially, profits in the new bulk shipping and non-marine activities were hit particularly hard, while they held up pretty well in the remaining liner shipping operations where freight rates were set by cartel-like ‘conferences’.<sup>52</sup> For the moment, Ocean had to give up on its medium-term ambition of turning itself from a liner shipping company into one earning roughly a third of its profits each in liners, bulk, and non-marine activities. It was now assumed that the decline in liner business would be slower than forecast and that the fleet would shrink from 70 ships in 1974 to 61 in 1981 and then remain at that level (see table 3). Even this modest run-down, however, would require a reduction in sea and shore staff with dangerous human resources implications, including a ‘decline in fleet morale; an adverse effect upon Fleet recruitment; a possible lowering of standards in consequence and therefore a decline in those very skills upon which we depend both to maintain our existing marine business and market positions; and to expand.’ This statement highlights how fragile Ocean’s situation as a company depending primarily on skilled staff was at a time of structural change and global recession.<sup>53</sup>

Ocean's entire management structure had been designed in the boom conditions of the early 1970s to underpin expansion into new marine and non-marine activities, raising expectations that now gave way to disappointment and creating a 'fat overhead' that 'could not be indefinitely sustained'. There was a choice between contraction or a renewed attempt at expansion: either to 'raise the level of Group activity in order to: utilise the capacity of our management structure; meet the aspirations of our staff; obviate the need to contract our management structure; and in particular, to prevent any further erosion of our marine base; or: to contract the management structure to match the level of Group activity.' This choice was not made. During 1976, Ocean worked to a 'holding plan' while seeking to identify growth opportunities.<sup>54</sup>

The challenge of managing Ocean's manpower under these conditions had repercussions on the whole company. Already in January 1976, OLL was authorised to charter out three or four of its ships at a loss, 'in order to help minimise overmanning and redundancy costs in O.F.L.'<sup>55</sup> Older, inefficient ships were kept in service rather than sold or laid up just to provide employment for sea staff. OFL was asked to aggressively seek TPSM contracts to allow Ocean to sell older ships and transfer seafarers to ships managed for third-party owners. It is a sign of the depressed state of the industry that soon it was considered to 'go below break-even figures if necessary to obtain other ship management contracts as a less expensive alternative to run-down and redundancies.' TPSM thus came to occupy a central role in Ocean's plans, and while initially TPSM was to be used to employ surplus staff and keep promotion opportunities open, it now became necessary to hold on to surplus staff while seeking TPSM contracts so as to be able to offer well qualified officers on the open market.<sup>56</sup> In addition, TPSM affected Ocean Group's management of its ratings: As the National Union of Seafarers had a veto over the manning of new ships with non-UK seafarers, Ocean's ability to man its own ships in this way was likely to be constrained if Ocean upset the NUS by offering cheap TPSM contracts based on low-cost non-UK manning.<sup>57</sup>

Ocean were reluctant to consider redundancies, because of the considerable cost involved and also because it was feared that wastage rates would increase and morale plummet. HR considerations thus were key in tipping the balance away from contraction and towards increased use of TPSM contracts to demonstrate 'resolve to maintain a broad marine base' and make promotion opportunities available to all qualified staff. OFL's board concluded: 'Every endeavour must be made to retain good certificated men and to keep promotion moving'.<sup>58</sup> Morale was seen as 'a vital factor in retaining motivated sea staff', and various measures were taken to improve it, ranging from refurbishing the accommodation on older vessels to speeding up promotions by retiring senior staff.<sup>59</sup>

Over the spring of 1976, OFL energetically pursued negotiations with several British and overseas companies over various TPSM contracts, but to no avail.<sup>60</sup> Some of the firms approached were dragging their feet, others were deemed unsuitable as their 'business ethics were below our standards.'<sup>61</sup> By late 1976, 'systematic crew reductions' had become inevitable. To minimise costly redundancy procedures, underperforming staff such as uncertified Third Officers who had repeatedly failed their examinations were targeted, and a number of senior officers were offered retirement on medical grounds.<sup>62</sup>

In September 1976, the Marine Committee concluded that 'the coming 12 months was likely to be critical to Ocean's manpower position'. Ocean decided to tender for a number of TPSM contracts with Libya at break-even price because this would be 'better than chartering out surplus owned vessels at a loss' and because 'this business would maintain employment of valuable personnel until TPSM prospects hopefully improved.'<sup>63</sup> By this time, TPSM contracts for at least ten ships were required to avoid further redundancies.<sup>64</sup> Ocean, like other shipping companies, were trying to retain surplus senior officers in view of a possible revival in business while 'good juniors were scarce' – a situation in response to which Ocean had expanded their cadet training programme in

1974 and 1975, now taking in 75 deck officer and 60 engineering cadets a year. With all firms holding on to their staff, the expected surplus of officers on the open market did not materialise, constraining Ocean's ability to tender for larger TPSM contracts while making it all the more necessary to hold on to, and find something to do for, existing staff.<sup>65</sup>

When OFL's strategic plan for 1977-81 was approved by the Board in November 1976, it was noted that the 'manning issue was the most critical one'. Despite the warnings given by the Marine Committee at the beginning of the year that loss-making TPSM contracts were acceptable only temporarily, the preference still was for hanging on to staff 'in anticipation of management contracts, even if the budget had to show a deficit.'<sup>66</sup> Surplus manning and redundancies turned out to be more costly than anticipated and honouring OFL's commitment to keep officers' salaries 'in the top quartile of comparable companies' added to the expense. Further savings on staff costs were unavoidable, and considerations of morale pointed to making these by reducing staff numbers rather than by depressing salaries. Although ongoing talks about TPSM projects that would require large number of officers at short notice made it difficult to arrive at a clear line of action, an increase in officers' salaries was agreed soon after, alongside further redundancies.<sup>67</sup> The problem of engineer overstaffing solved itself, with 131 of them leaving in 1976, many of whom went into shore jobs (a wastage rate of 17%, against 12% for nautical officers and 20% for cadets). With eight surplus ships kept in the fleet to prevent redundancies, towards the middle of 1977 OFL's manpower resources were momentarily stretched, showing the effects of continuing uncertainty on OFL's ability to effectively manage the Group's labour force.<sup>68</sup>

Preparing the Group Strategic Plan for 1977-81 took until February 1977 amid continuing uncertainty in the global economy and in shipping markets. Liner shipping still dominated Group activity and profits, but it was clearly in decline (see table 4). The 'oversupply of tonnage' was expected to get worse due to the shipbuilding subsidies paid by many governments. While

Ocean's financial results for 1976 had been good, and expansion, including the 'creation of more employment prospects', was listed as one of the company's key objectives, plans for investing the cash raised by selling assets and by a rights issue early in 1976 were lacking. The expansion of TPSM business despite 'our present limited success in this field' was proposed to compensate for a quicker reduction in ship numbers, which were now envisaged to reach 50 rather than 61 by 1981. Expanding TPSM, it was hoped, would allow the company to shift away from low-profit, mature sectors such as liner shipping in the medium term while, in the short term, preventing an 'erosion of our marine base', redundancies, decline in 'fleet morale' and a 'shortage of seafarers to man ships' in case the long awaited expansion materialised.<sup>69</sup>

Doubts over the future direction of Ocean's activities were profound at that time. The 1977 Group Strategic Plan acknowledged Ocean's 'personnel problems ..., some of which derive from changes in the external environment, others from changes within Ocean's own business.' The shipping crisis was only one of the company's worries. Soaring inflation and public expenditure, generalised economic underperformance, 'a general lack of business confidence', the increasing influence of the trades unions, plans to implement 'industrial democracy' and nationalise vast swathes of industries (including banks, ports, shipbuilding, ship repair) made the UK appear as an unpropitious place to do business. The 1977 Strategic Plan discussed to what extent Ocean should seek to withdraw from the UK 'which is characterised by slow growth, a weak currency, excessive legislation and currently is not conducive to the creation of wealth', and from the transport sector where increasing government intervention seemed likely. The company considered radically shifting its activities towards areas 'such as manufacturing? leisure? mining? engineering? or what?' A little earlier, 'transferring sections of the Group's shipping activities to an overseas flag' had been considered, for fiscal reasons as well as for 'insulation from labour problems in U.K.'<sup>70</sup> This accumulation of question marks in a strategic plan betrays a certain amount of desperation

but it should be noted that Ocean was by no means alone in facing such existential uncertainty – the whole shipping industry was in a similar situation, along with, for example, many of the multinational trading companies studied by Geoffrey Jones.<sup>71</sup>

Ocean saw it as risky to be in a people-intensive business ‘in an environment of high unemployment and high inflation’.<sup>72</sup> At the same time, however, Ocean wanted to see itself as a ‘responsible employer’ and ‘plan the development of the Group’s human resources so as to ensure that all Ocean’s staff are properly and equitably treated and have the opportunity to fulfill (sic) their potential.’ In the end, HR considerations were significant in deciding against leaving the UK behind. While it remained company strategy ‘to reduce our dependence on the U.K. economy’, ‘[d]eliberate contraction of Ocean in U.K. is ruled out if we really mean to be a responsible employer.’<sup>73</sup> Accordingly, while uncertainty persisted it was agreed that TPSM had to be ‘continued in order to ensure security and flexibility in times of fluctuating demand and to facilitate a trend towards lower promotion ages.’<sup>74</sup>

### ***From uncertainty to contraction***

Shipping still accounted for 70% of Ocean’s profits, but only 30% of turnover, in 1977. The following year, shipping produced a loss.<sup>75</sup> Late 1977 marks something of a turning point in Ocean’s view of the future of its shipping activities and marine labour force. It was now accepted that the shipping crisis was much deeper and would last much longer than initially thought. Ocean’s LNG carrier *Nestor*, ordered at a price of more than £60m in order to provide the company with a secure stream of profits from a promising new sector of shipping went straight from the shipyard to Loch Striven to be laid up (alongside its Dutch-owned sister ship, *Gastor*). It remained there, idle, until sold off in 1989. The final draft of OFL’s strategic plan for 1978-82 was based on a fleet of 58 ships (down from 66 the previous year), with alternative scenarios for 45 and 49 ships. A confidential meeting early in February 1978 concluded that manning requirements

had to be revised for a fleet of only 42 ships, immediately creating a surplus of 325 officers (see table 5 for the development of employee numbers up to that point). Far from representing any savings, this meant budgeting for substantial redundancy payments.<sup>76</sup>

A critical reassessment of Ocean's approach to TPSM and manning followed. It was now realised that TPSM and other short-term devices to prevent the 'erosion of the marine base' and keep up staff numbers and morale while waiting for growth opportunities to emerge had been costly and futile. Ocean was left with surplus staff operating outdated ships at a loss – a situation representative of much of British industry at the time. The Marine Committee concluded that 'failure to sell unwanted assets on a falling market in order to protect employment had left the Group in a worse position and with fewer options to achieve that objective.' Hanging on to the *Priam* class ships designed in the late 1950s which were unsuited to the container age had prevented Ocean from acquiring or chartering modern tonnage. In future, Ocean would have to 'be more responsive to market conditions' when deciding to buy and sell ships.<sup>77</sup> Older ships had to be sold off for scrap value as the market had collapsed – all shipowners were building large container ships and transferring suddenly outdated conventional ships, still only a few years old, to the remaining non-containerised routes.<sup>78</sup> British shipowners have been criticised for their reluctance or inability to make a profit from buying and selling ships at the appropriate time.<sup>79</sup> Ocean's example suggests that at least in this case the reason was a result of their HR strategy. With the shipping industry now in its deepest depression since the 1930s, it was clear that 1978 would 'not be an easy year'. From late 1977, OFL was seriously 'looking at reducing numbers ashore and afloat' and redoubling efforts to improve management of the fleet on both an operational and a strategic level.<sup>80</sup> Operational changes introduced in the mid-70s included making more efficient use of the Masters' time during long voyages and reducing the time crews spent cleaning the engine rooms. An increase of beer and lager prices in the staff canteens to

'appropriate levels' was also decreed (apparently without considering the impact on staff morale). Officers and crew were given more responsibilities for maintenance and cost control. The Department of Trade declined permission to operate new ships with reduced deck crews, but the introduction of self-service allowed reducing the number of catering staff. A long list of older ships to be sold off was drawn up, only some of them to be replaced.<sup>81</sup>

The 'more efficient and economical management of a smaller fleet of about 40 ships' required restructuring both sea and shore staff within OFL, which was undertaken at a series of board meetings in February 1978. It was expected that Second Officer numbers would likely be sufficiently reduced through natural wastage, these officers typically being at a stage in their career where they would consider starting a family and settling down in a shore-based job. Masters and Chief Engineers would have to be made redundant in substantial numbers, and it was difficult for them to find adequate employment elsewhere.<sup>82</sup> While still hoping to acquire a major TPSM contract that 'would change the situation completely', OFL decided to openly lay these difficulties and the need for redundancies before staff, emphasising the promotion opportunities that would open up if Masters and Chief Engineers were retired.<sup>83</sup> After several years of hesitation, a substantial reduction in fleet size and staff numbers was now implemented, with the aim of making all necessary adjustments during 1978.<sup>84</sup>

This included the decision to no longer hold on to surplus staff as a reserve in case a TPSM contract could be acquired. Whereas previously OFL had sought TPSM contracts to avoid costly redundancies, the thinking now was that redundancies would free OFL from the need to tender for unattractive TPSM business.<sup>85</sup> It was now argued that using TPSM as a tool 'to maintain employment' only produced a 'doubtful benefit if it meant that in the long run it had to be abandoned and seafarers made redundant in a worse market at a worse time'.<sup>86</sup>

Overall, 1978 was 'a deep disappointment' and a turning point in the development of Ocean as a shipping company. While non-marine profits were decent and diversification was 'beginning to pay off', the bulk trades were in continued crisis and the liner trades were hit hard by a falling market, congestion in the ports of oil-producing countries and fierce competition.<sup>87</sup> When Ocean chairman Lindsay Alexander addressed OFL's board in November 1978, he concluded that the 'past year had been a ghastly year for OFL both ashore and afloat'. From over 90 ships in 1970, at the dawn of the container age, the fleet had shrunk to a little over 40. A few months later, it would be down to 37, losing 23 cargo liners in a little over a year. Promotion opportunities were blocked throughout the ranks, and further redundancies unavoidable. The baseline assumption was now 'that there would be a downturn rather than an increase in the number of ships which would preclude holding additional officers.' Chinese crewing was abandoned, and with falling numbers of sea staff, shore staff had to be reduced as well.<sup>88</sup> The Dutch subsidiary NSMO was closed as the 'considerable extra cost of Dutch manning ... could no longer be justified'. This reduction in marine activity required reviewing the Group structure 'because the existence of four separate marine divisions, appropriate though this was for a fleet of up to 100 ships, in a period of rapidly expanding world trade and marine opportunity, could no longer be justified.' By 1979, OFL, OLL and OTL were no more and all shipping activities had been merged into a single Marine Division covering fleet management, procurement, and commercial operation of deep sea ships. During 1978, 800 seafarers and 120 shore staff were made redundant, at a cost of £8m (£3m more than budgeted for at the beginning of the year). The chairman noted: 'It was a bitter and deeply regrettable experience' and an action 'so foreign to our tradition'. But it was also hoped that 'the worst may be over'.<sup>89</sup>

It was not. Although the new Marine Division performed well in terms of improved coordination and decreased overhead costs, the industry remained in a seemingly permanent crisis. The 1981

Annual Report noted: 'We have slimmed our numbers considerably every year since 1977'.

Ocean's cadet training establishment, now far too large for the company's requirements, was loaned to Liverpool City Council.<sup>90</sup> 1981 was the last year when shipping, largely container shipping, provided a substantial part of Ocean's profits but by that time Ocean already had begun withdrawing from its involvement in the management of OCL's container ships and further reduced its fleet, seeking to 'actively continue ... reorientation' away from shipping.<sup>91</sup> The 1984 report describes Ocean as an 'international Group providing industrial services to major organisations' and its strategy as 'to concentrate on the development of the Group's non-marine activities'. In 1986, a 'year of successful transformation', Ocean sold its stake in OCL at a substantial profit and invested in further expansion in land services markets and marine services, ceasing to be a liner shipping company.<sup>92</sup>

## **5. Analysis**

Ocean saw itself as 'people business' and as such needed to place the management of its human resources at the centre of its strategy. It was impossible to operate ships without qualified seafarers and shore staff, and Ocean's culture and business model as a liner shipping company at the top end of the market were based on well-trained staff providing a high-quality service rather than operating as cheaply as possible and accepting the risk of accidents, breakdowns and delays. There were periodic severe shortages of seafarers in the UK and while Ocean could to some extent hire ratings abroad this was not possible for officers, nor for experienced shipping managers. But, while human resources were essential, there was a danger of HR concerns determining rather than serving Group strategy. BCG's consultants had warned in 1972 against OFL, the staff and maintenance arm of Ocean, 'becoming the tail that wags the dog'.<sup>93</sup> OFL's weight within the company structure that was then being developed was therefore reduced. Nonetheless, in the mid-1970s Ocean seemed to give priority to the management of staff numbers and staff morale

over other strategic concerns.<sup>94</sup> While Ocean withdrew from activities that involved a high proportion of unionised manual labour, it held on to its officer workforce and to the ships they manned, unable to decide about the future of its shipping activities. The decline of traditional liner shipping left Ocean with surplus staff operating outdated ships at a loss, despite the efforts that had been made to re-focus the business away from liners in particular and the shipping industry in general. The company's executives eventually realised that their attempts to 'protect employment had left the Group in a worse position and with fewer options to achieve that objective'; maintaining employment through short-term expedients had led to 'seafarers [being] made redundant in a worse market at a worse time'. Both the company and its seafarers seemed worse off than would have been the case had more drastic and more speedy action been taken.<sup>95</sup> This contrasts with Ocean's competitor Hapag-Lloyd who had nearly 100 conventional cargo liners in 1970 (*i.e.*, slightly more than Ocean) but reduced that number much more decisively once they started operating container ships and were down to 33 ships already by 1974.<sup>96</sup> It should be noted though that Hapag-Lloyd were much less successful in diversifying their activities than in reducing ship numbers and that as a business rather than as a shipping line, Ocean appear to have been more successful in these years than the German company.<sup>97</sup> Ocean's performance also compares favourably with that of other UK shipping firms – Furness Withy, for example, was taken over by Hong Kong shipping entrepreneur C.Y Tung in 1980, and P&O encountered similar problems to Ocean in its attempt to diversify away from shipping.<sup>98</sup>

What were the reasons for Ocean's hesitations? Marshall Meek, Ocean's chief naval architect, argues that two reasons explain why 'the firm text-book businesslike action' of closing Ocean's shipping activities and investing in different lines of business was not pursued: 'the decency of a management still tending towards paternalism' and their 'lack of confidence and expertise'.<sup>99</sup> Certainly, Ocean's wish to be (and not just to be seen as) a 'responsible employer' played an

important role in the decision to repeatedly delay redundancies. It also influenced the earlier decision in favour of a slow and gradual run-down of traditional liner shipping, accompanied by redeployment of sea and ship management staff into other sectors of shipping.<sup>100</sup> Again, Ocean were by no means unique in adopting such a course which was also, for example, pursued by large multinational trading companies such as United Africa Company.<sup>101</sup>

It is not easy to determine the extent to which it would have been possible or desirable under the circumstances of the time to close Ocean's shipping activities earlier.<sup>102</sup> In 1971/72, Ocean's younger executives were in favour of quicker and more radical diversification away from shipping than proposed by Boston Consulting Group.<sup>103</sup> Until the second half of the decade at least, BCG's position seemed vindicated as liner shipping and liner shipping profits held up much better than had been expected while Ocean's new 'development businesses' were slow to make a profit and the new bulk shipping activities were struggling.<sup>104</sup> Operating ships had been Ocean's key activity and most obvious strength for over a hundred years. In terms of profits and quality of service, Ocean outperformed its competitors, turning a profit even in very difficult times and in difficult markets through constant technological and operational improvement. Even if shipping represented a dead end, a sudden change of direction would have meant abandoning activities that were still profitable. Diversifying within shipping represented a way to exploit Ocean's existing strengths, whereas diversification into other sectors would have led Ocean into areas where it had little expertise. When the move into bulk and LNG shipping was begun in the late 1960s, these were growth sectors. Predicting the decline they would experience within a few years would have required an ability to foresee the 1973 oil crisis and the expansion of shipbuilding subsidies which led to severe overcapacity in a contracting market.<sup>105</sup>

Overall, the development of shipping markets was difficult to read amidst uncertainties and wild swings.<sup>106</sup> However, unless Ocean was prepared to definitely forgo any plans for future expansion

in shipping it had to hang on to its officer workforce. If 'lack of confidence and expertise' played a role here, the mid-1970s was not a time when it was easy for business leaders to be confident and examples of businesses demonstrating more expertise hardly abound. On the other hand, a company more experienced in bulk shipping than Ocean with their background in liners would have had a greater sense for the cyclical nature of that business and seen the readiness of banks to finance shipbuilding on the security of a mere mortgage on the ship, rather a charter and thus guaranteed income,<sup>107</sup> as a sign that the market was overheating. The disastrous decision to invest heavily into LNG carriers was based not just on an inaccurate forecast but on a straightforward error in calculating probabilities.<sup>108</sup> Many strategy documents express unease about a lack of decisive action, while betraying uncertainty about the direction to take.

The key issue was whether to envisage complete withdrawal from shipping. Over time it became clear that the policy of keeping options open and accepting at most a gradual run-down was inherently problematic. It led to reduced promotion opportunities and declining morale and encouraged the best junior staff to leave. A lot of Ocean's capital remained tied up in rapidly depreciating and barely profitable shipping assets.<sup>109</sup> Hence the increasingly desperate search for new opportunities to expand, or to be able to pretend that renewed expansion was just around the corner.

From a historian's perspective it is less important to judge whether Ocean's executives took 'correct' decisions than to understand why and under which real or perceived constraints they acted. In this context, it will be necessary to consider the outlook as well as the self-interest of managers and executives. Board level discussions give the impression that finding something to do for managers often was a reason for hanging on to lacklustre businesses. When the choice between expansion and contraction came up, it was naturally preferred to 'raise the level of Group activity' and 'utilise the capacity of our management structure' rather than 'contract the

management structure to match the level of Group activity.<sup>110</sup> Even the earliest attempts at drawing up a Group strategic plan started with the assumption that 'our exceptional ship management team' was one of the company's key resources which justified keeping the number of ships 'as high as is compatible with satisfactory profitability in order to make use' of that resource.<sup>111</sup> When OLL, OFL and OTL were merged into a single Marine Division in 1979, this meant the loss of directors' and senior managers' positions and of promotion opportunities. It is natural to assume that directors and managers were not keen on closing down activities on which their own jobs, and those of the teams they led, depended, and this will at least have provided an additional support for paternalist sentiments. At the same time, there is little doubt about the genuine paternalism of Ocean's long-standing directors, including chairman Lindsay Alexander. They were committed to the project of modernising their company but also to upholding a century-long tradition of paternalistic care for highly valued employees and to their city of Liverpool. As such, most of them were transitional figures rather than the 'new men' Michael Miller sees driving the container revolution. Alexander's successor W.M. Menzies-Wilson whose background was in steel and who described himself as 'not a wildly enthusiastic shipping chap' completed the cultural shift from Liverpool-based shipping firm to business enterprise.<sup>112</sup> Ocean's shareholders, likewise, were not free-wheeling global investors but members of Liverpool's business elite who shared the outlook of Ocean's directors.<sup>113</sup>

While Ocean's difficulties in managing staff numbers and morale at a time when globalisation – partly driven forward by Ocean itself – was disrupting its business are instructive from the point of view of that individual company's strategy, it is important to stress that such strategy is never developed in a vacuum. The wider context is important in explaining why 'textbook solutions' such as outsourcing or rapid divestment were not taken up. The economic environment in the UK severely limited Ocean's options and provided much justification for hesitation and inaction. On

an operational level, Ocean's approach to functional specialisation, the division of labour and outsourcing seems to have been governed more by a desire to disengage from toxic industrial relations in occupations involving UK manual labour than by theories about optimal enterprise structure. Redundancies were expensive, partly because of Ocean's commitment to offering generous terms. Ocean's redundancy payments in 1978 ran to £8m, that is one-sixth of the company's wage bill or nearly as much as pre-tax Group profits that year.<sup>114</sup> The redundancy costs involved in a swift exit from shipping would have been prohibitive.<sup>115</sup>

On a strategic level, alternative opportunities to invest were difficult to find. While rejecting withdrawal from the UK, Ocean did not want to expand activities in its home country which it now classified as 'low growth / medium risk' and 'hostile to wealth creation'. Instead, growth was to be sought in continental Europe ('medium growth / low risk') and in some developing countries ('high growth / high risk'). However, investment outside the UK risked a negative reaction from employees, the government and shareholders. Bank of England approval was required for transferring capital out of the country, and unlikely to be given. Ocean assumed that capital for projects abroad would have to be raised abroad and any loans serviced out of local cash flow.<sup>116</sup> Holding capital outside the UK required ruses – Ocean's Dutch subsidiary NSMO was kept open until 1978 primarily because it helped Ocean to 'keep what money it can out of the U.K. for exchange value reasons' (*i.e.* as a protection against inflation and devaluation). Ocean were aware that the Bank of England kept 'a close eye on the Group's overseas funds and historically compel us to bring back to the U.K. those which are deemed to be surplus'. Therefore, Ocean sought to maintain 'the level of shipping operations in Holland required to sustain' holding large sums of money there.<sup>117</sup> Redistributing capital to shareholders or employees or winding down the business altogether was also difficult, with dividends and salary increases capped by law.

## **6. Conclusion**

For Ocean, there was no simple, theoretically correct solution to the question of how to determine and maintain appropriate staff numbers, because of powerful political and other constraints and because of immense uncertainty at a time of overlapping structural and cyclical disruption. In the context of labour militancy and increasing regulation of labour and of capital transfers it was difficult to run a 'people business'. Ocean was led to adopt strategies that were not 'in the textbook' and would not have been used by businesses on the Continent which faced different contexts and constraints. As the management literature of the 1970s acknowledged, manpower planning had to take into account a vast array of internal and environmental, material and immaterial factors and could only result in an assessment of likely outcomes and 'trouble spots', not firm forecasts.<sup>118</sup> In a wider perspective, Ocean's history illustrates how, in Michael Miller's words, transformations that 'would subsequently erase European shipping superiority and drive many from the sea' were partly driven from within European shipping companies themselves.<sup>119</sup> These companies were neither passive victims of globalisation and structural change, nor in control of them. The impact and rhythm of such transformations were not easy to foresee and to figure into corporate strategy, but ultimately, 'people business' or not, Ocean had to adapt its human resources strategy to its overall strategy for survival in a changing environment.

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<sup>2</sup> Falkus, *Blue Funnel Legend*, 1. This work provides a comprehensive history of Ocean up to the early 1970s. For additional important information, see Davies, *The Trade Makers*, ch. 17, and Meek, *There Go the Ships*.

<sup>3</sup> The most important sources for the following are OFL board minutes, Marine Committee minutes (the Marine Committee coordinated the activities of OFL, OLL and OTL), and Ocean Group strategic plans and annual reports. Executive Committee minutes are unfortunately lost. In addition, I have been able to interview Nicholas Barber, Ocean's first strategic planner, and his successor, David Riddle.

<sup>4</sup> For a general overview see Miller, *Europe and the Maritime World*.

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<sup>5</sup> Kaukiainen, "Journey Costs"; "The Role of Shipping in the 'Second Stage of Globalisation'".

<sup>6</sup> For an overview, see Broeze, *Globalisation of the Oceans*, Levinson, *The Box*, and Miller, *Europe and the Maritime World*. Contemporary perspectives are provided by van den Burg, *Containerisation* and *The Economist*, "Moving Goods in the 1970s".

<sup>7</sup> On the history of globalisation see Osterhammel and Petersson, *Globalization*; on the links between global and maritime history, Fusaro and Polónia, eds., *Maritime History as Global History*.

<sup>8</sup> For Norway, see Tenold, *Tankers in Trouble*; Tenold and Nordvik, "International Shipping Crisis", for the UK, Hope, *British Merchant Shipping* and Jamieson, *Ebb Tide*.

<sup>9</sup> On British shipping policy, see Palmer, "Government and the British Shipping Industry".

<sup>10</sup> See the Rochdale report (*Report of the Committee of Inquiry into Shipping*) 40-58, and the works cited in note 11.

<sup>11</sup> In particular Sturmeay, *British Shipping and World Competition*; Goss, "Rochdale Remembered"; "Strategies in British Shipping 1945-1970".

<sup>12</sup> Falkus, *Blue Funnel Legend*, 306 ff.

<sup>13</sup> See, for example, the discussions on [www.shipsnostalgia.com](http://www.shipsnostalgia.com) for general views about Ocean and its staff.

<sup>14</sup> Falkus, *Blue Funnel Legend*, 338 f.

<sup>15</sup> See Gardner, "Container Revolution" and Miller, *Europe and the Maritime World*, 319-322 and 332-342, on the wide-spread sense within the shipping world that containers meant a completely new departure.

<sup>16</sup> The extent to which Ocean became a knowledge-driven organisation and the influence that this had on their success or failure is a question I wish to discuss in a separate article.

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<sup>17</sup> Wilson and Thomson, *The Making of Modern Management*, 122, 165 f.; Jones, *Merchants to Multinationals*, 205.

<sup>18</sup> P.A. Management Consultants, Survey of the Ocean Ship Company Limited, May 1971, 4.B.2551; John Lindsey Alexander Papers, OA/JLA/box 7.

<sup>19</sup> Wilson and Thomson, *The Making of Modern Management*, 120-23.

<sup>20</sup> OSSC News Release, 16.5.67, 4.A.554; Boston Consulting Group, A Management System for Ocean Steam Ship Co. Ltd., April 1972, OA/JLA/box 7.

<sup>21</sup> See chairman J.L. Alexander's papers on strategic planning and the work with Boston Consulting Group, OA/JLA/box 7. For the wider context see Toms and Wright, "Corporate Governance, Strategy and Structure", 101-105, and, focusing on British multinational trading companies whose situation was in many ways comparable to that of shipping companies, Jones, *Merchants to Multinationals*, ch. 6-7.

<sup>22</sup> Ocean estimated that it took an officer until his late twenties to obtain his Master's Certificate and until the age of forty to get his first command, slightly longer than in other shipping companies: OFL Strategic Plan 1975-1979, 4.B.1857.

<sup>23</sup> For a history of British maritime labour see Lane, *Grey Dawn Breaking*. See also the Rochdale Report (*Report of the Committee of Inquiry into Shipping*), 212-289. On labour shortage as a driver of rationalisation see King, "Technology and the Seafarer".

<sup>24</sup> The literature largely focuses on the manufacturing sector. For a summary see Wilson and Thomson, *The Making of Modern Management*, 117-23, 165 f.

<sup>25</sup> OTT Annual Report and Accounts 1972, 2.C.4031.

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<sup>26</sup> Statement by Sir John Nicholson, chairman: OSSC News Release, 16.5.67, 4.A.554; Meek, *There Go the Ships*, 152.

<sup>27</sup> OFL Strategic Plan 1975-79, 4.B.1857; Marine Committee meetings, 23.4.76, 19.7.76, 7.A.1951-1.

<sup>28</sup> See, for example, Doyle and Smith, eds., *Riding the Waves*, King, *A Love of Ships*, Mostert, *Supership* and Meek, "Taking Stock".

<sup>29</sup> A note on the V.D.R. experiment, 27.11.74, 4.B.2328. The German shipowners' association Verband Deutscher Reeder had commissioned a report on the 'ship of the future' which emphasised automation and the employment of multi-purpose staff trained in nautical as well as engineering matters. See also Marine Committee meeting, 22.12.75, 7.A.1951-1.

<sup>30</sup> Marine Committee meeting, 4.2.76, 7.A.1951-1.

<sup>31</sup> Marine Committee meeting, 25.7.75, 19.9.75, 7.A.1951-1. See also Meek, "Taking Stock".

<sup>32</sup> OTT Annual Report and Accounts 1977, OA/5001/7.

<sup>33</sup> 4.C.2241: Employment of non-domiciled seafarers, and Petersson, "Arbeit und Globalisierung". In the end, an agreement to phase out employment of lower paid non-domiciled seafarers was reached but the real cause for the decline in their numbers was the rapid decline of the British fleet.

<sup>34</sup> E. Storey (Ocean) to A.H. Stevens (GCBS), 3.11.75, 4.C.2241; Marine Committee meeting, 23.9.75, 7.A.1951-1.

<sup>35</sup> Quotations are from: OFL board meeting, 21.4.76, 4.B.2209; ENDS: Suggested speaking notes for the president, 22.9.77, 4.C.2241; Rice-Oxley to Menzies-Wilson, 21.6.77, 4.C.2241; OFL Financial Report 1974, 7.A.1952-1; OFL board meeting, 18.3.77, 4.B.2209.

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<sup>36</sup> OFL board meeting, 20.1.78, 4.B.2209.

<sup>37</sup> OFL meeting with the Executive Committee, 20.11.78, 4.B.2209.

<sup>38</sup> Rees, *Management and Organization Development*, 43-44. On company-wide manpower planning techniques as introduced, for example, at Esso, see Stainer, *Manpower Planning*.

<sup>39</sup> OTT Annual Report and Accounts 1973, 2.C.4031.

<sup>40</sup> OFL Strategic Plan 1975-79, 4.B.1857. For a discussion of the concept of morale in British HR management see Ussishkin, "Morale".

<sup>41</sup> OFL Strategic Plan 1975-79, 4.B.1857.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

<sup>44</sup> OSSC / OTT Annual Reports and Accounts, 2.C.4031 (up to 1975); OA/5001.

<sup>45</sup> Marine Committee note to the Executive Committee, April 1975, 7.A.1951-1.

<sup>46</sup> Members of the Marine Committee were the Managing Directors of OLL, OTL and OFL.

<sup>47</sup> Marine Committee note to the Executive Committee, April 1975, 7.A.1951-1.

<sup>48</sup> Marine Committee meeting, 18.4.75, 7.A.1951-1.

<sup>49</sup> Marine Committee meeting, 25.7.75, 7.A.1951-1.

<sup>50</sup> Marine Committee meetings, 25.7.75, 27.10.75, 7.A.1951-1.

<sup>51</sup> Ocean Group Plan 1976-80, OA/JLA/box 35.

<sup>52</sup> On the conference system, see *Report of the Committee of Inquiry into Shipping*, 116-136, and House of Lords Select Committee on the European Communities, *Liner Conferences*.

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<sup>53</sup> Ocean Group Plan 1976-80, OA/JLA/box 35.

<sup>54</sup> Ibid.

<sup>55</sup> OFL board meeting, 5.1.76, 4.B.2209; see also Marine Committee meeting, 22.12.75, 7.A.1951-1.

<sup>56</sup> OFL board meetings, 16.2.76, 2.3.76 (quote), 4.B.2209.

<sup>57</sup> OFL board meeting, 19.4.77, 4.B.2209.

<sup>58</sup> OFL board meeting, 2.3.76, 4.B.2209; see also Marine Committee meeting, 22.3.76, 7.A.1951-1.

<sup>59</sup> OFL strategic planning meeting, 16.9.76, 4.B.2209; see also Marine Committee meeting, 23.4.76, 7.A.1951-1.

<sup>60</sup> See the various ship management proposals from 1976-79 in 4.B.2327.

<sup>61</sup> OFL board meetings, 18.6.76, 29.6.76, 3.8.76, 4.B.2209.

<sup>62</sup> OFL board meetings, 5.4.76, 13.7.76; OFL strategic planning meeting, 16.9.76, 4.B.2209.

<sup>63</sup> Marine Committee meeting, 27.9.76, 7.A.1951-1.

<sup>64</sup> OFL strategic planning meeting, 21.10.76 (handwritten meeting notes), 4.B.2209.

<sup>65</sup> OFL board meeting, 5.10.76, 4.B.2209, Marine Committee meetings, 21.6.76, 19.7.76, 7.A.1951-1; OTT Annual Report and Accounts 1974, 2.C.4031.

<sup>66</sup> OFL board meeting, 15.11.76, 4.B.2209; Marine Committee meeting, 4.2.76, 7.A.1951-1.

<sup>67</sup> OFL board meeting, 14.12.76, 4.B.2209.

<sup>68</sup> OFL board meetings, 21.1.77, 15.2.77, 4.B.2209; Marine Committee meeting, 27.6.77, 7.A.1951-1.

<sup>69</sup> Ocean Group Plan 1977-81, February 1977, 4.B.1860.

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<sup>70</sup> Ibid.; Marine Committee meeting, 27.9.76, 7.A.1951-1.

<sup>71</sup> Jones, *Merchants to Multinationals*.

<sup>72</sup> Over the years, Ocean had become more labour-intensive; in 1970, it employed 90 people per £1m of capital, in 1976 the figure (at 1970 prices) was 104: Ocean Group Plan 1977-81, February 1977, 4.B.1860.

<sup>73</sup> Ocean Group Plan 1977-81, February 1977, 4.B.1860.

<sup>74</sup> OFL board meetings, 17.5.77, 16.6.77, 4.B.2209; Marine Committee meeting, 23.5.77, 7.A.1951-1.

<sup>75</sup> Table 4 and Shore, *Sunset*, 8.11.

<sup>76</sup> OFL board meetings, 26.10.77, 3.2.78, 4.B.2209. See Falkus, *Blue Funnel Legend* 339-44 for a general overview of Ocean's troubles in these years.

<sup>77</sup> Marine Committee meeting, 28.11.77, 7.A.1951-1.

<sup>78</sup> See Meek, "Glenlyon Class"; Meek and Adams, "'Priam' Class Cargo Liners" for a discussion of designing ships that were cheap to run.

<sup>79</sup> Goss, "Strategies in British Shipping 1945-1970", 257.

<sup>80</sup> OTT Annual Report and Accounts 1978, OA/5001/8; Marine Committee meetings, 20.1.78, 23.5.78, 7.A.1951-1.

<sup>81</sup> OFL board meetings, 5.4.76, 4.5.76, 29.6.76, 15.2.77, 18.3.77, 20.9.77, 21.2.78, 18.4.78; OFL special board meeting, 18.8.78, 4.B.2209; and discussions in Maritime Committee meetings, for example 21.6.76, 28.4.78, 7.A.1951-1; Ocean Group Plan 1976-80, OA/JLA/box 35.

<sup>82</sup> OFL board meetings, 9.2.78, 21.2.78, 18.4.78, 4.B.2209.

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<sup>83</sup> OFL board meeting, 16.2.78, 4.B.2209.

<sup>84</sup> OFL board meeting, 21.9.78, 4.B.2209.

<sup>85</sup> OFL board meeting, 21.2.78, 18.7.78, 4.B.2209.

<sup>86</sup> Marine Committee meeting, 24.7.78, 7.A.1951-1.

<sup>87</sup> OTT Annual Report and Accounts 1978, OA/5001/8.

<sup>88</sup> OFL meeting with the Executive Committee, 20.11.78; OFL board meetings, 30.11.78, 22.1.79, 4.B.2209.

<sup>89</sup> OTT Annual Report and Accounts 1978, OA/5001/8. The fourth marine division mentioned was ship procurement.

<sup>90</sup> OTT Annual Report and Accounts 1979, OA/5001/9; OTT Annual Report and Accounts 1981, OA/5001/11.

<sup>91</sup> OTT Annual Report and Accounts 1983, OA/5001/13.

<sup>92</sup> OTT Annual Report and Accounts 1986, OA/5001/16.

<sup>93</sup> C. Cadell (BCG) to J.L. Alexander, 7.4.72, OA/JLA/box 7.

<sup>94</sup> Nicholas Barber and David Riddle, Ocean's first and second strategic planners, confirmed that the weight given to HR concerns was a result not of the institutional weight of OFL within the company but of the overall collective outlook of senior managers (personal communication, 3.3.2016).

<sup>95</sup> Marine Committee meetings, 24.7.78, 28.11.77, 7.A.1951-1.

<sup>96</sup> Hapag-Lloyd AG, *Geschäftsbericht 1974*.

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<sup>97</sup> For a highly critical, but plausible assessment of Hapag-Lloyd see *Manager Magazin*, “Die Schönwetterkapitäne”. Regrettably, Hapag-Lloyd did not grant access to their archives for the 1970s.

<sup>98</sup> Jamieson, *Ebb Tide*, 48; Shore, *Sunset*, 6.25, 6.54 and table 6.2.

<sup>99</sup> Meek, *There Go the Ships*, 185.

<sup>100</sup> See Falkus, *Blue Funnel Legend* for Ocean’s paternalistic tradition, the importance of which is confirmed by Nicholas Barber and David Riddle (personal communication, 3.3.2016).

<sup>101</sup> See Jones, *Merchants to Multinationals*, 220, and Fieldhouse, *Merchant Capital and Economic Decolonisation*, 680 ff. and 761.

<sup>102</sup> See also Davies, *The Trade Makers*, 396.

<sup>103</sup> N.C.F. Barber to OSSC directors, 4.2.72, 2.3.72; Memo R.H. Hobhouse, ‘Future Organisation of the Company’, 18.10.71, OA/JLA/box 35.

<sup>104</sup> See Ocean’s annual reports for 1974-77 and OTL’s director Julian Taylor’s reference to Ocean’s performing much better in shipping than in non-shipping activities and the continuing ‘shipping/non-shipping debate’: Taylor to Swayne, 22.5.73, OA2412-1. As Gardner, “Container Revolution”, points out, Ocean was not alone in experiencing disappointing returns from diversification over the 1970s.

<sup>105</sup> A point made by Falkus, *Blue Funnel Legend*, 344.

<sup>106</sup> See Tenold, *Tankers in Trouble*, ch. 3 and 4 and in particular p. 52 f. for a discussion of the shipping crisis that highlights such uncertainty.

<sup>107</sup> Jamieson, *Ebb Tide*, 43.

<sup>108</sup> Nicholas Barber, personal communication, 3.3.2016.

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<sup>109</sup> Shore, *Sunset*, 8.12.

<sup>110</sup> Ocean Group Plan 1976-80, OA/JLA/box 35.

<sup>111</sup> Ocean chairman J.L. Alexander to Ocean directors, 9.3.71, OA/JLA/box 7.

<sup>112</sup> Miller, *Europe and the Maritime World*, 337, 341; Shore, *Sunset*, 8.13; Rees, *Management and Organization Development*, 32.

<sup>113</sup> This last point was made by Nicholas Barber (personal communication, 15.8.2016).

<sup>114</sup> OTT Annual Report and Accounts 1978, OA/5001/8.

<sup>115</sup> Nicholas Barber, personal communication, 3.3.2016.

<sup>116</sup> Ocean Group Plan 1977-81, February 1977, 4.B.1860. The Bank of England did indeed veto the proposed sale of Ocean's *Polydorus* to Saudia Arabia, with management resting with OFL: Marine Committee, 22.3.1976, 7.A.1951-2.

<sup>117</sup> Memo R.H. Hobhouse, 1.12.72, 26.7.73; Memo P.R.F., 8.8.73, 4.B.2318; OTT Annual Report and Accounts 1978, OA/5001/8.

<sup>118</sup> See, for example, Edwards et al., eds., *Manpower Planning* and Stainer, *Manpower Planning*.

<sup>119</sup> Miller, *Europe and the Maritime World*, 341, 349.