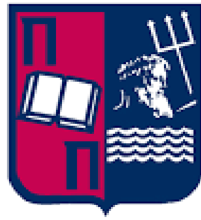

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# STUDY OF STRATEGIES AMONG THE SHIPPING COMPANIES


**IOANNIS DALKITZIS**


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IOANNIS DALKITZIS (MND21018)


Piraeus

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## **Chapter 1** :

## INTRODUCTION

Strategic management is the examination and evaluation of remarkable actions undertaken by a company's senior executives as a representative of stakeholders, including the assignment of resources and the assessment of performance within external factors. The process involves the identification and expression of the organization's mission, vision, and objectives. This is followed by the formulation of policies and plans, typically in the form of projects and programs, that are intended to accomplish these objectives. Subsequently, resources are allocated to carry out the policies and plans, projects and programs (Johnson & Scholes, 2010).

The use of a balanced scorecard is a common practice in assessing the comprehensive performance of a firm and its progress towards predetermined goals (Kaplan & Norton, 2008). The maritime industry emerged as the first global industry prior to the widespread use of the word "globalization" in other sectors. The inborn characteristics of the sector necessitated the constant movement of assets across international borders (Rai, 2012). In order to provide efficient service within this particular business, it is important to establish tight relationships with customers and the shipping corporations, as well as maintain excellent communication with those on board (Pierre & Wolff, 2013). The commercial connection between the holder and the manager was founded upon a correlative sense of trust. Maritime networks have been recognized as one of the first modes of spatial contact. The primary strategic objective of large corporations is to enhance operational efficiency and adaptability so to effectively navigate the eruptive and unpredictable commercial landscape.

According to Ihiga (2004), companies must use many tactics to reach strategic fit. The authors Dablanc and Rodrigue (2013) argue that the arrangement of port hierarchies and the geographical distribution of maritime connections may serve as examples of broader ongoing phenomena, including the regionalization and globalization of trade patterns and economic cycles. These phenomena, in turn, provide light on the political economy of the global system. The worldwide marine container transport network has become a reality after undergoing decades of adaptation and dissemination from the inception of containerization (Fremont, 2007). The appearance of containerization has led to the emergence of novel connections between nations, areas, and maritime hubs, driven by continuous cost reductions in transportation (Limao & Venables, 2001) and the increasing influence of shipping unions and major carriers (Sys, 2009).

The examination of these transformations would serve to address the shortage of empirical data about the spatial layouts of commodity chains (Leslie & Reimer, 2011). This is because of the fact that ports do not just function as isolated entities which facilitate maritime operations, but rather as crucial nodes within global supply networks, engaging in competitive interactions. As Kumar (2009) said, a comprehensive description of the main maritime routes and ports is provided. The documentation of the structure and growth of the global marine network has not been completed. As per Guimera et.al (2005), despite the disrepair of port-city connections in recent years, marine transport still has a crucial role in facilitating globalization. The significant proportion of global trade volumes (90%) that it represents makes it a valuable tool for investigating the worldwide economy and its geographical structure (Fremont, 2007).

The expenses related with transportation are associated with consumer products that are a minute proportion of the overall product price. According to Mwega and Ndungu (2009), the shipping sector is highly reliant on trade movements, and any fluctuations in trade quantities have an influence on the financial performance of several shipping enterprises. According to Yip (2013), the merchant shipping sector is one of the most extensively regulated businesses and was between the early adopters of internationally recognized safety standards that have been widely adopted. Regulations which are connected with the transportation of goods by shipping are formulated on a worldwide scale. Due to the fundamentally international vessel's structure it is vital to establish universal laws pertaining to building standards, navigational norms, and crew

competency so to ensure productive governance of the industry. The other scenario would include a large number of differing national legislation, leading to economic discrepancies and administrative confusion. Consequently, this would undermine the effectiveness of global commerce.

The primary regulatory body that looks after the shipping sector is the International Maritime Organization (IMO), an agency of the United Nations the main office of which are in London. The IMO is entrusted with the responsibility of ensuring safety at sea and safeguarding the maritime environment. According to Rodrigue and Notteboom (2012), the International Labour Organisation (ILO) is responsible for the formulation of labor standards that are applicable to seafarers on a global scale. The International Maritime Organization (IMO) has carried out a comprehensive framework consisting of extensive technical standards. These laws are established via international diplomatic treaties and made for managing the safety of ships and secure the conservation of the maritime environment. The International Maritime Organization (IMO) accept that member states, which consist of national governments, must be attached and apply to the international regulations outlined in G.J.C.M.P. 15. It is the responsibility of these member states to guarantee that ships registered under their respective national flags do respect and follow these regulations.

Comparing to international regulations implemented for shore-based businesses, the ratification and enforcement of IMO Conventions exhibit a notably elevated degree. In compliance with Slack and Comtois (2013), the primary duty of implementing International Maritime Organization (IMO) standards pertaining to ship safety and environmental preservation lies with the flag nations. The enforcement of International Maritime Organization (IMO) criteria by flag states is achieved through the implementation of inspections that take place to the ships, which carried out by a global network of international surveyors (Pierre & Wolff, 2013). In recent years, corporations have shown a growing inclination towards engaging in international commerce, as seen by Hill and Jain (2010).

According to Aosa (2012), empirical research has shown that the globalization of supply chains has pressured companies to seek improved and more interconnected

systems that integrate the corporation's core competencies, the strategies of many competitors, and the implementation processes and capabilities required to coordinate the flow of materials inside and out of the company. This shift contrasts with the fragmented systems that have been prevalent in many organizations. In the contemporary business landscape, companies and their respective distribution channels engage in competition primarily centered on the dimensions of time and quality. Globalization and evolving client demands, simultaneously with technological advancements, are prominent factors that commercial firms must contend with on a worldwide level (Oster, 1994). With such a combination, a corporation sets up a distinct advantage within the system that is not replicable by competitors in the marketplace.

According to Yabs (2010), it has been suggested that a global orientation and heightened rivalry based on performance, together with the dynamic nature of technology and economic situations, have a contribution to the enhancement of competitive advantage in businesses and lead to the improvement of corporate performance. According to Smith et al. (1993), the purpose of strategic techniques in management is to align an organization's resources with the opportunities and dangers present in the business environment in order to achieve its objectives. The shipping sector serves as a compelling example of the transformative impact of globalization on several enterprises, with substantial restructuring efforts are necessary and the adoption of novel strategies and business models in recent times. Historically, the profitability of a maritime enterprise was closely associated with the magnitude of its tonnage holdings.

# Chapter 2:

## 2.1. COST LEADERSHIP STRATEGY

The characterization of the shipping business as highly competitive necessitates the significant importance of using performance indicators. Panayides (2012) claims that the focus on the link between strategy and performance in the shipping industry may be attributed to many factors, such as fierce market rivalry, the need to be competitive, the optimization of shareholder value, and the necessity to address stakeholder

concerns. Therefore, it is very important to carefully see the performance consequences of the competitive tactics that have been implemented (Panayides, 2012). According to Burgelman (2008), the decision-making authority is with the boards of directors, whereas the top managers are responsible for performance management and information systems. Therefore, organizations are required to commence the need and advancement of performance indicators in order to assess and get feedback on their performance, connect it with predetermined objectives, and make an analysis in relation to competitors.

The low-cost strategy focuses on manufacturing standardized products at a much lower cost per unit, with the aim of appealing to clients that prioritize price. According to Griffin, the low-cost strategy is the one in which a corporation wants to take a competitive lead by decreasing its expenditures to a level that is lower than that of its competitors.

It is important to focus on what it is mentioned by Thompson, which is that the fundamental strategic objective of a low-cost supplier is to attain substantially low prices in comparison to rivals, albeit not always the absolute lowest cost attainable. In order to get a competitive advantage in terms of cost, it is vital for managers to include goods and services that are important for customers.

The significance of implementing a cost-effective strategy is crucial in improving the overall performance of a business (White, 1986). The procedure above pertains to the organization's capacity to produce or deliver goods and services at a lower cost compared to its competitors. Porter defines a low-cost strategy as the strategic approach of providing essential products or services at competitive prices. The evaluation of a cost-effective strategy should not be confined to the notion of providing a substandard product or service. On the other hand, one may see it as a commodity or offering that exhibits similar attributes to those of competitors, while being provided at an appropriate cost. It is important to say that Porter has pointed out a relationship among the adoption of a low-cost strategy and the financial success of a company. According to White (1986) and Porter, the adoption of a low-cost strategy has been shown to be an effective means of attaining a sustained competitive advantage. This approach

includes the efficient management and minimization of expenses, hence resulting in improved overall organizational performance.

The notion of a low-cost strategy has been studied by several researchers, who have proposed various reasons. These explanations may be separated into two categories. The first one may be defined as a cost-effective strategy that offers a wide range of products or services to a large customer base at the most competitive price available in the market. Strategy type two gives attention to the delivery of products or services to multiple purchasers, while concurrently offering the most advantageous price proposal inside the market (Feurer & Chaharbaghi, 1997; Karnani, 1984).

Organizations continue to pursue a low-cost approach since it has the potential to improve business performance. Organizations may efficiently attract clients by providing goods and services at a reduced price, while simultaneously ensuring profitability levels that are equivalent to those of their rivals. Furthermore, this particular approach serves as a protective measure for firms, shielding them from the potential result of influential suppliers. It grants them the necessary adaptability required to effectively handle rising input expenses. Moreover, the performance of a low-cost approach serves as a discouragement for potential entrants into the market, as it capitalizes on the advantages of economies of scale, control, and minimized cost. Finally, it is worth noting that businesses may get advantages from the experience curve phenomenon, which in turn leads to cost minimization and enhanced operational effectiveness (Matusik & Hill, 1998; Miller, 1992; Sekaran, 1992; White, 1986).

When strategizing, it is essential for decision-makers to exhibit prudence when opting for a low-cost plan, since this particular technique does not provide a sustainable competitive advantage for firms that prioritize either cost reduction or maximizing value. The implementation of a cost-effective strategy must successfully build a competitive advantage that is difficult for competitors to copy or exceed. According to White (1986), if rivals have the capability to readily uncover or replicate a cost-effective approach that confers a competitive edge, such approach would lack long-term viability and fail to provide fundamental advantages inside the marketplace.

In order to achieve an effective enhancement of organizational performance at a low cost, it is necessary to fulfill two key objectives. Firstly, the strategy should focus on

improving the efficiency of value chain activities in comparison to competitors, while effectively managing the associated cost drivers. Secondly, it should involve restructuring the overall value chain of the firm to abolish or bypass specific activities that contribute to costs (Feurer & Chaharbaghi, 1997; Karnani, 1984). Nevertheless, it is crucial to take into account the possibility that competitors may imitate these protocols, hence requiring a comprehensive examination of rivals and their ability to follow a comparable strategy. It is important to do a thorough investigation before using the low-cost strategy (White, 1986).

When organizations choose to pursue a low-cost strategy, it is essential for them to exhibit prudence in adopting significant price reductions that might potentially lead to reduced or nonexistent profitability. The deliberate and consistent utilization of this methodology showcases an apprised recognition of prospective technological advancements, cost-effective strategies, or other progressions within the value chain that could potentially be adopted by rival firms, thereby posing a risk to the company's competitive edge (Feurer & Chaharbaghi, 1997; Karnani, 1984).

The successful execution of a cost-effective strategy typically encompasses the entire organization, as evidenced by the achievement of optimal operational efficiency, limited administrative costs, constrained provision of supplementary benefits, strict avoidance of extravagant practices, thorough assessment of budget proposals, extensive deputation of the authority that makes decisions, incentives linked to cost management, and broad employee engagement in initiatives focused on cost control.

### 2.1.1. EXPLANATION OF COST LEADERSHIP STRATEGY

The concept being discussed is the notion of strategic consistency. According to Spero (2008), it has been stated that the continuation of strategy consistency may lead to improvements in the performance of the company. The importance lies in the organization's dedication to executing its selected course of action. The majority of strategies have a long-term orientation, however their execution often entails a series of short-term actions. According to Dieleman (2012), the effective execution of these

programs often necessitates making temporary modifications. If short-term activities are selected in a rapid manner, there is a high likelihood that the intended objective will not be attained. The phenomenon described in economics literature is often referred to as myopic conduct (Armstrong & Greene, 2007). The likelihood of a firm's survival is not improved by individual competitive acts unless they align with the firm's historical context and are congruent with the pace and character of environmental changes. According to the findings of Galbraith and Schendel (1983), companies operating in the consumer products sector used a strategic approach characterized by continuity. This approach was evident in their preference for gradual changes and a cautious approach to investing, reflecting a low-risk mindset. According to Boddewyn (2012), the concept of constancy refers to the equitable distribution of resources among heterogeneous organizations. According to Johnson et al. (2012), maintaining consistency allows for a harmonious alignment of strategic decisions at both the business and functional levels of strategy. When analyzing a company that operates inan environment that is stable, with no significant changes, it is anticipated that maintaining a high degree of strategic consistency is best. This means that the organization is inclined to maintain its current status or engage in consistent actions. In the present context, the term "strategic consistency" refers to the extent to which a company maintains comparability in its competitive activities, both in terms of the repertory and quantity, throughout consecutive years while implementing its competitive strategy. The presence of a robust competitive strategy might be indicated by a significant degree of strategic consistency (Porter, 2008), or alternatively, by the presence of structural passivity (Hannan & Freeman, 1984).

### 2.1.2. RESOURCES BASED ON MANAGEMENT THEORY

According to the Resource-Based View (RBV) paradigm, organizations may attain sustained profits that above the industry average by keeping massive intangible resources and implementing rules that limit their diffusion throughout the industry (Miller, 2003). Rumelt (2006) posits that the fundamental principle behind the Resource-Based View (RBV) is that a firm's competitive advantage is primarily derived from the experienced use of its assemblage of valuable resources. According to Barney

(2000), for a temporary competitive advantage to be altered into a sustainable competitive advantage, it is essential that the resources involved exhibit variety and are not entirely movable. The previously described valuable resources possess the capacity to provide a long-lasting competitive advantage when they give a demonstration of qualities of being challenging to replicate and not readily replaceable (Hoopes, 2003). To achieve sustained returns that above the average, it is essential for the firm's resource collection to exhibit the attributes of value, rarity, imperfect imitability, and non-substitutability, as delineated by Barney (1991). The resource-based view (RBV) lays considerable emphasis on the firm's resources as the principal determinants of competitive advantage and achievement. The examination of competitive advantage sources is predicated upon two fundamental assumptions. In accordance with the findings of Peteraf and Barney (2003), The first premise of this theoretical framework is that firms operating within a certain sector or strategic group may demonstrate variability in the range of resources they possess. Moreover, it has been suggested that the continued existence of resource heterogeneity might be related to the restricted mobility of resources used in the strategy execution of firms. Certain resources exhibit limited transferability across enterprises due to their inability to be traded in factor markets and their difficulty in being obtained and duplicated. The concept of resource heterogeneity, also referred to as resource uniqueness, is generally recognized as a crucial need for a collection of resources to successfully contribute to the achievement of a competitive advantage.

### 2.1.3. COMPETITIVE ADVANTAGE

Doh (2011) defines competitive strategy as the only set of competencies and resources possessed by an organization, which are effectively used to accomplish plans that surpass the proficiency of competing firms. The understanding of an individual's competitive advantage has considerable consequence. The fundamental motive for engaging in business activities is the objective. The key determinant that entices customers to choose your product or service above those offered by rivals is your superior skilfulness in that specific domain. Hamel and Prahalad (1994) argue that firms that achieve high levels of success intentionally choose to distinguish themselves by excelling in certain activities and focus their resources only on these areas. Simply having an advantage over one's competitors is inadequate. To attain a state of

excellence, a corporation must adeptly manage and surmount barriers presented by competitive forces and environmental circumstances. To successfully traverse the prevailing turbulent market circumstances and widespread uncertainty, it is essential to possess the requisite capacity to properly mitigate these tremendous market pressures. In order to attain greatness, it is necessary for a corporation to possess a sustainable competitive advantage that is capable of enduring over an extended period of time. This phenomenon occurs due to the potential for a significant portion of benefits to be duplicated within a certain period, as noted by Wit and Meyer (2008). Porter (2002) argues that it is considered audacious for a firm to have the notion that it can continually surpass its rivals by offering a comparable product or service. Engaging in the act of wagering on the intellectual deficiencies of one's adversaries is an exceedingly precarious undertaking. Initially, it is necessary to do an assessment of the fundamental capabilities of one's organization via an analysis of its domains of proficiency and inadequacy. One may leverage this into a competitive advantage by strategically allocating resources and focusing attention on these particular activities. Ultimately, it is of utmost importance to guarantee that the subject matter have the ability to endure the passage of time via continuous advancement and conscientious endeavor (Wit & Meyer, 2008). The positioning of a corporation within its industry plays a crucial role in determining whether the firm's profitability surpasses or falls short of the industry average. A firm has the potential to have two types of competitive advantage: cost leadership or differentiation. There are two primary sources of competitive advantage that, when combined with the formation of activities a firm seeks to excel in, provide three overarching approaches for achieving better performance within an industry. The three primary methods that may be used by businesses are cost leadership, differentiation, and focus. Porter (2008) asserts that the cost leadership approach is a company's endeavor to become the most cost-effective producer within its industry. The roots of cost advantage are multifaceted and dependent on the specific structure of the sector. Possible elements that might be taken into account include the endeavor to achieve economies of scale, use of proprietary technologies, advantageous access to raw resources, and other pertinent factors. For sustaining a competitive advantage, a company using a low-cost approach must rigorously find and exploit all possible sources of cost advantage. If a firm can effectively achieve and sustain a state of total cost leadership, it is probable that it will outperform other companies within its industry, provided that it can establish pricing that is either equivalent to or in close proximity to

the industry average. Porter (2008) posits that the implementation of a differentiation strategy is a company's endeavor to establish a unique position within its sector by proposing a variety of attributes that are highly esteemed by consumers. The organization employs a strategic approach to identify and prioritize certain attributes that are considered important by a considerable proportion of buyers within a particular industry. Consequently, it builds a unique market position by efficiently addressing the defined needs. The product commands a greater price as a result of its unique characteristics which are unique. The focus generic approach is based on the deliberate choice of a narrow competitive view within a certain sector. The party accountable for strategic decision-making discerns a certain segment or many segments within the industry and tailors its approach to suit these segments while neglecting others. There are two distinct versions of the focus method. Doh (2011) posits that the cost focus approach requires a firm's endeavor to get a competitive edge within its designated segment by means of cost reduction. Conversely, the differentiation focus approach is a company's endeavor to achieve differentiation inside its specific target market sector. To get a competitive advantage via differentiation, a company must undertake the development and provision of unique products that have the potential to demand higher prices or gain greater market shares, or both. Many approaches may be used to differentiate entities, including factors such as quality, design, credibility, efficiency, innovation, customer service, and favorable reputation. In order to achieve a competitive edge in terms of firm performance, especially in terms of profitability, a corporation must properly optimize numerous facets. These include the enhancement of product features and performance by means of advances in input quality and design. Furthermore, it is very important contemplate to improve auxiliary services such as delivery and maintenance. The effective management of marketing tries requires a strategic approach, while the integration of technology is vital in the design and production processes. The thorough consideration of process design and the strategic use of people' expertise and abilities are crucial. Finally, it is important to consider the where the organization is located. The aforementioned elements together contribute to the attainment of a differentiating advantage within the global business environment, as they align with established corporate governance procedures, strategic risk management, and effective corporate leadership. In section 2.4.2 The concept of global business strategy pertains to the approaches of strategy used by companies in order to achieve their objectives, both in the immediate and long-term, within the framework of

their worldwide operations (Doh, 2011). The short-term aims of the firm are centered on improving the company's day-to-day operations, whilst the long-term objectives largely revolve around augmenting profits, sales, and earnings over an extended duration. According to Hill and Jain (2010), the adoption of this strategic approach guarantees long-term expansion, stability, and the attainment of a dominant position in the market, whether at the national or regional level.

At this point, the divergence between a global company plan and a national business development strategy occurs, since it necessitates the evaluation of factors such as product standardization and flexibility, among other variables. The relevance of product differentiation and diversification features is evident in the context of firm strategy, both domestically and globally. This is especially relevant due to the increasing rivalry seen in both local and overseas markets (Barney, 1991). The development of global business strategies may be related to the phenomena of globalization and internationalization, wherein established local firms want to augment their worth. Al. (2018) did a research study and tried to examine the impact of social media use on mental health. Al (2011) argues that the increasing impact of globalization and the intensifying global competition have made necessary for managers and researchers to reassess the formulation of global business strategy. The key ideas that form the basis of a global firm strategy are uniformity and flexibility (Nag, et al., 2007). The standardization of production within multinational organizations entails the fabrication of a product that exhibits a high degree of consistency throughout both local and international markets, with few differences in its attributes. The primary reason for the universality of basic human wants is their persistent presence across all countries all over the world (Levitt, 2012). The concept of standardization first emerged in the 1960s and later regained significance in the 1980s. Numerous Japanese and European firms have effectively adopted it, resulting in increased levels of product and process innovations. As a result, these enterprises have acquired a relative edge in the global economy. The advocates of the global corporate strategy of standardization contend that it has several benefits. One notable advantage is the possibility of achieving economies of scale, wherein the organization may benefit from producing products or services in large quantities using consistent manufacturing processes. Toyne and Martinez (2004) argue that global firms can preserve the image of their home nation by

reducing costs related to product alteration, design, modification, handling, and stocking, while also improving delivery methods to enhance efficiency. Furthermore, it facilitates the preservation of managerial resources and reduces the cognitive load associated with decision-making processes related to the manufacturing of diverse products. Furthermore, the implementation of the learning-by-doing technique, as discussed by Lamb et al. (1984), enables a more expedited acquisition of experiential knowledge. Scholes (2008) asserts that advocates of market orientation strategy who utilize adaptation or local adaptation methods contend that while basic human needs may be universally applicable, standardization may not be suitable due to the significant influence of cultural and other environmental factors on consumer behavior in diverse nations. Boddewyn (2012) asserts that the examination of Global Business strategies may be successfully approached via the consideration of multidisciplinary factors and a concentrated effort to optimize organizational performance. The determination of a global strategy is contingent upon the unique conditions encountered by each actions. The decision on whether to pursue standardization or adaptation in an international plan is dependent on the firm's capacity to match its marketing strategy with the external environment.

According to Karamperidis et al. (2013), the employment of a conceptual contingency framework is often employed in theoretical analysis to explore key factors affecting company performance, including sales revenue and capacity utilization. The successful integration of these factors and their interconnections may lead to elevated levels of performance. The influence of restrictions imposed by the World Trade Organization (WTO) on international trade in goods and services, Foreign Direct Investment (FDI), and Intellectual Property Rights (IPR) is a substantial determinant in shaping global corporate strategies. The difficulties listed above have substantial ramifications for business interests, as well as for negotiations and agreements among industrialized countries. The talks and deals have a direct impact on critical issues such as environmental protection and climate change, global security, and international migration (Smith & Robert, 2011). Moore (2009) posits that corporate leadership incorporates all institutional and organizational systems, together with the corresponding decision-making, intervention, and control powers. The implementation of these processes and rights serves the purpose of mitigating conflicts of interest that

may arise among the many stakeholders of a firm. They fulfill a pivotal function in ascertaining the magnitude of choices taken inside the company and eventually have an impact on the resultant outcomes of these decisions. Healey (2003) posits that the efficacy of directors' activities is contingent not only upon their capacity to choose the suitable course of action, but also on the extent to which these judgments fit with the enduring goals of shareholders. This concerns the dynamic interaction among stakeholders within an organization. Corporate governance pertains to the systematic administration of a firm, taking into account the interests of all relevant stakeholders. The stakeholders of a corporation include several entities, including owners, employees, customers, consumers, and other organizations that engage in relationships with the firm. This statement functions as a measure of the organization's ability to meet the expectations and requirements of all stakeholders concerned. The company is susceptible to diverse expectations from different stakeholders. Chamisa et al. (2011) assert that corporate governance encompasses a set of procedures that effectively support the efficient, transparent, and prominent management of an organization, as stated by Babu (2012). The comprehensive analysis of corporate governance is generally acknowledged as a crucial need for attaining optimum firm performance (Horwitz, 1992). Corporate governance involves a thorough understanding of communication, the development and execution of policies, and the assessment and monitoring of performance. Bratton (2009) posits that the notion of corporate governance comprises several units, including codes of conduct and ethics, leadership, human resources management, and corporate compliance. The academic discipline of corporate governance centers on the examination of the organizational frameworks and procedural mechanisms that underpin the decision-making processes inside organizations. The main aim of corporate governance is to make possible the efficient alignment of potentially divergent interests that are influenced by the activities of firms (Doh, 2011).

The topic of discussion within the field of Corporations has long been the correlation between the interests of shareholders, who are investors and owners of the Corporation's issued shares, and the interests of other stakeholders or constituents, such as employees and citizens of the Community in which the Corporation operates. The allocation of resources is within the purview of corporate leaders. Organizations want enough resources to achieve the requisite degree of performance. The first step in the

strategic resource allocation process involves acquiring a thorough comprehension of the need for a wide range of resources. Scholes et al. (2002) claim that after the management has defined the organizational objectives, they may then engage in a retrospective evaluation to identify the necessary resources for achieving these goals. The optimal allocation and proficient use of resources are essential for a corporation to attain its organizational objective. Through the use of efficient resource management techniques, an organization may foster and sustain a workforce that has exceptional skills and remains competitive on a worldwide scale. Strategic resource allocation is a crucial practice that enables companies to effectively use their resources in the most efficient manner. The resources described above include tangible assets such as goods and equipment, intangible assets in the form of financial resources, and human capital in the form of labor assets. The soft resources include a variety of components, including knowledge, information, technology, skills, work styles, structure and support systems, policy support, networks and connections, and time (Mckinsey, 2012). The allocation of resources, an observed activity that is usual in the context of enterprises, presents a thought-provoking dilemma for strategic leaders. The aforementioned statement has significant importance when examining conglomerate enterprises that operate in several labor environments, each of which comprises unique industrial sectors. The strategic realignment of a multinational company's corporate purpose and goals in response to environmental changes is heavily influenced by the distribution of resources (Johnson, et.al, 2012). The allocation of resources is influenced by antecedent factors, including environmental changes and the decision-making of strategic leaders. The company recognizes environmental factors, including technological improvements, variations in interest rates, and activities undertaken by rivals. As a result, it is essential for the organization's dominant coalition to assess the allocation of resources in order to maintain or enhance organizational competitiveness. The inherent complexity of task contexts makes this work extremely arduous. The open-system approach of the organization allows for the influence of external influences on the existing patterns of resource allocation. The adoption of optimal industrial practices is often motivated by the impact of rival actions and technology progress, resulting in a strategic adjustment that is essentially imitative (Scholes, et.al, 2002). First mover businesses are often acknowledged for their entrepreneurial prowess, whilst other firms are driven to react to the moves undertaken by their rivals. In many cases, the response tends to be a mere duplication of the first actor's actions.

However, it is worth mentioning that notable entrepreneurial initiatives may emerge when organizations assimilate new information via a process often known as innovative imitation (Johnson et al., 2002). Consequently, firms use strategic thinking to allocate resources effectively within their internal operations. The mission statement and strategic planning documents of a corporation often suggest a certain orientation for the organization. Nevertheless, the distribution of resources offers a more precise depiction of the organization's authentic priorities and legitimate objectives. The generation of misleading signals by resource allocation is not possible. Organizations proactively acknowledge and execute strategic adaptation, either via intentional decision-making or in response to external factors outside their influence. The strategic adaption process is fundamentally influenced by the sequential allocation decisions made by a firm, unless the leadership intentionally sets a strategic vision (Blaxill, et al., 2011). Furthermore, it is seen that corporate leaders actively participate in the implementation of strategic risk management strategies. According to Ndaa (2012), strategic risks include the inherent uncertainties and possible opportunities associated with a strategic objective and the degree to which they are effectively executed. Hence, these concerns have substantial significance for the governing body and exert a wide-ranging influence on the whole company, as opposed to being confined to a certain department. Strategic risk management pertains to the proactive strategy used by an organization to effectively handle and manage the uncertainties and opportunities it confronts. Understanding company strategy, as well as the inborn risks involved in its implementation and execution, is of paramount importance. These hazards possess the capacity to be instigated either within or outside within your firm. The development of effective, coordinated, and strategic risk mitigation strategies may be facilitated by winning a full awareness of the associated problems. In contrast to hindering business success, the implementation of strategic risk management aims to augment strategic management and maximize the advantages obtained from the executed plan. In a conventional context, a customary approach to formulating and implementing strategies often have an assessment of sales growth and the provision of services. The monitoring of problems related to a lack in demand is seldom conducted. The cornerstone of successful strategic risk management is in the development of a thorough understanding of the extent of risk that an organization is ready to accept in pursuit of its objectives. Furthermore, it is important to conduct a timely and reliable evaluation of the precise magnitude of risk being assumed by the organization (Ndaa, 2012).

### 2.1.4. FOCUS ON OPERATIONAL EFFICIENCY AND COST OPTIMIZATION

There exist several approaches to effectively decrease expenses, however, the prevailing technique now used within the shipping industry is referred to as the "big ship strategy." The first aim of this initiative is to enhance its operational capabilities by incorporating modern ball noses and propellers, hence mitigating ship velocity and minimizing fuel expenditure. Given the prevailing context of consistently low global oil prices, it is seen advantageous to implement strategies aimed at minimizing fuel expenses. Shipping companies such as Maersk and other industry leaders have the potential to decrease operational expenses and optimize the economic advantages derived from economies of scale via the refurbishment of their current shipping capacity. On the other hand, large shipping companies have the ability to solidify their market position and strengthen the competitiveness of their own shipping alliances. Given the deceleration in the expansion of worldwide commerce and the insufficiency of demand within the shipping sector, shipping enterprises are actively seeking remedies. The acceleration of the decommissioning process for older vessels serves to diminish surplus capacity and partially counterbalance the influx of newly constructed ships, so ensuring that the overall expansion of capacity remains at a minimal level and mitigating the instability seen in the shipping market. Based on statistical data, it is projected that in the year 2016, about 1,000 ships with a cumulative capacity of 52 million tons would undergo the process of dismantlement. Several prominent global shipping companies have gradually retired vessels with a capacity ranging from 3000 to 5000 Twenty-foot Equivalent Units (TEU) and are increasingly adopting larger ships. In December 2013, the Ministry of Transport, Ministry of Finance, National Development and Reform Commission, Ministry of Industry and Information Technology, and other relevant governmental bodies jointly released the "Implementation Plan for the Advancement of Scrapping and Renewal of Aging Shipping Vessels and Single Hull Oil Tankers" in our country. In response to policy advice and government subsidies, domestic shipping firms have expedited the process of retiring outdated vessels, resulting in a notable increase in ship scrapping rates. In 2015, the number of ships were dismantled, reached a new historical milestone, representing almost 30% of the worldwide dismantling activity. Nevertheless, the current state of the container sector is characterized by ongoing development and

growth. According to Liewei (2016), the issue of overcapacity cannot be substantially resolved via the exclusive implementation of measures such as reducing ship service time and expediting the retirement of older vessels. Considering the shipbuilding volume and order volume seen in recent years, it is noteworthy that despite the contraction of the global trade sector, the shipping industry continues to witness a substantial accumulation of newly constructed vessels awaiting deployment.

### 2.1.5. EXAMPLES OF COST-CUTTING MEASURES IMPLEMENTED BY SHIPPING COMPANIES

The supply chain of shipping logistics services primarily consists of port chain enterprises, which are comprised of port companies, shipping companies, warehousing companies, third-party logistics companies, and port authorities. Among these entities, the ports, shipping companies, and third-party logistics companies serve as the key nodes within the supply chain. Hence, the establishment of an efficient supply chain for shipping logistics requires careful consideration of the interplay between shipping firms, ports, and third-party logistics providers. Furthermore, the essence of the supply chain for shipping logistics services primarily lies in the strategic utilization of integrated and coordinated approaches by shipping companies to address intricate and constantly evolving external circumstances. This involves the formulation of plans, coordination of activities, implementation of control mechanisms, and optimization of the entire shipping system, all with the aim of enhancing the efficiency and effectiveness of the supply system within the shipping industry. The concepts of quality and efficiency are of paramount importance. According to Tseng (2015), The primary objective is to provide merchandise to shippers involved in both upstream and downstream activities, making sure the precise delivery to designated places within specified timeframes, while maintaining accuracy in terms of quantity, quality, and status. This approach aims to minimize the overall cost incurred throughout the consumption or use of the whole process. According to Huang Youfang (2016),

The effectiveness of both a big ship's strategy and the development of a maritime service supply chain is susceptible to the presence of technical assistance. Simultaneously, it is essential for technology to be manifested in the form of services. In the contemporary era, the shipping sector has seen significant advancements in

technology, including four prominent areas: blockchain technology, unmanned ship technology, cloud technology, and virtual reality technology. The advent of technological advancements is poised to provide novel prospects to the shipping sector, therefore enabling shipping enterprises to capitalize on potential for cost reduction and enhanced operational efficacy. The number 31 is the integer that follows 30 and precedes 32 in the the blockchain technology, sometimes referred to as distributed ledger technology, is an Internet-based database technology that exhibits characteristics of decentralization, openness, and transparency, enabling widespread participation in the decentralization of the blockchain database technology. The attributes of the changeover are anticipated to yield significant alterations within the maritime business. As an example, this approach will not only have as a result the removal of intermediaries, but it will also provide significant time and cost savings, alongside enhancing operational effectiveness. At now, Maersk and IBM have assumed a prominent position in the establishment of the blockchain trading platform. Additionally, other maritime enterprises are actively monitoring this situation. The technologies of unmanned ships and automation are closely intertwined. Automation technology has significant promise and offers a full technological solution. The primary worry around unmanned ship technology pertains to its potential to significantly reduce the danger of human mistake on board. It is well recognized that human error has consistently been the predominant factor contributing to maritime mishaps. In the foreseeable future, during the epoch that the vessels are autonomous, it is plausible that the dominant entities in the maritime sector will undergo a metamorphosis, transitioning from shipowners to technological corporations. Cloud technology encompasses a hosting infrastructure that seamlessly combines hardware, software, and network resources inside a wide area network or local area network, facilitating the execution of data computation, storage, processing, and sharing. In contemporary times, several gadgets possess the capability to make better their range of application services by using cloud computing technologies. Cloud technology in the shipping business has the advantage of convenient access to databases, unrestricted by temporal and spatial limitations. Additionally, it has the potential to eradicate the existence of data silos. Furthermore, the use of cloud technology in the transportation business will provide the following benefits. Firstly, it has the capability to deploy both terrestrial and maritime personnel. Higher quality communication is associated with subsequent cost reductions. The third aspect is using this technology for the purpose of remotely

accessing company data. Cloud technology has the additional capability of mitigating the risk of data loss. Virtual reality technology refers to a computer-based simulation system that enables users to immerse themselves in and interact with a simulated environment. A computer is used to construct a simulation environment. The system being described is a simulation that combines several sources of information, incorporates interactive three-dimensional visual scenes, and models physical behaviors. Engage fully in this particular setting. Since the start of 2017, Japanese and Korean shipping businesses have extensively used 32 virtual reality (VR) technologies. Winterthur Engine Co., Ltd. (WinGD) implemented the W-Xpert comprehensive simulator for training the crew members in May 2017. According to a source (Sohu, 2018), All four technologies have shown to be beneficial in terms of cost reduction and efficiency enhancement. Furthermore, it is essential to implement technology advancements in shipbuilding and other infrastructure. Once any of the aforementioned four technologies attains a certain threshold, it is anticipated to have a significant influence on shipping enterprises.

## 2.2 DIFFERENTIATION STRATEGY

Porter's differentiation approach has resemblance to the prospector strategy, whereas Porter's cost leadership strategy aligns with the defender cost leadership tactics proposed by Miles and Snow. Porter's focus approach has a striking resemblance to Miller and Friesen's niche innovator strategy.

In order to enhance the clarity around the concept of "strategy," many definitions of strategy are provided. According to the definition provided by Schendel and Hofer, strategy may be seen as the provision of guidance to an organization, enabling it to effectively pursue its goals while also addressing the opportunities and risks present in its external environment. Strategy involves the critical examination of the current circumstances and, if deemed appropriate, implementing modifications to improve the situation. This entails the identification of one's existing resources or the determination of the resources that should be available. The user provided a numerical reference without any accompanying text. According to Cannon, strategies refer to the deliberate choices made by a corporation so to competitively pursue its objectives. Strategies

include various courses of action that need judgments made by top-level management and significant allocation of the firm's resources. Furthermore, plans have a significant impact on the long-term viability of organizations, often spanning a minimum duration of five years, therefore demonstrating a forward-looking orientation. The implementation of strategies might have multifunctional or multidivisional ramifications, necessitating the evaluation of both external and internal issues that the business encounters.

Porter's model and generic strategies are often regarded as integral components of management theories, offering insights into the behavior of firms connected with their rivals within certain industries. The concept of "generic strategy" encompasses a broad range of applications and possibilities for establishing a competitive advantage, regardless of the industry, kind, or scale of the business. The incorporation of strategy is a fundamental component of a proficient company plan. Through the implementation of a proficient competitive strategy, a firm is able to identify and establish its own market niche, while simultaneously gaining valuable insights on its client base. Porter asserts that strategies enable firms to attain a competitive advantage via three distinct foundations: cost leadership, differentiation, and focus. Porter refers to that basis as generic tactics.

The shipping industry is a massively competitive and dynamic sector where companies often strive to gain a competitive edge. One effective approach for achieving this is through differentiation strategies. This comprehensive article explores the concept of differentiation strategy in the context of shipping companies. It explains what a differentiation strategy is, discusses how shipping companies can provide unique services or specialized expertise, tailor solutions to specific industries or customer needs, and presents case studies of shipping companies effectively employing differentiation strategies.

In the fiercely competitive shipping industry, differentiation strategy is a powerful tool that companies can leverage to distinguish themselves from their competitors and create a sustainable competitive advantage. A differentiation strategy involves offering unique products, services, or features that are valued by customers and cannot be easily

replicated by competitors. This strategy allows companies to command premium prices, build customer loyalty, and generate higher profit margins.

Differentiation in the shipping sector goes beyond simply transporting goods from one place to another. It encompasses a wide range of elements, including service quality, technology, specialized expertise, and solutions which are customized. By excelling in these areas, shipping companies can differentiate themselves in the market and cater to the diverse needs of their customers.

### 2.2.1. EXPLANATION OF DIFFERENTIATION STRATEGY

The differentiation strategy is recognized as one of Porter's fundamental business strategies (Porter 2008). Differentiation pertains to the process of creating a distinct and exclusive product or service /The differentiation strategy is a strategic approach used by organizations to establish a unique and distinct position in the market by emphasizing the superior quality of their goods or services.

According to Porter, the implementation of a distinctive product or service might result in a strategy that fosters strong client loyalty. Hence, when consumers see a product or service as having distinct qualities, they exhibit loyalty towards the firm and demonstrate a willingness to pay a premium for its offerings. Hesterley and Barney propose that the differentiation of a product or service is the manifestation of both individual and collective creativity inside organizations. Consequently, the susceptibility to imitation of such differentiation is contingent upon the organization's ability to exhibit innovation in devising distinctive approaches that make the product unique. Porter (2002)  demonstrated the correlation between firm performance and the benefits derived from the implementation of a differentiation strategy. This approach entails the attainment of higher profits relative to competitors by cultivating customer trust, ensuring product quality, and shaping favorable perceptions of the company's offerings.

It is noteworthy to mention that the differentiation strategy, despite its merits, does not provide indefinite protection against imitation by competitors. As. Porter (2002) asserts, differentiation alone does not ensure a sustainable competitive advantage, particularly when standard products adequately satisfy customer demands or when competitors can swiftly replicate the strategy. As per his assertion, achieving effective differentiation encompasses many advantages such as enhanced product flexibility, increased compatibility, reduced prices, better service quality, decreased maintenance requirements, heightened convenience, and expanded features.

A well-executed differentiation strategy makes a company able to command a premium price for its product and cultivate client loyalty, as customers tend to develop strong affinity towards the distinctive attributes of the offering. The user's text does not contain any information to rewrite in an academic manner. It is said that a differentiation approach will be more successful when the distinguishing characteristics are difficult for competitors to replicate. However, the origins of this distinctiveness must be labor-intensive, financially restrictive, and excessively hard for rivals to imitate. Hence, it is essential for the organization to exercise caution and deliberation in its decision-making process when opting to use the differentiation approach. According Guisado-González’s research, the adoption of a differentiation strategy by innovative manufacturing enterprises has a good impact on the likelihood of forming R&D cooperation agreements and fostering innovation with other organizations.

Thompson propose some strategies for managers to enhance differentiation based on value drivers. These strategies encompass the following: developing product features and performance attributes that cater to a diverse customer base; enhancing customer service or introducing supplementary services; allocating resources towards research and development activities related to production; fostering innovation and technological advancements; pursuing continuous quality improvement; intensifying marketing and brand-building endeavors; sourcing high-quality inputs; and prioritizing human resource management initiatives that enhance the skills, expertise, and knowledge of employees within the organization.

Is it feasible for enterprises to concurrently adopt both a differentiation strategy and a low-cost approach?

By taking under consideration the advantageous effects of both strategies on the competitive position of a corporation, it is reasonable to inquire if it is feasible for a firm to concurrently execute both methods. In light of the potential for individual strategies to enhance company performance, it would be advantageous for the business to consider implementing both strategies concurrently. There is a lack of compatibility among writers on the answers to these questions.

Based on the findings of Hesterly and Barney, it is concluded that simultaneous implementation of these solutions is not feasible. According to their perspective, the organizational demands associated with these techniques are fundamentally conflicting. The implementation of a low-cost strategy necessitates the establishment of uncomplicated reporting structures, whereas the pursuit of product differentiation necessitates the establishment of interdepartmental and interfunctional connections. According to their analysis, organizations which do not go for the strategy of medium pricing and medium market share, or those that seek to simultaneously pursue both strategies, are likely to experience failure. These companies are usually described as being in a state of strategic ambiguity, sometimes referred to as being "stuck in the middle."

According to the Porter strategy trade-off model, it is not feasible to simultaneously pursue opposing strategic aspects without introducing inefficiencies in the value chain of the organization. The reason for this phenomenon is that strategic positioning, which encompasses differentiation and strategies with low cost, necessitates the implementation of conflicting activities and the allocation of resources that are incompatible with one another. An alternative strategic approach, known as "blue ocean strategy," presents a contrasting perspective. Moreover, it says that enterprises may use a combination of elimination, reduction, growth, and creation operations concurrently.

Researchers [49] in the field of strategic management have undertaken an analysis of the "blue ocean strategy" via the execution of a comprehensive research including company launches in 108 different organizations. The researchers discovered that a majority of these launches, namely 86%, were classified as line extensions. Line extensions refer to incremental enhancements made to current industry offers inside established markets, often recognized as red seas. In contrast, a far smaller proportion, just 14%, were focused on building new markets or blue oceans. Although line expansions in red waters were 62% of the whole revenues, their contribution to the total profitability was just 39%. In comparison, the allocation of 14% towards the creation of blue seas resulted in a contribution of 38% to the whole income and an impressive 61% to the entire profits. The performance advantages of establishing blue seas are clear when considering the overall expenditures made for company launches, irrespective of later revenue and profit outcomes, including failures. In this elucidation, the blue ocean method has resemblance to the differentiation strategy, as it engenders a distinct offering in contrast to prevailing offerings. What is the correlation between the blue ocean approach and the differentiation strategy?

The following elucidation pertains to the correlation between the blue ocean approach and the differentiation strategy. Blue seas are characterized by unexplored market areas, the generation of demand, and the potential for substantial profitability and expansion. While it is true that some blue seas are established beyond the confines of current industry borders, the majority of them emerge through extending the limits of existing industries inside red oceans. In the context of blue seas, competition becomes inconsequential since the parameters and regulations governing the industry have yet to be established. The concept of the "blue ocean" serves as a metaphorical representation of the vast and uncharted market region that has significant untapped potential. The ability to effectively manage the competitive landscape, sometimes referred to as the "red ocean," by surpassing competitors, will consistently have significance. The primary objective advocated by the blue ocean approach is to generate a novel offering (be it a product or service) that distinguishes itself from the existing offerings available in the market.

A further inquiry pertains to the correlation between blue ocean strategy and low-cost approach. Is blue ocean strategy primarily characterized by a low-cost approach, specifically focused on capturing the lower segment of a market via the implementation of a sufficiently affordable pricing plan? The website www.blueoceanstrategy.com provides much information on the concept of blue ocean strategy. The response is negative; the blue ocean approach aims to achieve both distinctiveness and cost leadership concurrently via the reconstruction of market boundaries. The implementation of a blue ocean strategic move entails the acquisition of a substantial portion of the target buyer population, not by means of offering low-cost pricing, but by using a strategic pricing approach. The primary focus should not be on engaging in price rivalry with other companies within the same sector. Instead, the emphasis should be on engaging in price competition with replacement products and alternatives that are now attracting individuals who are not yet clients of the business.

Shipping businesses that use differentiation strategies often allocate significant resources towards acquiring specialized equipment and developing infrastructure that is specifically designed to cater to the distinct requirements of their customers. This encompasses the use of tailor-made containers for the purpose of carrying delicate commodities such as medications, animals, or electronics. Refrigerated containers, often referred to as reefers, are fitted with sophisticated temperature control systems that effectively facilitate the secure transportation of perishable goods.

The implementation of rigorous safety protocols and adherence to regulatory requirements are crucial in ensuring high standards of safety and compliance.

The shipping sector places utmost importance on safety, with firms that distinguish themselves demonstrating a strong commitment to prioritizing safety and adhering to industry norms. The company allocates resources towards comprehensive safety training for its personnel, enforces stringent safety regulations, and maintains a constant process of monitoring and enhancing their safety measures. These efforts provide a sense of assurance among clients, particularly those involved in the transportation of dangerous substances or valuable goods.

The establishment of a robust international network including ports, terminals, and collaborative partnerships is of utmost importance in order to achieve distinctiveness. Companies that possess a wide-ranging worldwide presence have the capacity to provide clients with a greater variety of effective transportation options, therefore facilitating expedited delivery and reducing the impact of unexpected occurrences, such as adverse weather conditions or geopolitical challenges.

The achievement of differentiation in business operations often entails the strategic use of data and analytics to customize solutions. Corporations engage in the collection and analysis of data pertaining to shipping routes, meteorological trends, traffic congestion, and several other factors. The use of a data-driven methodology enables the optimization of routes, reduction of transit durations, and provision of dependable delivery estimations.

Sustainability initiatives refer to efforts and actions undertaken to promote and achieve sustainable development.

In the contemporary era characterized by heightened environmental awareness, shipping businesses have the chance to distinguish themselves via the adoption of sustainable practices. Potential strategies to address this issue might include the use of more environmentally friendly fuels, the enhancement of vessel designs to maximize fuel economy, or the implementation of measures to compensate for carbon emissions. By prioritizing environmental considerations, organizations are able to not only fulfill legal obligations but also appeal to environmentally concerned consumers and partners.

Value-added services refer to additional services or features that are provided to customers beyond the core product or service.

In addition to the fundamental transportation service, shipping businesses that are distinguished provide supplementary services that bring additional value. These services may include support with customs clearance, provision of warehouse solutions, and comprehensive administration of the whole supply chain. The provision of these supplementary services streamlines the logistics procedure for clients, therefore positioning the organization as a comprehensive solution for all their shipping requirements.

One way shipping companies can differentiate themselves is by giving unique services or specialized expertise that cater to specific customer needs or industry requirements. For example, some shipping firms specialize in handling perishable goods, hazardous materials, or oversized cargo. They invest in specialized equipment, staff training, and safety protocols to ensure the safe and efficient transportation of these goods. By doing so, they become go-to providers for clients with such specialized shipping requirements.

Moreover, providing exceptional customer service can be a significant differentiator. Companies that prioritize responsiveness, transparency, and reliability in their dealings with customers can build strong relationships and foster customer loyalty. In an industry where delays and disruptions are common, a shipping company that consistently delivers on its promises can stand out.

**Tailoring Solutions to Specific Industries or Customer Needs**

Another effective differentiation strategy is tailoring solutions to specific industries or customer needs. Understanding the unique challenges and requirements of different industries enables shipping companies to develop customized services and solutions. For instance, companies that transport pharmaceuticals must adhere to stringent temperature and security standards. By investing in specialized temperature-controlled containers and offering end-to-end tracking and monitoring, a shipping company can differentiate itself as a trusted partner for pharmaceutical companies.

Similarly, understanding the particular needs of e-commerce businesses, which often require fast and reliable delivery services, can lead to the development of specialized solutions. This might include expedited shipping options, last-mile delivery capabilities, and real-time tracking systems. By tailoring services to meet the demands of e-commerce clients, a shipping company can position itself as a preferred provider in this rapidly growing sector.

**Conclusion**

In the competitive landscape of the shipping industry, differentiation strategies are very important for companies looking to thrive and be developed. Providing unique services, specialized expertise, and tailored solutions not only sets shipping companies apart but also adds value to their customers' supply chain actions. Through case studies of industry leaders like Maersk Line, CMA CGM, DHL Global Forwarding, and ZIM Integrated Shipping Services, we have seen how these strategies can be effectively implemented to gain a competitive edge and deliver exceptional value in the shipping sector.

As the shipping industry continues to evolve with changing customer demands and technological advancements, companies that embrace differentiation strategies are well-positioned to adapt and excel in this dynamic environment. By consistently meeting and exceeding customer expectations, these companies can build long-term relationships, foster brand loyalty, and secure their place as industry leaders in an ever-changing world of global logistics and transportation.

### 2.2.2. MERGERS AND ACQUISITIONS (M&A) STRATEGY

Merger and Acquisition (M&A) is a strategic approach used by organizations to achieve accelerated development beyond the scope of organic company expansion. It serves as a means for firms to enhance their worldwide market presence and bolster their competitive advantage (Sui et al., 2016). Merger and acquisition (M&A) endeavors on a global scale exhibit substantial quantities and monetary worth pertaining to many significant commodities, including but not limited to coal, industrial metals, silver, lead, zinc, copper, steel, and aluminum. According to Ernst and Young (2019), the coal and

metal industry saw a total value of USD 60 billion in mergers and acquisitions (M&A) transactions over the year 2018, spanning from January to December. The majority of this value was attributed to coal commodities, while the transaction volume amounted to 320 deals.

There are numerous advantages associated with engaging in mergers and acquisitions (M&A) for companies. These include the ability to generate cash flow rapidly, access to convenient funding options, acquisition of experienced employees, expedited customer acquisition, attainment of a well-established operational and administrative system, mitigation of the risk of business failure, time-saving in entering new markets, and minimization of business risk (Hariyani, Serfianto, & Yusticia, 2011). This particular endeavor has the potential to be conducted in both local and international settings, including the purchase of a minority stake or the assumption of controlling management. According to Malone and Zicheng (2008), domestic acquisitions conducted by local buyers tend to yield more success compared to those carried out by international investors. This may be attributed to the local purchasers' superior knowledge and increased confidence about all aspects of the target asset. Mergers and acquisitions (M&A) represent a significant business undertaking characterized by substantial investment and associated risks, particularly pertaining to the volatility of commodity prices within the market (Savolainen, 2016).

Prior to the execution of a merger and acquisition (M&A) transaction, it is essential for the acquiring party to engage in comprehensive due diligence efforts. Through the process of doing due diligence, the buyer will ascertain the most suitable technique of valuation. Subsequently, the determined enterprise value will be presented to the seller, initiating additional negotiations. Divergent approaches to valuation between sellers and purchasers might lead to substantial variations in the resultant enterprise value. There are two distinct categories of purchasers in mergers and acquisitions (M&A) deals, namely private equity firms and retailing companies, each exhibiting unique decision-making traits (Smit and Lovallo, 2014). Buyers hailing from private equity firms often exhibit a higher degree of assertiveness and are willing to propose prices that exceed the market average. This is likely due to the fact that private equity firms serve as funds or investment managers that entail significant risks for investors. According to Hariyani, Serfianto, and Yusticia (2011), there are two distinct categories of purchases that may be classified based on the underlying objectives driving merger

and acquisition (M&A) operations. These categories include strategic acquisitions and financial acquisitions. A strategic merger and acquisition (M&A) is often characterized as a long-term investment, often involving a corporation that maintains a connection or integrated operations with its owners.

In the meantime, mergers and acquisitions driven by financial incentives are anticipated to have a limited duration, since they aim to generate profits via the subsequent divestment of those assets. According to Lee and Lieberman (2010), since the year 2009, mergers and acquisitions (M&A) have increasingly focused on the acquisition of novel technologies, the exploration of new business opportunities, and the response to global competitive forces. There are three well-known forms of mergers and acquisitions (M&A), which include vertical integration, horizontal integration, and conglomerate takeovers (Aluko and Amidu, 2005).

Merger and acquisition events, often referred to as M&A, have been a subject of interest for scholars worldwide since the 1920s. The conducted study encompasses an examination of due diligence practices or activities that are undertaken prior to the execution of a share acquisition agreement for a corporation. The investigation of company valuation methodologies is a compelling subject of interest for both scholars and professionals. The prevalence of several methodologies used in assessing business value, along with a lack of mutual comprehension between sellers and buyers in evaluating equitable market value, contributes to the frequent occurrence of transactional failures. Mergers and acquisitions (M&A) represent a strategic approach within corporate restructuring endeavors that can facilitate enhanced access to companies, thereby fostering increased profitability, market control, market share, and competitive advantage. This is particularly crucial in light of the global market's relentless expansion, which is characterized by the elimination of boundaries and the increasing absence of borders (Gupta PK, 2012).

Mergers and acquisitions (M&A) are integral components of the corporate restructuring process, including both forward and backward integration strategies (Depamphilis, 2018). If a corporation primarily operates in the raw materials supply industry and seeks to exert control over distribution channels and end goods, it may be inferred that the company is engaging in forward integration via mergers and acquisitions. Conversely, in cases where a corporation primarily focuses on sales or marketing and

the production of the end product, it may seek to gain control over the availability of resources in the upstream process. This is achieved via the implementation of backward integration strategies, such as mergers and acquisitions.

Mergers and acquisitions (M&A) represent a strategic approach used by financially robust firms to facilitate their growth. Through engaging in mergers and acquisitions (M&A), companies are able to acquire direct or indirect access to contemporary knowledge, systems, and technology. Additionally, they can benefit from the presence of a skilled and capable management team, as well as gain access to valuable natural resources. These factors collectively contribute to the process of restructuring the business, ultimately providing the company with a competitive advantage (Akram and Shadid, 2016). Furthermore, as stated by Depamphilis (2018), mergers and acquisitions (M&A) have the advantage of facilitating entry into new markets and acquiring goods at a lesser cost compared to developing them independently. This approach also minimizes the time and effort required for management to achieve these objectives.

According to Fatih and Cagle (2015), when a company engages in mergers and acquisitions (M&A), particularly with companies that possess superior financial resources compared to their counterparts, it has the potential to establish a novel, expedited, and expanded economic, social, and cultural landscape in comparison to its competitors. Consequently, this is anticipated to yield substantial returns for investors involved in M&A activities. In the early stages, mergers and acquisitions (M&A) mostly centered on cheap or troubled businesses. This strategic approach allowed acquiring investors to identify potential chances for further development and subsequent profitability (Downey, 2008). Subsequently, mergers and acquisitions (M&A) evolved into an imperative strategy for corporate consolidation and expanding market reach and product offerings in other regions.

Mergers and acquisitions (M&A) may be categorized into two distinct categories, as proposed by Snow (2011), depending on the nature of management control or shareholders. The first category is control investment, which refers to an investment that gives purchasers the ability to exercise influence over the decision-making processes inside the acquired firm. Control over this decision may be attained by the acquisition of a majority or minority stake by the buyer. However, the voting threshold gives the buyer significant decision-making authority across a wide range of matters.

Non-control investment, also known as minority equity investment, refers to an investment arrangement whereby the buyer lacks decision-making authority over a significant portion of matters outlined in the voting threshold. Typically, this scenario arises when the purchaser acquires a minority stake of less than 50% in the shares.

An elucidation is required about the voting threshold, which denotes the minimum number or proportion of votes from management and/or shareholders as stipulated in a joint venture agreement or shareholder agreement. This threshold governs the determination of items or actions that need approval from either management or shareholders. Typically, this agreement will be mutually established before to the merger and acquisition process and will be formally executed subsequent to its establishment. Hariyani (2011) classifies mergers and acquisitions (M&A) into five distinct categories, delineated by the underlying motivations driving the corporate actions, as shown below. 1. Horizontal mergers and acquisitions (M&A) refer to the consolidation of companies operating within the same market or offering similar products. Vertical mergers and acquisitions (M&A) refer to the consolidation of companies operating at different stages of the supply chain, namely upstream or downstream within the industry. In the context of business operations, the term "downstream" is often used to denote forward or upward vertical integration, whereas "upstream" is typically used to describe backward or downward vertical integration. 3. The phenomenon of conglomerate mergers and acquisitions (M&A) refers to the practice of merging or acquiring one or more firms operating in industries that are unrelated to one other in terms of their industrial sectors. Market expansion, specifically via mergers and acquisitions, is pursued with the objective of broadening the scope of the marketing domain. One notable strategy used by companies to extend their production lines is via product growth, namely through mergers and acquisitions (Liargovas & Repousis, 2011).

## SUSTAINABLE PRACTICES

The shipping industry is increasingly becoming more aware of the importance of sustainability as a major issue. A heightened environmental awareness, dynamic

regulatory environments, and increasing consumer expectations are driving this transition.

The global shipping business is essential to international commerce, since it is responsible for the transportation of nearly 80% of all goods traded throughout the globe. However, there is an impact to the ecosystem associated with performing this vital job. Shipping boats are infamous for their emissions, which include a number of chemicals that contribute to global warming, such as carbon dioxide (CO2), sulfur dioxide (SO2), and nitrogen oxides (NOx). These emissions contribute to the warming of the planet's climate, the pollution of the air, and the acidity of the ocean.

The International Maritime Organization (IMO), which is an institution of the United Nations responsible for regulating shipping, has acknowledged that it is essential to find solutions to these environmental problems. Their approach seeks to cut emissions of greenhouse gases from ships by at least 50 percent by the year 2050, compared to the levels in 2008. Their ultimate goal is to decarbonize the shipping industry.

- Changes to the Regulations:

The International Maritime Organization (IMO) has made a number of regulation adjustments in order to fulfill these lofty goals. Among them are the criteria for the Energy Efficiency Existing Ship Index (EEXI), the acceptance of the International Convention for the Control and Management of Ships' Ballast Water and Sediments, and the sulfur cap restrictions that will be implemented by the IMO in 2020. These restrictions place limits on sulfur emissions, make the installation of ballast water treatment systems mandatory in order to provoke the spread of invasive species, and establish minimum requirements for existing ships' energy efficiency.

In addition, regional rules, such as the Monitoring, Reporting, and Verification (MRV) regulations of the European Union and the Ocean-Going Vessel (OGV) requirements

of the California Air Resources Board (CARB), further underline the significance of sustainability in the shipping industry.

- Expectations of the Stakeholders:

In addition to the demands forced by regulations, shipping businesses must also contend with the increasing expectations of a great variety of stakeholders, including customers, investors, and the general public. When choosing shipping partners, an increasing number of consumers and businesses are placing a higher priority on sustainable business practices and looking for organizations who are dedicated to environmental responsibility and ethical supply chain standards.

When it comes to making judgments on investments, investors are increasingly taking a more in-depth look at the environmental, social, and governance (ESG) performance of firms. Not only can environmentally responsible business practices lower the risks associated with environmental rules, but they also boost the long-term financial prospects of a firm.

- Initiatives for the Protection of the Environment and the Lessening of Our Carbon Footprint:

Shipping firms are pursuing a variety of measures to lower their carbon footprints and develop sustainability as a reaction to environmental concerns, changes in regulatory requirements, and the expectations of stakeholders.

- Utilization of Greener Fuels:

Utilization of more environmentally friendly fuels is a direct method to lowering emissions. In order to comply with rules on sulfur emissions, shipping firms are making the transition to low-sulfur fuels such as liquefied natural gas (LNG) and marine gas oil (MGO). When opposed to conventional bunker fuels, LNG, in particular, is gaining popularity as an alternative that is friendlier to the environment since it produces lower levels of sulfur and particle emissions.

- Enhancements to the Fuel-Efficiency Ratio:

Increasing fuel economy is one of the most crucial steps in cutting emissions. Shipping corporations are modifying boats with energy-saving technology such as air lubrication systems, sophisticated propulsion systems, and hull changes in order to reduce their overall energy consumption. These methods reduce the amount of fuel that is used and, as a result, the amount of emissions.

- Different Methods of Propulsion:

In order to achieve long-term sustainability objectives, it is very necessary to do research on alternative propulsion technologies such as battery-electric, hydrogen fuel cell, and wind-assisted propulsion. These technologies, although being in the infant phases at which they are currently being developed, offer promise in terms of lowering emissions of greenhouse gases and decreasing dependency on fossil fuels.

- Programs That Reduce Carbon Emissions:

A significant number of shipping businesses participate in carbon offsetting schemes as a means of mitigating their environmental impact. Reforestation, projects involving renewable energy sources, and undertakings involving the absorption and storage of carbon are examples of the kind of initiatives that fall under this category. Customers

who are skeptical about the environment are more likely to patronize businesses that participate in carbon offset programs since doing so allows this kind of businesses to achieve carbon neutrality or even a carbon-negative status.

- The digitalization of data and the optimization of travel routes:

The optimization of both the routes and the operations depends critically on digitalization and data analytics. Shipping businesses can discover chances to cut fuel consumption and emissions if they gather and analyze data pertaining to weather patterns, sea conditions, and vessel performance. Adjustments to travel path and speed, made possible by real-time monitoring, help reduce negative effects on the environment.

- Customers and the company both stand to benefit from sustainable business practices, including the following:

The adoption of environmentally responsible business methods inside the shipping sector brings with it a wealth of advantages, which can be enjoyed by consumers as well as shipping enterprises.

- Advantages for the Customers:

1) Responsibility Toward the Environment:

Customers, particularly those in businesses that are concerned of their impact on the environment, look for business collaborators that share the same dedication to sustainability. Customers are able to match their supply chains with their environmental goals and show their commitment to corporate responsibility when they choose a shipping provider that is committed to sustainability.

2) Risk Reduction Strategies:

Shipping methods that are environmentally sustainable assist reduce the risks that are linked with environmental legislation. Customers may prevent possible interruptions and financial fines by cooperating with businesses that comply to emissions regulations and other regulatory requirements. Customers can also avoid potential lawsuits by taking this approach.

3) Savings on Costs:

Cost reductions for shipping businesses may be achieved via the implementation of efficiency improvements and the reduction of fuel use. Customers are able to reap the benefits of these cost reductions in the form of more competitive pricing and shipping options that are more cost-effective.

- Advantages for the Organization:

1) Advantage in the Market Place:

Businesses that make sustainability a top priority have an advantage over their competitors. They eventually increase market share and income by luring clients who place a premium on being associated with ecologically responsible partners.

2) Attracting Potential Investors:

Investors are becoming more influenced by businesses that have a great performance in ESG metrics. A company's development potential may be boosted by sustainable practices since they improve the company's image and increase its access to funding.

3) Compliance with Regulations:

The proactive adoption of environmental practices which are responsible assures compliance with both present legislation and any future environmental requirements that may be enacted. This reduces the likelihood of incurring regulatory fines and experiencing interruptions to operations.

4) Viability Over the Long Term:

In a sector that is undergoing fast transformation, sustainability measures provide shipping businesses a competitive advantage for the long run. Companies that place a strong emphasis on sustainability are better prepared to adapt to the ever-changing environmental rules and to grow as a result.

In conclusion, the relevance of sustainability in the shipping sector is on the increase, which may be attributed to environmental concerns, changes in regulatory standards, and the expectations of stakeholders. The use of cleaner fuels, increases in fuel economy, alternative propulsion systems, carbon offset programs, and digitization for route optimization are some of the measures that shipping firms are currently exploring in order to minimize their own carbon footprints. These activities that are environmentally responsible result in a multitude of advantages for consumers as well as the firms themselves. These advantages include environmental responsibility, risk reduction, cost savings, a competitive edge, investor attractiveness, compliance with regulatory requirements, and long-term viability. Companies that embrace environmentally responsible business practices are well positioned to thrive in a world that is becoming more environmentally sensitive. Sustainability is continuing to affect the future of the shipping industry.

## 2.3. DIVERSIFICATION STRATEGY

In the context of a market economy, firms choose for a diversification strategy due to many primary factors. Firstly, in order to boost competitiveness, firms may achieve economies of scale, scope, and market by engaging in diversified activities.

Firstly, it is important to consider the concept of influence. Additionally, it is advisable to mitigate risks by diversifying them. The organization has the ability to mitigate non-systemic risks via diversification. Fir optimizing its operations, the company aims to achieve a varied business portfolio. In addition, the exploitation of resources, namely production capacity and knowledge management, is being discussed. Furthermore, the use of advanced technologies, enhanced managerial skills, and the cultivation of entrepreneurial endeavors have the potential to provide significant advancements in a lot of practical contexts. Nevertheless, along the course of diversification, there is an unavoidable occurrence. The enterprise's agency cost and business risk have been discussed in previous literature [3].

Ansoff's categorization provides a comprehensive overview of the motivations for diversity, which may be classified into four distinct categories. When the company is unable to meet the expectations and demands of its stakeholders, it can be classified as a failure. Finally, when the company experiences a significant decline in its financial performance and profitability, it can be considered a failure. The first aspect to consider is the firm's growth plan. Additionally, it is worth noting that the company has a significant surplus, which much surpasses the required amount.

The organization has several growth strategies.  In this particular instance, the potential for growth and variation is indeterminate [4]. Montgomery also drew a contrast when elucidating the concept of the "diversity premium". Among the three primary drivers of diversification efforts in 1994, as outlined by previous research [10]. Firstly, the market forces perspective posits that organizations engage in diversification strategies not only due to their inherent nature, but rather as a response to external market dynamics. The increased efficiency may be attributed to the acquisition of "group power". Diversification refers to the strategic practice of allocating investments across a range of different assets.

The acquisition of market power is significantly influenced by the role played by [the subject in question]. In order to diminish market competition and solidify their predatory pricing strategies, businesses seek to combine their operations. Cross-subsidization, conspiracy, and reciprocal transactions are behaviors that warrant academic examination. Moreover, the violation of consumer interests will be very

detrimental. The use of the scope by growth-oriented managers may be substantial. Enhancing market strength of the organization while bolstering the economy.

One strategy to enhance the market power of a firm is via Scott's multi-market connection hypothesis. The hypothesis is presented in reference. Companies that engage in competition across many marketplaces are more likely to possess a heightened motivation. In order to enhance their collective efficacy, individuals engage in the establishment and maintenance of networks. Companies have the ability to produce positive spillover effects via the implementation of cross-subsidy activities.

Ties refer to the interconnectedness and interdependence of many factors inside an industry, indicating the market's strength and the worth of its resources. The potential for growth may be heightened as a result of allocating resources towards investment in an alternative sector. Diversified corporations refer to organizations that engage in a range of different business activities across many industries or sectors. Also, the concept of scale and economies of scale comes up when organizations undertake the implementation of diversification strategies. Strategies that include the use of information from numerous product markets to gain a competitive advantage.

The business units are denoted with the number 9. From the perspective of resource allocation, it may be argued that there will consistently exist resources that are not fully exploited. The use of resources in the routine business operations of organizations, specifically pertaining to surplus output. Various elements, including the implementation of a diversification plan, may aid firms in the development of this particular aspect. The presence of surplus resources and the recognition of the extent of economic impacts through the sharing process. Hence, the distribution of excess resources and available cash flow is a significant aspect.

The primary drivers for diversity have been extensively studied. The use of corporate resources plays a very important role in fostering the sustained competitiveness of business owners. On one side, there is the presence of opportunities, but on the other hand, there are challenges that impede the company's capacity to. The act of transferring resources to new applications or transplanting them into a different setting. Consequently, the efficacy of diversification is contingent upon the presence of complementarity between the various components. The correlation between the

company's use of internal resources and its relationship with the company/industry is of academic interest.

The selected varied model provides opportunities for various empirical predictions. The profitability of diversification expectations increases as the activities become more closely connected. In elucidating the concept of the "diversity discount," the institutional viewpoint places significant emphasis on holders in order to pursue their own personal gain. This may lead to a misalignment of incentives and can harm the overall financial performance of the organization. Beneficiaries are required to get the privileges. The fundamental concept behind diversification pertains to the process of decision-making.

The conduct shown by managers with the intention of pursuing their own covert advantages and minimizing the potential hazards to their revenue pose a significant threat to company performance and have the potential to cause substantial harm. The concept of company value refers to the overall worth or significance of a business entity. In the context of the division between ownership and control, the agency perspective posits a forecast. There exists a negative association between the level of diversity and company performance, as shown by previous research. Hoskis is a term that refers to a specific concept or phenomenon.

In summation, experts have varied interests that influence their interpretations, leading to divergence in perspectives. The motive for classification will vary, mostly aimed at enhancing competitiveness. Minimize hazards, enhance resource efficiency, and align with operators' individual interests and preferences. Nevertheless, the prevailing concepts mostly originate from empirical situations or theoretical frameworks. Research endeavors might endeavor to delve further into the underlying factors that drive the process of diversification, using insights from empirical data.

The present study focuses on the examination and use of established methodologies.

- The Categorization of Diversification Strategies

When examining the concept of diversification strategy, it is important to consider the categorization of different types of diversification. The investigation of diversification strategy encompasses a basic concern with the concept of strategy. There are several categorization methods in the field of business strategy, including the Wrigley category technique, the Rumelt category method, and the Ansoff category method. The categorization of diversification tactics may often be classified into two distinct groups. The two types under consideration are connected diversification and non-related diversification. There exists a relationship between two entities.

One aspect pertains to diversity, while the other is deemed inconsequential. Concentric diversification pertains to the strategic decision of entering a new market or introducing a new product.

Non-related diversification refers to the expansion of a company's activities into unrelated markets or industries. On the other hand, relevant diversification entails the expansion into markets or industries that are closely linked to the company's existing operations. Relevant diversification is considered advantageous as it allows for the use of existing resources and capabilities, hence enabling the company to fully leverage its competitive advantages.

Leverage the company's inherent experience, exclusive capabilities, and established marketing channels. Furthermore, there are several other benefits to consider, and it is worth noting that the potential risk associated with integration is minimal. Non-related diversification, also sometimes referred to as centrifugal diversification, pertains to the strategic expansion of a company's activities into industries or markets that are distinct and unrelated to its current operations. The absence of apparent strategic implications is noteworthy in relation to the introduction of recently acquired items or entry into new markets.

The capacity to adjust and conform to established enterprises or marketplaces. The newly introduced items are novel. The introduction of items into a previously untapped market. The adoption process is evident. The adoption of non-relevant diversification methods by firms is not grounded on a solid foundation.

Marketing channels play a crucial role in the distribution and promotion of products and services. These channels include several methods and platforms via which businesses communicate with their target audience, such as the primary incentive is to

achieve cash flow equilibrium or acquire more funds. Points of Profit Growth. comparative analysis of the relevant diversification approach reveals the adoption of diversification methods that are not related to organizations has been seen to have a significant impact on their operations. The use of this approach has always been seen as a very perilous tactic within the academic community. The user's text does not provide any information to rewrite in an academic manner.

Non-related diversification involves expanding into industries or markets that are unrelated to the company's current operations. This strategy can help mitigate risks associated with a single industry or market, as well as provide chances for growth and increased profitability. By diversifying into non-related industries, companies can tap into new customer segments, leverage existing resources and capabilities, and gain a competitive advantage.

The growth of corporate scope and the rise of are often seen together. The field of business encompasses several areas of study and practice. Managing hazards in the field of management poses significant challenges. Organizations should consider diversifying their resources into a sector that is not known and embracing the challenges associated with venturing into new business domains. The specialized risks associated with regulatory compliance, as well as the rules and regulations governing it, are important considerations in understanding the distinct regulatory risks involved.

The governing bodies. Enterprises are required to make substantial investments in the process of producing new products or services. The subject areas. The cultivation process will undoubtedly be influenced by both human and material resources.

The erosion of fundamental competitive advantage. Furthermore, the execution of the unrelated implementation of a diversification plan is often accompanied with the potential for enhancing financial outcomes. The topic under consideration involves potential hazards or dangers.

### 2.3.1. IMPORTANCE OF DIVERSIFICATION IN THE SHIPPING INDUSTRY

The shipping business is a complex sector. Over the course of the last four decades, the shipping industry has seen notable advancements in productivity, as highlighted by Ma

(2012, p.12). The shipping sector has seen a significant shift towards specialization and gigantism, mostly attributed to the advancements in current technology. These developments have resulted in the creation of more different marketplaces within the shipping sector compared to previous periods. Furthermore, the shipping industry has been facilitating worldwide transportation services for several other sectors, functioning as a crucial interconnection between businesses. In addition to lateral diversification, shipping businesses have other potential avenues to pursue company diversification, including horizontal and vertical diversification. In the context of horizontal diversification, an entrepreneur who previously operated a firm specializing in liner services may want to expand their operations by entering the tramp shipping industry. These two entities exhibit distinct characteristics in terms of their service elements, including operational, contractual, and organizational aspects. An example of liner service is the need for a ship to adhere to predetermined timetables, certain ports of call, and designated vessel names upon arrival at the port. However, it has been noted that tramp services tend to exhibit irregularities in terms of both scheduling and locations (Ma, 2012, pp. 54-59). If an individual has operated a firm within the general cargo market, they may choose to go into the dry bulk cargo market or the tanker cargo industry. The reason for this disparity is rooted in the distinct attributes shown by various kinds of cargoes, necessitating the use of specific equipment for their loading, unloading, and transportation aboard vessels. Typically, ships are designed to transport certain types of cargo and are not readily adaptable for the transportation of other types of cargo without undergoing a refitting procedure. A tanker vessel is not suitable for transporting containers and 16 grains. Each of these entities may be regarded as an individual unit of merchandise for transportation firms. Shipping firms have a wide range of options available to them when it comes to vertical diversification. Examples of industries that may be included include port operations, inland logistics businesses, agencies that provide broker services, forwarder services, and many other intermediate services. Additionally, shipbuilding services and financial agency services that involve dealing with future contracts can also be considered. Benefits of Implementing a Diversification Strategy in the Shipping Industry Diversification in the shipping sector yields similar advantages as shown in other businesses. The primary objective is to enhance the company's profitability by optimizing its growth trajectory. From management scope, it is well recognized that each product has a distinct life cycle. When a firm is in its first stages of establishment, the product enters the introduction

phase, during which the pace of profit growth will steadily increase. The velocity will attain its highest level of value throughout the era of growth. Once a product enters the mature phase, corporations have significant challenges in sustaining the previous levels of profit growth. Frequently, the rate of profit growth tends to gradually decline until it reaches a certain threshold, or in more unfavorable circumstances, it may revert back to zero. The identification of this barrier is a significant challenge for many entrepreneurs when formulating their future development strategy. Diversification offers a straightforward answer for organizations seeking to reach new markets for their products. The subsequent cycle will begin again, whereby the expansion of the emerging product market may offset the decline in the established product's market. Certain large corporations may choose to make direct investments in firms that are seeing growth in the market for their respective goods. In order to mitigate the risk of product failure during the first market entry phase, it is advantageous for the firm to adopt proactive measures. There is no need to increase expenditures on product innovation or originality, since the firm can attain sustained growth in the foreseeable future.

## 2.4. IMPACT OF NEW TECHNOLOGIES IN SHIPPING STRATEGIES

Throughout the course of history, the global environment has seen significant and far-reaching changes due to several cycles of the vast industrial revolution phenomenon. The first stage of this prolonged and apparently complex shift was the use of steam power and its many relevant uses. This era unfolded over the 18th and 19th centuries, representing a crucial turning point in our social advancement from an agricultural to a considerably industrialized condition. The latter stage of the revolution was distinguished by the advent of mass production, including the implementation of assembly line methodologies and associated concepts, in conjunction with the comprehensive exploitation of electricity. Furthermore, one may argue that the emergence of computers and the subsequent incorporation of Information Technology (IT) applications have significantly helped for the onset of the third phase of the industrial revolution, which materialized during the mid-20th century. According to Dalaklis and Fonseca (2019), this advancement has shown to be beneficial in

augmenting collective intelligence throughout the society. Finally, it is important to acknowledge that we are now seeing the impacts of the "fourth stage of the industrial revolution," often known as "Industry 4.0" within scholarly discussions.

The concept of "Industry 4.0" was first discussed at the Hannover Fair in 2011. The German government developed a strategy plan in 2013 in order to establish the nation as a prominent player in the manufacturing industry (Kosacka-Olejnik & Pitakaso, 2019; Kuo, Shyu, & Ding, 2019; Yang & Gu, 2021). The first manifestation of industry 4.0 included of nine prominent technological foundations, namely cyber-physical systems (CPS), Internet of Things (IoT), Big Data Analytics (BDA), 3D printing, Advanced Robotics, Advanced Simulation, Virtual and Augmented Reality, Cloud Computing (CC), and Cyber Security. Several further research initiatives and peer-reviewed articles have augmented the aforementioned compilation, underscoring the importance of Artificial Intelligence (AI) and Horizontal/Vertical System Integration (H/V SI) (Bahrin, Othman, Azli, & Talib, 2016; Rüßmann et al., 2015). Yang and Gu (2021) provide a compelling justification for the close integration of cyber-physical systems with artificial intelligence (AI) and human/virtual social intelligence (H/V SI).

The maritime industry has seen substantial consequences during various stages of the industrial revolution. In its early stages, the introduction of the steam engine resulted in the displacement of power from wind as the predominant energy source for large marine vessels. Moreover, there was a significant increase in the scale of commercial transactions, resulting in a very positive impact on marine operations. Furthermore, development in the field of metallurgy had a significant role in the improvement of shipbuilding methodologies. The influence of electronics and information technology on the operational framework of the maritime sector at large is readily apparent (Dalaklis et al., 2020; Kim et al., 2020). It is expected that the shipping industry will experience significant impacts from disruptive innovations associated with Industry 4.0 in the coming years, as evidenced in previous studies (Stanić et al., 2018; Cicek, Akyuz, & Celik, 2019; Dalaklis & Fonseca, 2019; Sullivan et al., 2020; Aiello, Giallanza, & Mascarella, 2020; De la Peña Zarzuelo, Soeane, & Bermúdez, 2020; Jo, D'agostini, & Kang, 2020).

The existing frameworks for vessel control may see substantial changes due to the rapid improvements in technology associated with Industry 4.0 (Dalaklis, 2018; Dalaklis & Fonseca, 2019).

The Yara Birkeland, constructed via a partnership among the Norwegian agricultural corporation Yara and the marine engineering firm Kongsberg marine, has notable significance within the shipping industry. The Yara Birkeland is a notable achievement as it marks the pioneering development of a fully electric and autonomous vessel specifically intended for container transportation. The ship in question integrates cutting-edge developments in artificial intelligence (AI) and the Internet of Things (IoT), as highlighted by Kongsberg (2021) and the World Maritime University (WMU, 2019). Furthermore, Elon Musk, a very influential entrepreneur, together with his company Space Exploration Technologies (SpaceX), has made efforts to use autonomous and unmanned barges in order to acquire economically viable reusable rockets. Hence, it is apparent that the shipping sector is now experiencing ongoing and substantial technological improvements that possess the capacity to fundamentally transform all facets of shipping operations in the near future (Ma, 2020). The aforementioned shift could be ascribed to the adoption of Industry 4.0 principles within the marine sector, also known as "digitalization in the shipping era."

Several scholarly sources in the current corpus of research have put out predictions on the likely appearance of two separate sorts of vessels in the future. The first vessel being examined is a smartship, which is distinguished by the incorporation of electronic equipment, heightened monitoring of navigational and engine systems, and the automation of onboard activities. These advances signify a progression from conventional watercraft. The second kind of vessel is referred to as an autonomous ship, which is distinguished by its ability to independently navigate and make decisions about control configurations without requiring human intervention (Lloyd's Register, 2016). An autonomous vessel has the capacity to function either with or without crew members on board. However, it is important to emphasize that the economic framework of autonomous boats will differ greatly from that of conventional ships or intelligent ships (World Maritime University, 2019).

The incorporation of Industry 4.0 technology into the marine industry is anticipated to have a significant influence on shipping strategy. The aforementioned developments will have an impact on several facets of the shipping sector, including vessel operations, logistics, safety, sustainability, and competitiveness (WMU, 2019). This article aims to examine the impact of Industry 4.0 on shipping techniques within a brief word limit.

The use of Industry 4.0 technology within the maritime sector has resulted in the emergence of intelligent ships and self-governing boats. Ships that have been characterized as smart are outfitted with sophisticated electronic systems, sensors, and automation technologies, enabling the continuous monitoring and control of diverse ship operations in real-time. The aforementioned aspects include navigation, engine efficiency, freight management, and safety protocols. These technological developments greatly improve the effectiveness and security of marine operations.

The shipping industry is seeing the development of new tactics that aim to optimize operations by harnessing the potential of intelligent vessels. The use of data-driven decision-making makes it easier for the operators to optimize routes, fuel consumption, and maintenance schedules. As a consequence, there are financial benefits and a decrease in the overall ecological footprint. Additionally, the use of automated onboard operations reduces the need on a substantial workforce, hence resulting in possible savings in labor expenses. The advent of autonomous vessels signifies a fundamental transformation in the field of maritime transportation. The operational capacity of these vessels may be contingent upon the degree of autonomy, allowing for both crewed and unmanned operations. The development of fully autonomous ships, characterized by their ability to operate without human interference, is now in the experimental stage. However, these vessels possess significant promise.

The primary objective of autonomous shipping strategies is to enhance the efficiency and effectiveness of vessel use. The advantages provided by these systems include uninterrupted operations, enhanced safety due to less human error, and decreased labor expenses. Nevertheless, it is essential to tackle the regulatory and safety obstacles prior to achieving broad implementation.

The use of Industry 4.0 technologies within the maritime sector results in the generation of substantial volumes of data, facilitated by the utilization of sensors, Internet of

Things (IoT) devices, and onboard systems. The aforementioned data serves as a great asset for transportation businesses, enabling them to make well-informed judgments.

The use of data analytics and big data approaches has become more integral to shipping strategy. Organizations has the capability to examine past performance data in order to forecast instances of equipment breakdowns, enhance fuel efficiency, and optimize route planning. Predictive maintenance, as an illustrative instance, serves to mitigate expensive failures and unplanned periods of inactivity. The incorporation of Industry 4.0 technology has a broader perspective beyond the physical vessel (Xiao, Chen, & McNeil, 2021). The scope of this concept spans the whole of the supply chain, including port operations, logistics, and cargo tracking. The integration plan heavily relies on the crucial elements of real-time data exchange and communication among stakeholders.

Contemporary shipping methods need the harmonious collaboration of maritime entities, port authorities, customs agencies, and logistics service providers. This practice makes sure the optimal cargo management, less disruptions, and enhanced overall process of the supply chain. The use of blockchain technology is now being investigated as a means to augment transparency and security inside supply chain transactions (Xiao, Chen, & McNeil, 2021).

The use of Industry 4.0 technology is facilitating a transition towards shipping methods that prioritize environmental sustainability. Shipping businesses are embracing cleaner and more efficient technology in response to growing awareness of climate change and more stringent emissions laws.

Currently, the emphasis in shipping strategy is in the prioritization of sustainability, which is achieved via the use of eco-friendly fuels, hybrid propulsion systems, and energy-efficient designs. Intelligent vessels provide the capability to enhance fuel efficiency and mitigate emissions, therefore harmonizing with international endeavors aimed at diminishing the environmental impact of the maritime sector.

Ensuring safety is of utmost importance within the marine sector. The use of Industry 4.0 technology has been shown to significantly improve safety measures via the utilization of real-time monitoring, predictive analytics, and automation.

Contemporary shipping techniques have proactive risk control measures. The use of data obtained from sensors and monitoring systems serves the purpose of identifying

possible safety dangers and mitigating the occurrence of accidents. According to Xiao (2021), the use of automated safety measures during emergency scenarios has the potential to decrease reaction times and mitigate the potential harm to individuals.

The increasing dependence of the maritime industry on digital technology has raised substantial concerns over the potential risks posed by cyberattacks. The advent of Industry 4.0 has brought up novel vulnerabilities that need prompt attention and resolution.

Shipping plans include comprehensive cybersecurity safeguards to safeguard boats, onboard equipment, and crucial data. The use of sophisticated encryption techniques, intrusion detection systems, and comprehensive staff training are employed as strategies to effectively manage cyber hazards.

In order to use Industry 4.0 technology, shipping businesses must effectively negotiate a multifaceted terrain including many rules and standards. Ensuring adherence to international and regional maritime legislation is crucial for the lawful and secure operation of marine activities.

The implementation of shipping strategies necessitates the acquisition of up-to-date knowledge on dynamic rules, as well as the assurance that vessels and operational procedures conform to the prescribed requirements. Compliance encompasses not only the fulfillment of legal requirements but also confers a competitive advantage by bolstering a company's reputation and reducing the likelihood of incurring fines.

In summary, the incorporation of Industry 4.0 technology into the marine industry is fundamentally transforming shipping methods across several dimensions. Automation, data-driven decision-making, supply chain integration, sustainability, safety, cybersecurity, and regulatory compliance are all key elements of contemporary shipping strategy. According to Dalaklis (2018), shipping businesses who adopt and integrate these developments will have a more advantageous position to be successful in a global market that is becoming more and more competitive and ecologically concerned.

## 2.5. MARKET EXPANSION STRATEGY

Market expansion is a key strategic approach for fostering corporate development, enabling organizations to access untapped client groups and enhance their total profitability. Market expansion is a deliberate strategic endeavor undertaken by enterprises with the aim of entering previously unexplored geographical regions in order to access untapped markets and attract novel consumer bases. The growth of the company may be realized via several strategies, including the establishment of more brick-and-mortar shops, the development of an online presence in other geographical areas, or the formation of strategic alliances with indigenous enterprises.

When a corporation makes the strategic decision to expand its market reach, it begins a process of venturing into new territories and experiencing progressive development. The analysis conducted is a meticulous examination of the prospective opportunities in emerging geographical regions, with a focus on discerning the specific requirements and inclinations of the indigenous inhabitants. By comprehending the distinct characteristics of each markets, enterprises may customize their methods in order to successfully infiltrate and captivate the attention of the intended demographic.

Venturing into unfamiliar markets may arise significant challenges, since it requires a comprehensive comprehension of the indigenous culture, language, and commercial protocols. Many corporations often allocate resources towards doing comprehensive market research in order to get valuable knowledge on the behavior of customers, competitive dynamics, and regulatory environments. Equipped with this information, individuals may create complete strategies for growth that are in accordance with the distinct requirements and anticipated outcomes of the novel market.

Market expansion refers to the strategic undertaking by a firm to extend its operational reach, product offerings, or service provision to previously untapped or less penetrated geographic regions. The primary goal is to expand the client base and provide supplementary sources of income.

The process of entering new markets requires meticulous strategic preparation and precise execution. When making business decisions, companies must take into account many elements, including the size of the market, the potential for development, the competitive environment, and the availability of infrastructure. Through a comprehensive evaluation of these many factors, organizations may ascertain the viability and financial viability of venturing into a certain market.

The scope of market growth extends beyond mere physical presence. In the contemporary era of digitalization, organizations have the opportunity to use technology as a means to build a virtual presence in previously unexplored geographic regions. This enables organizations to expand their consumer base beyond geographical boundaries, so overcoming the limitations imposed by distance and time. By using e-commerce platforms and implementing digital marketing tactics, firms have the option to establish virtual storefronts that effectively cater to the specific demands of various client groups across different geographical locations.

The development of markets is crucial for sustaining corporate growth and ensuring competitiveness in the dynamic global marketplace. By expanding into unexplored geographical regions, firms have the potential to decrease their reliance on current markets, mitigate the risks linked to market saturation, and capitalize on prospects for revenue diversification.

The act of venturing into untapped areas has several advantages for enterprises. First and foremost, this strategic approach enables businesses to enter untapped client niches, therefore expanding their customer base and perhaps enhancing their income streams. This not only enhances immediate financial gains but also lays the groundwork for enduring expansion and viability.

Moreover, the development of the market allows firms to effectively manage and reduce the risks that are often connected with market saturation. In markets characterized by intense competition and a saturation of consumer demand, the strategic decision to expand into new territories is a promising avenue for achieving growth and capitalizing on untapped potential. Through the process of broadening their client base, organizations are able to mitigate the risks associated with swings in demand and economic downturns.

Additionally, the expansion into untapped markets has the potential to foster innovation and facilitate the creation of novel goods or services. As enterprises adjust their strategies to cater to the distinct requirements and inclinations of various geographical areas, they have the potential to discover undiscovered market segments and discern deficiencies in the current product or service offerings. This phenomenon has the potential to stimulate innovation and motivate the development of novel solutions that effectively address the distinct needs of various client demographics.

In summary, market expansion is a strategic pursuit that enables enterprises to achieve growth, diversification, and sustained competitiveness. By expanding their operations into previously unexplored geographical regions, organizations have the opportunity to access untapped markets, acquire a fresh consumer base, and create supplementary sources of income. Market expansion, whether achieved by physical growth, establishing an online presence, or forming strategic relationships, enables firms to access new possibilities and secure their long-term viability in a dynamic global economy.

The strategic decision to enter new geographical regions has significant importance for organizations seeking to expand and enhance their market presence. However, before to embarking into unexplored domains, doing comprehensive research is necessary in order to identify viable areas that have the potential for achievement. This entails the consideration of several elements that might potentially influence the operational and development possibilities of the firm.

An efficacious strategy for discovering prospective new geographical regions involves doing research on developing markets. These markets exhibit notable features such as expanding economies, increasing consumer buying capacity, and unexplored market opportunities. By venturing into developing markets, firms have the opportunity to establish a solid foundation at an early stage and take advantage of potential future development opportunities.

When doing research on developing markets, it is important for organizations to take into account a multitude of factors. First and foremost, it is important to do an analysis of the economic stability of the nation or area. A stable economy fosters a conducive atmosphere for the expansion of businesses and mitigates the likelihood of abrupt economic contractions. Furthermore, it is vital to comprehend the significance of cultural compatibility. The incorporation of local customs, traditions, and preferences is vital for organizations in order to cultivate trust and foster enduring customer connections.

In addition, it is crucial to assess the regulatory framework of the prospective geographical region. A comprehensive knowledge of the local laws, rules, and business practices is necessary in order to maintain compliance and mitigate any potential legal

complications. This includes the examination of taxation policies, import/export rules, labor laws, and the safeguarding of intellectual property rights.

After the identification of prospective new geographical locations, firms are required to conduct an analysis of various market entrance tactics in order to ascertain the most appropriate technique for their growth endeavors. The successful completion of this pivotal stage necessitates meticulous evaluation of a multitude of aspects, including market dynamics, competitive landscape, cross-cultural disparities, and legal obligations.

Direct exporting is well recognized as a prevalent market entrance strategy. This tactic involves the direct sale of items or services to clients inside the designated target market. Nevertheless, the matter at hand is more complex than it may first seem. For facilitating the movement of goods, enterprises are required to develop tangible ways for distribution. This may include constructing storage facilities, establishing distribution hubs, or forming alliances with regional logistics service providers. Furthermore, it is essential for businesses to adhere to local rules and modify their marketing and sales approaches in order to align with the tastes and requirements of the local clientele. This may include the translation of marketing materials, the adaptation of pricing methods, and the customization of product packaging to conform to cultural standards.

Licensing and franchising are usually used market entrance techniques that organizations frequently contemplate. These tactics enable firms to expand their presence in previously untapped geographical places by forming relationships with local organizations. Licensing encompasses the act of authorizing the use of intellectual property, such as trademarks, patents, or copyrights, to a domestic collaborator. Consequently, the indigenous collaborator remunerates the corporation via the payment of royalties or licensing fees. In contrast, the concept of franchising entails the delegation of operating privileges for a certain business model and the use of a well-established brand name to a domestic collaborator. This strategic approach not only facilitates the expansion of enterprises' brand exposure but also yields a consistent flow of royalty money. Nevertheless, it is vital for firms to meticulously choose their licensing or franchising partners in order to guarantee that they possess the requisite proficiency and assets to effectively manage the organization.

One often pursued market entrance approach by enterprises involves the establishment of joint ventures or strategic alliances with indigenous companies. This method enables organizations to engage in resource sharing, information exchange, and risk mitigation, therefore using the local market expertise and networks of their collaborative partners. Joint ventures often include the creation of an independent legal company in collaboration with a local partner, while strategic alliances require a somewhat less formal arrangement. In both instances, enterprises have the opportunity to use the regional proficiency and market comprehension possessed by their partners in order to effectively manage the intricacies associated with the unfamiliar geographical region. Nevertheless, it is important to set unambiguous agreements and expectations in order to facilitate a prosperous and mutually advantageous collaboration.

When conducting an analysis of market entrance tactics, it is important for organizations to thoroughly assess the merits and drawbacks associated with each respective method. Various factors, including the size of the market, the intensity of competition, the compatibility with the local culture, the legal and regulatory obligations, and the presence of local partners, significantly influence the selection of an appropriate approach. Furthermore, it is important for organizations to take into account the enduring sustainability and scalability of their selected strategy in order to guarantee a prosperous growth into novel geographic regions.

The process of entering new geographical regions has a multitude of obstacles that firms must effectively address in order to achieve a successful market entrance and maintain long-term development.

In the context of market growth, firms encounter a significant obstacle in the form of managing cultural disparities and linguistic obstacles. It is important for companies to allocate resources towards cultural sensitivity training in order to get a comprehensive understanding of the cultures, traditions, and values prevalent within the target market. Through this approach, businesses have the ability to customize their offerings in order to cater to the distinct requirements and inclinations of customers within a certain geographic area.

The presence of language barriers may be a substantial impediment to the growth of markets. In order to address this particular difficulty, it is advisable for enterprises to contemplate the process of localizing their goods or services via the translation of those

offerings into the native language of the intended market. Effective communication not only facilitates the exchange of information but also cultivates a perception of trust and familiarity among local customers.

In addition, the recruitment of local professionals who possess a deep understanding of the cultural and linguistic nuances of the target market may significantly enhance the efficacy of market development endeavors. These people have the chance to be great assets in facilitating the connection between the firm and the local customers, therefore guaranteeing that the business plans are in harmony with the cultural norms and preferences of the target market.

## 2.6. STRATEGIC ALLIANCES

The establishment and composition of strategic alliances have been a key aspect as far as market expansion strategies are born. The shipping business had a notable characteristic throughout the 1990s. The aforementioned occurrence has stimulated the scholarly investigation of the strategic alliance notion, as depicted by the works of Evangelista and Morvillo in 1999. In the year 2000, Midoro and Pitto conducted a study, while Panayides and Song conducted their research in 2001. Song also contributed to the academic discourse at this time.

The primary goals of contemporary shipping enterprises include the management of risk and investment. The benefits of sharing include the realization of economies of scale, the capacity to regulate costs, and the potential to enhance service frequencies. In light of the worldwide expansion of international markets and the prevalent issue of low profitability and financial performance, the aforementioned goals have served as catalysts for the establishment of strategic partnerships. One may argue that the establishment or dissolution of strategic alliances, as well as the adoption of other tactics like as mergers and acquisitions, are motivated by the desire to achieve corporate goals. Therefore, several authors (e.g., Fossey, 1994; Gardiner, 1997; Midoro and Pitto, 2000) have attributed the establishment of global strategic alliances in the shipping industry to the accomplishment of diverse objectives, which can be separated as follows: 1. Financial objectives: These include the maximization of profits, enhancement of shareholder wealth, sharing of capital investments, and reduction of

financial risks. The economic aims include two key aspects: cost reduction and the attainment of economies of scale. The strategic goals include the expansion into new markets, broadening the geographical reach, and enhancing the power of buying. The marketing objectives aim to enhance customer satisfaction by improving various aspects such as frequency, flexibility, reliability, and network expansion, which involves offering a wider range of routes and destinations. On the other hand, the operational objectives focus on increasing the frequency of services, as well as improving vessel planning and coordination on a global level.

Although strategic alliances have shown clear benefits, it might be argued that these advantages have not always been realized in some situations. As a result, several enterprises operating in the liner shipping industry have seen fluctuations and shifts in their strategic orientation. Therefore, in recent years, firms have placed significant emphasis on determining whether forming alliances or pursuing acquisitions would be the most efficient approach to attaining organizational goals and facilitating development (e.g., Alix et al., 1999). The origins of the volatility seen in strategic alliances within the liner shipping industry may be attributed to the conduct of the member corporations involved in the alliance. This behavior may emerge due to the desire to attain individual organizational goals, which may potentially affect the collaboration among partners. Furthermore, it is important to consider several additional aspects that might contribute to the instability of an alliance. These elements include the number of partners involved in the alliance, the specific roles and contributions of each partner, the amount of mutual trust between the partners, and the difficulty of the job at hand. For instance, Killing (1988) suggests that these factors can significantly influence the stability of an alliance. In their study, Midoro and Pitto (2000) conducted a conceptual analysis of the aforementioned elements and established their validity within the context of liner shipping. Furthermore, the authors highlight the presence of intra-alliance rivalry as an additional significant factor contributing to the instability of alliances. Therefore, conducting a comprehensive examination of the cooperative behavior shown by partners in alliances would have significant practical significance and value. Panayides (2002) and Ryoo and Thanopoulou (1999) The challenges linked to strategic partnerships and their resulting volatility have led to a strategy change in recent times, whereby corporations have increasingly pursued deeper integration via mergers and acquisitions. The writers Meersman et al. (1999), Panayides

and Gong (2001, 2002) have examined the rationales and outcomes associated with increased integration via mergers and acquisitions.

One significant rationale for a merger is the attainment of cost reduction through leveraging operational synergies and capitalizing on economies of scale. According to the information provided, it has been reported that around 75% of the total savings amounting to US$130 million coming from the NOL ± APL agreement may be attributed to the enhanced operational efficiency achieved by the merged entity in using APL's sea ports, container freight trains, and the collective fleet of ships held by both firms. Another possible benefit is the attainment of market dominance or monopoly power. According to Heaver et al. (2000, pp. 368 ± 369), mergers leading to a larger market share in the shipping and logistics industry may initially result in increased market power. However, this is unlikely to lead to long-term high profit margins in a dynamically competitive international market. This argument offers a valuable foundation for empirical inquiry into its advantages, since market power is often identified in the existing literature as a precursor to mergers and acquisitions (e.g., Kim and Singal, 1993; Panayides, 2001b).

Several ideas and models have been put out to explain the creation and functioning of strategic alliances. The theoretical frameworks employed in this study encompass the transaction cost approach (Hennart, 1998; Williamson, 1985), game theory (Parkhe, 1993), the strategic behavior model (Das and Teng, 1996, 1997, 1998, and 1999; Tyler and Steensma, 1998), social exchange theory (Axelrod, 1984; Blau, 1964), power-dependence theory (Chisholm, 1989; Pfeffer and Salancik, 1978), and the resource-based view (Das and Teng, 2000).

Overall, empirical research on strategic alliances in liner shipping has been sparse, leading to a lack of empirical evidence to support current knowledge in this area. The significance of strategic alliances in liner shipping, together with their dynamic nature and resulting volatility, makes this observation rather remarkable. The use of ideas derived from the general literature and the establishment of conceptual connections and conclusions within the liner shipping sector, mostly based on anecdotal data, has evident merit.

## Chapter 3 :

CASE STUDIES

In order to demonstrate the efficacy of methods of strategy within the shipping business, it is necessary to examine a selection of case studies pertaining to shipping firms that have effectively executed these tactics.

- **Case Study 1: Maersk Line Differentiation Strategy: Technological Innovation** SAs are a form of horizontal collaboration between carriers that focus on operational aspects. They allow carriers to exchange information on operational data, schedule performance, and standard port charges, among other things. SAs offer benefits such as economies of scale, improved vessel capacity utilization, and expanded global service coverage. The input also highlights the need for more research on SAs and identifies three main research areas: the formation of SAs, the management of SAs, and the optimization of SAs. The literature review conducted in the input provides insights into the existing research on SAs and identifies research gaps in the field.
- **Case Study 2: CMA CGM Differentiation Strategy: Specialized Services** Maersk Line, a prominent global container shipping enterprise, has strategically used technology advancements as a pivotal factor in setting itself apart from competitors. A sophisticated digital infrastructure has been established to provide clients immediate access to real-time information about their shipments. This tool facilitates users in efficiently monitoring cargo, accessing vessel timetables, and effectively managing reservations.
- **Case Study 3: DHL Global Forwarding Differentiation Strategy: Customized Solutions** One component of Maersk's differentiating approach is their dedication to sustainability. The company has made investments in a collection of ecologically sustainable boats and provides shipping alternatives that are carbon-neutral. These activities are in line with the increasing need for

environmentally sensitive transportation solutions and establish Maersk as a frontrunner in the field of sustainability.

- **Case Study 4: ZIM Integrated Shipping Services Implementation of a Differentiation Strategy** CMA CGM, a prominent international maritime enterprise, has established a distinctive market position via the provision of specialized services tailored to meet the specific needs of many sectors. CMA CGM Reefer is a specialized branch within the company that focuses on the shipping of commodities that need specific temperature control. This section supplies cutting-edge refrigerated containers and enables comprehensive temperature control and monitoring throughout the whole process.
- **Case Study: Maersk's Daily Maersk Strategy** Furthermore, CMA CGM has ventured into the luxury boat transportation sector, specifically catering to the distinct requirements of affluent yacht owners and builders. Through the cultivation of specific knowledge and skills in this particular area, they have successfully established a distinct and specialized position within the shipping business.

The adoption of a customer-centric approach has become more prevalent in contemporary business actions. This approach puts the customer at the center of everything. ZIM Integrated Shipping Services has used a customer-centric approach as its chosen strategy for distinction. The company places a high importance on client input and always strives to make greater the customer experience. ZIM provides customized client portals that enable real-time tracking, booking, and documentation functionalities.

Moreover, ZIM has successfully made a digital platform that provides clients with the convenience of managing their shipping requirements. The company's dedication to ensuring client ease and promoting transparency has resulted in the establishment of a devoted customer base, especially among the small and medium-sized business sector.

Maersk's differentiation strategy is centered around their product called Daily Maersk. This product offers daily cut-offs of Maersk vessels in the Asia-Europe trade, providing absolute reliability in shipping. The main benefit for customers is the ability to plan their supply chain more efficiently and effectively, as they no longer have to worry about vessel departure times or waiting times. Daily Maersk also reduces customer's

inventory costs and eliminates the need for faster intermodal transportation. However, the implementation of Daily Maersk comes with high costs and investments for Maersk, as they had to redesign their operational network and invest in new vessels. The main drivers for this strategy are to increase revenue and achieve sustainable competitive advantages. The main barriers include the commoditization of ocean transportation in the Asia-Europe trade and the conflict with Maersk's cost leadership strategy. Ultimately, Daily Maersk was not a commercial success and was withdrawn in 2015.

# **Chapter 4:**

## CONCLUSION

### 4.1.1. SUMMARY OF KEY FINDINGS

In the contemporary context of globalization and intense market rivalry, whereby the outcomes of strategic choices may determine the success or failure of a firm, the link between strategy and performance has significant significance within the shipping industry.

The extent of empirical study in the field of shipping, with regards to attaining and maintaining a competitive edge, has been somewhat restricted. In contrast to the practical examination of route design and ship deployment, as well as the physical transportation of goods or analyses of market structures, the progression of research in maritime economics highlights the significance of studies that are focused on shipping companies as corporate entities. These studies aim to enhance competitiveness, foster growth, and maximize profitability. The underlying premise of this study is that operational metrics are connected to generic tactics aimed at attaining a competitive advantage, and it is important to assess the effectiveness of these strategies. The argument is also presented in favor of including a micro-analytic technique to study marine economics and strategy challenges, alongside the already prevalent aggregate market structure approach. While it is not the purpose of this discussion to engage in a

debate regarding the strengths and weaknesses of the neoclassical and institutional approaches in economic methodology (this has been addressed elsewhere, as evidenced by Blaug, 1997), it is worth noting that the authors argue that the micro-analytic, firm-specific approach has the capacity to greatly enhance the field of shipping economics and strategy. Further empirical research is required in this particular area.

### 4.1.2. IMPLICATIONS AND RECOMMENDATIONS FOR SHIPPING COMPANIES

The primary goals of contemporary shipping firms include the pooling of risks and investments, the realization of economies of scale, the implementation of cost-control measures, and the potential to enhance service frequencies. In light of the phenomenon of global market integration and the prevailing challenges of low profitability and financial performance, the aforementioned goals have served as catalysts for the establishment of strategic partnerships. One may argue that the establishment or dissolution of strategic alliances, as well as the adoption of other tactics like mergers and acquisitions, are motivated by the desire to achieve corporate goals. Therefore, several authors (e.g., Fossey, 1994; Gardiner, 1997; Midoro and Pitto, 2000) have attributed the establishment of global strategic alliances in the shipping industry to the accomplishment of different objectives, which can be categorized as follows:

**Financial objectives:** These include maximizing profits, increasing shareholder wealth, sharing capital investments, and reducing financial risks.

**Economic objectives:** These involve two key aspects: cost reduction and the attainment of economies of scale.

**Strategic objectives:** These encompass the pursuit of entering new markets, expanding the geographical reach, and augmenting buying power.

**Marketing objectives:** These include the aim to enhance customer satisfaction by addressing their needs more effectively, such as by providing increased frequency, flexibility, reliability, and expanding the network to offer a wider range of routes and destinations.

**Operational objectives:** These involve increasing the frequency of services, improving vessel planning, and enhancing coordination on a global level.

Although strategic alliances have shown clear benefits, it might be argued that these advantages have not always been realized in some situations. As a result, several shipping corporations have encountered instability and undergone changes in their strategic orientation. Therefore, in recent years, firms have placed significant emphasis on determining whether forming alliances or pursuing acquisitions would be the most optimal approach for attaining organizational targets and facilitating development (e.g., Alix et al., 1999).

The origins of the volatility seen in strategic alliances within the shipping industry may be attributed to the actions and conduct of the participating member corporations. This behavior may emerge due to the desire to attain individual organizational goals, which may potentially affect the collaboration among partners. Furthermore, it is important to consider many other elements that might contribute to the instability of an alliance. These factors include the number of partners involved in the alliance, the specific roles and contributions of each partner, the amount of mutual trust among the partners, and the difficulty of the job at hand. For instance, Killing(1988) suggests that these characteristics can significantly influence the stability of an alliance. In their study, Midoro and Pitto (2000) conducted a conceptual analysis of the aforementioned elements and established their validity within the context of shipping. Furthermore, the authors highlight the presence of intra-alliance rivalry as an additional significant factor contributing to the instability of alliances. Therefore, conducting a comprehensive examination of the cooperative behavior shown by alliance partners would have significant practical significance and value.

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