

SURVIVAL STRATEGIES IN A CHALLENGING ENVIRONMENT: FOCUS ON MARITIME COMPANIES IN PORT HARCOURT.

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Abstract

In the recent times, maritime business in Nigeria has become more volatile, highly challenging and has witnessed more turbulent than ever before and this increased integration of the world economy has had negative consequences, among which is the demise of many organization in the Nigeria offshore.. In this work, we find out the survival strategies for coping with the challenges in the Nigeria maritime sector. The work among other things examines the relationship between survival strategies and maritime business growth; It as well ascertains relationship between safety practice/ship turnaround time and growth and survival of a shipping line. To achieve the spelt objectives, the study utilized cross-sectional survey design; and data was collected though a self-administered questionnaire from a number of 52 respondents who were staff of selected maritime firms in Port hacourt, River State, Nigeria. Statistical technique software SPSS was employed to aid the data analysis. Having analyzed the data, the study found out that: survival strategies build maritime business growth. It was also discovered that growth and survival of a shipping line is dependent on the safety practice/ship turnaround time of maritime firms. The work among other things, recommends that maritime firms must continue to maintain lean staff strength and reduce their outsourcing functions. The work, in addition to that, also advised that much emphasis must be devoted to dealing with the identified environmental factors that may affect maritime operations.

Keywords: Survival Strategies, Maritime, Cabotage Act and Turnaround Time

1. INTRODUCTION

Business environment simply refers to an aggregation of factors (forces and conditions) that surround and affect an organization in its day-to-day existence. The environment represents the platform of existence and the field of operations. The environment has political, social, technological, legal, cultural, physical, geographical and economic dimensions. Its scope may be domestic, international or global. The nature of the forces and their interaction result to a dynamic, stable, volatile, simple or complex environment. However, no matter the dimensions, every firm strives to achieve a fit with the environment and strategy is the means with which a firm seeks to achieve this fit. It should be pointed out that the type of strategy a firm adopts is determined by the nature of the environment and the internal capabilities of the firm.

The interplay of the forces and conditions yields an environment that is either conducive or non-conducive for business success and performance. Positive developments that lead to a supportive environment guarantee business success and sustainability. But negative set of forces will lead to a hostile and harsh environment which makes survival difficult. Unfortunately, the Nigerian business environment has been variously described as harsh, hostile and non-conducive for business. This is due to the fact that it is characterized by: government regulation that is based on command and control; frequent policy somersault and contradiction; dilapidated infrastructure; multiple taxes, levies and fines; political influence that is steeped in corruption and abuse; overbearing influence of government agencies, epileptic power supply and outrageous estimated bills, insurgency, militancy and incessant labour unrest; high level of unemployment; exploitative financial sector; wrong value system; growing consumer awareness; social developments based on negative values; high level of materialism; high exchange rate and scarcity of major foreign currencies; very high inflation; increasing sharp business practices; burgeoning ICT diffusion in the economy, etc.

In an environment of high velocity change, short products life cycle, mass customization, and narrowing customer niches, the successful integration of technology and marketing capabilities for a given product conveys little long term strategic advantage to firms (Fowler, King, Marsh & Victor, 2000). As economic barriers in emerging markets continue to give way, multinationals are constantly penetrating these emerging markets with varieties of product offerings. Their presence though a relief to local consumers, presents serious challenge to indigenous firms who are accustomed to dominant positions in protected markets.

As a result of the foregoing, these indigenous firms are suddenly exposed to big competitors who possess great business advantage ranging from advanced technology to substantial financial resources; this is in addition to possessing powerful brands and a high quality of management and marketing expertise (Dawar & Frost, 1999). This exposure usually puts the survival of local firms under serious threat. The effect of these developments is that Nigerian businesses are operating in very difficult conditions which raise the stakes of survival. As a result, many business organizations have either relocated to neighboring West African countries or closed shop and the ones that are still in operation are doing so at a very low margin of success and profitability. The news of mass retrenchment and staff rationalization dominate the media on daily basis. Low capacity utilization and poor service delivery have become the order of the day. Low consumer patronage as a result of low disposable income persists. These negative trends have affected both big and small firms, manufacturing and service organizations.

The ability of the indigenous firms to adapt to changes in the external environment will determine to a great extent its survival in the face of changes. Business environment mainly attributes to the external forces, factors and institutions that are beyond the control of the business but affects the functioning of the business directly or indirectly. Some of these factors manifest in terms of

change in customer taste or advancement in technological innovation and most importantly, government policies guiding business activities like that of the Cabotage Act guiding the Nigerian marine industry. How an organization react and manage these environmental issues will predict their survival chances. The business environment is characterized by high rate of dynamism which in most cases is usually unpredictable and most times firms have to react to these changes, these changes also differ on geographical locations.

The presence of these multinationals and the stiff competition they come with requires local firms to be more proactive and resilient if they will have a chance of survival. Every organization has survival as its main aim and objective of which (Gross 1968) suggest that it is an unwritten law guiding the activities of every organization. The ability of an organization to adapt to changes in both the internal and external environment (Adewala, Abolaji and Kolade, 2011) will determine to a great extent its chances of survival. The role of innovation and technology will be a pillar in the ability of the firm to adapt and deal with changes especially industrial and technological changes. The organization's ability to show resilience in the face of challenges will also play a very important role in helping the organization survive the onslaught of major multinationals barraging the local market. According to Porter (1980), organizations could gain competitive advantage through cost leadership and product differentiation. He argued that the firm's ability to produce at a relatively lower cost than competitors would further enhance the chance the organization will have to survive in tough competition either from local competitors or from foreign multinationals.

Shipping from the onset stands as one of the world's most international industries according to Obed (2013); as a result of this, the industry usually takes a global position and for ship owners in emerging economies, this presents to them a big challenge especially having to deal with the heavy weights like Bourbon Offshore and Swire Pacific. Stopford (2003) highlighted the fact that the marine industry has played a remarkable role in transforming the world from isolated small communities to an even more integrated global community. The shipping industry is one with a high level of dynamism and uncertainty characterized by consistent change and policy summersault especially in Nigeria. This inconsistency in the business environment has made life more difficult for ship owners in emerging economies like Nigeria to survive (Igbokwe, 2011). Obed (2013) opined that the lack of shipping policy and most especially the high level of inconsistency by the government in the shipping industry has been the greatest undoing of the local ship owners as this has continued to position the big multinationals like Bourbon Offshore and Swire Pacific as the major players in the offshore maritime industry largely because they possess huge human, technological and financial resources at their disposal in contrast to what some local players have. The ability of indigenous ship owners to survive this hostile environment will depend on their ability to adapt to the changes in the business environment through innovation and proactiveness. Obed (2013) went further to suggest that the local ship owners in Nigeria still have to deal with the challenge of bunker management, adoption of modern ICT and also dealing with the activities of Pirates in our waterways while noting the fact that to a great extent the growth and survival of a shipping line will depend on safety practice and ship turnaround time.

1.1 Study Objectives

Against this background, this work intends to: evaluate the survival strategies for coping with the maritime challenging environment in Nigeria; determine the methods for dealing with the activities of Pirates in our waterways; investigate the effect of safety practice and ship turnaround time on the growth and survival of a shipping line. The foregoing, therefore, raises the following questions: What strategies are the survivors of the harsh business environment using? What do they do differently from the ones that have failed? What competencies do they possess? Since

there are various aspects of shipping, for the purpose of clarification and understanding, the research will be focused on offshore Maritime industry, using Port Harcourt as a case study.

2. LITERATURE REVIEW

2.1 Strategies for Managing Challenges in Maritime Business

Different organizations adopt different strategies in a bid to surmount challenges in the business environment (Berman, 2002). As earlier identified in the paper, one of the major challenges facing the maritime industry in Nigerian and directly affecting the activities of ship owners has been the issue of policy making and policy inconsistency with reference to the Cabotage Act as agreed with Ibokwe (2002).

The **Cabotage Act** which was enacted in 2003 was aimed at protecting indigenous ship owners (protectionism and liberalism); this is referred to as the contradicting goals of the Cabotage Act (Charlie and John 2016). The Cabotage Act was also aimed at creating employment and tackling poverty in the country which was skyrocketing at an alarming rate. Cabotage Act, a maritime law, phrase according to Duhaime (2003), involves the trade or business transaction carried out from one port to another port by vessel or ship in a given country regulated by local laws of the very country. The Cabotage Act in Nigeria states that “A vessel other than a vessel wholly owned and manned by Nigerian citizens, built and registered in Nigeria shall not engage in the coastal carriage of cargo and passengers within...exclusive economic zone of Nigeria” (Emphasis mine; Part 11, Section 3, 2003 Cabotage Act of Nigeria).

The implication of this Act to indigenous ship owners, according to researchers like Akpabolor (2012); Ubadire (2008); Usoro (2003) & Charlie and John (2016) is that ship owners could no longer leverage on the expertise provided by foreign expatriates as the Act does not encourage transfer and sharing of technology, bearing in mind that most of the sea fearers in Nigeria are poorly trained and not exposed to modern day technology required for effective sea operation. The Act also requires the ships to be made in Nigeria which has been difficult considering the place of Nigeria in technological development. The implication of this policy is that ship owners are not even allowed to use foreign made vessels as that would violate the law (Ajiye, 2013). This policy has thrown many indigenous ship owners into a state of confusion and has been the reason why some shipping companies are no longer in existence.

Therefore, in the case of inability to perform such contract, the Cabotage Act caters for the upgrading of Nigerians with a provision in the waiver clause that allows Nigerians to understudy the foreigners for two years. Nigerians are expected to have measured up competently and professionally after the two years to now take-over independently, but reverse seems to be the case since 2003 that the Cabotage Act was passed, as a result, given an unfettered opportunity to the foreigners to continue to enjoy the two-year waiver without an end.

According to Ugwoke (2015), indigenous ship-owners attribute the comatose situation of the local shipping sector to the collapse of the Cabotage regime and failure of relevant government agencies from policing the territorial waters against foreign vessels operating illegally (Ugwoke, 2015). Nigeria has good economic policies in every sector of the national economy. But the problem all these decades had been lack of effective implementation. This is exactly the problem in the nation's maritime sector where policies targeted at developing indigenous shipping have failed. The problem has been ineffective enforcement of the Coastal Shipping policy (Cabotage) and the local content law made for the development of local shipping companies. Incidentally, those who are benefitting from the failure are foreign shipping companies and individuals who have learnt the tradition of 'greasing the palms' of few Nigerian officials to remain in illegitimate business. At this point firms need to show high level of adaptability, resilience and commitment to

staying in business which would be easier with the right expertise in the organization's possession.

Some basic strategies for survival include.

- i. Maintaining lean staff strength
- ii. Reduction in outsourcing (buying things internally rather than giving it out to contractors, e.g. spare parts and food handling)
- iii. Fleet reduction/renewal (reducing number of vessels and replacing with more modern one)
- iv. Loan restructuring
- v. Reduced days rates (rates charged for the vessel charter)
- vi. Reduction in cost of operation
- vii. Subletting (chartering the vessels to third party as against giving it directly to end users)

2.2 The Concept of Technological Innovation & Organizational Resilience in Maritime Business

Technological innovation and its very transient nature has been a major setback for most indigenous shipping organizations in Nigeria (Kasimoglu, 2001). The rate at which products go obsolete is quicker than ever, most products last only as long as an improved version of it comes into existence, which is why Kotler & Keller (2007) referred to technology as a creative destroyer. Firms that are innovative and proactive enough to identify future trend of events in the business environment and react to those future trends through innovation would have a better likelihood to survive changes and challenges in the business environment. Technological innovation in the offshore maritime industry can come in the form of;

- i. New ship designs
- ii. Fuel economical designs
- iii. Increased speed and carrying capacity like the introduction of Fast Support Intervention Vessels (FSIVs) and Platform Supply Vessels (PSVs) with intensive deck spaces and bunker carrying capabilities.
- iv. Station keeping like the recent Dynamic Position (DP) models introduced in offshore vessels.

Plessis (2007) delineated innovation as a formation of new knowledge which helps the new business returns, which has purpose to make organization internal business process and structure more sophisticated and produce the market acceptable product and services. Innovation creates value for businesses considering the degree of change in customer tastes and desires (Akram et al, 2011). One of the major challenges faced by indigenous ship owners in Nigeria especially in dealing with the Cabotage Act is the fact that innovation and innovative capability has not been fully integrated as part of our business culture here in Nigeria as we are still miles behind as regards innovation in the marine industry (Ajiye, 2013).

Innovation gives a firm leverage and helps it adapt to changes in the business environment. If organizations can forecast change in customer taste it could fashion out modified or improved version of its product that will uniquely appeal to a particular segment of the market through line extension or brand extension (Keller, 1990). In the same vein, innovative firms could consider internal process innovation as a means to adapting to government policies and ensuring organizational survival.

Organizational resilience is the organization's capability to predict major future events from gradually unfolding trends, constantly adapting to change, and rapidly bouncing back from disaster. The business environment is quickly becoming more connected, unpredictable and very

volatile and the impact of external events is more substantial. Late or inappropriate response will put the organization at a risk of being left behind. In dealing with the issue of resilience, we must separate the adaptive capacity of the organization which refers to how the organization tries to build 'bounce-back' capabilities, managers should build and develop the organization's absorptive capacity by facilitating environmental scanning in search of valuable external information which would be easily assimilated and exploited (Dawar & Frost, 1999).

2.3 The Volatility of the Nigeria Maritime Business Environment.

Having a good understanding of the environment a business operates in is very vital for the smooth running of the business, as environmental factors affect almost every aspect of business operation from its sourcing of raw materials through the production process and down to the final distribution of services. The business environment comprises of all institutions and external forces that the organization has little or no control over, and it comprises of the government, suppliers as well as customers, legal and technological environment. In most cases, what the organization does is to adjust its internal mechanism to be able to meet up with changes in the external environment.

These environments affect the operations of business activities especially in the maritime industry, where the pace of activities is being dictated by technological changes and government policies (Igbokwe, 2013). Much emphasis in dealing with the identified environmental factors will have to do with the ability of the firm to build its internal capacity to be able to innovate and continuously develop its process and products in a way that helps them survive environmental changes. One way to do this for marine time firms is the continuous investment in research and development.

3.0 METHODOLOGY.

The paper adopts the cross sectional survey which is a form of the quasi experimental research design. The population of the study comprises of all management staff of the maritime companies operating in Port Harcourt, Rivers state. The population of maritime companies in Port Harcourt was obtained from the Port Harcourt office of the Nigerian Maritime Administration and Safety Agency (NIMASA) to stand at 51. As a result of the small population, the researcher decided to study the entire population. The spearman Rank correlation coefficient was used to analyze the data collected.

4.0 DATA ANALYSIS AND PRESENTATION

This section presents various data gathered and the analytical techniques used. Of the fifty-one questionnaires (51) administered, fifty (50) questionnaires, representing 98% were returned and found good for the data analysis.

4.1 Testing of Hypotheses

Two hypotheses were formulated and are all tested using spearman rank correlation. **SPSS** was used to analyze the various tests. The data used to test each of the hypotheses were derived from the respondents' opinion.

Hypothesis 1:

HO₁: there is no significant relationship between survival strategies and maritime business activities.

HA₁; there is a significant relationship between survival strategies and maritime business activities.

Table 4.1: Correlations

			Survival Strategies	Maritime Business
Spearman's rho	Survival Strategies	Correlation Coefficient	1.000	.051
		Sig. (2-tailed)	.	.935
		N	50	50
	Maritime Business	Correlation Coefficient	.051	1.000
		Sig. (2-tailed)	.935	.
		N	50	50

Hypothesis 2:

HO₂: there is no significant relationship between safety practice/ship turnaround time and growth and survival of a shipping line.

HA₂: there is a significant relationship between safety practice/ship turnaround time and growth and survival of a shipping line.

Table 4.2: Correlations

			Safety Practice	Shipping Line Growth
Spearman's rho	Safety Practice	Correlation Coefficient	1.000	.051
		Sig. (2-tailed)	.	.935
		N	50	50
	Shipping Line Growth	Correlation Coefficient	.051	1.000
		Sig. (2-tailed)	.935	.
		N	50	50

4.2 Result and Discussions

Data for the test of hypothesis one was obtained from responses from the questionnaire. Spearman rank correlation analysis was used to test the validity whether there is a significant relationship between survival strategies and maritime business activities. **Table 4.1** reveals that while the rho calculated result shows the existence of significant result on the variables ($r = 0.051$ at $p < 0.05$). The significant level is 0.935, and due to this we reject the null hypothesis and accept the alternate one which states that *'there is a significant positive relationship between survival strategies and maritime business activities.'*

Data for the test of hypothesis two was obtained from responses from the questionnaire. Spearman rank correlation analysis was used to test the validity if there is significant relationship between safety practice/ship turnaround time and growth and survival of a shipping line. **Table 4.2** showed that while the r calculated result shows the existence of significant result on the

variables ($r = 0.079$ at $p < 0.05$), the significant level is 0.711, and due to this we reject the null hypothesis and accept the alternate one which states that *there is a significant positive relationship between safety practice/ship turnaround time and growth and survival of a shipping line.*

5.0 CONCLUSIONS AND RECOMMENDATIONS

The study found out that survival strategies are the best techniques for managing the challenges in the Nigeria turbulent maritime environment. The findings also further revealed that the growth and survival of a shipping line is highly depending on safety practice/ship turnaround time. It is therefore concluded from the study that different organizations adopt different strategies in a bid to surmount challenges in the business environment. One of the major challenges facing the maritime industry in Nigerian and directly affecting the activities of ship owners has been the issue of policy making and policy inconsistency with reference to the Cabotage Act. A good understanding of the environment a business operates in is very vital for the smooth running of the business, as environmental factors affect almost every aspect of business operation from its sourcing of raw materials through the production process and down to the final distribution of services.

In line with the findings, the following recommendations are offered:

- i. The maritime firms must continue to maintain lean staff strength; reduce their outsourcing functions (buying things internally rather than giving it out to contractors, e.g. spare parts and food handling).
- ii. Also, fleet reduction/renewal (reducing no of vessels and replacing with more modern one) is important.
- iii. Much emphasis must be devoted in dealing with the identified environmental factors that may affect maritime operations. The maritime organization and firm must build its internal capacity to be able to innovate and continuously develop its process and products in a way that helps them survive environmental changes. One way to do this for marine time firms is the continuous investment in research and development.
- iv. Efforts must also be geared toward reducing the cost of operation and as well subletting i.e. chartering the vessels to third party as against giving it directly to end users.
- v. Organizational resilience must be well exploited. This would enable organization's capability to predict major future events from gradually unfolding trends and as well be able to constantly adapt to change so as to rapidly bounce back from disaster.

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