

## Knowledge Management - Indispensable Development Factor for Maritime Companies

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**Abstract:** *Knowledge management is becoming more and more important for companies operating in a business environment where changes are constant and struggle for being on the competitive edge is the ultimate goal. The subject matter of this paper is to investigate into the connection between knowledge management and development of maritime companies, the underlying influence as well as how knowledge contributes to development. The goal of maritime companies' management is to achieve set targets and also to keep the company on the competitive edge in the turbulent maritime market, which is everything but an easy task. The Author will try to develop a pragmatic debate on knowledge management and its relation to success on the market.*

**Key words:** *maritime market, maritime companies, knowledge, knowledge management.*

### INTRODUCTION

Seamanship as a service and also very specific branch of industry is susceptible to influences of the global market, influences such as variations in cargo structure, incompatible capacities of ships compared to cargo, regions of destination and frequent turbulences in fares and other fees. This leads to creation of an instable environment, so that maritime companies' management needs to provide for stability as well as to initiate changes in their business activities, such as foreseeing future movements on the market, create an environment in the company which is in line with implementing changes in order to lead the company in the right direction. Considering the fact that the greatest maritime companies operate worldwide (they connect all the continents) and the fact that they deal with all kinds of cargo, it is very clear as to the multitude of factors which their success depends on. One of the factors, knowledge management is going to be discussed in this paper. The question is how and how much knowledge management influences the development of a company and contributes to the companies' successfulness of business activities.

### CHANGES IN THE MARITIME BUSINESS AND KNOWLEDGE MANAGEMENT

In a turbulent environment in which changes are an everyday occurrence the main goal of every company is to find a way of doing business in this ever changing environment. In addition to having to manage changes, managers have to know how to manage knowledge as well since it is an indispensable aspect of today's world of business. Knowledge management is a relatively recent concept but also a concept which is becoming more and more the subject matter of extensive written materials on contemporary corporate management. Maritime companies due to the specific nature of their business need to invest great efforts into implementing above mentioned concept and into making it a standard part of their business strategy.

The history of seamanship is long and one thing that stands out in this long line of events are changes. Today more than ever everything is changing at a great speed: the way of doing business, size of ships, worldwide markets. In spite of changes, some companies have managed in recent years to stay on top of the global maritime market. The question is how much does successful management of knowledge contribute to overall success?

The concepts of knowledge management and changes management are closely related. In Reference [3] it is stated that knowledge management means adopting collective knowledge in order to achieve business goals of the company. Knowledge management is there to guarantee that people have the knowledge that they need, where they need it and in the moment they need it, i.e. the right knowledge, in the right place and in the right time.

If change management means adapting to the environment in order for the company to be on the competitive edge, then knowledge management means being up to date with everything that is going on on the global maritime market, gathering information and spreading knowledge within one's own company. This may sound simple but in reality it is a very complex process.

"Knowledge management is the process of capturing, distributing, and effectively using knowledge." (Davenport 1994.) [17] This is probably one of the most all-encompassing definitions for this notion. It represents the essence of the knowledge management process.

The notion of "capturing knowledge" entails the first and most difficult phase in the process. How to get to the information, how to collect knowledge which will turn out to be useful? In maritime companies as in all other which deal on the global market, useful information and data are essential in order to have a successful business. Hence in seamanship, some of the most important information refers to new markets worldwide, new state of the art ships and shipping lines (connecting the whole world nowadays), freight rates, competition and their business strategies etc. Fact is that the goods market is shifting towards the East and that China today is the destination market for all major and most important shipping lines (especially from Europe) [19]. In addition one more trend is prominent on the maritime market in recent years and that is the increase in the number of VLCS ships (Very Large Container Ships - ships of considerable cargo capacity but considerable is also their price of several hundreds of millions of dollars) [21]. These two factors influence numerous changes in the maritime transport market as well as in the structures of the fleets of maritime companies. The fact that three world leading operators (Maersk Line, MSC and CMA CGM) [12] for the most part own the biggest number of VLCS [21] goes to prove clearly to what extent the market is unbalanced. On the one hand, there are companies which take advantage of the changes in the best possible way by keeping the pace with trends (it takes having an attentive ear for the information on the market) and by means of knowledge they create a modern and competitive fleet. On the other hand there are companies which barely keep up with the trends and are in a constant struggle for survival.

Distribution of knowledge within an organization is possible only on condition that the whole staff takes part in the process by utilizing the received information in an adequate way. Reference [22] states that it is very important to define the specific points in a business process where the stored knowledge can be fed back to derive benefit out of it. In addition Authors [7] point out that in spite of the fact that today organizations invest millions of dollars into technology in order to facilitate the flow of information, stored information that already exists within the organization itself remains buried and futile. Distribution of knowledge in the right way and looking for new ways of introducing knowledge management into the organizational structure will enable the users of this kind of management to make the most of all the benefits that go with it.

Maybe the answer to the question – how do maritime giants manage to survive in a turbulent market or how much credit for it goes to knowledge management is – they gather information on movements and trends in the maritime market of goods and ship storage space; then they apply that knowledge in the best possible way by distributing it all to everyone in the organization and then use it along with certain strategies which enable them to stay competitive. That is how it happens that the largest companies join forces and become allies. It is probably clear by now that it is easiest to remain on the top if you act united. Creation of alliances creates the merging of shipping capacities but also a synergy of knowledge. The Authors [15] point out that synergy is defined as the interaction of two or more agents or forces so that their combined effect is greater than the sum of their individual effects or cooperative interaction among groups, especially among the acquired

subsidiaries or merged parts of a corporation that creates an enhanced combined effect. In this case, it is expected that the effects produced by combining two or more companies will be greater than the sum of their individual effects.

The last news on the global shipping market [16] is that two of the shipping companies in the P3 Network alliance have announced they will enter a new partnership in early 2015. Maersk Line will join forces with Mediterranean Shipping Company (MSC) to form a 10-year vessel sharing agreement (VSA) under the name of 2M. The move marks the end of the P3 Network alliance, the partnership between Maersk Line, MSC and CMA CGM that was signed in December 2013. The 2M VSA will cover the three main East-West trade lanes: Asia-Europe, trans-Atlantic and trans-Pacific trade routes with 185 vessels operating on 21 vessel routes between predetermined ports. This will allow the two carriers to share infrastructure and cover more ports with direct services. It will replace all existing VSAs and slot purchase agreements that Maersk and MSC currently have in these routes, but it will not include joint marine operations. Each company will have to conduct its own voyage planning, port operations and stowage.

### **KNOWLEDGE MANAGEMENT AND HUMAN RESOURCES**

People and human resources management is part of every process in management. Employees are one of the strongest internal assets a company can have. More and more attention is given to the employee factor, because staff of good quality is essential in order for a company to function well. Companies' managements are becoming aware also that knowledge is a crucial resource in order to have a modern organization. Hence companies need to invest into their employees and their knowledge and education. One of such companies is CMA CGM (one of the three largest companies which deals with container transport) [12] which also introduced solutions, innovations into their way of doing business, especially when it comes to staff training.

FIRST University (French Institute for Research, Studies and Training) [14] exists within the company. It was founded in 2000 on request by company chairman with the aim of developing individual and team skills for each employee. This University offers training to employees in the following fields: development of maritime skills, increase of efficiency in the work place (techniques aimed at helping employees optimize their work day and increase their performance), improvement of language skills (English, Spanish, French), computer skills (short courses for mastering basic computer skills) etc. The company offers employees the opportunity to obtain the degree "Masters in International Maritime Management"; this program is designed for young students who intend to work for renowned maritime companies such as this one. The example of this maritime company seems to be an excellent way of training staff for own purposes.

When it comes to seamanship and the employed in that branch one has to emphasize the specificity of the environment these employees work and live in. On board a ship it is maybe even more important than in any other kind of enterprise for the employees to work as a team. Each task on board a ship has a deadline by which it needs to get done, without delay so that team work is key in most cases. Team work is necessary for the concept of knowledge management to function as well.

Teamwork is a value, one of the values that belong, not only to the Human Resources department, seeking for the ideal. Furthermore; in the 21st century, when many of us are knowledge workers, and our knowledge is one of the main things causing the organization to move on and succeed, in such a time, teamwork is important, one may even say essential, threefold: from the individual perception; from the organizational perception; and from the business perception. [18]

Employees can be regarded as the company's strongest asset, however leadership is what it takes for a successful business. In contemporary business conditions leadership means knowledge. The driving force behind every process is leadership, leadership and again more leadership. [6]

Knowledge management and leadership are closely connected and by know the term "knowledge leader" is well known. Knowledge is the basic resource of contemporary business and the tool to get to the competitive edge for modern organizations. This means changes in relationships between employees themselves and attitudes towards duties, creating trust within the organization as the main condition for unhindered distribution of knowledge. This calls for a leader with special characteristics and skills who will succeed in managing knowledge in the organization and who will implement all requirements dictated by a turbulent and changing environment. [3]

Speaking of maritime companies and ships, leadership is especially necessary since it is a particular environment where people work and live in the same place and they very much rely on each other. Reference [9] states that leadership is defined as exerting influence onto a group in order to achieve a set goal. Leadership on board a ship is key because "leading his men" is the basic responsibility of all captains (masters) on board a ship, and the whole staff has to be concentrated on performing common tasks in order to achieve common goals.

Finally, here is what one of the leaders at CMA CGM said about the success of his company in answer to the question: How have you lived through these 35 years? Farid T. Salem, Executive Officer: [14] "These years have gone fast but I lived every moment of them intensely and with a hidden emotion. I want to associate to the success of our Group the men and the women who work in the company, who go beyond their limits often, who secure new business every day, who start new activities, all those who successfully rise to the challenges of our industry. They have my admiration and my gratitude."

## CONCLUSION

In this paper the Author pointed out some of the problems maritime companies are facing. In addition the Author tried to show that applying the concept of knowledge management has a great impact on business. A good choice of business strategy includes first of all managers who know how to collect knowledge, distribute it within the organization and finally managers who know most importantly when exactly to use the knowledge. One of such strategies is creation of the "2M" network for container transport, for which it is yet to be seen whether it was a good business move. One has to apply the knowledge management concept in order to come to the right decisions and to implement good business moves which mean long term benefits for the company. That is exactly why knowledge management needs to be constantly developed and upgraded because it seems that knowledge management may be the key to success of the most competitive maritime companies.

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