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## A brighter perspective towards improving chartering industry in Jordan : emphasis on quality management systems and human resources development

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**WORLD MARITIME UNIVERSITY**  
Malmö, Sweden

**A BRIGHTER PERSPECTIVE TOWARDS  
IMPROVING CHARTERING INDUSTRY IN  
JORDAN**

**Emphasis on quality management systems, and human  
resources development**

**BY**

**HISHAM ABU TALEB**

**JORDAN**

A dissertation submitted to the World Maritime University in partial  
fulfillment of the requirements for the award of the degree of

**MASTER OF SCIENCE**

in

**SHIPPING MANAGEMENT**

**1999**

## DECLARATION

I certify that all the material in this dissertation that is not my own work has been identified, and that no material is included for which a degree has previously been conferred on me.

These contents of this dissertation reflect my own personal views, and are not necessarily endorsed by the University

.....

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## **ABSTRACT**

Title of Dissertation: **A Brighter Perspective Towards Improving Chartering industry in Jordan. Emphasis on quality management systems, and human resources development.**

Degree: **Msc**

Jordan has a lot of mineral resources such as phosphate and potash which are exported overseas to be used as raw materials in fertilizer industries. It is estimated that phosphate and potash contribute 40% of the total national export, in fact Jordan ranked as the sixth largest producer, and the second biggest exporter of phosphate Worldwide. Having said that, this dissertation aims to improve chartering practices, by making its operations more effective to carry these cargoes safely and economically.

The development of the Production of the two biggest industries in Jordan and their's future needs are forecasted. Chartering must cope with the developmental changes and increased production in these two major industries. The production indicators have shown a rising trend which makes chartering very much promising in the future.

In improving chartering in Jordan, the company should set a strategy to be able to manage the chartering operations economically and successfully. At the same time applying a good quality system which comply with the safety and environment resolution/regulation of the international organization, IMO.

As chartering is very important to Jordan, focusing on the human element in this industry is of paramount importance, especially when we see that chartering business does not require big capital investment. Instead it is largely dependent on the quality of its human resources (the broker himself). So, adequate emphasis should be given on how to develop the human resources in this field.

**Keywords:** Strategy, Quality, Human Resource Development

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## LIST OF ABBREVIATION

<b>APC</b>	Arab Potash Company.
<b>BIMCO</b>	Baltic International Maritime Conference
<b>CIR</b>	Cost Insurance Freight
<b>FFC</b>	Fauji Fertilizer Company
<b>GNP</b>	Gross National Product
<b>GDP</b>	Gross Domestic Product
<b>HDI</b>	Human Development Index
<b>ICS</b>	Institute of Certified Ship Brokers
<b>IMO</b>	International Maritime Organization
<b>ISM</b>	International Safety Management Code
<b>ISMA</b>	International Shipping Management Association
<b>JNCD</b>	Jordan National Chartering Division
<b>JNSL</b>	Jordan National Shipping Lines
<b>JICC</b>	Jordan International Chartering Company
<b>JPMC</b>	Jordan Phosphate Mines Company.
<b>MARPOL</b>	International Convention on of Maritime Pollution and prevention
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>PEST</b>	Political, economical, social, technical
<b>QA</b>	Quality Assurance
<b>QMS</b>	Quality Management System
<b>SOLAS</b>	International Convention On Safety of life at Sea
<b>TPY</b>	Ton Per Year
<b>UN</b>	United Nations
<b>UNCTAD</b>	United Nation Conference on Trade and Development
<b>WMU</b>	World Maritime University

## **Introduction**

Chartering is a very important sector in the shipping business, and in an international business like shipping. Chartering takes role as a major part as one of the essential fields for the shipping industry, and so is important particularly to Jordan.

Chartering, of course, is effected by the fluctuation in the international freight and shipping markets, and the economic environment of the shipping trade. As trade flows, the supply and demand and the freight rates are being affected by the market cycles, and all other conditions in the international markets.

The Hashimite Kingdom of Jordan is in the heart of the Middle East. The area of the country is about 90,000 square kilometers. At the very southern part of Jordan lies the Port of Aqaba the Jordan's only outlet to the Red Sea. The port of Aqaba has been of a great importance for a long time, as it was a transit and commercial center due to its geographical location. The Port of Aqaba, contributed to the national economy as the sole strategic outlet to the Red Sea, considering the fact that more than 60% of Jordan's land has phosphate at different depths. At the same time the Dead Sea contains potash in large quantities among other important natural resources such as magnesium and sodium.

Jordan's geographical location gives the country the privilege of the intermediate point between the major two markets, Europe on one side, and the huge Far East market on the other side. It is this fact that makes chartering an important profession to Jordan to be able to transport its export goods to these markets.

The Gulf of Aqaba is the right arm of the Red Sea, bounding Egypt, Israel, Jordan, and Saudi Arabia. It is 190 km long (118 miles), with a maximum width of 16 km(10 miles). The gulf passes through the Straits of Tiran at its junction with the Red Sea.

The main ports in this Gulf are Eilat in Israel, and the Port of Aqaba which is the only accesses to the sea for Jordan.

The Gulf was declared as an international waterway by the UN in 1958 after the Arab-Israeli war, which is in conformity with article 19 of the United Nations' Convention on the Law of The Sea related to innocent passage. The Jordanian portion on this Gulf consists of only 26.5 km of coast line, and 3 miles of territorial water.

Jordan is a country, which is very wealthy in natural resources, such as phosphate, potash, the Dead Sea salts. Considering this fact, and by trying to forecast the future industry, one can say that the chartering industry may be or most probably will be one of the major industries in the years to come, as there is more need for exporting goods from the Port of Aqaba to places all over the world. And as the production is becoming greater and some other new mineral industries start production, the need for chartering is also increasing. This fact will enhance the importance of chartering and put it ahead for the coming millennium in Jordan.

In this field Jordan should have its own effective chartering industry, which should always be able to provide for the needs of the country. Considering the increase of transport all of all these raw materials, and since it is a new industry in Jordan, there should be a clear vision and persistence to manage and develop this industry, the mission of which is done by professional people who are well trained to satisfy the needs of the industry for the Third Millennium, in Jordan .

For the purpose of this dissertation, the author in the first chapter will be dealing with the new growth of chartering in Jordan and its development through the years. Moreover, it will be dealing with the importance of this sector at the national level and some expectations for this industry will be dealt with.

The second, third, and the fourth chapters, are concerned with the rapid development of the chartering industry in Jordan, the existing situation and the process of this industry, of the quality management system, and human resources development. At the end a conclusion, some suggestions and recommendations will be given in the highest national interest.

## **Chapter One**

### **1.The vital need for improving the chartering industry in Jordan and its importance to the national economy**

Jordan has very limited economic resources, but at the same time it is a very wealthy country in natural resources, such as phosphate, potash, and Dead Sea salts. It has been estimated that 60% of Jordan's area is covered with components which contain phosphate. Considering this fact, and by trying to forecast the future industry, and in order to improve and invest using these natural resources, one can say that the chartering industry may be or most probably will be one of the major industries in the future. Nowadays Jordan is the second largest exporter and the sixth largest producer of phosphate worldwide. Investing such an important resource, using our national human resources, is a real necessity considering the fact that there will be demand for exporting our goods from the Port of Aqaba to all over the world.

#### **1.1 Fertilizers in the international trade market**

Fertilizers are considered to be among the strategic commodities in the world trade market. As a matter of fact, phosphate and potash are two of the basic substances in producing fertilizers, which are vital to meet the growing food production requirements. In addition to produce fertilizers, phosphate and potash are used in different percentages in producing human food, in provender for animals, chemical industries, and cosmetics.

## **1.2 Phosphate and potash history in Jordan**

Phosphate was discovered in the beginning of this century, particularly in 1908. Unfortunately, it was not invested in until the establishment of the Jordan Phosphate Mines Company (JPMC) in 1953 when its production started. For potash the production started on 1983 when the Arab Potash Company (APC) began production. Since then the production has been improving with time, after many improvements which took place in production lines, both for phosphate and potash.

## **1.3 Jordan's natural resources and its importance to the national economy**

For Jordan, having this huge amount of mineral resources, is very important. As they are exported all over the world, they form a back bone to the national economy. It is estimated that phosphate and potash contribute 40% of the total national exports. According to the Jordan Central Bank, the gross national product of Jordan is about 6.6 million dollars achieving around 1,600 dollars per capita GNP. The Jordanian economy had recorded a growth of 5-10 % in the beginning of the nineties. The Jordanian economy is very dependent on phosphate and potash minerals, and these two minerals are taking over the agriculture sector, which now contributes only 8% (but used to have a great importance). In the future there is a growing trend towards improving exploiting and exporting those two minerals along with a few other minerals from the Dead Sea, such as mud and salts. Considering these facts it is very important for Jordan to have an effective and efficient chartering capability that is able to satisfy the need for transporting this production consequently, chartering will support those two biggest industries, which will return benefits to the national economy at the end.

Chartering must be given a greater care for development, nowadays and in the future. Those two industries are the major natural resources in Jordan. Furthermore, the production is becoming greater day by day, and some new mineral industries like the

salts of the Dead Sea, such as Magnesium, Sodium and Bromine, all of which will support the need for transport of these products with time. These facts will make chartering very important and, consequently, it will make it the future industry for Jordan in the next millennium.

#### **1.4 The inception of chartering in Jordan**

Although there was and still is an essential need for improving chartering in Jordan, since a long time ago, to fulfill the need to transport the production of the two major industries, chartering did not exist and was not performed by a national public party until the Jordan National Chartering Division (JNCD) was formed in 1983. In fact, that was the real birthday of the chartering industry in Jordan. JNCD was a department under the Jordan National Shipping Lines (JNSL). Currently, this division is called Jordan International Chartering Company (JICC) which was established on 1983, and since that date chartering has grown rapidly and proved its importance and support to the national economy, particularly, because it was formed to serve its shareholders JPMN, APC, JNSL in partnership (at that time) with a/s Jebsens Rederi in Bergen. The major task of JICC, is to “fix” suitable vessels for JPMC and APC for their CFR contracts to transport their bulk and bagged cargoes to worldwide destinations, and provide them with the most competitive freight rates and conditions, by going into the international spot shipping markets and chartering in the international spot market.

One of the main aims of establishing JNCD was to fix suitable ships and provide our exclusive clients, namely Jordan Phosphate Mines Company (JPMC), Arab Potash Company (APC), and JNSL with freight quotations and an accurate updated information about the market, enable them to formulate the CRF offers to their customers.

### **1.5 Chartering mission**

Obviously, the chartering mission in Jordan is very vital and essential. Moreover, improving and developing chartering will have positive effects on the national economy. That will, of course, depend on how effectively we are able to manage and improve the process which can provide for the needs of the country and serve the industry. Considering the increasing transport of all these raw materials, the country will need more professional people, and since chartering is a new profession in Jordan, comparing it with other professions, there should be a clear vision and persistence to manage and develop this industry with continuous improvement. This mission to be accomplished requires professional people who are well trained, with educational capability and know how, in addition to training and experience, to satisfy the need of the industry for the third millennium in Jordan.

### **1.6 The production of Jordan Phosphate Mines Company**

JPMC production started in 1953 with 24,460 tons, and since that date it continued to increase rapidly reaching 5,895 million tons in 1997. Here below is a table, which shows the production and exports for the last twenty years.

Table 1. Statistics of cargo quantities for production and exportation(in Million of tons)

Year	Production	Export
1977	1,771	1,794
1978	2,493	2,159
1979	2,845	2,728
1980	3,907	3,612
1981	4,224	3,523
1982	4,390	3,520
1983	4,748	3,701
1984	6,263	4,695
1985	5,920	4,610
1986	6,249	5,300
1987	6,801	5,541
1988	5,620	5,811
1989	6,910	6,411
1990	6,080	4,874
1991	4,850	4,240
1992	5,227	4,264
1993	4,210	3,565
1994	4,086	3,825
1995	4,984	3,880
1996	5,354	4,352
1997	5,895	4,367

,Source (the current situation of Phosphate production in Jordan and the projects of JPMC By Sameh Madani,1998)

As shown in (Table 1), over the 20 years between 1977-1997, JPMC increased its annual phosphate production continuously, at an average rate of about 12% , and almost tripled its exports of phosphate rock. The decrease in production and exports between 1989 and 1995 is mainly due to the collapse of the Eastern Block Markets in 1989/1990 (collapse of Communist systems in the former USSR) which was the largest regional consumer of Jordanian rock , engaging some 40% of JPMC exports.

At the same time Europe was suffering from oversupply in agriculture and it tended to use the chemical fertilizers for environmental considerations, and in addition the Second Gulf War crises caused all these reasons the demand for importing JPMC production decreased and, consequently, reflected on production levels. But fortunately it started to increase again and reached about 5,9 million tons in 1997. The continuous increase in the level of production (except the impact of ) the special period 1989-1995 shows clearly that the need for chartering is becoming greater as the exports increase from 1794 till 4,367 million tons. Additionally, there are other mineral projects like the fertilizer complex in Aqaba and their production of several kinds of fertilizers. In year 1977 the production was 1,771,141 tons from dry phosphate; 1,033,506 tons from Al Hasa Mine and 737,635 tons from Al Reseifa Mine. The export was 1,794,000 million tons as there was 7,946 tons of super phosphate, which is mixed with phosphate. In year 1988 as can be seen in Table 1 the production was 5,620 million tons, but the export was 5,811 million tons and that is due to the fact that 1,017 million tons was transported to the Industrial Complex in Aqaba. It was mixed with other substances to produce many materials like phosphoric acid, and aluminum fluoride before it was exported.

Internationally Jordan remains the sixth largest phosphate rock producer after U.S.A , China, Morocco, the former Soviet Union and Tunisia, and the second largest exporter of phosphate rock after Morocco.

### **1.7 Jordan phosphate competitive advantages and the international markets**

Jordanian phosphate enjoys price privileges over other producers due to two important special characteristics. Firstly, the geographical situation means the largest consuming markets for fertilizers in the world, that is the Asian continent, where there is continuous population growth and, consequently, continuous growth for agricultural products that need fertilizers to maximize the production. In fact, this enables Jordan to supply India (the largest importer of phosphate world wide) beside maintaining the

markets in Indonesia, Pakistan, Japan, Australia, and New Zealand. Approximately 75% of the exports go to these markets. Secondly Jordan's phosphate has the privilege of being environmentally friendly due to its low content of impurities, which are considered harmful to the environment. This particular competitive advantage is very important, especially for the western European markets, which have more restrictive regulations/conventions that are related to protection from pollution and trying to be as environmentally friendly as possible. For this reason the export to Europe increased from 14% in 1993 to 24% in 1997. Recently, the three biggest markets for JPMC are India, Indonesia, and Holland, and after 1996, Australia and Germany are the fourth and the fifth importers of Jordan's phosphate. However, throughout the long history Jordan has exported its phosphate to 40 different countries.

### **1.8 JPMC strategic development and future expectation**

JPMC has followed a strategic policy of establishing bilateral projects to industrialize the phosphate, and produce different kinds of fertilizers in cooperation with the importing countries, which subsequently use these industrialized products. This strategy has two positive impacts. Firstly, the fact that these projects will guarantee different markets that will remain open and lead to the increase in the demand for phosphate. Secondly, these projects will always guarantee consumption of the production of these projects, which will ensure having the markets in those same countries for a long time.

In this regard, two projects had already started production in 1997. First, the Indo-Jordan Plant at El Shidiya, which has produced 80 thousand tons of phosphoric acid in its first year. However, the expected production capability in the future is 225,000mts/year all exported to India. The second project is the Jordan-Japan (NIPPON) plant. Its production of complex fertilizer in 1997 was 130 thousand tons. This project is between JPMC, APC, and several Japanese companies.

The third project is the Jordan Pakistan Project between JPMC and Fauji Fertilizer Company (FFC), and the purpose is to establish an industrial complex in Karachi - Pakistan to produce different kinds of fertilizers. However, the total need for the raw material of phosphoric acid, which is estimated to be 160-200,000 tons/year, will all be provided by JPMC. Fourth, the Jordan Norway Project with Hydro Co., which plans to build a factory in Al Shidiya to produce phosphoric acid and other complex fertilizers, besides establishing a special industrial the port in Aqaba. The JPMC's policy is to increase production up to 6-7 million tons per year (TPY) in the year 2001. Furthermore, new mines of phosphate are discovered, such as Al Shidiya and Al Wadi Al Abyad where a huge estimated reserve of phosphate of high quality is available, to the extent that it can guarantee the ability to produce for production for 100 years ahead.

### **1.9 The Arab Potash Company(APC)**

One of the most important sources of minerals is the Dead Sea (The World's saltiest lake), one of the greatest mineral reservoirs on our planet. It is the lowest point on Earth and it contains extremely high contents of salts; Bromine, Calcium, Magnesium, Sodium and Potassium. All are considered to provide raw material for fertilizers. It is estimated that the Dead Sea contains over 43 Billion tons of salts, two billion tons of are Potassium. Approximately, 90% of the potash produced in the world are used for fertilizers. As a matter of fact, the idea of investing in this mineral source existed since 1956, when what was called the Pan Arab Plant which was destroyed during the political events. In 1976 the situation became better and sufficient financing was obtained. Then the construction started in 1979 and finished in 1982.

### 1.9.1 Arab Potash Company production

The production of potash started in 1982. As shown in the (table 2) APC has increased its production since 1983 until 1996. The initial capacity is 1.2 million tons per year was expanded to 1.4 million tons per year in 1990, and then the capacity was brought up to 1.8 million tons per year in 1994 by the addition of the new refinery.

YEAR	1983	1985	1987	1989	1991	1993	1995	1997
Production (Million tons)	,279	,908	1,203	1,320	1,364	1,780	1,780	1,415

Table 2 Potash Production

(source:APC year book,1998)

APC's major markets are India 16%, Indonesia 10% and China 12% of the total production. In addition, 25% are exported to different countries in Europe besides the markets in Brazil, Korea, Japan, and the Philippines. To conclude, production is rising and the need to transport these cargoes from the port of Aqaba to the Mediterranean, Asia, and all over the world countries is becoming greater also, so this fact supports the need to develop the chartering industry in Jordan to provide ships for all these cargoes as all the shipments are made in bulk. Simultaneously, it can serve the country and make it optimize production of these mineral resources so that having an efficient chartering capability will share in marketing the cargo itself and then it will make profit for the country throughout all the maritime activities focusing on chartering .

### 1.10 Government strategy towards chartering

As chartering in Jordan is so vital and important sector to support the economy, it should be given a great deal of importance and support from the government, by imposing its development and its strategies for the benefits of this sector, that must be a generic strategy for the government, which must give more support to the progress of

chartering, at the same time keeping it updated and if possible applying the safety and environment resolutions/regulations of the International Maritime Organization (IMO).

In conclusion there is a necessity to develop the existing human resources through training and education to create a qualified personnel. Simultaneously, the need for chartering will be increasing continuously to serve the need for transporting these goods worldwide, and that requires an efficient national chartering capability that is able to Provide JPMC, APC and their customers with the market information, and competitive freight rates that will satisfy their requirements, and will be as a support and add value to the two biggest national industries. For this purpose chapter two will deal with the chartering process and some attempts to improve the situation.

## **Chapter Two**

### **2.0 Management of a shipping organization based on a clear strategy**

Today, in the international shipping market, shipping organizations are facing many difficulties due to the fluctuations and imbalance of demand and supply, which makes it very difficult for the shipping organizations to forecast, and consequently to plan for the future as they operate in an unpredictable sector. There are also many other significant obstacles facing shipping organizations such as the strong competitiveness, in addition to lack of know-how and weakness of market coverage.

Under these circumstances a traditional business planning may be unlikely to produce good results for the organization. In fact, having a clear strategy may be considered as a primary step to achieve the organization's long- term objectives. Having such a strategy will create the culture, which will affect the position of the organization in the entire market. As an example, recently many shipping companies have been competing in applying quality assurance schemes. This can be considered as a strategy taken by the management affecting the culture of the organization. As a result, this culture will affect the position of the company. In conclusion, the position of the company and its rank and growth in the market can be seen as a reflection of the strategy of what the top management have planned and set as objectives.

## **2.1 Looking at the organization**

Generally, any shipping organization seeking development should look at itself from different points of view in order to plan correctly, that is looking backwards and forwards. The task of looking backwards is mainly concerned with the auditing function. Nowadays many operational processes have been introduced in the form of quality systems, which are all to ensure compliance. Meanwhile, looking forward is all about strategy that should be studied and planned by the top management. In a competitive markets, there are some key factors that need to be considered for any organization to be able to survive and grow. These key factors for success are having a clear vision, achieving cost efficiency, and implementing growth strategy. Moreover, other factors such as long term thinking, planning and management of the change are important factors to be considered.

## **2.2 The concept of strategic management**

The concept of strategic management is very familiar to many shipping organizations though the practice for strategic management techniques is still not very common.

In the industry in general, an estimate by the Financial Times in 1996 suggested that 44% of all the UK companies for example, have no written strategic plan looking more than 2 years ahead. (D.Mottram,1999,P 2)

Nevertheless, the situation in the UK is still much better, compared to similar organizations in developing countries. This situation of not having a well defined strategy will make planning very difficult, as the organization does not have a target in the future and, consequently may use many resources, such as time and money, in the wrong direction, which at the end would not be in its benefit. On the contrary, an

organization with a clear long-term vision will always use all its resources at their best, to achieve the predetermined strategy, so there will be no waste of time or money, which will enable it to succeed at the end. The writer believes, it is easy for an organization to have a strategy provided that the needs, objectives, and the company goals are clearly identified. If the top management can answer such questions, it means simply that the management knows clearly the current position of the company in relation to the market the company is engaged in. This would help it to achieve its intended objectives.

### **2.3 Top management and strategic awareness**

Although organizations must have a well defined strategy to be successful, mostly in developing countries they do not have such strategy. The reasons for this are mainly that in many organizations top management are very often busy dealing with operational problems. This is because firstly, authorities are usually centralized in the hands of top management, leaving them with less time to think of strategy. Secondly, sometimes top management do not really know the organization's position in the market, owing to lack of comprehensive knowledge of the market, or they do not understand the internal position of the organization. Thirdly, top management often tends to believe that its job is to maintain the current position and they are reluctant to make changes in the organization, or set a new strategy. As a result, top management always chooses to practice the same procedure that has been successful in the past instead of coping with new internal and external changes. So, looking only backwards as a means for success is incomplete by itself if not supported by what is happening today and by what will happen tomorrow out there. This is where strategy fits in to fill the gap.

In many organizations in developing countries, awareness of the need of strategy does not come until a declining trend in the organization's position prevails due to a major move from a competitor that has strategic awareness. It is easy to lose one's position

and reputation in the market but it is very difficult to re-gain it. This shows that setting a strategy before facing such failure is of paramount importance to an organization.

#### **2.4 The task of top management**

For an organization to be successful the top management should always be directly concerned with setting a strategy. This should be understood clearly because setting a strategy determines the future image of the organization. Having said that, a top management must manage and use its available resources in the best way that make it meet the organization's opportunities. Accordingly, management should pay attention to the organizational structure of the organization, which should follow the strategy.

In deciding a strategy top management should take into account, among others things, the commercial and financial risks which are involved in the business, such as the fluctuation of the freight rate in the shipping markets.

#### **2.5 The purpose of strategy**

The aims of Strategy is very important for the organization achieve its objective successfully, however the purpose of strategy is to set a direction that must be followed along the life of the organization, setting these direction will make the organization concentrating in using its resources, from efforts, money and time towards the set objective. In this way strategy will provide consistency in doing its job, at the same time as ensuring its flexible of the process, all of these points can be are considered as the purpose to have a strategy at the organization.

In fact, strategic decisions are mostly made in situation of uncertainty, unlike the administrative and operating decisions. That is why strategic management is not widely used. To say the truth strategic management and decisions are very important for the organization in the long run, and those strategic decisions have to be taken

within the framework of the organization's resources enabling it to achieve its goals and objectives with confident steps towards the future.

## **2.6 The organization resources between efficiency and effectiveness**

Usually many organizations concentrate their effort towards efficiency, which is doing the same tasks and the same things but better. This is of course, contributes a lot to the company in terms of cost and service delivery time, if achieved. Moreover it is a very good idea to concentrate on how the resources of the company can be used in a better way, and how all the resources can be utilized at their best. Furthermore, by entering new markets and providing new services, effectiveness can be promoted and the underutilization of the resources is minimized to the lowest level possible. However, the achievement of such efficiency and effectiveness largely depends on a clearly identified and understood strategy, which the management has to set beforehand.

## **2.7 The appraisal of the company's internal and external situation**

In setting a strategy for the company, the management should bear in mind the internal and external conditions that it works in, to be able to set a clear and suitable strategy. In this case, the company needs to evaluate and understand the strengths, weaknesses, opportunities and threats (SWOT). While the first two are related to the internal situations, the latter two are associated with the external situation of the company. In the writer's opinion, the JICC strengths can be the exclusivity that was given to the company from JPMC and APC. This trust of course has given a big strength as it ensures a continuous flow of cargo that generate profit, which makes the company feel confident and safe. On the other hand it may be seen as a bit dangerous because it makes the management and employees feel dependent on this fact. As a result, it reduces creativity and does not motivate to look for new markets and services to be competitive. In this way identifying weaknesses can help management to work to change them into strengths while understanding the strengths will enable the company

to utilize its resources to accomplish its goals to and to reach new opportunities and profitable areas of new services.

On the other hand, externally, the management of the company should have the vision to see the opportunities that may be possible to achieve more benefits for the organization, and also the organization should understand forecast the threats like competitors and new entrants in to the market, which may affect the company position. Then, after understanding these conditions top management need to match the strengths with the opportunities to be able to steer the company towards increasing profit, better service performance and continuous growth in the market. At the same time, understanding the weaknesses will make the management should try to change them into strengths or, if not possible, minimize their effect to the lowest level.

## **2.8 Setting a grand strategy for the organization**

In setting a strategy for the organization, the top management should evaluate and understanding the political, economical social, and technical circumstances (PEST) in which the organization is operating in. It is very essential to be able to operate in the market freely and smoothly. Moreover, as mentioned earlier, considering to match the external and internal factors always helps to set a strategy. According to the Porter's Theory, understanding the political, economical, social and technical situations help the company in choosing the right grand strategy.(Mottram, 98,p20-24)

One of three grand strategy; could be followed depending on the company's situation. Firstly, retrench if the circumstances is not so good. Second, stabilized that should be the case in an uncertain situation. Thirdly, an expansion strategy if the company in a good situation and all circumstances are suitable. In the JICC case, the expansion strategy is recommended because the flow of the cargoes is continuous and is expected to increase further as has been mentioned in chapter one.

## **2.9 Porter's competitive forces**

According to the Michael Porter Theory (Porter,1980, p4), that there are some forces, which any organization is facing affecting profitability. The first, which is related to JICC is the threat on new entrance. For example, new companies, which can provide the same service, especially in chartering a vessel, as it does not require significant capital investment, could easily take some of our business.

In fact, in a company like JICC although all the cargoes have to be fixed through the company as it is the exclusive broker for JPMC and APC, but still some times a few local companies are able to provide JICC with suitable ships with competitive price for some shipments, Therefore, they can be considered as potential threats in the long if their level of performance in this regard is not exceeded.

Secondly, these are the rivalry between the competitors. In Jordan there are many already existing local companies doing chartering business, competing to provide the JICC with suitable ships. However, only a few of them are really effective in providing their services, for many of them are not doing chartering as their core business. So, in the future we will see more competition might be seen in the local chartering market which in tern will affect the service that the JICC is providing. of course, their competition against JICC will depend on the extend of their service quality and market coverage, which need to be considered in advance to keep The JICC's market share. Therefore, the author believes, the above mentioned factors are the key elements for competitive in the local market in Jordan.

However, the chartering market is not a free competitive market as it is dominated by the JICC, which is inter linked with other major partly state owned shippers such as APC, JPMC and the Jordan National Shipping Lines. This affects the competition by other companies against JICC indicating the role of political concern following from the national strategy requirements. In fact, this in many national companies. Beside

this, JICC has the exclusivity for all the CIF cargoes of potash and phosphate, which creates a monopolistic situation, as a result local market players are obliged to fully comply with what JICC requires. Thus, losing their power of negotiation.

## **2.10 Choosing a generic strategy between cost leadership and differentiation**

In choosing a strategy for the JICC, all the circumstances are in favor of expansion as a grand strategy, because as has been seen earlier, the production is increasing in addition to the different mineral industries which demand different specialized services. However, in order to succeed in achieving the grand strategy, the company should have a generic strategy which will be seen as a bridge to reach its goal of expansion and growth, of course, this will increase the profitability of the company as a result. According to Porter's theory (Porter,1980,p35) he explained in his book there are three possible choices for a generic strategy, that is cost leadership, or differentiation strategy, if not, then focusing on particular segment of the market is the third and last option. He also commented :

Any attempt to pursue more than one, such strategy only leads to the firm being 'stuck in the middle' ie not coherent, lacking in direction with no prospective of concentration and consistency, and achieving only industry average profitability.(Mottram,99)

He insisted to explain the 'stuck in the middle, as poor strategy situation, which guarantee low profitability firm. ( Porter,1980,p41-44)

The three generic strategies are alternative, viable approaches to dealing with the competitive forces. The converse of the previous discussion is that the firm failing to develop its strategy in at least one of the three directions- a firm that is 'stuck in the middle' is an extremely poor strategic situation.

To sum he insists that a company can choose only one strategy of the three, otherwise the company will be 'stuck in the middle' situation according to his theory. In the

JICC case the company depends on brokerage commissions which are calculated based on the freight rate. The brokerage commissions percentage rate is fixed by agreement with shippers, which makes it impossible for JICC to increase its profit by increasing the commission during a suppliers' market situation. On the other hand, there is room to reduce the cost by operating and managing the company in an effective way as mentioned earlier in connection with efficiency and effectiveness. Although cutting cost is a sign of good management, it does not necessarily means that the company is following a cost leadership strategy, but it is a matter of using the company's resources in a better way. Thus, it might not mean the company is providing the cheapest price in the market, as there can only be one cost leader at a time. However, it demonstrate improvement in our daily process by using a quality system, and development of each individual employee's efficiency and creativity.

In the writer view in the future, JICC ought to follow differentiation as its generic strategy, by providing a unique service, which ensures consistency, reliability and professionalism, in addition to a first quality service that makes the company's service different from any other company in the local market. In this regard the company should improve its quality system and it s staff members. Chapter three and Chapter four will deal with quality management and human resource development respectively.

The strategy of differentiation will lead to improvement of the company service in addition to the opportunity that it provides to get into new markets. Moreover, providing such a service will, of course, affect positively the way that the service is offered to APC and JPMC as shippers, so this strategy will make the company gain more trust from them as existing customers, and it may will be a key to attract other shippers in the local market, which will promote benefits of the company.

### **2.11 The top management and management of change**

Top management should always look for improvement. Obviously, improvement requires continuos change in the organization, especially when we consider the highly

accelerated pace of change currently taking place in different industries in terms of economy and technical matters. Moreover, as part of this improvement and change, introducing the latest communication technology such as information technology (IT) and Electronic Data Interchange (EDI) is of paramount importance for JICC to cope with these changes.

In fact it is a difficult decision to change things in the organization, but at the same time, top management should understand the business environment and try to forecast and predict what changes will happen in the market in order to plan and set a strategy. However, if the rate of change in the business environment, in which the organization operates, is higher than the rate of change inside the organization, that should be seen as a sign for the top management to reevaluate its policies and strategies in order not to be outdated.

Recently, the rate of change in business processes and operations have become very high, due to the revolution of information technology and communication systems, among other things. So management should be more alert to face such changes, and benefit from them at the same time. In relation to this, chapter three will deal with quality and how the organization can benefit from it, ensuring an adequate rate of change.

In studying the type of change required in an organization, one should consider other organizations' experience and use it as a benchmark to ensure a proper path of growth is being followed for successful change. For example, the chairman of Microsoft corporation, Bill Gates, once said in relation to management of change:

continuous learning is about the only chance any organization has to keep up with change.(Motram,99)

Therefore, it is a very good idea to follow his company's example especially when we realize that Microsoft is one of the world's leading companies, that is a 'STAR' company with high growth rate and high market share.

Another famous saying about management of change by John Harvey-Jones he said:

Management is not about the preservation of the status quo..... it is about maintaining the highest rate of change that the organization and the people within it can stand. (Mottram,99, 10)

For this purpose, and in order to keep the JICC's quality management system always improving, chapter three will study and analyze the quality management. Furthermore, chapter four will focus on training, motivating, and developing individuals.

In the writer's opinion, many international organizations in the shipping business, such as Mearsk Lines and J.Lauritzen, have managed to be so successful in the business, because basically the management has a clear vision and is implementing a strategy which lead to growth. In fact a very important point is that management is always looking for new business areas in the shipping, which they call new opportunities or management of change. In addition, top management always strives to cut cost so as to be more cost efficient. So they reduce staff members whilst creating better jobs. Chapter four will deal about this, developing human resources, in more detail with.

According to Professor David Mottram, who spent more than 35 years in the maritime industry-sailing on ships, managing ships, researching shipping problems and teaching shipping subjects.

Managing change can be reactive or proactive also of course. by this I mean the response which a shipping company might make. .... New legislation, together with the social and technical changes that are affecting industries in general and the shipping industry in particular just now, will probably

continue to increase the pace of this change. There is a need to look at changes to management structure that are occurring in other industries and consider how they could best be adapted to the maritime industry. (BIMCO BULLETIN.Volume93. No.2.98,p 13)

To conclude, in the light of what has been discussed above one can see the importance of management of change in terms of saving time, money and all other organizational resources. By doing so, it improves the overall organizational performance. Therefore, this is what management of change is about.

## **Chapter Three**

### **3.0 Improving Quality Management System**

#### **3.1 The International Movement Towards Quality**

Chartering, of course, is effected by the fluctuation in the international freight and shipping markets, and the economic environment of the shipping trade. As trade flows, the supply and demand and the freight rates are being affected by the market cycles, and all other conditions in the international markets

Recently, a several quality developments has been introduced to the shipping industry, such as many convention/rules/voluntary standards which are regulating and controlling safety at sea and environmental issues. The International Safety Management (ISM Code) can be considered the top of these voluntary standards, besides the ISO 9000 series. In fact, all of these regulations aim to upgrade the organization system to the international level, by means of improve documentation and achieving a competitive advantage in the market with a full customer satisfaction. Therefore, quality must be clearly understood as a central point in order to survive, especially in volatile market conditions like the international shipping market.

#### **3.2 The Meaning of Quality**

Quality is very difficult to define. However, the expression quality in management simply means doing the job properly by meeting the standards or requirements. In other words it means conformance to the requirements or purpose of any business. These are total customer requirements, not just a service specification, as a result of applying some standards that ensure better performance. In fact, quality assurance

(QA) is the prevention of problems with quality as a tool, by means of forming a suitable QMS (Quality Management System) that covers everybody in the organization.

A QMS can be implemented in the organization which will have its benefit in the long run, and can be understood as a pro-active instrument of problem preventive. This will reduce doing the work wrongly or prevent doing it again. In order to achieve this, a quality culture should be developed in the organization, which will create committed management and employees and continuous competence development for better performance.

The result of applying QMS can only be measured by the customers' eyes who are receiving the service, and only then can judge the company's performance after applying the QMS and whether the service has been improved or not. In fact, quality in this sense could be seen as assuring customer loyalty, which is the best way to protect and maintain a good position in the competitive market. Moreover, having many customers for a long time will, of course, facilitate the organization's growth and profitability. Implementing a quality system may be different from one organization to the other depending on the type of market they are engaged in such as the spot market or liner services.

A typical "quality killer", in shipping, is the spot-market. It can not be understood to enhance stability in a process, while liner services are more to the satisfaction of quality thinking. (Horck,1998).

A company like JICC, which is dealing mainly in the spot market, can face some problems in applying processes of the QMS. Recently, quality is becoming an essential tool for any business in order to be able to compete in the market. It is no longer seen as a luxury. In fact, the maritime industry and its related services have shown a great deal of interest in the quality matter. The aim of course is to do the work faster and more effectively by maintaining a competitive level.

### **3.3 Quality Assurance**

Quality Assurance should take into consideration quality planning and quality control, which are mainly concerned with the processes and procedures involved in doing the job properly and effectively. In other words, it is prevention of problems by quality means. Today, there are many regulations and standards that have been introduced to the maritime community, which have gained a lot of interest as the international maritime industry needs international rules and regulations, such as SOLAS, MARPOL. However, the trend tends to accelerate towards more international standards, though all these standards and regulations should be simple, cost effective and flexible so that they will act as a facilitation of the processes and not to be looked at as complications or more paper work.

### **3.4 Implementation Quality Standards**

In order to manage a company successfully in an international competitive market, the company should be cost efficient, meet customer satisfaction by providing a first class service, and look forward to a continuous improvement of performance. These goals, however, can only be achieved through implementation of a (QMS).

In the shipping business there are many tools and benchmarks against which companies' performance are being evaluated. While some of those benchmarks are mandatory but others are voluntary. However, all of them can provide with a documentary evidence of the company's capability. For instance, the ISM is a regulatory Code about all the documents that can ensure the safety in ship operations, which was discussed by the IMO, then it was agreed that it should become mandatory within the SOLAS convention, accordingly, the ISM Code will take effect in July 1998 for some ships, and in year 2002 for other ships. Another important example is ISO 9000 Series, which are all voluntary. Those series organize and specify all the

technical and commercial documentation for any organization operations. An important benchmark is the International Ship Managers Association (ISMA) which is dealing in all areas of ship management including safety and pollution prevention matters, working on improving the quality of ship operations of ship's managers. According to ISMA president Captain Joachim Meyer, he stated clearly in his article:

I find there is nothing wrong if ship managers adhere strictly to ISMA Code of Ship management Standards if the ship owner finds that quality is unnecessary. The only advice to ship managers is to try to link up with ship owners who only understand that quality is, in today's shipping environment, an essential ingredient and no longer a luxury  
(Lloyd's List, April, 95)

Actually there is a clear benefit for thinking in this way, as this fact will surely lead to better service with competitive prices, besides reliability and professionalism at the same time. Being a member of ISMA is a good idea, especially if looking forward to achieve first class service. Rapidly the shipping industry is being regulated to achieve better performance in many areas in the shipping business. Recently and in relation with all these international conventions, the Organization for Economic Co-operation and Development (OECD) introduced a code of conduct for ship brokers. (Hork 98)

### **3.5 Total Quality Management**

It should be understood that quality must be determined at the top management level in an organization and not at the lower level. The managers are responsible towards the employees, customers, and shareholders for the success and improvement of the business. They can manage to do that by implementing the following model which is a combination of different quality principles that lead to an effective model for implementing a total quality management system.

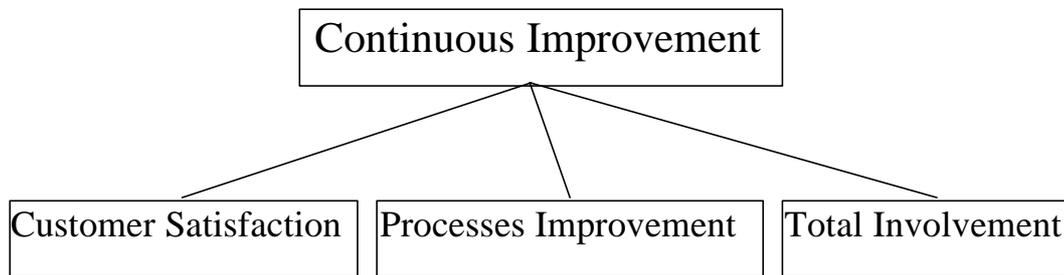


Figure 1 Continuous improvement elements  
 Source(Total Quality Management Three Steps To Continuous Improvement,1992)

Tenner Arthur R., Detoro, Irving (1992) *Total Quality Management Three Steps To Continuous Improvement* .United States of America. Addison-Wesley Publishing Company, Corporation & Professional Publishing Group.

### 3.5.1 Customer Satisfaction

Each organization, which is seeking for continuous improvement in its performance, must achieve customer satisfaction, by trying to meet customers’ requirements, needs and expectations. These three elements must be analyzed by the management in depth in order to be able to improve work processes accordingly, as well as improving staff members’ capability along with empowerment of individuals. Customer satisfaction in this sense should be treated as a strategic goal of total quality management.

In chartering business, the customers are either the charterers or ship owners. Therefore, their needs and requirements should be identified clearly to provide them with a service that fits their exact needs and expectations, such as a safe ship that is able to transport cargoes in a good condition, with good prices for charterers. For ship owners their expectations are always good profitable fixtures, with suitable repositioning of the ship after discharging without any delays in a port. Charterers or ship owners, as customers, will always be interested in any organization which can satisfy their full needs, and fulfill their expectations at the most. Otherwise, if the organization fails to achieve these goals well, there are always possible competitors.

That should be seen as a permanent risk, as those competitors should urge any organization to reach full customer satisfaction so that it will always meet and satisfy its customers' need and requirements, consequently achieving full customer satisfaction.

### **3.5.2 Process Improvement**

To achieve process improvement, the work should be understood by its total steps and activities, which finally lead to the output or the service provided by the organization. So each single step and activity of the work should be given continuous attention in order to stabilize the output as much as possible. As a result the work processes will be improved and a reduction of variability of the output will be achieved by increasing the reliability of the processes. The purpose should be to minimize the variation in the output. If the variability has been minimized as much as possible and the result is still unacceptable, then there is a need to re-design the process in order to produce the result which is required to achieve customer's satisfaction. That's why the processes must be well communicated, and should always be reviewed and improved.

### **3.5.3 Total Involvement**

To be able to create total improvement in any organization, there must be an active leadership of senior management in the organization. This kind of management will make efforts to use all the ability and energy of its employees to gain the greatest competitive advantage in the market. Moreover, all employees should be encouraged to improve their output by coming up with new and flexible ideas to solve problems in their work structure. In this way, everybody can share the effort to improve processes, and develop performance. This will give the organization the chance to better utilize its resources in areas which will benefit the organization through customer satisfaction.

### **3.6 Improving the Performance of the Organization by Better Communication**

In each organization individuals should comply with the policy and plans, and at the same time their actions should be known to other employees in the organization. Actually, with a good communication system between the departments a good result can be achieved. In an organization with communication barriers people will not communicate effectively leading to waste of money, time and effort.

Communication in an organization that has a quality environment must be done in a simple and efficient way. The communication should flow upward, downward, vertically and horizontally, which means that communication between different levels of management and employees should form a bridge to be able to fill any gaps that may occur between them. This will create a constant communication flow from top management downward and horizontally between people at the same level. At the same time, communication within departments themselves should always be open and free. In applying this flexible way of communication in the organization, the performance will be improved positively, avoiding all the misunderstanding and delay that always happens due to rigid communication systems, lack of proper communication and a lot of bureaucracy, which would result in complicating the job rather than facilitating it.

### **3.7 Quality Versus Bureaucracy**

In the shipping business in Jordan, there has always been a tendency towards centralization. In fact this always happens when any problem occurs in the daily shipping practice. Management very often puts effort into searching for a particular person as a scapegoat, instead of looking to find out what was the real cause of the problem in order to control and avoid the problem in the future. Actually, when any mistake happens, this automatically leads to make decision making move towards the higher level of the management in the company. Moreover, all the authority and

decision makers will be concentrated at the highest level of the organization, a fact that will result in a negative effect at the lower levels of management, as they will be always in need to refer to higher levels of management to be authorized by them.

Consequently, this will bring more bureaucracy and centralization, which will slow down the processes in the organization making it suffer from a lot of paper work, and many procedures that may waste much more time than they facilitate the work itself.

However, implementing a management system in any organization, quality systems must facilitate the process to get things done, and all the procedures in the quality system should be seen as a flexible tool ,which exists to simplify things. Therefore, any procedure in the quality system can be modified or changed if required, so that it will be replaced with another procedure that is more suitable for the organization. This matter should lead to re-defining responsibility and authority as the objective of any organization to facilitate and improve its work and to achieve better performance and higher profitability. In the writer's opinion, quality systems should be perceived accordingly. According to Professor Mottram,(1996) he clearly stated in one article in Bimco Bulletin about the ISM.

The message therefore, is often discouragement. "Stick to the Procedures, do the best you can with what you've got". This is a pity of course, it shouldn't be about repetition of fixed procedures, it should be about incremental improvement. (Bimco Bulletin, 96, p.16)

Therefore, although the quality system must be implemented and followed in all its procedures, this should mean the system can be changed to facilitate the work, so a great deal of flexibility should be there, as at the end of the day the system itself was set up just to organize and control things, and not at all, to be seen as a rigid system that can not be improved.

### **3.8 Authority and Responsibility**

Authority and responsibility are very important tools in taking decisions, very often there are problems in management systems due to the lack of authority given to the employees, or due to unfair distribution of authority that gives and concentrates it to one part of the management without the other, (Authority is always in the hands of top management) which will delay and sometimes complicate the process in doing the job.

In order to solve the centralization and bureaucracy problem, it is important to reorganize the authority and responsibility in the organization and to increase the number of decision makers. The authority should be pushed down towards lower levels, after defining each individual's responsibility. Managers should delegate tasks or functions and provide chosen employees with specific tasks and authority to be delegated to him/her, of course making sure that the authority is given to a person who is competent to do the job properly.

Sufficient training, with necessary information for decision making will make staff members capable of doing their job correctly. This improvement, together with an effective communication system in the company, makes everybody in the company feel committed and responsible in taking decisions at their level, a fact that will make all the employees work as a team. Moreover this will make the job flow smoothly and the performance will be developed as the individuals themselves will feel responsible and they will try their best to improve their work as much as possible. Consequently, all the disadvantages of centralization will be weeded out of the organization, and be replaced by the advantages of continuous improvement for the company.

Therefore, if individuals are trained and given authority to take decisions, the whole system will be built to simplify things in the organization, and the work will be performed smoothly and more quickly with committed employees resulting in having

much happier customers. However, improving the quality system must also be done together with improving the skills and know-how of the individuals. In this regard chapter four will be dealing with human resources development for the same purpose.

### **3.9 Practical Benefits of Implementing Quality System.**

As mentioned previously, quality should not be seen as a luxurious thing in an organization that one needs to introduce; on the contrary, it should be seen and understood as a positive tool for managing the organization to achieve its target of success. In fact, implementing a QMS in an organization like the JICC has many practical benefits such as the quality of the service will always be in conformity with the customer's expectations and outcome satisfaction will be achieved by minimizing the number of faults or errors as much as possible, which will reduce the quantity of non-conforming output.

Moreover, the processes will be done in a simple way a fact that will made the job be done faster with better performance and at a competitive price. In addition, the continuous improvement of the processes will enable the organization to maintain a level of competitiveness among its competitors in the same business.

Among most important benefits will be that the company will work with more confidence and steady conditions, with a motivated staff in full compliance with the international regulations as being environmentally friendly.

### **3.10 Case Study for a Pioneer Association J.Laurtzen**

During a field study to J.Laurtzen company Denmark in Denmark. Observation was made about quality and quality assurance, regarding their understanding and applying their quality system. Trying to focus on how should the staff understand and look at the quality system. In order to keep the company managed, within a clear safety and environmentally friendly policies, complying with international conventions/

regulations. The objective of the case study was understand what does quality means to them, and how do they apply it and implement it at all levels.

The writer had visited J.Laurtzen A/S in Denmark in order to study their methods in adopting and applying a quality system which resulted in a first class service, the fact that makes their company trade internationally with a unique reputation and a great deal of success. Accordingly, the writer investigate the activities of the company in order to benefit from their experience and wealth of knowledge which would enable Jordan's national company to develop a comprehensive vision towards a fruitful future.

### **3.10.1 Background for A.J.Laurtzen**

A J.Laurtzen A/S is a well known Danish company operating internationally in the shipping business; it is a profit making association. The company is ranked as the biggest reefer operators in the world out of which 1/3 is owned by J.Laurtzen itself.

Moreover, the company is considered as the biggest gas carrier in Europe, also Laurtzen bulkers are recognized internationally in their handy size grab fitted ships. In these three main activities the company is operating aiming always towards a new success. This company has chosen the quality system as a rule.

### **3.10.2 J.Laurtzen and Jordan National Shipping Lines**

A common feature is that JNSL also has three departments: one for chartering, ships management and agencies. Although the divisions somehow different but due to this similarity between the two companies. The case study will analyze quality between them, concluding by feasible recommendations.

### **3.10.3 Policy**

Applying one single policy is a difference between J.Laurtzen and JNSL, that in our case those divisions came to be as a three separated companies lately, which make them cooperatively working individually, unlike A.Laurtzen as they were speaking as one integrated body. In other words, their sole management has one policy which all divisions must follow. Meanwhile, comparing it with JNSL which has different management and different visions happen to be separated companies lately; that is JICC, Jordan Group Shipping Agency (JGSA), Jordan International Ship Management (JISM). This fact makes each company work in an individual personality, the fact that ought to be avoided in the future. In the sense, to achieving effective implementation of quality system, combining forces in JNSL would be a positive step towards better and proper resources management, and more cost effectiveness. Hence able to provide a better customer satisfaction.

### **3.10.4 The Quality of the service**

Laurtzen claims that they offering their customer reliability and flexibility , as well as constant development services. Their continuous success proves that they do what they say, and their constant challenge is the continual adjustment to customer's requirements. Meanwhile in JNSL and its three related have lost some clients due to the fact that we were very rigid in applying the quality management system, while we could have been flexible, because at the end of the day the aim is the customer's satisfaction, and not only applying quality system it. Thus, JNSL and its related companies, should redefine and focus on the fundamental purpose of employing a quality system in the first place .

For instance Laurtzen are following a comprehensive process which keep their ships new and which will ensure their claimed reliability and credibility and flexibility, and

this is not the case in our national lines as many of our vessels are over 15 years old. So if we are looking to offer a significant service we have to manage to be able to adopt such a policy which leads to a better quality service. For example they rely on their ship as they are all self loading and discharging while in our case we are facing many problems due to this particular factor.

### **3.10.5 The employees and commitment policy**

This company considers its employees as the most important asset that they have. Every employee is provided with the training and education he/she needs. In this sense a considerable part of Laurtzen investment is going into training their employees. Their employees are given well defined responsibilities, and kept motivated so that everybody will feel committed to the company's goals and objectives with great loyalty. On the other hand, the employees' commitment in JNSL may not be that strong, thus, JNSL should formulate a scheme to enhance this sole commitment and loyalty.

### **3.10.6 J.Laurtzen Framework for objective**

To maintain a leading position in today's highly competitive market, improving efficiency competition, and increasing profit, and releasing their performance and reputation the international market they have really proved that not only by saying it but into real existing fact that nobody can deny. In our case, we depend very much on the government subsidies and not on our reputation in the market. Aside to customer's satisfaction, JNSL should independently safeguard a well standing reputation to sustains business continuity and hence ensure long term availability and ability to provide a quality service.

### **3.10.7 Safety and Environment**

Laurtzen has included safety and environment matters in forming their quality policy and system, so in the future JNSL and related companies should give priority to take this important matter in consideration. Therefore, JNSL and its related companies, has to observe closely safety-related and environmental matters and where required review and amend the already set procedures and policy (if it deems so).

### **3.10.8 Internal and External Auditing**

Internal auditing is not implemented strictly. Currently, they employees in JNSL and its related companies, focuses on external audits and undermines the internal audits. Therefore, missing the point that internal audits actually contribute a great deal to 'improving' the quality system.

## **Chapter Four**

### **4.0 Human Resources Development**

#### **4.1 Human resources development and the national development situation.**

In the recent years, unlike the economies of Arab countries, Jordan's economy continued to expand. Jordan's gross domestic product (GDP) increased beyond the regional average of the Middle East in the 1990's. Jordan's progress in recent years has extended beyond the realm of macro-economic indicators and manifested itself also in the country's human development index (HDI). Jordan always in the group of (medium human development countries), has advanced from an HDI ranking of 99 and an HDI score of 0.582 in the 1993 Human Development Report (based on 1991 data) to an HDI ranking of 70 and HDI score 0.741 in the 1996 report (based on 1994 data). Moreover, during the same period the difference between Jordan's HDI ranking and its GDP narrowed from 8 to 1 percent. (<http://www.undp-jordan.org/programmes.html>). (24.3.99)

It is clear that human resources development is very essential to achieve and support the national economy towards development aspiration, and that it has a positive impact on the national economy level, so it should be developed and improved to ensure the major benefits to the country and the government.

Recently UNDP, with the cooperation of the Jordanian government, has proceeded with an assistance program during 1998-2002 to expand Jordan's achievements in terms of the economical and human resources. In this regard this chapter will deal

with human resources development focusing on the people working in the maritime field especially in the chartering profession.

#### **4.1.1 Human resources development and the need for national strategy**

Having said in chapter one that chartering may probably be the future maritime industry for Jordan and maybe for the few coming decades, it is very important to focus on human resources development as an important element of the organization, if not the most important. In fact, chartering depends to a large extent on the broker himself, his education, training and skills, which form the essential elements for a successful broker house that can be competitive among other competitors in the market. Actually, the human resources development issue has recently taken a major role in many developing countries and the trend goes rapidly towards improving human qualification training and skills especially since every organization these days is interested in quality service and many requirements should be fulfilled, which enhance every organization to think about improving the individuals themselves, and their development, to be able to increase the output of each organization and, consequently, to improve the entire national economy of each country.

Meanwhile to achieve this aim developing countries need to set up a comprehensive, practicable and well defined national strategy to develop their human resources, and much of effort must be put in this field which must be based on a clear long term vision strategy, and good understanding of the real existing situation. In order to be able to achieve the strategy in developing humans, the strategy should contain four basic elements as a must. Mentioned respectively, the elements are: complying a human resource profile, setting the goals for these resources, preparing a clear budget, and also formulating a viable political strategy at the national level which is supported by the government programs.

#### **4.1.2 The total resources of the organization**

The structure of any organization differs from one organization to another as the business itself differs however, the resources of any organization and improving it means basically to develop five different elements which are time, things, processes, money, and last but not least, the individuals.

So what could be done to develop human resources in an organization?

Managing an organization properly and successfully is simply in a way getting things done, and that is done by, with, and through people. However, the big challenge is which kind of people; skilled, educated, trained, experienced or what?. What is the way to deal with those people and how to keep developing them continuously ?.

In this chapter the focus will be on the human resources development from those different angles, trying to find the way to develop humans properly and achieve the goals of development.

#### **4.1.3 People as a human resource**

People are a very important element in any organization. It is true to say that sometimes one can predict part of the future performance by knowing the ability, and the experience, which the individual in an organization has. From this point of view human resources are one of the most important fields to work in, to be able to achieve a continuous growth towards a fruitful future.

Generally, people are flexible and adaptable; this is their nature as human beings, so a person can accept learning and be trained to do a said task or job after he /she is familiarized with the new things around him/her, But at the same time, management should bear in mind that people are very sensitive to change, so the management

should be able to introduce the change in a positive way so that people are motivated to implement it not only because they have to, but they really should feel committed about it and believe in it.

However, to be able to achieve that, great care should be taken to improve the human resources in organizations. The human being should be considered as the first block in the process. Therefore, trying to understand those resources in order to train, develop, and create an efficient new generation of experts who are able to stand in the competitive market. So it is very important for each organization to keep developing people working in it, as that will be a major key of success for the organization, enabling it to give better performance and results, which has a long term vision. In order to achieve that people need education, training, and then continuous upgrading and developing, and with time a new educated generation will be handling the matters in a new developed way, which will lead to fruitful future benefits to their organization.

Each company needs a diverse group of people on every team, diversity on every single individual among the division, which will make the team members supplement each other. Organizations need thinkers, doers, dreamers, organizers, team builders. Such diversity will affect its accepting the uniqueness of others among the team that will make people want to help the team as a whole to do the job properly and, as a result, just succeed.

#### **4.2. Education processes; the new culture**

Education is becoming the new pressure on managers to invest time and money in their personnel to ensure that their performance will meet the requirements and the goals. In order to make that come true, education seems to be for managers the bridge to reach and achieve the goals of better performance and high levels of achievement in the business. With this perspective management should look at education in the future

which will result in a new culture that urges everybody in the organization towards upgrading their level of education not only for personal benefit but also to be able to work with their colleagues as a team. Looking to the future through this culture everybody will be motivated to keep his education and skills up to date, to always be hand in hand with the qualifications and skills that the future will need.

The future with all its indicators tends to progress towards higher standards, qualifications, and higher performance, which complies with many requirements, and are becoming more and more essential to survive in each business. And to be able to compete with competitors, this should be done by continuous education for the human resources in the organization that keep the level updated.

In order to develop these human resources, a good education program should be provided. Different educational courses must be given, generally to cover everybody in the company, and then these must be specialized education, which will create professionals in their fields, which must be considered essential elements to be able to survive in any competitive market. And if an organization aims to reach the level of being the leading organization, which provides a first class service, all employees should receive a good education. Education is essential for employees at different positions and departments.

In this field, one should mention that World Maritime University (WMU) has been and is still considered one of the leading international institutes that provide the maritime field in Jordan with its graduates. Those graduates have been able with their comprehensive and unique knowledge to reach each from their different positions, leading positions in the maritime business by an efficient and effective performance, to prove that they were adding value, not only to their organizations after getting their professional training and education, but also to Jordan as whole. Therefore it is important that the government should focus on developing human resources in the maritime field, and make efforts to send more people to study in the maritime field,

and not depend only on the scholarships provided by the developed countries, bearing in mind that the maritime field is becoming greater and requires more knowledgeable individuals to manage and work in the field.

The ICS ( Institute of Certified Ship Brokers ) is another important institution, which is very important for the company in the author's opinion, the Institute of Certified Ship Brokers is in London, as the exclusive brokers for the two biggest companies in Jordan, (JPMC) Jordan Phosphate Mines Company and (APC) Arab Potash Company, the two major exporters industry in Jordan. JICC cannot provide a first class brokering service internationally, unless all the brokers either have been certified from ICS as senior brokers or have a post graduate degree from an international maritime university such as WMU.

If the JICC achieves that, it will produce better results to the company and to the country because it will make it possible to trade and perform more easily and effectively among JICC's competitors aside from an excellent reputation and geniality of the team. Although experience in the chartering field is very important, seniority is not only a matter of experience (that is not always necessarily right), but it is a matter of an academic degree which will give a general understanding of the market and valuable comprehensive knowledge, which every senior broker should have and which goes hand in hand with experience. That should be clearly understood by the management so that it should follow a strategy to achieve that goal. This should be followed up by changes in the organizational structure of the company and the positions of the individuals

#### **4.2.2 The new concept of education and how to provide the country with a new educated generation**

Recently, education has got another new meaning and situation in any organization, because nowadays it is not merely a matter of individual competition with others any more. Education now shifts toward developing skills, teamwork, and higher levels of interaction. So it is not seen as a matter of privilege that somebody has got for himself as it used to be understood, but it is something beyond that. It could mean that education is the language that a team should work with. This should be the new concept of education in the author's opinion.

A national education center in maritime sciences would provide some knowledge and such a center may provide many courses that would have a positive impact on the country, especially since Jordan has many resources which make the need for such education more and more appropriate with the development of exporting the goods.

#### **4.3 Training and the relation between abilities and performance for human resources**

When speaking about training people for a specific task, abilities and team capability to learn is usually involved. Talking about abilities it is, of course, clear that people's abilities differ from each other and obviously their performance changes. Actually, knowing the ability reveals only the potential level of performance within any organization.

On the other hand, although ability does affect performance, it is not considered as a good scale to predict performance in work. Therefore, the relation between

performance and ability is not necessarily a good measure for a manager to judge and predict his employee's performance.

#### **4.4 Managers using their power authority, and how to handle people**

A manager should be using power and enjoying his authority and responsibility but all that in a very clever way that should not in any case interfere with the employees. In fact he/she should be able to do it in a way which encourages and develops his/her people, using power in the same direction. Below are some important points for managers using authority.

##### **4.4.1 Avoid power struggles with and between humans in the organization**

A professional manager can always define the goals and the authority in the organization. By doing that he can easily avoid the possible power struggles. Although the manager always has the authority and power in the organization that should not in any case be a reason which causes de-motivation for other people. Moreover a clever manager should make his employees do things and follow instructions because they are convinced by those decision, and he must try to share with them in talking those decisions. Sometimes this is the factor that will make them believe in them. Besides just consulting them as employees will make them feel that they are involved in the decisions.

##### **4.4.2 Over staffed organization versus understaffed one**

One of the biggest problems in developing countries is that the organization is usually overstaffed with people who are not really necessary for doing the job, but on the contrary, they cause more time to be spent in doing more paper work, and more routines. For this particular point the structure of the organization must be done so that it will come after forming the job descriptions. In developing countries it is

currently found that the organization structure comes after the employees are already employed and to filling those people in any probably suitable position that may be fit to him. This matter should change completely because putting the wrong person in the wrong position in an organization will really kill the energy of human resources making them de-motivated and even disappointed.

The solution is that every management should implement in its work a matching structure with the strategy and the policy of the organization. So the policy and strategy should be built first, then the human resources should be employed, each right person in the right position.

After this stage, the management should employ people based on their professional knowledge and skills. The management should streamline the organization by cutting staff of non value adding functions because an over staffed company is very difficult to manage and requires additional middle management who are not adding value to the organization and are at the same time costly, or communication between divisions will be more difficult.

On the other hand, if the management chooses to work with an understaffed organization that could also be dangerous for the organization because it has a bad effect on people working in the company because they feel very tired with all the heavy work, which will affect them negatively as well. So the best choice is to keep people happy and develop them is something in the middle. That is having the right number of people in the right places.

#### **4.4.3 Match strengths with weaknesses in the team**

Managers should develop an atmosphere in which it is safe for the individuals to ask for help, so employees do not feel weak in asking for help. By doing that the goal of getting a team built is accomplished. Furthermore, a team spirit is achieved through doing the right thing for the benefit of the organization.

#### **4.5 Creativity and the norm of reciprocity**

A good manager should be clear with each individual in the organization, so that in return individuals will act in the same manner with the management. This is called the norm of reciprocity which could be created in the company. So the manager may ask his employee about their expectation from the company, and therefore, he can negotiate and compromise solutions.

Consequently, a manager may not be successful, if the people around him are frightened of speaking or giving their own opinions in doing one task of their jobs. He as a manager could always encourage, reward and satisfy each individual in the company to do so. However, doing the contrary in some organization may kill the creativity of the people and make the work go in a routinely way whereby all individuals and their energy will not be used in an effective way. As a result the looser will be the organization itself.

#### **4.6 Developing people by motivation**

In order to know how it is possible to develop people by motivation, management at different levels should clearly understand that motivation begins with the needs of the individuals. It can be described as a circle beginning with the needs which make

persons take or create an action to achieve the goals which satisfy his need at the end.  
(see Figure 2)



Figure 2 Motivation and needs

(source:Prof. Mottram, 1998)

According to Maslow's theory of motivation, he classified the needs into five categories namely the physical, safety, social, esteem(responsibility), and self-realization needs at the top of the needs. Clever management should understand that needs are as simple as that, and consequently each manager should and will know his employees very well, understand them, and through that he can easily motivate them. It would be impossible to motivate people without knowing them closely, individual by individual. And, in fact, that goes consistently with the definition of motivation of Chris Argyris. (*much of his work has been done in academic institutions of America including Yale and Harvard, B.A in psychology , M.A in economics and a Doctorate in organizational behavior*) he stated clearly in an article in the magazine Professional Manager (March 1998),page 22.

Each person already has the 'psychological energy' which provides motivation, and he suggested not to motivate people by artificial ways, but instead management should realize and control this energy in the

individuals which is in them by nature. [ The author believe] This should be done through and by understanding the behavior of humans and dealing with them accordingly, that makes because it had been proved that each individual upon being faced by threat or embarrassing situations at work most of the individual tends to be a their defensive attitude and blame others to hold them responsible. This attitude actually prevents progress and makes people loose the opportunity to learn from experience and makes them refuse change also.

(Professional Manager, March '98, Page 22.)

Bearing in mind all this, the author strongly believes in Herzberg's theory, which divided the motivation factors into two groups: extrinsic and intrinsic factors.

The extrinsic factors, which are concerned with the job itself, like the salary, the company policy, and the working conditions, but those factors may not necessarily be the ones that attract the individuals, as pure motivating factors, although salary is important. But actually there are other factors which are more important to an individual to be motivated in the writer's opinion.

The other group is called the real motivators or intrinsic factors, and that is recognized by many employees who the writer has interviewed in his and other companies, and that is also his personal experience and thought.

The following factors are very important for motivation and after the management has understood the needs of its employees, it should be clear that the following factors may be among the most important elements to create motivation in any organization

Achievement is very important to individuals and the bigger the reward is, the bigger the ability to work will be. At the same time the management should show a level of

recognition of the people by asking about their opinions, consulting them, or involving them in making decisions. People feel motivated and responsible if the management consults them, and much more motivated if they have been consulted.

Also, providing them with training as such will make them feel that they are improving, and that will make them like the job itself as they will feel more professional with time.

In fact the author believes that people depend on the expectation from their management, that is if the management always expects that one individual will do the job very properly, he will be motivated to do so, and that has been proved in many organizations in third world countries. Approximately, 20% of the people do almost 80% of the work, and that refers directly to this expectation culture if one is allowed to name it like this.

Contrary to that, if a person has high expectations of himself, he will be motivated, but if the expectations of the people are not fulfilled, these people will be de-motivated and that is a very big danger for the organization because it will not be using its human energy, in fact it will kill them slowly.

Management should always welcome new ideas, encourage people to come up with new ideas which can be discussed, creating an atmosphere in which people will not be afraid of making mistakes, and fear will go out from the organization and people will always be happy to give their opinion and that will create a better atmosphere in which the job will be done properly with continuous development.

Management should make individuals believe in the leadership of the company, and understand that they could be appointed as managers, but they could never make people believe in them unless each individual believes in his heart and mind in the leadership.

However, if management is looking for motivating their employees, it should urge them to learn from their mistakes, and through their years of job experience. In order to do that in a constructive way, the management may follow some techniques like coaching to help people learn and to accept feedback constructively. Managing people in this way enhances motivating others, building teams, and providing success. This is explained in the following point.

#### **4.7 Motivation Management Techniques Coaching and feedback**

Coaching is a very famous method of management techniques where the main objective is to increase the individual's feeling of being motivated, and this objective is being fulfilled by giving the employee more open lines of communication with the top management. This technique will allow more and more feedback towards the top management, a fact that will create improvement in some areas which cause obstacles to the job done. It will also lead to a positive and constructive atmosphere in the company where everybody can send his ideas, suggestion, and remarks directly to the management. In doing that the idea of traditional suggestion box which almost nobody used will be achieved in a more practical way, and people will be more sure and confident that their thought will have someone in the management who will read and make a feed back about it. (Horck,98)

#### **4.8 Human development and the peace process in the Middle East**

Peace and human development go together. Internationally, spending on military matters declined from \$173 billion in 1978 to \$ 146 billion in 1989, which shows a reduction of 16% in two years time.

During the 1970's, 1980's the arms sales in Third World Countries have been increased dramatically, while at present these countries are importing much fewer

weapons, the trend of investments of course is spent on other areas human of development. (United Nation Development Program, 1991)

During the two Arab-Israeli wars and the two Gulf wars, all these years of wars made the dividend of piece greater and greater till the 1990's when the peace process took place in the Middle East, which made governments in these countries begin to think about developing their countries. The idea was possible to be achieved especially after all the military investments and economic energy were divert towards productive development projects, which could be weighted as positive factors for the national economy.(see Figure 3)

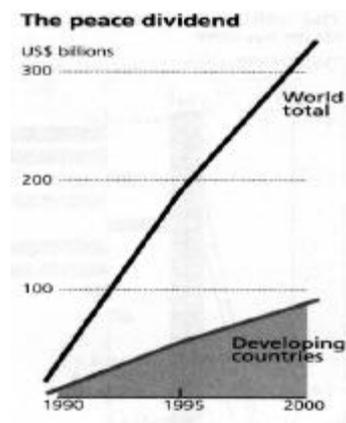


Figure 3 The peace dividend and human resources development

Source:UNDP. Human development report(1992).

As shown in Figure 3 above the peace dividend is becoming greater year by year, and that means for developing countries that a lot investment and national accounts in the country budget will go to development. Further, it is clear that if countries are choosing peace as a choice, it means that they will spend more on people than on army and military matters. Having said this, it seems that what has been presented in this chapter most probably will be implemented in most of the developing countries and particularly Jordan. However, trying to make that come true to reach a revolution in human resources development in Jordan, which will enhance and strengthen the

national economy here is some recommendations which could help to reach that fruitful future.

## **Chapter Five**

### **Conclusion and recommendation**

Improving an effective chartering profession is a matter of great importance, for Jordan's national economy. As have been seen in chapter one, chartering is recently supporting the two major industries that is phosphate and potash. However, the production of these two materials is becoming greater day by day, a fact that will enhance the need for chartering by the few years to come. So chartering is very essential as a means of transport of Jordan's dry bulk cargoes of phosphate and potash (Jordan as the second largest exporter of phosphate world wide) from Aqaba to it's clients in ports all over the world. That is why chartering in Jordan needs to be efficient and effective to be able to cope with the future needs.

As a matter of fact, there is the strategic policy the Two biggest national companies, JPMC and APC, are following to establishing bilateral projects to industrialize part of their products locally. This will ensure the flow of their products to those customers in different parts of the world for many years to come. All these indicators beside the tremendous amount of the reserve of those materials in Jordan and Dead Sea, will make chartering extremely vital and important support for the whole national economy. Furthermore, in the writer's opinion chartering in Jordan will be the future industry for the coming millennium.

Having said that, chartering operations must be backed by quality management, financial support, and a priority, to strength the chartering in Jordan as one of the important sectors. Continuous development and improvement of the national chartering

company is of utmost importance to be able to provide the two major national shippers with a competitive freight rates enabling them to draw and affect their CIF contracts with the most profitable and safe sea transport operations possible that can satisfy their needs.

After having the full support from the government, the management of the chartering company has to have a clear strategy next to having its goals clearly identified. This will enable the company to focus its efforts, resources, and time to achieve this strategy.

The top management must have a far reaching vision, as well as goodwill to manage the change to be able to comply with today's continuous developmental trends of globalisation beside the international regulation such as SOLAS and MARPOL.

For the purpose improving the quality management, the way that quality is perceived in the company is very important. Furthermore, developing individuals who are working in chartering is of great importance. In this regard, in the writer's view, the following recommendations would help achieve the necessary strategy, quality and developing human resource.

- Quality is to keep what you promise, and to be able to maintain continuous competition in the international market. It should be understood that by adopting a quality management system, commitment at all levels in the company should be established, otherwise, a good plan does not mean a good building Hence, everybody must believe in applying it. As JICC is looking forward to a competitive service, which will lead to a better quality service reducing costs, prevent mistakes improve profitability and enhance reputation. Consequently, this would lead leading to full customer satisfaction, but to achieve this the following should be noted:

- \* Unify the different division by putting into place, as one comprehensive entity, under one policy management, and strategy.
- \* Commitment of everybody is required in applying the quality management system (QMS).
- \* Flexibility in applying the QMS to comply with the changing needs is also important.
- \* Procurement of all the necessary resources to implement the QMS.
- \* Recruit qualified personnel and provide them with training, responsibility, and keep them motivated.
- \* Valuable ideas from employees ought to be allowed to come to the surface and be used to encourage employees. What worked well yesterday may not work well today because things are changing.
- \* Since the company have already been certified with ISO 9002, the company can ask consultants to apply a 14000 ISO system by extending existing quality policy to encompass environmentally friendly commitments.
- \* Due consideration to 'Benchmarking' is required so as to set off realistic goals to meet the competitive market demands and maintain a leading reputation.

Moreover, development of human resource need to be considered as the basic element of chartering operations. Thus, provision of education and training at all of the companies is extremely important to render first class service. This may be achieved by either of the following methods:

1. A specialized national institute to teach and train new people in different fields of shipping may help. And if this does not have economies of scale or is impossible for investment reasons, support of the government in this aspect would help to send brokers to a recognized institution or university abroad such as World Maritime

University. Alternatively, brokers could be certified by institutions like Institute of certified shipbrokers.

2. A minimum education in the maritime field as a basic level needs to be required for all new employees, and becoming certified by the CSI, London, for acquiring good respected reputation and qualification world wide.
3. Participation in international shipping seminars or conferences or any other training courses that would benefit employees and the organization.
4. Learn from more from permanent staff experience, skills and expertise to upgrade other employees standards in this regard
5. Put a figure in the annual budget for training and education, and to make sure that there is balance in training distribution between divisions.
6. Increase productivity of the employees relative to competitors.
7. Increase external visibility for employees by making them appear at conferences especially among competitors.
8. Try to create happiness in employees by providing incentives for good work.
9. Understand each individual's ability in the company, and then motivate each accordingly for the purpose of achieving the goals of the organization. In the meantime, feedback from the others is an important key for development.
- 10 Link between the goals of the individual with the organization's goals, apart from that looking at things in its totality, to be able to see the big picture ('helicopter ability') that sees the total situation.

11. Management should look at individual's mistakes as the key to developing them by using those mistakes as learning opportunities. Understand that some mistakes still happen irrespective of the good measures taken.

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