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Managing a "People Business" in Times of Uncertainty: Human Resources Strategy at Ocean Transport & Trading in the 1970s

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This article examines the role of human resources in the business strategy of Ocean Steam Ship Company (later Ocean Transport & Trading), one of the United Kingdom's leading shipping firms. The time under review is the 1970s, a period of rapid and disruptive change for the shipping industry and of considerable difficulties for the UK economy. As a result of uncertainty over the development of the shipping industry in general, and Ocean's business in particular, managing staff numbers and career opportunities became key elements of the company's overall business strategy during these years. The article also examines the changing objectives of that strategy, the means by which these objectives were pursued, and the external constraints under which these objectives had to take place. It argues that Ocean found itself privileging the requirements of running a "people business" over other strategic concerns and that external constraints prevented the firm from pursuing theoretically more appropriate strategies, such as increased use of outsourcing and extricating itself from its UK-based, human resource intensive business.

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Introduction

The Ocean Steam Ship Company, established in 1865, was "one of Britain's and the world's leading lines of cargo vessels."[1] There were larger shipping companies in terms of tonnage (Table 1), but these were active in the tanker and bulk trades that used very large ships; Ocean was the United Kingdom's most important operator in the prestigious sector of general cargo liners that carried the most valuable items and ran to a strict schedule. The company pioneered and then dominated cargo shipping from Liverpool to East Asia for over a century, and was at the forefront of the containerization that revolutionized sea transport starting in the 1960s. During the 1970s, a period of structural change and global recession, Ocean went through a strategic reorientation, the pace and direction of which seem to have been influenced significantly by human resources considerations. This article draws on board-level minutes and strategy documents to highlight the ways in which human resources were perceived as of critical importance to the company and how managing staff numbers and staff morale played a key role in strategic decisions.[2]

The Industry, the Company, and Human Resources

Ocean's history needs to be understood in the context of that of British and world shipping in the postwar era. During the long boom, from the late 1940s to the early 1970s, shipping grew along with world trade, driven by the hunger of the European, American, and Asian economies for imported raw materials and oil and by the increasing international exchange of manufactured goods.[3] Changes within the shipping industry underpinned the expansion of the global economy, with technological and institutional innovations making transport cheaper and more efficient.[4] The bulk trades paved the way with the development of "supertankers" and large bulk carriers from the 1950s onward, along with large-scale shore installations that permitted the

1. Falkus, *Blue Funnel Legend*, 1. This work provides a comprehensive history of Ocean up to the early 1970s. For additional important information, see Davies, *Trade Makers*, Chapter 17; Meek, *There Go the Ships*.

2. The most important sources for the following are Ocean Fleets Ltd. (OFL) board minutes, Marine Committee minutes (the Marine Committee coordinated the activities of OFL, Ocean Liners Ltd., and Ocean Titan Ltd.), and Ocean Group strategic plans and annual reports. Executive Committee minutes are unfortunately lost. In addition, I was able to interview Nicholas Barber CBE, Ocean's first strategic planner, and his successor, David Riddle.

3. For a general overview, see Miller, *Europe and the Maritime World*.

4. Kaukiainen, "Journey Costs"; Kaukiainen, "Role of Shipping."

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Table 1 Britain's leading shipping companies, 1968

Company	Activities*	Tonnage**
BP	T	2.3
P&O	L, B, T	2.1
Shell	T	1.6
Furness Withy	L, B, T	1.14
Esso	T	0.84
Ocean	L	0.82
Cunard	L, T	0.69
British & Commonwealth	L, B	0.63

Sources: Jamieson, *Ebb Tide*, 19, 40; *Report of the Committee of Inquiry into Shipping*, 429.

Notes: *L = liners; B = bulk carriers; T = tankers.

** million gross tons.

speedy loading and unloading of bulk cargoes. Increasingly, these ships operated from the deregulated environment of the so-called "flag-of-convenience" states. In Ocean's business of liner shipping, such rationalization was impossible as long as cargoes arrived in port in myriad shapes and sizes and had to be expertly stowed by hand by increasingly well-paid, and increasingly fractious, dockworkers. Only with the introduction of container ships, which could be loaded and unloaded quickly using specialized equipment, was rationalization possible in the liner trades.[5]

After the 1973 "oil shock," the shipping industry fell into a deep and prolonged depression as large numbers of ships built to serve a seemingly ever-expanding world trade were chasing a limited amount of cargo. All major sectors of shipping—tankers, bulk, and liners—were hit during the years of "stagflation" when output and trade were depressed, demand for raw materials fell, economies grew more energy efficient, and oil sources closer to the places of consumption were exploited. The shipping crisis of the 1970s and 1980s spelled the end for the merchant fleets of most of the "traditional maritime nations"; that is, the primarily Western European countries (plus Japan and the United States) that dominated mercantile shipping in the nineteenth to mid-twentieth centuries. Low-cost shipping both in developing countries, particularly in Asia, and in flag-of-convenience states, such as Panama and Liberia, expanded at the expense of high-cost providers in the developed world. Thus, the shipping industry went through a period of disruptive change in the 1960s and 1970s. It experienced technological change, increased competition, intensified

5. For an overview, see Broeze, *Globalisation of the Oceans*; Levinson, *The Box*; Miller, *Europe and the Maritime World*. For contemporary perspectives, see van den Burg, *Containerisation*; "Moving Goods in the 1970s," *The Economist*, September 14, 1968.

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global interaction, pressure on companies in the industrialized countries to adapt, and threats to established patterns of work and employment. Far from unique in this regard, the shipping industry can be regarded as one example of an industry contributing to enhanced globalization while at the same time experiencing its effects.[6]

The British fleet, along with that of Norway, was the worst affected by the shipping crisis. From a British perspective, the history of postwar shipping is one of at first relative and then absolute decline (Table 2).[7] Expansion in the early postwar years was followed by a period of complacency and disappointing profits. In the 1960s, British shipping companies began to modernize and expand their fleets, helped by generous government support.[8] Liner companies, such as Ocean and P&O, diversified into the booming bulk and tanker sectors, as well as pioneering the new container business. The UK-registered merchant fleet remained the largest in the world until 1967, when it was overtaken by that of Liberia, a "flag of convenience" mostly used by Greek- and American-controlled tankers. From the mid-1970s, the UK fleet shrank rapidly as established shipping companies either went out of business or abandoned shipping for other activities.

There has been nearly as much debate about the reasons for this decline as about those for the UK's overall economic underperformance in the postwar era. Shipowners highlighted unfair competition from "flags of convenience," subsidized developing country ships, and state-owned Eastern bloc shipping lines. They also protested

Table 2 UK fleet as percentage of world fleet

	World fleet (million gross tons)	UK fleet (million gross tons)	UK fleet (percent of world fleet)
1948	80.3	18.0	22.4
1960	129.7	21.1	16.3
1965	160.4	21.5	13.4
1970	227.5	25.8	11.4
1975	342.1	33.2	9.7
1980	419.9	27.1	6.5
1985	416.2	14.3	3.4
1990	426.0	4.1	0.9

Source: Jamieson, *Ebb Tide*, 12.

6. For the history of globalization, see Osterhammel and Petersson, *Globalization*. For the links between global and maritime history, see Fusaro and Polónia, *Maritime History as Global History*.

7. For Norway, see Tenold, *Tankers in Trouble*; Tenold and Nordvik, "International Shipping Crisis." For the United Kingdom, see Hope, *British Merchant Shipping*; Jamieson, *Ebb Tide*.

8. For British shipping policy, see Palmer, "Government and the British Shipping Industry."

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against widespread "flag discrimination," which was the restrictions placed on foreign-flag shipping by the United States and many developing countries. The comparatively high cost of unskilled labor in the United Kingdom was mentioned as well.[9] There also were a number of structural factors weighing particularly heavily on British shipping: decolonization led to the loss of protected imperial markets and took place in the context of a general rebalancing of UK trade toward nearby Europe. British imports and exports were depressed by the general weakness of the British economy. Nonetheless, some authors blame the British shipping industry itself, accusing it of managerial failings and a lack of entrepreneurial spirit.[10] In this view, British shipowners failed to invest when shipping volumes were expanding in the early postwar years, only invested in tankers and large bulk carriers when the boom in these sectors was almost exhausted, were long complacent about their abysmally low profitability, and in general did not behave very much like profit-seeking entrepreneurs.

In this context, the story of Ocean has both typical and individual elements. The company had experienced a period of complacency after World War II, and even though its return on capital was double the average in shipping, it was disappointing when compared to other industries.[11] Ocean had developed a well-justified pride in its long history of successful operations, in the quality of its service, and in its ability to run its fleet efficiently and with hardly any accidents or downtime. Ocean officers and managers were proud (to the point of arrogance, in the view of colleagues in other firms) of their record and the "Ocean way" of doing things.[12] Ocean, along with P&O, was among the first European shipping firms to realize both the potential of containers and the threat they posed to traditional liner shipping. In 1965 Ocean, P&O, British & Commonwealth, and Furness Withy formed a consortium, Overseas Containers Ltd. (OCL), to invest heavily into the containerization of their Australian and Far Eastern trades. It was obvious that one large container ship would replace several conventional liners (figures between five and nine are usually cited), not only because it was much larger but also because it would spend one or two days rather than two or more weeks in port. While pioneering the new form of general cargo shipping, Ocean's managers were fully aware that their traditional general cargo liner business, along with

9. *Report of the Committee of Inquiry into Shipping* (Rochdale Report), 40–58, and the works cited in note 10.

10. See Sturmey, *British Shipping and World Competition*; Goss, "Rochdale Remembered"; Goss, "Strategies in British Shipping."

11. Falkus, *Blue Funnel Legend*, 306–308.

12. For discussions on general views about Ocean and its staff, see the website Ships Nostalgia, www.shipsnostalgia.com.

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the ships and seafarers employed in it, would become redundant as a result.[13] Nonetheless, containerization seemed inevitable as liner shipping was suffering from poor returns because of ever-higher costs and ever-longer delays suffered in clogged-up ports.[14]

The year 1965 (the 100th anniversary of the company) was crucial for Ocean. The company expanded through the acquisition of Liner Holdings, initiated the launch of OCL, and became listed on the stock market. Plans for diversification, both in shipping and land-based service-industries, were developed. In 1967 and 1972 Ocean went through two rounds of restructuring, which reflected both Ocean's specific situation and the influence of management concepts developed at US business schools.[15] Like many other firms at the time, Ocean turned to outside consultants and sent promising young managers for MBA courses.[16] Nicholas Barber, who joined Ocean in 1964 and later rose to the position of CEO, undertook an eighteen-month MBA program at New York's Columbia University in 1969–1971, and then returned as the company's strategic planner, introducing a system of budgeting and five-year strategic plans.[17] While strategic planning was kept firmly under the control of Ocean's own executives, the new company structure was largely the work of Boston Consulting Group. It turned Ocean Steam Ship Co. Ltd. into a parent company with three main divisions (the so-called M-form, or multidivisional structure, that was a common outcome of company reorganization in the United Kingdom at that time).[18] Ocean Liners Ltd. (OLL) took over the commercial operation of all liner ships from the hitherto separate lines (Ocean's main shipping line, Blue Funnel; as well as Elder Dempster, Glen, Henderson, and the Dutch subsidy NSMO); Ocean Titan Ltd. (OTL) managed nonliner shipping (tankers and bulk carriers); and Ocean Fleets Ltd. (OFL) provided maintenance and manning services to all ships in the group. Another operating division was added when Ocean bought the logistics and services company Wm. Cory in 1973. Group strategy was in the hands of a three-man

13. Falkus, *Blue Funnel Legend*, 338–339.

14. See Gardner, "Container Revolution." For the widespread sense within the shipping world that containers meant a completely new departure, see Miller, *Europe and the Maritime World*, 319–322 and 332–342.

15. The extent to which Ocean became a knowledge-driven organization and the influence that this had on its success or failure is a question I plan to discuss in a separate article.

16. Wilson and Thomson, *Making of Modern Management*, 122, 165–166; Jones, *Merchants to Multinationals*, 205.

17. P. A. Management Consultants, Survey of the Ocean Ship Company Limited, May 1971, 4.B.2551, and John Lindsey Alexander Papers (JLA), OA/JLA/Box 7, Ocean Group Papers, Merseyside Maritime Museum.

18. Wilson and Thomson, *Making of Modern Management*, 120–123.

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executive committee that was free from operational responsibility and that exercised centralized control over the operational divisions run in a decentralized manner (Figure 1).[19] OCL, as a joint venture, remained outside the new structure but was led by Ronald Swayne, an Ocean man, and relied on OFL for the manning and management of those of its ships that were owned by Ocean.

Strategic planning, diversification, and the move to a multidivisional structure were common responses to corporate crises at the time and often involved the help of management consultants. Ocean nonetheless stood out among shipping companies by taking these steps proactively, in response to clearly identified challenges. Ocean faced a decline in its traditional business of conventional liner shipping, not least because of the rise of container shipping. The company had substantial reserves, investments, and tax allowances that made it an attractive target for a hostile takeover, especially while its share price was dragged down by low profits in shipping in general and heavy initial losses in the new container business in particular. In this situation, the solution seemed to be to use cash reserves and tax allowances to diversify away from shipping through the acquisition of new businesses in growth areas. At the same time, Ocean used its expertise in manning, maintaining, and operating ships to move into new, more profitable areas of shipping such as tankers, bulk, and LNG carriers, which were benefiting from the oil and raw materials booms, as well as to offer ship management services on the open market to third-party owners.[20] Not all of these initiatives were successful. From 1973, bulk shipping suffered and eventually was abandoned and diversification developed much more slowly than initially envisaged, while liner shipping proved more resilient than expected. Nonetheless, by the mid-1980s, Ocean had developed into a commercial services company with only a minor interest in shipping.

Access to properly trained staff, in particular nautical and engineering officers who took a long time to train,[21] was essential to running

19. OSSC News Release, May 16, 1967, 4.A.554; Boston Consulting Group, A Management System for Ocean Steam Ship Co. Ltd., April 1972, OA/JLA/Box 7.

20. See Chairman J. L. Alexander's papers on strategic planning and the work with Boston Consulting Group, OA/JLA/Box 7. Files in notes 19 and 20 located at Ocean Group Papers, Merseyside Maritime Museum. For the wider context, see Toms and Wright, "Corporate Governance, Strategy and Structure," 101–105. For a focus on British multinational trading companies whose situation was in many ways comparable to that of shipping companies, see Jones, *Merchants to Multinationals*, Chapters 6 and 7.

21. Ocean estimated that it took an officer until his late twenties to obtain his Master's Certificate and until the age of forty to get his first command, slightly longer than in other shipping companies. OFL Strategic Plan 1975–1979, 4.B.1857, Ocean Group Papers, Merseyside Maritime Museum.

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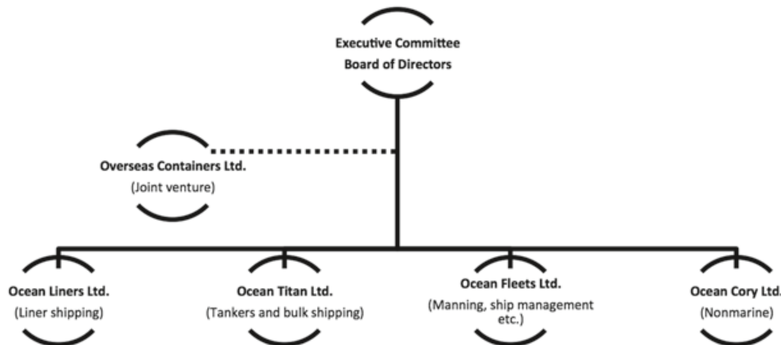

Figure 1 Ocean Group structure.

a shipping business, and in particular to running it well. Shipping had begun to face labor shortages in the postwar boom as a result of wages and working conditions that were lagging behind those offered on land. The industry had a long history of making inefficient use of large numbers of unskilled, underpaid manual laborers, including seafarers from developing countries who received even lower wages than their British colleagues. Rationalization and automation in the 1960s were a response to rising wages; a shorter workweek; more overtime payments; and the increasing reluctance of young Britons to commit to a career at sea, whether as ratings or officers.[22] Containerization, automation, and economies of scale through the use of fewer, larger, more efficient ships reduced the demand for seafarers. Meanwhile, the industry was undergoing both technological and organizational changes and the British economy began to lurch from boom to bust, making it very difficult to manage human resources so as to have the right number of staff with the right qualifications available at all times. With all shipping companies suffering from similar uncertainty, effective management of its human resources could give Ocean an edge over competitors.

Manual Labor and Ocean's Outsourcing Strategy

Along with the American-inspired science of management, notions of measuring business performance and profitability and of introducing a functional division of labor into organizations and operations, and

22. For a history of British maritime labor, see Lane, *Grey Dawn Breaking*. See also the *Report of the Committee of Inquiry into Shipping* (Rochdale Report), 212–289. On the labor shortage as a driver of rationalization, see King, "Technology and the Seafarer."

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of what later became known as outsourcing were spreading through British industry.[23] The role defined for OFL in the new company structure is an example of this trend: OFL became a service department charging the ship operating companies OLL and OTL for its services, which it offered both to internal customers and on the open market, allowing other shipping firms to outsource ship management functions. The services OFL provided covered all aspects of ship management, including manning and personnel management, maintenance, victualing, ship design, research, medical advice and examination, and even a linen department. Most of these operations were on a small scale; maintenance and, above all, manning (that is, human resources) were the most important ones.

OFL's key function was to employ the nautical and engineering officers who served on Ocean's ships (including those operated by OCL). Officers were company employees, usually joining as cadets when still in their teens. Wastage rates were high throughout the industry, and Ocean was no exception in this respect. However, Ocean took pride in having the best-trained officers and paying them enough to make them stay if they passed their exams and embraced a seafaring career. Ocean's officers benefited from support in acquiring the professional certificates required for promotion as well as from a company pension scheme. Ratings (the seamen working on deck and in the engine room) were on short-term contracts. Some of them were British, hired through the Merchant Navy Establishment labor pools; the majority, however, were Asians and West Africans hired through local agencies with whom Ocean had long-standing relationships, having traded on imperial routes since the mid-nineteenth century.

Ocean saw its expertise in training and managing a highly skilled workforce of officers and white-collar employees while finding it increasingly difficult to manage manual labor. For example, Ocean had for a long time provided its own stevedoring (loading and unloading) services in major UK ports (Liverpool, London, Glasgow, and Hull), convinced that doing this in-house would ensure higher quality and speed and give Ocean direct control over all aspects of handling the cargo entrusted to it by its customers. Nevertheless, in 1972–1973, long before containerization made it necessary to do so, Ocean decided to give up all of its UK stevedoring operations. Some were closed, and others were transferred to local port authorities. The reason was the increasing power of unions, the constant threat of stoppages, and the dockworkers' demands for guaranteed employment so that it had, "in practice, become impossible for us to alter the number

23. The literature largely focuses on the manufacturing sector. For a summary, see Wilson and Thomson, *Making of Modern Management*, 117–123, 165–166.

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of men employed, regardless of whether the business expanded and contracted." Stevedoring was given up as a result of the "mountainous difficulties" created by fractious industrial relations, even though Ocean expected that this would have a negative impact on the cost, speed, and quality of the services it could offer.[24]

This reluctance to continue employing a unionized blue-collar workforce also seems to have shaped the company's approach to ship maintenance. Ocean's maintenance functions were scaled down and parts of the ship repair business were sold off with the intention of employing the new owners' services for fleet maintenance as and when required—a classic example of outsourcing. One reason for doing this was because, with fewer, larger ships, Ocean's need for maintenance services was reduced. Other more immediate reasons were the "frustration and acrimony" of industrial relations, the lack of "co-operation from the labour force," their "confused discontent," and apparent unwillingness "to adapt working habits to modern needs in an atmosphere of disciplined humanity and mutual self-respect," along with the "restrictive practices" imposed on work as a result of jealousy between the twenty-two unions representing the workers in the yard.[25] The shore gang—the maintenance workforce—was made redundant in 1976.[26]

By the late 1960s, most shipping companies were shifting from a system in which parts were replaced when they were worn out to one of scheduled maintenance, regular servicing, and replacement of components after a specified service life. Ships were becoming technologically more complex, and often it was no longer possible to effect repairs with the skills, spares, and tools available on board. With evermore valuable ships and cargoes, and an increased emphasis on speed and regularity of service, the business risk of failures increased. In many companies, on the Continent but also in UK-based BP Tankers, maintenance was completely taken out of the hands of ships' crews. Instead, specialized shore-based staff undertook scheduled maintenance, saving the time of scarce seafarers and allowing further reductions in crew size.[27] This was in many ways a textbook solution—a complicated task occurring regularly but infrequently

24. OTT Annual Report and Accounts 1972, 2.C.4031.

25. OSSC News Release, May 16, 1967, 4.A.554. Files in notes 24 and 25 located in Ocean Group Papers, Merseyside Maritime Museum. Meek, *There Go the Ships*, 152.

26. OFL Strategic Plan 1975–79, 4.B.1857; Marine Committee meetings, April 23, 1976, and July 19, 1976, 7.A.1951-1, Ocean Group Papers, Merseyside Maritime Museum.

27. See, for example, Doyle and Smith, *Riding the Waves*; King, *Love of Ships*; Mostert, *Supership*; Meek, "Taking Stock."

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is taken out of the hands of relatively low-skilled and scarce workers and handed to a group of specialized skilled staff. If based in the shipping company's home port, they would be shore staff, who were easier to recruit than seafarers, and the whole function could even be outsourced to an outside maintenance firm. German studies on the "ship of the future" envisaged that "everything that is possible is done ashore" to be able to run a ship with as few as twelve seafarers.[28]

However, Ocean went in the opposite direction, making provision "for the increased use of ships' crews, particularly non-British crews, for work currently performed by the shore gang."[29] Maintenance was, as far as possible, carried out during a voyage, either in port or at sea, and the regular crews were joined for that purpose by a small group of additional specially trained seafarers. It was expected that this would "reduce costs of work which normally has a high involvement of shore labour" as well as "increase the job satisfaction and cost consciousness of ships' personnel." Another advantage of doing maintenance work at sea was that it minimized the time a ship spent in port or out of service altogether.[30] Finally, it was possible to make productive use of seamen who were on board only because of legal minimum manning requirements and not because their presence was indispensable to operate the ship. Increased involvement of seafarers in shipboard maintenance was regarded as successful and produced the desired "economies in repair costs" within the first year.[31] One reason Ocean decided to rely as far as possible on the labor of its sea staff was that many ratings, and almost all engine-room ratings, were nondomiciled seafarers from China and Africa. With access to nonunionized foreign labor and a confrontational attitude of unionized domestic shore staff, Ocean—like some other shipping companies in a similar situation—found the textbook solution based on specialization and a deeper division of labor less efficient than carrying out maintenance at sea.

The employment of "nondoms" at wages substantially below those paid to UK seafarers was allowed under an exemption from nondiscrimination legislation granted to the shipping industry, but it was increasingly difficult to justify and threatened by legislative change

28. A note on the V.D.R. experiment, November 27, 1974, 4.B.2328. The Verband Deutscher Reeder (VDR), the German shipowners' association, had commissioned a report on the "ship of the future," which emphasized automation and the employment of multipurpose staff trained in nautical as well as engineering matters. See also Marine Committee meeting, December 22, 1975, 7.A.1951-1.

29. Marine Committee meeting, February 4, 1976, 7.A.1951-1.

30. Marine Committee meeting, July 25, 1975, and September 19, 1975, 7.A.1951-1. Files in notes 28–30 located in Ocean Group Papers, Merseyside Maritime Museum. See also Meek, "Taking Stock."

31. OTT Annual Report and Accounts 1977, OA/5001/7.

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under the Labour government that came to power in 1974.[32] The lower wages paid to these ratings were only one aspect of Ocean's interest in employing them, though definitely an important one; in 1975, Ocean estimated that paying UK wages to nondomiciled seafarers would cost the Group £2.7 million a year and "about half of our liner fleet i.e. about 25 ships … would be in danger of becoming unviable in their particular trades."[33] Beyond that, however, employers found "it necessary to retain foreign seamen, even if wages were increased, in order to avoid a sudden demand for and artificial scarcity of UK seamen."[34] Ocean executives spoke of the "shortage of acceptable UK ratings"[35] and the "stranglehold"[36] exercised by the National Union of Seamen over the supply of seamen. OFL's financial report for 1974 stated that despite substantial pay rises throughout the sector in the United Kingdom, "great difficulty is still being experienced by all ship owners in maintaining the minimum necessary manpower levels."[37] While OFL realized that "paying some categories of employees on a much lower level than others was not compatible with Ocean's conscience as an employer,"[38] the fact that the nondoms' home countries were fiercely opposed to higher pay for their nationals conveniently alleviated such concerns.

Maintaining access to overseas labor was important for Ocean, and this was threatened not only by proposed legislation requiring British wages for nondomiciled seafarers but also by the difficulty in reliably offering employment opportunities to seafarers and business to manning agents as the fleet size declined. Soon, OFL was "worried at the drastic reduction in the number of Chinese ratings due to the sale of ships." The Chinese were regarded as "a highly skilled component of our seafaring expertise," and giving up the foothold in the Hong Kong labor market would leave OFL "with all our eggs in a British or West African basket."[39] It was discovered that, from a human resources point of view, fleet size could not be flexibly scaled up or down at will;

32. 4.C.2241: Employment of non-domiciled seafarers. Files in notes 31 and 32 located in Ocean Group Papers, Merseyside Maritime. Petersson, "Arbeit und Globalisierung." In the end, an agreement to phase out employment of lower paid nondomiciled seafarers was reached, but the real cause for the decline in their numbers was the rapid decline of the British fleet.

33. E. Storey (Ocean) to A. H. Stevens (GCBS), November 3, 1975, 4.C.2241; Marine Committee meeting, September 23, 1975, 7.A.1951-1.

34. OFL board meeting, April 21, 1976, 4.B.2209.

35. ENDS: Suggested speaking notes for the president, September 22, 1977, 4.C.2241.

36. Rice-Oxley to Menzies-Wilson, June 21, 1977, 4.C.2241.

37. OFL Financial Report 1974, 7.A.1952-1.

38. OFL board meeting, March 18, 1977, 4.B.2209.

39. OFL board meeting, January 20, 1978, 4.B.2209.

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reducing it beyond a certain point implied giving up access to a pool of labor that was necessary for any future expansion. While Ocean delayed decisions about fleet size in 1976–1977, it sought to maintain a foothold in the Hong Kong labor market. After the decision to plan for a permanently reduced fleet had been made, Chinese crewing was abandoned altogether.[40]

As a general rule, Ocean seems to have sought to avoid the direct employment of UK-based, unionized manual labor. Activities such as stevedoring and maintenance were outsourced and Ocean managers were willing to accept higher costs and lower quality in such services as the price for extricating the company from involvement in UK industrial relations. The ratings employed on Ocean's ships were not permanent employees of the company, and many were seafarers from developing countries who were not members of UK unions and who remained outside the cultural and institutional settings of UK industrial relations.

Third-Party Ship Management and Ocean's Officer Workforce

While Ocean was seeking to reduce direct employment of unskilled manual labor, it put considerable effort into managing officer staff numbers. OFL's managers always had a clear idea of the officer numbers required for a given level of company activity and were aware of wastage rates, training requirements, and salary levels within the industry. Advanced manpower planning techniques were applied only to the shore-based managerial staff.[41] Paternalistic concern for the company's employees was strong, and, in internal discussions, finding continued employment for highly valued officers and ship managers at a time when the prospects for traditional general cargo liner shipping were dim was frequently given as a key reason for strategic decisions. The tanker and bulk trades were entered in the late 1960s not only because they seemed more profitable than liner shipping but also because, unlike radical diversification away from shipping, they would allow Ocean to continue to make use of its existing sea staff and shipping expertise. Ocean always saw itself as dependent on the quality and dedication of staff and hoped to provide "rewarding careers" for them. Taking stock after the restructuring in 1971–1973,

40. OFL meeting with the Executive Committee, November 20, 1978, 4.B.2209. Files in notes 33–40 located in Ocean Group Papers, Merseyside Maritime Museum.

41. Rees, *Management and Organization Development*, 43–44. On companywide manpower planning techniques as introduced, for example, at Esso, see Stainer, *Manpower Planning*.

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Ocean's 1973 annual report listed four strategic objectives, with building on and developing the "quite exceptional quality and dedication" of its staff at the top. Reduction of dependence on liner shipping and expansion in bulk trades was the second objective, expansion into non-marine activities the third, and expansion into continental Europe and Southeast Asia (that is, reduced dependence on the United Kingdom) the fourth.[42]

From Expansion to Uncertainty

This focus on employees as Ocean's key resource made it difficult to shift away from shipping altogether when expansion in bulk shipping came to a sudden halt in the early 1970s as a result of overcapacity and the 1973 oil crisis. From then on, it was hoped to turn the acquisition of third-party ship management (TPSM) business into a means of employing the officer and engineer workforce. Ocean had experience in costing and supplying ship management services to its own ships operated by OCL and a reputation not only for quality but also for "high apparent costs," "organisational inflexibility," and "inexperience, including market inexperience" in TPSM.[43] Nonetheless, it was hoped that as Third World countries were setting up shipping companies without having access to qualified seafarers and managers, OFL could make money by supplying officers and organizing supplies, maintenance, and other aspects of ship operation. It was also envisaged that OFL might make use of Ocean's reputation and high standards of pay and accommodation to attract additional staff for its TPSM business. The business plan for OFL's TPSM activities set out three objectives: "(a) To improve the morale of seafarers. (b) To make a profit. (c) To benefit other Group business relations."[44] Staff morale was placed first, demonstrating the rationale for engaging in TPSM. Ocean believed: "The key resource is manpower." In an industry "desperately short of seafarers," in particular officers, Ocean had to "build up and retain a loyal sea staff."[45] Losing scarce skilled staff to competitors could severely restrict Ocean's ability to man and operate its own ships. However, if Ocean managed its human resources better than the competitors, it could hope to make a profit from shipping as well as from selling ship management services to companies that were "unable through shortage of numbers to continue to man

42. OTT Annual Report and Accounts 1973, 2.C.4031.

43. OFL Strategic Plan 1976–1980, OA/OCL/Box 9.

44. OFL Strategic Plan 1975–1979, 4.B.1857. Files in notes 42–44 located in Ocean Group Papers, Merseyside Maritime Museum. For a discussion of the concept of morale in British HR management, see Ussishkin, "Morale."

45. OFL Strategic Plan 1975–1979, 4.B.1857.

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their own ships."[46] For these reasons, human resources took center stage in company strategy.

In theory, Ocean's priorities were clear: OFL was to provide seafarers for Ocean's own ships and engage in TPSM activities, giving "priority to Group interests at all times" and approaching TPSM projects "in a profit-oriented and business-like manner." The business plan cautioned that TPSM should not be seen "as a year to year method of 'smoothing over' peaks and troughs in Group ship numbers"—at least "in the absence of a contraction in the number of Group ships."[47] Nevertheless, contraction in the number of ships and uncertainty over the future extent of Ocean's shipping activities were precisely the problems that dominated the agenda from 1975 onward.[48] Indeed, TPSM was most often discussed not in terms of exploiting the company's proven strengths but as a tool to manage staff numbers.

Considerable discussion took place in the middle of 1975 on the role and importance of TPSM contracts for OFL and the Group as a whole. It was recognized that, for Ocean, TPSM was primarily about manning ships rather than maintaining and operating them, and that this business was "not per se particularly attractive." There was no need for it when good officers were in short supply and all of them were required for Ocean's own ships, while a surplus of officers would usually arise as a result of a downturn in the industry when it would be difficult to find profitable TPSM business.[49] Nonetheless, the Marine Committee, the body coordinating the activities of Ocean's three marine divisions, saw reasons to persist with TPSM.[50] The most important of these was morale: "To the extent—and it will be a considerable extent—that our marine activities will continue to generate a large part of our profits, our seafarers will remain essential to our future profitability. They represent, therefore, a highly valuable, and currently scarce, resource." While Ocean was selling off older ships, TPSM contracts were needed "in order to maintain ship numbers—and to avoid a belief in the Fleet that we are committed to a policy of ship contraction."[51] The second reason for persisting with TPSM was that it was the only way for Ocean to establish a foothold in growing

46. Ibid.

47. Ibid.

48. OSSC/OTT Annual Reports and Accounts, 2.C.4031 (up to 1975); OA/5001 (from 1976).

49. Marine Committee note to the Executive Committee, April 1975, 7.A.1951-1. Files in notes 45– 49 located in Ocean Group Papers, Merseyside Maritime Museum.

50. Members of the Marine Committee were the managing directors of OLL, OTL, and OFL.

51. Marine Committee note to the Executive Committee, April 1975, 7.A.1951-1.

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markets such as the Middle East, where governments insisted on building up their own national shipping companies. While OLL, Ocean's liner shipping division, feared TPSM would have a negative impact on its own manning needs, the Marine Committee decided that TPSM was "necessary to convince the Fleet … that OFL was not a shrinking business," which offered a "useful boost to morale."[52] These discussions made it clear that shipping was to a considerable extent a "people business." This came with specific risks and commitments, such as worrying about staff morale, as well as "redundancy risks or additional pension commitments which were likely to be increasingly burdensome."[53]

Even barely profitable TPSM contracts continued to be considered because they would allow Ocean to hang on to staff and "to enable the Group to grasp any future opportunities for expansion."[54] Such opportunities always seemed to be just around the corner, but they never actually materialized. Scenarios considered included a "worst case" that would have involved making seven crews redundant at a cost of £720,000,[55] as well as "unlimited aspirations" based on a "high risk" plan to man up to twenty ships (requiring thirty-seven crews) for Kuwait.[56] Global recession and the UK's specific economic difficulties made for a "very bleak" outlook for all of Ocean's businesses by early 1976.[57] With the effects of cyclical recession and structural change in the industry superimposed on each other, the situation was difficult to read. Initially, profits in the new bulk shipping and nonmarine activities were hit particularly hard, while they held up pretty well in the remaining liner shipping operations in which freight rates were set by cartel-like "conferences."[58] For the moment, Ocean had to give up on its medium-term ambition of turning itself from a liner shipping company into one earning roughly a third of its profits each in liners, bulk, and nonmarine activities. It was now assumed that the decline in liner business would be slower than forecast and that the fleet would shrink from seventy ships in 1974 to sixty-one in 1981, and then remain at that level (Table 3). Even this modest reduction, however, would require a cut in sea and

52. Marine Committee meeting, April 18, 1975, 7.A.1951-1.

53. Marine Committee meeting, July 25, 1975, 7.A.1951-1.

54. Marine Committee meetings, July 25, 1975, and October 27, 1975, 7.A.1951-1.

55. OFL planning review meeting, December 22, 1975, OA/OCL/Box 9.

56. OFL planning review meeting, November 30, 1976, OA/1961/2.

57. Ocean Group Plan 1976-80, OA/JLA/Box 35. Files in notes 51–57 located in Ocean Group Papers, Merseyside Maritime Museum.

58. On the conference system, see *Report of the Committee of Inquiry into Shipping* (Rochdale Report), 116–136; House of Lords Select Committee on the European Communities, *Liner Conferences*.

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Table 3 Ocean fleet size

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Liners	103	112	101	95	82	61	74	68	47	42	37	19	20	18	15	15
Car transporters	1	2	3	4	4	2	1	1	1	1	1	1	1	1	1	
Container ships		1	1	1	2	5	5	5	5	5	5	5	4	4	4	4
Tankers and bulk carriers				1	2	11	14	11	12	11	12	8	8	8	8	7
Parcel tankers				2	3	4	7	9	10	9	14	13	12	14	13	
Total no. of ships	104	115	105	103	93	83	101	94	75	68	69	46	45	45	41	26

Source: Ocean Transport and Trading, Annual Reports, Ocean Group Papers, Merseyside Maritime Museum.

shore staff numbers with dangerous human resources implications, including a "decline in fleet morale; an adverse effect upon Fleet recruitment; a possible lowering of standards in consequence and therefore a decline in those very skills upon which we depend both to maintain our existing marine business and market positions; and to expand." This statement highlights how fragile Ocean's situation was as a company depending primarily on skilled staff at a time of structural change and global recession.[59]

Ocean's entire management structure had been designed in the boom conditions of the early 1970s to underpin expansion into new marine and nonmarine activities, raising expectations that now gave way to disappointment and creating a "fat overhead" that "could not be indefinitely sustained." There was a choice between contraction and a renewed attempt at expansion. The choice was either to "raise the level of Group activity in order to: utilise the capacity of our management structure; meet the aspirations of our staff; obviate the need to contract our management structure; and in particular, to prevent any further erosion of our marine base; or: to contract the management structure to match the level of Group activity." No choice was made; instead, during 1976, Ocean worked to a "holding plan" while seeking to identify growth opportunities.[60]

The challenge of managing Ocean's manpower under these conditions had repercussions on the whole company. Already in January 1976, OLL was authorized to charter out three or four of its ships at a loss, "in order to help minimise overmanning and redundancy costs in O.F.L."[61] Older, inefficient ships were kept in service rather than sold or laid up just to provide employment for sea staff. OFL was asked to aggressively seek TPSM contracts to allow Ocean to sell older ships and transfer seafarers to ships managed for third-party owners. It was a sign of the depressed state of the industry that soon it was considered to "go below break-even figures if necessary to obtain other ship management contracts as a less expensive alternative to run-down and redundancies." TPSM thus came to occupy a central role in Ocean's plans, and while initially TPSM was to be used to employ surplus staff and keep promotion opportunities open, it now became necessary to hold on to surplus staff while seeking TPSM contracts so as to be able to offer well-qualified officers on the open market.[62] In addition, TPSM affected Ocean Group's

59. Ocean Group Plan 1976–1980, OA/JLA/Box 35.

60. Ibid.

61. OFL board meeting, January 5, 1976, 4.B.2209; see also Marine Committee meeting, December 22, 1975, 7.A.1951-1.

62. OFL board meetings, February 16, 1976, and March 2, 1976, 4.B.2209.

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management of its ratings. As the National Union of Seafarers (NUS) had a veto over the manning of new ships with non-UK seafarers, Ocean's ability to man its own ships in this way was likely to be constrained if Ocean upset the NUS by offering cheap TPSM contracts based on low-cost non-UK manning.[63]

Ocean was reluctant to consider redundancies because of the considerable cost involved and also because it was feared that wastage rates would increase and morale would plummet. Considerations of human resources thus were key in tipping the balance away from contraction and toward increased use of TPSM contracts to demonstrate "resolve to maintain a broad marine base" and make promotion opportunities available to all qualified staff. OFL's board concluded: "Every endeavour must be made to retain good certificated men and to keep promotion moving."[64] Morale was seen as "a vital factor in retaining motivated sea staff," and various measures were taken to improve it, ranging from refurbishing the accommodation on older vessels to speeding up promotions by retiring senior staff.[65]

Over spring 1976, OFL energetically pursued negotiations with several British and overseas companies over various TPSM contracts, but to no avail.[66] Some of the firms approached dragged their feet, while others were deemed unsuitable as their "business ethics were below our standards."[67] By late 1976, "systematic crew reductions" had become inevitable. To minimize costly redundancy procedures, underperforming staff such as uncertified third officers who had repeatedly failed their examinations were targeted, and a number of senior officers were offered retirement on medical grounds.[68]

In September 1976, the Marine Committee concluded that "the coming 12 months was likely to be critical to Ocean's manpower position." Ocean decided to tender for a number of TPSM contracts with Libya at break-even prices because this would be "better than chartering out surplus owned vessels at a loss" and because "this business would maintain employment of valuable personnel until TPSM prospects hopefully improved."[69] By this time, TPSM contracts for at

63. OFL board meeting, April 19, 1977, 4.B.2209.

64. OFL board meeting, March 2, 1976, 4.B.2209; see also Marine Committee meeting, March 22, 1976, 7.A.1951-1.

65. OFL strategic planning meeting, September 16, 1976, 4.B.2209; see also Marine Committee meeting, April 23, 1976, 7.A.1951-1.

66. See the various ship management proposals from 1976–1979, 4.B.2327.

67. OFL board meetings, June 18, 1976, June 29, 1976, and August 3, 1976, 4.B.2209.

68. OFL board meetings, April 5, 1976, and July 13, 1976; OFL strategic planning meeting, September 16, 1976, 4.B.2209.

69. Marine Committee meeting, September 27, 1976, 7.A.1951-1.

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least ten ships were required to avoid further redundancies.[70] Ocean, like other shipping companies, was trying to retain surplus senior officers in view of a possible revival in business while "good juniors were scarce"—a situation in response to which Ocean had expanded its cadet training program in 1974 and 1975, now taking in per year seventy-five cadets aspiring to be deck officers and sixty aspiring to be engineering officers. With all firms holding on to their staff, the expected surplus of officers on the open market did not materialize, constraining Ocean's ability to tender for larger TPSM contracts while making it all the more necessary to hold on to, and find something to do for, existing staff.[71]

When OFL's strategic plan for 1977–1981 was approved by the board in November 1976, it was noted that the "manning issue was the most critical one." Despite the warnings given by the Marine Committee at the beginning of the year that loss-making TPSM contracts were acceptable only temporarily, the preference still was to retain staff "in anticipation of management contracts, even if the budget had to show a deficit."[72] Surplus manning and redundancies turned out to be more costly than anticipated, and honoring OFL's commitment to keep officers' salaries "in the top quartile of comparable companies" added to the expense. Further savings on staff costs were unavoidable, and considerations of morale pointed to making these by reducing staff numbers rather than by depressing salaries. Although ongoing talks about TPSM projects that would require large numbers of officers at short notice made it difficult to arrive at a clear line of action, an increase in officers' salaries was agreed soon after, along with further redundancies.[73] The problem of engineer overstaffing solved itself, with 131 engineers leaving in 1976, many going into shore jobs (a wastage rate of 17 percent, against 12 percent for nautical officers and 20 percent for cadets). With eight surplus ships kept in the fleet to prevent redundancies, toward the middle of 1977, OFL's manpower resources were momentarily stretched, showing the effects of continuing uncertainty on OFL's ability to effectively manage the Group's labor force.[74]

70. OFL strategic planning meeting, October 21, 1976 (handwritten meeting notes), 4.B.2209.

71. OFL board meeting, October 5, 1976, 4.B.2209; Marine Committee meetings, June 21, 1976, and July 19, 1976, 7.A.1951-1; OTT Annual Report and Accounts 1974, 2.C.4031.

72. OFL board meeting, November 15, 1976, 4.B.2209; Marine Committee meeting, February 4, 1976, 7.A.1951-1.

73. OFL board meeting, December 14, 1976, 4.B.2209.

74. OFL board meetings, January 21, 1977, and February 15, 1977, 4.B.2209; Marine Committee meeting, June 27, 1977, 7.A.1951-1.

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Preparing the Group Strategic Plan for 1977–1981 took until February 1977, amid continuing uncertainty in the global economy and in shipping markets. Liner shipping still dominated Group activity and profits, but it was clearly in decline (Table 4). The "oversupply of tonnage" was expected to get worse due to the shipbuilding subsidies paid by many governments. While Ocean's financial results for 1976 had been good, and expansion—including the "creation of more employment prospects"—was listed as one of the company's key objectives, plans for investing the cash raised by selling assets and by a rights issue early in 1976 were lacking. The expansion of TPSM business despite "our present limited success in this field" was proposed to compensate for a quicker reduction in ship numbers, which were now envisaged to reach fifty rather than sixty-one by 1981. Expanding TPSM, it was hoped, would allow the company to shift away from low-profit, mature sectors, such as liner shipping in the medium term while, in the short term, preventing an "erosion of our marine base," redundancies, decline in "fleet morale," and a "shortage of seafarers to man ships" in case the long awaited expansion materialized.[75]

Doubts over the future direction of Ocean's activities were profound at that time. The 1977 Group Strategic Plan acknowledged Ocean's "personnel problems …, some of which derive from changes in the external environment, others from changes within Ocean's own business." The shipping crisis was only one of the company's worries. Soaring inflation and public expenditure, generalized economic underperformance, "a general lack of business confidence," the increasing influence of the trades unions, and plans to implement "industrial democracy" and to nationalize vast swathes of industries (including banking, ports, shipbuilding, and ship repair) made the United Kingdom appear as an unpropitious place to do business. The 1977 strategic plan asked to what extent Ocean should seek to withdraw from the United Kingdom, "which is characterised by slow growth, a weak currency, excessive legislation and currently is not conducive to the creation of wealth," and from the transport sector in which increasing government intervention seemed likely. The company considered radically shifting its activities toward other areas, suggesting "manufacturing? leisure? mining? engineering? or what?"[76] A little earlier, "transferring sections of the Group's shipping activities to an overseas flag" had been considered, for fiscal reasons as well as for "insulation from labour problems in U.K."[77] This accumulation

75. Ocean Group Plan 1977–1981, February 1977, 4.B.1860.

76. Ibid.

77. Marine Committee meeting, September 27, 1976, 7.A.1951-1. Files in notes 59–77 located in Ocean Group Papers, Merseyside Maritime Museum.

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Table 4 Ocean Group activities, selected years (£'000)

	1974		1976		1978		1980		1982		1984	
	Turnover	Profit	Turnover	Profit	Turnover	Profit	Turnover	Profit	Turnover	Profit	Turnover	Profit
Ship operating*	117,463	15,730	131,928	14,554	140,796	-1,769	154,700	17,400	175,600	-12,800	129,100	13,400
Ship services	16,122	2,410	22,398	3,839	28,631	3,867						
Distribution	118,115	731	164,285	1470	206,053	3205			439,000	10,700	608,000	13,700
Others	33,697	-763	64,114	2,309	109,587	4,742	439,800	13,200	100,700	16,000	42,700	1,600
TOTAL	285,397	18,108	382,725	22,172	485,067	10,045	594,500	30,600	715,300	13,900	779,800	28,700

Source: Ocean Transport and Trading, Annual Reports, Ocean Group Papers, Merseyside Maritime Museum.

Note: * 1980, Ship operating: All shipping activities.

of question marks in a strategic plan betrays a certain amount of desperation, but it should be noted that Ocean was by no means alone in facing such existential uncertainty—the whole shipping industry was in a similar situation, along with, for example, many of the multinational trading companies studied by Geoffrey Jones.[78]

Ocean saw it as risky to be in a people-intensive business "in an environment of high unemployment and high inflation."[79] At the same time, however, Ocean wanted to see itself as a "responsible employer" and to "plan the development of the Group's human resources so as to ensure that all Ocean's staff are properly and equitably treated and have the opportunity to fulfill [*sic*] their potential." In the end, HR considerations were significant in deciding against leaving the United Kingdom behind. While it remained company strategy "to reduce our dependence on the U.K. economy," "[d]eliberate contraction of Ocean in U.K. is ruled out if we really mean to be a responsible employer."[80] Accordingly, while uncertainty persisted, it was agreed that TPSM had to be "continued in order to ensure security and flexibility in times of fluctuating demand and to facilitate a trend towards lower promotion ages."[81]

From Uncertainty to Contraction

In 1977 shipping still accounted for 70 percent of Ocean's profits but only 30 percent of turnover. The following year, shipping produced a loss.[82] Late 1977 marked something of a turning point in Ocean's view of the future of its shipping activities and marine labor force. It was now accepted that the shipping crisis was much deeper and would last much longer than initially thought. Ocean's LNG carrier *Nestor*, ordered at a price of more than £60 million in order to provide the company with a secure stream of profits from a promising new sector of shipping, went straight from the shipyard to Loch Striven to be laid up (alongside its Dutch-owned sister ship, *Gastor*). It remained there, idle, until sold off in 1989. The final draft of OFL's strategic plan for 1978–1982 was based on a fleet of fifty-eight ships (down from sixty-six the previous year), with alternative scenarios for forty-five and forty-nine ships. A confidential meeting early in February 1978

78. Jones, *Merchants to Multinationals*.

79. Ocean became more labor-intensive over the years; in 1970 it employed 90 people per £1 million of capital; in 1976 (at 1970 prices) the figure was 104 people. Ocean Group Plan 1977–1981, February 1977, 4.B.1860.

80. Ocean Group Plan 1977–81, February 1977, 4.B.1860.

81. OFL board meetings, May 17, 1977, and June 16, 1977, 4.B.2209; Marine Committee meeting, May 23, 1977, 7.A.1951-1. Files in notes 79–81 located in Ocean Group Papers, Merseyside Maritime Museum.

82. See Table 4; Shore, *Sunset over the Red Ensign*, p. 8.11.

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concluded that manning requirements had to be revised for a fleet of only forty-two ships, immediately creating a surplus of 325 officers (Table 5 details the development of employee numbers up to that point). Far from representing any savings, this meant budgeting for substantial redundancy payments.[83]

A critical reassessment of Ocean's approach to TPSM and manning followed. It was now realized that TPSM and other short-term devices to prevent the "erosion of the marine base" and keep up staff numbers and morale while waiting for growth opportunities to emerge had been costly and futile. Ocean was left with surplus staff operating outdated ships at a loss—a situation representative of much of British industry at the time. The Marine Committee concluded that "failure to sell unwanted assets on a falling market in order to protect employment had left the Group in a worse position and with fewer options to achieve that objective." Hanging on to the *Priam* class ships designed in the late 1950s, which were unsuited to the container age, had prevented Ocean from acquiring or chartering modern tonnage. In the future, Ocean would have to "be more responsive to market conditions" when deciding to buy and sell ships.[84] Older ships had to be sold off for scrap value as the market had collapsed—all shipowners were building large container ships and transferring suddenly outdated conventional ships, still only a few years old, to the remaining noncontainerized routes.[85] British shipowners were criticized for their reluctance or inability to make a profit from buying and selling ships at the appropriate time.[86] Ocean's example suggests that at least in this case the reason was a result of its HR strategy.

With the shipping industry in its deepest depression since the 1930s, it was clear that 1978 would "not be an easy year." From late 1977, OFL was seriously "looking at reducing numbers ashore and afloat" and redoubling efforts to improve management of the fleet on both operational and a strategic levels.[87] Operational changes introduced in the mid-70s included making more efficient use of the masters' time during long voyages and reducing the time crews spent cleaning the engine rooms. An increase of beer and lager prices in the

83. OFL board meetings, October 26, 1977, and February 3, 1978, 4.B.2209, Ocean Group Papers, Merseyside Maritime Museum. For a general overview of Ocean's troubles in these years, see Falkus, *Blue Funnel Legend,* 339–344.

84. Marine Committee meeting, November 28, 1977, 7.A.1951-1, Ocean Group Papers, Merseyside Maritime Museum.

85. For a discussion of designing ships that were cheap to run, see Meek, "*Glenlyon* Class"; Meek and Adams, "'Priam' Class Cargo Liners."

86. Goss, "Strategies in British Shipping," 257.

87. OTT Annual Report and Accounts 1978, OA/5001/8; Marine Committee meetings, January 20, 1978, and May 23, 1978, 7.A.1951-1.

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Table 5 Ocean employee numbers

	Navigating officers		Engineering and electrical officers		Midshipmen		Engineering cadets		Officers and cadets	Ocean Group employees
	Strength	Loss	Strength	Loss	Strength	Loss	Strength	Loss	Total	(UK only)
1968	650	97	1,202	279						12,200
1969	613	89	1,102	307						12,000
1970	581	97	1,093	328						11,800
1971	565	83	1,104	263						11,600
1972	554	89	1,087	205	263	10	192	9	2,096	15,700
1973	478	66	949	205	230	19	194	6	1,851	13,000
1974	454	62	838	177	246	14	185	9	1,723	13,000
1975	477	49	909	101	266	10	195	3	1,847	12,800
1976	505	61	903	131	258	10	205	3	1,871	12,100
1977	479		817		293		205		1,794	11,700

Source: Staff comparisons and costs (B.P./O.F.L. Discussions), May 2, 1977, prepared April 27, 1977, 4.B.2324; Annual Reports. Ocean Group Papers, Merseyside Maritime Museum.

staff canteens to "appropriate levels" was also decreed (apparently without considering the impact on staff morale). Officers and crew were given more responsibilities for maintenance and cost control. The Department of Trade declined permission to operate new ships with reduced deck crews, but the introduction of self-service allowed a reduction in the number of catering staff. A long list of older ships to be sold off was drawn up, only some of them to be replaced.[88]

The "more efficient and economical management of a smaller fleet of about 40 ships" required restructuring both sea and shore staff within OFL, which was undertaken at a series of board meetings in February 1978. It was expected that second officer numbers would be sufficiently reduced through natural wastage, with these officers typically being at a stage in their careers when they would consider starting families and settling down in shore-based jobs. Masters and chief engineers would have to be made redundant in substantial numbers, and it was difficult for them to find adequate employment elsewhere.[89] While still hoping to acquire a major TPSM contract that "would change the situation completely," OFL decided to openly lay these difficulties and the need for redundancies before staff, emphasizing the promotion opportunities that would open up if masters and chief engineers were retired.[90] After several years of hesitation, a substantial reduction in fleet size and staff numbers was implemented, with the aim of making all necessary adjustments during 1978.[91]

This included the decision to no longer hold on to surplus staff as a reserve in case a TPSM contract could be acquired. Whereas previously OFL had sought TPSM contracts to avoid costly redundancies, the thinking now was that redundancies would free OFL from the need to tender for unattractive TPSM business.[92] It was argued that using TPSM as a tool "to maintain employment" only produced a "doubtful benefit if it meant that in the long run it had to be abandoned and seafarers made redundant in a worse market at a worse time."[93]

Overall, 1978 was "a deep disappointment" and a turning point in the development of Ocean as a shipping company. While nonmarine

88. OFL board meetings, April 5, 1976; May 4, 1976; June 29, 1976; February 15, 1977; March 18, 1977; September 20, 1977; February 21, 1978; and April 18, 1978; OFL special board meeting, August 18, 1978, 4.B.2209; and discussions in Maritime Committee meetings, for example, June 21, 1976, and April 28, 1978, 7.A.1951-1; Ocean Group Plan 1976-80, OA/JLA/Box 35.

89. OFL board meetings, February 9, 1978; February 21, 1978; and April 18, 1978, 4.B.2209.

90. OFL board meeting, February 16, 1978, 4.B.2209.

91. OFL board meeting, September 21, 1978, 4.B.2209.

92. OFL board meetings, February 21, 1978, and July 18, 1978, 4.B.2209.

93. Marine Committee meeting, July 24, 1978, 7.A.1951-1.

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profits were decent and diversification was "beginning to pay off," the bulk trades were in continued crisis and the liner trades were hit hard by a falling market, congestion in the ports of oil-producing countries, and fierce competition.[94] When Ocean Chairman Lindsay Alexander addressed OFL's board in November 1978, he concluded that the "past year had been a ghastly year for OFL both ashore and afloat." From more than ninety ships in 1970, at the dawn of the container age, the fleet had shrunk to a little more than forty. A few months later, it would be down to thirty-seven, losing twenty-three cargo liners in a little over a year. Promotion opportunities were blocked throughout the ranks and further redundancies were unavoidable. The baseline assumption was "that there would be a downturn rather than an increase in the number of ships which would preclude holding additional officers." Chinese crewing was abandoned, and with falling numbers of sea staff, shore staff had to be reduced as well.[95] The Dutch subsidiary NSMO was closed as the "considerable extra cost of Dutch manning … could no longer be justified." This reduction in marine activity required reviewing the Group structure "because the existence of four separate marine divisions, appropriate though this was for a fleet of up to 100 ships, in a period of rapidly expanding world trade and marine opportunity, could no longer be justified." By 1979, OFL, OLL, and OTL were no more as all shipping activities had been merged into a single Marine Division covering fleet management, procurement, and commercial operation of deep-sea ships. During 1978, 800 seafarers and 120 shore staff were made redundant, at a cost of £8 million (£3 million more than budgeted for at the beginning of the year). The chairman noted: "It was a bitter and deeply regrettable experience" and an action "so foreign to our tradition." It was hoped that at least "the worst may be over."[96]

It was not. Although the new Marine Division performed well in terms of improved coordination and decreased overhead costs, the industry remained in a seemingly permanent crisis. The 1981 annual report noted: "We have slimmed our numbers considerably every year since 1977." Ocean's cadet training establishment, now far too large for the company's requirements, was loaned to Liverpool City Council.[97] The final year when shipping, largely container shipping, provided a substantial part of Ocean's profits was 1981. However, by that time, Ocean already had begun withdrawing from its involvement in the

94. OTT Annual Report and Accounts 1978, OA/5001/8.

95. OFL meeting with the Executive Committee, November 20, 1978; OFL board meetings, November 30, 1978, and January 22, 1979, 4.B.2209.

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

97. OTT Annual Report and Accounts 1981, OA/5001/11.

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management of OCL's container ships and further reduced its fleet, seeking to "actively continue … reorientation" away from shipping.[98] The 1984 report described Ocean as an "international Group providing industrial services to major organisations," and its strategy as "to concentrate on the development of the Group's non-marine activities." In 1986, a "year of successful transformation," Ocean sold its stake in OCL at a substantial profit and invested in further expansion in land services markets and marine services, ceasing to be a liner shipping company.[99]

Analysis

Ocean saw itself as "people business" and as such needed to place the management of its human resources at the center of its strategy. It was impossible to operate ships without qualified seafarers and shore staff, and Ocean's culture and business model as a liner shipping company at the top end of the market were based on well-trained staff providing a high-quality service rather than operating as cheaply as possible and accepting the risk of accidents, breakdowns, and delays. There were periodic severe shortages of seafarers in the United Kingdom; while Ocean could to some extent hire ratings abroad, this was not possible for officers or for experienced shipping managers. While human resources were essential, there was a danger of these concerns determining rather than serving Group strategy. Boston Consulting Group's (BCG) consultants had warned in 1972 against OFL, the staff and maintenance arm of Ocean "becoming the tail that wags the dog."[100] OFL's weight within the company structure that was then being developed was therefore reduced. Nonetheless, in the mid-1970s, the overall collective outlook of Ocean's senior managers prioritized the management of staff numbers and staff morale over other strategic concerns,[101] and it was regarded as legitimate that "O.F.L.'s concerns are firstly with people and secondly with costs."[102] While Ocean withdrew from activities that involved a high proportion of unionized manual labor, it held on to its officer workforce and to the ships they manned, unable to decide about the future of its shipping activities. The decline of

98. OTT Annual Report and Accounts 1983, OA/5001/13.

99. OTT Annual Report and Accounts 1986, OA/5001/16.

100. C. Cadell (BCG) to J. L. Alexander, April 7, 1972, OA/JLA/Box 7. Files in notes 87–100 located in Ocean Group Papers, Merseyside Maritime Museum.

101. Nicholas Barber and David Riddle, personal communication, March 3, 2016.

102. OFL planning review meeting, November 30, 1976, OA/1961/2, Ocean Group Papers, Merseyside Maritime Museum.

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traditional liner shipping left Ocean with surplus staff operating outdated ships at a loss, despite the efforts that had been made to refocus the business away from liners in particular and the shipping industry in general. The company's executives eventually realized that their attempts to "protect employment had left the Group in a worse position and with fewer options to achieve that objective"; maintaining employment through short-term expedients had led to "seafarers [being] made redundant in a worse market at a worse time." Both the company and its seafarers seemed worse off than would have been the case had more drastic and speedier action been taken.[103] This contrasts with Ocean's competitor Hapag-Lloyd, which had nearly 100 conventional cargo liners in 1970 (that is, slightly more than Ocean) but reduced that number much more decisively after it started operating container ships, and it was down to thirty-three ships already by 1974.[104] It should be noted, though, that Hapag-Lloyd was much less successful in diversifying its activities than in reducing ship numbers; and that as a business rather than as a shipping line, Ocean appeared to have been more successful in these years than the German company.[105] Ocean's performance also compared favorably with that of other UK shipping firms—Furness Withy, for example, was taken over by Hong Kong shipping entrepreneur C. Y. Tung in 1980, and P&O encountered similar problems to Ocean in its attempt to diversify away from shipping.[106]

What were the reasons for Ocean's hesitations? Marshall Meek, Ocean's chief naval architect, argued that two reasons explained why "the firm text-book businesslike action" of closing Ocean's shipping activities and investing in different lines of business was not pursued: "the decency of a management still tending towards paternalism" and its "lack of confidence and expertise."[107] Certainly, Ocean's wish to be (and not just to be seen as) a "responsible employer" played an important role in the decision to repeatedly delay redundancies. It also influenced the earlier decision in favor of a slow and gradual reduction of traditional liner shipping, accompanied by redeployment of sea and ship management staff into other sectors of shipping.[108] Again, Ocean

103. Marine Committee meetings, July 24, 1978, and November 28, 1977, 7.A.1951-1, Ocean Group Papers, Merseyside Maritime Museum.

104. Hapag-Lloyd AG, *Geschäftsbericht 1974*.

105. For a highly critical but plausible assessment of Hapag-Lloyd, see "Die Schönwetterkapitäne," *Manager Magazin,* September 1981. Regrettably, Hapag-Lloyd did not grant access to its archives from the 1970s.

106. Jamieson, *Ebb Tide*, 48; Shore, *Sunset over the Red Ensign*, pp. 6.25, 6.54, and Table 6.2.

107. Meek, *There Go the Ships*, 185.

108. For Ocean's paternalistic tradition, the importance of which was confirmed by Nicholas Barber and David Riddle (personal communication, March 3, 2016), see Falkus, *Blue Funnel Legend*.

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was by no means unique in adopting such a course that was also, for example, pursed by large multinational trading companies such as United Africa Company.[109]

It is not easy to determine the extent to which it would have been possible or desirable under the circumstances of the time to close Ocean's shipping activities earlier.[110] In 1971–1972, Ocean's younger executives were in favor of quicker and more radical diversification away from shipping than proposed by Boston Consulting Group.[111] Until at least the second half of the decade, BCG's position seemed vindicated as liner shipping and liner shipping profits held up much better than had been expected while Ocean's "development businesses" were slow to make profits and the bulk shipping activities were struggling.[112] Operating ships had been Ocean's key activity and most obvious strength for more than 100 years. In terms of profits and quality of service, Ocean outperformed its competitors, turning a profit even in very difficult times and in difficult markets through constant technological and operational improvements. Even if shipping represented a dead end, a sudden change of direction would have meant abandoning activities that were still profitable. Diversifying within shipping represented a way to exploit Ocean's existing strengths, whereas diversification into other sectors would have led Ocean into areas where it had little expertise. When the move into bulk and LNG shipping was begun in the late 1960s, these were growth sectors. Predicting the decline it would experience within a few years would have required an ability to foresee the 1973 oil crisis and the expansion of shipbuilding subsidies that led to severe overcapacity in a contracting market.[113]

Overall, the development of shipping markets was difficult to read amidst uncertainties and wild swings.[114] However, unless Ocean was prepared to definitely forgo any plans for future expansion in shipping,

109. See Jones, *Merchants to Multinationals*, 220; Fieldhouse, *Merchant Capital and Economic Decolonisation*, 680–682 and 761.

110. See also Davies, *Trade Makers*, 396.

111. N.C.F. Barber to OSSC directors, February 4, 1972, and March 2, 1972; Memo R. H. Hobhouse, "Future Organisation of the Company," October 18, 1971, OA/JLA/Box 35.

112. See Ocean's annual reports for 1974–1977 and OTL's Director Julian Taylor's reference to Ocean's performing much better in shipping than in non-shipping activities and the continuing "shipping/non-shipping debate": Taylor to Swayne, May 22, 1973, OA2412-1. Files in notes 111 and 112 located in Ocean Group Papers, Merseyside Maritime Museum. As Gardner points out, Ocean was not alone in experiencing disappointing returns from diversification over the 1970s. Gardner, "Container Revolution."

113. A point made by Falkus, *Blue Funnel Legend*, 344.

114. See Tenold, *Tankers in Trouble*, Chapters 3 and 4, and in particular 52–53 for a discussion of the shipping crisis that highlights such uncertainty.

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it had to hang on to its officer workforce. On the one hand, if "lack of confidence and expertise" played a role here, the mid-1970s was not a time when it was easy for business leaders to be confident, and examples of businesses demonstrating more expertise hardly abounded. On the other hand, a company more experienced in bulk shipping than Ocean with its background in liners would have had a greater sense for the cyclical nature of that business. It would have seen the readiness of banks to finance shipbuilding on the security of a mere mortgage on the ship, rather a charter and thus guaranteed income,[115] as a sign that the market was overheating. The disastrous decision to invest heavily into LNG carriers was based not just on an inaccurate forecast but also on a straightforward error in calculating probabilities.[116] Many strategy documents expressed unease about a lack of decisive action, while betraying uncertainty about the direction to take.

The key issue was whether to envisage complete withdrawal from shipping. Over time, it became clear that the policy of keeping options open and accepting at most a gradual reduction was inherently problematic. It led to reduced promotion opportunities and declining morale and encouraged the best junior staff to leave. A lot of Ocean's capital remained tied up in rapidly depreciating and barely profitable shipping assets.[117] Hence, the increasingly desperate search for new opportunities to expand or to pretend that renewed expansion was just around the corner.

From a historian's perspective, it is less important to judge whether Ocean's executives took "correct" decisions than to understand why and under which real or perceived constraints they acted. In this context, it will be necessary to consider the outlook as well as the self-interest of managers and executives. Board-level discussions give the impression that finding something to do for managers often was a reason for hanging on to lackluster businesses. When the choice between expansion and contraction came up, it was naturally preferred to "raise the level of Group activity" and "utilise the capacity of our management structure" rather than "contract the management structure to match the level of Group activity."[118] Even the earliest attempts at drawing up a Group strategic plan started with the assumption that "our exceptional ship management team" was one of the company's key resources, which justified keeping the number of ships "as high as is compatible with satisfactory profitability in order to

115. Jamieson, *Ebb Tide*, 43.
116. Nicholas Barber, personal communication, March 3, 2016.
117. Shore, *Sunset over the Red Ensign*, p. 8.12.
118. Ocean Group Plan 1976-80, OA/JLA/Box 35.

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make use" of that resource.[119] When OLL, OFL, and OTL were merged into a single Marine Division in 1979, this meant the loss of directors' and senior managers' positions and of promotion opportunities. It is natural to assume that directors and managers were not keen on closing down activities on which their own jobs, and those of the teams they led, depended. At the same time, there is little doubt about the genuine paternalism of Ocean's long-standing directors, including Chairman Lindsay Alexander. They were committed not only to the project of modernizing their company but also to upholding a century-long tradition of paternalistic care for highly valued employees and to their city of Liverpool. As such, most of them were transitional figures rather than the "new men" Michael Miller sees driving the container revolution. Alexander's successor, W. M. Menzies-Wilson, whose background was in steel and who described himself as "not a wildly enthusiastic shipping chap," completed the cultural shift from Liverpool-based shipping firm to business enterprise.[120] Ocean's shareholders, likewise, were not freewheeling global investors but members of Liverpool's business elite who shared the outlook of Ocean's directors.[121]

Ocean's difficulties in managing staff numbers and morale at a time when globalization—partly driven forward by Ocean itself—was disrupting its business throw light on that individual company's strategy. However, such a strategy is never developed in a vacuum. The wider context is important in explaining why "textbook solutions" such as outsourcing or rapid divestment were not taken up. The economic environment in the United Kingdom severely limited Ocean's options and provided much justification for hesitation and inaction. On an operational level, Ocean's approach to functional specialization, the division of labor, and outsourcing seems to have been governed more by a desire to disengage from toxic industrial relations in occupations involving UK manual labor than by theories about optimal enterprise structure. Redundancies were expensive, partly because of Ocean's commitment to offering generous terms. Ocean's redundancy payments in 1978 ran to £8 million, which was one-sixth of the company's wage bill, or nearly as much as pre-tax Group profits that year.[122]

119. Ocean Chairman J. L. Alexander to Ocean directors, 9.3.71, OA/JLA/Box 7. Files in notes 118 and 119 located in Ocean Group Papers, Merseyside Maritime Museum.

120. Miller, *Europe and the Maritime World*, 337, 341; Shore, *Sunset over the Red Ensign*, p. 8.13; Rees, *Management and Organization Development*, 32.

121. This last point was made by Nicholas Barber (personal communication, August 15, 2016).

122. OTT Annual Report and Accounts 1978, OA/5001/8, Ocean Group Papers, Merseyside Maritime Museum.

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The redundancy costs involved in a swift exit from shipping would have been prohibitive.[123]

On a strategic level, alternative opportunities to invest were difficult to find. While rejecting withdrawal from the United Kingdom, Ocean did not want to expand activities in its home country, which it classified as "low growth / medium risk" and as "hostile to wealth creation." Instead, growth was to be sought in continental Europe ("medium growth / low risk") and in some developing countries ("high growth / high risk"). However, investment outside the United Kingdom risked a negative reaction from employees, the government, and shareholders. Bank of England approval was required for transferring capital out of the country, and unlikely to be given. Ocean assumed that capital for projects abroad would have to be raised abroad and any loans serviced out of local cash flow.[124] Holding capital outside the United Kingdom required ruses—Ocean's Dutch subsidiary NSMO was kept open until 1978 primarily because it helped Ocean to "keep what money it can out of the U.K. for exchange value reasons" (that is, as a protection against inflation and devaluation). Ocean was aware that the Bank of England kept "a close eye on the Group's overseas funds and historically compel us to bring back to the U.K. those which are deemed to be surplus."[125] Therefore, Ocean sought to maintain "the level of shipping operations in Holland required to sustain" holding large sums of money there.[126] Redistributing capital to shareholders or employees or winding down the business altogether was also difficult, with dividends and salary increases capped by law.

Conclusion

For Ocean, there was no simple, theoretically correct solution to the question of how to determine and maintain appropriate staff numbers, because of powerful political and other constraints and because of immense uncertainty at a time of overlapping structural and cyclical disruption. In the context of labor militancy and increasing regulation of labor and of capital transfers, it was difficult to run a "people business."

123. Nicholas Barber, personal communication, March 3, 2016.

124. Ocean Group Plan 1977–1981, February 1977, 4.B.1860. The Bank of England did indeed veto the proposed sale of Ocean's *Polydorus* to Saudi Arabia, with management resting with OFL. Marine Committee, March 22, 1976, 7.A.1951-2.

125. Memo R. H. Hobhouse, December 1, 1972, and July 26, 1973, 4.B.2318. See also memo P.R.F., August 8, 1973, 4.B.2318.

126. OTT Annual Report and Accounts 1978, OA/5001/8. Files in notes 124–126 located in Ocean Group Papers, Merseyside Maritime Museum.

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Ocean was led to adopt strategies that were not "in the textbook" and would not have been used by businesses on the Continent, which faced different contexts and constraints. As the management literature of the 1970s acknowledged, manpower planning had to take into account a vast array of internal and environmental, material, and immaterial factors, and could only result in an assessment of likely outcomes and "trouble spots," not firm forecasts.[127] In a wider perspective, Ocean's history illustrates how, in Michael Miller's words, transformations that "would subsequently erase European shipping superiority and drive many from the sea" were partly driven from within European shipping companies themselves.[128] These companies were neither passive victims of globalization and structural change nor in control of them. The impact and rhythm of such transformations were not easy to foresee and to figure into corporate strategy, but ultimately, "people business" or not, Ocean had to adapt its human resources strategy to its overall strategy for survival in a changing environment.

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127. See, for example, Edwards et al., *Manpower Planning*; Stainer, *Manpower Planning*.

128. Miller, *Europe and the Maritime World*, 341, 349.

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