

ANALYZE THE CORPORATE GOVERNANCE IN SHIPPING COMPANY:
HERMENEUTIC APPROACH

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DECLARATION

“I hereby declare that the content in this project is the result of my own work expect references and citations which I have clearly stated the source of origin”

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DEDICATION

My humble effort is dedicated to my loving parents, Normah M. Aroff, Abu Bakar M. Aroff, Fhadillah A. Hamil, supervisor, friends and for future researchers.

For all those who encouraged me to fly towards my dreams;
Let's soar.

And above all,
To the Almighty God.

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ABSTRACT

Analyze of Corporate Governance in Shipping Company: Hermeneutic Approach explains management theorists have urged organizations to move from bureaucratic models with well-defined rules and policies that emphasize efficiency visions, shared power, and consensus decision-making. The objectives of research paper are to identify the relevant factors that contributes to the success of partnership and to determine the effective corporate governance amongst partnership success in shipping company. The respondents are involved in managing partnership success with the position of Project cum Operation Manager and Customer Service Manager. Method choice is qualitative method and researcher implementing narrative and hermeneutic approach to reach respondent via in-depth interview session. This method allows researcher to deepen the research by combining life stories with socio-historical contexts, creating the understanding of changes in beliefs and values that motivate and clarifying respondents' actions. The research findings are the data interpretation of respondents on factors that influence success of partnership and how the nature of corporate governance being implemented in shipping company.

Keywords: partnership, corporate governance, success, hermeneutic, qualitative narrative

ABSTRAK

Analisis Hermeneutik Tadbir Urus Korporat di Syarikat Perkapalan menerangkan ahli-ahli teori pengurusan telah mendesak organisasi untuk berubah dari model birokratik dengan menjelaskan peraturan dan dasar-dasar yang menekankan kecekapan yang tinggi, perkongsian visi, kuasa dan proses membuat keputusan. Objektif kertas kajian ini adalah untuk mengenalpasti faktor-faktor yang berkaitan yang menyumbang kepada kejayaan perkongsian dan untuk menentukan tadbir-urus korporat yang berkesan dalam syarikat perkapalan. Responden bagi kajian ini adalah individu yang terlibat dalam menguruskan dan menjayakan perkongsian, merupakan pengurus yang meyandang jawatan sebagai Pengurus Operasi (projek) dan Pengurus Perkhidmatan Pelanggan. Pilihan kaedah penyelidikan ini adalah kaedah kualitatif dan penyelidik menggunakan pendekatan naratif dan hermeneutik bagi soal selidik responden melalui sesi temuduga. Kaedah ini membolehkan penyelidik untuk memperdalam penyelidikan dengan menggabungkan cerita-cerita kehidupan dengan konteks sosio-sejarah, mewujudkan pemahaman tentang perubahan dalam kepercayaan dan nilai yang memberi motivasi dan menjelaskan tindakan-tindakan responden. Penemuan penyelidikan ini adalah daripada tafsiran data responden mengenai faktor-faktor yang mempengaruhi kejayaan perkongsian dan bagaimana bentuk urus tadbir korporat yang sedang dilaksanakan di syarikat perkapalan.

Kata kunci: perkkongsian, urus korporat, hermeunetik, kejayaan, kualitatif, naratif

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ABREVIATION

No.	Abbreviations	Meaning	Page
1.	R1	Respondent 1	31
2.	R2	Respondent 2	31
3.	RO1	Research objective 1	46
4.	RO2	Research objective 2	50
5.	SOP	Standandar Operation Procedure	51

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter will explain about the introduction, research background, problem statement, research question, research objective, research scope and limitation, and the significance of this research study.

1.2 Research Background

In management theory, organizations surviving in times of change move from an emphasis on economy, to efficiency, and then to effectiveness. These organizations realize that they must not only make the best use of their resources and demonstrate excellence in how efficiency tasks are accomplished. but must be sure they are doing the right things and are being effective. Along these same lines, management theorists have urged organizations to move from bureaucratic models with well-defined rules and policies that emphasize efficiency to more participatory models that emphasize shared visions, shared power, and consensus decision-making. Organizations seek to engage their staffs in assessment, evidence-based decision making, and learning organization efforts. They seek to spread responsibility and accountability throughout the organization to improve work processes and services.

One of the hallmarks of an increasingly global world is the opportunity for wider access to consumers, capital, and information from around the world. To capture global customers, companies and countries must build relationships that enhance access to knowledge, information, capital, and other resources needed to grow and compete effectively.

Why choosing partnership? This is because, there are wide range of benefits can be obtained from implementing partnership. Austin (2007) mentioned that from a collaboration, it shows advantages gained from it are; partners share risks, resources and rewards. In order to obtain partnership beneficial, it is required a formalization of governance structures, including contractual arrangements to specify objectives, activities, roles and responsibilities (Bitzer, Glasbergen, & Arts, 2012). To support this, Ansell and Gash (2008) has stated that enforcement condition that non-state stakeholders in public-private collaborations must be directly in contact with decision making to ensure transparency and involvement of real responsibility in policy-outcomes.

Developing trust between partners' representatives is vital in partnerships, to promote better understanding and intensify relationships (Austin, 2000) . In contrast, Offe (2009), put forward that distrust – the perceived and behaviorally manifested assessment of great risks that result from interaction with others which can disrupt interactions between partners as a result of covert behavior, opportunism and communication breakdowns (Berger, Cunningham, & Drumwright, 2004).

Hence, this research study is expected to provide method to increase awareness and improve corporate governance in handling partnership issues. In addition, this study provides suggestion suitable practice to manage and hold partner's interest in order to sustain in long term of healthy partnership.

1.3 Problem Statement

Success and failure in conducting business is common for individuals or organization (Norshuhaida, 2014). In running an organization of any industry, it is a must for the organization to consider whether they have to implement partnership in order to encounter several circumstances faced. This is because in partnership, partners must construct and clearly define what are the management styles, cultural norms, business practices, and what language used may become the barriers and destroyed relationships.

This kind of arrangement between private and public actors are becoming trend to encounter market or government failures, and to improve efficiency in the value chain, because partners can share their resources, knowledge and capabilities (Kolk et al., 2008), and can provide benefits in terms of increased flexibility, productivity, cost reduction and innovations (Jenkins, 2007). The underlying assumption is that by pooling these resources, value chain partnerships can generate results which they could not have achieved on an individual basis, a so called 'collaborative advantage' (Kolk et al., 2008).

Nowadays, many organizations trying to strive to sustain success partnership in business. But in partnership, partners may face several issues or problems in understanding and accepting each other's focus and goal. This also may affect other values such as trustworthiness among the partners. Trust value is crucial because the essence upon which the philosophy of any research partnership is constructed and established will thrive on the values of all partners involved. In addition, trust has been refined as a critical factor that facilitates the development, effectiveness, and sustainability of community-academic partnerships (Wolff & Maurana, 2001). Shane (1994), stated that found that the perceived trustworthiness of the international partners influenced the type of governing mechanism that a firm put in place when beginning to globalize. Others have found that negotiation styles and management beliefs across different cultures have made strategic alliances and global strategies challenging (Adler, Brahm, & Graham, 1992; De Forest, 1994).

1.4 Research Questions

This research study was done according to the following objectives:

- i. What is the relevant factor in achieving success of partnership?
- ii. How can effective corporate governance of partnerships best be evaluated?

1.5 Research Objectives

The research is to discover the following question:

- i. To identify the factors that contributes to the success of partnership.
- ii. To determine the effective corporate governance amongst partnership success.

1.6 Research Scope

This research study covers the relevant factor that influencing to achieve success for partnership. Besides that, it also discovers what are issues and challenges that a company see it as barrier in partnership. Hence, this research will determine how an effective corporate governance of partnership can be measured.

1.7 Research Limitation

Despite this research study has reached its target, there were several unpreventable limitations:

- i. All the information gathered by the interview session was depending on respondent's honesty and openness upon answering each question given. Hence.

- the information obtained cannot be fully verified as it encompassed with the respondent integrity.
- ii. Gathering of information and analysing it required high time consumption because too many aspects needed to observe.
 - iii. The findings might not be in depth because of the respondent need to keep the information disclosed from being recorded.

1.8 Significance of the Study

The significance for this research paper is expected to improve the current partnership by providing suggestion in what good practice or change needed to hold partners' interest; internally and externally. Maintaining interest of each partners is important for sustaining long-term partnership.

Besides that, this research is to increase awareness and upgrade corporate governance coverage in monitoring and controlling several partnership issues. Hence, this will help especially the top management of partnership to look forward warning sign and interesting angles.

1.9 Summary

Overall, this chapter explained about research study that inclusive of research background, problem statement, research objective, research question, research scope and limitation, and significance of this study. Next, chapter two will explain in detail about previous studies to support this research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Chapter 2 reviews the definition of concept used in this research, and it also describes the suitable conceptual framework in order to guide the flow of research. The conceptual framework is adopted from relevant scholar and it is illustrated in diagram to enhance the understanding.

2.2 Definition of Concept

2.2.1 Corporate Governance

Corporate governance can be defined as set of rules that shows the relationship between stakeholders, management, and board of directors of an organization and influence how that company is operating. At its most basic level, corporate governance deals with issues that result from the separation of ownership and control. But corporate governance goes beyond simply establishing a clear relationship between shareholders and managers. Corporate governance involves a set of relationships and link between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the

objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined (OECD, 2004).

The process of managing a company is carried out by the board of directors, and its related committees, on behalf of and it provides several advantages of the company's shareholders and the other stakeholders by giving direction, authority, and oversight to management. According to Youssef & Luthans (2010), the mentioned that, it means how to make the balance between the board members and their benefits and the benefits of the shareholders and the other stakeholders.

In other word, corporate governance can be divided into two major responsibilities. First, it will function as corporate governance structure. This corporate governance structure will determine the internal aspects of an organization; ownership, and board of directors, who will lead and become organization or project driver. Second, it is responsible on the organizational work process, how the people run the tasks given, besides keep improving and maintaining performance in the organization. This kind of responsibility can be referred as governance process. Thus, from the literature mentioned that they agreed that the governance process effectiveness is influenced by a linear implementation of corporate governance structure.

2.2.2 Partnership

The formation of partnerships can be said as complex relationships, but partners will have sufficient capacity and resources that require creative and critical thinking, sharing of expertise opinions in or order to solve problems faced (Davies, 2012).

Kanter (1994) noted that main key of business asset is intercompany relationships, and also he mentioned that a leader is vital to has managerial skill in knowing how to nurture it. In other perspective of looking a partnership as a hierarchy of integration as Kanter proposed, it also can be seen to meet specific needs rather than usual perceptions of partnership. According to Wohlstetter, Smith, & Malloy (2005),

they proposed and developed four categories of partnerships in their previous research on public-private partnerships:

1. Partnerships can be distinguished by the origin of the relationship among their partners. Some partnerships were formed as independent organizations bringing two groups together. Other partnerships were formed as spin-offs from independent organizations.
2. Partnerships can be distinguished by the resources that are exchanged. Some partnerships are mostly financial efforts, some share human resources, others share space and physical resources and finally, some partnerships share organizational resources.
3. Partnerships involved the framework or structure of the partnership. Informal agreements might be developed from organizations or partners who had worked together previously and had a common task to complete. Other partnerships involve more formal agreements to outline how the partners will work together.
4. Depth of the relationship. Partnerships may involve only the top level of an organization or may become more integrated into both organizations involving more middle level managers and employees in the alliance or partnership.

From the four types that have been categorized, it can be conclude that any of these categories of partnerships can be successful and productive endeavors. Because every partner has their own capabilities to be shared and limitation to be completed. Thus, partnerships are essential for organizations to prosper in a future environment where institutions both public and private will be seeking the next quotient of effectiveness.

2.2.3 Corporate

According to Paine (2003), corporate distinctiveness can be seen by key attributes that define a company's essential character and the simultaneous turn to values reflect an evolution in what has sometimes been called the personality of the corporation.

Some corporate statutes provide for enforcement of restrictions on basic board functions such as deciding when to declare dividends in close corporations. This implies that a general statutory authorization of charter provisions on board power may not cover a standard corporation's limitation of basic board powers. Moreover, even if the corporate charter technically can mandate distributions, courts could qualify enforcement of these provisions consistent with strong corporate norms of giving managers discretion to make these determinations.

2.2.4 Joint Venture

Joint ventures (JVs), can be referred as when two or more independent firm are joining together to create an organizational entity which objective to work forward a particular business project (Soulsby & Clark, 2011; Vanhonacker, 1997). This definition of joint venture is very explicit and gives a clear picture about the motivation and purpose behind the whole process and explains it beyond the mere formation of partnership.

Various companies from different backgrounds and cultures come together to work in collaboration in order to exploit each other competencies to gain a sustainable competitive advantage. Once involved in a joint venture, parties from either side have to share assets and ownership, pool skills and knowledge, mix employees and join management (Tayeb, 2001).

In addition, there are studies that propose that reconfiguration of a joint venture can lead to disruption: firms, as they collaborate, tend to develop routines for working together; ways of doing things. In a joint venture that gets reconfigured after formation these routines may be upset—disrupting carefully developed coordination mechanisms and established patterns of interaction between the partners, which are crucial to project effectiveness. Moreover, the study from Kobernyuk (2011) have proposed that joint venture reconfiguration may rather lead to adaptation: changes in the project's environment may erode the value of the initial configuration of partners at the time of joint venture formation. Reconfiguring a joint venture by adding a new member that

can contribute, or dropping a member that is no longer required, may thus be an opportunity to re-calibrate the alliance to a changing environment. This is sometimes referred to as a structural adjustment to regain fit, and could eventually actually be beneficial for project performance.

Shenkar and Reuer (2006) stated that joint venture had achieved 50% of foreign direct investments in emerging markets, with positive views from foreign investors towards joint venture as an effective alternative to share risks and to assist local capabilities. However, joint ventures have its own risk where there is research evidence has highlighted a relatively high rate of failure rate in performing joint ventures (Wilson and Brennan, 2008; O'Hagan, 2006; Liang, 2008; Wilson and Brennan, 2008; Yan and Zeng, 1999; Beamish and Delios, 1997). They also put forward that 55% of joint ventures unsuccessful within 3 to 5 years, only 25% of cross-border JVs were successful where partners had overlapping geographical positions (Harrigan, 1986; Bleeke and Ernst, 1995).

2.3 Previous Studies in Topic

There are numerous research have been done regarding on partnership and strategic alliances. From the readings of partnership studies from the previous scholars', researcher has classified the study into two main focus; methods to achieve partnership success (for company success), and partnership for sustainable development (local business to international). Previous studies had proposed ways to achieve partnership success, what are the success factors, types of partnership, leadership role in partnership, and stakeholder satisfaction. This paper will explore the challenges to understand and improve effectiveness of partnership as it is had been suggested for future study by previous scholars, Corrine (2006). Thus, the researcher expectation for this paper outcome is to propose ways to build a healthy collaboration amongst the partnership.

The existence of partnerships is intended to encounter problems that a company faced. Such as resources in capital, knowledge, expertise, technology, and know how