

A Case Analysis of Philippine Transmarine Carriers

Dr. Tony C. Lewis
California Maritime Academy

Shipping firms contract with Philippine Transmarine Carriers (PTC) to have crew members available to man ships where, and when, they are needed. PTC handles all human resource functions for client shipping firms (training, compensation, benefits, housing, and travel). Employee turnover is a major challenge at PTC. Ships are generally staffed with contract employees. Life onboard can be dull and repetitive. Hence, the employee turnover rate for commercial shipping is relatively high. Crew quality declines when turnover is high. Moreover, a significant cost is incurred to replace employees. The challenge at PTC is two-fold: First, to get crew members to stay with PTC for longer periods of time. And second, to get crew members to take the training and work initiative needed to advance in rank.

In presenting potential management solutions for the challenges faced at PTC, students must incorporate important theoretical concepts from Human Resource Management (HRM) and Organizational Behavior (OB) disciplines. The case is specifically tailored to expand student knowledge of concepts relating to commitment, motivation, and satisfaction. The case is mainly useful for supplementing OB and HRM courses of study. However, the international context in which PTC operates introduces students to the global influences that can affect HRM and OB disciplines.

Keywords: Case Analysis, Organizational Behavior, Human Resource Management, International Shipping, Commitment, Motivation, Satisfaction

Introduction

In June of 2014, Dito Borrromeo, Vice-Chairman and CEO of Philippine Transmarine Carriers Inc. (PTC), and Karen Avelino, Executive Director of PTC were considering their options for the future growth of the company. Effective planning had placed PTC in a position to exploit unfolding trends in the maritime industry.

The maritime industry had seen a recent rise in ship owners' use of outsourcing firms to handle the general maintenance and staffing of commercial vessels like container ships and cruise ships. Shipping firms contract with outsourcing firms like PTC to provide qualified and capable crew members available to man ships at the time and place that they are needed. All a ship owner has to do is call PTC and let them know their crew member needs, and where, and when the crew is needed. PTC then takes responsibility for all human resource management (HRM) functions (training, compensation, benefits, housing, travel, etc.). Shipping firms outsource HRM operations to firms like PTC because these firms have specialized skills and economies of scale that allow them to execute HRM functions more effectively and cheaply than shipping firms could often manage on their own.

PTC handles HRM for both the recreational cruise ship industry and for cargo shipping firms. The cargo shipping industry contracts with PTC to provide ship navigation, engineering, and maintenance professionals. The cruise ship industry contracts with PTC to provide all of these types of mariners. In addition, PTC also provides the cruise ship industry with customer service professionals who are responsible for servicing passenger needs including laundry, food, and maid service, among others.

Cargo ships are overwhelmingly crewed by men (over 99%), while around 30% of crew members on cruise ships are women.

Due to their effective positioning in a growth segment of the maritime industry, PTC has been expanding rapidly. They now handle many types of cargo vessels including container ships, car carriers, chemical and oil tankers, and advanced liquefied natural gas and liquefied petroleum gas carriers, among others. PTC has also expanded into a variety of ancillary industries, including general ship management and maintenance, and offshore processing which includes transporting important supplies and personnel to ships while they are at sea. They have even expanded from supplying customer service professionals to the cruise ship industry, to supplying international hotels with similarly skilled personnel.

Starting from their corporate headquarters based in Manila in the Philippines, PTC has also recently entered Indonesia. The Indonesian branch is known as PTC Centina. Mr. Borromeo and Ms. Avelino hope that PTC Centina will one day mirror Philippine operations, but PTC is beginning their entry into Indonesia with the development of cruise ship staffing services.

Their Philippines and Indonesia locations give PTC access to two of the largest and best sources of qualified mariners in the world. The Philippines is one of the primary sources of maritime professionals used in the global shipping industry. About 280,000 Filipinos graduate each year from the more than 80 universities in the Philippines that offer maritime degree programs [1]. The past couple of decades have also seen rapid growth in the Filipino maritime industry. In 1996, there were approximately 250,000 sailors of Filipino origin [2]. By 2013, that number had nearly doubled to a total of over 460,000 Filipino sailors [3]. Indonesia is an island nation situated in the middle of some of the busiest seaways in the world. There are currently over 12,600 Indonesian-flagged ships on the world's oceans [4]. In 2013, the Indonesian shipping industry was projected to grow at an impressive 20% rate [4], but that growth has slowed somewhat with the global economic downturn. More current projections forecast a still respectable 6-7% growth rate for the Indonesian shipping industry [5].

Employee turnover

Employee turnover is a major HRM cost in the maritime industry. For crew members, life on a ship can often be lonely and repetitive. Filipino and Indonesian crew members are also generally contract employees, meaning that they are temporary employees who work for the length of their contract and then must find another contract employer. To avoid the turnover problem, Mr. Borromeo and Ms. Avelino have considered keeping full-time salaried crews employed year-round at PTC. However, the cost of keeping full-time salaried employees to man ships is high. There is often too much uncertainty in the availability of work, and competitors could underbid PTC by saving payroll expense through the use of short-term contract employees.

Due to the nature of life aboard ship and the prevalence of contract employment, the employee turnover rate for commercial shipping crews is relatively high compared to other industries. Considerable resources are needed to scrutinize new applicants and to train and integrate them into shipboard operations. When a seasoned employee leaves PTC for another contract position, PTC incurs a significant cost to replace that individual.

Employee turnover also affects the quality of crews that PTC is able to provide its client shipping firms. Being a commercial mariner is a demanding, highly skilled position. PTC strives to provide crews that have distinct types of expertise demanded by individual client shipping firms. Hence, crew members are never shared among client shipping firms. Crews are assigned to a specific shipping firm throughout their tenure at PTC. Many of the skills required to be successful can only be learned through years of experience. Crew members who are new to the industry are not able to provide the same quality of service as experienced crew members can provide. A lack of experienced crew members can hinder PTC's ability to attract and retain the best shipping firms as long-term clients.

Employee advancement

Another problem that PTC faces is trying to get mariners to gain the education and experience necessary to advance in rank. Many Filipino and Indonesian mariners see work in the maritime industry as a short-term job which they use to save up money before starting a family and taking a shore job where they can be closer to home. Hence, many do not invest the time and education needed to advance in rank to a more highly paid master mariner position.

Each crew that mans a vessel is made up of about 18-20 members, 2-3 of which must be master mariners. Because of the limited availability of qualified Filipino and Indonesian officers, master mariners are often of Japanese or European origin. These crew members are more costly to hire than Indonesian or Filipino sailors. Moreover, when lower ranking Filipino or Indonesian crew members have a concern that they want to voice to their superiors, they often find communication difficult due to the cultural divide that occurs when higher ranking officers are mainly of a different nationality. This problem is exacerbated by the long chain of command that is often characteristic of commercial shipping crews. Mr. Borromeo and Ms. Avelino suspect that this may contribute to the turnover problem.

Retaining mariners and encouraging advancement

Due to the costs associated with employee turnover, PTC has a strategy designed to retain qualified mariners for as long as possible and to encourage them to advance in rank. PTC partners with a local university to manage a maritime education program that prepares crew members for the demands of the maritime industry, assures that they have the proper qualifications, and provides educational opportunities needed for career development.

Discounted home loans are also available for PTC employees. PTC has contracted with a local housing development company to build "seafarer communities" with a total of over 900 units. PTC also contracts with a local bank to provide employees with easy access to loans. Often the wives of seafarers (who are generally men) are the target of these loans which are used to finance small entrepreneurial ventures. These small businesses provide an additional source of income to households when they are between maritime contract jobs. They also help keep family members occupied at home during long sea voyages.

PTC strives to make life onboard ship more comfortable by helping employee to keep in contact with loved ones using PTC Connect. PTC Connect is a shipboard communications system that allows easy and constant contact with home in the form of text messages that can be sent and received using a computer or mobile phone. PTC is also in the process of executing an agreement with a maritime

communication firm (SMART Communications) to provide shipboard voice communication, allowing crew members to talk live with family and friends throughout their voyage. PTC facilitates holiday parties, barbeques, and birthday celebrations for its crew members to try to break up the monotony that can often characterize life onboard ship. Ships are also normally equipped with a swimming pool, gymnasium, a collection of DVDs, internet access, and a supply of magazines.

Despite the efforts of PTC to retain employees, the average employee still only lasts only a few years before permanently leaving the firm. Mr. Borromeo and Ms. Avelino are convinced that PTC can do better at encouraging employee retention and career advancement.

Case Analysis Questions

1. Describe some HRM functions at PTC that encourage commitment. Explain whether each of these encourages affective, continuance, or normative types commitment and explain how you know that it does so. Also discuss the role of perceived organizational support. Remember that some HRM functions may encourage multiple types of commitment. (10pts)
2. Describe some challenges at PTC that discourage commitment. Explain whether each challenge discourages affective, continuance, or normative commitment and explain how you know that it does so. Remember that some challenges may discourage multiple types of commitment. (10pts)
3. Use expectancy theory to help explain why mariners at PTC are not highly motivated to advance in rank. What part(s) of expectancy theory is/are missing (expectancy, instrumentality, and/or valence) and explain how you know. (10pts)
4. Imagine that you are working as a HRM consultant for PTC. Describe at least two ideas you have for how PTC may encourage employees to stay, encourage them to advance in rank, or both. Explain which course concepts are most strongly related to your suggestions (look for relevant materials relating to commitment, motivation, satisfaction, etc.). Be sure to use course concepts to explain why you think your suggestions are likely to work (e.g., select a type of commitment that appears to be missing and explain how your approach will increase that specific type of commitment). (20pts)

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