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What Type of Ownership and Control a Shipping Company Should Have: Family or Public?

Alexandros M. Goulielmos[1,2]

[1]Department of Maritime Studies, Faculty of Maritime & Industrial Studies, University of Piraeus, Piraeus, Greece
[2]Business College of Athens, Athens, Greece
Email: am.goulielmos@hotmail.com

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Abstract

We presented the two main types of ownership and control of the worldwide shipping companies, and revealed their advantages and disadvantages. This issue started at the time when ownership separated from control, and at the time when stock exchanges appeared to provide finance to Public Firms through the placement of their shares. Despite the fact that a number of decades have passed since the "separation", the Family Firms dominated in the Shipping Industry even nowadays. This rather paradox we will try to explain. We also showed how a Family Firm grows over time and how a Public Firm grows also by facing the restrictions imposed by the capital market. We also showed how a listed shipping company can grow and, at the same time, increase its profits. Moreover, we showed that by assuming that the growth of the companies listed and unlisted, follows a "normal distribution", at the same time we move away from historical reality.

Keywords

A Family Firm or a Public One? What Type Dominated in 2007?
A Growth Model of an Unlisted Shipping Company,
A Growth Model of a Listed One,
The Advantages and Disadvantages of a Shipping Family Firm,
The Advantages and Disadvantages of a Shipping Public Firm

1. Introduction

The shipping industry is made up, by majority, by private, personal companies, which are owned by one or more families, plus a number of minority shareholders—the FFs thereafter. These are managed by the older family person—the fa-

ther, or the elder brother(s). Secondly, the shipping industry is made up of companies owned by the wider public, and controlled by a *professional manager*, under a board of directors, and the PFs thereafter. The PFs are listed, following the principles of the famous "separation of control from ownership". Thirdly, it is made up of a number of companies, which belong to the State.

2. Scope of This Work

To analyze the two main types of ownership and control of the worldwide shipping companies, and to reveal their strong and weak points, for the benefit of the reader, who may want to know whether he/she adopted the best system for his/her company or he/she has to make changes. I.e., in other words, we will try to answer the question: "Are any of the two ownership and control systems, i.e., FFs & PFs, better than the other, or a third one has to be adopted?"

3. Terminology Used

The term "owners" will refer to those persons who own/bear the shares issued to the bearer, with no name—of all shipowning companies—the shareholders. The term "control" or "management" will refer to person(s) who manage the shipowning companies—the managers. In the FFs, ownership and management is undertaken by the same person(s). In the PFs these two functions are separate.

In the second type, shareholders—unlike managers—do not need to know the relevant business and look after only dividends. The PFs are listed. The term growth will be used mainly to show the difference in dwt of a particular company between two points of time. The profits are shown in US$m per annum. For internal use i.e. inside the company, the profit is pre-estimated in US$m per voyage and verified by actual results upon voyage completion.

4. Structure of This Work

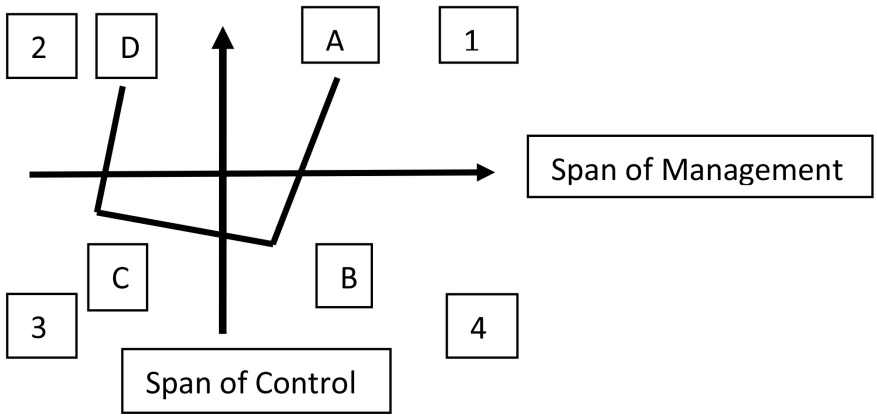
This work is structured in seven parts, as follows, after a literature review: Part I, dealt with the main characteristics of the FFs and PFs companies in shipping industry; Part II, dealt with certain data concerning the PFs; Part III, dealt with the status quo of the ownership of the shipping companies in 2007; Part IV, dealt with our growth model of an unlisted shipping company; Part V, dealt with the growth model of a listed shipping company; Part VI, dealt with the advantages and disadvantages that can be derived from a FF; Part VII, dealt with the advantages and disadvantages that can be derived from a PF. Finally, we concluded.

5. Literature Review

Priesmeyer (1992: p. 155) argued that the decision-making authority, in an enterprise, can typically be described as a continuum from a "full centralization" to a "full decentralization". Shipping companies, which are run by one-man(-woman), one may classify them under the centralized ones. But the shipowner-manager

shares his/her authority with his/her Captains and Engineers... Thus, in shipping, there is a "compulsory delegation" due to the distance existing between the shore office management and the management of the vessel.

Figure 1 may help us to see what "position" companies should have.



Note: Source: author; inspired by Priesmeyer (1992).

Figure 1. Span of control and span of management: the desired position.

In position A, the two spans are in proportion. This means a flatter organization, and more importantly, it also means an improved effectiveness in the supervisor-subordinate relationship. B and D positions are not recommended, because at B the number of subordinates per supervisor increased, while the ability of the supervisors to control the subordinates has declined. This leads to inefficiency. At D, the supervisors improved their control, but the number of supervisors reduced, leading also to inefficiency. In C, both factors have declined. So, the desirable position is at A.

Stokes (1997: pp. 199-200) argued that one of the reasons why the FFs—*making up the majority of the industry* in 1997—were reluctant to enter the public capital markets was their *fear to become vulnerable to a hostile takeover*. This is also valid for Greek shipowners par excellence.

Shipping is one of the last traditional industries in which there is a profound personal link between the owner and his/her assets[1]. We may ask: Is this the result of vanity or of a desire to exercise a personal dominion, or is this a genuine wish to preserve freedom in decision-making? *Listing imposes no doubt certain restrictions; outside shareholders demand things and generally accepted accounting principles have to be applied...*

Lorange (2009: p. 99) argued that it is interesting to note that many shipping firms are FF. *This finding implies that they have little liquidity, towards which they have to focus their attention.* This is really true.

[1]The link between owner and vessel—perhaps sentimental—was stronger in the past than today. Today owners see their ships as assets to be sold and bought and to provide a profit. Owners nowadays may never visit a vessel or even travel on her as this used to be by owners in the past. Ships are capital goods similar to other ones like houses.

6. Methodology/Data Section

This paper is a conceptual and at the same time, descriptive one, in certain parts. For the "Public shipping Firms", we used published figures, which appeared in 1997 and in 2024. For the 6 "P maritime Fs", which have been presented, data appeared in internet. The 49 top Greek-owned, most family, shipping companies, presented, are found in the author's archives in dwt and in the number of ships for 2016 and 2018.

6.1. Part I: The Main Characteristics of the FFs and PFs in Shipping Industry

In Greek shipping, the majority of the owners and company's shareholders, are family members, and the shipowning company is usually run by an ex-Captain, and father, from an Aegean/Ionian island, having at least three sons (Greek tradition). The family holds the majority of the companies' shares, through an offshore "Mother Company" (the holding company), issued to the bearer (anonymous shares).

Every vessel has its *own shipowning company* and all ships have the *same* shipmanagement company. Greeks care to protect their vessels from those who may be involved in legal problems. Greeks believe that every vessel has its own destiny, and this has to be independent from the destinies of the rest of the vessels. In addition, not all ships necessarily belong to the same shareholders.

In the above descriptions, ownership and management functions coincide in the same single person. This type obviously depends on the economic strength of its shareholders and on the owner's ability to borrow from the commercial banks. These companies can, of course, also borrow money from the stock exchanges, the bond and other capital markets, mainly in the USA and London.

A PF is run by a professional manager and the company's management and ownership are separate. They are run by a board of directors, which decides, *at its earliest convenience*, the long-term policy of the company, especially whether to build ships or not. This type of PF has been adopted by the companies upon the establishment of the "stock exchanges". There, the size of the companies was not restricted by the properties of their original shareholders, and this has been considered as a main way for companies to grow. The Stock exchanges helped in creating the corporate economies we know today.

Keynes (1936) described the old-fashioned type of companies—as he called it—(GT, 1936, p. 150), which … we found it applicable to Greek shipowners to a great extent. These enterprises for Keynes "are mainly owned by those who undertake them, or by their friends, and associates. Their investment depends on a sufficient supply of individuals of sanguine temperament and constructive impulses, who embark on business as *a way of life*… (italics added). This affair is partly a lottery. Businessmen play a mixed game of skill and chance". We consider this description of Keynes to be an accurate one for the Greek shipping entrepreneurs.

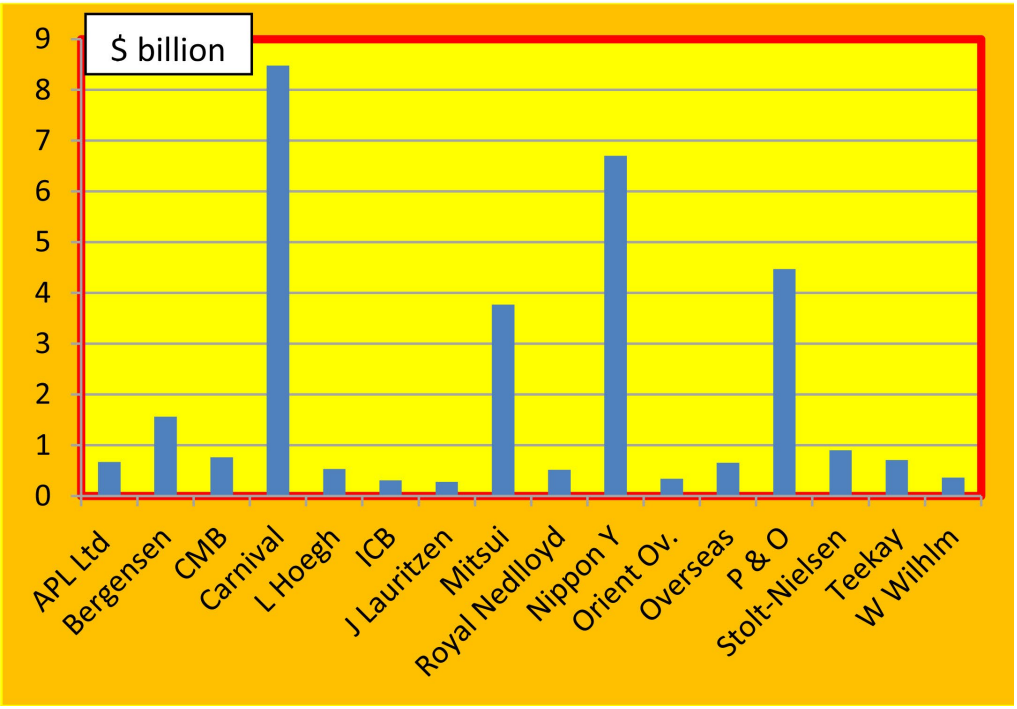
Keynes, by not knowing the shipping industry very well, thought of it as an

"irrevocable business investment industry". But here exist many well-organized brokers of the 2nd hand markets. But it is also true that shipping enterprises look, or have to, at the stock exchanges when they have to build ships, to find there another more profitable opportunity.

Suppose a shipping company decided to build 4 passenger ships, where the cost quoted by say 2 shipyards, amounted to $400 m. Looking at a Stock Exchanges, the company found a company owning 4 newly built ships, close to those it was going to build, at a share price of $350 m. Apparently, this company will buy the shares of these ships instead of building them, saving at the same time $50 m (the prices quoted above are hypothetical)[2].

6.2. Part II: Data Concerning the PFs

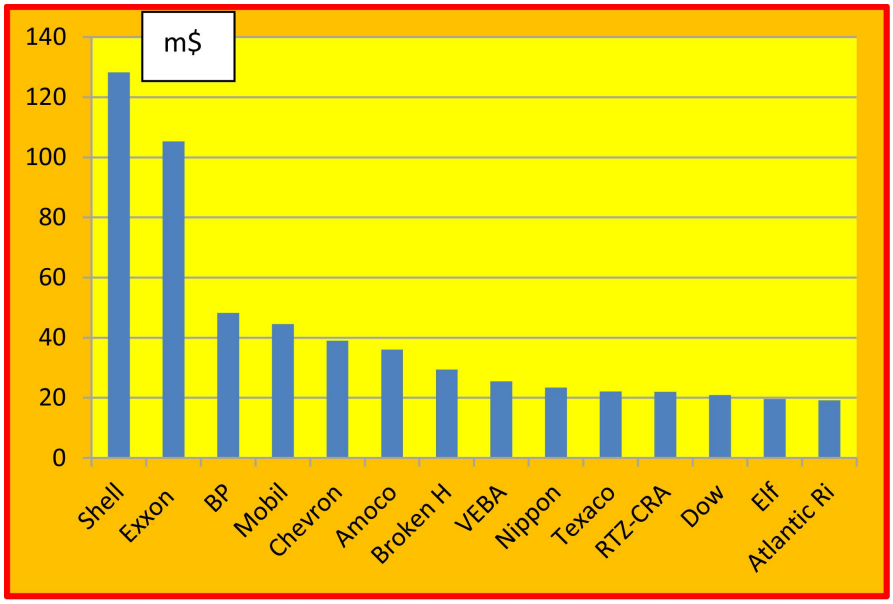
In mid-1996, 15 top shipping companies appeared in the global Stock exchanges, having a market capitalization of $31 billion (Figure 2). And further 14 minor ones, also appeared, having a $583 m capitalization, including 8 oil companies (Figure 3). The oil companies are not exclusively "maritime[3]" ones, because their main endeavor is to find, extract, and sell crude oil to refineries, where its transportation department is a secondary activity destined to protect the company from excessive high tanker freight rates. Also, "Carnival" belongs to the "leisure industry" rather than shipping.



Note: Source: author; data from Stokes (1997).

Figure 2. Market capitalization of the top 16 "shipping" companies, 1996-mid, in b$.

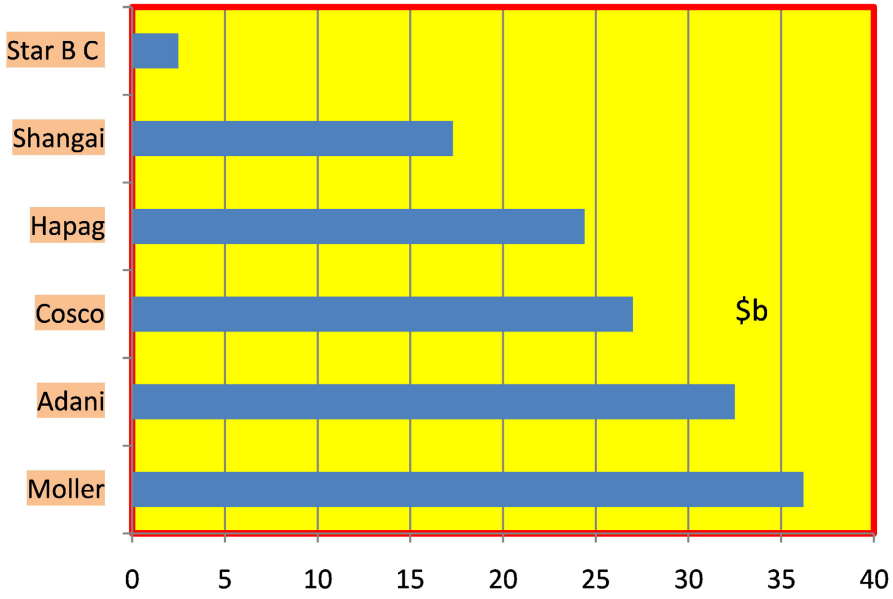
[2]This occurred between "Attica Company" and "Blue star ferries" in Greece.
[3]Dealing with ships, ports, shipyards and logistics.



Note: Source: author; data from Stokes (1997).

Figure 3. Market capitalization of 14 shipping companies, 1996-mid, in $m.

Moreover, six maritime companies appear on the Internet to be the top listed ones in 2024.



Note: Source: author; data from Internet.

Figure 4. Market capitalization of the 6 world's top Maritime companies, 2024, in $b.

As shown in **Figure 4**, in 2024, 6 top shipping and port companies (= maritime) had a market capitalization of ~119 $ billion... This is almost 4 times higher than the market capitalization of the 6 top companies 28 years ago (1996-mid). The reader may be sure that there is a common trend in shipping companies to grow

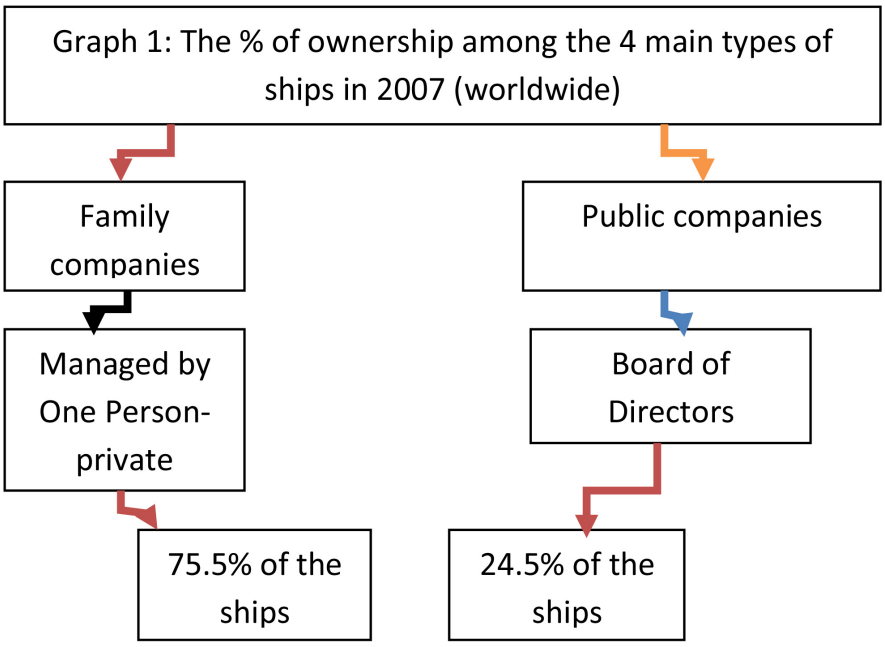
from year to year (in dwt/number of ships; as shown below). They also grow in value, but this depends on the prices of the 2nd hand ships prevailing, which are variable.

We reckon that, as time goes by, more companies *will try to join the worldwide stock exchanges*, especially those companies run by a single person with few, or zero, shareholders and in need for additional funds so that to add vessels to company's fleet. We have seen this to happen when freight markets were rising, like in 2005-2006 and thereafter.

The Stock Exchange is seen as a place where a company can borrow any desirable amount upon its promise to provide, in 12 months, either a higher value in its shares or a profit per share better than a 12-month deposit in a bank plus a risk premium. This thought is particularly attractive to those single owners who do not have own funds, or additional shareholders, and they wish to buy 2nd hand ships. Of course, the company has a need for additional specific personnel, as well an amount required by the SE, so that to be listed in the arriving at $1 m. The listing process is slow.

6.3. Part III: The Status Quo of the Ownership of Shipping Companies in 2007

The % of owners of the 4 most common types of vessels: i.e. VLCCs, Aframax Tankers, Panamax bulkers and Handy-maxes, in 2007, was as follows (Graph 1).



Note: Source: data from Lorange (2009).

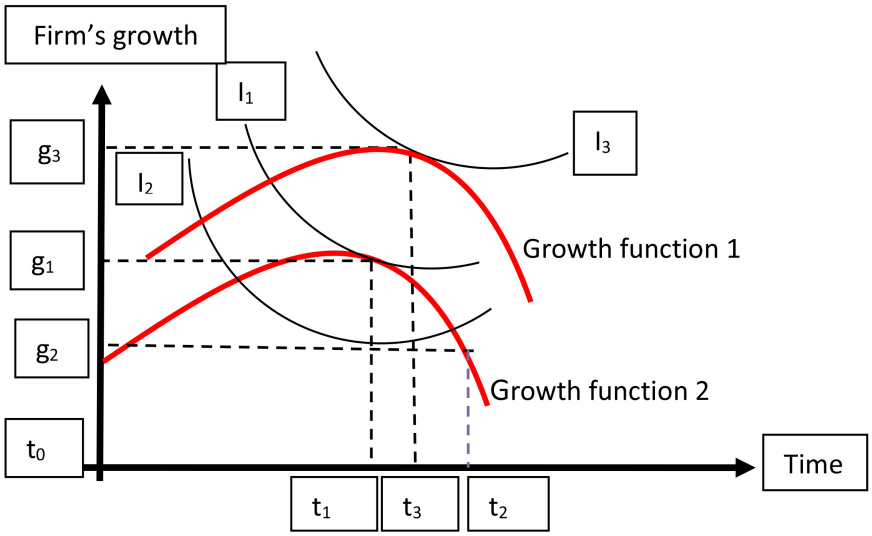
Graph 1. The % of ownership among the 4 main types of ships in 2007 (worldwide).

As shown in Graph 1, the majority, 75.5%, of the main types of ships are owned by FFs. This is rather unexpected, because after so many decades, when the sepa-

ration of ownership from control took place, the majority of the shipping companies are *still family*… We may remind the reader that "the separation" has occurred among the large "joint stock companies", where the voting shares of the companies were dispersed among a large number of shareholders.

6.4. Part IV: The Growth Theory of an Unlisted Shipping Firm

Let us present our "growth model" of a shipping company that is *not listed.* This company is controlled by a manager who *maximizes his/her utility from management. Three utility levels are* shown here by three indifference curves: I_1, I_2 and I_3 (Graph 2). The utility from management, we reckon, is derived from acquiring additional ships, meaning additional capacity. The utility here is not derived from "profit maximization", as perhaps it should.



Note: Source: author.

Graph 2. Our growth theory of an unlisted shipping firm.

As shown, there are two growth functions. The number 2 growth function, in particular, is an exceptional (shifting[4]) curve occurring rarely, like in 1918, and in 2008, (i.e., twice in 90 years). This curve has occurred when either the supply of newly built ships has been extremely low, due to a world war, or the demand, due to a large emerging economy, was vast.

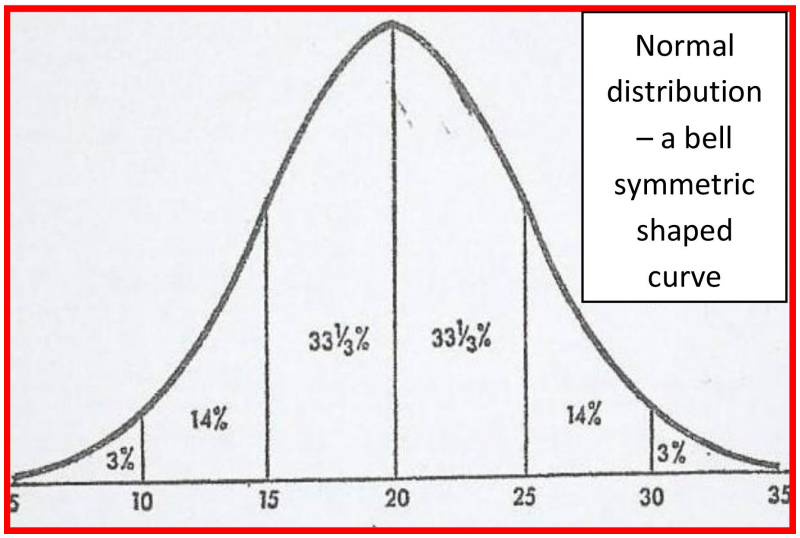
g_1 determines company's maximum growth rate (under "normal"[5] conditions, locked in the ceteris paribus assumption), which a firm could sustain at its starting $t_1 - t_2$ period (in dwt). This $t_1 - t_2$ period is assumed equal to the duration of a full shipping cycle, say of 7 years, while $t_o - t_3$ indicates a long period (lasting 90 years). The company's growth rate is assumed to be *increasing* over time, till t_2, when the

[4]Shifting occurs when the variables involved, due to extreme conditions, move upwards or downwards violently. The "normal conditions" are excluded by the assumption of the Latin statement of "ceteris paribus". A similar curve is to be found in Keynes (1936).
[5]This means following a normal distribution.

growth rate fell to g_2.

Our model assumes not only that the Managers *are free* to choose their objectives, which they will pursue in managing a private, personal, family shipping company, but also to derive utility from the satisfaction of his/her instincts and objectives of "power", "dominance" and "prestige"… This psychograph is not very distant from that of the Greek shipowners, we believe…

Of particular interest is, however, the "growth function". We may ask: Is a shipping company's growth function—as drawn—bell-shaped? If yes, then this means that there is a *maximum* average growth rate (of say 20%, Graph 3) and a probability of more than 50% for it. This further means that one can measure the probability also of different growth rates like 5%, 10% and 15%.



Note: (*) the mean equals 20 units and the s.d. equals 5 units (s.d. = standard deviation or the square toot of Variance); Source: author.

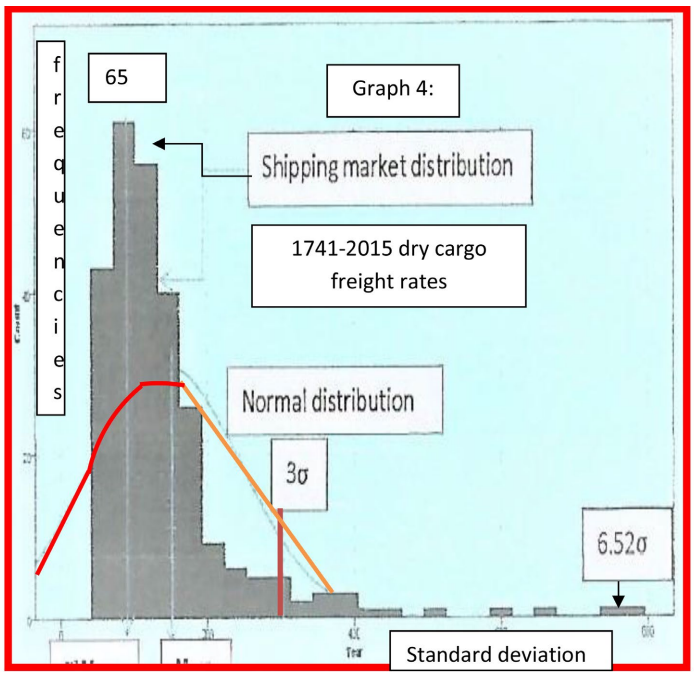
Graph 3. A Normal distribution of a random sample (*).

Smith A, believed, in 1776, that the "engine of growth" is the division of labor, which *is limited* by the *extent of the market*… This can also be read as follows: "the larger the market—where a company's products are sold—the larger this company". It seems that Smith's principle has been adopted by the Chinese export firms.

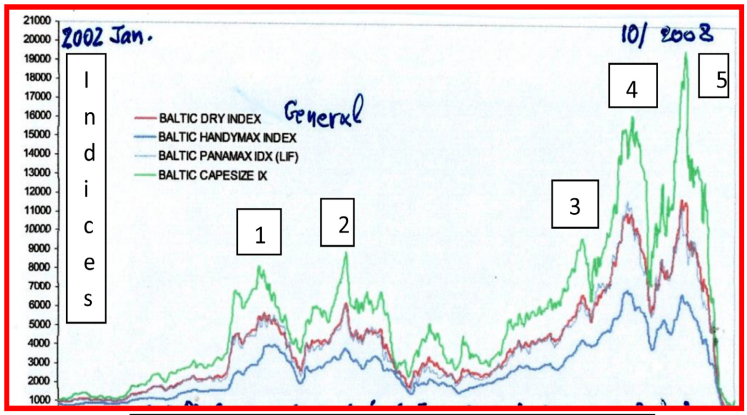
As shown (Graph 4), the freight rate shipping market distribution, 1741-2015, for dry cargoes, *did not behave as normal*, because it showed a maximum standard deviation of 6.52σ… and not 3σ. Thus, we will assume that also the "maximum growth rate" of a shipping company can be up to 6.52σ away from the mean growth per annum (which was 147 index units in 1741-2009).

The above is confirmed by the history, when 4 freight rate indices rose from 1000 units in Jan. 2002 to 19,000 units in Oct. 2008, i.e., 19 times… This, with the normality mentality in mind, it should never have occurred… but still it occurred. As shown, 4 shipping markets experienced, in 7 years, five increases in the level

of the freight rates indices. This is a phenomenon that occurred at the end of 2008, but it has also occurred in 1918 (Graph 5).



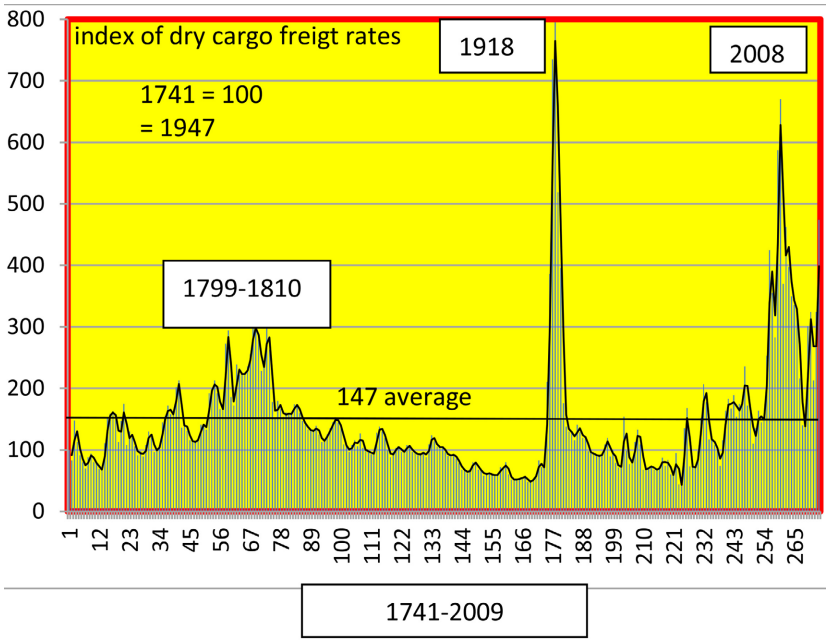
Graph 4. The freight rate shipping market distribution.



Note: Source: author; data from Stopford (2009); the distribution has a r.h.s fat tail, where the average = 65 units; a leptokurtic curve.

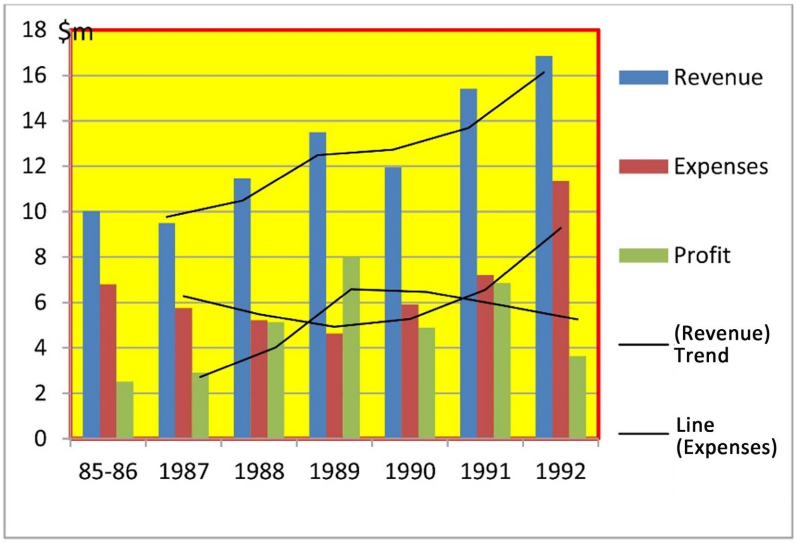
Graph 5. Four Baltic shipping indices, 2002 to 2009-10.

The above analysis puts forward a crucial assumption, that is, by maximizing the company's "growth rate", in fact, does the company also maximize its "profits"? Moreover, economic theory requires "profit maximization", as mentioned, and not "growth maximization", which may lead to a lower profitability or even to a loss... In addition, shareholders are required to "maximize their dividends", and they do not care about how fast their company has grown.



Note: Source: author; data from Stopford (2009).

Graph 6. The dry cargo freight rate index, 1741-2009.



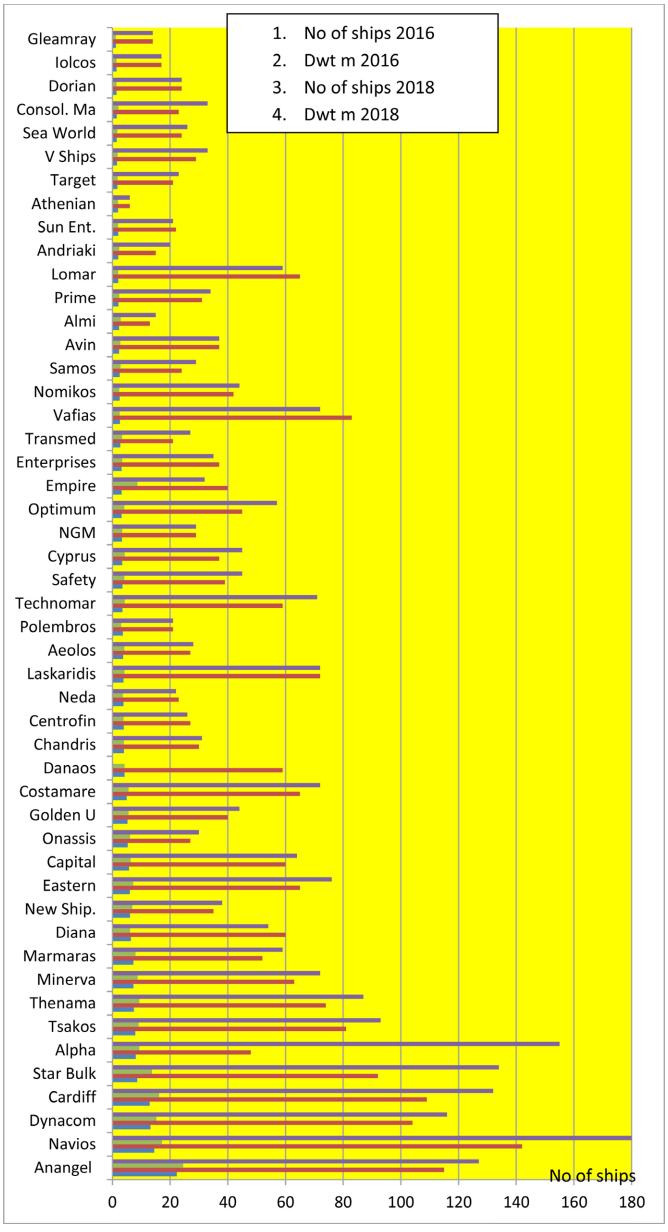
Graph 7. The revenues, the expenses, and the profits from its voyages of a Greek-owned shipping co, 1985-1992. Source: author; from company's data.

The theory saw the above gap i.e. between the "growth theory of the firm" and the "profit theory of it" and provided a solution (Graph 6). It adopted a "growth-profit function", where Profit = f (g, t) (1). This function refers to the maximum profit rate that a firm can sustain *at different growth rates*. At low gs, positive increments in the growth rates are likely to be generated and to increase profit rates. This is so if *there is a stimulus to productivity* coming from the "economies of growth"—i.e., if there is higher turnover and increased capacity utilization. In shipping companies, the growth of the company in the number of ships *should*

minimize the costs of operations, because more ships usually mean higher costs.

This company started in mid-1985, and in 1991 spent $29m to buy a number of 2nd hand vessels, which means that it was growing (Graph 7). However, its profit fell… As shown, the company has increased its revenue from the vessels over its first 7 years of operation (except in 1990). But when the company purchased a number of ships in 1991, its expenses rose (1991-1992) substantially, so that its profit fell (1992).

Graph 8 shows the growth between 2016 and 2018 of 49 top Greek-owned companies in dwt and in the number of ships.



Note: Source: author's archives.

Graph 8. The growth between 2016 and 2018 of 49 top Greek-owned companies in dwt and in number of ships.

One part of the fleet, owned by 49 top Greek-owned shipping companies, arrived at ~235m dwt in 2016 and increased to ~273m in 2018 or a 16% increase. In the number of ships, these were 2,288 in 2016 and increased in 2018 to 2581 or ~13% increase. Not all companies increased their dwt or the number of ships, but the majority did. Thus, we should expect the majority of the shipping companies to grow from year to year either in dwt or in the number of ships, say at the 6.5% - 8% p.a., as shown, on average.

6.5. Part V: The Growth Model of a Listed Shipping Company

The "growth theories of the firm" are due to the works of Penrose (1959) and Marris (1964). These authors took a managerial approach appropriate to a "corporate economy". Penrose (1959: p. 2) aspired towards a rigorous and relevant model by providing a way of looking at the growth of the firms that will be useful for both theoretical and practical purposes.

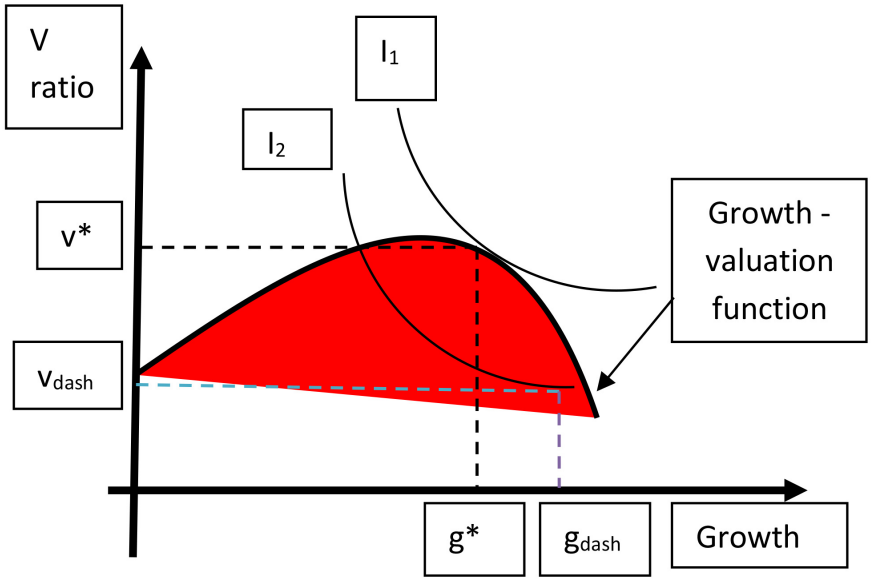
Marris (1964) provided a formal theory of the behavior and growth of a large-scale managerial corporation, based on a realistic assessment of its sociological and institutional environment. Assuming that Managers seek to maximize their utility out of their management may be better to assume that they seek to maximize their salary. The role that a valuation may play in a listed company is considered important, though this has to be linked to company's profitability. Greeks, as mentioned, stay away, by majority, from the stock exchanges due to the takeover risk.

The "corporate managers", par excellence, had an element of discretion over the objectives which they were about to choose, as mentioned. Moreover, growth means "a time path of expansion" of the firm, making this endeavor *dynamic*. This term adds much prestige to the models, making them closer to reality, where time is an indisputable factor (Goulielmos, 2018).

Managers in the above models are assumed to satisfy their instincts of power, dominance and prestige by pursuing the growth of the firm they manage as an objective. When listed, however, additional motives emerge like those of the "*security*" *and* "*professional excellence*" *inducing them to accept firm's valuation*[6] *as a further objective*. Thus, the capital markets impose a constraint on the value of the VR. This is done through the "merger" and "take-over" mechanisms, something that Greek shipowners do not like.

A model of the "growth theory of the firm" is a constrained optimization one: i.e., Max. Um = Um (g, v) (3) s.t. $v \geq v_{dash}$, where Um stands for the "utility function" (utility coming from management); g stands for firm's growth rate; v stands for firm's VR (valuation ratio) and v_{dash} stands for the "capital market constraint".

[6]VR stands for the ratio of the "stock market valuation of the firm" V, to the "book-value of company's assets" K. Given a steady state growth, a firm's stock market V equals to the net present value of the expected dividend payments times n (n = the current share issue size of the firm). V = nD/I – g; (i) where D stands for the dividend payments per share, growing at the constant annual rate g and i stands for the discount rate. V = (I – r)nK/I – g (ii) where V stands for the valuation ratio and π stands for profit. Dividing; (ii) by K, we get V/K = (I – r)n/I – g; (iii) where r stands for the retention ratio.



Note: Source: author.

Graph 9. The growth theory of an unlisted shipping firm.

As shown in **Graph 9**, we presented the "growth-valuation function[7]", where v can be negative to g (for g > of certain of its levels). This means that the capital market may form a negative valuation for the firm as the firm grows.

Coming now to the optimum state of the model, one—not constrained—is achieved at g*v* (i.e., at the tangency between the highest possible indifference curve, I_1, and the growth-valuation function). But if the company is *listed*, there is a capital market constraint: $v \geq v_{dash}$. Then the optimum has to be at a higher growth rate, at $v_{dash,}$ g_{dash}, higher than the (not constrained) optimum g*v*. This means that when a company is listed has to outperform its unlisted performance…

6.6. Part VI: The Advantages and Disadvantages That Can Be Derived from an FF

Most shipowning companies are still private, as mentioned: 64% of the VLCC fleet is privately owned and more than 80% of the Panamax and Handymax bulk carriers are similarly privately owned. We believe that this also happens in the non-shipping and maritime world.

Empirical research showed that well-managed FFs outperform the well-managed PFs (Denison et al., 2004; Schwass, 2005). The FFs have harmony between owner-

[7]The "growth-valuation function" shows the maximum, V, which a firm can sustain at different growth rates. If this function reflects also the "growth-profitability" relationship, is it likely to be bell-shaped… At a steady-state growth rate, the initial positive increments in the growth rate stimulate the growth economies, producing a higher profit thus leading, for a given dividend-payment ratio, to a larger initial dividend payment and a faster expected growth of that payment. This has a positive effect on VR. Beyond that rate of growth, at which growth diseconomies have set-in, and are dominant, the consequent fall in the profit rate depresses the initial dividend payment and prevents the continuance of a positive relationship between growth and VR…

ship and management. Moreover, FFs take a more long-term point of view, while the interest of the management/owners is focused also on their next generation.

We could provide a dozen examples of the above opinion, including in our account not only the sons of the shipowners, but also their daughters (e.g., Anangel, Procopiou, Frangou for Greeks). The above analysis coincides with the idea that shipping companies, like FFs, become wiser by taking into account a full shipping cycle, or a generation. The FF is a type of company well suited to shipping (Lorange, 2009).

FFs have a better understanding of the underlying critical success factors and they have a fixed number of stakeholders. Many FFs have done very well (Lorange, 2009: p. 237), while there is a fundamental reason why FFs dominated the industry: this is *their decision-making speed, which is often critically important.*

There are, however, four reasons/questions that we may consider that the FFs are vulnerable to degeneration.

Is the next family generation competent?	Is there a sibling rivalry?	Is there a sense of unfairness among the various shareholders?	Is there a static strategy & a stagnated culture?

Note: Source: author; data from Lorange (2009: p. 238).

We cannot exclude from our analysis the probability for the next family generation not to be competent, as this has happened in practice (e.g., in Greek "Thenamaris" shipping management Co Inc.). The 2nd situation arises when one sibling is more competent at running the business than the other(s). This symptom we have met also in Greek-owned shipping, which, however, was beneficial for the industry as a whole.

The rivalry leads certain family members to take over a number of ships and establish their own company. These split-ups, however, grow-up in an astonishing rate, perhaps because they now have their freedom. A good example of the above is the "Martinos family" having 3 brothers in charge of the various departments of the initial common company of "Thenamaris" (owning in the 1990s 30 vessels).

The 2 brothers, Thanasis and Andreas, established two new companies, the "Eastern" and the "Minerva", owning in 2018, 8.73m dwt and 7.18m dwt respectively, while the original "Thenamaris" owned 9.03m dwt. All three owned 235 vessels and 25m dwt… from about 10 units, which have received each from the original company… This phenomenon, which we may call "growth by splitting-up", is important for establishing a larger number of shipping companies, where, e.g., three brothers in one large single company have created 3 big companies…

Some family members may earn large salaries and others only low dividends. Some pay many taxes, while the asset value of the FF is substantial. Such injustices may dissolve an FF. In FFs, however, some company issues may arise, e.g., out for business renewals, internal entrepreneurships and company's growth (Schwass, 2005).

In Greek shipping, we saw cases of rivalry not only between partners[8], which is something to expect among Greeks, but also between relatives. The family member who manages the company considers it proper, for his/her self, to have the lion's share, something unacceptable by the remaining family members, a matter which often leads shipowners to the Courts. A solution here may be a "shareholders' agreement"—common in foreign shipping companies—(see Lorange, 2009, for details, p. 239).

6.7. Part VII: The Advantages and Disadvantages That Can Be Derived from a PF

In shipping industry, there is a need for speed and for immediate reaction. Management will often play the role of an agent for the stockholders to strive for their maximum short-term value perhaps at higher governance costs. There is also the lack of congruence between management and owners (of course, one can find exceptions to this).

PFs often have a shorter-term focus, as mentioned, perhaps only as long as the duration of the CEO's contract. In PFs, diverse stakeholders are always coming and going, and the financial analysis is more predominant. PFs, however, provide *more liquidity* and *more professional management*. These are two important advantages.

PFs are dictated by governance regulations and have extensive decision-making committees. Their processes can be, however, too slow, especially for the shipping companies, where instant decisions/choices are sometimes required between strategic options. PFs pursue a more compromise-oriented decision-making, which, however, depends on the particular CEO.

Be catalytic, but less directive; have a decision-making more accentuated	Unleash the creative thrust of the entire company in a top-down/bottom dialogue	Stimulate the visionary global thinking by demonstrating a strong feel for the shipping business	Be open-minded with true curiosity & able to be excited
Take time to be with the company & especially to take part in the potential new businesses	Walk the talk; be ready & able to contribute—sit down & think together with company's Management	Build creditability to your abilities & add to decision-making resolve	Drive the key persons to a more speedy action; allocate additional resources to specific strategic initiatives; making sure that critical talents & funds are available
Keep a keen eye on the timeline of the planned rollout of a strategic project; make the milestones to be passed faster	Be able to allocate more resources to a project with a view to speed it up & increase its chances of success	Ask company to do more with less in conflict with the typical budget-based resource allocation; but strategic innovation needs a lot of resources	Source: author; data from Lorange (2009: p. 242)

[8]A dispute may easily arise between those who have only the money and those who have only industry's knowhow, e.g. ex Captains, in partnership. An early written agreement between family members perhaps is a solution. Persons, who have the money and lend a shipping company, without having industry's knowhow, may lose their money if the company is not honest.

We are aware of the case of an UK-based PF oil company, which has decided to build three VLCCs in the 1970s. The company, however, had to obtain the approval of its board of Directors, which for various reasons delayed-out 3 months. The company paid several additional million dollars for this delay as ship prices increased in between…

In the PFs there are distinctive roles for the CEO and for the board of directors. The table that follows shows out the role of the CEOs.

As shown, the agony is with the speed of the decision-making in PFs, concerning the CEO of the company. Exceptions to the above finding could be found. This means that the difference is not so much due to the type of company, but to the ability of the company's CEO, who has to be effective and efficient in all his/her decisions.

The "chair" and the "board of directors" also have their role in a PF shipping company:

Provide broad guidelines for the risks to be taken; based on a thorough discussion of the business platforms in which the company operates	Determine the overall rudiments of company's portfolio strategy	Provide insight, guidance, oversight; speed & focus; be a balanced, effective board without becoming a dictatorship	Map-out the general direction desirable for the company; do not delay specific decisions; the company thrives if its decision-making is fast
Give management leverage to act aggressively & independently within the overall guidelines; decide the areas to be active in & what niche platforms to pursue	Tell management what risks to take in financing, leverage, chartering etc.	CEO and the top management to appropriately push for decisions within the overall mandate	Achieve a good governance; a balance between itself & the CEO & the top management; a unique strategy, with its implementation focus & its accompanying risk profile

Note: Source: author; data from Lorange (2009: pp. 241-242).

As shown, the agony is again on the speed of the decision-making in PFs, concerning this time the board of directors of the company.

7. Conclusion

The growth of a shipping company, by obtaining a number of additional ships, or additional dwt, does not necessarily lead to a higher profit if the expenses *caused by this growth* are not controlled. The above is a possible, obvious mistake of the company's management, which we saw to happen in a Greek-owned shipping company in the 1990s.

The above mistake did not prevent the company, however, to grow even higher, and in 2016, to own 342,158 dwt from 95,055 in 1989. Thus, growth does not guarantee a higher profit… Thus, our recommendation is for "profitable growth"… For this objective, the management theory is aware of seeking "earning assets" and not just assets.

The above further means that the actual objective of a FF seems to be the *pres-*

tige derived from the amount of the dwt tons acquired instead of the amount of the net $s earned… People love to be called shipowners and ship-managers. Thus, in shipping, the management derives utility from the dwt tons he/she manages (capacity maximization rather than profit maximization). This apparently has to change.

We clearly disagreed with the theory, which constrains the growth of a shipping company to its 3σ from its mean, because by so doing, one excludes the extremely important cases like those that occurred in 1918 and in 2008 in the shipping industry, and on Black Monday for the Dow Jones in 1987, a case of a 22σ change.

Most shipping companies—we have to admit it—are run by successful managers, firmly in charge. The FFs can provide a great platform for managers, but we also have examples of FFs with slow, unfocused, often fragmented, and conservative management. There are unique governance challenges, but speed in decision-making remains critical.

Boards will often not have time to deliberate on each major prospective deal. It is important for the board to support the general strategic direction of the company. Top management requires such support to bring the deals to a close.

Thus, the above analysis may be useful for both FFs and PFs, as we have shown each its advantages and its disadvantages, and thus each may adopt the advantages of the other and dismiss the disadvantages of its own… In fact, the value of this paper is in outlining the advantages and the disadvantages that each style of ownership and control has, and to call on each style to drop its disadvantages and adopt the advantages of the other.

In PFs, e.g., we saw that the board of directors is expensively slow in taking investment decisions and thus a few-member committee may take this task over (Chairman/President, executive manager, financial manager and S + P manager). In our analysis, we talked many times about shipping companies, but this is circumstantial and our analysis can be applied to all types of companies mutatis mutandis.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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