TRANSITION OF SHIPPING COMPANIES FROM FAMILY BUSINESS TO CORPORATE GOVERNANCE

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ABSTRACT

THE TRANSITION OF SHIPPING COMPANIES FROM FAMILY BUSINESS TO CORPORATE GOVERNANCE

Family businesses have played an important role in the shipping sector for centuries. In the last 20 years, the shares of family-owned shipping companies have been decreasing. In this study, the dimensions of the corporate governance of the maritime sector affecting the potential and quality of family-owned shipping companies are examined. For that structure of shipping family businesses, their management style, the basic elements that make up the family company, the effects of generational differences, professional manager and family management relationships and interactions, corporate governance structure, the life process of family companies, the characteristics of family values, habits and bonds are examined. An Unstructured Interview Research Method was used in making face-to-face and telephone interviews with the owners, CEOs, directors, and managers of four different sized Turkish shipping companies. The Fishbone (Ishikawa) Diagram Method was applied to identify, analyze, and examine the barriers in the transition process of family shipping businesses to third generations. PESTLE analysis was used to evaluate the results of the research and to shed light on future research. In this research scope;

- The emotional commitment of family members restricts the input of hired professionals and their say in the family dominated board and this negatively affects sustainability;
- Family members of shipping businesses do not always have a positive effect on the decisions taken;
- It has been recognized that the changes experienced by family shipping companies as the generations change will directly affect the success of the business and this will result in significant difficulties in the transition to corporate governance.

As a result of the regarding the short, medium and long term plans of the shipping companies, the effectiveness of corporate governance was confirmed and the importance of the transition to corporate governance was made clear.

Keywords: Shipping family business, corporate culture, corporate governance, sustainability.

ÖZET

DENİZCİLİK ŞİRKETLERİNİN AİLE ŞİRKETLERİNDEN KURUMSAL YÖNETİME GEÇİŞİ

Denizcilik piyasasında aile şirketleri asırlardır önemli bir rol oynamıştır. Son 20 yılda armatörlükte, aile şirketlerinin payı giderek azalmaktadır. Bu çalışmada, denizcilik sektöründe, kurumsallaşmanın aile şirketlerinin potansiyel ve niteliklerini etkileme boyutları sorgulanmaktadır. Denizci aile şirketlerinin yapısı, yönetim şekli, aile şirketini oluşturan temel unsurlar, kuşak farklılıklarının etkileri, profesyonel yönetici ve aile yönetimi ilişki ve etkileşimleri, kurumsal yönetim yapısı, aile şirketlerinin ömür süreci, aile değerlerinin, alışkanlıklarının ve bağlarının özellikleri incelenmiştir. Türkiye'deki dört farklı büyüklükteki denizci aile şirketlerinin, şirket sahibi, CEO, direktör ve yöneticileriyle yüz yüze ve telefon ile görüşmeler yapılarak, Yapılandırılmamış Görüşme Araştırma Yöntemi kullanılmıştır. Denizci aile şirketlerinin, üçüncü nesillere geçme sürecindeki engellerin belirlenmesi, analiz edilmesi ve incelenmesi için Kılçık Diyagramı Yöntemi uygulanmıştır. Yapılan araştırmaların sonuçlarını değerlendirmek ve gelecekteki araştırmalara ışık tutabilmek amacıyla PESTLE analizi kullanılmıştır. Bu çerçevede;

- Aile üyelerinin duygusal bağlılığının profesyonellerin aile içi yönetim kurulunda söz sahibi olmalarını kısıtladığı ve bu durumun sürdürülebilirliği olumsuz etkilediği;
- Şirket sahibi aile üyelerinin kararlara her zaman olumlu yönde etki edemediği;
- Denizci aile şirketlerinin kuşaklar değiştikçe yaşadıkları değişimin şirketin başarısına direkt etki ettiği ve kurumsallığa geçişte önemli zorluklar yaşadıkları anlaşılmıştır.

Sonuçta, denizci şirketlerin kısa, orta ve uzun vadeli planlarıyla ilgili değerlendirmelerin sonucunda kurumsallaşmanın etkinliği teyit edilmiş ve kurumsal yönetime geçişin önemi ortaya konulmuştur.

Anahtar Kelimeler: Denizci aile şirketi, kurum kültürü, kurumsal yönetim, sürdürülebilirlik.

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LIST OF ABBREVIATIONS

BoDs	Board of Directors
ISM	International Safety Management
ISO	International Standards Organization
PESTLE	Political, Economic, Sociological, Technological, Legal, Environmental
GDP	Gross Domestic Product
R & D	Research and Development
FBCP	Family Business Continuity Plan

1. INTRODUCTION

The transition of shipping family businesses to corporate governance is an important issue for third generations especially in terms of the sustainability of companies. Company structure always needs the right strategic approaches in order to sustain its business and to maintain the company's success. Family shipping companies contribute positively to a country's economy and their improvement also brings continual gains to the world's economy. The research theme of this thesis is the effectiveness of corporate governance structure on the family shipping businesses using examples from the shipping companies which represent various business scales. This thesis also analyzes shipping companies' avoidance of setting up structures of improvement for future generations. Many different reasons cause inefficiency in the family shipping businesses' sustainability, and the principles of corporate governance structure can contribute to resolving the lack of a sustainability mechanism in the family businesses.

1.1. Definition of the Problem

Corporate governance is the principal component in designating the regulation of the system and, when economic shocks occur, it allows the system to survive. The functions of the organization depend on the substantiality of corporate governance's factors and the relationships among them. Corporate management also enhances companies' acquisition of external capital. Corporate governance provides a firm's stakeholders and shareholders a suitable level of account to balance their interests. Board supervision, an auditing period and financial statements are the significant components of corporate governance that should be instituted by shipping family businesses. Corporate governance structure can also provide an efficient and sustained connection among families' directors and shareholders. Economic and stock improvements, capital, ownership framework, and business practices are different characteristics of corporate governance structure in each country.

Family-owned shipping enterprises are one of the institutions of a business association. Family businesses' longevity and expansion are significant factors in achieving a global economy. The ownership structure of a family shipping business is monitored by the entire family, while some shipping family companies do have outside shareholders and directors, and a stock-exchange listing is common. Shipping companies managing various social and cultural conditions need a governance structure that affects matters positively - such as management structures and regulations.

Family-owned shipping enterprises are a dynamic power in economic improvement and their achievements influence the welfare of economies. The transfer of management and ownership to the next generation of the family is one of the basic issues of family-owned shipping enterprises. They have to deal with the difficulty of adapting to changing economic and industry circumstances.

1.2. Research Objective

This thesis puts forward the necessity for the transition of shipping companies from family businesses to businesses with corporate governance structures in order to be passed on to the third generation. This thesis aims to analyze the necessity of the transition to a corporate structure by identifying the deficiencies of the family companies and highlighting factors that could result in the families being unable to pass on their companies to the 3rd generation.

1.3. Outline of the Thesis

In this thesis, two hypotheses were defined in order to determine the best way of providing family shipping businesses with longevity. The first hypothesis is that the longevity of a family shipping business does not generally continue for more than three generations. The second hypothesis proposes that corporate governance structure has positive effects on the longevity of a family shipping business.

According to the first hypothesis, one of the most significant parts of the discussion about classic family-owned shipping enterprises is ‘the three-generation case’. Many family-owned shipping enterprises can fail in the first year and only a few survive into the second generation. If first generation businesses survive, they can be managed successfully and can also gain enough revenue to establish a sustainable family shipping business. If these businesses cannot remain profitable to reach to the third generation, the owners will have to sell their business for as large a sum of money as they can get rather than just let the business fail. According to the second hypothesis, corporate governance provides economic improvement and increases a shipping companies' performance. Therefore, shipping family businesses require to have an awareness and comprehension of their governance structures.

2. LITERATURE REVIEW

Family-owned enterprises have generally to have more complicated governance structures than their non-family counterparts because family emotions and issues become mixed in to the running of the business (International Finance Corporation, 2011). Efficient owners have to make sure that the business has sufficient leadership, properly apportions financial sources, pursues a business strategy and sustains the family's worth and commercial longevity (Carlock, R. And Ward, J., 2001). Family-owned enterprises have a tendency to have boards almost completely populated by family members (International Finance Corporation, 2011). Governance processes indicate that the interaction of management actors depends upon management frameworks (Sarbah, A., Xiao, W., 2015). There is, for instance, the example of an independent supervisory board discharging a CEO who is not operating well (Fich and Shivdasani, 2006). The business improves as it moves from being run by a controlling owner to a sibling partnership and then to a cousin consortium as the number of family members' number is grows (Gersick et al.1999). The example of shipping firms has been discussed in the context of obtaining competitive benefits from the integration of "national" characteristics (interior environment) and "international" characteristics (exterior environment) of corporate management (Randoy, T. 2001). For others to reap the same benefits, it is necessary for corporate management to be made part of the business culture of every family-owned shipping enterprise (Williams, A., 2014). A succession plan ensures that the business will facilitate leadership changes in a progressive, planned and non-disruptive manner, while reassuring employees, shareholders, customers and other stakeholders of the longevity of the business while at the same time maintaining the firm's reputation and brand value (Williams, A., 2014).

Due to the rather wide scope of the thesis, the literature review is dealt with in four main sections. The first section is to deals with the structure of the family business, the second section with the governance structure of family businesses, the third section deals with the corporate governance structure and how the family business applies it and the fourth and final section deals with the succession planning of the successful family shipping business. Together, these sections demonstrate that the longevity of shipping companies depends on their transition from family business to corporate governance structure.

3. RESEARCH METHODOLOGY

In order to analyze these hypotheses, Unstructured Interview Research Method, Fishbone (Ishikawa) Diagram Method, and PESTLE (Political, Economic, Sociological, Technological, Legal and Environmental) Analysis were used.

Unstructured Interview Research Method is a primary resource that includes qualitative data by using open questions. The open questions were used to examine the transition of shipping family businesses to corporate governance. The Fishbone (Ishikawa) Diagram also applies cause and effect analysis to the transition from shipping family business to corporate governance.

The unstructured interview research method is described as being “discovery interviews” and it is also referred to as “guided conversation” when it is compared with a more strictly structured interview. It is also described as “informal interviews” and includes open-ended questions. An unstructured interview is flexible because it contains adaptable and flexible questions based on the interviewees’ answers (Mcleod, S., 2014).

In the framework of the thesis, interviews regarding the transition of family shipping businesses to corporate governance were carried out with four shipping companies. These shipping companies are respectively AKO Shipping Group, TURKON Holding, ARKAS Holding and YASA Holding. These shipping companies’ sizes vary from small to large.

4. FIELD STUDIES

Within the scope of this thesis, field studies were carried out on the effective management of family companies in the shipping sector. Interviews were conducted with the managers of some leading family companies in the Turkish maritime industry. These companies are AKO Shipping Group, Turkon Holding, ARKAS Holding and YASA Holding.

Information about the interviews is listed in Annex-1 through Annex-6. Interviews with Shipping Groups are listed in Annex-2 through Annex-5. According to the information gathered from interviews, the various-sized shipping companies, have their own significant views about the transition to the next generation~~s~~ as corporate governance becomes the new structure of family shipping businesses and their sustainability in the maritime sector. This is summarized in Annex-6.

During the field study, the previously prepared questions were directed to all family shipping companies and the various answers received were interpreted afterwards. The interview questions directed to the major Turkish Family Shipping Business Companies are to be found in Annex-1.

5. FAMILY BUSINESS STRUCTURE AND MODEL

Family-owned enterprises are significant contributors to the economy and wealth of world development and they are small enterprises monitored by the family to serve bigger businesses that manage various industries. Family-owned enterprises are also defined according to the diverse family characteristics and the level of family members' involvement in the business.

5.1. Definition of Family Business

There are two forms in which the family controls the business. These are ownership and management. Family and business interact and affects all business operations. The family-owned enterprises have intra-organizational relationships which stem from family ties which affect the family businesses' ownership, governance, achievement, management, company structure, implementation of strategies, and objectives. Most of the family members are eager to work intensively and reinvest their gains in the business to provide for their businesses' long-term maintenance. Passing on the family members' knowledge, experience and abilities to the future generations significantly enhances the family commitment to the businesses and their longevity. Family businesses must work to enhance the quality of their output and have sustainable relationships with their customers, suppliers, and employees etc. in order to extend their businesses' longevity by providing a better quality business than their competitors.

Family-owned enterprises are generally more complicated in governance structure than those of their counterparts because of the add-on to the business of family feelings and issues (International Finance Corporation, 2011). When family businesses enlarge, but are passing on fewer business practices and procedures from generation to generation, this leads to ineffectiveness and internal conflicts that can seriously damage the family businesses' longevity.

Family business owners have various responsibilities and roles and the contradictory thoughts that this may engender may cause difficulties. For instance, a decision to reinvest profits in the firm rather than distributing them as profit shares can be seen divergently by the many owners based on their responsibilities in the firm. In a number of family-owned businesses, there is a tendency for inequality in the dealings between family and non-family managers. A section or even all of the management positions are reserved for family members in many family-owned firms (International Finance Corporation, 2011). Thus the performance and motivation of non-family managers is adversely affected. For this reason, a "dignity- at-work policy" should be implemented for both family and non-family employees in order to evaluate employees' performance without considering whether they are family members or not. Many family businesses choose family members for board membership rights in order to maintain family control of their business. However, this issue leads to dissension between the board members and adversely affects the function of management. As mentioned above, the different expectations that family members have of their business can cause conflicts which lead to endangering the longevity of their business. For this reason, family-owned enterprises should create communication channels to provide information flow about their business and the challenges facing the company.

5.2. Importance of Family Business

When families and ownership grow, family businesses have a significant role in making sustained ownership meaningful by enlarging family values and giving new generations a sense of pride in the businesses' contribution to society. The continuation of family governance or effect, while increasing the supply of fresh capital for the business and at the same time meeting the family's cash requirements, is an issue to be addressed, because this is an important source of potential conflict, especially in the transition of power from one generation to another (Caspar, C., Dias, A., K., 2010).

The maritime business is a very different industry sector than traditional service sectors because it is a capital-focused business with a high level of risk and where financial power is a prerequisite for staying in the industry over time. The operations of family shipping businesses require that long-term strategies be determined by the companies in order for them to remain competitive in the highly competitive global product market and to make decisions that are appropriate for these strategies (Randoy, T. 2001). In many countries where there is a large maritime industry, the family businesses are the largest part of maritime trade. This is true both for maritime companies that are traded and not traded on the stock exchange (Syriopoulos, T. and Tsatsaronis., M., 2011).

Family businesses provide beneficial opportunities for social and economic entitlement in societies across the world. The deviation of the family business sector and family companies from basic assumptions on company behavior could have profound effects on macroeconomic performance (Johansson, D., Karlsson, J., Malm, A., 2020). Participators in family businesses are significant in increasing wealth and employment in every country. Therefore, family-owned enterprises should be strongly encouraged by receiving support for their welfare, longevity and health from public policymakers. The company lifecycle could have an important effect on performance results of the family members (Hansen, C., Block, J., 2020). As they are also important constituents of the global economy, they may attach importance to extensive debate, attention and analysis. The economic and social significance of family-owned businesses is at present becoming increasingly recognized. The managerial attitude of family-owned enterprises has a significant contribution to make in both their owners' companies and to their national economies.

5.3. Family Business Model

The family business structure determines the future improvement of the organization. The mission and vision of the shipping family businesses affect the organizations' plans and sustainability. Family shipping businesses' managerial approach controls the longevity of the organizations. The conditions of inheritance in a family shipping business determine the approach of that business towards the managerial parts relating to the probability of transition to the third generation of the business. The harmony of family members and non-family members has a role in the decision-making process of the business. Authorization of the decision-making process in the family board affects the shipping family businesses' strategic approach to ensuring their future sustainability.

The family-owned business has a "Three-Circle Model" which is defined as three subsystems ownership, family and business (Tagiuri, R., Davis, J., 1982).

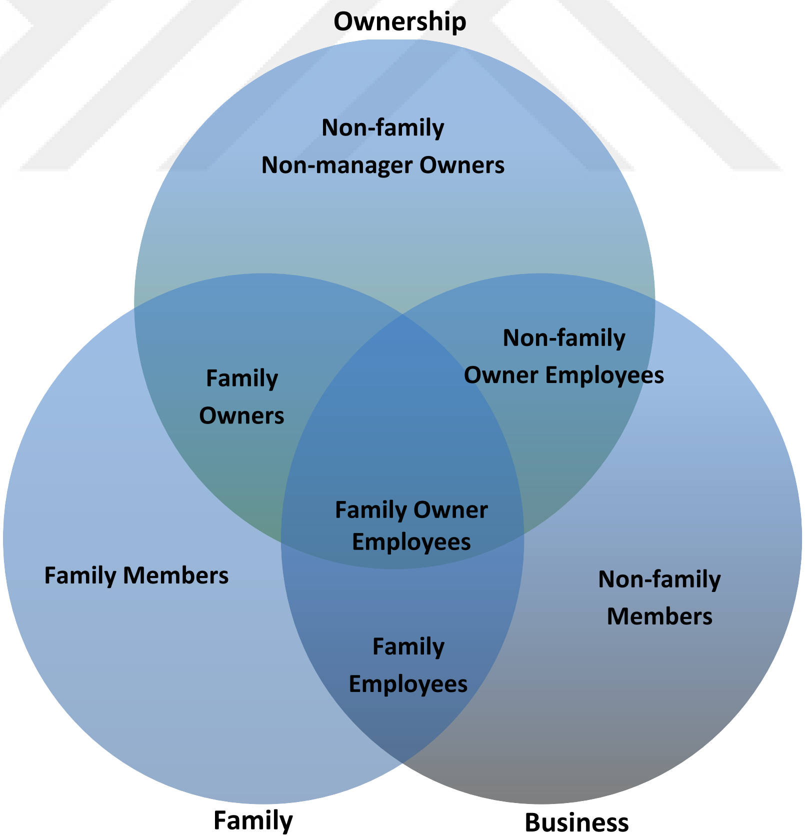

Figure 5.1. Three-Circle Model Of The Family Business System (Tagiuri, R., Davis, J., 1982).

5.3.1. The Ownership

Ownership of family-owned businesses means that production and objects are consumed for the family's benefit. Efficient owners have to make sure that the business has sufficient leadership, properly apportions financial sources, pursues a business strategy and sustains the family's worth and longevity (Carlock, R. And Ward, J., 2001). Family-owned enterprises' ownership is usually transferred from one stockholder (generally a single family member), to on many owners (generally daughters and sons), and then on to an excessive number of owners (Kruzic, D. 2004).

There are four improvement methods for businesses under family-ownership:

- A single controlling owner: The constituents and next-generation beneficiaries, or two owners (seldom) have a great number of shares.
- Sibling partnership: The family members of the same generation have an equal share of ownership.
- Cousin consortium: Third and later generation beneficiaries receive a dispersed property.
- Family syndicate: The fourth-generation or next beneficiary receives a largely fragmented property.

The owner has a significant role in the business, so the property of family-owned enterprises is generally transfered from one generation to the next generation when individuals retire or die (Kruzic, D., 2004).

5.3.2. The Family

Protecting family-owned enterprises' longevity is a difficult governance task in this world. New technology, innovation, communal worth, great rivalry, a global economy and political developments and regulations are changeable and present a negative environment to the family businesses. Family-owned businesses have various different perspectives:

- "Business first": The business is more significant than the family.
- "Family first": The family is more significant than the business.

- “Family Enterprise Approach”: The family works to find solutions to meet the requirements. Different conditions lead to having to choose between the alternatives, family, business, and family enterprise. When the family is big and the business is small, family interests in receiving disbursements from business are not supportable. Business survival is the most important to the family. When there is a small family and a prosperous business, there is little difficulty in dealing with family requirements first. If the business has finite sources and the family is large enough that contradictory career and financial targets exist among family members, options grow scarce. If there are many relatives who are active in the business while others are not participating in ownership, the option is tough on a business of any size (Carlock, R. and Ward, J., 2001).

Worldwide, business owners attach importance to the targets of good management for the family and the business, for unity, efficient disagreement analysis and independence from political strife in order to maintain common goals and worth. To be able to work independently for the optimum goals of the business, obtaining the highest level of profit, developing strategies, contributing to employee improvement and serving stakeholders and employees alike, shareholders, customers, suppliers, and the business must be well managed. A family must have the effective components of its inheritance, such as family worth, cohesiveness, custom and common incentive in order to sustain the family’s longevity. However, some families have devastatingly bad decision making and relationships which are highly threatening to their businesses’ longevity (Aronoff, C. and Ward, J., 1996).

5.3.3. The Business

Providing business enlargement brings with it some difficulty in current complicated business circumstances when ownership and governance are transferred from generation to generation. Family-owned enterprises have to deal with a near infinite number of industry and organizational agreements while at the same time designing the transfer of governance and ownership driven by family life cycles. These difficulties are not distinctive to a specific family business. These difficulties are relevant to transitions that happen because families and businesses are built up and develop (Carlock, R. and Ward, J., 2001). The improvement of business has an important role in the development of family and property. The age of the business, its magnitude and system, market standing, connections with employees, consumers, suppliers, financial foundations, environment, the capability to deal with present necessities, enlargement and improvement will reveal how well the business will improve in the future. Family-owned enterprises go through certain phases (Kruzic, D., 2004):

The Start-up Stage: This phase is one of generality in ownership of the business, usually by the constituent, which is identified by much financial risk, a low level of organization, deficient resources unable to satisfy all requirements of the business, the desire for prosperous results, and a low competitive status where the goals of business and family coincide and boil down to surviving.

Stability and Growth Stage: The phase is where the firm, with its business decision-making succeeds in sustaining expansion and improvement, and reinforces its market status, which provides it with favorable relationships with employees, consumers, suppliers and financial institutions (this phase is one where the children can be engaged in the family business).

Maturity Stage: At this stage in the life cycle of businesses there is a decrease in profit, and at this phase, the family-enterprises' owners are required to decide how they will manage the family-owned enterprises together with professional directors, who have qualities such as being well educated, innovative, etc.

Restart or Decline Stage: This stage in the life-cycle of a family-owned enterprise is marked by stagnancy, poor market status, the impossibility of growth and enlargement, and the owner should make a decision about the destiny of the family-owned enterprise, whether to revive it or let it fail (Kruzic, D., 2004).

6. FAMILY-OWNED ENTERPRISE GOVERNANCE AND TOP MANAGEMENT

The family-owned enterprise governance structure shapes the companies' decision-making process. The advisory board and the supervisory board affect the board of directors of family shipping businesses differently. The advisory board provides a different point of view and recommendations for the family members. The supervisory board is the official organizer of the family board of directors. Both the advisory and supervisory boards contribute to family shipping business management compliance.

6.1. The Advisory Board

The advisory board is empowered to advise the board of directors. Moreover, the function of the advisory board is to behave as an exterior sounding board, which the board of directors applies to when having to make significant decisions. The advisors who are members of the advisory board do not have any authority to make decisions by themselves. The advisors' effect is restricted to providing the board of directors with a recommendation. Moreover, instituting advisory boards has shown itself to be a good step for several family-owned enterprises, as it still allows calling for external recommendations and talents without the fear of losing control to a supervisory board. Even though advisory boards encourage independent input regarding management issues, and monitor items similar to those wrestled with by the supervisory board, the recommendation of an advisory board is a no-strings-attached statement and the advisory board has no financial decision-making abilities. Advisory boards can aid, teach and direct family-owned-enterprise managers on several of the identical control matters faced by the supervisory boards, while actual decisions are handed to the board of directors in the form of suggestions rather than practices to implement (Verbruggen, 2012).

6.2. The Supervisory Board

Supervisory board heads are increasingly struggling to fulfill their roles in dealing with apparently conflicting control requests (such as a focus on independence, distance and prevention of administrative opportunism) and their services (i.e. focus on dependence, proximity and value creation) (Forbes and Milliken 1999; Van Hamel et al. 1998;

Sundaramurthy and Lewis 2003). The supervisory board chairs operate independently in a gray area where they have non-executive positions. Unchanged demographic data suggest that companies are still looking for a chairman of the supervisory board with the identical background and demographic profile, while the necessity for improvements can produce occasions for executive search companies (Bezemer, P., J., Peji, S., C., Maasen, G., F., Halder, V., H., 2012).

When it comes to accounts, the main stockholder has a duty of accurate reporting not only to the family and the board of directors, but also to the other stakeholders such as the personnel. A significant factor here is that the advisory board does not have formal decision-making authority. An advisory board's establishment is easier which implies that it is cheap (Verbruggen, 2012).

6.3. Board of Directors

The board of directors is necessary for a corporate framework and deals with juridical liabilities and jobs. In the beginning, the board may be in existence in name only or be made up solely of family members, however, when the family-owned enterprise is professionalized, a working board can be founded with both family and unaffiliated directors. The functions of the board are to reflect the shareholders' interests and to hold governance accountable for the success of the family-owned enterprise via the set up of long-termed policy and choosing and setting up of indemnity for top governance. All these factors of management have a tendency to be evolutive in a family business and develop over an extended period of time in order to deal with expansion, transformation, and expansion of the family and business network (Wiley, J., 2014). The existence of a management committee extend its decision making and planning roles to a larger group in the company which provides transparency, appreciation and more strategic vision for accumulating intangible skills and competencies (Zornoza et al., 2020).

The board is the foundation stone of good corporate governance and has a role as an intermediary between the family and the business. The value of independent managers is more recognized, particularly where they provide strategic, legal, corporate governance and financial abilities. Family businesses with independent directors state that it is an advantage to improve the dynamics of the Board of Directors, thereby adding increased discipline, planning, strategic focus and structure to the Board meetings (William., A., 2014).

The framework, role and combination of the board of directors differs from one family-owned enterprise to another. These are generally identified by the size~~,~~ and complexity of the business and the maturity of the family. In the first years of family-owned enterprises, many family-owned firms generate a board of directors to harmonize with juridical necessity. This is a “paper board,” its aim is generally restricted to approving the firm’s fiscal activities, pay dividends, and other activities that are necessary because mandated by law. These boards generally come together about twice a year and their meetings take a short time. The board usually consists of family members and several reliable non-family managers. The firm’s owners can also be managers and board directors. As a result, roles are complicated, causing disagreement and inability to monitor the firm and its strategic decisions. When the family-owned enterprise becomes more complex, it is required to depend upon the board to actively participate in more significant issues, such as regulating the firm’s strategy and analyzing its governance performance. These duties require the board to come together more often and to have the required experience and independence to challenge the firm’s governance. This is when the family-owned enterprise board becomes well-organized, in focus, and open to external independent managers. Most of the family-owned enterprises constitute an advisory board that complements the abilities and qualities of their current managers. At this stage, the advisory board works with the firm’s board of directors and senior governance in order to identify key strategic matters which affect the business (International Finance Corporation, 2011).

6.3.1. The Roles of the Board of Directors

The main duties of a good working board of directors are to determine the detailed strategy of the company; audit the governance performance; provide that a proper corporate management framework subrogate contains an enduring control environment, adequately revealing stages, and has a sufficient minority stockholder protection mechanism. The board of a family business should contribute to the business’ value, not merely simulate activities already conducted by other bodies of the firm. For instance, the board should lead, but not be included in the day by day governance of the firm, as this is essentially the duty of the firm's governance. Furthermore, managers should have the required resources and independence in order to review and challenge the decisions and other activities carried out by the governance and/or family members. Some of the major duties allocated to the board of directors involve:

- Securing senior governance sequence,
- Ensuring the availability of financial sources,
- Ensuring of the firm's interior controls and risk governance systems,
- Reporting to the owners and other related parties (International Finance Corporation, 2011).

6.3.2. Structure of the Board of Directors

The structure and magnitude of the board of directors will depend on the magnitude and complexity of the company's operations. The benefits of a smaller board size involve enhances productivity, as managers will have much better opportunities for relating, listening to one another, and keeping the debates on track. Moreover, it is easier to arrange board meetings and to attain a working majority for a smaller group in comparison with a larger one. In electing their managers, family-owned enterprises should focus on individuals who will contribute to the business's value and hire people with the required abilities in the areas of strategy and/or governance and be able to correct operational mistakes. Moreover, a profitable selection of managers focuses on their maximum contribution to the firm rather than deciding whether they appertain to the family or not. However, family-owned enterprises tend to have boards that are nearly completely populated by family members (International Finance Corporation, 2011). Qualified managers have personal characteristics and professional qualifications that affect their businesses and employees' motivations. Good managers behave fairly toward their employees and their fair manner also contributes to a healthy decision-making process for the business. Thus, good managers contribute to sustaining their businesses' longevity. The following table shows what good managers should have;

Table 6.1. Good Managers' Personal Characters and Professional Qualifications. (International Finance Corporation, 2011)

Personal Character	Professional Qualifications
• Mature and accountable • Teamwork skill • Good communication abilities • Leadership abilities • Strong analytical abilities • Courage, self-confidence and skill for challenging other managers, family members, and senior directors	• Industry experience • Suitable business judgement • Expertise and abilities in relevant areas (to be defined by the firm). These could involve: Strategy; Marketing; Law; Finance and Accounting; Risk Governance and Interior Control; Human Resources; and Corporate Governance • Practical ties and relationships

6.3.3. Directors' Responsibilities

Directors are elected by the firm stockholders and are assumed to act in the best interests of the business and to practice care in doing so. Below are the principal tasks of directors (International Finance Corporation, 2011):

Duty of Care: Before decision-making, managers must have a sensible attitude and make a believably good effort in order to analyze and take into consideration all relevant and material information available. Under the duty of care, managers must:

- Carefully consider any material knowledge available to them before making any decisions,
- Act with diligence and proficiency,
- Make decisions on an informed and cautious basis,
- Participate regularly in meetings of the board, prepare for these meetings, and use these preparations to influence the planned changes.

Duty of Loyalty: When directors perform their duties, they must be loyal to the firm, putting this faithfulness ahead of other interests. Managers cannot take personal advantage of any actions taken on behalf of the firm. Under the duty of loyalty, managers must:

- Put the interests of the firm above any private and other interests,
- Immediately reveal any conflicts of interest which could disturb the regular work of the board,

- Refrain from voting on issues that could include a personal conflict of interest (International Finance Corporation, 2011).

6.4. Independent Directors

An independent director should be free of bonds to governance, family, and others that could affect her/his judgement. In reality, however, when the board members are selected, many family-owned enterprises reserve the right to a seat on the board to family's members and in some situations to well-trusted non-family directors. The implementation is usually used to protect family control of its business. However, the lack of outside independent managers may make it difficult for the board of a family-owned enterprise to get the information and expertise that it is missing. Independent managers will certainly challenge the family opinions and provide greater discipline to board meetings. Moreover, the existence of independent managers during board meetings will hinder family members wasting valuable time on family matters and instead focus attention on the business strategy. Independent managers function as buffers between family members in order to prevent conflicting opinions on business matters. Having independent directors brings certain advantages:

- Bringing in an outside point of view on control and strategy,
- Addition of new abilities and information which the company may not have,
- Exercising an impartial, independent opinion different from the family's,
- Making recruitment and promotion decisions independent of the family bonds,
- Acting as an equilibrium factor among the family members and, in some instances, serving as impartial judges of conflicts between family-member directors,
- Utilizing their experience from their business experience and relationships (International Finance Corporation, 2011).

6.5. Family Business Top Management

Senior managers are a fundamental part of the family-owned enterprise management framework and their experience directly influences the firm's performance and family wealth. Senior directors are adept at implementing the strategical direction regulated by the board of directors and managing daily operations of the company. Having the right directors at the top of the firm is a key factor in family-owned enterprise success (International Finance Corporation, 2011).

6.5.1. Non-Family Managers vs. Family

Even if all family members are good directors, they cannot possess the expert abilities and specialties that a growing and more complex firm needs. Successful business families realize that over the long run, some family members retire, and will be replaced by talented and professional outsiders (International Finance Corporation, 2011). Non-family managers with close connections to the family perform better and it lasts longer in family businesses (Waldkirch, M., 2020). Ensuring that the family business possesses the right senior directors is a period that begins early, even as early as during the constituent(s) level of the family-owned enterprise. Some steps of this period are:

- Observation of the organizational framework, in conflict with the current and proper roles and liabilities (compared to equivalent firms) of each senior director,
- Planning a formal organizational framework that clearly describes the liabilities, and roles of all senior directors. This is grounded on the firm's current and future requirements of business operations,
- Evaluating the abilities and qualifications of the current senior governance grounded on the new organizational framework,
- Replacing and recruiting senior directors,
- Decentralizing the decision period and confirmation stages as required. Decision-making powers are connected to the liabilities or roles of directors and not to their bonds to the family,
- Establishing a family employment policy and in doing so with a scope applicable to all family members,
- Improving an internal training program that permits talented employees to be prepared for undertaking senior appointments in the future,

- Establishing a remuneration system that supplies the right encouragement to all directors depending on their performance and not their bonds to the family (International Finance Corporation, 2011).

7. CORPORATE GOVERNANCE STRUCTURE AND APPLICATIONS IN THE FAMILY BUSINESS

Globalization is presenting new business opportunities, expansion and diversity for family-owned shipping enterprises, which are growing into complex corporations. This expansion goes hand in hand with many new directions, which means that the family-owned shipping enterprises must adapt their management mechanisms - such as increasing separation of ownership and governance, the inclusion of new generations within the firm, or adding a growing number of non-family directors. As a result, ownership, control, ownership dilution and management systems that bring order to the separation of ownership and control have been ever increasingly recommended in research over the past two decades. Corporate governance structure brings many different regulations and variables for the board of directors' mechanism of family shipping businesses. These regulations of corporate governance structure contribute a disciplined form of management for shipping family businesses' board of directors. This disciplinary approach to management also affects all components (financial, marketing, technical, etc.) of the company.

7.1. Definition of Corporate Governance

Agency and Stewardship Theory are both common tools used to research ownership and governance in family-owned enterprises and comprehend family-owned enterprises' performance and goals. Since many family-owned enterprises' are characterized by a stewardship-oriented culture, there will be more emphasis on this concept within corporate management. Especially, corporate management is divisible into corporate governance framework and corporate governance process. Governance frameworks, which involve ownership framework and board framework, are intended to discipline the behavior of corporate management actors (owners, directors and executive management). Governance processes indicate the interaction of management actors depending upon management frameworks (Sarbah, A., Xiao, W., 2015). As a consequence, management frameworks affect the effectiveness of the management process and company performance.

Corporate governance as the collection of control methods that an organization adopts to avoid or turn aside potentially self-interested directors from engaging in activities harmful to the prosperity of stockholders and stakeholders. At the least, the control system is composed of a board of directors to monitor governance and an exterior auditor to state an opinion on the credibility of financial statements. However, management systems are affected by a much broader group of stakeholders involving owners of the company, creditors, labor unions, customers, suppliers, investment analysts, the media, and regulators (Larcker, D., F., Tayan, B., 2016).

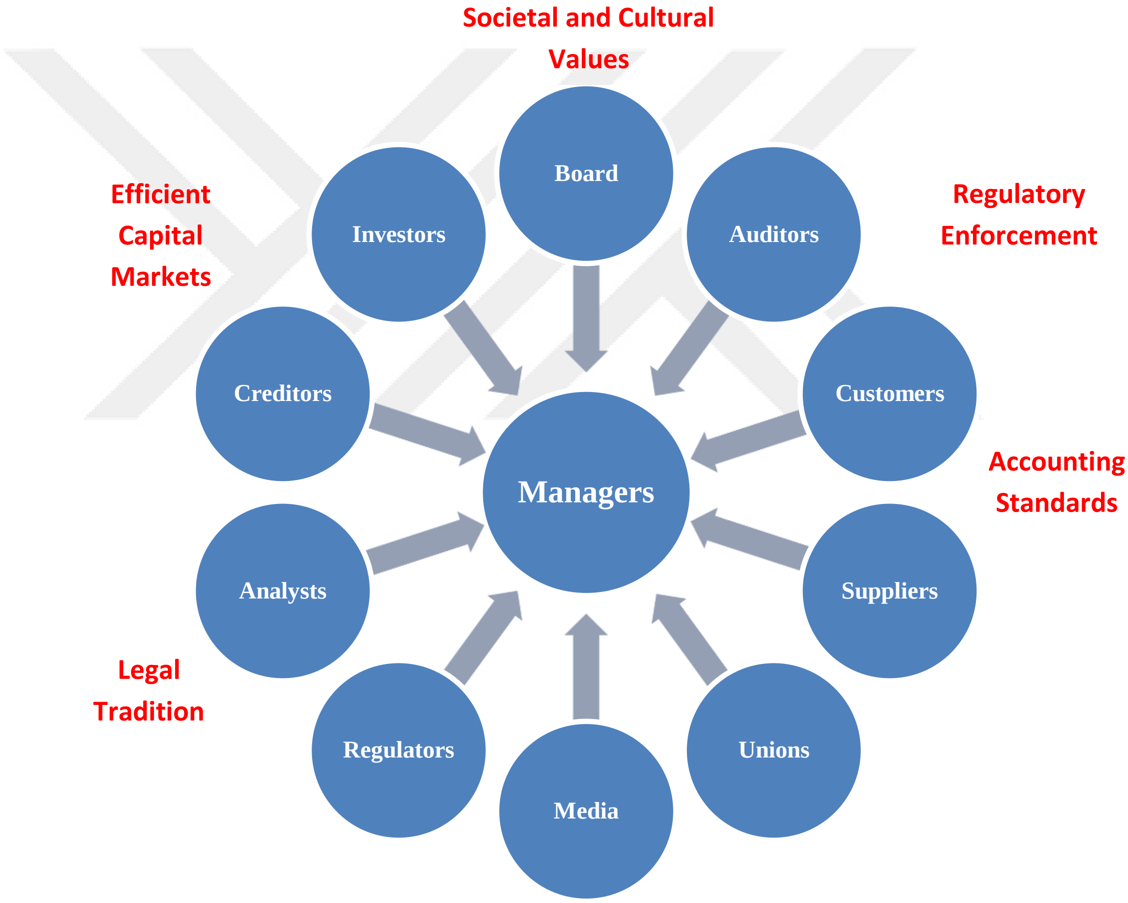

Figure 7.1. Chosen Factors and Participants in Corporate Management Systems (Chart Prepared by Larcker, D., F., and Tayan, B., 2011).

For a management system to be economically effective, it should diminish agency costs more than the costs of the practice. However, because practice costs are greater than zero, even the best corporate management system will not make the cost of the agency problem disappear exactly. Consequently, this agency problem arises in the relations between stockholders and directors.

The framework of the management system also depends on the principal orientation of the company and the role that the company plays in society. From a stakeholder perspective (the point of view that the organization has a communal liability beyond increasing stockholder worth), efficient management should support policies that generate steady and safe employment, provide an agreeable standard of living to workers, reduce the risk for debt holders, and develop the community and environment. The management system that maximizes stockholder worth may not be similar to the one that maximizes stakeholder worth. A broad set of exterior forces that vary across nations also affects the framework of the management system. These involve the efficiency of local capital markets, legal tradition, the credibility of accounting standards, regulatory sanction, and societal and cultural worth. These forces serve as an exterior disciplining system on administrative behavior. Their relative effectiveness designates the scope to which additional monitoring systems are necessary (Larcker, D., F., Tayan, B., 2016).

An efficient model of corporate management has two necessities: one micro and one macro. At the micro stage, the management model requires to warrant that the company's operation, as a productive organization, is governed towards the achievement of its objectives (Keasey, K., Thompson, S., and Wright, M., 2005).

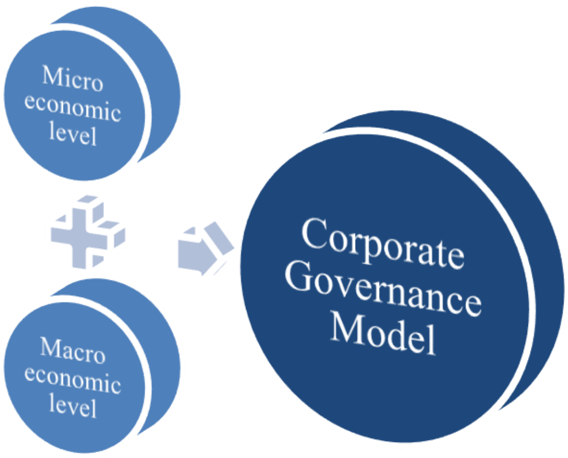

Figure 7.2. Stages of Corporate Governance
(Keasey, K., Thompson, S., and Wright, M., 2005)

At the macroeconomic stage, financing the corporate operation, either through equity or debt, savings are directed to productive operations, the return on which will designate the national welfare (Keasey, K., Thompson, S., and Wright, M., 2005). Several corporate management systems, both interior and exterior, have been improved to address the agency problem and successful organizational aims. The synthesis of Board of Directors (BoDs), its committee framework, its dependence, the controlling of top governance by BoDs, shared ownership by managers and directors, ownership concentration between stockholders, and the quality of auditors are the most significant and ordinary interior management systems. Also, it has been supposed that in case that CEOs belong to the founding company's family, it turns out to be a favorable interior management system as agency debates among the top governance and the stockholders have a tendency to decrease in the case of family-run companies. (Jensen, M., C., and Meckling, W., H., 1976).

Table 7.1. Corporate Management Systems (Syriopoulos, T., and Tsatsaronis, M., 2011)

Internal	**External**
• Ownership concentration between shareholders • Shared ownership by directors and executives • CEOs belonging to the constituent family • Director's Board • Controlling of top governance by BoDs • Independence of directors • Auditors' Quality	• Regulatory Mechanisms • Markets strength (capital, product and factor market) • The market for corporate auditing (mergers & acquisitions) • Controlling ~~of~~ top governance by exterior stakeholders • Minority rights of stockholders

Corporate management in the maritime industry focuses on interior control forces, and especially on the correlation between financial or corporate performance and fundamental interior control systems which involve a concentration of ownership, an entity of CEOs directly concerning the founding/owner family and entity and independence of the BoDs. Generally, it has been found that there is a positive relationship between the adoption of interior corporate management implementations and financial performance, whereas the findings are in conflict only relative to the independence of the board (Giannakopoulou, E., N., Thalassinos, E., I., Stamatopoulos, T., V.,2015).

7.1.1. Agency Theory

Agency problems take place as a consequence of unfinished and asymmetric information when daily governance is outsourced by owners (principals) to professional directors (agents). In compliance with agency theory, agency expenditures arise because of personal self-interest and decision making depending upon rational thinking directed toward options. Decision-making is participated in by more people, such as through the dispersal of governance and ownership, agency expenditures happen because of different options and knowledge asymmetries among the owner (principal) and the employed governance (agent) (Jensen, M., C., Meckling, W., H., 1976). Agency theory defines the agency relationship where one party, the administrator, delegates work to another party, the agent. The agency relationship can have several drawbacks relating to the opportunism or self-interest of the agent; for instance, the agent may not act in the best interests of the administrator, or the agent may not act only partially in the best interests of the administrator. Family companies, in which family cooperation takes place, are based on common trust and common interests. These businesses are in many cases different from non-family companies where a formal governance structure is not required and is unproductive (Jensen, M., C., Meckling, W., H., 1976).

7.1.2. Stakeholder Theory

An alternative for the dominant stockholder model, which stems from agency theory, is the stakeholder model (Huse, M., and Rindova, V., P., 2001). The stakeholder theory supposes equivalent attention to the interests of all the stakeholders. Next to stockholders also suppliers, customers, employees, the environment and the local community take advantage of a well managed corporate framework (Donaldson, L., and Davis, J., H., 1994). An independent supervisory board has a significant role as an intermediary among different stakeholders and giving advice towards the governance (Verbruggen, J., 2012). Stakeholders are rated with a board of directors, with an appropriate experience, independence and mix of skills, providing a continuous and understandable assessment of the firm’s expectations and position (Chukwunedu, O., S., Ofoegbu, G., N., 2018).

7.1.3. Stewardship Theory

The stewardship theory takes into consideration directors as stewards of the firm, who are focused on the collective and are driven by the need that the firm performs perfectly in all aspects (Donaldson, L., and Davis, J., H., 1994). In opposition to the agency theory, the behaviour of the directors is not only directed through opportunistic intentions. In the stewardship vision, the directors have the occasions but also the trust of the owner to be free to show 100% volunteering in order to work for the organization. The supervisory board members should function as mentors instead of monitoring, and collaborate in strategy implementation and formulation (Schulze, W., Lubatkin, M., H., Dino, R., N., 2003).

7.2. Corporate Governance and Board Structures

The effectiveness of board is at the center of good corporate governance (Chukwunedu, O., S., Ofoegbu, G., N., 2018). The board of directors and the supervisory board are two legal authorities (Hopt, K., J., and Leyens, P., C.,2004). A Board of Directors consists of directors, executive directors, or internal directors. The supervisory board consists of independent members of the business, commission members, or non-executive members, also called external directors (Maassen, G., Bosch, F., A., J., 1999).

Board independence refers to the desire to bring a high degree of rigor and impartiality in evaluating a firm's management and reviewing its plans and recommendations (Chukwunedu, O., S., Ofoegbu, G., N., 2018). The independence of the supervisory boards has a significant role in order to succeed in efficient corporate management. The more independent the supervisory board is the more efficient is the monitoring function of the board. There is for instance evidence that an independent supervisory board is able to discharge a CEO who is not operating well (Fich and Shivdasani, 2006). The family businesses have a lack of the independent board of directors structure approach about adopting and implementing an independent supervisory board approach. Because of this, family businesses face difficulties during their objective decision-making processes in order to succeed in the transition to corporate governance structure due to the necessity of providing sustainability for their businesses.

7.3. Corporate Governance in Family Businesses

Growing in a competitive environment and globalization bring more challenges for family companies. Corporate governance is an important and critical opportunity for the improvement of family companies. Applying good governance allows family businesses to build strong business processes and prepare for their future growth. Corporate governance structure forces family businesses to be more accountable and transparent in their operations, leading to opportunities for their expansion, developed performance, and financing (Williams, A., 2014).

7.3.1. Transformation of Family-owned Enterprises

To comprehend the progress of the family-owned enterprise and the movement of the three subsystems through a sequence of phases over time has converted the circle model into an improvement model, as illustrated in figure 8.1. (Gersick, K., E., Lansberg, I., Desjardins, M., Dunn, B., 1999). The subsystems are segmented over three axes in this model. In addition to the improvements in the family, figure 8.1. also indicates the development of family ownership and family-owned enterprise over time.

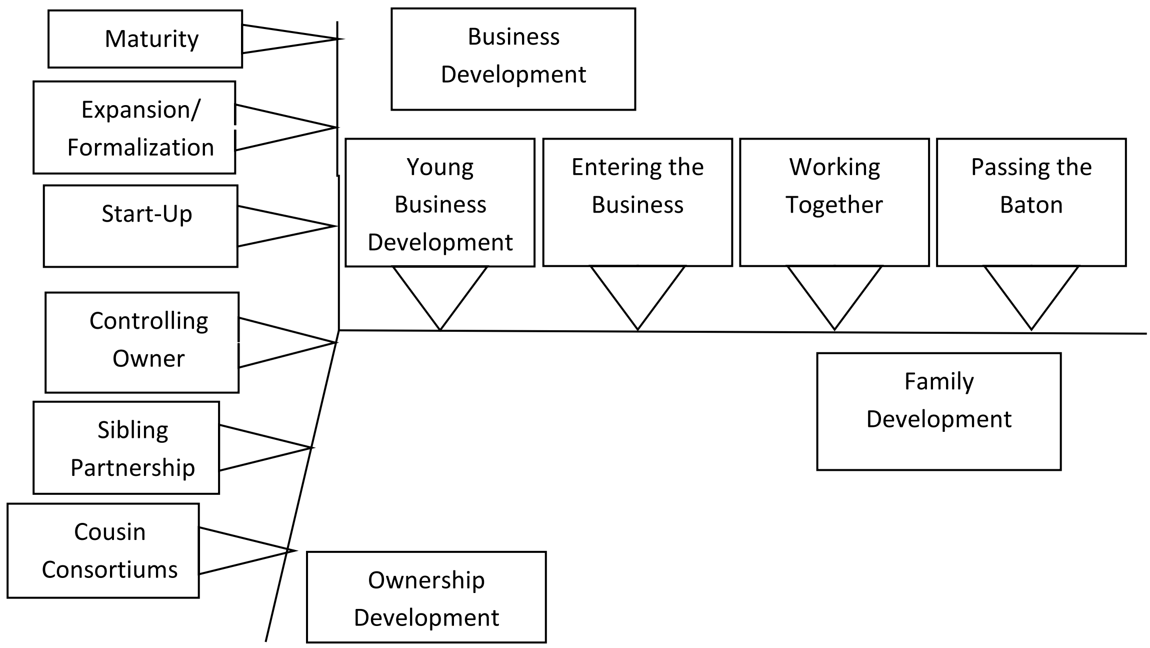

Figure 7. 3. Development Model (Gersick et al., 1999).

Ownership improvement has a significant role in the implementation of management frameworks within family-owned businesses. The improvement of these phases is a monitored period. Additionally, this is significant in managing these periods effectually in order to enhance the chances of family-owned enterprises' sustainability. Since the business improves by moving from a controlling owner to a sibling partnership and to a cousin consortium, the family members' number is growing (Gersick et al.1999). Many firms are struggling with a determined framework since they find it difficult to find a structure that also suits the culture, guidelines and values of the family-owned enterprises. The culture is generated through the beliefs, values and aims held by the family, and is embedded in the history of the company and the social relationships among the family members. The professional and personal membership roles disappear over time and the culture is passed on from generation to generation (Hall et al., 2001).

7.3.2. The Importance of Corporate Governance for Family Businesses

Increasing growth and globalization has brought several challenges to family-owned enterprises and several of these challenges can be overcome by adopting sound corporate management frameworks. As the family-owned enterprises grow, the relation between the owners, directors and employees becomes more complicated. To be able to deal with such matters, a good corporate management system puts in place the right policies in order to manage such complexity. The following principles of corporate management must be adhered to in the family-owned enterprise:

- Shareholder recognition is characterized as a key to the protection of the firm's stock price. However, small stockholders with little effect on the stock price are often brushed aside to concentrate on the interests of majority stockholders and administrative boards. Good corporate governance seeks to make sure that all stockholders get a voice at general meetings and are permitted to attend.
- Stakeholder interests should be recognized by corporate management. Especially, taking the time in order to address non-stockholder stakeholders can aid the family firm to establish a positive relationship with the community and the press.

- Board liabilities must be overtly outlined to majority stockholders. All board members must be on a similar page and share a similar vision for the future of the firm.
- Violations of ethical behaviour in favour of higher profits can lead to massive civil and legal difficulties down the road. Underpaying and abusing outsourced employees or skirting around loose environmental regulations can come back and inconvenience the firm hard if disregarded. A code of conduct concerning ethical decisions should be established for all board members.
- Business transparency is the key to elevating stockholder confidence. Financial records, profitability reports and forward guidance should be indicated without exaggeration or the use of "creative" accounting (Sarbah, A., Xiao, W., 2015).

Good corporate governance, therefore, builds up and clarifies the activities of the family-owned enterprise while developing its competition capacity. Suitable functioning and transparency of the roles and liabilities of all organs in the company are in the interest of the owners, other stakeholders and the entire firm. It is fundamental family-owned enterprises where the roles and liabilities of the distinct owners, operative directors and the family are clear and that they are jointly described and accepted. Family-owned enterprises also have a particular attitude to utilizing the organs of corporate management ~~in~~. In family-owned enterprises, jointly accepted corporate management implementations act as concrete tools for improving and controlling business activities. For example, the owners are informed of their several ownership roles and effect; the board of directors and the governing manager have their own overtly defined roles and liabilities, as do the council of owners. The overtly defined corporate management of family-owned enterprises also generates added worth to those activities with exterior stakeholders, for example, in financial and investment processes (Sarbah, A., Xiao, W., 2015).

8. SUCCESSION PLANNING OF THE SUCCESSFUL SHIPPING FAMILY BUSINESSES

The maritime business is an industrial sector much diversified from traditional service sectors because it is a capital-intensive business of the high-risk stage, where financial power is a presupposition for remaining in the industry over time. The maritime companies' operations are becoming reality at an ever-increasingly globalized scale, where the highly competitive global market needs the right long-term strategies and decisions for the company to remain competitive (Randoy, T. 2001). When we look at this high-risk industry family-owned enterprises need special attention for the development of the sector.

8.1. Maritime Businesses and Family-owned Enterprises

Shipping companies have been discussed in order to get competitive benefits from the integration of "national" characteristics (interior environment) and "international" characteristics (exterior environment) of corporate management (Randoy, T. 2001). In several countries with a large maritime sector, family businesses account for the broadest ratio of maritime business. Many of the companies have been free to stay family-owned for decades despite high risk, volatility and capital intensity. Furthermore, several family shipping businesses worldwide have become varied and have expanded into new industries, such as offshore and oil field services. Generally, the positive claims made on behalf of a high degree of family ownership in shipping firms could be long-term investments, altruism and high volatility. On the one hand, the claims against family ownership in the maritime industry would be high capital intensity, high obstacles of access and high risk (Wallevik, B., K., 2009).

In corporate governance research, concentrated ownership and block holdings have been central matters due to the probability of the majority stockholders exploiting the minority stockholders in family businesses. The description of concentrated ownership may differ from country to country based on the legal environment, the stage of investor protection and the size of companies (Villalonga, B., and Amit, R., 2006).

8.2. Corporate Governance in Maritime Business

Regarding the first corporate governance mechanism, the presence of CEOs associated with the founding or owner family appears to have a positive effect on the company’s financial performance. The third corporate governance mechanism, namely the attitudes regarding the independence level of the Board members, contradicts the idea that the independence of the Board may have a negative effect on the financial performance of the shipping companies. However, for a firm operating in a highly competitive sector, a smaller level of independent Board Member is more appropriate as the firm is already monitored by the market itself (Bhagat, S., and Black, B., S., 2002).

Corporate governance in the maritime sector focuses exclusively on internal control forces and the relationship between financial or corporate performance and the main internal control mechanisms, including the existence of CEOs directly associated with the founder/owner family and the presence and independence of the Boards.

The family shipping businesses require plans in order to sustain their businesses successfully. The succession of future planning has included various dimensions to implement for the business. These dimensions bring some questions and determine the shipping family businesses’ future aims and affect their visions. The succession planning process affects especially financial and managerial dimensions of the shipping family businesses. The financial and managerial regulations require the implementation of succession planning and determine the successful transition of the business to the new generations.

Dylan Barret's work comes to the fore in Effective Family Succession Planning. Barret asked the most basic questions in terms of ideal planning for passing an inheritance to the next generation in the form he put forward in his study.

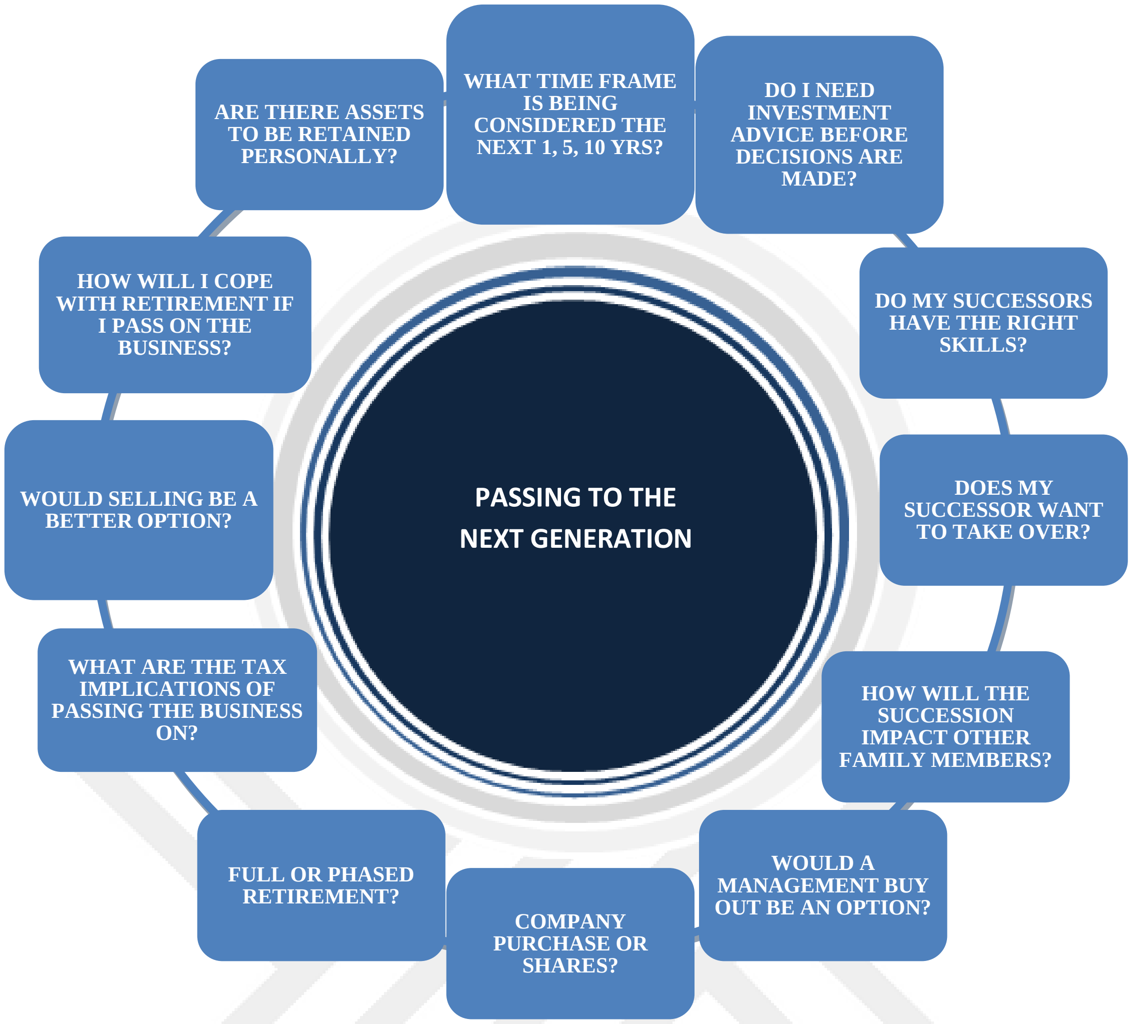

Figure 8.1. Passing To The Next Generation From Saint & Co. Chartered Accountants (Effective Family Succession Planning & Governance (Barrett, D., 2016).

The first step to creating a vision for shipping family managers is to determine the aims and objectives of the company.

8.3. Determining of the Goals and Objectives

Determining the aims and objectives necessary to implement a vision of shipping family businesses is about concerns regarding their future sustainability. Aims and objectives include the following dimensions:

- Evaluate the current succession plan and the suitability of achieving desirable aims.
- Improve a collective vision, objectives, and aims for the business.
- Determine the significance of continued family involvement in ownership and leadership of the firm, however, consider the alternative, bringing in professional governance.

- Set personal retirement aims and cash flow requirements of retiring family owners.
- Determine the aims of next-generation governance, both business and personal.
- Select and keep a team of professional advisers (Evans, M., 2013).

It is imperative for every company, to establish a decision-making process.

8.4. Setting a Decision Making Process

The Decision-making process determines the succession planning validity and this process requires instituting a procedure in order to provide effective management periods for the shipping family businesses:

- Determine and establish management periods for involving family members in decision-making,
- Establish a procedure for debate resolution, if required,
- Document the succession plan in writing,
- Communicate a succession plan to stakeholders/family (Evans, M., 2013).

In order to lead the shipping family enterprises for the third generation, some effective measures for providing succession planning should be taken.

8.5. Family Shipping Business Succession Planning

Family-owned shipping enterprises are starting to recognize that a lack of family management frameworks can be the biggest reason for disagreement, especially when it comes to succession. Particularly, explicit criteria for selection of the family members that are to lead the business, and well-thought-out structured management and clarity for those not directly included, are becoming significant, especially as family-owned shipping enterprises move into the third generation. Successful family-owned shipping enterprises are the outcome of years of hard work and devotion. To pass on this success, corporate management needs to be made part of every culture of family-owned shipping enterprises (Williams, A., 2014). Some steps to implement succession planning for the family shipping business are as follows:

- Determine successors - both directors of the firm and owners of the business,

- Determine non-active and active roles for family members,
- Determine necessary additional support for the successor from family members (Evans, M., 2013).

8.6. Determining the Business Owner Estate

Business owner estate planning provides management of the necessary tax regulations in order to protect the family shipping businesses from negative conditions such as divorce, death, etc. Some measures to provide business owner estate planning are as follows:

- Address any tax implications for the business owner regarding sale or transfer of ownership, divorce, or death,
- Evaluate the owner's estate planning in order to deal with any tax issues and prevent delays in the transfer of stock to remaining spouse or owners,
- Generate a sell/buy agreement that is equitable, reflective of the worth of the business, and minimizes taxes (Evans, M., 2013).

As a family business grows, the need for expansion of the management level emerges.

8.7. Managing Expansion

As family-owned shipping enterprises grow, the relationship between directors, owners and employees becomes more complex. A well-functioning corporate management mechanism puts the right policies in place to manage this complexity. Corporate management generates a solid organizational framework that explains roles, reports lines and enablement of liability. Corporate management also draws a line between governance and ownership, and distinguishes policy direction from the day to day running of the firm (Williams, A., 2014). One of the most important factors for the successful management of family companies in the maritime sector is to employ qualified personnel and to have a promotion system that will motivate the employees. Well-managed family companies grow in the sector by purchasing other companies, and this inevitably results in the expansion of the management level.

8.8. Promotion and Recruitment

Recruitment and human capital governance are the main elements in a family-owned shipping enterprise's long-lasting success. A management method that ensures clear guidelines for employing non-family or family members and objective performance-based promotion is fundamental for the continuity of the business. Generally, the first-generation shipping family-owned enterprises are managed by the constituents and other family members, and this may be sustained in the second generation. These businesses usually face the challenge of employing impressively good experts to supposed governance positions and then face even greater challenges in retaining such qualified professionals. Relations between family directors and non-family professionals must be carefully crafted to sustain a well-functioning governance team and lead the firm to success (Williams, A., 2014). Selfishness is human nature. Especially in companies, people want to accumulate power~~s~~ as they rise to effective management positions. Over time, they move away from teamwork without realizing it. However, working by establishing consensus at all management levels should be seen as the key to successful companies.

8.9. Building Consensus and Gathering Data

The current ownership needs to seek input from its advisory team, such as advisors, lawyers, and accountants, and the parties targeted to be the next generation of ownership, and other affected stakeholders to warrant that the Family Business Continuity Plan (FBCP) will be well-received and precisely practiced. The Family Business Continuity Plan should involve the following:

- A vision for the family and the business,
- A family mission explanation,
- A strategic summary of the firm's position in the market that describes its strengths, weaknesses, opportunities and potential threats,
- A set of planned revenues, earnings and net value for the next three to five years,
- A project for the transition of ownership and the monitoring of this by specified family members, which involves a clearly described timetable, explanations of liability and power, and an organizational framework,

- The preparation of the project may include the input of an advisory board or the formation of a succession-planning duty force. Gathering all the details needed by the FBCP is hard work. Much documentation and dialogue, and usually even the approval of third parties, such as main customers, or suppliers (to the extent that the success of the business is dependent upon these relations), lenders are necessary (Andrew, J., S., Dickstein S., M., and Oshinsky, L., P., 2002).

It is imperative that family businesses carry out their work on a legal basis and especially with regard to commercial laws. In order to prevent mistakes that may lead to legal difficulties in the future, a legal audit is required for company activities.

8.10. Legal Audit

In a legal audit, the firm’s governance team meets with corporate advisors to negotiate strategic projects and goals, evaluate key documents and records, and determine and analyze current and designed legal requirements of the firm. The legal audit also lays the fundament for the establishment of an existing legal observance and prevention program to make certain that the firm’s aims, framework and existing operations are in compliance with the latest improvements in business and corporate law. The legal audit aids directors in determining the legal matters brought about by changes in strategies, aims, or objectives and permits the planning for the legal duties that must be accomplished as a result of the matters identified (Andrew J., S., Dickstein S., M., and Oshinsky L.P., 2002). One of the main factors in planning the future succession of the head/heads of the family shipping business is sustainability and growth. It is not easy for family companies that do not have a growth target, to survive until the 3rd generation.

8.11. Sustainability and Growth

Family-owned shipping enterprises usually have intimate histories and complicated cultures that are hard for outsiders to comprehend. Families today are usually more complex and less traditional than they once were (Evans, M., 2013).

Family-owned shipping enterprises have many other factors that work against the successful continuance of the business. Luckily, with focus and planning most of these can be overcome by paying attention to the details. Key issues involve:

- Generational transition: A third of all shipping family-owned enterprises successfully make the transition to the second generation,
- Alignment of family interests: Alignment of interests between current owners and others becomes more evident as members retire and transfer the controls to the new generation, while at the same time looking to the firm for their retirement income,
- Balancing of financial returns: Designing buy-out deals is challenging. When the retiring generation looks at the worth of their interest, they usually have a tendency to look to a balance sheet number. The true worth of a business should probably be based upon a gaining capitalization model, a concept unconventional to many smaller shipping family-owned businesses,
- Interfamily disputes: It may be that one family member’s interests cannot be aligned with those of another family member’s. These circumstances can become even harder where there is, for instance, the divorce of a family owner or a death and the surviving spouse possesses stock (and voting rights) however is not included in the running of the business,
- Estate and Inheritance Matters: These involve taxes and probate delays upon the death of a family owner (Evans, M., 2013).
- On the other hand, protecting family harmony is a key issue in sustaining the successful planning of the future of the family business. Family members can have interpersonal debates on the running of the firm. A steady management mechanism aids in analyzing such debates among family members by allowing them to focus on other key matters (Williams, A., 2014).

Another important issue is the role of the Board of Directors, especially in a strictly family shipping business environment.

8.12. The Role of the Board of Directors

The board forms the main basis for corporate governance and will act as an intermediary between family and business. The value of independent managers has become more accepted as they bring with them strategic, corporate governance, legal and financial talents. Family firms with independent directors cite the improved dynamics of the Board as an advantage because they can add increased planning, discipline, strategic focus and structure to Board meetings. Non-family external investors have an impact on forming the governance of family businesses. The essential difficulty in the governance of family-owned businesses is in the presence of an additional layer of complexity brought by the owned / controlling family to the business (Williams, A., 2014). For a well-organized family shipping business, “succession planning” is a vitally important issue.

8.13. Succession Planning

Open criteria for the selection of family members to manage the business, and well-thought-out structured governance and transparency for those who are not directly involved, become even more important as the family business moves to the third generation. A succession plan ensures that the business improves and facilitates leadership changes in a progressive, planned and non-disruptive manner, reassuring employees, shareholders, customers and other stakeholders of the longevity of the business while maintaining the business’s reputation and brand value (Williams, A., 2014). One of the paths to reaching optimal succession planning is ensuring fairness. This key element relies on “trust” which is the most important factor in the economy.

8.14. Ensuring Justice

Clear decision making and methods that ensure justice in assessment, rewarding both family and non-family employees are the main instruments in preventing stresses and increasing the firm’s reputation. Many shipping family companies in the region adopt corporate management in order to assure their longevity. In the past few years, several companies have taken the initiative in adopting official policy frameworks and structures for efficient management (Williams, A., 2014).

Family ownership can be seen as a threat or a boon, depending upon a few elements. Family ownership and loyalty to the business can be comprehended as adding worth, on the condition that the firm and the family being audited can reply to the concerns of the investor community. Investors, like both creditors and stockholders, can look with mistrust on family-controlled firms, due to the risk of the controlling family possibly misusing the rights of other stockholders. Investors are most likely to forensically and intensively "dissect" such firms before taking the plunge and investing. From an investor's point of view, the key is to establish the right corporate management situations so that the positive aspects of family ownership are paired with guarantees that investor interests will be recognized and addressed (Williams, A., 2014).

8.15. Corporate Reorganization and Restructuring

The legal audit period should focus on how family members' current ownership framework will influence the strategies existing under the Family Business Continuity Plan. For instance, does the current ownership framework inhibit or limit, either by agreement or by charter, the choices that would otherwise exist? Unless there is a valid legal, tax or financial reason to do so, family members may want to take into consideration restructuring to permit maximum flexibility. On a related matter, does the current ownership framework enable "creative" solutions to the practice of the FBCP? For instance, if family members' children have diversified skills and interests - or, worse yet, are feuding - does the current ownership framework give family members the choice to transfer different components of the business to different siblings? One of the family members' two sons has an engineering background and the other is in marketing and sales; despite the diversified backgrounds, there is a potential for debate in the event of co-ownership. Family members could restructure the firm now in order to set up separate ownership of the manufacturing and distribution functions of the business, which permits these separate business units to evolve before their exit (Andrew, J., S., Dickstein, S., M., and Oshinsky L.P., 2002).

For almost all of the family shipping businesses, it is highly necessary to determine a transition plan to evaluate the financial conditions and beneficiaries of the family members.

8.16. Determining a Transition Plan

The transition plan includes the shipping family businesses' financial sources, the interest of family members, and talent and willingness of the next generation for the business. The factors of a transition plan for family shipping businesses' sustainability are as follows:

- Take into consideration choices: outright purchase, present/bequest, or an integration of these,
- Take into consideration choices: outright purchase gift/bequest, or an integration of these,
- If the business is to be purchased, take into consideration financial choices involving financing from an external party or self-financed by the retiring owners on a differing payout basis,
- Establish a timeline for the implementation of the succession plan,
- Not every shipping family-owned enterprise will survive and several do fail primarily because of differing family interests and the talent of the next generation to expand the businesses. However, implementing these plans will save money and time and will aid in, and warrant the sustained success of the family-owned shipping business (Evans, M., 2013).

9. RESULTS OF THE ANALYSES

In order to reach meaningful results the Fishbone Diagram has been applied to the issue of family shipping business longevity and PESTLE analysis of the transition of shipping companies from family business to corporate governance is used in the study.

9.1. The Fishbone (Ishikawa) Diagram of Family Shipping Business Longevity

The Fishbone Diagram is an analysis method used to determine the main causes of quality problems. This diagram's usage was pioneered by Kaoru Ishikawa, a Japanese quality control statistician in the 1960s (Juran, J. M., 1999). The diagram, which looks like a fish's skeleton, provides a systematic way of analyzing the causes, and the effects which they have generated. It can also be considered a cause - and - effect diagram (Watson, G., 2004). The Fishbone Diagram can identify the risks of the causes and sub-causes of the effect. The diagram can be completed with quantitative and qualitative appraisals by the coding of the risks (Ilie, G., Ciocoiu, C. N., 2010).

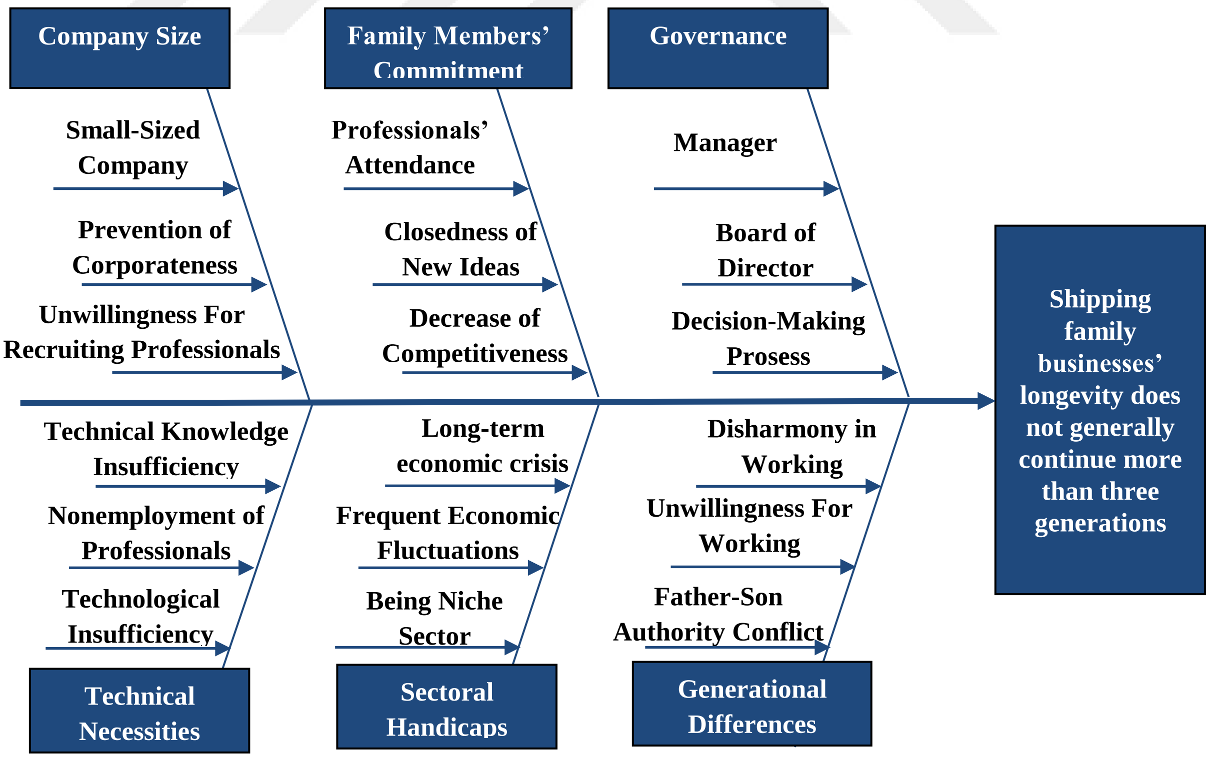

Figure 9.1. Fishbone Diagram of Family Shipping Business Longevity

According to the above fishbone diagram, family shipping businesses have various disadvantages especially regarding governance, family members' commitment, technical necessities and generational differences. Family members' commitment has negative effects on the governance of the family businesses because family members' emotional bond with each other prevents them joining with professionals who have no ties with family members in the board of directors' decision-making process. This situation leads to avoiding innovative approaches that would lead to the improvement of the family shipping businesses. Technical necessities have also a significant role in shipping growth. The lack of professional knowledge for the technical issues of the shipping family businesses causes financial damages and negatively affects business longevity. Generational differences about doing and unwillingness for the business also affect family shipping businesses' future sustainability. For these reasons, a family shipping businesses' longevity does not generally last more than three-generations.

The Fishbone Diagram has six main causes (governance, family members' commitment, company size, generational differences, sectorial handicaps, technical necessities), eighteen secondary causes, three for six main causes. Governance, family members' commitment, and technical necessities are the most important causes from the beginning of the diagram axis until the its end. The diagram was prepared according to certain conditions, meaning that the quality of governance affects the family members' commitment, and company size, and technical requirements depend on these three causes. Sectorial handicaps also affect the generational differences. The main and secondary causes were done by observing that they represent the main causes considered during the process (governance, family members' commitment, company size, generational differences, etc.), while for the secondary causes (manager, professionals' focus, prevention of corporateness, long-term economic crisis, etc.) was observed for them to be as close as possible on the image of the cause and effect. This Fishbone Diagram has shown that the transition to a corporation is the most important threshold of family shipping businesses. As a result of this, the shipping family businesses could not extend their longevity past the third generations.

By applying the Fishbone diagram, we have seen how important the transition to corporate governance is for the family shipping business. If it is understood that the life of family companies cannot go beyond three-generations unless a corporate governance structure is instituted (or adopted) this issue should be examined scientifically in order to proceed with corporate governance. The method which is preferred for this is a simple implementation of PESTLE.

9.2. PESTLE Analysis of Transition of Shipping Companies from Family Business to Corporate Governance

The abbreviation PESTLE means Political, Economical, Sociological, Technological, Legal and Environmental analysis of any issue. In this thesis, PESTLE Analysis was used to evaluate the transition of shipping companies from family business to corporate governance. The subject is examined according to the main titles mentioned in PESTLE.

Political: The Turkish maritime sector has 480 national flag vessels with 3.838.219 deadweight tonnes. It has also 5.760 foreign flag vessels with 145.077.019 deadweight tonnes. There are 6.240 total fleets with 148.915.238 deadweight tonnes (Turkish Ministry of Transportation and Infrastructure, Shipping Statistics, 2019). Just as other governments worldwide the Turkish government also levies a heavy tax on vessels which is why the Turkish maritime sector prefers their vessels to also sail under foreign flags. The Turkish maritime sector also does not receive government incentives because this issue may negatively affect both the Turkish maritime sector and Turkish economic development.

Economical: Political aspects can adversely affect the economic development of the Turkish maritime sector due to interest on loans, taxes, and banking and insurance transaction taxes. These issues also affect the international trade of the Turkish maritime sector negatively. The Turkish public *s*pending power index is 67 and the national Gross Domestic Product (GDP) growth rate is 2,8 % annually in 2018 (The Turkish Statistical Institute, Gross Domestic Product (GDP) 2018, The Turkish Statistical Institute, Purchasing Power Parity, 2019). These rates depend on all of the Turkish sector's growth rates; thus, when the Turkish maritime sector grows, these rates are also affected positively. When shipping companies transform from family business to corporate governance, it is expected that this development will contribute to growth in both the maritime sector and the Turkish economy as a whole.

Unlike the shipping industry, for example, government incentives and supports provided for investments in the automotive industry are described below.

- **Tax Deducation:** The government contribution to the investor is applied at a discounted rate until the income or corporate tax reaches the contribution amount determined for the investment.
- **VAT Exemption:** Within the scope of the incentive certificate, the investment to be procured domestically and abroad is the value added tax exemption for financial machinery and equipment.
- **Customs Tax Exemption:** Within this scope of the incentive certificate, it is the payment of customs tax for machinery and equipment to be obtained from abroad.
- **Insurance Premium Employer's Share Support:** Insurance premium to be paid for additional employment provided by the scope of the incentive certificate, employer the portion of the premium corresponding to the minimum wage is met by the Ministry.
- **Income Tax Withholding Support:** The scope of the incentive certificate shall be subject to the income tax withholding determined for additional employment provided by the investment.
- **Insurance Premium (Workers' Share) Support:** Insurance premium to be paid for additional employment provided by investment within the scope of the incentive certificate the part of the premium corresponding to the minimum wage is met by the Ministry.
- **Interest Support:** Interest support is a loan provided for at least one year investment loans used within the scope of the incentive certificate. It has financial support and a certain part of the interest or profit share of the loan used for investment is met by the Ministry.
- **Investment Location Allocation:** Procedures and principles determined by the Ministry of Treasury and Finance for investments with incentive certificate is to provide investment places up to 49 years (The Presidential Investment Office, 2018).

Sociological: The maritime sector needs well-educated and qualified personnel in order to develop in Turkey. For this reason, an educated society contributes indirectly to provide well-educated personnel to the maritime industry. Developing the maritime sector can result in shipping companies being transformed from family business to corporate governance. For the sake of their sustainability, family shipping businesses should be open to training by professionals.

Technological: Technology is one of the most significant factors contributing to the Turkish maritime sector's development. Technology can also provide a competitive environment and allow for the technological development of the maritime sector in the world for the Turkish shipping companies. The Turkish maritime sector requires technological development and innovations in order to improve. That is why technological projects should be developed for the maritime sector in Turkey. In the Turkish maritime sector, personnel adaptation to the new technology and practical training is also very important.

Legal: Corporate governance requires that the shipping companies obey the rules and laws. These rules and laws and works are also very detailed. When shipping companies transform from family business to corporate governance, they must regulate their businesses accordingly and comply with these rules and laws. These regulations can also help the development of the Turkish maritime sector.

Environmental: Shipping companies should be consciousness of their environmental impact in order to protect the environment. That is why they should have an ISO 14001 environmental protection certificate and also an ISO 9001 certificate in order to provide quality for the maritime sector. Strictly obeying International Safety Management (ISM) measures is also compulsory and necessary for company prestige. Shipping companies should also have ethical values and rules to protect their employees' rights. Corporate governance attaches importance to ethical values and rules.

10. RESULTS AND DISCUSSION

There are various dimensions and reasons for the transition from family shipping business to corporate governance relating to the need to provide sustainability for their businesses. The internal and external factors of the businesses constitute the differences in the ways of doing business between generations. Corporate governance structure could bring new regulations and solutions for maintaining family shipping business longevity. Family shipping businesses could improve their business by implementing the necessary corporate governance structures to sustain their businesses in the next generations.

According to interviews with family shipping businesses of different sizes, they have similarities and differences regarding various dimensions. Trustworthy business relationships affect their credibility. Open-mindedness towards innovations and technical developments brings professional contributions to the family shipping businesses' sustainability. The decision-making processes and structures of the board of directors in the family shipping businesses interviewed differ as stated in the table below. The table below examines the similarities and differences of the AKO Shipping Group, Turkon Holding, Arkas Holding, and YASA Holding, which are interviewed by their managers.

Table 10.1. Similarities & Differences of the Companies (AKO Shipping Group, TURKON Holding, ARKAS Holding, YASA Holding).

Similarities	Differences
• Variety of management types from family to family. • Recruiting professionals for the company's technical department and the need to them for growing family businesses. • A relationship of trust between professionals and family members. • Open-mindedness of the third-generation for innovation, technology, education and development. • The need for family members' extensive knowledge about the business and auditing by the professionals. • Reducing the emotionality of family members by the transition of the family shipping business to corporate governance. • Balancing the relationships between the family members' emotionality and professionalism and harmonizing any internal rivalry. Contribution of vision and innovation for family businesses by the transition to corporate governance. • Holding the majority of shares determining who the decision-maker is. • Accepting the maritime ability and spirit of family members. • Economical sensitivity towards the maritime sector when facing crisis. • Different generations, different approaches towards business.	• Different approaches to professionals' participation in the board of directors between family businesses and corporate companies. • Different approaches from family to family on growing issues. • Different preferences between shipping family businesses and corporate companies on risk assessment. • Different approaches to the organizations' sustainability between family shipping businesses and corporate companies. • Different attitudes to management between family shipping businesses and corporate companies. • Radically different approaches regarding the commitment of family members between family shipping businesses and corporate companies. • Different approaches to credibility between family shipping businesses and corporate companies. • Different approaches on short-medium and long terms growth planning between family shipping businesses and corporate companies.

In the Fishbone Diagram Analyzing Method, the problem of family shipping businesses' longevity not generally lasting more than three-generations has six main causes and eighteen secondary causes. These six factors are listed according to their importance, as listed below.

1. Governance: This is the first main cause which includes secondary causes such as manager, the board of directors and decision-making process.

2. Family member commitment: This is the second main cause which includes secondary causes such as the entry of professionals, closed mindedness towards new ideas and a decrease of in competitiveness.

3. Company size: This is the third main cause which includes secondary causes such as small-sized companies, failing to become corporations and an unwillingness to recruit professionals.

4. Generational differences: This is the fourth main cause which includes secondary causes such as father-son conflict, unwillingness to work and disharmony in the work-place.

5. Sectorial handicaps: This is the fifth main cause which includes secondary causes such as being a niche sector, frequent economic fluctuations and long-term economic crises.

6. Technical necessities: This is the sixth main cause which includes secondary causes such as technological insufficiency, non-employment of professionals and insufficient technical knowledge.

In this Fishbone Diagram, the six main causes depend on and affect each other. Governance affects family members' commitment which also affects company size. Generational differences affect sectorial handicaps which also affect technical necessities. Governance which is the first main cause affects the other five main causes because the governance cause has a regulatory role in the other five main causes. If governance can be regulated properly, this regulation can affect the other five main causes positively. That is why governance also affects the eighteen secondary factors. These six factors can, in a sense, be considered components of a puzzle. If one part of the puzzle is missing, its integrity is broken, and family shipping businesses have less chance of success (Çetin et al., 2020).

In this thesis, the discussion is based on two hypotheses, which are "shipping family businesses' longevity does not generally continue more than three-generations" and "corporate governance structure has positive effects on shipping family businesses' longevity."

There are some similarities and differences between the four typical companies. Firstly, the similar views of four typical companies were analyzed.

• **Variety of management types from family to family**: Different family structures have diversified managerial structures.

- **Recruiting professionals into the company's technical department and their necessity in growing family businesses:** Family shipping businesses require professionals to avoid technical inadequacies and also to enlarge their businesses.
- **Trusted relationships between professionals and family members:** Family members want to trust the professionals in order to be able to do business with them.
- **Open-mindedness in the third generation towards innovations, technology, education and developments:** The third generation is more open-minded about new developments and ideas than the second generation.
- **The necessity of family members being knowledgeable regarding the business and professional auditing:** Family members have to know their businesses and monitor the professionals.
- **Reducing the emotionality of family members during the transition from a family shipping business to corporate governance:** Corporate governance structure can prevent emotionality and conflicts among family members.
- **A Contribution of vision and innovation to family businesses transition to corporate governance:** Corporate governance brings different perspectives towards vision, technological and innovational issues.
- **The decision-maker is determined by the holder of the majority of shares:** The financially strong members of the family members are the parties that are most effective in the management decision-making process.
- **Balancing the relationships between the family members' emotionality and professionalism and harmonizing the competition:** Shipping companies should balance the relationship between professionals and family members in order to harmonize the competition.
- **Having the maritime ability and spirit of family members:** Family members of shipping companies have maritime ability and spirit.
- **Economical sensitivity of the maritime sector:** When facing a crisis the maritime sector is severely affected by the economic developments.
- **Different business approaches between generations**: Business mentalities vary from generation to generation.

- Secondly, the different views of four typical companies were analyzed.

- **Different approaches regarding professionals' participation on the board of directors between family businesses and corporate companies:** While family shipping businesses generally do not want the professionals to attend meetings of the board of directors, corporate companies always accept the participation of professionals in their meetings.

- **Different approaches from family to family on growing issues:** While some family businesses prefer to protect their investments in order not to struggle when facing an economic crisis, some family businesses prefer to grow by the transition to corporate governance.

- **Different preferences between shipping family businesses and corporate companies on risk assessment:** Shipping family businesses and corporate companies have diversified risk plans.

- **Different approaches to the organizations' sustainability between shipping family businesses and corporate companies:** While some shipping family businesses do not want the transition to corporate governance structure, while other shipping companies prefer the transition to corporate governance in order to provide sustainability.

- **Different opinions regarding managerial behaviour between shipping family businesses and corporate companies:** Family shipping businesses and corporate shipping companies have different plans for managerial issues.

- **Radically different approaches between family shipping businesses and corporate companies regarding the commitment of family members:** While family shipping businesses want to continue their family members' commitment from generation to generation for their business operations, corporate shipping companies do not support this form of commitment to ensuring the longevity of the businesses'.

- **Different approaches to credibility between shipping family businesses and corporate companies:** Business prestige mentality is different between family shipping businesses and corporate shipping companies.

- **Different approaches to short-medium and long terms growth planning between shipping family businesses and corporate companies:** These four typical companies have different growth planning in order to sustain their businesses.

The Fishbone Diagram was used to analyze interview results in more detail and helped to determine the main and secondary causes of family shipping businesses' longevity problems. New solutions and recommendations are adopted for family shipping business sustainability.

The first main cause that affects the shipping family businesses' longevity is governance and the secondary causes are the manager, board of directors and decision-making processes. Managers affect the board of directors and their decision-making process. When the board of directors' managers are family members, the decision-making process includes only family members' decisions. That is why professionals cannot participate in managerial decisions and are unable to contribute to developing new ideas for business management.

The second main cause is family members' commitment and the secondary causes are professionals' attendance, being new idea generation, and a decrease in competition Family members' commitment generally prevents professionals attending to the business which is why shipping family businesses cannot be open to new ideas. As a result of this, family businesses' competitiveness may decrease.

The third main cause is the company size, and the secondary causes are small-sized companies, rejection of corporate status and unwillingness for to recruit professionals. Small-sized shipping family businesses generally do not prefer to grow their businesses. This approach leads to preventing family shipping businesses from becoming corporations and it also causes an unwillingness to recruit professionals for family shipping businesses.

The fourth main cause is generational differences and the secondary causes are father-son ~~a~~uthority conflicts, unwillingness to work and collaboration difficulties. Father-son authority conflicts leads to the new generations' unwillingness to work and also to disharmony in working. When the father does not want to quit the job, this discourages the son.

The fifth main cause is sectorial handicaps and its secondary causes are being a niche-sector, frequent economic fluctuations, and long-term economic crises. Sectorial handicaps lead to being a niche sector and they also cause frequent economic fluctuations. They also have long-term economic crises.

The sixth main cause is technical necessities and the secondary causes are technological insufficiency, non-employment of professionals and technical knowledge insufficiency. Technical necessities are derived from technological insufficiency. Technological insufficiency is derived from non-employment of professionals which causes technical knowledge insufficiency.

Governance is the first main cause in that its regulation affects all other causes due to it being the most important factor for all shipping companies. As a result of this Fishbone Diagram analysis, the most important main cause is governance and its effects spread to other main and secondary causes in a domino effect.

According to the interviews with shipping family businesses, any organization that adopts innovative approaches required by the era determines success and ethical values as its mission and vision, and uses its economic gains for the needs and developments of the company, can become a sustainable corporate structure.

According to the PESTLE Analysis, shipping industry does not have government incentives and enough financial aids about variable dimensions such as tax deducation, VAT exemption, customs tax exemption, insurance premium employer’s share support, income tax withholding support, insurance premium (workers’ share) support, interest support, investment location allocation etc. as an automotive industry.

11. CONCLUSION AND RECOMMENDATIONS

The problem was determined by examining the structures of family companies that need to address their current needs and concerns regarding the sustainability of family businesses and sustainability after the third-generation. This thesis has been studied in order to find out whether corporate governance is a solution to this problem identified in family shipping businesses. From this point on, examining the structures of family businesses and corporate companies, direct interviews were conducted with the managers of related well-known Turkish shipping companies. The Fishbone (Ishikawa) Diagram was applied to the analysis of the problem identified regarding shipping family businesses' longevity. These research components generally conclude that the negative and positive effects are the main causes to sustain the shipping family businesses' continuity. The main reasons for the problems in family businesses are the emotional commitment of family members and it has an adverse effect on the board of directors and competition, the generation gap between family members, the problem experienced in transferring information between generations, the technical knowledge transfer being dependent on the information of family members, and technological inadequacies.

The corporate governance structure is necessary to keep the balance between the family members and to prevent conflicts. Both shipping family businesses and corporate companies must have short, medium and long-term planning obligations. Technology, innovation and R & D activities can be achieved through the best corporate governance structure. Corporate governance is also necessary in order to balance currency, modernity and values, as well as to obtain sufficient profit. It is also inevitable if growth is targeted. The suitability of professional management systems is important. Sustainability can be achieved through the corporate governance structure. From the third generation on, family businesses lose their special qualities. However, the third generations of shipping family businesses are more open-minded than the second generations about commencing new projects and having more societies.

This thesis includes two hypotheses, the first of which is shipping family businesses' longevity does not generally continue for more than three-generations. The second one is that corporate governance structure has positive effects on family shipping businesses' longevity. According to the first hypothesis, many family shipping businesses suffer from certain insufficiencies of several dimensions, such as in their management style, technical requirements etc. Family members' emotional commitment leads to negative effects when employing professionals. Also, father-son authority conflicts and generational disharmony in working together etc. are a few of the other factors causing difficulties for family business developments. A consequence of the first hypothesis put forth that these factors make family shipping businesses' transition to the third generation difficult. More precisely it is understood that family shipping businesses' longevity does not generally continue for more than three generations.

According to the second hypothesis, the corporate governance structure imposes necessary and unavoidable changes leading to the improvement of shipping family businesses' structures, especially regarding their board of directors. These initiatives ensure that professionals have a voice on the board of directors of family shipping businesses. In addition, corporate governance requirements motivate family shipping businesses to get help from professionals in technical matters. Corporate governance structure is necessary for the economic development of family shipping businesses in order to increase their competitiveness in an increasingly competitive environment within the country and globally. When all these factors are examined, the result is the putting forth of the second hypothesis that the adoption of a corporate governance structure is absolutely and unescapably necessary for family shipping businesses in order to provide sustainability and longevity.

In conclusion, the corporate governance structure can provide development in six dimensions (political, economic, sociological, technological, legal, and environmental) for the maritime sector. Corporate governance can also prevent the father-son conflict of family members and disharmony in the working of generations. When family shipping businesses move to corporate governance, the transition can reduce the effects of economic fluctuations in the shipping family businesses and it can also prevent technical knowledge insufficiency. All of these factors depend on each other, that is why the transition of shipping companies from the family business model to corporate governance will become unavoidable within the next five to the ten years. Shipping family businesses that adopt innovative approaches will enable new generations to work actively to add new values to their businesses.

In light of this research, corporate governance structure is necessary in family shipping businesses in order to ensure the companies' sustainability and longevity for future generations. Family shipping businesses also need an open-minded approach to the competitive business environment in order to develop their businesses.

ANNEXES: Interviews with the Major Turkish Family Shipping Business Companies

Annex-1: Interview Questions

Annex-2: Interview with the AKO Shipping Group

Annex-3: Interview with TURKON Holding

Annex-4: Interview with ARKAS Holding

Annex-5: Interview with YASA Holding

Annex 6: Results of the Interviews with Shipping Groups

Annex-1: Interview Questions

Question 1: In family shipping businesses, the strength of the emotional commitment of family members can be recognized by the fact that non-family managers participating in family management may restrict their participation in management decisions. In light of these observations, is it possible that such a situation would prevent the shipping company from adopting a professional management form? What approaches should family shipping businesses choose in terms of the company's sustainability?

Question 2: Is it possible to reduce the resistance to factors such as increasing competition in the maritime sector, economic conditions, and external capital supply due to the commitment among family members of shipping family businesses?

Question 3: Given the factors listed above, if the management, the owner, or owners, of the shipping company make the wrong decisions on behalf of the company, will the company's strength and future be endangered?

Question 4: How can the evaluation of the sustainability of family businesses, which generally begin to deteriorate after the third generation, affect the future of family shipping businesses?

Question 5: The style of management and the amount of capital held by family shipping businesses are seen as two of the most important components for the sustainability of the shipping company and its transfer to the third generation. If family shipping businesses have accepted the need for corporate governance, can the value dependence among family members be harmed when they are passed down, and how can this possibility affect the sustainability of the shipping company?

Question 6: Can the difficulties that family shipping businesses have when they transfer their knowledge and experience to new generations be reduced by transforming the company into a corporate structure?

Question 7: What could be the main problems that family shipping businesses face if their companies are transformed into a corporate structure in order to maintain their durability?

Question 8: It is recognized that family shipping businesses, through their development of the maritime industry, have made significant contributions to the social and economic development of the world. How does the corporate governance of shipping family businesses influence this development?

Question 9: Is it fair to say that the preservation of a strong commitment to the family values of family shipping businesses that have been transferred from generation to generation has increased the durability of the companies and made them more stable than the corporate companies in the maritime sector?

Question 10: In the maritime sector, it is considered that sufficiency in technical knowledge is as important as transferring managerial experiences from generation to generation. Can the corporate governance of family shipping businesses increase the sufficiency of technical knowledge?

Question 11: Do you make 3 or 5 year plans for the future of your company?

Annex-2: Interview with the AKO Shipping Group

The first company to be interviewed is AKO Shipping Group (Arif Kalkavan Oğulları Denizcilik Grubu) and the interviewee is Mine Kalkavan, one of the company Directors. AKO Shipping Group was established in 1955. AKO Shipping Group has three companies: AKOShipping Co., Arkal Shipmanagement Co. and Cesur Cebi Kaptanoglu Shipping Co. Eight general cargo ships, with a total deadweight capacity of 66,115 tons are operated entirely by the AKO Shipping Group. In Yalova, the company has a 50,000 square meter landing shipyard and is responsible for maintenance and repair of new construction and ships up to 30,000 dwt.

Question 1: In family shipping businesses, the strength of the emotional commitment of family members can be recognized by the fact that non-family managers participating in family management may restrict their participation in management decisions. In light of these observations, is it possible that such a situation would prevent the shipping company from adopting a professional management form? What approaches should family shipping businesses choose in terms of the company's sustainability?

Professional managers and family members have different ways of doing business. Professional managers are usually planning according to the conditions of the day, while family members are planning by looking ahead 5 to 10 years. In AKO Shipping Group, there is professional personnel, but this personnel is not on the board of directors. This professional personnel is composed of company staff such as the technical director, the chartering officer and the authority connecting the vessels. As a family business, AKO Shipping Group trusts themselves and can manage the economic crises that arise. As a company, they take lessons from management mistakes and they themselves develop the management of the economic crisis by looking at the consequences of wrong decisions taken at the time of crisis. Company management varies from family to family, and professionalism in the management process of the family is very important. It is also important how the family reflects returns the income to the company. For example, the corporate income is used to invest capital either for the family or for the company. As AKO Shipping Group, the company's profits are allotted both to the company and to the family, but the investments allotted to the family are also used for the company when necessary. As a company, they are trying, for the sake of sustainability, to avoid accumulating too much debt. In the previous crisis, the company was highly indebted, so in the next period, it was decided to keep earnings as company capital. In short, avoiding too much borrowing as a company and not putting private expenditure before the company's priorities are two of the most important aspects of their company's sustainability. As the number of family members increases, conflicts over the company's priorities may arise, so a professional manager should be appointed for the family's board of directors. In particular, shipping family businesses that put their own interests before those of the company need professional consultants. As AKO Shipping Group, we always put the company's priorities – before our own expenses, that's why until now a professional manager in the board of directors was not needed.

Question 2: Is it possible to reduce the resistance to factors such as increasing competition in the maritime sector, economic conditions, and external capital supply due to the commitment among family members of shipping family businesses?

The main goal is to do what will benefit of our company, that's why there is no damage to the relationships between family members in times of tough competition and economic conditions. Our company, our bankers, attorneys, and friendships with other companies in the sector, and our shared experiences, can meet the professional consulting needs of our company. A professional manager can be taken on board, but sometimes the high cost can affect our company's development negatively. We are able to balance emotional management in our company because it is very important to maintain the ongoing system for the benefit of the company and all of us.

Question 3: Given the factors listed above, if the management, the owner, or owners, of the shipping company make the wrong decisions on behalf of the company, will the company's strength and future be endangered?

Incorrect decisions that may be taken by the owner or owners of the company in management can jeopardize the company's endurance and future. We make decisions together on the board of directors in order not to damage the relations between our family members. For this reason, if the outcome is bad, nobody blames anyone and thus we can prevent emotionality among our family members. In the economic crisis, our company did laid off 100 personnel and mothballed 5 ships. However, the professional management personnel said that in the economic crisis, we should cover our debts by selling the ships instead of just mooring them. While professional advisors are generally able to think financially today, our family business has chosen to restructure our debt by talking to the banks. If the banks give credit, their confidence increases when they see the family. For this reason, the relationship of trust that our company has established with the banks is more important than the need for professionals. As AKO Shipping Group company, when we are growing more in volume the third-generation may need professionals in management to increase the efficiency of work. For this reason, it will become clear in the next 10-15 years whether our company needs professional consultants.

Question 4: How can the evaluation of the sustainability of family businesses, which generally begin to deteriorate after the third generation, affect the future of family shipping businesses?

The third generation is generally a generation that is open to innovations and advice. For this reason, the sustainability of the third-generation depends on the family structure. For the sustainability of the third-generation, it may be beneficial to have some professional managers on the board of directors. However, family members need to know their job well and keep an eye on the professionals. If family members cannot supervise the work done by professionals, and cannot analyze their results, they cannot control their own companies, so that this problem may cause the company's bankruptcy. If the third generation is unable to maintain the company's sustainability, it is necessary to merge the company with a corporate firm or sell it to a corporate firm.

Question 5: The style of management and the amount of capital held by family shipping businesses are seen as two of the most important components for the sustainability of the shipping company and its transfer to the third generation. If family shipping businesses have accepted the need for corporate governance, can the value dependence among family members be harmed when they are passed down, and how can this possibility affect the sustainability of the shipping company?

The corporate governance structure reduces the emotionality in the family business. However, as our company, we own our crew even if we are partnered with a corporate firm. Our company can maintain its sustainability by borrowing through its commercial relationships, by not delaying the salaries of our crew, and by always retaining ownership of our crew. However, corporate governance can contribute to our company in terms of financial and vision and can teach international knowledge. As AKO Shipping Group, we have an open educational structure and strive to balance and manage emotions. At the same time, the experience of our family members reduces the personalization of events by increasing professionalism. However, in some family businesses, especially father-son authority conflict can occur. The reason for this is usually the second generation of authority is concerned because the father does not want to stop working, so the children may feel they do not ‘own’ the business.

Question 6: Can the difficulties that family shipping businesses have when they transfer their knowledge and experience to new generations be reduced by transforming the company into a corporate structure?

There are emotional ties in family businesses, so you cannot teach technical information to family members like a manager or lecturer, because there may be conflict among family members. However, since professional personnel does not have an emotional connection with family members, they can better teach and communicate technical information to new generations.

Question 7: What could be the main problems that family shipping businesses face if their companies are transformed into a corporate structure in order to maintain their durability?

As our board of directors includes our family members, decisions taken in technical or other units of our company will have to pass through the approval process of our board of directors, so our company will not be adversely affected when it becomes a corporate structure. The availability of professional managers on the family’s board of directors is linked to the financial situation of the family. If the majority of family shares have been sold to a corporate firm, there will be more professional managers and fewer family members on the company’s board of directors. However, if the family and the new generation are financially strong, and the family wants to have a majority right in the company, the family’s board of directors will receive few or no professional managers. In such a case, the majority will be in the family and there will be no conflict. In short, in both cases, joint decisions are taken, decisions of the majority apply. As AKO Shipping Group, we may want to transfer to corporate governance for our company considering the need for capital, the desire for growth and the potential of the new generation.

Question 8: It is recognized that family shipping businesses, through their development of the maritime industry, have made significant contributions to the social and economic development of the world. How does the corporate governance of shipping family businesses influence this development?

Maritime business is not only learned by teaching, but it is also a genetic ability. this reason, but this ability will always contribute to the social and economic development of the world. Corporate governance can provide a professional perspective on decisions to be taken on the board of directors by providing for the emotional balance of family members, but a completely corporate governance of family shipping businesses can end the life of the companies. For this reason, there should be balanced cooperation within the company between professional managers and family members. The maritime industry can experience an intense and long-term economic crisis every 10-15 years, and it is difficult for corporate companies to remain in such a negative situation long-term. In such long-term crises, the general manager is removed from the company or the company is sold to the corporate firm. However, when we compare family businesses with corporate firms, family businesses have a more flexible approach to economic crises. For example, as AKO Shipping Group, the personel residences of family members were mortgaged to the banks in order to survive the economic crisis and save our company from harm. However, corporate firms are always profit-oriented and do not use their assets such as family businesses to save the company from harm. However, while very large corporate firms can turn a crisis into an opportunity, medium-sized corporate firms cannot withstand such severe crises.

Question 9: Is it fair to say that the preservation of a strong commitment to the family values of family shipping businesses that have been transferred from generation to generation has increased the durability of the companies and made them more stable than the corporate companies in the maritime sector?

As a family business, a family structure that maintains a strong link between family members and establishes a balanced relationship with professional personnel is in a more advantageous position in the maritime industry. In short, to be an advantageous company in the maritime sector depends on the family structure and business intelligence and financial management skills which are certainly necessary in order to provide advantages in the family business. If family members do not have these skills, then the company should have professional consultants.

Question 10: In the maritime sector, it is considered that sufficiency in technical knowledge is as important as transferring managerial experiences from generation to generation. Can the corporate governance of family shipping businesses increase the sufficiency of technical knowledge?

Corporate governance of family businesses increases technical competence. The technical department and information is the heart of the maritime. It is not always possible for every family member to know technical knowledge very well, so the company must have professional personnel in the technical department. It is very important to have a professional technical manager in the technical department of the company when technical problems of ships occur such as maintenance of ship machinery, and plans for solving the ships' technical troubles, planning what to do when ship maintenance is necessary, and for dealing with engineering information. If the technical director of the company fails to provide good technical guidance, the company may be financially damaged or become bankrupt. In the maritime sector, bankruptcy can occur due to failures in ship maintenance. As AKO Shipping Group, we also have professional personnel in the technical department of our company.

Question 11: Do you make 3 or 5 year plans for the future of your company?

Our company has at least two plans for the future. The first plan is to make investment decisions if the business goes well. The second plan is to avoid too much debt and keep the company's financial losses of property at a minimum if the business gets worse. In the event of an economic crisis, instead of borrowing money from the bank for our company, we make use of our financial possibilities as family members.

Annex-3: Interview with TURKON Holding

The second company interview is TURKON HOLDİNG and the interviewee is Kenan CAVNAR the company's Director of Human Resources. TURKON Holding was established in 1954 by starting shipping operations. Turkey's first private container shipping company, TURKON Line, was founded in 1997. Sedef Shipyard, located in Tuzla in the shipbuilding area, combined with in the TURKON Holding Group in 2001 and established TURKON Holding in 2003. In addition, TURKON Holding counts sea, land and rail transport components within its companies.

Question 1: In family shipping businesses, the strength of the emotional commitment of family members can be recognized by the fact that non-family managers participating in family management may restrict their participation in management decisions. In light of these observations, is it possible that such a situation would prevent the shipping company from adopting a professional management form? What approaches should family shipping businesses choose in terms of the company's sustainability?

Every family business has a constitution. This is written and the describes the values of the family. The family is different from its business practice, the business may be passed from father to son, from father to sister or from brother to sister, and the way of doing business has the goes though a transition process. When the size and financial growth of the business reach a certain point, and family members cannot deal with it on their own, they need to do business with experts. The main point here is the presence of professionals who are involved in growing the business, educated within the family, and trained with the values of the family. These professionals can take a place in the family's first board of directors. However, this situation brings with it the administrative problems in the family. All boards of directors are enriched by different ideas. For this reason, there will be no innovative ideas and synergy in a family's board of directors where only one opinion is held. It seems very difficult for the professionals to participate in the family's first board of directors as these newcomers who have had a career, vision and energy, but have no family ties. Today, the family-owned businesses in Turkey, after the second generation tend to pass to the third and even the fourth-generation. For this reason, family businesses have now begun to appoint professional people to the board of directors from the third generation. However, in the market, in the economic sense, in the sense of growth and strategy, in niche fields such as maritime business, professionals have started to participate in the family's board of directors. This has just begun in the maritime sector, as it has already begun in many different sectors. The emotionality that is more prevalent in the maritime sector needs to be combined with professionalism and competition. When this does not happen, problems arise in the maritime sector, just as they do in like other sectors, about being successful.

Question 2: Is it possible to reduce the resistance to factors such as increasing competition in the maritime sector, economic conditions, and external capital supply due to the commitment among family members of shipping family businesses?

The maritime industry is a business area that is truly a very niche one and the feelings of people involved are heartfelt. The maritime sector is one of the sectors affected by the geopolitical and economic situation of the country and the global crisis. The maritime industry, a sector that contributes to the industry, economy, trade and transportation of our country must follow innovations and competitions more closely. For this reason, domestic entrepreneurs, in other words, professionals, are required in the maritime sector. The number of in-house entrepreneurs (professionals) who will transform the company's interests, growth trends and competitor analyses into professional life as much as the company's ownership, should be increased. There must be mutual trust between professionals and family members. Professionals need to praise the family's past achievements and develop a common language that will explain to family members and the whole organization why change is important and necessary for the company. When there are common values, there is a culture of compromise on both sides and this culture brings success to the company.

Question 3: Given the factors listed above, if the management, the owner, or owners, of the shipping company make the wrong decisions on behalf of the company, will the company's strength and future be endangered?

Incorrect decisions taken by the owner or the owners of the company on the family's board of directors can jeopardize the company's endurance and future. The main point is that there are no specific committees on the board of directors of family companies. Apart from family members, even if the committees, such as the audit, strategy, business development and human resources committees, are not involved on the board of directors, they must act on the information that they can provide to the family when needed. In the maritime industry, large container companies are merging with other big companies because they cannot carry beat the competition. A different issue is that shipyards are trying to come up with a project to set up a consortium. This situation also makes it necessary for the companies to share the mistakes and risks involved in the decisions taken. In the maritime industry, the wrong decisions made by family members on the board of directors of family businesses are bringing serious economic troubles. Companies in the maritime sector are growing very fast. However, growing companies are not successful in sustainability in the maritime sector. For the organization to be sustainable, it needs to be a human resources performance management system, and the board of directors needs to do a good risk analysis by getting information about the risks. Also, family businesses in the maritime sector need to spend time strategically as long as by doing so they spend it on making healthy decisions.

Question 4: How can the evaluation of the sustainability of family businesses, which generally begin to deteriorate after the third generation, affect the future of family shipping businesses?

75% of the companies in Turkey are family businesses. World-wide 12% of family businesses have continued from the second-generation to the third-generation. While this ratio is low all over the world, in the maritime sector in Turkey, the transition of the family businesses from the second-generation to the third-generation also seems to be in critical condition. Despite all the hard conditions, the third-generations of family businesses in the maritime sector are more hopeful for the development of the maritime industry, both in terms of education and having more societies than the second generation. In family businesses in the maritime sector, third generations are also spending more time with professional people and on the company’s strategic development. There are very few innovations in the maritime sector and it is very difficult to compete without new ideas. For this reason, the most important issues that are waiting for the third-generation are an emphasis on innovation, research and development, strategy, marketing and the follow-up of new markets. At the same time, the third generation should identify more customers, better understand customers' needs, and produce customized solutions for each customer. For the family shipping businesses to be successful and sustainable, it is necessary to combine the experiences of the third generation with that of the professional people.

Question 5: The style of management and the amount of capital held by family shipping businesses are seen as two of the most important components for the sustainability of the shipping company and its transfer to the third generation. If family shipping businesses have accepted the need for corporate governance, can the value dependence among family members be harmed when they are passed down, and how can this possibility affect the sustainability of the shipping company?

Every family should have a family constitution. The family constitution consists of three main components. These are the legal rights of family members (inheritance, transfer of powers, rules for selling shares), criteria regarding family members' taking up duties and management structure. Family constitutions must be defined and accepted by all family members. In the absence of a family constitution, there will be domestic conflicts and the continuity of the company is also in danger. The family constitution is the most important of the corporate governance parameters. Family businesses must have a family council. The family council ensures the family members that they can learn what decisions have been taken on the board of directors. The family businesses must define when and how to transfer authority to the next generation and to clearly define the criteria for the duty of family members. For example, large corporate firms like Anadolu Grubu and SABANCI have serious family constitutions.

Question 6: Can the difficulties that family shipping businesses have when they transfer their knowledge and experience to new generations be reduced by transforming the company into a corporate structure?

The difficulties that family shipping businesses may experience when transferring their knowledge and experience to new generations can be reduced by transforming the company into a corporate structure. The entrepreneurial spirit of the family should be harmonized with the experiences of the professionals. Successful family businesses are the ones that do a good job of establishing this harmony. Systems that make efforts to keep information in common, rather than people, are successful. While family businesses are transforming into a corporate structure, they must also be attaching importance to the use of technology and the general agreement of their professional personnel with the decisions taken. Professionals who are partners in decision-making can learn the job faster and take responsibility more quickly. It is also important for family members to be able to use technology to accurately transfer their authority to professionals.

Question 7: What could be the main problems that family shipping businesses face if their companies are transformed into a corporate structure in order to maintain their durability?

In the maritime sector, full corporate governance should not be a real goal. It is necessary to love this business and to be together with the people who carry this spirit in order for it to be a maritime business. For this reason, family businesses must keep a balance in the sector by taking a quick step into corporate governance while protecting the maritime spirit that comes from the family.

Question 8: It is recognized that family shipping businesses, through their development of the maritime industry, have made significant contributions to the social and economic development of the world. How does the corporate governance of shipping family businesses influence this development?

The fact that family businesses are open or closed for development determines the contribution of the businesses to social and economic development in the country and in the world. Whether the family businesses are open to development also determines the elements of competition. Sustainability in a family business that is not open to development is not possible. For this reason, the transition of shipping companies from family business to corporate governance ensures that developments in the world can be monitored more closely. Family shipping businesses using this strategy can follow the outside competitors more closely, make their investments accordingly, and set up their growth strategies by adjusting their financial strength.

Question 9: Is it fair to say that the preservation of a strong commitment to the family values of family shipping businesses that have been transferred from generation to generation has increased the durability of the companies and made them more stable than the corporate companies in the maritime sector?

The corporate governance of shipping family businesses can enhance technical competence. Shipping family businesses need to increase their investments in technology, research and development and innovation. It is also very important that the family members of the shipping family businesses accurately transfer the technical information to other employees and work with professional personnel.

Question 10: In the maritime sector, it is considered that sufficiency in technical knowledge is as important as transferring managerial experiences from generation to generation. Can the corporate governance of family shipping businesses increase the sufficiency of technical knowledge?

The corporate governance of family shipping businesses can enhance technical competence. Family shipping businesses need to increase their investments in technology, research and development, and innovation. It is also very important that the family members of the family shipping businesses accurately transfer the necessary technical information to other employees and work with professional personnel.

Question 11: Do you make 3 or 5 year plans for the future of your company?

As TURKON Holding, we have projects related to corporate governance for the next three to five years and we will be working in this direction.

Annex-4: Interview with the ARKAS Holding

The 3rd company of the interview is ARKAS Holding and the interviewee is Recai Bayramoğlu, the company's Assistant Crew Manager. ARKAS was founded by an importer, Gabriel J. B. Arcas in 1902. In 1944, Lucien Arcas began operating in the field of international transportation under the leadership of Gabriel Arcas. ARKAS today offers logistics services by integrating agency, shipowners, port and sea, land, rail and air transport. ARKAS Holding also operates in many different sectors such as refueling of vessels, automotive, insurance services, information systems and cruise tourism. ARKAS Marine Fleet today is Turkey's largest container ship fleet with 45 vessels. ARKAS Holding's fleet also has seven refueling tanks. Turkey's highest-volume container port handling (annual capacity of 2.3 million TEU), Turkey's first automotive port, Autoport, (annual capacity of 400,000 vehicles) provides services.

Note: Recai Bayramoğlu stated that his views are personal expressions.

Question 1: In family shipping businesses, the strength of the emotional commitment of family members can be recognized by the fact that non-family managers participating in family management may restrict their participation in management decisions. In light of these observations, is it possible that such a situation would prevent the shipping company from adopting a professional management form? What approaches should family shipping businesses choose in terms of the company's sustainability?

In the ARKAS Holding Family, there is a structure giving priority to ethical values and valuing the opinions of personnel who are not family members but are senior managers. ARKAS Holding is a structure that always values ideas and combines these ideas with the research and development department in their analysis of internal and external experiences. This is possible because ARKAS Holding has its own institutional culture and a high-level structure.

Question 2: Is it possible to reduce the resistance to factors such as increasing competition in the maritime sector, economic conditions, and external capital supply due to the commitment among family members of shipping family businesses?

The commitment among family members in family shipping businesses does not necessarily reduce the company’s struggle against factors such as increased competition in the sector, economic conditions and external capital supply. Giving value to senior managers’ ideas and sharing those ideas with high-level directors ensures the corporation continuity and increases its competitive power. ARKAS Holding has a structure that attaches great importance to human beings, its durability in the competitive environment in the maritime sector is also increasing. Giving importance to ethical values in family businesses increases the benefits of the transition to a corporate governance structure.

Question 3: Given the factors listed above, if the management, the owner, or owners, of the shipping company make the wrong decisions on behalf of the company, will the company’s strength and future be endangered?

It is always possible for family businesses to make erroneous decisions on the board of directors. However, experienced consultants and senior executives at ARKAS Holding can certainly avoid making wrong decisions and they make the right decision in a short time. At ARKAS Holding, after a short adaptation period to each branch, the top spot and quality are reached with solid steps. In short, ARKAS Holding’s over 100 years experience, its emphasis on ethical values, and the use of knowledge by experienced people help prevent erroneous decision-making.

Question 4: How can the evaluation of the sustainability of family businesses, which generally begin to deteriorate after the third generation, affect the future of family shipping businesses?

Generally, there are many differences in the family businesses due to the changes in the ways of looking at work and the change of the technological level with the change of the generations. ARKAS Holding has a corporate culture. Since the new generations of the ARKAS Holding family continue with the same training, the same educational direction and the same culture, the training given to them in this corporation is always contemporary with a common synthesis with technology and ethical values. For this reason, it is very important to maintain the family ethics and education for the sustainability of shipping family businesses.

Question 5: The style of management and the amount of capital held by family shipping businesses are seen as two of the most important components for the sustainability of the shipping company and its transfer to the third generation. If family shipping businesses have accepted the need for corporate governance, can the value dependence among family members be harmed when they are passed down, and how can this possibility affect the sustainability of the shipping company?

Over the last 22 years the profile of ARKAS Holding has developed very differently when compared to other companies. The new generations of ARKAS Holding are taking the company far beyond the experience of the older generations. If family shipping businesses can transfer education, training and corporate culture to new generations, the new generations can successfully achieve the sustainability of the company by synthesizing these features with their technology and ethical values. In short, continuing education, ethical values and family ties with these values are the most important characteristics of ARKAS Holding.

Question 6: Can the difficulties that family shipping businesses have when they transfer their knowledge and experience to new generations be reduced by transforming the company into a corporate structure?

The difficulties that family shipping businesses may encounter when transferring their knowledge and experience to new generations can certainly be mitigated by transforming the company into a corporate structure. The corporate structure does not mean that everything will be perfect. Corporateness requires a sense of commitment to every detail, law, rule and to ethics. ARKAS Holding is a structure that fully complies with all laws and ethical values. A corporate company needs two or three approvals for any registration. So corporates require careful attention to prevent any mistakes. Compliance with laws in the corporates can cause difficulty in terms of time. Corporate commitment is to train recruited personnel in every way to prepare for the next level. Corporate commitment also leads to increased experience and transfer of existing experience to later generations. For this reason, corporates do not create a problem, instead, in every sense they bring reliability and attention.

Question 7: What could be the main problems that family shipping businesses face if their companies are transformed into a corporate structure in order to maintain their durability?

Family shipping businesses insist on having strong personnel who also strongly comply with corporateness as long as they are loyal to lawful and ethical values and do not want to cut costs by reduced hiring. For this reason, corporateness is an indispensable condition for firms. ARKAS Holding is in the maritime sector without compromising its corporate structure. In the corporates, even if there is much to do, the rules are very detailed, but various measures can be taken to shorten the processes. ARKAS Holding's process management keeps to these standards.

Question 8: It is recognized that family shipping businesses, through their development of the maritime industry, have made significant contributions to the social and economic development of the world. How does the corporate governance of shipping family businesses influence this development?

After completing the corporate process, ARKAS Holding has done much more in social terms both in in our own country and the rest of the world. ARKAS Holding has become a real leader in the shipping industry with its approach to art and sport, with its approach to every age group that needs help and does much more. ARKAS Trio is a window to the whole world with a trio of violin, piano and viola. ARKAS Sports Club is a club volleyball team that brought the first European men's championship to Turkey. ARKAS Winery is a candidate to enter world literature. Various tourism companies from France are directed to the wine vineyards of ARKAS in Turkey. Such social and economic contributions are a condition that must be met by every company that has gone through the institutionalization phase.

Question 9: Is it fair to say that the preservation of a strong commitment to the family values of family shipping businesses that have been transferred from generation to generation has increased the durability of the companies and made them more stable than the corporate companies in the maritime sector?

Staying as a family business or becoming a corporate firm is entirely up to the managers' beliefs. ARKAS Holding started as a very strong commercial unit under the name of ARKAS Shipping Agency. ARKAS Holding has now become a holding where 9.500-10 thousand people are working world-wide and has spread to a number of countries around the world and to many sectors. ARKAS Holding is a corporation that contributes to the economy of the country and promotes the country by introducing it abroad. Every year ARKAS Spor represents Turkey in the European Cup and the matches create a serious awareness when people notice The Turkish flag flying overhead. For this reason, family companies should have corporate governance and aim at much wider masses and should promote the country abroad by contributing to the economy of the country.

Question 10: In the maritime sector, it is considered that sufficiency in technical knowledge is as important as transferring managerial experiences from generation to generation. Can the corporate governance of family shipping businesses increase the sufficiency of technical knowledge?

Corporate governance of family companies increases technical competence. Corporate governance leaves events to be managed more professionally, allowing each company, each business to be managed by professional people. For this reason, an organization operating in one sector of a holding will see its technical development spreadfrom the one company itself to the whole conglomerate. That’s why, I think that the corporate governance of family businesses is necessary.

Annex-5: Interview with the YASA Holding

The fourth company of the interview is YASA Holding and the interviewee is Erbil Özkaya, the company's Chief Executive Officer. YASA Holding S / A was established in 1999. YASA Holding is currently Turkey's largest tonnage capacity shipping company. YASA Holding controls 19 modern bulk carriers, which constitutes 1 Capesize, 7 Kamsarmax, 2 Panamax, 8 Supramax and 1 Handysize with a total deadweight of 1,338,569 mt and average fleet age of 4.7 years old.

Question 1: In family shipping businesses, the strength of the emotional commitment of family members can be recognized by the fact that non-family managers participating in family management may restrict their participation in management decisions. In light of these observations, is it possible that such a situation would prevent the shipping company from adopting a professional management form? What approaches should family shipping businesses choose in terms of the company's sustainability?

A manager or employees may have different perspectives at different levels in different firms. YASA Holding company manages the maritime enterprise with the largest tonnage deadweight in Turkey. When we study the subject in general, both in Turkey and in the rest of the world, family shipping companies are not very common. For example, the Danish company MAERSK and several companies in Norway since 1890 have reached the 3rd, 4th generation.

The situation is similar in Turkey. When the Eastern Black Sea families predominantly settled in Rize, Hopa, Artvin, Trabzon and Samsun are taken into consideration, they started out with 75-ton and 100-150-ton capacity boats around the time of the First World War. Almost every family has lost a member to the severe sea conditions of the Black Sea. In this structure, until the early 2000s, in order to manage the company the approach of "*I know the best of all"*- was the dominant factor. Family businesses are born, grow, develop and die. The Turkish Maritime Fleet, which consisted of 2.5-3 million deadweight tonnage at the beginning of the 2000s, has now multiplied about 10 times. In 15 years, it has reached 29 million deadweight tonnage. The Turkish Maritime Fleet consists of Turkish-owned but 85% foreign-flagged vessels, and 15% Turkish flagged vessels. Generally, professionals are managers. In family companies, there are no professionals on the board of directors. Administrators should be advised that the company should be engaged in managing the technical, commercial, legal and moral values in the operational framework as well as in an environmentally friendly manner. In the past, the families did not work with professionals as they considered that they were the ones who best knew the maritime business as their personal history showed that they were all captains. In some small ships, those who graduate from school and pursue their profession are more or less seen as taking the role of the manager. In such cases, there will always be a conflict of ideas. The family member works with ideas coming from experience while the other works entirely according to formally learned ideas and within a system prescribed by rules. The duration of such an association is very short. Either the professional leaves himself or the family declares “You can no longer work with us.” When it comes to a face-off with the family over a matter involving basic values (technical, commercial, legal and ethical), as I emphasized before within an international approach, the family may want to reserve this type of management to themselves and take a traditional approach.

YASA Holding can be an example to other, different, family types. It is one of the knowledgeable new maritime families. Yalçın Sabancı moved from the textile trade to becoming a shipowner for 39 years. When he started this job, he chose the person to do the job This approach has led many companies to turn to professionalism. When the decision to form YASA Holding company was made, an environment of corporate governance was created by considering the environmental factors, technical approaches, personnel employment, insurance, leasing options, practical approaches and expenditure criteria in the maritime sector. Even though Yalçın Sabancı had been totally outside the maritime sector, he chose the right approaches and with his competent staff he managed to get ahead of the others, who were maritime business insiders. Many investors in Europe and America want to buy their way into the business paying with the US Dollar. For example, the US investor group first bought UN Ro-Ro for 910 million Euros. Then another group sold it for 750 million Euros. Now a Danish group has paid 950 Million Euros. If you have a good organizational structure, you always have the chance to sell. Whether management is in the family and even if the decisions are in order, support and advice should be obtained from a professional in the system. Some of these recommendations may not be accepted. In this case, new research and work are done so that the right way can be detected and adopted, and it is accepted that the negative aspects of the subject should be removed. If it is still unacceptable, the professional manager will do the best to recognize the intentions of the company owners. A good professional's goal should be to bring the company to its best position.

Question 2: Is it possible to reduce the resistance to factors such as increasing competition in the maritime sector, economic conditions, and external capital supply due to the commitment among family members of shipping family businesses?

The financing loan is issued for ships. When the bank is to give a maritime loan, it considers credibility, not the amount of the assets. For example, suppose that a person with 150 million USD in assets has a loan requirement of 10 million USD. The bank finances 6 million USD and meets 4 million USD itself. The bank does not refuse or ask for collateral due to the multiplicity of the person's assets. The reason for not demanding collateral is the creditworthiness of the person who receives the loan. The family companies also want to see the manager as the interlocutor. The family company takes into account the 25% share of the manager. The net value of the number of shares is an accepted measure. It is difficult for multi-partner companies to get loans from banks because of the scattered share structure. Foreign capital accumulation depends on the strong stance, respectability, and most importantly credibility not the “kind” of company.

Question 3: Given the factors listed above, if the management, the owner, or owners, of the shipping company make the wrong decisions on behalf of the company, will the company’s strength and future be endangered?

It puts the company in danger. He must be such a professional that he should lead them to make the right decisions. Most importantly, it must be a professional who can convince top management that it can make the right decisions, and who can fight for it. A professional can be very clever, but not convenient if it's disturbing. He will provide harmony. He must have a versatile and analytical mindset, must be knowledgeable in all matters. He can learn everything, he shouldn’t refuse to learn. It’s needed a professional to complete his / her lack of knowledge. Professional needs to be at the top of the challenge power.

Question 4: How can the evaluation of the sustainability of family businesses, which generally begin to deteriorate after the third generation, affect the future of family shipping businesses?

The situation is similar not only in the maritime sector but also in all sectors. There is always a proliferation of heirs. This is normal. Take Hacı Ömer Sabancı and Hacı Mehmet Sabancı as examples. One of them had 6 sons. The other had 3 daughters and 2 sons. The proliferation achieved 11 persons from two brothers. Each of the 11 people has 2-3 children. The 3rd generation now has 25 people. Each one is located in a different sector. Each one has different characteristics and perspectives. Some embrace the approach of investing and desiring to grow, and others find it unnecessary. No matter how many people in the family, the company wants to have continuity. This is possible with corporate governance. In corporate governance, when a decision is to be made, everyone raises his / her hand at the rate of sharing, the job will be taken by whoever has the maximum share. 50.1% of the shares will take the job. Growth always happens. The decision mechanism for the 4th generation can be almost 100 people. This is not possible in practice. The need to establish new holdings arises. Otherwise, the process of disintegration begins. Professionalization is the solution that will prevent dissolution. The KOÇ firm started with Bülent Bulgur at the institutional level. The system was set up for each sector. All of them were professionally appointed. Annual balance sheet, budget, profit - loss calculated. Targets were set. They only come at the end of the year and check the books. SABANCI Company continued family management. In KOÇ, the professional system is set. Everyone is getting their premium according to their trading. KOÇ succeeded in overtaking SABANCI in corporate governance. A family structure to accept corporate governance should be established.

Question 5: The style of management and the amount of capital held by family shipping businesses are seen as two of the most important components for the sustainability of the shipping company and its transfer to the third generation. If family shipping businesses have accepted the need for corporate governance, can the value dependence among family members be harmed when they are passed down, and how can this possibility affect the sustainability of the shipping company?

Sustainability is not governed by capital but by management. It's almost impossible to control the 3rd generation. The family should grow up but work professionally. The family member should receive professional training and work in different places if necessary. He/she should be able to return as a manager. If a family member has experience in a family business and moves on to another company, added value can not be provided to the company being moved because family culture and traditional habits will be brought along with it.

Question 6: Can the difficulties that family shipping businesses have when they transfer their knowledge and experience to new generations be reduced by transforming the company into a corporate structure?

The difficulties that maritime family businesses may encounter when transferring their knowledge and experience to new generations can certainly be mitigated by transforming the company into a corporate structure.

Question 7: What could be the main problems that family shipping businesses face if their companies are transformed into a corporate structure in order to maintain their durability?

For example, three siblings, together with 8 people, create the 2nd generation. One in the family is made general manager. A technical manager, another relative accounting secretary, and a relative human resource manager are involved in controlling him. Staff is being created. But all this organization comes from the family. Everybody is somebody's man. Conflicts become gossip. The result is lack of success. Yet corporate governance is very different. Yalçın Sabancı left the job to Erbil Özkaya. Erbil Özkaya invited his 3 friends. They came and they started together. Yalçın Sabancı says that "when you need to manage the business, you need to pick helpers and tell me about it." Everyone wants to work with the person who will work best with him. The business grows with love and understanding. A productive person cannot be productive when working with an inefficient and incompatible person.

Corporate governance must be supported for durability and growth. Control authority should not be left to anyone else. A survey system and administrative control mechanisms should be established. Company owners can check and control whether existing professionals are working or not working properly that is whether the corporate governance is being done correctly or not. The legal system and the financial system, are all under control and functioning. It can not always be found to be properly professionally. This is the biggest fear of families. In order to avoid this fear, they shouldn't completely surrender their control to the professionals. The company should be supervised by the owner. It should be learned how to manage the company, if necessary, from those who manage it.

Question 8: It is recognized that family shipping businesses, through their development of the maritime industry, have made significant contributions to the social and economic development of the world. How does the corporate governance of shipping family businesses influence this development?

If they have corporate governance, the outcome will be better. The social state protects society and people. There are four components in the basic structure: individual, family, community and nation. If the individual is happy in corporate governance, he/she creates a great family. This union can stand against all kinds of difficulties. Everything is evolving, work goes forward if a corporate company is considered as family, friends, friendly community. The important thing is how social and economic contributions are made by shipping companies The company is taken to the center and is thought of as a large family that is nested in the ring like circles surrounding the core family. Individuals compose society. The strong structure of the company creates a foundation similar to the sense of trust that belongs to a strong family. This structure of the company protects the individual against danger outside. If the danger comes to the center, there can be a 'little struggle'. This is very annoying when you face danger directly. Corporate governance should be kept alive as a family. It must be placed in this family by faithfully linking to one another, and accepting to grow based on loyalty and responsibility. It is essential to do the best job without someone else looking over your shoulder. Corporate governance should be seen as a family.

Question 9: Is it fair to say that the preservation of a strong commitment to the family values of family shipping businesses that have been transferred from generation to generation has increased the durability of the companies and made them more stable than the corporate companies in the maritime sector?

Family members are different from each other. The mentality is changing while the progeny is transmitted from generation to generation. Ideas can be held, but a common decision is more important. The generation does not endure family dependence. Family ties are more emotional than material. Trading is a very different thing. Trading within the family creates ground for conflict. We should not put emotion into the trade. Suppose that we did it in the first generation. In the second generation, the number of family members will increase greatly. Integrity is not possible in this framework.

Question 10: In the maritime sector, it is considered that sufficiency in technical knowledge is as important as transferring managerial experiences from generation to generation. Can the corporate governance of family shipping businesses increase the sufficiency of technical knowledge?

As long as family companies have corporate governance, technical knowledge competence is also increased. There is a price for learning. The lessons learned from experience, the experiences that are practiced are valuable. These values must be combined. Education also contributes greatly to this process. Lessons should be learned. When an event happens, awareness increases. Family members automatically assimilate that awareness. The concern will arise. If the situation is negative, attention will be paid to avoid repeating a similar situation. There are empirical formulas. There is no point in trying to prove a case that has been acknowledged. Information should be retrieved and reused in the required environment. Technical knowledge is experienced. Sometimes you can get rid of loss near miss.

Question 11: Do you make 3 or 5 year plans for the future of your company?

In the family, near-medium and long-term plans should be ubiquitous. A person without a plan can not see ahead. Applying the plan is a big win. The plan requires a decision. Indecision is a cul-de-sac. A stable person finds the right way. There must be joint plans. The company has a growth plan. You put it into practice with determination. YASA Holding has balanced strategies. Every economic, political and social issue in the world is considered. There are short-term, 3-5 year medium-term, and long-term plans. It is intended that we make every effort to maintain Turkey's largest tonnage maritime fleet which consists of foreign and Turkish-flagged ships. It has to grow in a balanced manner. Risk Assessment should be done very well. You need to tranfer things from hand to hand. If something is broken, it affects the future of the company. If YASA Holding has been a world brand for the relatively short period of twenty years, it has to be competitive to be able to sustain it and for its name be spoken to be well-spoken of. In doing so, you must own the values. Prestige is an important element to be protected within these values. Education is the most important place to put it. The environment must be protected. International Safety Management (ISM) is based. ISO 9001 is a kind of international acceptance certificate. 14001 requires respect for the environment while performing safe, secure, quality management internationally. To achieve these things is to place the touchstones in place. I protect the health and living standards of all employees of the company. I respect the social and health rights of my employees. Maybe other standards will come out in the future and they will also be adopted. YASA Holding succeeded in this. We are a reputable company recognized in the areas of the agency, insurance, charter and shipyard. In three to five years, we aim to move it to a higher level. The issue is not just the size of the tonnage, but that reputation and respect must be preserved. We have plans for sustainability in the long term.

Annex 6: Results of the Interviews with Shipping Groups

The results of the interviews with shipping groups could be summarized as follows:

- For the shipping family businesses to be sustainable, the effective use of the companies' income in line with the companies' needs is very significant.
- Shipping family businesses' missions for the benefit of the company determine whether professional managers are needed in the management of the business.
- Every family business has a basic written constitution that reflects the values of family members.
- The way of doing business in family companies differs from generation to generation.
- When shipping family businesses have size and financial growth, they need to have professionals on their board of directors.
- The emotional bond between family members in the maritime industry is a general feature of their businesses. While this emotional bond among family members necessitates the involvement of a professional other than family members in management, competition in the maritime industry requires the company to be professionally managed without losing emotionality.
- The general principle of large family shipping businesses that have corporate governance is to have a company structure that values the ideas of their professional employees and cares about the ethical worth of their businesses.
- Family business managers need to be informed about managing the company's technical, commercial, legal and moral values in an operational and environmentally friendly manner.
- The professional employee selection approach determined by the family members on the family board in line with the needs of the company has an important role in the transformation of the shipping companies into institutional structures.
- Family shipping businesses require professionals on their board of directors to be globally sustainable and improve competition and innovation in the shipping industry, as they contribute significantly to the country and the world economy.

- Professionals should praise the family's past success and develop a common language that will explain why change is significant and required for the family and their whole businesses.
- The family shipping businesses' that have reliable relationships with other companies in the maritime sector and banks etc. are strengthened in times of economic crisis by their credit purchasing power with the banks.
- For the sustainability of shipping family businesses, in order to make a good risk analysis by getting information about the risks, the shipping businesses must have a strongly performing human resources management mechanism and board of directors.
- The third-generation family members of family shipping businesses are more hopeful and have more advanced education than the second generation in terms of the development of the maritime industry, despite all the challenging competition conditions in the country and worldwide.
- The focus of the third generation on innovation, research and development, strategy, marketing and tracking new markets will be crucial for the sustainability of shipping family businesses.
- The family constitution - which every shipping family should have - consists of legal rights of family members, criteria for family members taking up duties, and management structure.
- Family shipping businesses need to define when and how to transfer authority to the next generations and clearly define the criteria for family members' duties.
- Family shipping businesses need to stay balanced in the maritime industry by taking a quick step into corporate governance while still maintaining the maritime family "spirit that cares." from the family.

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