

The Institute of Chartered Shipbrokers Column 'Our word our bond' : Professionalism and ethics in shipping. (How to avoid losing your 'pound of flesh')

John Wilson

What is professionalism? On the main website of the Institute of Chartered Shipbrokers it is summed up as '*Professionalism couples trust and integrity with knowledge of one's business*'. This article is going to consider the implications of that sentence in the maritime world, and the relevance of the words 'trust', 'integrity' and 'knowledge'. Companies are now issuing 'Codes of Conduct' and 'Codes of Ethics', and those companies involved in the maritime world are no exception.

On the 19th April 2010, the Director of the Institute of Chartered Shipbrokers, (ICS), Commodore Alan Philips, was a guest at a Spring Cocktail event organized in Hong Kong by the Hong Kong branch of the ICS. He gave a short and informative speech on the topic of 'Professionalism and the role of ICS as the professional body to commercial shipping'. Commodore Philips looked at the process of moving goods from one side of the world to another and the fact that this requires many people, both ashore and afloat, to work together as a team. All the key people in the chain that makes the goods move and arrive at their destination should be able to do their jobs properly and should deserve the respect and trust of other members of the team. For this to happen smoothly, there needs to be a high level of trust and confidence between players within the industry. The 'team' is

made up of individuals who can be on different continents, and live in different cultures and environments. The quality of the performance of the individuals is one of the keys to the effectiveness of the team, and in order to achieve the desired effective operations, Commodore Philips emphasised that '*it is important that an individual knows the limit or boundary of his/her knowledge. That is, knows when to call for assistance before having to call in the lawyer to bail one out from an inappropriate action!*'

The ICS was founded in 1911 and is a 'not for profit' organisation. It is therefore not driven by the commercial bottom line, but rather it strives to meet the demands of its Royal Charter to "promote professionalism in the shipping industry worldwide." To do this Commodore Philips reminded his audience of the 3 Rs, of Respect, Relevance and Robust, which encompass the following:

Respect from today's shipping industry and not rely on its history.

Relevance to the shipping industry. As the professional body to the commercial shipping industry worldwide it has to be relevant to the demands and requirements of the shipping community if it is to retain their respect.

Robust challenge to candidates such that when successful their achievements are recognised by the industry.

The ICS currently has over 5,000 members in 87 countries and is expanding its global reach and membership. In 2009, over 1800 candidates sat the Institute's professional qualifying examinations (PQEs) in over 80 examination centres worldwide. Passing the examinations and having practical experience in the shipping industry leads to membership of the Institute. The message of the speech was clear in that well trained people are more likely to make better decisions; so it follows that those companies that invest in training and support membership of the Institute should have the competitive and professional edge that is required to succeed, particularly when the times are tough and the market is not 'booming'.

During the question and answer forum that followed the Commodore's speech, the question of 'Ethics' and how important they are in today's shipping industry was raised. The scenario was then put forward as to "what if a young Member of the Institute (MICS) was faced with the possibility of being involved in a deal that was unethical", to which it was proposed that the desired outcome would be that the individual would bring the issue to the attention of their boss. This raised a discussion of the commercial pressure that individuals and companies come under to turn a profit, and one audience member suggested that the problem is that in the modern corporate culture, it is those that take high risks who get rewarded. The

notion being that the 'high risk' would ultimately require getting involved in 'unethical' practices.

The Merchant of Venice

The President of the ICS, Mr. George Greenwood, was also a guest of the Branch that evening. He had recently presented a paper at a shipping conference in Shanghai organised by the Shanghai Branch of the ICS. His paper discussed the Institute's motto of '**Our word our bond**'. Given Mr. Greenwood's legal background as a barrister and having worked in the P & I industry, it was appropriate that he drew upon the theme of Shakespeare's play the 'Merchant of Venice', in which the plot revolved around a 'bond' that was made between Antonio, the Venetian shipowner and trader, and Shylock, the money lender. As security for a loan from Shylock, Antonio agrees to pledge a pound of his flesh. When Antonio's ships are lost and he cannot repay the loan then Shylock asks the Venetian Court to enforce the bond. The terms of the bond are admitted by Antonio and so the Court agrees to do so. However, Antonio's lawyer argues that while the bond entitles Shylock to a pound of Antonio's flesh, it does not entitle him to shed any of Antonio's blood, to which the Court agrees. Shylock does not get his pound of flesh and Antonio is seen to have been willing to have been bound by the bond he made as a trading agreement. He understood that the 'bond' he made was a 'binding' trading agreement, and once made it must be complied with, such that "*his word was his bond*".

Mr. Greenwood's paper recalled how when the ICS was founded in 1911, the main shipbroking organisation in London at that time was the Baltic Exchange, which was then the largest trading centre for ship chartering and ship sales in the world. The motto of the Baltic Exchange was and still is "Our word our bond". This was borne out of the necessity to be able to quickly establish an agreement on the trading floor. This may be in the form of a simple verbal agreement, a handshake, or even the wave of a hand or other signal across to the other party. The motto "Our word our bond" was adopted by the Institute of Chartered Shipbrokers, and other organisations including the Chicago Board of Trade and the London Stock Exchange, all of which need to operate and make deals on a 'face to face' basis.

In his paper Mr. Greenwood discussed the results of recent events, where unethical business practices resulted in major corporate scandals, which had knock on effects throughout society. These included the bankruptcy of Worldcom, the 'Enron' scandal, Lehman Brothers and the sub-prime crisis, BAE, Daimler and Rio Tinto.

Corporate Social Responsibility

Back to the evening in the FCC, where a question came from a maritime lawyer, raising the point as to whether or not the Institute of Chartered Shipbrokers holds any inquiries into any allegations received of improper attitudes or work practices of its members. Commodore Philips responded that such a formal structure

had not been called upon recently. No doubt the lawyer in question had in mind the fact that lawyers' transgressions are investigated by the Law Society, (for those lawyers qualified in England & Wales of which there are many in Hong Kong), and the decisions of any Solicitor's Disciplinary Tribunals would be published in the Hong Kong Law Society Gazette.

Many large companies, including some involved in shipping, have embraced the idea of Corporate Social Responsibility (CSR). Alongside this has been the development of 'Codes of Practice' and 'Codes of Ethics'. However, whilst some shipping companies which operate large fleets have adopted the practice of promoting such codes within their organisations, and in some cases requiring their staff to sign up to say they will follow and comply with the codes, many other companies, including some of the large ship broking houses, appear not to be promoting the idea of 'business ethics.' In some cases there may be mention of the word 'ethics' in their company literature, but there will be no rigid code written down. In any industry, there is much to be said for 'keeping it simple', as having a Code then exposes the company to the problem of explaining why they have not complied with it!

So it seems that the concept of companies writing and then enforcing 'Codes of Conduct' and 'Codes of Ethics', may be more in response to a regulatory requirement in the jurisdiction where a company operates, rather than as a result of a decision by a company to

actively promote 'business ethics' in their organisation. A survey among the Greek owned short sea shipping companies concluded that the application of CSR was limited only to companies that either are subsidiaries of international conglomerates or were owned by shipowners who were personally aware of the matter.¹

Recent events in America will once again focus attention on the risks of pollution from maritime activities, as a result of the huge oil spill in the Gulf of Mexico. The USA is already well known to certain shipping companies who have fallen foul of the US Coast Guard's investigations and strict enforcement of environmental and anti pollution regulations. What if the companies involved in the foregoing incidents had instigated and actively promoted a 'Code of Ethics' - would it have prevented the incidents?

A recent paper on the topic of Maritime Environmental Ethics², referred to a study in which seven indicators were chosen to identify if ethics impacted business improvement. Those indicators were:

- Market value added
- Economic value added
- Price earnings ratio
- Return on capital employed
- Having a code of ethics
- Ratings for managing socio/ethical risks

- Being cited consistently in the annual list of most admired companies.

The study showed strong evidence that larger companies with codes of ethics outperform those companies that do not have a code. This suggests that being 'ethical' is good for business. But companies that do have a 'Code of Ethics', are not immune to business risks and things going wrong – BP are a good example of this.

Over 90% of world trade is carried by the international shipping industry and today there are around 50,000 merchant ships trading internationally, transporting every kind of cargo. The world fleet is registered in over 150 nations, and manned by over a million seafarers of virtually every nationality. Shipping is a global business. This means that potentially millions of people around the world can be affected by decisions made by people involved in the shipping industry.

The evening at the FCC concluded with the presentation of membership certificates to three newly qualified members of the Hong Kong Branch who work for a large container liner operator, a handy max owner / charterer and a ship broker. The message that they must now take with them is that 'Our word must be our bond', and if they remain true to their word, as traders of the Baltic Exchange over a century ago relied upon, then they will never find themselves having to instruct a lawyer in order to avoid losing a 'pound of flesh'.

1. 'Corporate social responsibility in Greek Shipping' by I. Fafaliou, M. Lekakou and J. Theotokas. IAME (International Association Of Maritime Economists) Conference, Panama, 2002.

Naval Engineers of the Metropolitan New York Section in New York City on January 10, 2008. Downloaded from : <http://www.greenbridgecouncil.com>.

2. 'Maritime Environmental Ethics' by Robert Spicer. From a presentation by Robert Spicer and Martin Dolphin, to the joint meeting of the Society of Naval Architects and Marine Engineers; Institute of Marine Engineering, Science and Technology; Society of Marine Port Engineers of New York; and American Society of

(Mr. John Wilson: FICS)



THE INSTITUTE OF CHARTERED SHIPBROKERS

(REPRESENTING SHIPBROKERS, AGENTS AND MANAGERS)

FOUNDED 1911 : INCORPORATED BY ROYAL CHARTER 21 JANUARY 1920/SUPPLEMENTAL CHARTER 1984

“Setting the highest standards of professional service to the shipping industry worldwide through education and example”.

Membership Qualifying Examinations are held in Hong Kong every April.

Exemptions from some exams are available.

Distance learning support via text book and online tutoring is available to students.

Contact the Branch to register as a student.

Contact :

Honorary Secretary, Hong Kong Branch

Telephone : (852) 2866 1488

Fax : (852) 8106 1480

E-mail : examination@ics.org.hk

Website : www.ics.org.hk also www.ics.org.uk

FAQ : http://www.ics.org.hk/Examination_9.htm