

EXECUTIVE SUMMARY

The shipping industry will never cease to exist as the world could not function without shipping. It is considered a catalyst of economic development as it facilitates 90% of world trade. However, the shipping industry is a complex and volatile industry that is constantly navigating the many twists and turns of the global economy. In the recent years, the industry has been through difficult waters. Based on Clarksons' Stopford's assessment of the outlook for shipping (Fairplay Magazine, 2011), effective cost management will be the central challenge confronting shipowners and operators in the decades ahead. In light of the challenges of the global shipping industry, it is imperative to achieve and maintain cost-efficient operations in Döhle Shipmanagement Phils. Corp. (hereinafter referred to as DSPC or the Company), one of the providers of shipping-related services of Peter Döhle (PD) Group. The Company's strategic objectives include profitability improvement through cost efficiency and maximization of non-core revenues, and organizational transformation to achieve quality and performance-driven culture. The identified strategies are expected to bring in profitability turnaround from -0.5% to at least 9% in PY5 and increase in non-core revenues by at least 40% in PY1 and sustain at least 6% growth in PY2 to PY5.

The Company's best strategic alternative is to implement defensive strategy such as retrenchment strategy based on the results of various strategy formulation tools such as Strengths-Weaknesses-Opportunities-Threats (SWOT) Matrix, Strategic Position and Action Evaluation (SPACE) Matrix, Internal-External Matrix and Grand Strategy Matrix (GSM). The proposed retrenchment strategy includes outsourcing and employment of third party manpower complement on certain non-core business operations, and institution of tighter cost control system and implementation of process improvements. These are projected to generate cost reduction of PhP 6.0 M in PY1 and an average of PhP 7.9 M in PY2 to PY5. In addition, the strategy includes maximization of generation of non-core revenues which is estimated to generate incremental revenue of PhP 12.8 M by PY1. The enforcement of quality and performance-driven culture across the organization will result to cost reduction of about PhP 0.3 M (net of proposed additional training investment and market survey cost). Overall, the strategies are expected to deliver incremental net income of PhP 18.7 M by PY1 and PhP 29.1 M by PY5.

The strategy evaluation and control shall be closely and regularly monitored through review of underlying bases of strategy such as key internal and external factors, measuring organizational performance by comparing planned results with actual results and taking corrective actions, as appropriate. The Company shall utilize Plan-Do-Check-Act (PDCA) Cycle and Balanced Scorecard as strategy evaluation and control tools.