The Jack Sparrow Revolution

- A case study of how the emerged piracy off the Somali coast has affected the shipping industry and its identified key actors.

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FOREWORD

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ABSTRACT

The objective with this thesis is to study and create a good understanding of the current piratical activities off the Somali coast and its influence on the shipping industry. By illuminating the increasing piracy problem, we have formulated a primary research question: ‘How has the piracy in Somalia affected the behaviour of doing business for the shipping industry and its identified key actors?’ In order to answer the primary research question we use a qualitative approach and conformed our research strategy through a case study design.

Our theoretical frame of reference includes the stakeholder theory, which is important in order to identify the actors involved with this matter. Moreover, we use the value constellation theory and the institutional theory to be able to identify a structure of the problem and its impacts. The empirical findings are a process of the data we have gathered from our interviewed respondents. It conducts on how they have been affected by the increasing piratical activities and how they believe the international shipping industry and trade has been affected.

In our analysis we have linked the theoretical frame of reference with our empirical findings. We have enlightened how the different studied actors have been affected in accordance to: international trade, the direct effect of piracy, direct costs, challenges and opportunities that has occurred from this issue, and lastly changes of interactive behaviour among the studied actors.

The thesis conclusions demonstrate that it has affected some of the identified actors, but especially the shipping industry. This through increase costs and re-routing, which have lead to delay in cargo. Furthermore, we can also conclude that the interactivities among the actors have increased and positively created constellations since many have realized that measurements needs to be done in order to decrease piracy off the Somali coast and secure today’s international business.

Keywords: Piracy, Somalia, international business, the shipping industry, stakeholder theory, value constellation and institutional theory.
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LIST OF ABBREVIATIONS

BIMCO – Baltic and International Maritime Council

ECSA - European Community Ship owners’ Association

EU – European Union

EUNAVFOR – European Union Naval Force Somalia – Operation Atalanta

GAC - Gulf Agency Company

ICC - International Chamber of Commerce

ICS - International Chamber of Shipping

IMB - International Maritime Bureau

IMO - International Maritime Organization, the UN’s maritime agency focusing on safety and environmental issues.

ITU - International Telecommunications Union

KIMO - Kommunernas Internationella Miljö Organisation

LDC - Less Developed Country

ME01 – Swedish maritime force

ME02 – Swedish maritime force

MNC - Multi National Corporations

MOU - a Memorandum Of Understanding, it is a document describing a bilateral or multilateral agreement between parties

MSCHOA - Maritime Security Centre, Horn of Africa

NATO - North Atlantic Treaty Organization
NGOs - Non-Governmental Organizations

OBP - Oceans Beyond Piracy

OEF - One Earth Future

SME - Small and Medium sized Enterprises

SRF - Sveriges Redareförening (a Swedish trade association for shipping companies)

TNG - Transitional National Government (of Somalia)

UKMTO - United Kingdom Maritime Trade Operations

UN - United Nations

UNSC - United Nations Security Council

VINNOVA - Swedish Innovation government

WCO - World Customs Organization

WFP - World Food Programme

WTO - World Trade Organization

WWF - World Wildlife Fund
INTRODUCTION

This chapter conducts background, problem discussion, research questions, objective of the thesis and delimitation are presented and discussed. Further on, it will also state the interest and why we have chosen the subject.

1.1 Background
The last couple of years there has been a severe increase in piracy, especially off the Somali coast, around the Gulf of Aden, the Suez Canal and the Indian Ocean. In this thesis we want to investigate the on-going problem through an international business perspective. Moreover, we will present a history of the Suez Canal, piracy, Somalia. In order for the reader to receive greater comprehension of the problem. Thereafter further discuss the problem through a international business perspective.

1.1.1 The Suez Canal
One of the world’s most vital and trafficable gateway for the world economy, international trade and most importantly the international business between countries and companies is the Suez Canal. It has improved the international business between the east and the west by avoiding a detour around the Cape of Good Hope. This would have added approximately 6,000 miles to the transportation route. However, the Suez Canal, is still highly important for the world because around 8 percent of the sea trade transit through the canal (guardian.co.uk, 2011).

The establishment of the Suez Canal has not been simple, but after much diplomatic manoeuvring between France and Britain the canal was finally opened in November 17, 1869. Despite this, opening and closing of the Suez Canal have lead to some difficulties for the world trade in the history, mainly because of Britain and Egypt. Britain wanted to establish military protection in the area because they were the nation with the most transiting trade through the canal. In 1880, Britain occupied Alexandria as a reason to invade Egypt, but then France and the Ottoman empire became very impatient of Britain’s actions and intervened. This lead to a negotiation in 1888 - the Constantinople Conventions, which stated that the Suez Canal shall always be free and open despite turmoil’s in the area.
INTRODUCTION

Unfortunately, this was not the end of commotions in the Suez Canal. In 1952, nationalism was heavily influential in Egypt and president Nasser nationalized the Suez Canal in 1956. Shortly after, the canal started to be operated by the Suez Canal Authority. Since then there have been less problems regarding the canal. The Suez Canal has been temporarily closed during some periods. Firstly, after the British-French-Israeli invasion when Nasser nationalized the waterway and re-opened it in 1957. Secondly, in 1967, a war broke out between Egypt and Israel leading to closing the waterway once again. However, in 1975 the two nations signed a second disengagement agreement and since then the gateway has been primarily in peace (suezcanal.gov.eg, 2011b). The opening and closing of the canal have heavily affected the international business. For instance, the closing between 1967 and 1975 caused a steady decline of the world trade during that period. Also re-routing around the Cape of Good Hope instead of transiting through the Suez Canal adds two extra weeks in transportation time (guardian.co.uk, 2011).

1.1.2 Piracy
Historical records show that piracy goes back as far as 2000 years, early civilizations as the Greeks and Romans dealt with piracy. Its primary motive is to acquire wealth and it has become a symbol of menace and lawlessness (Barry & Staver, 2009, Bradford, 2009). Between 1620 till 1720, piracy was an open business, which was authorized by governments (Barry & Staver, 2009). They could either be pirates who explored and traded with strong nations, or they could plunder the weak and incautious (Bradford, 2009). Those years was also referred to as ‘The Golden Age of Piracy’, a time in history when pirates were roaming the international oceans and plundering other shipments (Barry & Staver, 2009).

In the history the ocean was seen as a dangerous and unexplored area. Throughout the history the ocean was not occupied, owned or governed by anybody. The nations sovereignty ended at the shoreline meaning that the ocean was an open and common-pool of resources for all nations (Elleman et al., 2010).

Piracy is often seen through a romantic and historical aspect, and it has not entirely vanished. During the last quarter in the twentieth century, piracy has increased to an
extent, which researchers never could predict. The prime target has been in West Africa, which has gradually spread to Southeast Asia. Especially in 1990s, after the Soviet Union's collapse the piracy increased tremendously, and the attacks tripled during 1991 – 2001. Today it is not the piratical activities in Southeast Asia that worries the world instead it is the increased piracy outside the coast off Somali (ibid).

1.1.3 Piracy in Somalia

Somalia, also called as the Horn of Africa, has a long coastline. Salopek (2008) describes after the fall of the Somalia government 1991, the country became a lawless and impunity coastline with unpatrolled waters. This have given MNCs and nations permission to behave as they please. Leeson (2007) argues that Somalia is ranked as a LDC, because it does not have a functioned and stable government.

End of 1990, large parts of the country were in civil war, and in January 1991, the Somali state collapsed. Simultaneously, the current leader Mohamed Siad Barre of Somalia was forced to leave the country (Abdallah, 2008). This left Somalia in a state that created anarchy. Since then Somalia did not have a functioning economy instead there has been clan-based welfare (Emmanuel, 2011).
Figure 1: Map of Somalia (cia.gov).
Somalia and Gulf of Aden are one of the most heavily trafficked areas in the world (Sörenson, 2008). Approximately 95 percent in volume of the EU member states trade are transferred through the sea-lane and 20 percent of the world trade passes through the Gulf of Aden each year (forsvarsmakten.se, 2011b). In 2003, the first severe attack of modern piracy occurred (Sörenson, 2008).

Today, piracy outside the lawless Somali coastline is one of the biggest issues in the world economy. It has posed immense challenges for the international vessels and maritime services. Gulf of Aden is the gateway to the Suez Canal, which allows direct water transportation from Asia to Europe. Instead of re-routing around the Cape of Good Hope, the canal has provided a fast gateway for transportation and made international business a lot simpler. Nowadays, around 30,000 vessels pass each year, and 90 percent of World Food Programs’, WFP, humanitarian relief consignment are transferred through Somalia seaway (forsvarsmakten.se, 2011a).

The main argument why modern piracy has expanded vastly in Somalia is due to the fishermen’s attempt on protecting their coast and one of their most important resources. Salopek (2008) also argues that reports have shown that many European industries have had Somalia as a cost-free dumping ground for industrial waste as late as in 2005. Further on, Salopek (2008) apprizes that for many foreign nationalities such as Thai, European, Yemeni and Korean boats, the Somali coastline has been a rich gold water filled with fish, especially tuna. Resulting in that the Somali fishermen did not have anything to fish, which lead to sporadic attacks on foreign vessels and taxing them. The Somali fishermen thought this was some sort of compensation after several years of foreign poaching in the Somali waters. Furthermore, this escalated to captures and attacks on vessels, and very outlined activity schemes on the international vessels. Johan Henningsson (2011) apprizes that the pirates today have very organized piratical organizations with economical back up of higher statesmen. Also according to Emmanuel (2011), the piracy has a strong historical influence on the fall of the government due to many factors, such as the state failure and the poor living condition of the population. Furthermore, Strandberg (2011) describes the evolved piratical activities in Somalia.
“Why are there pirates? Because Somalia is a lawless country, with states within the state, different clans, autonomous regions and in addition of that a militant Islamic groups. It's a mess, some sort of dead point”

- Hansa Strandberg (2011)

The increased piracy in the East Coast of Africa has extremely damaged the littoral economies, which has lead to a vast risen of insurance premiums in one of the most trafficked routes for international shipping (Emmanuel, 2011).

“Now they are everywhere, now it is not only an African problem. The simply reason is: it is profitable”

- Paddy O’Kennedy (2011)

Above O’Kennedy (2011) states that the problem started as a small issue in Africa. However, today it has increased to an amount that afflicts the whole world, especially the international trade. In order to protect the international trade from this vast increased piracy, many nations have responded with military resolve. Today there are more than 20 naval escorts assisting many of the vessels. Sadly, the enlarged military resolve has not effectively eliminated piracy (Emmanuel, 2010). Several problems have arisen and made the military less effective; the area is too large for some few naval ships, which Emmanuel (2011) believes have diverse interest in the area and the solutions. Furthermore, it is hard to distinguish between the pirate boats and the ordinary fishermen. The increased piracy in the Gulf of Aden is not only a threat to international trade; it also threatens the United Nation, UN, WFP. Today around 2, 4 million Somali depend on this shipment (Barry & Staver, 2009).

When North Atlantic Treaty Organization, NATO, was unsuccessful to prevent piracy, international forces as the European Union, EU, developed a specialized division, Operation Atalanta. It consists of six warships and a few specialized aircrafts for reconnaissance. Thus, the EU still face the problem that they cannot search the suspected captured vessels in international waters (Barry & Staver, 2009).
1.2 Problem Discussion

The Somali pirates have assertively increased their attacks and expanded the area. In February 2011, the Somali pirates had expanded from the coast of Somali and captured 10 vessels in the Indian Ocean and the Arabian Sea. In 2010, only three vessels had been captured and two of them were in the Gulf of Aden. Henceforth, at the end of the year 600 vessels from more than 18 different nations were held as hostages (Bowden et al., 2010). Reports by International Maritime Bureau, IMB, indicates that this year of captured of vessels will exceed last year’s record of 49 (Wright, 2011).

Through an international business perspective, we will identify the aspects that have affected the world business both indirectly and directly on the shipping industry and the identified actors. Piracy has become a major international problem; therefore, it is vital to identify affected actors and nevertheless the shipping industry (Vego, 2009).

The piracy outside the coast of Somali and Gulf of Aden is a severe and growing problem, and it clearly affects world’s largest business transport industry, the sea transportation (Bowden et al., 2010). Since the first pirate attack a few years ago, today’s pirates have shown an increasing flexibility and mobility in their tactics. The pirates adapt their techniques and equipment towards the measures that are held to combat them. The success in limitation of attacks has been in the Gulf of Aden by global naval forces such as European, US, Chinese and Indian warships but, that is just a minor of the area in the afflicted route. Furthermore, it is the money that attracts the pirates, instead of earning 200 dollar a year as a fisherman, they can gain 10 000 dollar for each vessel they capture (DI Weekend, 2011). Therefore it is important to investigate on how the shipping industry have been affected, because it is the shipping companies that are the main targets in this problem.

The presence of the world’s warships has more or less diverted rather than decreased the pirates into new areas that are difficult to control (Percy & Shortland, 2010). According to Henningsson (2011), their activities in the Indian Ocean have tremendously increased and patrolling the whole Indian Ocean is like patrolling the whole U.S. with only two police cars. The piracy off the coast of Somali, the Gulf of Aden and the Indian Ocean has not only
affected one country or actor, it has involved and affected several nations and therefore emerged to an international business problem.

According to Bowden et al. (2010), the international communities have been affected, and especially the region trade will affect the international trade. Ban Ki-Moon (2010:21) states ‘Piracy... has had an immense impact on the economies of East Africa and also wider world... International trade routes are threatened and goods in the region as well as Somalia are becoming more expensive. This is made worse by the bleak state of the global economy’. Since the piracy affects the whole international trade it further on affects the fishing industries.

Piracy have been a popular topic among international actors who have their transportation routes outside the Somali coast; furthermore, among the neighbouring nations since they are all affected either directly or indirectly. The increased growth of piracy off the coast of Somali, in combination with the posing threat to the commercial shipping, and further potential association with Islamist terrorism has put Somalia as a forefront problem of maritime policymaking (Percy & Shortland, 2010). According to Percy and Shortland (2010), the shipping corridor off the coast of Somali is crucial and also economically important for international peace and security.

According to Lindahl (2011), the cost of pirates for the worlds shipping companies is estimated to be 12 billion dollar a year, due to the required security and insurance costs. Therefore, many shipping companies have to re-route to the Cape of Good Hope. All nations that have a trading transport route through the Suez Canal have somehow been affected; especially, Kenya and Tanzania since many shipping companies do not want to port on the eastern African coast. Bowden et al. (2010), concludes assumptions on how the shipping industry would be affected in costs by re-routing to the Cape of Good Hope. They compiled information concerning costs per day, excess costs for extra 10 days voyage, and costs if 10 percent of the vessels in the shipping industry would re-route. They estimated that the shipping industry’s encountered costs would result in between 2, 3 – 3 billion dollars per year in order to re-route and avoid piracy.
In nearly twenty years, Somalia has been in civil war due to the agreement on power sharing of the primary six major clan families: the Darod, Digil, Dir, Hawiye, Isaaq and Rahanwein, which represents around 75 percent of the Somali population. The root of Somali piracy underlies in the state failure, the civil war, poverty, and the toxic waste that MNCs dumped outside their coast among several other reasons. This is a failure from not only Somalia’s government but also from all governments, nations, UN, and the lack of ethics in MNCs. It is a complex issue that requires more than one actor to solve. There are a lot of insistences in the involved actors to handle the issue, but in the present situation the actors are acclimating towards the pirates.

The piracy problem have especially troubled the shipping business, as mention before the sea transportation is one of the most vital way of transportation today. The increase piracy in Somalia have lead to a big threat not only for the shipping companies, but all the actors that are somehow affected by the piracy off the Somali coast. We find it is interesting to investigate the increase trend of piracy of the Somali coast, especially because it has a great impact on the international business and affected not only companies, but nations, governments and organizations.
1.3 Research Questions

Constructed through our problem discussion we have formulated a primary question.

How has the piracy in Somalia affected the behaviour of doing business for the shipping industry and its identified key actors?

1.3.1 Subquestions

In order for us to answer our primary question we have formulated four subquestions:

1. Who are the most affected actors in the international business transiting through the Suez Canal?

2. How has the shipping industry been affected in terms of challenges and opportunities?

3. How has the shipping industry been affected in terms of costs and the stakeholders involved?

4. How has the shipping industry changed in terms of behaviour?

In order for us to be able to identify the maritime piracy’s effect on the international business and the shipping industry, we need to identify who the key actors are.

To answer the main problem we need to identify the encountered challenges and possible business opportunities that may have emerged.

By studying the challenges and opportunities we are able to further identify, examine and question the related cost that have emerged through the maritime piracy in Somali.
Based on the identifying question of challenges, opportunities and costs affecting the shipping industry and stakeholders. We will study the behaviour of how and in what aspects the shipping industry has dealt with these problem.

1.4 Purpose
The purpose of this thesis is to:

- **Identify** the actors that have been directly affected by the piracy in Somalia.
- **Explain** how the studied actors, with a focus on the shipping industry have been affected in terms of challenges and opportunities
- **Analyze** in what ways the shipping industry have been affected and how they have combated piracy off the Somali coast.
- **Give knowledge and implications** on how shipping companies can prepare in order to take further action in the piratical activities outside the Somali coast.

Our objectives are to achieve a greater understanding and knowledge of the piracy problem in Somalia. Furthermore, by focusing on the shipping industry we believe the thesis will become more intensity and thereby become more interesting.

1.5 Delimitations
Theoretical delimitations have been made due to the lack of theories regarding the international business aspect on this subject. We will concentrate more on the macro, and the broader use of the stakeholder approach, the value constellation and the institutional theory.

Due to the time of writing we have made empirical delimitations on our research, and therefore we will focus on whom the affected actors are. Furthermore, we will investigate how the studied actors have been directly affected by the maritime piracy in Somalia, e.g. integration, cost affects, and what challenges and/or opportunities the studied actors have encountered. Despite that we identify the most affected actors, we will limit our research to the shipping industry.

We are aware that there are piracy activities in other parts of the world, but we have decided to limit ourselves towards piracy off the Somali coast. Lastly, this thesis will not
focus in depth on the perspective of political, social, financial, and the piracies point of view. However it is vital to mention them in order to give the readers an overall insight in the problem.
2 METHODOLOGY

In this following chapter, we will present the methodological framework that we have worked with. We will describe, explain how we have worked and implemented the methods into our process of writing the thesis. We will also highlight why we have chosen to exclude certain techniques and methods.

2.1 Abductive Approach

A researchers work includes interrelating theory and reality with each other. Patel and Davidson (2003) introduce three concepts; deduction, induction and abduction. The authors stress that it is the researchers task to develop and examine theories that will enable the readers to understand the reality.

A researcher who is using an inductive approach, is studying the objects not by establishing a recognized theory but, instead to formulate a theory from the collected empirics. When using a deductive approach the research is characterized by drawing a conclusion of single phenomenon from general principles and current theories. Lastly there is a research approach called abductive, where the researcher uses a combination of inductive and deductive approach (ibid).

Our thesis will contain case studies with a qualitative method and therefore we have chosen an abductive approach. Alvesson and Sköldberg (2008) highlights that the abductive approach is the most used when building your research on case studies. Due to this fact we have from a single case found recognized theories to explain the issue of our subject. The theories will be an attempt to view a new approach of the researched problem, by combining the case study and recognized theories connected with a business perspective. Dubois and Gadde (2002) defines ‘systematic combining’ as grounded in an abductive logic. The main characteristic of this approach is a continuous process between an empirical fieldwork and a theoretical framework. Due to the economical perspective on this research, there is a lack of theories on our research subject.
As mentioned before, abduction is a combination of induction and deduction, however it is very vital to be aware of that it is not an “easy mixture” of these two, instead it contributes with new or own moments (Patel & Davidson, 2003; Alvesson & Sköldberg, 2008). Olsson and Sörensson (2007) explain abduction as rooted in a dialogue with the theoretical perspective and the result of understanding the current situation described in the field. A risk with abduction is that all researchers are coloured by their previous research and experiences (Patel & Davidson, 2003). From our starting point of view, as authors we have similar knowledge concerning international business; a business perspective is therefore a given preference for us viewing the researched problem. Since the business perspective has limited research concerning this specific problem area, we cannot only rely on our previous knowledge, and therefore we will not be heavily influenced. However since each of us has individual preferences and knowledge on the researched subject it gives us a wider approach to not colour the thesis.

2.2 Qualitative Approach

According to Eliasson (2010) there are two methods to collect data, qualitative and quantitative research. Quantitative are often close connected with research of how to understand how many and to what range of a problem. Numbers and statistical figures are often used and to study one selected part out of a greater population (Bryman, 1997). The quantitative method is often based on statistical and mathematical studies, they are often based on surveys and different experiments. The research areas are often great populations such as organizations, communities, nations and companies etc.

The qualitative method on the other hand accounts for a deeper study, were interviews and observations are common methods. A method to collect data in order to understand one area of a problem or one group of people in a context (Eliasson, 2010). According to Merriam (2009) qualitative studies are researched through the practice and experimental field, in order to understand how a situation or problem interact. In this thesis we will gather information that contributes to this understanding in order to create a relevant theoretical framework.
We will conduct a qualitative method by interviewing involved actors that have a stake in
the shipping industry, been directly affected or had an involvement in the studied problem.
Qualitative interviews will broadened our perspective and understanding, from the
tendencies of an increased change by the development of modern piracy (Barry & Staver,
2009). By using this method in our thesis we will gradually achieve a clearer understanding
of the main problem, in agreement of Eliasson (2010) that emphasizes qualitative methods
objective is to gradually give a deeper perspective of the studied area over time.

2.3 Research Strategy
According to Yin (2009) there are several methods of doing social science research. One of
them is case study including experiments, surveys, histories and economic and epidemiologic
research. Many early social science books failed to consider the case study as a formal
research method. This because case study was considered as an exploratory “beginner”
stage of some other types of research methods and has therefore only been mentioned shortly. In this thesis we will use the method case study as a research strategy.

Yin (2009) explains that the case study method is an empirical inquiry, which investigates
an existing phenomenon in depth and also in a real-life context. Furthermore, Yin (2009)
mentions that the case study is preferred when methods and questions are composed of:

- “How” or “Why” posed questions
- The investigator has no or little control over the current event
- The focus is mainly on contemporary phenomenon which are in real-life setting

Gummesson (2000) conducts three characteristics of the case study research: exploratory,
descriptive and explanatory. The descriptive purpose is to describe for instance when a new
product is developed. While the exploratory case study research is mostly used in business
related subjects. This character uses a pilot study as a basis for articulating more detailed
questions or testable hypotheses. In our case study we have chosen to use the explanatory
research, it builds on exploratory and descriptive.

Our main research questions that we have chosen in this report agrees upon Yin’s (2009)
argument that a case study are reasonably adaptable to research strategies when there are
occurring up-to-date incidents. This connects profoundly with the on-going piracy attacks and the threat of the global commerce and international business that we have chosen to do research upon.

Further we have chosen to use an explanatory research in our case study, because it goes on to identify why something has happened and the reason to why it has occurred. This connects profoundly to our research questions and the aim for the thesis.

2.3.1 Designing Case Studies

Yin (2009) defines research design as a logical plan to get from here to there. Where here is set up of different questions that needs to be answered, and there is a set up of conclusion. The research design deals with at least four problems: what question to study, what data are relevant, what data to collect and how to analyze the results. Furthermore Yin (2009) explain that a case study design could be either single-case design or multiple-case design, it discusses if one or several cases are the reason for the research questions.

In our case study we have chosen to use a multiple-case design, this because single-case design specifies that the current situation only occur for a specific company. The situation of piracy has not only affected a certain company, but instead worldwide multinational companies, government and nations, militaries and most importantly the shipping industry. Therefore, we need to discuss several cases in order to define the problem. The study is based on trying to answer our research questions by studying the shipping industries and its affected actors through a multiple case study design. By the obtained results from the study it will get us from here to there.

2.3.2 Strengths and limitations of a case study

In selection of a research design, relative strengths and limitations can be discussed. The advantage is to select the most suitable plan to address the research problem (Merriam, 2009).

There are reasons why a case study focuses on a single unit. A single unit case study can conduct a generalized function, which can be emerged larger than other qualitative research. Furthermore, critics have been made towards lack of repetitiveness and of
consistency in the collections, constructions and analysis of the empirical materials in the case study (ibid).

Additionally, Merriam (2009) argues that the case study's strengths outweigh its limitations. A case study research proffers insights and illuminates meanings that increases ones experiences. Furthermore, it presents a deeper understanding, which you view through an up-to-date situation perspective. The aim with this thesis is to achieve an increase of experiences concerning the problem of piracy. Our case study does not only focus on a single instance, since we study several actors that can maximize the benefits from a case study and qualitative research. Our aim is to get a deeper understanding of the issue and to provide information from an international business perspective to the readers.

2.4 Data collection
Patel and Davidsson (2003) emphasize on the importance of the closeness to validity of the retrieved information, this divided into primary- and secondary data. The primary data consist of information such as witnessed actions, and personal meetings and interviews. Secondary data are documented information such as scientific articles, literature, and reports etcetera. In our thesis we will combine a collection of primary and secondary data in order to get a close validity and a realized view of our studied problem. The secondary data will help us understand the underlying effects of the industry's existence. The primary data will help us to identify the current situation and demand. This will give us an insight in the reality of the researched problem, in order to identify and discuss the actors involved.

2.4.1 Semi structured interview
According to Kylén (1994), it is difficult to formulate the right questions in order to get an answer that is useful and interesting. An interview is a dialogue between two or several persons. The interviewers' job is to stimulate the interviewed person in order for them to collect certain information and applicable answers to their questions. An interview can be short and structured, or longer and unstructured.

During the process of interviewing, a guide or question list can be used as a pillar. When using an interview guide, you present it to the respondent in the beginning of the process and then leave it on the table as a pillar during the conversation. For a more structured
interview you use a question list, which contains several completed questions. In this thesis we will use both techniques, also called a semi structure. Since our interviews will be held via the telephone, we will e-mail our questions the day before in order to prepare the respondent and gain more information. During the interviews we will premise with a question that could lead to more spontaneous questions, and then structure in order to answer our research questions. We will use the funnel model that is presented below.

The interviews will be our source to achieve primary data. Firstly, we will use a pilot study and interview with the juridical expert witness Johan Henningsson. This interview’s purpose is to give us an idea of how to structure the following interviews that our empirical data will base upon. The respondents were contacted via email and telephone, due to the variation of geographical locations of our respondents.

2.4.2 The process of information selection
To conduct vital information and as much insight as possible of our research problem we have made a section that motivate our samples of information. It explains and motivates our decisions of the researched areas, theories and chosen respondents, but also why we have decided to exclude some.

Merriam (2009) argues that purposeful sampling is of importance when conducting qualitative research. It can be divided into two types, probability and non-probability sampling, of how you as researcher can conduct what, when, and whom to gather information from. Probability sampling is when you make an assumed pre-study on one
part of a bigger whole. It could be a sample of a group that can help you generalize a result or a goal. This gives you a more statistical approach, even though it is a qualitative study and it may not even be justifiable according to Merriam (2009). Non probability sampling is a more usual type as a sampling method for qualitative studies, also called purposive, were your assumptions of the study are based on what you want to discover, understand and to gain insights in terms of a problem. The method is then to select from a sample of were it could be discovered and learned from in the best way. To make an assortment we therefore need to study one sample to motivate and understand how and were to find the right data to collect. Our pilot study with the juridical expert witness Johan Henningsson was a first small study to conduct further insight and information on how to illustrate the problem. In order to answer our research questions we wanted to know how and who this problem is important for, and whose affected. The pilot study gave us information to help us identify and get in contact with the involved actors of the researched problem.

The actors and its respondents have been carefully chosen in order for us to cover the variation requested of understanding several stakeholders that are connected to the shipping industry. Our aim is to have an equal selection of respondents from each type of stakeholder and from both profitable and non-profitable organizations. Due to our limited time framework we have excluded actors that we were not able to get in contact with. We have decided to exclude interviews with governments and nations, and military. Instead we have received a lot of information through our pilot study and secondary data concerning these actors, which we believe was sufficient in order to answer our questions. Instead we could focus our time to search respondents of other actors.

These are the actors that we have selected for our interviews;

- Pilot study, Johan Henningsson, juridical expert witness of the Swedish marine.
- Company X- Insurance company
- Swedish Club- Insurance company
- DB Schenker- Logistic company
- Gulf Agency Company, GAC- Logistic company
- Sveriges Redareförening, SRF- Swedish trade association for shipping companies
- Stena Bulk AB- Shipping company
Oceans Beyond Piracy, OBP- Organization

The pilot study was suitable for our thesis since Henningsson (2011) holds unique knowledge and experiences from his project as a juridical special adviser for the Swedish marine. We decided to do this interview since he has been attending work in the problem area. His role for this thesis has given us vital information to conduct further knowledge of several actors’ existence.

When conducting insurance companies, this selection was being made based upon the variety required of different perspectives. Therefore, we decided to interview one non-profitable insurance association and one “business oriented” that is a large profitable actor with a great impact on the insurance industry. The difference in type of insurance companies motivated us to believe that they would give us different information concerning the same questions, and to obtain two perspectives from this actor. To be able to settle these interviews we offered the option of anonymity, which was for Company X determined in order to participate and give us information. Company X was our second interview, they gave us further knowledge in how to conduct interviews and how important it is to find and assort good actors within this industry. Especially, since they were a bit hard to get intimate and achieve fluent discussions with.

The logistic companies were assorted on relevance of where they conduct their business. Our process of selecting companies was very time consuming and it was difficult to get in touch with suitable logistics companies that could meet the requirements. Since we demanded that they conduct their business in a suitable international area. Our criteria’s was that they could provide us with respondents that have enough knowledge and experiences concerning the subject of international business. Leading to exclusions and interviewing GAC and DB Schenker. They offered us time and suitable respondents. To understand the logistic companies role and perspective we required information from actors that have an important position on the market, which both GAC and DB Schenker hold.
The shipping companies assorted are SRF and Stena Bulk. SRF represent several Swedish international shipping companies. This assortment gives us information from wider perspectives of the problem since they are in contact with numerous shipping actors. We had trouble to get one specific shipping company’s interpretation, among options such as the Danish Maersk and the Swedish Wallenius Marine. Finally, we chose Stena Bulk, who is a part of the Swedish Stena Sphere since we achieved a wholesome contact and discussion with our respondent.

Ocean Beyond Piracy’s, OBP, is very up-to-date and their aims are closely related to our researched objective. One of the contacted respondents within the organization is also the author of “The Economics of Piracy” (Bowden, 2011). It is a report concerning the cost affects, which have been important for us in order to give a real picture of the involvements and increased problem of piracy.

Other organizations of interest are the International Chamber of Commerce, ICC, and the Baltic International Maritime Council, BIMCO, which we relied on secondary sources. The same concerns the military and governmental organizations and actors. Since we believed to find reliable secondary sources and due to the limited timeframe for data collection we decided to conduct only secondary data from these actors. Since their main aim as organizations is to provide their members and actors with information, we could access this as their webpages works as the link on this kind of information sharing of information and reports.

2.4.3 Theoretical framework selection
Merriam (2009) imply that theory is present in all qualitative studies even though the purpose of one study often is built on to develop a theory based on your findings. Thus this Merriam (2009) argues that the questions asked create a statement of a theoretical orientation. The theoretical framework is a structure of your study. Based on your research questions; it forms the study by the contribution of assumptions, beliefs and theories that can support your study. The choice of framework is based on your perspective and previous researched frameworks, for instance: economic, social, political science theoretical frameworks that are known. To identify the study’s framework you need to identify your
research topic, questions and concepts that are needed to understand the problem. Furthermore the literature and previous studies of models create a framework of how to answer your questions, and create a toolbox that can ease the work of your analysis techniques (ibid).

The theoretical framework of this thesis is selected from the perspective of the purpose to identify the affect on the shipping industry and its stakeholders. The international business perspective made us choose from different theories that we are familiar within business. Additionally also on some theories that are unknown for us. Our mix of theoretical models and strategies are based on previous work of persons within this perspective of international business. It will help us to apply our researched questions and give us analysing tools. The stakeholder approach is a tool to identify the stakeholder that have an interest of the shipping industry, the importance of their role within the business related to modern piracy. To further understand this, we want to identify changes in values and seek the relationships and integration levels between the actors. In order to identify if constellations of value added activities exists.

Since our researched problem involves many actors, that are affected by different institutional structures. The institutional theory help us to manage the importance of a structure and to understand underlying effects of the piracy problem.

We required a theoretical framework that could identify the importance of how to organize, structure them together into one context, to acquire an overview of the problem. The integration and the value of solving a problem made us seek models and theories to find these tools, and identify the real underlying problems. Which enabled us to map opportunities and challenges. We have narrowed down the theoretical framework by choosing fewer theories and to implement them well into our study. This since we want to have a high comprehension and validity on our theoretical framework. The theories are well-established theories and are assorted from academically sources, and reliable articles. Given a critical eye we have in one part of the theory used an advisable article written towards companies and in a managerial sense, which is not academically classified.
However, despite this we find it relevant and do comprehend that this will not deteriorate our assortment of sources for the theories.

2.4.4 Access
When conducting a business research study it is important not to only rely on basic methods. The importance is to have access to real life empirical data in a business perspective. “Real world data” is of priority, thus technical advanced data collection exist it will be in vain in comparison to primary sources (Gummesson, 2000). To be able to get access, the researchers must contain a close insight in the problem, be able to study the objectives and to identify the real data and researched problem. In our thesis we have been especially concerned to search for suitable sources and respondents of different companies and organizations. To be able get access to data that is truly valid for the researched problem. Our problem is current and well-discussed topic that has over the past years increased a lot. To be able to get a close connection and true insight we have carefully chosen respondents of the different actors that have a definite position or hold a great amount of experiences in connection with the shipping industry. Our intentions are to conduct specialized and the up-dated information from people involved within the problem researched. Our access to these respondents have turned out well, however it needs to be stated that we have consumed a lot of time in the process for finding suitable respondents. In some cases we have decided to not conduct interviews, which would not give us preferable information. For example, we have excluded contacts that have not provided us preferable information such as Wallenius Marine, Airlog Group and Försäkrings Förbundet. The access to involved stakeholders has been crucial in order to make the data collection possible. Our findings of our actors have been possible through recommendations within the industry to other persons, which have given us information in terms of reports and articles.

2.5 Reliability
The reliability refers to what extend the study and the findings of the thesis can be repeated, if it would apply the same result (Merriam, 2009). The reliability points out that it will always to some extend be unreliable to do the study once more since it is a human being that is behind every study. The research can therefore be manipulated and could
never be static. The reliability is trying to measure the process if the exact same study would be made all over again then the findings and conclusions will be the same. The aim is to be as correct as possible, a test on how to minimize eventual errors and partiality in the thesis. When writing this thesis we will keep this in mind, in order to be as correct as possible. To limit errors during the process of writing we will continuously let different person’s proof read some parts. In addition we have also attended two thesis seminars, where we exchanged feedback, critics and discussions concerning our writing process and had a successful collaboration with co-workers.

Further, the reliability is a measure of the stability and consistency in a study, a measurement on the accuracy in a study (Sekaran, 2003). To prevent any errors we have carefully collected all our data and findings into a study database. We have coordinated this to be able to organize the data and to have a structured and coordinated view of the study and the writing process. All primary data have been saved both in recorded- and in written form. Eventual misunderstandings or complementary questions have been made towards our respondents to limit confusions and errors in the data collection. The secondary data have been collected from academically sources, and our selection has been carefully assorted in order to keep the reliability high.

A consideration could be made as a test for qualitative studies, whether or not the same result will appear if another researcher would make the same study, this can be identified with the level of dependability and consistency. Concerning if the collected data would be dependable and consistent, in correlation to the result if an outside researcher do the same study. Merriam (2009) do not question whether the data will be found but rather if the results will be consistent with the data collected.

Since the reliability in a qualitative study can be argued not to be static it is almost impossible to achieve the same result once again. This is rather problematic, however we will argue that the data collection and findings have been carefully collected and organized into the context of our research problem. Due to the timeframe of our research work we will argue that if the same study were conducted once more, under the same circumstances,
conditions and current status of the research subject we claim that the same acquired result and conclusions will be found.

2.6 Validity

‘Regardless of the type of research, validity and reliability are concerns that can be approached through careful attention to a study's conceptualization and the way in which the data are collected, analyzed and interpreted and in a way the findings are presented’ (Merriam, 2009:210). This quote outlines the most important role of the validity and reliability, in the thesis you are intended to convince and lay trust to the reader, practitioners and researchers involved with your work.

Reliability and validity is connected, and in accordance with Patel & Davidsson (2003) you cannot entirely measure one aspect and not consider the other, since they stand in relation to each other. Validity measures the aspect to research the area of the problem. You have to be aware of if your research is reasonable and highlight the right and relevant parts of the problem. The validity’s purpose is to identify this and to demonstrate in the thesis that this is correct in accordance with the reliability of our performance of doing the research. In our thesis the validity is highly dependent on that we can access primary information and the latest properties of our researched area. Since our problem is of a new character and there have not yet been done much studies concerning the same perspective of the problem or significantly secondary study. Our respondents are our primary sources to achieve a deeper understanding of the researched problem. They are closely linked into the industry of the problem and have significant roles as directly affected actors. The importance to have extensive respondents from disseminated areas and different perspectives provides us with high validity since they all conduct deep knowledge and experiences. They have given us several assessments on how to understand our researched objectives. This is also linked with that we wanted to interview both profitable and non-profitable actors, in order to test and challenge the results to maintain a certain validity. The capacity to access this information has made a significant impact on how we can conduct the validity of the study and to get our researched questions answered.
Merriam (2009) emphasizes on how internal and external validity have been adopted in a qualitative study research, to separate a view of reality of the study. Internal validity, explains the understanding of how the findings of the study matches the reality. To what extend the findings do conform the reality, have the research conducted the real issue of the concerned area, in question of the level of reality in validity. The internal validity and the reality cannot be totally measured and presented in a study, since reality itself can never be grasped. Subsequently, it is of a multi dimensional and ever changing character. In order to deal with this aspect we have tried to see the problem from several perspectives and to get contact with actors that have encountered the problem in reality. To conduct that information, as closely as possible we want to make sure that it matches the current situation of the reality.

External validity can be referred to on what extend the findings of the researched problem can be applied into other scenarios and situations. This depends on how general your findings are and to what extend the reader is able to generalize the result of the study, in order to draw own conclusions. Therefore, the internal validity is still important. Merriam (2009) states that the study cannot be too generalized, readers make own conclusions about how the study and reality looks like, however they should be able to put it into a greater context and understanding in accordance to other situations or studies. In our thesis we do focus on the international business perspective in order to put the whole problem scenario in a greater context. The business terms and theories will explain the problem from that point of view. Which enables other economical situations and readers with a international business preference to see our findings in a greater context and to refer to the study and other similar studied situations. Our thesis purpose is to give the reader a deeper comprehensive about the studied area and the collected findings. The information is applied into other contexts and situations where the findings could be used as a support and of relevance to a business.
3 THEORETICAL FRAMEWORK
This chapter presents and describes the relevant theories the purpose of the thesis and theoretical discussion. The theories are applicable to an international business perspective.

3.1 Stakeholder theory
In the traditional view of the firm, the shareholders view, the shareholders or stockholders are the owners of the company (Friedman & Miles, 2006). Freeman (1984:46) refers to Thompson’s classical definition of a stakeholder as ‘any group or individual who can affect or is affected by the achievement of organization’s objectives’. He stresses upon that the firm has a binding fiduciary duty to put their needs first in order to increase value and returning some capital benefit to the firm. By this model, firms only adopt the needs and wishes of those four parties: investors, employees, suppliers, and customers. However, stakeholder theory has other parties involved as well including governmental bodies, political groups, trade associations, trade unions, communities, associated corporations (Friedman & Miles, 2006). Sometimes even competitors are counted as stakeholders.

Freeman (1984) stresses upon that any framework that seeks to enhance an organization’s stakeholder management capability must begin with an application of the basic definition.

‘How can we construct a “stakeholder map” of an organization?’
‘What are the problems in constructing such a map?’

- Freeman (1984:54)

3.1.1 Stakeholder analysis
Analysing and identifying the term ‘stakeholder’ is a process of identifying the individuals or groups ‘who have an interest in the actions of an organization and have the ability to influence it’ (Friedman & Miles, 2006:6). Stakeholder analysis is a term that refers to the action and technique of analysing the attitudes of stakeholders towards something, and it is performed when there is for instance a
need to clarify the consequences of predicted changes. It is used to identify all key (primary and secondary) stakeholders who have given their interests in the issues that are concerned (pmhut.com, 2011).

The stakeholder approach is an illustration on how different inputs affects each other (Freeman, 1984). The theory states that there is interdependency between the firms and the actors in the stakeholder framework, and it is vital to find an equilibrium so firms can go on with their operation. An analysis of stakeholders can help a project to identify for example the interests of all stakeholders who may affect or be affected by the issue, or key people for information distribution during executing phase (phmut.com, 2011). In this thesis ‘a project’ is defined as the issue of the piracy activities outside Somalia that have come to affect the shipping industry and its stakeholders. The importance of managing stakeholders expectations and ensuring their active involvement towards the issue is due to that it gives opportunities to individuals or groups to express their ideas/issues/concerns over the situation. It also enables effective risk identification and response planning.

Local, national and global issues and groups are having far-reaching impacts on organizations (Freeman, 1984). External change is the emergence of new groups, events and issues. The author stresses upon that the external events have not merely happened and then gone away, instead they rather have a long lasting effect on business. He emphasizes that the response of organizations to these changes in the environment has been varied as the changes themselves. Freeman (1984) also comments on Ackoff and Post argument upon that organizations have four basic modes for coping with a change in the external environment: inactivity, reactivity, proactivity and interactivity. Inactivity involves ignoring the changes and to continuing business as usual. On the other hand Reactivity involves waiting for something to occur and responding to that change, however, they stress upon that an external force must stimulate the response. Proactivity involves trying to predict the external changes that will occur, and positioning the organizations towards those changes before the fact is stated. It is an anticipatory mode. Finally the Interactivity mode includes active involvement with the external forces and pressures that seek to create the future for all concerned (ibid).
Overall, these changes add up to the need for a new model of the organization (Friedman & Miles, 2006). Freeman (1984) follows up with that the illustration (see figure 3) of the stakeholder view of the firm in his diagram is ‘enormously oversimplified’ in that each of the groups can be broken down into more specific categories.

‘Figure 3 is a map of the firm which takes into account all of those groups and individuals that can affect, or are affected by, the accomplishment of organizational purpose’.

Since 1984, when Freeman first wrote about the theory, the academic interests in the stakeholder approach has both grown and broadened, and numerous articles and books have been written (Freeman, 2004). Most of the research on the stakeholder concept has taken place in four sub-fields: normative theories of business; corporate governance and organizational theory; corporate social responsibility and performance; and, strategic management.

### 3.1.2 Stakeholder mapping

The following list identifies some of the most commonly used and best known methods for performing the stakeholder approach:

- Donaldson and Preston organize the approach into a three-way categorization: *Normative-, Descriptive- and Instrumental* theory. The authors argue that the normative base of the theory is the core (Hitt et al. 2001).
• Freeman and Liedtka (1997) emphasize that there should be a focus on the value chain that is reinterpreted in the stakeholder terms. By doing so they argue that it is easier to build stakeholder relationships that can be sustained over time.

• Mitchell et al. (1997) provide clarity to the debate regarding Freeman’s definition of stakeholder identification and salience of who or what really is a stakeholder. The authors base upon the attributes of power, legitimacy and urgency.

• Rowley use social network analysis to describe how organizations are embedded within a relational network of stakeholders (Friedman & Miles, 2006). He argues how the nature of the network and the organization’s position within it can affect the organization’s response to stakeholder demands.

• Hitt et al (2001) relate several characteristics between the stakeholder approach and strategic management. The idea of a stakeholder approach to strategic management suggests that managers must develop and implement processes which satisfy all and only those groups who have a stake in the business. This requires managing and integrating the relationship and interests of stakeholders, employees, customers, suppliers, communities, and other groups in a way that ensures the long-term success of the firm.

• Neville & Menguc (2006) emphasize that further theoretical and empirical development of the interactions between stakeholders has been lacking. The authors has therefore developed a framework for understanding and measuring the effects upon the organizations when it comes to competing, complementary and cooperative interactions between them, which they refer to as stakeholder multiplicity.

3.1.3 Categorizing the approach
Donaldson and Preston (Bowie, 2002) offered in 1995 an umbrella to cover existing and future research in the stakeholder theory, organized into a three-way categorization of the approach.

A normative theory is generally used as a provision of guidelines for actions and policies in all circumstances because it is the ‘right’ thing to do (Friedman and Miles, 2006). The approach is leaning towards moral and ethical rules on how managers should act.
A *descriptive* theory would simply illustrate that firms have stakeholders, and show how managers and stakeholders actually behave and how they view their actions and roles.

An *instrumental* theory would show that firms who consider their stakeholders could develop successful strategies, and how managers should act if they want to achieve profit maximization.

> ‘If you want to achieve (avoid) results X, Y, Z, then adopt (don’t adopt) principles and practices A, B, C.’
> - Donaldson and Preston (Friedman & Miles, 2006:29)

The authors also use the term analytic in order to cover both instrumental and descriptive theory. In this thesis we will base our research upon the term analytic stakeholder theory, since we will identify who the key stakeholders are and their behaviour towards the external change that we identifies as the issue of piracy activities outside Somali coastline. In our analysis and conclusions we will also use a normative approach, describing how we believe they should act to maintain and conduct their international business.

### 3.1.4 A network theory of stakeholder influences

In 1997, Rowley provided a consideration of multiple and interdependent interactions that simultaneously exist in stakeholder environments, leading to a more complex field than that mapped by Freeman in 1984 as seen in figure 3 (Friedman and Miles, 2006). He argues that the existence of solid ties between and within stakeholder groups enables better communication and facilitates the transfer of norms and expectations. As density increases, coordination and communication between participants grows and the promotion of shared behaviours and behavioural expectations increases, increasing the chance of stakeholders forming coalitions and increasing their ability to constrain the focal organization.

Mobilization of stakeholders can occur for instance when an issue has been identified such as the blooming piracy activities outside Somalia. Rowley and
Moldoveanu concluded in 2003 that mobilization is most likely if interest overlap, then the converse is likely to provide an impetus for action (ibid).

3.1.5 Critics towards the stakeholder approach
There have been critics to Freeman's book in 1984 that it was written towards the perspective of management strategy (Friedman & Miles, 2006). The book was also strongly coloured towards a descriptive and instrumental approach rather than a normative approach. Other critical points of views has emerged partly due to the theory's popularity, which have led to that the concept have been used in a variety of contexts.

“A muddling of theoretical bases and objectives”
- Donaldson & Preston (Friedman & Miles, 2006:4)

“The term stakeholding becoming ‘content free’ meaning ‘almost anything the author desires’ and the stakeholder debate becoming ‘confused’ and ‘often shallow’ in nature”
- Stoney and Winstanley (Friedman & Miles, 2006:4)

Freeman (2004) points out in “Stakeholder approach revisited” that it is more useful to consider the theory as a genre. Some of the more obvious misinterpretations according to Freeman are:

1. Stakeholders are critics and other non-business entities.
2. There is a conflict between shareholders, and the other stakeholders.
3. The stakeholder concept can and should be used to formulate a new, non-shareholder theory of the firm.

The author emphasizes that there may be many different stories, and that it has been the original insight behind “enterprise strategy”. There are lots of ways to run a firm, and all of these ways have to ultimately generate profits and satisfy some set of stakeholders but, context and other factors may well determine which kind of stories works best (ibid).

As mention before in this thesis there are several perspectives and techniques to use the stakeholder approach. However, due to the time of writing we will focus
on the external characters, in other words the macro level issues and the broader use of the concept.

3.2 Value Constellations

The strategy to develop a value creation and competitive advantage can be explained through the Value Chain by M. Porter (Hollensen, 2008). Further Normann & Ramirez (1998) have developed a continuous business strategy based on this with an analysis of Value constellations. To understand the transformation from the Value Chain into the Value Constellation strategy it first of all needs to be explained from the original concept of the Value Chain Strategy.

The Value Chains purpose is to categorize activities in a company; this in order to understand how they develop competitive advantages and creates value to its customers (Hollensen, 2008). Each step of a value chain has a purpose to contribute or to create an opportunity to the organization. The activities work as a strategy to improve or differ something in the company that can be used as a competitive advantage. The aim is to step by step create a higher value out of the activities being made. All activities are physically and technologically actions being made in an organization. The activities are divided into support- and primary activities, the primary activities are the ones that are vital for the physical creation of the service or product and the transformation into end customers. The support activities are functions within the organization such as human resources, technology and other firm specific functions that support the primary activities.

![Figure 4: Illustration of the activities being made within the firm (Mikael Hilmersson)](image)
The set of activities being performed form blocks, which intend to gradually create a higher value to the organization.

The activities can according to Hollensen (2008) be divided into downstream- and upstream activities, depending on the linkages of each activity and whether how you decide to build your blocks of activities. By building blocks differently, an organization can decide whether they want to focus on a market oriented ‘downstream’ or production oriented ‘upstream’ activity approach. Which each one focus on to either keep the activities of the block close to the organization, or for example internalize or outsource the activities to other companies.

The value chain strategy is based on a chronological aspect of the activities, however the organizations way of placing the activities can be done differently either by different value chains or depending on the order they are placed in, this could be based on for example the planning of activities in an organization etc. To integrate within an organization’s different value chains and its activities there are certain linkages to tie similar connected activities together. An internal linkage is where you tie activities with similar value chains, however, which might differ in planning levels. External linkages tie an organization of different value chains, which is controlled by the actors of the total organizations value chain.

### 3.2.2 The strategy of Value Constellations

The business strategy of a value constellation is a further definition beyond the analysis of the Value Chain made by Porter (Hollensen 2008; Normann & Ramirez, 1998). The value constellation strategy wants to describe a more familiar model of the reality, were they do not want to have the same distinction of difference between primary and support activities, product and services instead a blend of the activities aspects should be considered. Not only the core of the product and not only the suppliers role of refining the product and deliver it further to the next step in the chain.

The value constellations have the framework based on Porters Value Chain, but Normann and Ramirez (1998) presents a different focus on the activities. Where
they used to be a focus on manufacturing and marketing activities, they now focus further into the relationships being made by several actors integrating in a value constellation, “...from a linear value added perspective to a multidimensional co-produced value constellation perspective” (Normann & Ramirez, 1998:xvii). The value constellations do not follow a linear structure of the activities, they “jump” and combine the ones that are the most relevant for a certain combination of creating a higher value. The value constellation transforms the value chain where the value is created between providers, customers and involved actors of the organization. The aim is to rationalize the performances of activities, focus on the integration between several actors and to perform the activities that are of higher importance in order to create a higher value and decrease costs. Actors are companies, divisions, organizations and non-business organizations etcetera, all the entities that are involved to add up to create the value of a final solution, service or product.

3.2.3 Integration and co-produced value
The integration in the constellation of the actors represent a co-produced value, the interference with each other allocates tasks that are required when creating a higher value for the customers. This is a strategy to prepare and create awareness in an organization and to reinvent new business structure and opportunities, by new constellations and to redefine relationships and different roles between actors. The co-production creates a value of a dynamic process of active partners and is build upon two assets, 1) customer bases and relationships 2) competence enhancement. They both contribute to learning in the process and an effective dialogue to contribute to development of the organization itself.

The co-produced value and integration between actors make it possible for each actor to become more effective, the co-productive relationship are not a make/buy relationship. The aim is to create a higher value and lower cost in an effective way. This difference serves to improve cost carried activities among them. The traditional way of looking at each actor is designed that each one of them should be profitable on their own, however, Normann & Ramirez (1998) have seen that in a constellation the actors are more profitable when integrating. These since they can share risks, costs, and achieve an increase of market shares and values. By co-operations between actors’ collective solutions that decrease
cost or can change the development of cost carried activities. By integrating with each other each actor can contribute to a higher value through integration and co-produced value, the model below shows how actors can be illustrated as a sun, contributing to a higher value.

### 3.2.4 Relationships

Normann & Ramirez emphasizes that value creation today is highly dependent on the integration of the relationship between provider and customer, the contribution of what is needed and the understanding of how the customers and involved actors are willing to interpret in order to build this value. The constellations are normally built upon propositions of the cooperation in order to develop offerings, in this thesis we will describe this relationship as between the integration of actors and stakeholders. According to Normann & Ramirez (1998) by reinventing a business’s organizational structure or offerings you will be able to create new value constellations, this in line with the organizations ability to manage the dynamic process of the relationship with actors in order to create the higher value. The integration purpose is for a business to deliver an increased; customer, co-worker, social and stakeholder value. The value creation process is closely tied to its abilities and to enable different actors into this process, since all actors are linked with the capacity to provide the best customer value. The “interactive strategy” of creating a value constellation of enabling all these values has according to Normann & Ramirez (1998) taken the value creation to a new dimension.

The authors decide to divide the aspect of relationships between sections in a value creating organization into three types;

- “Pooled” relationships, the simplest one when each part contributes to a bigger whole.
- “Sequential” relationships, where parts output are being created in different sections that later will be put together into another part of the organization.
- "Reciprocal" the most complex one, where the outputs of each section contributes to the input that transfers to gain own inputs to the sections in turn for the organization. Which can also be called co-production relationships, were the integration between the sectors are given both parts of the relationships input.
The two first modes of relationships are the basics of a relationship and can be linked with the concept of the value chain. The third mode of the relationship is the most complex mix out of all, which signify the relationships in the value constellations and what they want to link with as co-production and service economy.

The relationships between each actor in a co-productive relationship do not only pass on value to one product like in the Value chain, the interaction and exchange for example information and “know how” is vital. An example on this could be that one supplier creates the product and one actor provides the services related to it towards the customer contact, which enables them to hold information concerning the customers and end-consumers that could be vital for the other actors to get hold off, for example the demand and information concerning the customers’ needs.

The integration characterizes service economy, with the relationships of “win-win” relations in order to create a final value for end consumers. The value chain is linked together to help each actors before, after and the passing off to the next activity while the constellations actors interact and involve together to be able to help other actors and to create a bigger whole, a “win–win situation” of exchange for interacted actors. This relationship contributes with new insights of demands, changes in business climate and influences needed in excess of production, technology and services.

Normann and Ramirez (1998) identify the value constellation with an outside-in perspective of a value creation, which gives a deeper statement of how you can get more insights of the organization. By defining the business’s needed key capabilities, and identify how to perform and organize them you can create a higher value. It is explained that you will need to measure and look at the business in several perspectives in order to create value, for instance you create one value by doing your core objectives of your business and in a second perspective you create a wider value together with the integrated actors associated in a greater context. By integrating with different actors you will combine a mix of capabilities to create a higher value and also a stronger value.
Normann and Ramirez (1998) mentioned Russel Ackoff’s systematic thinking perspective as an inspired theory on how to look at a system, were the importance is to understand a system thinking and all pieces of the puzzle, not to only focus on each specific part of a system or problem. Ackoff meant that it is important to define reality and the purpose of the system and the problem that it tries to solve. Together with the outside-in perspective you get a picture of the whole organization, and can create a higher value by the inputs from other entities. The influences have resulted in that Normann and Ramirez (1998) argues for different propositions of shifting activities in a contribution of the integration among the actors. With shifting activities of reconfiguration, innovative co-productive relationships, change in offerings depending on the situation and on how to apply them through the micro processing of the value constellations. With micro processing they mean that you are able to transfer and work with multiple activities at the same time. Depending on the current situation of the organization and its system, the actors use different focus on how to benefit from the activities and the integration being made with an aim to create co-produced value between actors.

3.2.5 Different performance of business activities
Reconfiguration as a constellation is consisting out of several actors, they tend to integrate as a section of labour within the organization and system. The degree of relationship and integration between them enables them to help out each other in their different performance of business activities. The actors perform their services in a way of “relieving” and “enabling” their co-actors, to make sure to perform services that creates a value to relieve the other, and then the next actor can maintain that in order to create another connected value. E.g.; one actor produce one service for another, for example transporting gods from A to B, the next actor maintain to manage the customer relationships and at the same time identify needs, by relying on the first actor performance in order to make it work. The “relieving” concept is based on an assumption that an actor cannot do that service by themselves and need the integration of the service e.g.: they do not need to own their own aircraft or ship to be able to transport their gods. The concept of the “enabling” another actor, the relationship is build on that one actor enable one another to be able to create the same value, by e.g.; transferring
knowledge, the “know-how” to the other part. This innovative sharing in solutions enables the involved actors to develop activities in a more effective way and in that case also lower prices.

An innovative co-productive relationship qualifies actors to share innovations with each other, but without competing directly. This is a partnership which extend an already established industry or “know how”; an example on this is Porsche that have used co-produced their solutions to sunglass and watch manufacturers and also to other car manufacturers that are non-competitors. This type of cooperation is more of an risk sharing approach were the actors do not copy information straight off, they combine their “know how” and together the added value is created when they find the most effective way of converting competitive advantages. This kinds of relationships are often multi-directorial and simultaneous which makes them more complex, this in comparison with the traditional thinking of a value creation in a chain, this relationship instead have an innovative approach which enables actors to work together.

The offerings created between actors tend to differ since the focus have developed, due to that activities of marketing and manufacturing are not as highlighted anymore, variables such as brand image, knowledge of customers value needs- and behaviour, exchange of information and resources have come to play a more central role in the work of understanding the interaction among the actors and to create offerings between them.

3.2.6 Critics towards the Value Chain and Value Constellations

It is important to take in consideration that the value chain analysis examine the actual situation and the predictable development of substitutes or actions, the analysis is build upon that you want to strengthened your own position as an organization or a firm in a competitive environment. It is also important to reconsider that the model was developed during a time phase where competitive advantages for a firm was vital in order to survive and that it today there are extended factors to consider to.

The Value constellation is the development and could therefore be seen as a more updated version of the model of Porter, important thou are to consider that it is a strategy and not a model, and that it then is not a generalization of reality it
is more of a strategy on how to reach a certain mode of business. The value constellation strategy is build upon that other actors want to participate and that it works within the industry were actors are active, an allowance to cooperate to create this increased value. If that is not the case then the strategy becomes very complex and loses its value.

3.3 Institutional Theory

The concept of institutional theory and institutionalization have can be defined in many ways, through the years various of approaches have been established. Therefore it has to be recognized that it is not one outset but, several (Scott, 1987). In this thesis the usage of institutional theory is according to the research of Douglas North (1990) and his approach. North (1990) explains that institutions are the rules of the game in a society and institutions change character as the societies evolves, therefore it is very important understanding the historical change of a society. Most importantly institutions provide a structure to everyday life and consequently reduces uncertainties (ibid).

Institutions are defined as ‘the humanly devised constraints that structure human interactions’ Peng (2010:31). This is further explained by Scott (1984) that the social order in a society is fundamentally based on a shared social reality, which in turn is a human construction created through social interactions.

An institutional framework is set up by formal and informal institutions, which are governing individuals and firms behaviour in the society. The formal institutions are made up by laws, regulations and rules and their primary supportive pillar is regulatory pillars. Regulatory pillars are defined as coercive, meaning that the formal institutions are forced and made up to be followed and not violated. While informal institutions are set up by norms, cultures and ethics and their supportive pillars are normative and cognitive. The normative pillars cite to how the values, beliefs and actions of influence individuals and firms, these are collectively known as norms. Cognitive pillars are the internalized values and beliefs that are taken-for-granted. Meaning that they are underlying influences, which individuals and firms do not take second thought of, which guide them in their actions (Peng, 2010).
Apart from that institutions are made up in order to do many things, however, as mentioned before their primary role is to reduce uncertainty. Furthermore institutions are there for individuals and firms decision making, in order to accomplish acceptable actions. This is important because uncertainty could be potentially very devastating. Especially political and economical uncertainty, and which could have a long-term affect on the state (ibid). The actors within institutions could be either individuals or organizations, including different bodies. Meaning that an institution is build upon different bodies and these bodies can either be firms, social gathering such as clubs, political bodies such as governments, regulatory agencies or educational with for instance universities. Below is a clear chart of what could be included in those different bodies.

- **Political**
  - Political bodies
  - The Senate
  - A city council
  - A regulatory agency

- **Social**
  - Churches
  - Clubs
  - Athletic associations

- **Educational**
  - School
  - Universities
  - Vocational training centre

- **Economical**
  - Firms
  - Trade unions
  - Family farms
  - Co-operative
The individuals in the organizations are bound by a common purpose to achieve objectives, the institutional framework of how they come into existent and evolve over time influences these organizations. As mentioned before the major role of institutions is to decrease uncertainty in the society by establishing frameworks to structure human interactions (North, 1990). Hedlund (2007) points out that institutionalized norms are not always enough for all individuals to observe established formal rules. In a game that lacks arbiter, the temptation of breaking the rules will increase. When players are unpunished in the game, the rest of the individuals will lose their respect for the legal framework and consequently the framework will collapse.

3.3.1 Critics towards the institutional theory
Furthermore new institutionalism studies on how the society and the organizations-field affect the individual organization. It claims that organizations strive after stability through imitation. Even if institutions assist us creating order and structure in our world, the main criticism against institutional theory is that it does not acknowledge how its environment influences organizations. An organization through institutional theory defines, creates and forms its environment and vice- versa. Meaning that the institutional theory influences its surrounding more than it will ever know.

3.4 Theoretical synthesis
We want to give the reader a clear theoretical structure to simplify how we have constructed our thesis and data collection.

To present a international business perspective on our researched problem we use a “toolbox” of a mix to create our theoretical framework presented above, consisting out of the Stakeholder approach, Value Constellations and the Institutional Theory.

Given the complexity of the researched problem we need to use a set of theoretical perspectives, in order for us to combine it into the problem. From the international business perspective we search to apply an understanding on how this problem is
important for involved actors within the shipping industry and to present how they integrate. The theoretical framework is a structure to help us present the reality of the modern piracy problem. The theories are relevant since they help to identify patterns of who the stakeholders are and to what extent value constellations are important and to analyze integration.

The stakeholder approach is useful for us since we in a well-structured way can identify the different actors and their roles. And from there proceed the structure of stakeholders of the piracy problem to ease the assortment and ability to identify important actors. The importance is to identify them and to understand how they have an stake in the shipping industry, the work to find a solution and conclusion is based on that structure. We will apply the concept of the stakeholder theory and adapt it to the maritime piracy issue in Somalia’s east coast. Since this is affecting the identified actors who are maintaining international business of the shipping industry.

The theory of value constellations and the value chain have a distinct focus to create a competitive advantage and higher value in a cost effective way. Together with constellations we focus on integration and relationships, it is of highest relevance and interest, in connection of the understanding how the identified stakeholders can integrate and cooperate in order to achieve a co-produced value in connection with the impacts from piracy on the business. This strategy is valid for us since we want to examine and identify if the affected actors of piracy can apply this or do apply this in order to fight against this problem, or to find a solution. As well as a international business perspective, find out if there could be cost effective solutions out of the constellations. The stakeholder approach hold the important role to identify and map the stakeholders and the value constellations create the value that integration pass on.

The institutional theory explains the role of institutions, and its importance’s in a state in order to provide a structure. The theory put the modern piracy problem in to a context of the piracy problem in Somalia. Since the Somali state has confronted severe state failure and lack of legal framework, the institutional theory comprehends the origin of the problem and explains the legal state of Somalia.
It explains the formal and informal frameworks in a state and how they can have a great impact on the established formal rules and how individuals act and are allowed to act. Further on it also takes historical change in a society into consideration, this is of great importance since the piracy problem has certain root in the history of Somalia.

Our set of the theoretical frameworks purpose is to identify different parts of the researched problem, identify a structure, which will integrate with the empirical findings. The three theories will integrate to some extend since they all are suitable for our study.

In figure 5, we illustrate how the theoretical framework justifies or can be explained through piracy. The piracy problem has externally affected the stakeholders, to show how and to identify this we will use the stakeholder theory to investigate and identify the actors. While the value constellation theory will discuss the integration of relationships between actors and its related cost connected to piracy. These theories will ease the understanding of how the external affects have occurred and their current influence on the industry. Furthermore, the upcoming of new stakeholders have had an impact on new value constellations and interaction patterns. However, the institutional theory will explain one of the reasons on how piracy has come into existence off the Somali coast, to clarify the existing problem for new and existing stakeholders.

**Figure 5:** Theoretical synthesis (created by authors).
4 EMPIRICAL FINDINGS

This chapter presents a combination of primary and secondary empirical findings through interviews, articles and the internet based sources of the studied actors within the industry. The piratical effects will be identified through the perspective of the studied actors and data collected.

4.1 Related stakeholders towards The Shipping Industry

As explained in the chapter of delimitations we will focus on the external stakeholders in a firm thus in this thesis it will be in an industry. We will identify the related stakeholders towards the shipping industry and explain how the maritime piracy in Somalia has affected their stakes and its behaviour of doing business. We will present all of the actors we have identified being directly affected and that are most interactive. In the end we will present the shipping industry that is the focus in this thesis. However, we will mention other actors than our identified in order to give the readers an overall insight. A simpler overview of the shipping industry and the identified actors effected or affecting the maritime piracy in Somalia is presented below.

![Figure 6: A map of the shipping industry and those groups who affect or are affected (modified from Freeman, 1984).](image-url)
4.2 Governments, Nations and Militaries
We have chosen to use primary and secondary data when collecting empirical information about the governments, the nations and the militaries efforts. In the battle of piracy off the Somali coast several governments have had major roles. In order to decrease the piracy several international efforts have taken forms by supplying naval forces to detect and embargo pirate attacks. These contributions simplify the shipping industry's merchant vessels voyage in the risk zones. We will present these stakeholders in the same chapter due to their close collaboration in order to give the readers an overall insight of their roles.

4.2.1 International Trade
According to the Ocean Beyond Piracy, OEF, report (2010) the international communities have been affected, especially the region trade that in turn will affect the international trade. Ban Ki-Moon (2010:21) states ‘Piracy... has had an immense impact on the economies of East Africa and also wider world... International trade routes are threatened and goods in the region as well as Somalia are becoming more expensive. This is made worse by the bleak state of the global economy’. Since the piracy affects the whole international trade it further on especially affects the fishing industries.

4.2.2 Interactive behaviour and Piracy Impact
The U.S. and several international communities such as EU have adopted several defensive responses to the piracy off the Somali coast (Bair, 2009). In 2009, more than dozen nations including Russia, France, the United Kingdom, India, China and the US organized warships that would protect the merchant vessels transporting their cargoes outside the area off the Somali coast. Since then, nearly thirty warships from these nations have been patrolling the coast of 2, 5 million square miles. In order to protect commercial vessels and their cargo, especially the 12 percent of the annual crude oil that is shipped through that area (ibid).

In 2008, United Nations Security Council, UNSC, established the Resolutions' 1814, 1816, 1838 and 1846 in order for a naval presence to deter piracy (un.org, 2011). The Resolution
1846 permitted a cooperation with the Somalia’s Transnational Federal Government, TFG that they may enter the Somali waters and uses “all necessary means”. This includes organizing naval vessels and military aircraft, but also confiscating vessels, arms and all related equipment for piracy and of course in agreement with relevant international law (Bair, 2009).

For a shipping company it is vital to conduct and maintain a high security environment in order to operate a serious business (sweship.se 2011). Therefore, the maritime safety must be a natural part of daily activities. Maritime security is a huge concept. It includes measures affecting everything from transportation systems worldwide to the individual sailor.

The defence alliance North Atlantic Treaty Organization, NATO, is participating with the military operation, EUNAVFOR in the Gulf of Aden (forsvarsmakten.se 2011a). They have the authority to act in contrast to the nations in EU’s maritime intervention, Operation Atalanta who only participates. Moreover, as a support to the surveillance on the vast ocean zone: a maritime surveillance aircrafts from various nations are participating, Maritime Patrol and Reconnaissance Aircraft, MPRA (ibid). Merchant vessels has been advocated to register their movements in advance at Maritime Security Center- Horn of Africa’s, MSCHOA, website in order to facilitate the navigation of the maritime (forsvarsmakten.se 2011b). MSCHOA was created through an initiative between EUNAVFOR and the industry. A further initiative has been to co-ordinate a Group Transit through the high-risk areas during night time when the attacks are reduced (mschoa.org 2011). According to Henningsson (2011), the risk of attacks is highest in the dawn. Moreover, the Swedish squad teams ME01 and ME02 also escort vessels that contain distinguishable, valuable goods. Either the naval forces escort a solitary vessel through the Gulf of Aden, or they will escort a group of vessels from point A to B as a convoy (ibid).

MSCHOA is located in the same building as EUNAVFOR’s operational headquarter, outside London (forsvarsmakten.se 2011b). When a Somali is suspected of being a pirate the headquarters in London are contacted decides if there is any burden of proof (Henningsson, 2011). The pirates can be prosecuted either by a member state of the EU or by Kenya who
signed an agreement in 2009 with EU (forsvarsmakten.se 2011b). The aim was to bring the pirates to justice in Kenya; however, during the last half-year it has diminished (Henningsson, 2011). In the current situation there are no possibilities for them to achieve this since no other nations want to take the responsibility for them. Therefore, the processes of capturing pirates only imply to take their weapons and then release them (ibid).

**4.2.3 Challenges and Opportunities**

Even though the challenges that have emerged due to the Somali piracy (Bair, 2009). Discussions and suggestions of creating an opportunity from this situation have occurred, such as establishing a coast guard off the Somali coast. It would contribute as a major improvement and an opportunity for the international governments and nations. The coast guard would patrolling the coast and protect the country from illegal acts such as piracy and enable the shipping industry’s vessels voyage through the area. Henningsson (2011) emphasizes that in theory these ideas sounds very good. However, considering the ongoing economical and political turmoil in Somalia the idea becomes very troublesome and challenging.

Further on, a great amount of resources is needed. In this current stage, TFG cannot finance the support that it is needed in order to implement this idea. This implies that external resources are needed. Companies and nations may be unwilling to provide the large amount of finances that is necessary and TFG is highly unlikely to handle the costs by themselves (Bair. 2009).

**4.2.3 Related Costs**

The piratical activities have had a tremendously cost effect on the governments and nations sending military to the Somali coastline (OEF, 2010). In OEF’s report there are mainly three anti-piracy missions participating from the governments and nations: Operation Atalanta, Operation Ocean Shield and CTF 150. Together these military forces contribute with 43 warships that operate the Somali coastline. However, it is not a sustainable option to maintain these warships since one U.S. naval costs around 82 794 dollars per day. Multiplying this with the 43 warships that operate 365 days a year, the costs of these
warships would approximately be 1.3 billion dollars per year and further on adding the administrative cost. Furthermore, adding the expenses of other nations it will be roughly around 2 billion dollars, which are spent on military operations that are operating the area every year (ibid).

Additionally costs for piracy prosecutions, food price inflation and reduced foreign revenue are affected. The Universal Jurisdiction of piracy has stated that any state can prosecute the crime. However, due to the lack of financial and prosecutorial resources, the international community has lent financial support to the neighbouring and regional nations. The international community has given these nations financial aid in order to encourage them to conduct piracy trials. The EC (European commission), UN, the U.S., Canada and many others founded the UNOCD’s Counter Piracy Programme with 10 million dollars. The programme’s aim is for the regional nations to build piracy prisons as well as dedicating time for training and development (ibid).

The attacks on the bulk carriers and the general cargo have affected the inflation on the food price. Around 40 percent of the piracy attacks that have occurred are on the bulk carriers and the general cargo. These carry the majority of the world’s food. This have a direct effect on the price of food because the piracy attacks results in delayed food cargo or in the worst-case scenario the perishable cargoes goes to waste (ibid).

4.3 International Organizations
We have chosen to interview Ocean Beyond Piracy, OBP. It is a non-profitable project organization, which is co-ordinated and founded through the mother organization One Earth Future, OEF. They are contributing with a wholesome flow of information to the shipping industry. We have interviewed two respondents from OBP: project associate and applicator, Jens Vestergaard Madsen and the programme manager and researcher associate, Anna Bowden.

‘...work with people and states that are the most affected by piracy and to shore up the international legal framework for prosecuting suspected pirates’

Further we will present secondary data from international organizations that the shipping industry is collaborating with such as the International Chamber of Commerce, ICC and the Baltic and International Maritime Council, BIMCO, the International Maritime Bureau, IMB. However, the industry is also collaborating a lot with the International Chamber of Shipping, ICS, the European Community Ship owners Association, ECSA and the International Maritime Organization, IMO. Due to the limited time of writing we will not present them in this chapter thus only give them acknowledgement.

4.3.3 International Trade
The numbers of piracy and armed robbery have increased rapidly (oceansbeyondpiracy.org, 2011). OBP have made a chart on their website comparing the total amount of share in the world conducting where the pirates exists and how many they are. From 1991-2010 and 2005-2010, Africa had a share of 29 percent versus 51 percent, which is a significant increase over time. This means that Africa have more than half of the piracy and armed robbery activities in the past years. Vestergaard Madsen & Bowden (2011) argue that they have seen an increase of the problem and refer to the report ‘The Economics of Piracy’ that conducts information concerning impacts on the international trade. In the report, Bowden (2011) argues that piracy has emerged into a market. It is an own business affecting the international trade since the business itself held a value of 4,9-8,3 billion dollars in 2010. During the interview, Vestergaard Madsen & Bowden (2011) personally state that the attacks so far in 2011 have reached record high levels comparing to the same first quarter last year.

4.3.4 Interactive behaviour and Piracy Impact
OBP’s mainly aim is to bring together the stakeholders who are most affected and then help them (Vestergaard Madsen & Bowden, 2011). The situation of piracy in Somalia is the biggest risk area at the moment, out of other piracy areas, with impacts of hostages and problems of special characteristics. According to the report, the increase of ransom payments is an important impact on the costs, which will be mentioned further into the related costs section (ibid).

The IMB’s Piracy Reporting Centre maps pirate operations around the world and helps
merchant vessels that are afflicted by pirates (icc-ccs.org, 2011). They are available 24 hours. The main aim of the PRC is to raise awareness within the shipping industry, which also includes insurance companies, of the areas associated with piratical attacks or armed robberies on board vessels. They work closely with various governments and law enforcement agencies and are involved in the flow of information as an attempt to reduce and ultimately eliminate this crime (ibid).

The ICC is the worldwide business organization and represents companies of all sizes and industries (icc.se, 2011a). They have experts from the business world in each subject field representing the Swedish national committee and it is only members that can participate in the committees and reference groups. For instance SRF has an employee, Per Sjöberger, in their ‘Commission of Transport and Logistic’ who represent them as a commissioner in the Reference Group ‘Committee on Maritime Transport’. He is also one of the Swedish ICC’s representatives in the Commission. Furthermore, Tryggve Ahlman who is also an employee of SRF, represent Sweden in ECSA’s ‘Safety and Environment Committee’ (ecsa.be, 2011).

BIMCO has several co-operations’ as a shipping association (bimco.org, 2011). They collaborate with various organizations, companies and international-, national- and regional bodies and also different universities. With the variety of members and organizations they can present a variety of services for their members. In addition to fulfil their mission and vision of being ‘...recognized as the most pragmatic, influential and effective shipping industry association in the world’ (bimco.org, 2011b). The integration is therefore vital. Furthermore, they regularly offer reports on current topics concerning the shipping industry such as the piracy off the Somali coast.

4.3.5 Challenges and Opportunities

OBP’s intention is to face the challenges of the world’s piratical activities (oceansbeyondpiracy.org, 2011). In their effort they are working with a plan of key components and basic elements to combat the challenges. The only opportunity for OBP is that their existence depends upon this very issue since their aim is to reduce piracy problems (Vestergaard Madsen & Bowden, 2011).
The major challenges are to deal with the economic situation that evolves and also the vacuum it creates on the market with price inflations and fluctuations. OBP hope to gather a group of stakeholders that together can handle the challenges. The groups consist out of several different involved stakeholders mainly within the shipping industry. The plan consist out of three phases were they have different goals in each phase to accomplish integration of the stakeholders. Moreover, they want to develop levels of agreements to solutions in each of the different phases. The phases are gradually developed and formed towards finding a final solution of the problem (ibid). On ICC’s website there is a report by the IMB that concerns how the Somali pirates are intensifying their attacks (icc.se, 2011b). They have moved from their coast and further out in the ocean. According to the IMB, Somali pirates stand for 44 percent of the 289 piracy incidents over the world’s oceans during the first nine months of 2010. In July 2010, the IMB reported that the Somali pirates managed, with help of a sea- fishing vessel, to get themselves to the Red Sea where they hijacked a chemical tanker. The pirates are using automatic weapons and rocket launchers. However, according to the director of the IMB more merchant vessels have strengthened their anti- piracy interventions due to the awareness the ‘Best Management Practices’ have contributed with (ibid).

Figure 7: Illustration of the extended risk- area (Bowden, 2011).
The current situation is not sustainable with Somalia as a failed state (Vestergaard Madsen & Bowden, 2011). Somalia needs to re-construct a political-, legal, and educational- system in order to combat the piracy and get their state into a working legal framework. On the other hand there might be a development in management practices of the problem. Since there is an increased interest due to that more actors tend to realize that they have to co-operate in order to solve the problem (ibid).

4.3.6 Related Costs
Since 2007, Somali pirates have attacked 640 vessels, taken over 3 150 hostages and achieved enormous amount of ransoms to finance the industry (Bowden, 2011). An increasingly amount of money have been put on maritime security, insurances and ransoms etcetera in order to deal with the problem. The costs related to piracy have been estimated to be 4,9- 8,3 billion dollars in 2010, of the international community. It is expected to increase since the area of piracy attacks is expanding in relation to increasing maritime trading volumes. The estimated cost is expected to increase in the upcoming years and reach numbers of 13-15 billion dollars until 2015. If we compare this to the pirates’ income level in 2010, when it was between 75-238 million dollars. Assumptions and projections on the development show that in 2015, it can be estimated to rise up till 200-400 million dollars. The estimations could be predicted based on that there are increasing opportunities to expand for the piracy business, which will affect the costs for the international business in whole. An analysis based on the piracy expansion has forecast that the number of pirates will increase with 200-400 million dollars annually. If these expansions and income levels will bechance it will imply a greater risk for the seafarers on the merchant vessels. If the piracy business will be further established the risk is that it will spread across other maritime systems not only outside Somalia’s coast (ibid).

The direct cost could be identified with; ransom payments, insurance premiums and surcharges, deterrent costs, re- routing of merchant vessels around the Cape of Good Hope, naval presence and prosecutions international organization deterrents. The ransom of payments is identified in Bowden’s report (2011) to be between 3 500000- 4 500000
dollars based on known incidents in 2010, referred from estimated cases from Interpol (ibid).

4.4 The Insurance Industry
We have chosen to interview The Swedish Club a non-profit-making organization, which is self-managed and controlled by its members. The organizations members are affiliated companies. At the Swedish Club we interviewed Lars A. Malm, who is the risk and operation director. We also interviewed a second insurance actor; company X, they wishes to remain anonymous\(^1\). company X is very well known within the insurance industry and active in maritime insurance. Additionally secondary empirical data from the insurance industry will be presented.

4.4.1 International Trade
The most common commodities that today are transported through the Suez Canal are mostly container vessels both from west to east and east to west. Malm (2011) at Swedish Club points out that the transporting traffic from east to west is more high-grade then transport from west to east.

In accordance with both Swedish Club and company X the international trade have exceedingly not been affected, if any. The capturing of vessels outside the Somali coast occurred during a time when the whole international trade was in recession. After the financial crisis the international trade decreased tremendously especially second half of 2008, which lead to no frequent of trading through the Suez Canal and Gulf of Aden.

Within company X the insurances’ differs apart in the area, when their customers are buying an insurance from them they need to tell which route of the transportation of their cargo is concerning. It does not really matter where, because there are specific insurances. Then there are limitations in where they can go through with their cargo, if going outside the Somali coast there are additional extra premiums to the already bought insurance.

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\(^1\) The interview company have chosen to be anonymous; therefore, they will be named as company X and the interviewed will have a pseudonymous name, Nilsson.
These premiums have radically enlarged since the increase of piracy. The price of the premium can differ from time to time, depending on the current situation of periods.

As far has Nilsson (2011) knows no one is going around the Cape of Good Hope today. There might exist some, but no one that they are aware of. However, the international trade is transiting through the Gulf of Aden and the Suez Canal. There may be a point where the trade has to go round the Cape of Good Hope, but as far today this is not the case (ibid.)

4.4.2 **Interactive behaviour and Piracy impact**

Somali piracy have in many ways affected the economic costs and especially the international trade by ways including, ransom payments, the costs of vessels and cargoes, delays in delivering cargoes, maritime insurance etc. The maritime insurance is a very interesting aspect how the piracy have affected the international business (Ploch, 2010).

King (2009) explains in his report that there are four basic types of marine insurances:

- **Hull insurance**, this primarily covers all physical damage to vessels and its machinery and equipment.

- **Cargo insurance**, as the word implies, this insurance covers the goods that are transported in the vessel. This insurance has different parts and policies if the cargo takes a particular voyage in a specific time of period.

- **Hull war-risk insurance**, even if the hull insurance covers many parts, thus this is a separate insurance needed to purchase in war risk areas with an additional premium.

- **Protection and indemnity (P&I) insurance**, this insurance covers the liability that involves the crew, docks and piers. Malm (2011) argue that it is also important to note that without this insurance you cannot conduct trade, because there is no one who would charter the vessels.

Furthermore the Swedish Club explains another insurance which have been heavily affected by the piracy today:

- **Kidnap and ransom** (K&R) insurance, this insurance have progressed and increased tremendously the last year. Firstly, it was a on-land insurance, but as the piracy in Somalia has increased involved actors needed this at sea too. In contrast to other piracy activities
around the world, the piracy in Somalia has build up a business model of kidnapping and ransom. By buying K&R, the customers get a discount on their AP premium. Hull war risk insurance, particularly the kidnap and ransoms have today increased tremendously in Gulf of Aden and Indian Ocean. However, according to Ploch (2010) the cost of paying ransoms to the pirates is just a fraction of what it would cost to re-route or arm the vessels. Therefore paying ransom is only a small fraction of the total value of the worldwide cargo commerce. Therefore the vessels operator (and their governments) views the occasional ransom as a tolerable cost of doing business in order to receive their goods, even if it encourages an increase of the piracy (ibid).

The Canal authorities of the Suez Canal have reported that the vessel traffic have declined in these past months due to both the global financial crisis and the increase of piracy in the Gulf of Aden.

Swedish Club does not have any occurred problems with the on-going piracy outside the coast of Somali. Their objectives exist for their members and provide insurances solutions and solve trading problems.

Furthermore company X explains the piracy in Somalia as a business that is very well organized. There are no singular group constellations and they are mostly highly organized teams. Which he believes is controlled from a higher state within the country.

From our interviews with company X and The Swedish Club we could not identify any direct co-operations between different actors. Both the actors ascertained that they were receiving information from organizations and other information bases, but we could not allocate any other interactive behaviour with other actors. However, the system of the insurance industry is allocated in one interaction between all insurance actors, since it is obtained as a network. The Swedish Club, however, indicates that the re-insurance system connects the insurance companies in order to control and spread the risks.

4.4.3 Challenges and Opportunities

Swedish Club as a non-profit organization, their only purpose is to exist for their members and provide insurance solutions. A possible opportunity is today that they have seen an
increase of the editing of war insurances. Because the increase of the piracy issue that have resulted in expanded uncertainties and fears, from their customers concerning their vessels and goods. Therefore they have invested a great deal in war insurances, which was considered as a minor issue, however, today Swedish Club has become an important change in the organization.

Furthermore, for company X there are no opportunities in this market. It is not creating any profit or opportunities. Nilsson (2011) states that it is not how the insurance system works; it is to help their customers to provide them with good insurances. Through a business perspective it would not be a positive profiting from this market, it would only develop negativity for them.

The Swedish Club indicates that there are no solutions at sea, you can protect yourself, however, that will not solve the underlying problem. As long as Somalia remains lawless without a steady government, the piratical issues will exist. Nilsson (2011) implies that you can improve security by guarding the vessels through surveillance and discourage. Both the Swedish Club and company X mention the same argument, of the importance in supporting the country of Somalia and providing the state with a working legal system, protective systems, production and good economy it will lead to the decrease of piracy.

Furthermore company X imply that today's pirates in Somalia do not only exercise piracy by earning money, mostly they support the country and the Somali people.

Company X in agreement with the Swedish Club emphasizes that in order to decrease piracy it would be to support Somalia and work on long-term solutions of creating a wealthy and stable country.

4.4.4 Related Costs
Due to the fact that the Swedish Club is a non-profit organization, information about related costs has not been as relevant for their company (Malm, 2011). However, related costs within the industry have been heavily discussed. In London there is a committee, Joint war hulk committee, which decides the areas in the world that are rated as war-zones, restricted areas. Transiting those areas the shipping companies must pay and extra
premium insurance. In 2007, the coast of Somali was classified as a war-zone. Transiting vessels then had to sign this additional premium, AP. Today one-way transit cost approximately between 10–20 000 dollars depending on what kind of vessel it concerns. Additionally, the basic war insurance cost only 10 000 dollars a year, which is compulsory for all shipping companies to sign. In 2006, the war-zone was limited to the Somali coast and southern part of the Gulf of Aden. As the piracy has increased the committee have expanded the war-zone. This has resulted in that it is impossible transiting the area without paying the additional premium.

Then again it is important to point out that the AP premium is fixed in London and the Swedish Club only charge their members. This is because the whole insurance industry in Europe and the U.S. are re-insured and connected with each other as an insurance network. Therefore, all insurance firms are connected. As an insurance firm you have to quickly re-insure your costs, otherwise it would mean that each insurance firm pay all costs by themselves and the insurance industry would not work.

But then again because they are in the global network of the insurance industry they have helped insurance companies who are re-insured in connection to them to pay of ransom money for their customers. The ransom money has generally increased these last years, but there have so far not been any cases of this in 2011. However, in 2010 they did pay 4,25 million dollars and in 2007, 1,7 million dollars. It is quite difference from year to year and the ransom amount varies tremendously. For example, the vessel they paid for in 2010 was a large vessel that was fully loaded with both food and fuel and holds a higher value. Therefore, the pirates could use it as a ‘mother-ship’ in connection to their attacks and international forces had a tough time negotiation it back.

4.5 The Logistic Industry

We have chosen to interview the Gulf Agency Company, GAC. It is a privately owned company, located in over 1 000 locations (gacworld.com, 2011). Their main business idea is to run solutions in shipping-, logistics- and marine services. We have interviewed Christer Sjödoff, who operates in the office of solutions. Further on we interview DB Schenker who is a MNC that are active in 130 countries worldwide. They are today the world's second
largest transportation and logistics service provider (dbschenker.com, 2011). We interviewed Sören Kullberg, the risk manager located in Gothenburg, Sweden.

4.5.3 International Trade

According to Sjödoff (2011) the passage through the Suez Canal is very important for all international trade that is coming and going to Europe, Asia and the U.S. This is because the Suez Canal have provided the world a fast and easy passage for international trade. Sjödoff (2011) at GAC argues that there are approximately 17,5 thousand vessels that transit through the canal each day. There are no exact statistics on how many vessels that goes through the Indian Ocean but, according to GAC, they imply that there are around 30 –60 thousand vessels.

In 2008, when the financial crisis hit the world it affected the international trade more than the effect of piracy in Somalia (Sjödoff, 2011). Furthermore, GAC illuminates that in year 2010, there were 53 vessels captured, out of these 30–60 thousands vessels as mentioned before. Through this GAC implicates that it is less then 0,2 percentage that a vessel becomes captured, meaning that sometimes situations can be heavily exaggerated.

In the international trade DB Schenker's business have not decreased or increased, meaning that it have not been severely affected by piracy and therefore DB Schenker's costs have been constant.

4.5.4 Piracy Impact on the Actors

Kullberg (2011) apprizes that many of the attacked flagships have been of German nationality; this concerns DB Schenker since the company is originally from German. Even though there have been several attacks on German vessels, there is only one who have been captured. Which means that their business have had a very small constant increase of their costs. Mostly because DB Schenker's businesses contains out of container shipping, several businesses and customers therefore own the goods. And the risk will be spread, however, it is still some affect on them as a logistic company. This is because the shipping companies apply a cost for sailing by the Somali coast. Thus logistic companies have either the choices of sailing by the Somali coast, paying an extra fee or going around the Cape of Good Hope. Making a detour will result in increased fuel expenses and most importantly an additionally
increase of the transportation time. GAC clarified that the Suez Canal Authority take a
certain payment to pass through, and it is approximately 10–20 percent cheaper than if you
would go around the Cape of Good Hope. They implies that it is not costs of going around
Africa that influence the decision, instead it is the transportation time that determine. There
is a third option, according to Kullberg (2011) at DB Schenker is to hire security on board.
This also increases the costs of DB Schenker´s costs, which will affect their final customer
price of the logistic services. The international business of DB Schenker have not yet been
heavily affected y the effect of piracy, thus as mentioned above container and German
flagships do have an increased uncertainty among piracy attacks, which should be
considered according to DB Schenker.

4.5.5 Related Costs
Since the increase of piracy the transport route have been affected. There are some vessels
that instead of transiting the Suez Canal goes around the Cape of Good Hope, this will as
mentioned before add additional transportation time and fuel costs. But then again the Suez
Canal Authority take a certain payment, which is 10–20 percent cheaper than if you would
make a detour. An alternative transport route going through Russia, but this is limited to
particular months of the year according to Sjödoff (2011) at GAC. Due to the fact that some
years this might not work as a solution because it is simply not possible to transits, because
of heavy ice and snow that covers major part of the transport route.

4.5.6 Challenges and Opportunities
As for GAC the issue of piracy indirectly affects them; however, their customers are in need
for solutions. GAC always tries to satisfy their customers by hire security or train and
educate the crew. By the increasing piracy problem GAC have developed a whole new
sector of these kinds of services in their current business. In the autumn of 2008, GAC
started collaborating with AKE. Which is a 20-year-old security company that distinguishes
themselves from others in their industry by providing their customers proactive
intelligence in assessing, monitoring, training for and protection against the risks. This has
given GAC the opportunity to offer their customers high skilled security and training on
board. Today GAC have added customers, such as Sir Lanka, Oman, Egypt etc., this because
the pick up and leave security workers in different ports, which increases their business profit positively.

DB Schenker does not see any opportunities with the piracy off the Somali coast, mostly negative things for their business such as increased costs in their logistic business, which they further on have to add to their current and potential customers. More it have threatened their business in transiting the Suez Canal and sailing the Indian Ocean.

GAC implies to acknowledge that today the world is investing approximately 2 billion dollars in order to hold the naval establishment in the Indian Ocean present. With 30–35 vessels of different, ‘flagships’, nations patrolling the coast of Somali. Instead he reasons that those 2 billion dollars could have been invested in schools, healthcare, and infrastructure instead, investments to improve the country of Somalia. By building up the subverted country into a working legal government the piracy could decrease.

As for the future DB Schenker agrees upon GAC that piracy is a business that will not end because nations are heavily investing in military and convoys instead the solutions is on land. Meanings if the solve the political and economical problems in the Somali, after that it may get better with piracy.

**4.5.7 Interactive behaviour**

Today DB Schenker does only collaborate with different organizations that provide them with information concerning the piracy problem. However, they also co-operate with other companies within their industry. Kullberg (2011) states that they are not today collaborating with any formation that is actively fighting the piracy problem in Somalia. They believe that the problem outside the Somali coast is primarily other actors’ issues; they are not in a direct link with the problem. However, they could consider collaborating with other actors in order to solve the problem.

GAC do only have collaborations with AKE. Thus this, currently they are not in any co-operation that are actively fighting or decreasing the piracy problem. However, to stay informed they have contact with other organizations and as members in organizations they are able to exchange information concerning the industry.
4.6 The Shipping Industry

We have chosen to interview Sveriges Redareförening, SRF, a trade association for shipping companies. It is a non-profit oriented association that exists for maritime companies active in Sweden. The association’s members are affiliated companies, and today they are 80 members. We interviewed Tryggve Ahlman who is responsible for the ‘arena’ within ‘Maritime Security and Technology’.

Furthermore, we have also interviewed Jan Sonesson, the Vice President of Fleet Operations & Contracts at the shipping company Stena Bulk, part of the Stena Sphere. The company is one of the world’s leading tanker shipping companies (stenabulk.com 2011). They provide safe and cost-efficient transports of crude oil and refined petroleum at sea for some of the most major companies within this industry.

4.6.3 International Trade

Ahlman (2011) compares the issue of piracy in Somalia with the situation that occurred in the Strait of Malacca, between Malaysia and Sumatra, over 15 years ago. The difference was that they had resources to deal with the issue from strong coastal states such as Indonesia, Singapore and Malaysia. He apprizes to us that the geography in the Strait of Malacca makes the region very susceptible to piracy. The area has a lot of grey areas making it an ideal location for pirates to hide and especially on the Sumatra side. However, the coastal states had a functioned coast guard who could combat the pirates (ibid).

Ahlman (2011) stress upon that the occurred piratical activities outside Somalia’s coast has create disturbance in the world trade. Immense amounts of money are going to waste due to the need of surveillance etcetera even though the criminal activity is still increasing. Ahlman (2011) points out two vital effects on the international trade. Firstly, the route through the Suez Canal and towards the Red Sea and Pacific Ocean hold a great deal of Europe’s trade to and from South East Asia and China. A detour would cost a week in time, which would have an effect on the total costs. Secondly, a lot of oil tankers are passing through the Persian Gulf and the Indian Ocean. Approximately 5-40 percent of the oil’s world trade and therefore any disturbance in that specific traffic has a direct affect on world trade (ibid).
Some of the SRF shipping companies have been insecure whether or not to use military services. Therefore, they have considerate transiting around the Cape of Good Hope. However, some of the shipping companies decided to return to the regular transport route. Meanwhile, some appreciate the longer route via the Cape of Good Hope since this was a direct consequence by not using additional security measures (ibid).

Sonesson (2011) emphasizes that the troubled areas are very vital for Stena Bulk tankers, partly due to the oil exporting nations of the Persian Gulf. The gulf is one of the largest shipment routes in the world when it comes to transported oil measured in volume. Then, they also have a lot of freight on the west coast of India. They voyage around the world; however, he points out that this particular area is important due to its vast (ibid).

Ahlman (2011) argues that the pirates are adapting themselves towards the changes and setbacks. When the surveillance in the Gulf of Aden increased, they just went further out in the ocean with their boats. Some of the vessels they have hijacked have became their "mother ships", which makes it easier for them to go further out in the ocean since those vessels are much faster and bigger.

Ahlman (2011) points out a difference between today and when it began over three years ago: the pirate’s amount of access to money. The violence has also escalated and hostages have been victims of executions and tortures. Today approximately 600 seafarers are kept as hostages (ibid).

4.6.4 Piracy Impact on the Actors

Stena Bulk has not noted a declined neither an increased demand for any special kind of vessel due to the occurred piratical activities in Somalia (Sonesson, 2011). However, the tanker market is always in fluctuations. Some of their segments of different kind of vessels have had an increased demand depending on the type of vessel and their capacity. For instance, the Suezmax that carry volumes of 150 000 deadweight tonnage, but also smaller vessels that carry clean products of for instance fuel or bio products. There has also been a certain demand on the smaller vessels with refined products such as aviation fuel, fuel etcetera. Oil is the most common freight of Stena Bulks’ transport. Sonesson (2011) stress upon that there are only 26 000 vessels passing the Gulf of Aden yearly, which means that approximately 27 vessels are at the moment captured by the pirates.
SRF do not have many vessels passing through the canal (Ahlman, 2011). However, there is of no substantial what flag your vessel may belong to because they are all under the same conditions when it comes to safety and insurances. On the contrary, a lot of Stena Bulks’ tankers are transiting through the area (Sonesson, 2011). They have seen indications that the pirates are focusing more on tankers nowadays, which makes Stena Bulks’ tankers more vulnerable. Sonesson (2011) stresses upon that the piratical activities started in a small scale towards the fishing vessels and then bulk carriers. Today they are focusing more on hijacking the bigger tankers.

According to Ahlman (2011) some of the most obvious changes that have occurred with the blooming piratical activities are that the vessels are forced to pass through a checkpoint. They need to report their voyages to the IMB’s Piracy Operating Centre, ‘Operation Atalanta’ and other bodies in order for the naval forces to know their location. Vessels are offered naval escort to lead them via a convoy through the high-risk areas and to ensure safety. This is costly for the shipping companies since most of the times they have to wait which consequence in loosing valuable time. Though it is necessary to be a part of these convoys, since a lot of tankers have been hijacked and oil has been retained. However, Ahlman (2011) states to us that the seafarers under ‘Swedish flag’ vessels do not carry any guns. Instead they are defending themselves with passive options, the ‘Best Management Practices’, such as barbed wired. ‘Best Management Practices’ is a handbook and contains measures for the seafarers on how to protect themselves (ibid). The guidelines have been produced by the shipping industry in consultation with the combined naval forces EUNAVFOR, the NATO Shipping Centre and the UKMTO (mschoa.org 2011). So far there have not been any succeeded hijack on a Swedish flagship (Ahlman, 2011).

Ahlman (2011) emphasizes that the shipping companies vessels conducts different types of risks, for instance the grade of their vulnerability depends on various factors. A tanker is a high-risk vessel because they are built with the rail relatively low and near the water and also their speed is usually lower than 15 knots. He states that vessels moving under 15 knots are in higher risks because it makes it easier for the pirates to climb on board, especially if the rail is low (ibid).
Stena Bulk’s seafarers need all the measurers they can get in order to protect themselves (Sonesson, 2011). Therefore, they rigged barbed wire around the rails over three years ago when the piratical activities occurred in Somalia. Since the beginning of this year, Stena Bulk has used unarmed guards on their vessels. Their vessels have always followed a convoy when transiting in the Gulf of Aden, if the opportunity has been given. Additionally they are also offered to have soldiers on board. Especially if you are going with a Russian warship, then you will get 5-6 soldiers on your vessel. Sonesson (2011) does not believe that armed soldiers will solve the situation; however, it will secure their seafarers safety.

4.6.5 Challenges and Opportunities

Ahlman (2011) argues that there are no opportunities in this situation, he does not like that term, there are rather challenges but of most importance is the issue of the seafarers safety. In an early stage SRF observed the demand concerning how to handle the issue. Through the last three years they have followed with anxiety how it has escalated around the coast of Somali and now in the wide Indian Ocean (ibid). According to Sonesson (2011), it is one of the biggest issues that the shipping industry has encountered and it is only getting worse. He apprizes to us that the pirates proliferate and today they are not only Somali natives. Stena Bulk’s legal advisors have seen indications that approximately 98 percent of the pirates who are currently active in the area are Somali’s; the others are Eritrean’s among other nations (ibid).

Due to this situation, Ahlman (2011) highlights that a disturbance in world trade has arisen and to much money have gone to waste. The issue involving the pirates in Somalia is an international crime. Both SRF and Stena Bulk highlights that it is FN, among other nations, who are responsible to find a solution (Ahlman, 2011; Sonesson, 2011). If they cannot solve this, then SRF believes it as a necessity for the seafarers to get the chance to protect themselves (Ahlman, 2011). Therefore, a discussion has woken ‘what should we do?’ SRF believes that it is the governments that should help the seafarers to protect themselves. They are against violence and armament on board; however, it seems like there are no other alternatives any more. Apparently, a warning shot has proven to be affect full without sinking the pirate boat (ibid).
Another big issue is that they have nowhere to prosecute the pirates after arresting them (Ahlman, 2011; Sonesson, 2011). It is a very vital component for solving the issue and it does not work. Sonesson (2011) apprizes that last year approximately 1200 pirates were arrested and nearly all were released. The fact that Somalia does not have a legal system is a huge challenge but most important a problem. The U.S. and Spain has arrested pirates who have been indicted in each country and they got approximately a few hundred years in prison (ibid).

However, there could be an opportunity for Stena Bulk as a shipping company if more of their competitors decide to take a detour around the Cape of Good Hope (Sonesson, 2011). Then the market for the companies who continues their voyage through the Suez Canal would be more profitable since security measurements are still cheaper than a detour. There are still vessels that do not use securities on board or even barred wired, which is irresponsible of them. All of Stena Bulk’s vessels follow the safety regulations and the requirements that are needed. Therefore, they have not yet had any problems on their voyage through the risk- areas. Stena Bulk founds it almost impossible to avoid the Indian Ocean and the Suez Canal. Since a detour through the Cape of Good Hope would take approximately 10 days longer if you are coming from Europe and are heading to the far eastern (ibid).

4.6.6 Related Costs
One vital, and most importantly negative effect from the piratical activities is the increased costs for the shipping companies (Sonesson, 2011). In 2010, it was estimated to cost the shipping industry, in other words the international trade, about 7 billion dollars. Both SRF and Stena Bulk believe that this is partly due to the required equipment (Ahlman, 2011; Sonesson, 2011). Due to the violence that has escalated from the pirates, a huge amount of money has been invested on security on board the vessels. A special type of equipment is needed in order to handle it operative and make it difficult for the pirates. They have various measurers for confronting the pirates. The shipping companies trade information between each other all the time. When an area is suspected to have pirates, vessels around the area are alerted and take detours in order to avoid them. This is a costly procedure and
also not to forget the insurance costs that has risen due to this (ibid). However, SRF’s membership fee has not increased (Ahlman, 2011).

There are special insurances for this situation that are similar to the war risk insurance, the K&R (Sonesson, 2011). It covers if the shipping companies seafarers is kidnapped and a ransom needs to be paid. According to Stena Bulk the insurance premium has risen; however, since they are a part of the corporate group of Stena, they get a lot of discount. For instance if they have the K&R- insurance they will get 50 percent discount on the war risk insurance. Stena Bulk is mostly using English insurance companies but since it is Swedish Club who has the war risk insurance they are currently using them a lot. However, Stena Bulk does not insure the freight, it is up to the cargo owner. Though, since the war- zone has expanded and today includes the whole Indian Ocean it also means that the insurance covering the war- zone has risen. Sonesson (2011) compares the Indian Ocean to be as big as Europe. The shipping companies must also hire guards and security on board the vessels when they are in the war zone and therefore those costs has also risen due to the its expansion (ibid).

**4.6.7 Interactive behaviour**

SRF has a representative in Brussels that is active in all of the ‘arenas’ depending on which subject that is in the spotlight (Ahlman, 2011). He is responsible for giving the organization closeness to the decision-making body regarding ocean trade in Europe.

SRF have seen a solid increase of the piratical activities (Ahlman, 2011). It is based on the increased involvement from international organizations and military forces such as ICC and Operation Atalanta. Both SRF and Stena Bulk state that the international organizations have done a wholesome job with the flow of information (Ahlman, 2011; Sonesson, 2011). SRF believes that the shipping companies are also functioning as sources of information since they are daily operating on the field (Ahlman, 2011). The collaboration between the identified actors is mainly about exchanging information and strategies with the active associations, it is an international responsibility. Stena Bulk is daily receiving information about where the pirates operate, which forces their vessels to take huge detours in order to
avoid them (Sonesson, 2011). Partly the information Stena Bulk receives comes from the English military intelligence, but there are several other sources as well.

Within SRF there is also a wholesome flow of information between them and their affiliated companies (Ahlman, 2011). The association has different ‘arenas’ and within them they have committees, for instance Ahlman’s responsibility is in the ‘Maritime Security and Technology’. Through their membership the companies receive advice in all aspects of the industry; for example access to association information via the Internet, the Swedish Shipping Gazette, invitations to member meetings on topical issues, and participations in the association’s ingoing effort to connect with other shipping companies. It is of importance that the information of flow passes smoothly between them and their affiliated, since they are in the hub and can capture the internationally topical issues (ibid).

Both SRF and Stena Bulk is operating by following the ‘Best Management Practice edition 3’ when it comes to the security on board of the vessels. SRF believes it is a wholesome guideline on how to prevent the pirates to enter the vessel; however, it is not SRF who needs the security instead it is their affiliated companies (Ahlman, 2011). Due to the increased threat from the pirates Stena Bulk among other shipping companies have contact with security companies (Sonesson, 2011). Since the beginning of this year Stena Bulk is collaborating with the English security company, ‘Red Four’, who are ex-soldiers. It is a big company with 24 teams and each team contains four men that are on board one vessel and they have also written guidelines to follow. Stena Bulk has legal advisers located in London that they have expanded their collaboration with. The lawyer reads through all the guards’ resumes in order to prevent mercenary soldiers to enter the vessels (ibid).

When it comes to insurance, Ahlman (2011) points out that the insurance companies are very active. They are afflicted since they handle the direct negotiation with the pirates and then indirectly the shipping companies pay the insurance. The insurance- and shipping companies have a very close interactivity in this issue. Besides the collaboration between them, SRF are members of the International Chamber that they are interacting closely with. Stena Bulk collects their information from several diverse sources such as Oceans Beyond
Piracy (Sonesson, 2011). Today they have plenty of wholesome collaborations were they could collect the information they need.

Both SRF and Stena Bulk emphasizes that there is not only one solution and the situation is not getting better (Ahlman, 2011; Sonesson, 2011). Instead it will get worse if the international community, UN, and the resourced flag states do not take their responsibility. Another solution, and perhaps maybe the most important are to create stability in Somalia. The country needs a government and a functioned coastguard who does not allow this type of crime. SRF wish for our government to be more active in this issue (Ahlman, 2011). The association’s network is of utmost importance and involves frequently contact with governments and parliaments, and its executive body. Internationally, the associations are following through their representative that work within international maritime organizations such as: European Community Ship owners Association, ECSA, International Chamber of Shipping, ICS, and International Maritime Organization, IMO. Even at home they work to influence largely through memberships or co-operations in different organizations. Some of the most important are Confederation of Swedish Enterprise, Maritime Administration, VINNOVA, Maritime Analysis Institute, and NGOs such as KIMO, the Swedish Society for Nature Conservation and WWF.

It is a persistent problem since piracy has been around for hundreds of years, but what is new is that it has escalated out in the Indian Ocean (Sonesson, 2011). Compared to the West African pirates who steals the cargo and are very dangerous, the Somali pirates are only after the ransom. So far, the Somali pirates have not hurt anyone except if there have been confrontations. Furthermore, the Somali pirates have no potential to steal or take care of the cargo (ibid).
5 ANALYSIS

In this chapter we analyze the studied actors from the empirical findings and through the theories we have structured in our theoretical framework of the piracy problem. Different integration levels, changes and opportunities of the shipping industry and its stakeholders will be discussed.

5.1 Identified Stakeholders

Stakeholder theory does not just involve identifying the micro actors (Freeman, 1984). It can also be used as a tool to identify the macro, which we have given acknowledged to in our empirical data. The identified macro actors are governments, nations, military forces, international organizations, trade associations and directly affected industries with a focus upon the shipping industry. With the empirical findings we have obtained an understanding of the interactivity among our identified actors that are affected by the piratical activities in Somalia. According to Freeman (1984), the basic definition in creating a framework is to identify those groups or individuals who can affect or are affected. Henceforth, you need to construct a map concluding the identified stakeholders. He states upon the importance of being aware of the stakeholders within an organization, in order to clarify the consequences of predicted changes such as the piratical activities disturbing the international business for the shipping industry (Friedman and Miles, 2006; pmhut.com, 2011).

5.2 Interactive behaviour

Thompson’s classical definition of a stakeholder is ‘any group or individual who can affect or are affected...’ (Friedman & Miles, 2006:46). By identifying the shipping industry’s stakeholders in the maritime piracy outside the coast off Somali we were able to construct figure 8. It presents the integration between the affected actors and the ones who can affect. The Somali pirates have had a major negatively effect on all identified actors, while governments and nations have had a tremendously direct effect on the militaries and international organizations’ measures of detracting the pirates. Henceforth, the militaries and international organizations’ decisions affect the shipping industry, while they function as sources of information for the logistic-, and insurance industries. The co-produced value and integration of actors make it possible for each actor to become more efficient
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(Normann & Ramirez, 1998). The interference allocates tasks that are required when creating a higher value.

Stakeholder analysis is a term that refers to the action and technique of analysing the attitudes of stakeholders towards something (pmhut.com, 2011). By identifying the actors we will be able to analyze their behaviour patterns in doing business due to the piratical activities. For instance, how they have handled the occurred problem and if their attitudes in doing business have changed. The value constellation is also a strategy that can be used when preparing and creating awareness to reinvent new business structures and opportunities (Normann & Ramirez, 1998). Governments, nations, militaries and international organizations have developed specialized divisions to handle the piratical activities in the Gulf of Aden and the coast off Somalia. By doing this, they enable the

Figure 8: A stakeholder map showing the different integration levels (created by authors).
merchant vessel to continue their voyage through the risk area. For instance, UNSC established several Resolutions' allowing a naval presence and a permission to deter piracy (Bair, 2009). One of the Resolutions’ declared a collaboration with TFG in order to get the rest of the world permission to enter the Somali waters and use ‘all necessary means’ to combat piracy.

An analysis of stakeholders can help a project to identify the interests of all stakeholders who may affect or be affected by the issue (pmhut.com, 2011). The efforts from governments, nations and militaries have been to together create several collaborations or divisions in order to combat the piracy more efficient (economist.com, 2011). Over 27 nations are currently contributing with naval forces and most of their attentions are devoted to the Horn of Africa. According to Freeman (1984), external changes are the emergence of new groups, events and issues. He stresses upon that they have a long lasting effect on business. Some of the military and naval contributions that have emerged from the external change are EUNAFVOR and Operation Atalanta (economist.com, 2011). Moreover, some of the international organizations’ contributions have been from IMB, ICC, BIMCO, Oceans Beyond Piracy, ECSA, ICS, IMO, WTO, One Earth Future, the Piracy Report Center, and UKMTO. They are conducting with the most vital flow of information to the shipping industry, which assists their merchant vessels to avoid a piracy attack. Together with the military and naval forces they are making the international business more possible, thus if you exclude the risen costs from insurance and security (ibid).

5.2.1 Behaviour response to the external changes

Furthermore, Freeman (1984) emphasizes that the response from the identified stakeholders towards these external changes are varied just as the changes are. For instance, the author mentions Ackoff and Post argument that there are four basic modes for coping with external changes in the environment. By mapping the governments and nations responses and actions towards the piratical activities, we can see a clear pattern that their behaviours have changed and adapted towards the external changes. We identify all of the actors to have had a reactivity mode at first; however, today they are in the interactivity mode. The reactivity mode is based upon that the piratical activities occurred to them. They did not try to predict the external change as in a proactivity mode, instead they responded
to the change after it occurred to them. However, today they are having a very active involvement and are pressured to create the future for all concerned actors. By all concerned actors we relate to our identified actors with a focus on the shipping industry. On the contrary, we identify governments and nations to be at the top of the hierarchy in the active involvement. They have organized military- and naval forces, and international organizations to combat the external change; specialized divisions have been created with a goal to detract the piracy (economist.com, 2011). Even though we identify the shipping industries to be actively involved, their involvements are more or less about exchanging information, strategies and secure their seafarers and cargoes. Stena Bulk apprizes that some shipping companies are in the first mode: inactivity (Sonesson, 2011). They have ignored the external change and continued with their business as usual. The logistic companies are also identified in the inactivity mode since neither DB Schenker nor GAC have been engaged in any collaboration concerning actions to deter the piratical activities (Kullberg 2011; Sjödoff, 2011.) For instance, DB Schenker argues that it is not their problem to solve the issue instead it is other actor’s primary problem (Kullberg, 2011). The external change is an international responsibility, and therefore the pressure is upon the nations and governments. However, both of the logistic companies emphasizes that they are positive to an integration involving a flow of information. Furthermore, the interviewed shipping companies state that they have considered detouring to the Cape of Good Hope while others have considered military resolution of the vessels (Ahlman, 2011; Sonesson, 2011). Most of them are following the guidelines in the “Best Management Practices”.

5.2.2 Social Network and Relationships

According to Rowley (Friedman & Miles, 2006), one way to use the stakeholder approach is to use the social network analysis to describe how organizations are embedded within a relational network of stakeholders. He argues that it would lead to a more complex field than the one mapped by Freeman in 1984 (figure 3), which can relate to a stakeholder map between our identified stakeholders (figure 6). It is a very complex field or issue to handle; therefore, it is vital to mobilize the stakeholders in order to analyze their interaction between each other’s and see where it is lacking. This in comparison between figure 6 and 8 were it is a clear distinguish between a simpler stakeholder map and a more complex map
adapted to our researched subject. The “complex” map illustrates the different integration levels between the shipping industry’s stakeholders related to the maritime piracy in Somalia. Normann and Ramirez (1998) emphasize that the value constellations focus further into the relationships being made by several actors integrating in a value chain. The shipping industry’s identified stakeholders have together created a multidimensional co-produced value constellation perspective. Even though the International Community is financially supporting neighbouring nations to encourage them to conduct piracy trials, problems have occurred regarding where to prosecute them (Bowden et al., 2010; Henningsson, 2011). Rowley argues that the existence of solid ties between and within stakeholder groups enables better communication and facilitates the transfer of norms and expectations (Friedman & Miles, 2006). In the piratical issue, one of the vital performed activities is to have a functioned flow of information between the concerned actors in order to create a value of a final solution (Normann & Ramirez, 1998; Sonesson, 2010). The aim of the value constellation is also to perform the activities in order to create a higher value and decrease costs (Normann & Ramirez, 1998). According to our interviewed actors it has been a wholesome flow of information (Ahlman, 2011; Sonesson, 2011). The militaries and international organizations have functioned as good sources and contributors to the identified industries. Henceforth, the shipping industry’s merchant vessels have conducted with vital information since they are daily operating on the field (Ahlman, 2011). Among our identified industries, the shipping industry is the most integrated and members of several international organizations in order to get an access of the needed information and the norms of how they should behave towards the piratical issue (Kullberg, 2011; Sjödoff, 2011). This is of importance due to that today’s pirates have shown an accumulative flexibility and mobility in their tactics since the first pirate attack occurred a few years ago (Bowden et al., 2010). They have adapted their techniques and equipment towards the measures that are held to combat them.

5.2.3 Different performance of business activities
According to Normann and Ramirez (1998), actors perform their services in a way of ‘relieving’ and ‘enabling’ their co-actors. They perform services that create a value to relieve the other, and then the next actor can maintain and create another connected value. For
instance, the merchant vessels register their movements to the international organizations (forsvarsmakten.se, 2011b). This enables them to localise their position for the military so they can co-ordinate a Group Transit from point A to B (mschoa.org, 2011). The ‘relieving’ concept is based on an assumption that an actor cannot do that specific service by himself and need an integration of the service (Normann & Ramirez, 1998). The merchant vessels, international organizations and the military are interdependent of each other’s in order to arrange the Group Transits (mschoa.org, 2011). It contributes to the shipping companies movement of goods and services through this global supply chain. The concept of “enabling” another actor is built upon that one actor enable another to create the same value (Normann & Ramirez, 1998). For instance, it can be to transfer knowledge, the “know-how” to another actor: the international organizations are transferring knowledge and information to the shipping industry and its stakeholders.

The constellations actors interact and involve together in order to be able to help other actors and to create a bigger whole, a “win–win” situation of the exchange for interacted actors. We compare this interaction of relationships with the identified actors in this thesis, even though the interviewed logistic companies have been more or less inactive. They are all in different levels interacted with each other’s in order for them to create a “win–win” situation, which hopefully means that they will find a long-term solution to handle the piratical activities (ibid).

5.3 The effects of piracy on the shipping industry

Oceans Beyond Piracy claims that the related issues are affecting most of the actors’ directly or indirectly. The effects on piracy and related costs could be identified through the stakeholder approach since it illustrates how different inputs can affect each other. The interdependency between the different actors is related to the costs they have encountered from this issue and how it is affecting their international business. By identifying the direct effects and indirect effects we can analyze how this have affected the shipping industry.

5.3.1 Direct effects

In accordance to the logistic and the shipping industry, the piratical activities have had different impact on the actors. Kullberg (2011) apprizes that most of the attacked vessels
are German flagships, which are DB Schenker’ origin nationality. The stakeholders of this industry apply a cost for transiting by the coast of Somali, which DB Schenker will further add on their customers. However, DB Schenker have mostly container vessels transiting through the Suez Canal, which means that the risk is distributed between several customers and will not lead to severe costs effects. Most importantly, the piracy has lead to an additional premium, which is entering the war-zone. The ‘kidnap and ransom’ used to be an on-land insurance that has progressed tremendously and are today extent to the ocean. This have had a tremendous affect on the shipping industry’ businesses, this because today the shipping industry operate everyday of the year in this area.

Freeman (1984) argues that some external changes can have long lasting effect on business. As for the shipping industry we can deter from our interviews with Stena Bulk and SRF that the shipping industry have been affected quite externally by the piracy matter. Firstly being attacked can easily damage their vessels and most importantly the cargo. Since the shipping industry operates everyday in the year they are more exposed to attempt of attacks then any other actor. This have lead to that many shipping businesses are considering the re-route of Cape of Good Hope.

The interviews with company X and Swedish Club state that the piratical activities have had a strong negatively impact on the insurance industry as well, especially the increase of several insurance and premiums. On the contrary, it is a very interesting perspective that Malm (2011) in implies, which they have not felt the effects of the piratical activities. Still Swedish Club indicates that the pirates have had impact on their members and by this pressured them to expanded parts in their organization. This can be analysed who Swedish Club members are, which the shipping industry could be part of. This with issues concerning pirates and writing different war-risk contracts concerning the piratical issue. Consequently, this has increased their work with new opportunities. Company X on the contrary, had secrecy on how their business operated towards the piratical activities; therefore, it is hard to analyze the important aspect on to what extent the piracy have impacted their business. It is an interesting aspect since Swedish Club who are in the same industry as company X were more open of sharing information.
Donaldson and Preston covers existing and future research in the stakeholder theory through different approaches (Bowie, 2002). The piracy impact on the actors conjoins the descriptive and instrumental theory. Since the descriptive explains how the stakeholders actually behave and view their actions and roles. The instrumental theory shows that firms who consider their stakeholders could successfully develop strategies and the managers behave in order to achieve profit maximization. In other words, ‘if you want to achieve (avoid) results X, Y, Z, then adopt (don’t adopt) principles and practices A, B, C’ (Friedman & Miles, 2006:29). Furthermore, this can be connected with how the military and insurance industry manages the piratical activities in order to make it better. Friedman & Miles (2006) state that if you want to achieve results, which in this case are to deter or prevent the piracy, you have to adopt your principles and practices. The shipping industry has produced in consultation with the military “Best Management Practices” (mschoa.org, 2011). The handbook contributes with several guidelines, which can be implemented by the actors who are transporting their cargoes through the coast of Somali and the Gulf of Aden. This is an important aspect since the piratical activities has increased in 2011. Furthermore, the insurance industry or the Joint War Committee, JWC, in London has selected different areas in the world to be rated as war- zones. In addition, this contributes to that the actors know where they should invest more security resources (Malm, 2011).

5.3.2 Indirect effects
The institutional theory explains that institutions are rules of the game in a society and that institutions change character as the societies evolves (Nord, 1990). Henceforth, Freeman (1984) argues that external changes can have a long lasting effect on business. The identified stakeholders towards the shipping industry are forced to change character with additional proceeded measurements in order to prevent challenges as increased costs.

The insurance industry or the Joint War Committee, JWC, in London has selected different areas in the world to be rated as war- zones (Malm, 2011). In addition, this contributes that the actors know where they should invest more in security resources. Moreover, the additional security measures increase the costs for the shipping companies in order for them to maintain safety for their seafarers and cargoes (ibid).
Stena Bulk emphasizes that safety costs have arisen due to the expansion of piracy. They claim that shipping companies need to provide their vessels with security measures, hire guards and equip the vessels.

The security measures have resulted in development of military resolutions. The assistance measurements of naval escorts and military warships presence have resulted with high extra costs (Henningsson, 2011). The costs of maintaining these vessels are approximately 82,794 dollars each day for one US naval warship, which is approximately 1,3 billion dollars each year (Bowden et al., 2010). The value constellations serve to aim for a co-operation of activities that ought to lower costs effectively (Normann & Ramirez, 1998). The military costs for all cooperated nations are roughly about 2 billion dollars a year (Bowden et al., 2010). Additionally, there will be indirect costs based on this solution. Ahlman (2011) at SRF states that due to the need of naval escorts in terms of convoys they loose time, which is vital for the costs of transportation. At the same time the constellation of actors, help each other, they also add up to an additional cost to maintain their international business. In a value constellation perspective this cannot be seen as a successful solution of value creating activities since the costs aspect are not as efficient as possible from the integration. The cooperation’s are value increasing based on the services made to increase the value between the shared activities. However, in relation to the costs it tends to increase a lot for logistics- and shipping companies, and nations according to Stena Bulk and SRF.

The interviewed respondents in the insurance companies state that the piratical activities have had a strong negatively impact and increased several premiums in the high risk-area zones (Malm, 2011; Nilsson, 2011). These costs are affecting the shipping and logistic industries and can approximately be between 10-20 000 dollar one-way per vessel, depending on size and type of vessel (Malm, 2011). In comparison, a basic war insurance is normally about 10 000 dollar a year. The total identified ransom of payments has been reported to be in between 3,5- 4,5 million dollars based on the known incidents in 2010 (Bowden, 2011). The high risk-areas tend to result in extra costs including the insurance according to Stena Bulk.
The Swedish Club indicates that the pirates have had impact on their members and by this pressured them to expand parts in their organization (Malm, 2011). They have written different war-risk contracts concerning the piratical issue. Consequently, higher and additional premiums emerge from this external change. The additional premium is entering the war-zone; the ‘kidnap and ransom’ used to be an on-land insurance that has progressed tremendously and are today extent to the ocean (ibid).

The stakeholders of the logistic industry apply a cost for transiting by the coast off Somali, which for instance DB Schenker will further add on their customers (Kullberg, 2011). However, DB Schenker have mostly container vessels transiting through the Suez Canal, which means that the risk is distributed between several customers and will not lead to severe costs effects (ibid).

Other indirect effects are the change in trade routes (Sonesson, 2011). The piratical activities in the merchant vessels routes require detours in order to avoid the risk-areas. Furthermore, it can lead to a longer distance before reaching their mission. For instance, a detour around the Cape of Good Hope would take 10 days longer. A longer travel time would increase the costs on the transport price and affect the shipping companies. For instance, the shipping company’s reputation can be damaged and bring about a lower liability due to less quality in the transportation services (ibid). As a result of taking a detour, the costs will approximately increase with 2-3 billion dollars a year (Bowden et al., 2010). Furthermore GAC implies that by going through the Suez Canal it will be 10-20 percent cheaper than to take a detour.

### 5.4 International Trade

Freeman (1984) also apprizes that the emergence of new groups, events and issues have not only happened and then gone away but instead they have a long lasting effect on trade. This has strong correlation with the increased piratical activities and its effect in international business. As Ban Ki-Moon (2011) states the piracy have threatened international business, especially the shipping industry and the merchant vessels in the region. In 1991, the piracy emerged as small boats and groups. However, by the time up until 2010, Africa’s piracy had increased to 51 percent from 29 percent and this was mainly
in the coast of Somali. Furthermore, referring to the report by OBP it emphasizes that the piracy has developed into a market, which have consequently affected international business. We relate to Freemans’ (1984) argument about the emergence of new groups: that the piracy have not only happened sporadically in 1991 and gone away. Instead it has emerged into a flourishing business and affected an industry that held a value of 4, 9 – 8, 3 billion dollars in 2010. In this industry, we can easily detect that the shipping industry is one of the most affected industries. This because there continuously present in the piracy area. Furthermore, the report states that piracy is still increasing in 2011, and conducts with the long lasting effect on international business (Bowden, 2011).

According to North (1990), the individuals in the organizations are bound by a common purpose and they are influenced by the institutional framework in order to achieve objectives. This can be analysed through the piracy problem; the institutional framework influences the pirates. This because SRF states that Somalia does not have a pronounced strong government, and most importantly there is an absence of a national effective coast guard. Further on, SRF states that they have failed in the institutional framework and created disturbance in the world trade. In addition, the criminality is increasing in which he states two very vital effects. Firstly, the passage through the Suez Canal and towards the Red Sea and the Pacific Ocean has a great impact on the international trade from Southeast Asia and China. Secondly, the international trade is greatly dependent by the passing of all oil tankers that that represent approximately 5 – 40 percent of the world trade. Hedlund (2007) articulates in the institutional theory that in a game that lacks arbiter, the temptation of breaking the rules will increase. This will lead to loss of respect for the legal framework and consequently the framework will collapse. This is strongly connected with what SRF stated about the piracy and the state failure of Somalia. By not upholding a legal framework, individuals and organizations can behave as they wish and no structure of society will be obeyed. Consequently, it has had a great impact on the international trade and the neighbouring countries.
5.5 Related cost-effects on the studied actors

In 2010, the related costs of piracy were estimated to be 4.9-8.3 billion dollar of International community (Bowden, 2011). In 2015, the costs are estimated to escalate up to 13-15 billion dollar. The costs are related to the fact that piracy has emerged as a market with an own business. Bowden (2011) stresses that these developments are possible due to opportunities and an increasing ‘room’ for piracy to grow. By connecting this to the institutional theory, Peng (2010) states that it is a framework to govern individuals and firms behaviour in a society. This framework consists out of formal and informal institutions to govern different structures in a society. Due to the lack of this structure in Somalia, the pirates have seen income opportunities to continue the development of their business (Bowden, 2011). Therefore, they have been able to extend the area of their piratical activities.

Beside our studied actor within the shipping industry, other nearby and distance nations have been cost affected such as food price inflations, reduced foreign revenue and the cost of piracy prosecutions (Bowden et al., 2010). Any nation can prosecute the pirates since Somalia does not have the legal system and abilities to handle it. The international community have solved the cost related issue of conducting the pirates by lending a financial support to the neighbouring and regional countries and encourage them. The organization UNOCID’s Counter Piracy Programme was given a 10 million dollars aid to help these nearby nations to build regional prisons and develop entities. With this one legal aspect of the issue is solved but there are still several others. This related cost aspects clearly show that there are institutional problems by conducting political bodies and regulatory agencies, which Peng (2010) stresses upon is important in order to reduce uncertainty.

5.6 Challenges and opportunities that has occurred

Sonesson (2011) at Stena Bulk compares the Indian Ocean to be as big as Europe and with the extended area of the piratical activities the challenges could easily be identified. All interviewed actors have state challenges that they have encountered, however,
opportunities have shown to be less observed. The stakeholder theory expresses that there are stakeholders who can be negatively affected, and in this thesis there are determinations that all of the identified actors have been somehow negatively affected (Friedman & Miles, 2006).

One challenge that the piratical activities have contributed with is for instance the risen costs, and the threat of safety (Henningsson, 2011). This can be in correlation with Freeman (1984) view of stakeholders since it is a mutual interest of all stakeholders that are affected to solve this issue. Freeman (1984) claims that an analysis of the stakeholder’s interests can help to project and identify the issue of an organization. Additionally, Freeman (1984) means that local, national and global issues have far-reaching impacts on organizations. He emphasizes on that external changes have had an emerged impact and a rather long lasting effect on businesses. The respond of the identified actors are to adapt towards the external changes in the environment. The studied affected stakeholders agree upon that the underlying indirect challenges and issues have emerged from the state failure of Somalia as a state. Company X specifies that as long as Somalia remains lawless and without a steady government the issue will exist. Additionally, OBP emphasize that Somalia needs to build up political, legal and educational systems in order to create stability. Company X argues that you can try to adapt to the problem by strengthened your vessel through surveillance and discourage security. However, both the area and the issue are too expanded. Moreover, a founding solution is required in order to solve this. TFG needs to be financed in order to be able to handle this, which at the moment companies and nations are unlikely to do (Bair, 2009).

5.6.1 Challenges that are having a direct effect
SRF argues that today’s pirates have a skill to adapt themselves towards the changes and setbacks. In correlation with the increased surveillance of the Gulf of Aden the pirates have moved further out in the ocean. The increased challenges have been due to their risen incomes and better equipment of the pirates. Moreover, since they have hijacked and captured vessel and turned them into their “mother ships”. Sonesson (2011) stresses upon that Stena Bulk are more vulnerable since indications have shown that the pirates seem to currently focus more on tankers. It has gone from small-scale arrests of fishing boats to
bulk carriers and oil tankers. OBP identify hostages to be a vital challenge. Viewed from Normann and Ramirez (1998) outside- in perspective you should identify external factors and implements. The actors have identified the challenges by identifying the piratical activities and patterns. This indicates the challenges to be worsened since the pirates have managed to rationalize and be more effective. This has also lead to challenges for seafarers to protect themselves; both SRF and Stena Bulk believe that it is a necessity from the direct effects on the shipping industry. Moreover it is a challenge for FN and other governments to deal with this. Especially since one direct challenge is connected to this where to prosecute the arrested pirates. Stena Bulk apprizes that last year approximately 1200 pirates were arrested and nearly all were released again due to the fact that there are no legal system in Somalia. In relation to the institutional theory this has become one of the major challenges: the state of Somalia cannot secure and maintain everyday life and a structure for its habitants. This implies that there are no solutions at the moment according to SRF, Stena Bulk and OBP. Further DB Schenker state that it is the solution on shore that will contribute to limit the challenges they have come across. OBP claim that this is a continued problem, based on the enlargement of the past 3-4 years, that it will go on for at least a couple of years and to be a future challenge since there is no solution today.

5.6.2 Encountered opportunities for the studied actors

Among our identified actors it is clearly stated that no opportunities has occurred from this issue, except from Stena Bulk, and OBP. Nevertheless, there are some opportunities even though the most of the interviewed actors have not been able to identify them. The value chain and the value constellation’s purpose are to create a higher value through activities and for its organization (Hollensen, 2008). Porter’s model is based on creating competitive advantages. Each studied actor want to maintain their organization’s profitability and are therefore concerned over the challenges identified above. By integrating with other actors they can see opportunities in solutions even though they are short- term solutions. They can all agree upon to be engaged in some sort of integration to limit the challenges.

Swedish Club especially indicates that there are few or no opportunities, except for the war insurances that have been proven and has a desired interest among members. Moreover, this does not create any opportunities for the insurance companies, which Company X also
indicates upon. Through a business perspective it would not be a positive profit for the insurance market. In comparison towards Normann and Ramirez (1998) value constellation, the increased challenges has brought together members of the shipping companies among others that acquire a higher value by engaging themselves with the insurance companies such as the ransoms payments.

Sonesson (2011) emphasizes that Stena Bulk can be given an advantage and opportunity due to this occurred issue. Their opportunity would be towards other shipping companies that decide to take detours. He states that they are not as threatened by the pirates than other actors are. This due to that they are following the safety regulations and guidelines that have been given to them. They are also conducting safety guards on board. In comparison, to some competitors that take a detour via the Cape of Good Hope in order to avoid the insecurity and therefore their costs will rise. Stena Bulk states that the market for companies who continues their voyage through the Suez Canal will be more profitable, since the facts indicates that it is still more efficient to continue.

Opportunities are viewed in a different perspective from OBP point of view, their aim is to bring together all stakeholders involved and create an increased value, by viewing the piracy problem they see an opportunity to solve a world problem. Normann & Ramirez (1998) believes in creating value constellations and to integrate with different stakeholders, this is exactly what OBP tries to accomplice and that they see as an opportunity for the piracy problem. The opportunity is to involve several actors, not only within the shipping industry to find a solution. OBP’s aim is to provide their stakeholders with information and to help them through their plan and key components to face their challenges. It is seen as an opportunity to help the movement towards a solution. OBP see an opportunity in the development of management practices of these kinds of problems, and indicate an increase since more actors tend to realize that there are problems that needs to be solved.
6 CONCLUSIONS

In this chapter we will finalize the study and present our results concerning the researched problem. The structure of the conclusion will answer our research question and subquestions, further we will present our recommendations.

6.1 The piracy effect on the shipping industry

Piracy has existed longer than we can remember, but the purpose with this thesis is to explain, describe and analyze the on-going problem piracy off the Somali coast and its affect on the shipping industry industry/business and the actors involved.

Moreover, the Suez Canal is highly important for the world trade because around 8 percent of the sea trade transit through the canal. If the international trade is affected due to piracy in the most trafficable gateway, then the international business is also affected. Furthermore the objective with this thesis is to explain, describe and analyze how the shipping industry and its stakeholders have been affected and how their business behaviour has changed. At first, we will discuss our four subquestions: Who are the most affected actors in the international business transiting through the Suez Canal?, How has the shipping industry been affected in terms of challenges and opportunities?, How has the shipping industry and its stakeholders been affected in terms of costs and involved stakeholders?, and How has the shipping industry changed in terms of behaviour? Through this we will be able answer our primary question: How has the piracy in Somalia affected the behaviour of doing business for the shipping industry and its identified key actors? Our presented theoretical framework will be guidance on how we answer the questions.

6.1.1 The most affected actors

Firstly, in order for us to understand the vary affects on the shipping industry we need to identify the problem and its affected stakeholders connected by this. Our theoretical framework has given us the analysing tools to identify the external threat on the actors. Identify the actors that are the most affected ones and that have an interest and stake in the shipping industry. Through the stakeholder theory we have been able to identify governments, nations, the military, international organizations, and the logistic-, insurance-industries. To view the shipping industry and its central role we have identified two
shipping companies as well in order to acknowledge their point of view of the problem, this in order for us to link to the other stakeholders. According to our empirical findings, these are the direct affected actors by the piratical activities off the Somali coast. We believe these stakeholders have the interests and needs related to deter the piratical activities in the coast of Somali, the Gulf of Aden and the Indian Ocean. Since they are our identified actors who we believe are involved in the international trade transiting through the area, which have shown in through the theoretical framework to have an impact on the international business of the shipping industry.

6.1.2 Significant challenges and opportunities for the shipping industry
Secondly, significant challenges and opportunities for the shipping industry have been identified, that has an affect on the shipping business. We can conclude that there have been more challenges in the issue of piracy than there have been opportunities. From the empirical finding's we can state that the issue has escalated since, piracy has been considered as a solution of labour for the local fishermen in Somalia. This effect has escalated into an organized piracy business. Furthermore, the state failure is perceived as the primary reason to the escalation. According to our respondents, and us this have had an affect on the development of the piracy as a business. Which has come to affect existing international business within the area and the shipping industry. We can conclude together with our respondents that the piracy in Somalia is an organized crime and great challenge for the industry. This due to that today's pirates are highly organized with several high-technological equipment’s that enables them locate tanker, bulker and container vessels, which has put on greater challenges for the industry.

All studied actors have been affected directly or indirectly in vary aspects. These aspects have affected their flexibility in international business through costs and time-consuming actions. Secondly, the additional and increased insurance premiums that have risen in correlation with the extended war-risk zone have had a great impact on the costs for the shipping companies and its international business.

We believe that the challenges are not only for the military to solve. Even though there have been guidelines provided for the shipping companies such as “Best Management Practices”
it is not a long-term solution. Reports have shown that the piratical activities are still increasing in a rapid speed. So far, 2011 have been the year with the most pirate attacks. Our shipping respondents have not yet been directly attacked, however, they have witnessed the increase of the challenges and the outside threat.

Together with our respondents we have seen indications that today's pirates are adapting and mobilizing themselves towards the setbacks they have encountered. Since the surveillance of the Gulf of Aden increased, the pirates have been moving further out in the ocean. We can state that it has become a countless challenge to monitoring the area since the pirates have the amount of money to purchase greater equipment. This aspect has made some shipping actors insecure and more vulnerable, which have lead to considering a detour around the Cape of Good Hope despite the increased costs. On the contrary, the perceptions regarding the opportunities have been limited. However, we have identified a competitive advantage for those shipping companies and actors who manage to operate and continue their voyage through the area unopposed. Stena Bulk argues that they have through security measures, and by following regulations and guidelines managed to operate without any problems. They considers that if their competitors are forced to take detours then Stena Bulks continued voyage becomes a competitive advantage if other shipping companies cannot provide this. The competitor’s prices will rise because security measurements are still cheaper than detours. If this further develops the international business of the shipping companies will face a challenge in terms of survival of the fittest or increasing costs and prices for all involved stakes. We conclude that this will affect the market opportunity for those actors who have the ability to co-operate in a sufficient way. If the identified actors would act separately then only the strongest will survive. Furthermore, this opportunity will not work in a long-term perspective. If the piracy continues to expand in the same course, then the short-term solutions will not be enough according to us, in order to conduct a functional and flexible international shipping business.

We believe just as the most of our respondents, that instead of investing several million dollars a year on military and security equipment’s to combat the short-term challenges, they should focus on the state of Somalia. The best and perhaps the only solution to combat
the challenges is to provide the nation with a strong legal framework in order to give a long-term solution to the international business of maritime.

6.1.3 Costs related to direct and indirect effects

The shipping industry and its stakeholders have been affected in terms of costs due to the piratical activities. In our analysis we have been able to identify how they have been affected through identifying the direct and indirect effects.

The shipping industry has been directly affected by the piracy in Somalia in various aspects. The capturing of several vessels have lead to that the shipping industry have been severely affected through delays. Through our analysis we can conclude that when pirates captures a vessel it can take between days to months before leaving or releasing after they have received their ransom. This will not only harm the shipping industries vessels, but also their cargoes. Because a shipment is dependent on a schedule, when it departs, all the stops along the way and finally the time and date for the arrival. So this concludes that the pirates affect this schedule, leading to a big problem for the shipping industry.

Furthermore many vessels are kept held as mother-ships and this have lead to delays or loss of cargoes due to the capture. Moreover, if the pirates do release the vessels, the cargo is quite late and many products is dependent on seasons so the owners of the cargoes may not be able to sell the products. Also, when the vessels are kept held as mother-ships, the shipping industry have to hire negotiation experts and consult with their insurance company in order to release their goods. This will increase their cost greatly, because they are not only paying out ransoms, but also paying external workers who they need to get their cargo back. Lastly, this will also increase the arrival time for their cargoes.

Moreover the expand of the risk-zones has lead to increase of pirates, which we can conclude will also lead to more capturing and therefore increase ransoms. This affects the shipping industry business and the involved actors.

Through our analysis we have been able to identify the shipping industry to be indirectly affected in various aspects from their stakeholders due to the piracy. We have made the conclusion that all of the determined costs have occurred due to additional procedures in
various segments such as logistic, insurance, security and new guidelines to follow. Firstly, the shipping companies have been forced to use additional security measures, which automatically lead to additional security costs. Secondly, due to the expanded risk-zones the insurance industry has higher their premium in the piracy areas. Moreover, this affects the shipping industry in additional premiums such as the K&R insurance, which increases the cost. At last, in order for the merchant vessels to avoid the piratical activities they need to change the trade routes. The detours lead to longer distance and longer travel time. However, even if the merchant vessels decides to continue their voyage they can for example lose time when waiting on a Group Transit by the military. All of these mentioned effects would probably in the end have an effect on the transport price. Henceforth, it can damage the shipping companies reputation due to less quality and lower liability on their maritime transport service. Further on, this could lead to a less demand of maritime transport.

The costs are estimated to increase in accordance as the area of attacks is expanding. Therefore, we have estimate the future costs to be even higher if there will not be a solution soon. We can conclude that the costs are related to the fact that piracy has emerged as a market: with an own business and an increasing “room” to grow within. Through our analysis, it can be concluded that the piratical activities have caused both direct and indirect costs for the shipping industry and its key actors. It is important to be aware of that these costs only cover a short-term solution in order to maintain the international trade; however, the question is for how long?

6.1.4 Resolutions in terms of changes in behaviour and interactions
The shipping industry has handled the problems of piratical activities through increased interactions with its key actors. Through our analysis, we have been able to analyze the shipping industry’s connection with its key actors by shared interests of the issue and their increased need and intensions of solving it. We have noticed a positively change in their integration level. Thus, they have a long way to go. Several actors who did not perform any specific measures at first have now realized the importance; however, the shipping industry is the most active in contrast from the logistic- and insurance industry. We have made the conclusion that it is because all of the actors’ actions are related to each other: numerous
actors caused the problem and therefore it needs to be solved by the integration of several actors. Consequently since it has become complex.

The importance is to start making long-term solutions in order to prevent the pirates to take over extended maritime systems within the Indian Ocean. Our study can conclude that the actors have identified the issue of piracy and its effect, and through this tried to solve it by short-term solutions. By short-term solutions we refer to the security measurements and guidelines that have been held by the shipping industry. In other words most of them are made by individual efforts. In order to achieve a long-term solution, all of the identified actors need to understand the importance on integrating and re-establishing Somalia.

We believe it is of importance for the identified actors to be aware of how they have been affected in various terms such as related costs, changed behaviour and the challenges and opportunities that have occurred. We believe that an understanding of those aspects will relieve an understanding upon the need of collaboration between them. From a short-term perspective they have perceived improvements in the integration among the stakeholders. They have organized resolutions, co-operations and services as a relieve for each actor, especially enabling the merchant vessels continued movements. However, this could be developed and long-term solutions can be found when integrating all stakeholders. Furthermore, it is vital for them to understand the importance of finding a long-term solution in the nearest future. As one of our respondents apprize to us, the nations are not keen on contributing with a financial support to re-establish Somalia and its government. However, billions of dollars are going to waste each year on military efforts, security and needed regulations.

Lastly, we will answer our primary question:

*How has the piracy in Somalia affected the behaviour of doing business for the shipping industry and its identified key actors?*

When writing this thesis we have been able to identify and get in contact with several actors in order to answer the primary question. We can conclude that all studied actors are indirect or direct affected by the piratical problems and by the affect it has on international
business. The shipping industry has encountered challenges and direct effects, which has affected the way of doing business. We can conclude that most voyages and trade routes are maintained and not directly affected by attacks. Since this is still the most efficient way of operating. A detour will increase the costs with approximately 2-3 billion a year. We believe one of the reasons why the international trade has been continued as usual is due to that there are such a huge amount of vessels transiting each year, approximately 30 000-60 000. Further on, only 53 are estimated of being hijacked each year. To conduct, the majority of the affected actors therefore continuing their voyage and the only behaviour that are changed for them when doing business is the increased safety regulations and interactivity among them. The flexibility has therefore been affected for actors within the shipping industry, since the trade acquire extended routines and activities. Through this we have come to the conclusions that the identified actors have been affected in terms of time- and costs as an attempt to diminutive the disturbance of the piratical activities.

Furthermore, we can conclude that the interactivities among the actors have increased and positively created constellations since many have realized that measurements needs to be done to be able to continue the international business. The interactivity and co-operations have shown to be important, as seen indications from an more and more competitive market, when actors need to have strong ties in order to keep their trade routes and not to take the detour.

6.2 Limitations of the research
Firstly our case study is based on the study to identify the shipping industries involved stakeholders. Our intentions have therefore been to focus on the shipping industry. It would have been optimal if our timeframe would allow to further focus on all affected industries and actors in order to map the whole picture of the piratical problems, and its effects on the international business. Especially since it is such a complex problem. Due to the lack of time and resources this has limited us to the shipping industry since it plays a central role of the maritime business. Secondly we believe that if we could have used more time and resources to collect empirical data and to make a deeper study, with several interviews of each actor we could have had achieved deeper understanding. The importance has been to understand their experiences and knowledge concerning the
problem that it occurs today. Since this issue is highly up to date the vulnerability and validity is dependant on the ability we had to collect all available information we could get hold of during the thesis writing process, which was hard due to the time and access framework. Despite this we have seen indications and behaviour of actors that have been similar for all our studied actors. Lastly our study could preferable be done over a longer period of time, in order to create a tool for actors involved within the international shipping business, and to use to further development of the combat towards piratical activities affecting the business.

6.3 Recommendations to future research
Through our analysis and conclusions we argue that there are some areas of this problem that needs further research, especially since the piratical issue is of a special character and a complex field to study. For instance, most of the world’s oil and gas is shipped through the dangerous high-risk areas. Piracy attacks includes most classes of vessels; however, tankers has become one of the most interesting target. It can cause an increase of the world’s oil price, which effects the competition on the market. Other consequences are inflation on food price due to delayed food cargoes or perishable cargoes that goes to waste. Other aspects are the environmental, the political instability and economical loss for the region.

The piratical activities outside the coast of Somali are rooted in that the country have underlying problems of their institutional structure. This has affected the rapid growth and development of piracy. We believe that several actors are contributors to this problem: the underlying effects are deep and can only be solved by co-operations and an integration of many actors. Our recommendations on further research are therefore on how to implement projects more efficient of different governments, nations and international organizations. We have seen this kind of work and research, and emphasizes on that it needs further financial support and further engagement from all actors. It is important to understand how the institutional structure can be improved in order to implement work of prevention.

In the thesis we have focused on mapping the shipping industry and its key actors behaviour and activities, we believe the awareness of this aspects will easier create
successful relationships. It is very complex to construct a map of the identified actors if you also wish to identify and clarify their actions and underlying bodies. Due to the time of writing and the complexity of the researched subject we recommend further additional research to develop a value chain out of the identified actors. The recommendations are based upon Freeman and Liedtka who emphasizes that a focus on the value chain reinterpreted in the stakeholder terms should be done. By doing so it is easier to build the stakeholder relationships that can be sustained over time.

OBP are gathering different stakeholders into working groups, which are something that we have strong beliefs in. Their strategy has stepwise realistic views on how to create a long-term solution. We would like to recommend our studied actors as well as the excluded to view this thesis as a gate opener to achieve further research and ideas concerning creating stakeholder- and value constellations.

Moreover, one of the arisen costs is related to the prosecution. Even though any state is allowed to prosecute the pirates it has only been done in Spain and the U.S. according to Sonesson. The International Community is financially supporting neighbouring nations to encourage them to conduct piracy trials (Bowden et al., 2010). On the other hand many nations and governments are each year spending high amounts on fighting against the short-term challenges, and seen from figures and reports billions of dollars are being spent on this. Instead we believe they could spend to construct the state and the legal framework in Somalia and to combat the long-term issues of institutional substances.
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Pilot Interview Guide: Johan Henningsson April 4, 2011

Berätta om situationen då du var nere i det drabbade området?

Hur hanterade rederierna (logistik företagen) situationen?

Hur påverkas rederiernas (logistik företagen) ekonomi?

Vilka juridiska råd gav du dem?

Vad är det för juridiska internationella lagar som ger tillstånd att stoppa vem som helst och undersöka?

Vad anser du är det största problemet?

Hur tror du man kan lösa det? (vilka faktorer/ delmoment ska man börja lösa det med?)

Hjälper krigsfartygen som övervakar situation? Trots detta pågår verksamheten, varför?

Interview Guide Insurance: Company X April 14 and Swedish Club April 26, 2011

Lars Malm (Swedish Club)

Vänligen beskriv kort din roll och position inom företaget.

Suezkanalen

- Vilken målgrupp riktar NI era försäkringar mot, dvs vilka är era kunder?
- Vilka tjänster erbjuder NI?
- Vilka är de vanligaste varorna som fraktas genom Suezkanalen?
- Vilken är den mest förekommande färdlinjen(rutten)om går genom Suezkanalen som NI försäkrar (ex. Singapore - Rotterdam)?

Pirat aktiviteten i Somalia

- Hur ser NI på piratverksamheten utanför Somalias kust jämfört med andra piratverksamheter i Asien?
  - Hur skiljer sig områdenas försäkringar åt?
o Har försäkrings premien genom Suez kanalen ökat?
  - Isåfall har ökningen varit på grund utav piratverksamheten?
  - Och hur låg försäkringens premien innan jämfört med idag?

o Hur ser utvecklingen på försäkrings premie ut? (innan piratverksamheten utanför Somalias kust till nu i dagsläget)

o Vilken försäkring har ökat?
  - Vilka försäkringar har ökat beroende på kund?
  - Har försäkringen genom Guda hopps udden ökat?
  - Hur mycket har krigs-försäkringen ökat sedan piratverksamheten började i Somalia?

• Vilken påverkan har piratverksamheten i Somalia påverkat flödet av varor till och från Europa?
  - Har Ni sett en förändring gällande vissa varors försäkringar eller att era kunder väljer att försäkra dessa varor mer än för några år sen?

• Hur upplever Ni piratverksamheten i termer av utmaningar och möjligheter?
  - Har den ökade pirat verksamheten i Somalia påverkat er ekonomi? Plus eller minus?
    På vilket sätt har den påverkat er ekonomi?
  - Har några risker uppkommit med piratverksamheten i Somalia?
  - Hur har ni spridit risken? Re-Insurance?

• Hur har piratverksamheten påverkat er?

• Hur upplever ni att piratverksamheten har påverkat sjötransporter och relaterad verksamhet? (ex. speciellt gods)

• Har ni behövt betala ut lösensummor för era kunder?
  - I så fall hur stor är lösensumman som har betalats hittills, detta år jämfört med tidigare året?

• Vi har läst om att det finns bolag som börjat anlita privata säkerhetsbolag:
  - Vad säger Ni som försäkringsbolag om detta?
  - Vilka länder anlitar mest?
  - Hur stor omfattning är denna verksamhet?
  - Har sådana bolag någon gång räddat ett skepp från pirater?
  - Är denna verksamhet ökande eller avtagande?

• Vilka olika lösningar har man tänkt hittills för att stoppa piratverksamheten?

• Hur ser ni på framtiden?
APPENDIX

- Vad ser NI för möjligheter för att nå en framgångsrik lösning på piratverksamheten?

Interview Guide Logistics: DB Schenker April 18 and Gulf Agency Company April 19, 2011

Christer Sjödoff (Gulf Agency Company)

Sören Kullberg, risk manager (DB Schenker)

Transport

- Vilken är era mest förekommande rutter igenom Suez kanalen/det aktuella området? (Ex. Rotterdam-Singapore eller northbound, southbound)
- Hur stor vikt har passagen genom Suez kanalen och runt kustområdet vid Aden viken för era logistiker tjänster?
- Vilka är de vanligaste varorna som Ni fraktar genom Suez kanalan?
  - Har NI sett en ökad eller minskad efterfråga på dessa varor?

Pirataktiviteten i Somalia

- Hur ser Ni på den ökande piratverksamheten utanför Somalias kust?
- Har Ni blivit utsatta för direkt problem eller påverkaningar?
  - Vilka utmaningar har ni mött?
  - Har era transporter blivit utsatta för kapning?
    - Isåfall, hur löste NI det?
  - Har NI upplevt förändringar angående ökande kostnader? (de senaste åren, Periodvis?)
  - Vi har via er hemsida observerat att ni vidtagit vissa åtgärder med extra kostnader i form av tillägg "emergency surcharges" eller s.k. "pirattillägg" till era tjänster, hur länge har ni tillämpat detta?
    - Hur har detta tillägg påverkats/förändrats över tiden? (prognoser?)
- Vilken grad av säkerhet har ni på era transporter genom det aktuella området?
  - Har ni anlitat något/några speciella säkerhetsbolag?
  - Genom ean hemsida hitta vi ”Protective Solutions” ett samarbete med AKE, hur länge har detta samarbete varit (endast frågat Gulf Agency Company)
  - Har NI under dem senaste (tre) åren utökat säkerheten?
  - Vad för typ av försäkringar har NI?
  - Har NI sett en ökning av försäkringar på transporter/gods?
- Har NI valt att utöka eller ändra era transportlinjer (rutten)?
  - Iså fall beror det på den ökande pirat verksamheten?
  - Hur ökande kostnader påverkat en förändrad transport rutten?

Samarbeten och lösningar

- Vilken tror Ni är den mest gynnsamma lösningen till detta ökande problem?
  - Skapar problemet några möjligheter som Ni som logistik företag kan utnyttja?
APPENDIX

- Tror Ni att det kan bli aktuellt i framtiden med en ny färdrutt eller förlängd rutt?
  o Isåfall, hur anser Ni att dem borde ändras? Alternativ färdväg?
- Har DB Schenker utvecklat samarbeten med andra aktörer eller organisationer i samband med en ökad piratverksamhet?
  o Isåfall, hur anser ni att dessa samarbeten fungerar?
  o Har det fått någon inverkan eller effekt?
  o Om inte, Kan Ni tänka er att ingå i samarbeten för att förhindra problem?

- Hur ser Ni på framtid, är piratverksamhet något som kommer vara bestående?

**Interview Guide: Stenabulk, Stena Sphere  May 5, 2011**

Jan Sonesson, Vice President, Fleet Operations & Contracts

**Transport**

- Vilken är de mest förkommande fartygs typer inom er organisation, Stena Sphere? (tankers, bulk, container etc.?)
  o Har NI sett en ökad eller minskad efterfråga på de olika typerna av transportfartyg de senaste tre åren?
- Hur stor vikt har passagen genom Suez kanalen och runt kustområdet vid Aden viken för era fartyg?

**Pirataktiviteten i Somalia**

- Hur ser Ni på den ökande piratverksamheten utanför Somalias kust?
- Anser Ni att den internationella handeln har blivit påverkad av piratverksamheten?
  o Iså fall hur?
  o Om inte, tror Ni att den i framtiden kommer påverka er verksamhet?

- Har Ni blivit utsatta för direkta problem eller påverkningar?
  o Vilka utmaningar har ni mött?
  o Har era fartyg blivit utsatta för kapning?
    - Iså fall, hur löste NI det?
  o Anser Ni att någon typ av fartyg i er organisation är speciellt utsatt för en högre risk att bli kapad jämfört med andra?
    - Vad beror det iså fall på?
    - (Har Ni känt av att era oljetankers skulle vara i en extra farozon?)
  o Har NI upplevt förändringar angående ökande kostnader? (de senaste åren, Periodvis?)
  o Vi har uppmärksammat att tillgången på fartyg är hög jämfört med efterfrågan och att det finns många i omlopp, anser Ni att detta faktum påverkar effekten som aktörer känner av piratproblemet?

- Vilken grad av säkerhet har ni på era fartyg genom det aktuella området?
  o Har Ni känt ett ökat hot på grund av ökad piratverksamhet?
o Har NI under de senaste (tre) åren utökat säkerheten?
  ■ Har Ni infört några speciella riktlinjer eller bestämmelser för era rederier?
  ■ Har ni anlitat något/några speciella säkerhetsbolag?

○ Vad för typ av försäkringar har NI?
○ Har kostnader för försäkringar ökat under de senaste ett-tre åren (premier)?
○ Har NI sett en ökning av försäkringar på speciella transporter/gods?

- Hur har de utvidgade krigszonerna påverkat er? Kostnadsmässigt? Andra förändringar?
- Har NI valt att utöka eller ändra era transportlinjer (rutter)?
  ○ Iså fall beror det på den ökande pirat verksamheten?
  ○ Har ökade kostnader påverkat till en förändrad transport rut? 

Samarbeten och lösningar

- Vilken tror Ni är den mest gynnsamma lösningen till detta ökande problem?
  ○ Skapar problemet några möjligheter som Ni som företag kan utnyttja?
- Tror Ni att det kan bli aktuellt i framtiden med en ny färdrut eller förlängd rut?
  ○ Iså fall, hur anser Ni att de borde ändras? Alternativ färdväg?
- Har NI utvecklat samarbeten med andra aktörer eller organisationer i samband med en ökad piratverksamhet?
  ○ Iså fall, hur anser ni att dessa samarbeten fungerar?
  ○ Har det fått någon inverkan eller effekt?
  ○ Om inte, Kan Ni tänka er att ingå i samarbeten för att förhindra problem?
- Hur ser Ni på framtiden, är piratverksamhet något som kommer vara bestående?

Interview Guide: Sveriges Redarförening May 6, 2011

Tryggve Ahlman, Sjösäkerhet & Teknik

Vänligen beskriv kort din roll i organisationen.

Organisation

- Hur många medlemmar har NI?
- Är ER organisation vinstorienterad?
- Är det endast rederier som är medlemmar?

Informations flöden

- Vilka tjänster erbjuder NI era medlemmar?
  ○ Hur ser samarbetet och relationerna ut mellan er och era medlemmar?
  ○ Hur pass viktigt anser Ni att informationsflödet är mellan er?
    ■ I vilken utsträckning kan era medlemmar påverka er organisation?

- Hur har ER organisation ställt er till situationen av det ökande piratproblemet utanför Somalias kust?
  ○ Har Ni sett en tydlig ökning av problemet?
o Hur ser ni på pirat problemet i Somalia jämfört med andra piratområden bland annat Asien?

- Hur upplever Ni piratverksamheten i termer av utmaningar och möjligheter?
  o Har den ökade pirat verksamheten i Somalia påverkat era tjänster till era medlemmar?

- Hur upplever Ni att piratverksamheten har påverkat sjötransporter och relaterad verksamhet för era medlemmar?

Pirataktiviteten i Somalia

- Hur ser Ni på den ökande piratverksamheten utanför Somalias kust?
- Anser Ni att den internationella handeln har blivit påverkad av piratverksamheten?
  o Iså fall hur?
  o Om inte, tror Ni att den i framtiden kommer påverka er verksamhet?

- Har Ni blivit utsatta för direkta problem eller påverkningar?
  o Vilka utmaningar har ni mött?
  o Har era medlemmar blivit utsatta för kapning?
    ▪ Iså fall, vilken roll har ni i vid en sådan händelse?
  o Anser Ni att någon utav era medlemmar är speciellt utsatt för en högre risk att bli kapad jämfört med andra?
    ▪ Vad beror det iså fall på?
    ▪ (Har Ni känt av att era oljetankers skulle vara i en extra farozon?)
  o Har NI upplevt förändringar angående ökande kostnader? (de senaste åren, Periodvis?)
  o Vi har uppmärksammat att tillgången på fartyg är hög jämfört med efterfrågan och att det finns många i omlopp, anser Ni att detta fakta påverkar effekten som aktörer känner av piratproblemet?

- Vilken grad av säkerhet har ni på era fartyg genom det aktuella området? – gemensam?
  o Har Ni känt ett ökat hot på grund av ökad piratverksamhet?
  o Har NI under de senaste (tre) åren utökat säkerheten?
    ▪ Har Ni infört några speciella riktlinjer eller bestämmelser för era rederier?
    ▪ Har ni anlitat något/några speciella säkerhetsbolag?
  o Vad för typ av försäkringar har NI?
  o Har kostnader för försäkringar ökat under de senaste ett-tre åren (premier)?
  o Har Ni sett en ökning av försäkringar på speciella transporter/gods?

- Hur har de utvidgade krigszonerna påverkat er? Kostnadsmässigt? Andra förändringar?
- Har NI valt att utöka eller ändra era transportlinjer (rutter)?
  o Iså fall beror det på den ökande pirat verksamheten?
  o Har ökade kostnader påverkat till en förändrad transport rut??
APPENDIX

- Have you developed partnerships with other actors or organizations in connection with an increased piracy activity?
  - If so, how do you believe these partnerships work?
  - Have they had any impact or effect?
  - If not, would you consider joining in partnerships to prevent problems?
- How do you see the future, will piracy activity be something that continues?

**Interview Guide: Ocean Beyond Piracy May 6, 2011**

Ocean Beyond Piracy

Jens Vestergaard Madsen and Anna Bowden

Please shortly describe your roles in the organization.

**Organisation**

- When and by whom was the organization established?
- Is the Ocean Beyond Piracy organisation profitable or non-profitable?

**Information flows**

- Explain your cooperation with the organization One Earth Future (OEF)?
  - How has the cooperation evolved?
  - How has the Ocean beyond piracy plan developed together with the cooperation of OEF?

- When was the plan established?
- The main aim according to the plan is to proceed through three phases, how far have the plan developed so far?
- Which phase plays a significant role today at current situation?
- Have you seen an increase in cooperation among stakeholders?
- Have the project made any specific results so far? (cooperation’s, dev. of frameworks?)

- How does ocean beyond piracy work with information sharing? (regular reports, information’s sheets, internet based sources?)
  - Who have access to the information?
  - Who are the actors?
  - How are the actors involved?
  - How often is the information reported?

**Piracy activity in Somalia**

- How have the organization so far handled the situation of piracy outside the Somali coast?
  - Have you seen a significant increased in matter of the problem?
• How do you view the piracy problem, if we will compare the problems outside coats of Somalia and to other piracy problem areas?

• What does OBP mean by Stake-Holder-Driven approach to addressing maritime piracy
  
  o How have you identified the stakeholders in the maritime piracy problem?
  
  o Who are the identified the stakeholders in the maritime piracy in Somalia?

• What do you think is the best favourable solution for this increasing problem?
  
  o Does the problem create any opportunities that you as an organization can exploit?

• Has OBP collaborated with other actors or organisations, who are involved in the piracy questions?
  
  o If, how have these collaboration worked?
  
  o Did they have any effect or impact?
  
  o If not, could you in the future join a collaboration that works against piracy?

How do you predict the future, is piracy something that will be continuous?
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On 1 January 2010 Växjö University and the University of Kalmar merged to form Linnaeus University. This new university is the product of a will to improve the quality, enhance the appeal and boost the development potential of teaching and research, at the same time as it plays a prominent role in working closely together with local society. Linnaeus University offers an attractive knowledge environment characterised by high quality and a competitive portfolio of skills.

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