

## The Role of Sharing Economy Towards Firm Performance in Malaysia Shipping Industry

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### Abstract

This paper discusses about the new trending concept of collaborative consumption or commonly known as sharing economy to improve the firm performance in the business-to-business environment. This paper also discusses the concept of sharing economy that regulates open available and willingly shared transparent information by either party of a supply chain for the benefit of all force of the supply chain in business model. The paper concluded that most common sharing economy in organizations primarily connects both the owners and seekers of the service in a mutual condition for a mutual benefit while creating a new eco-system of commerce.

**Keywords:** Sharing Economy, Firm Performance, Business, Organization

### Introduction

Firm Performance (FP) is usually evaluate based on financial indicators (accounting-based performance) compared to non-financial dimensions as this numerical second-order evidence are easily quantifiable and analyzed (Cho, 2005). Multiple financial dimensions such as sales figures, profit, growth in assets and increase in market capitalization can be classified as components of a firm's financial performance (Chakravarthy, 1986). These output elements satisfy stakeholder facets directly and indirectly as the denominator of an organizations performance. Parallel to this, the economist reported that the shipping industry worldwide is in an impasse situation due to four major trends shaping the world economy: the low price of oil, slow growth in China and emerging markets, the sluggish euro-area recovery and the global slowdown in manufacturing and trade due to globalization and trade liberalization (Economist, 2016). In this deadlock atmosphere, shipping firms need to formulate strategies to be competitive by spreading their operational cost across the chain to satisfy customer needs by leveraging on Sharing Economy (SE) as a modern approach.

**Overview of Shipping Industry in Malaysia**

Shipping industry is the backbone of today's global supply chain in order to keep products and people moving across continents. This industry is strongly tied with trade and economic growth of a nation. In 2014 Economic Report, Department of Statistic Malaysia has commented that exports in 2014 amounted at RM766.13 billion is mainly due to growing volume of trade which has positively led to increase in freight volumes and demand for logistic services (DOS Malaysia, 2014). Based on the 2014 Ministry of Transport Report, statistics shows that 98.4% or 539.3 million tonnes of total freight volume were transported through sea, which making sea transportation an important element in Malaysian logistics as compared to land that has a constant growth of 7.3% in 2014 amounting of 7.8 million tons and air freight with a decline of 0.8% with total volume of 0.98 million tonnes (MOT, 2014).

Meanwhile, export of goods and services one of the important component of Malaysia's GDP with a mix product from manufacturing to commodities. In 2015, Malaysia scored an economic freedom score of 70.8 placing it on the 31st rank of business and trade freedom which is a boost indicator for overall trade in Malaysia (EIU, 2015). This indicator was also supported by the 2014 World Bank Competitive Report that ranked Malaysia - 25th on the Logistics Performance Index (LPI). These two ranks boosted Malaysia's International trade to RM1.45 trillion for the year 2014 with a positive trade balance, export more than import. This resulted in a surplus on the balance of payment (BOP) for the year of 2014 with RM36.5 billion which proofs that shipping industry is tied to trade and economic growth of the country (BNM, 2014).

However, the number of ships arriving at Malaysian port has reduced almost 33 percent in 2014. This indicates that the shipping industry in Malaysia is facing downward trend of ships inbounds and outbound (MOT, 2014). This worrying decline in the shipping industry is not only prevalent in Malaysia, but also around the world as the recent collapse of Hanjin Shipping Company which is ranked by Alphaliner (a benchmark for the liner shipping industry) as the no 7 top performing shipping company for the year of 2015 (Economist, 2016). Recently, A.P Moller-Maersk the no 1 tycoon with the largest and advanced fleet with the biggest market share in the shipping business also raised the flag on the vulnerability of globalization, world trade, and the drop in crude oil price has affected the financial performance of the firm which exists for more than 100-year-old.

**Definition of Firm Performance**

Levine (2014) stated performance is usually classified as a dependent variable but is hardly defined on its dimension and limitations. Meanwhile, Glick (2005) referred firm performance as a uni-dimensional indicator, but admits seeing a trend in recent years of firm performance as a multi-dimension indicator. In addition, Peteraf (2003) in his paper "Unravelling the resource-based tangle" defined competitive advantage of an organization as its ability to price its product with more ecstatic values than the break-even price of its competitor in the product market. In other words, firm who are able to offer at the range of consumer willingness to pay price and product cost, lower than its competitor will benefit from above average returns (Peteraf, 2003). Peteraf added that growth can be obtained if the price that offered below competitor's price, and profit is the when the price is set above cost price but lower than competitors price. Conceptually, firm performance can be classified into four dimensions; quality, cost, time and flexibility (Ken Platts, 1995). Performance in the supply

chain therefore was iterated into 3 groups; output-related, resource-related and flexibility related to cost metrics such as sales profit (Beamon, 1999). On the other hand, Gunasekaran (2004) grouped performance in supply chain according to the activities involved: planning, source, make and delivery using tactical and operational strategy which was then linked to profit and return on investments. (Gunasekaran, 2001).

### **Introduction and Definition of Sharing Economy**

Basically, sharing economy or also known as collaborative consumption may vary according to demographic and geographically due to the cultural differences. Felson (1978) identified sharing economy as a collaborative consumption in events; which one person or more consumes economic goods or services in the process of engaging in joint activities. The examples given in Felson (1978) paper ranges from speaking on the telephone, drinking beer with friends, to having sex while using birth control products. There were critics to Felson's definition which was too specific only on activities involving consumption and did not have significant impact on resource distribution. Despite that, Botsman and Rogers (2010) defined collaborative consumption as traditional sharing methods such as bartering, lending, trading, renting and swapping which looked at a wide marketplace of exchange. However, Belk (2010) distinguished the definition of sharing with "sharing in" – involving rationing interpersonal possessions or access of resource in path with market commoditization and "sharing out" – termed as exchange of commodities or needs. Belk further improved the definition of sharing economy (SE) born by the internet age that the root of collaborative consumptions is the condition where people coordinating the acquisition and distribution of a resource for a fee or other means of compensation (Belk R., 2007). In addition, Belk (2014) highlighted the definition of sharing economy (SE) as an emotional empathetic action of goods or service exchange that trade with the assistant of Internet phenomena for mutual benefits (Belk R., 2014).

Besides that, Woskko (2014) published an independent paper entitled "Unlocking the sharing economy: An independent review" that defined sharing economy as an online platform that help people share access to assets, resources, time and skills which covers a broad business models, peer-to-peer marketplaces, and services (Woskko, 2014). However, Harvard Business Review mentioned that, the term of Sharing Economy as the Access Economy (AE), due to the fact that when an organization connects the unutilized supply to meet demand, the social exchange aspects is forgone for its economic value as consumers are after utilitarian value for using the service/goods in a short time frame (Bardhi, 2015). Juho Hamari (2016) strengthen the understanding of sharing economy as a form of collaborative consumption, a peer-to-peer activity of sharing, obtaining or giving available resources, which creates a mutual benefit to both the "provider" and the "obtainer", through a coordinated and managed online market place (Juho Hamari, 2016).

Thus, this paper defined sharing economy as a social-economic ecosystem that commonly uses information technologies (i.e. digital platforms and mobile applications) to connect different stakeholders: individuals, companies, governments or others in order to make value by sharing their excess capacities (collaborative consumption) for products and services. These also masked with terms such as access economy, shared economy, gig-economy, peer economy, or collaborative consumption which emphasizes any sales transaction performed

by an online marketplace; peer-to-peer; when consumers are paying to access the service or goods.

### **How does the Sharing Economy Functions?**

Sharing Economy (SE) is an evolving social-economic-technological; trending sensation driven by innovation, information technology (IT), market orientation, demand-side power and the collaborative digital community (Wang, 2012). The wide spread of information with internet in the name of “big data” has allowed sharing of information without boundaries and helped businesses and people retrieve information effortlessly for their own benefits (The Economist, 2013). Harnessed by the power information technology (i.e. Big Data, Web2.0, mobile apps), sharing economy is an online platform that allows suppliers, producers or consumers of a specific industries’ supply chain; to share related information on their activities and operation in exchange of peer-to-peer commerce benefit, aligned in their chain in order to achieve maximum resource and capacity utilization (Chen, 2012). The online platform owners known as “technology unicorns” capture this new business opportunity of Business Intelligence & Analytics (BI & A) by analyzing these accumulated data and refining these set of information’s as a new business model, product or service to generate revenue for various participants (Chen, 2012). Schleicher (2015) concluded that, sharing businesses as a technologist that creates peer-to-peer platforms (i.e. on-demand technologies, crowd-funding and others) connecting providers and users for the exchange, purchase, or renting of goods and services.

A common example of sharing economy is Airbnb, an online platform that mediates the host who wants to rent and guests seeking for a clean, comfortable place to stay either short or long term who has no physical assets. Airbnb facilitates the availability of spaces between the host and the guest and services as a payment gateway for both strangers with a strong and reliable policy with small administration fees out of the rental from both parties (Airbnb, 2008). Airbnb started in 2007 has now making millions of listings in over 192 countries and 34,000 cities around the world which has disrupted the traditional hotel industry but yet brought significant benefit to the consumers and providers while influencing the tourism sector to bring positive outcome to the country’s economic sector (Airbnb, 2008). Another trending collaborative consumption that disrupts the traditional land transportation of taxis is Uber. Uber is an online transportation network company that manages a network of drivers and passengers in real-time and provide ridesharing options while creating a source of revenue for new drivers and a second option for taxi consumers without owning any real assets or people as their source of operation.

### **Opportunities of Sharing Economy**

The Third Industrial Revolution brought up by the digital revolution that shifted the economic paradigm from markets to social commons, from ownership to access, and this emergence is not something new (Rifkin, 2014). Rifkin also mentioned that the market place is now moving from “the right to own and exclude”, back to “the right to have access and be included”. This going-back is possible because the internet ousted the dispersion costs that previously forced entrepreneurs to concentrate on producing finished goods. The concept of sharing economy created a whole new dimension of market and the meteoric rise of global collaborative commons and eclipsed capitalism in business (Rifkin, 2014). This was achieved by leveraging on sharing resources and capabilities without being tied to any fixed asset but still providing services in a new perspective and breaking traditional barriers (Rifkin, 2014).

Forbes forecasted that sharing economy has the potential to generate almost \$3.5 billion revenue directly into people's wallets with a growth potential of almost 25% (Geron, 2013). The disruptive technology formation that is appealing to consumers due to its economic benefits (i.e. low cost and transparent pricing) can also bring a significant impact to the society by creating employment opportunities (Bardhi, 2015). In India, The Economic Times Magazine predicted sharing economy will generate 1 million job opportunity for the year 2016 based on the compounded growth rate of 12% retrieved from Uber's (ride-sharing platform) data analysis (Thakkar, 2014). Moreover, sharing economic also leads to efficient use of resource with the ability to close the supply/demand gap in a particular industry to minimize the lost caused by operation cost due to unused capacity. For example, Airbnb who does not own any assets, using an online technology that helps to rent out vacant space by advertising their rooms, apartments or house to guests that looking for a place to stay. This method provides opportunities to the hosts to generate revenue from unutilized space while allowing visitors to have accommodations with a more economical fee (Airbnb, 2008).

Besides that, sharing economy complemented by Information Communication Technology (ICT) facilitates transparency and accountability by developing open-ended user-friendly platforms which promotes positive relationship between consumers and providers (Bertot, 2010). In this case, ICT acts as a medium to promote efficiency and transparency that shows the effectiveness in price-control tool, anti-corruption tool and good governance promoting tool that allows consumers to monitor, compare and choose wiser pricing options before purchase. ICT also assist the government to regulate better tax fillings and authorities as it enforces service providers or small sellers in using their platform to be transparent in their sales or service tax (Bertot, 2010).

### **Discussion and Conclusion**

Economic rationalization, development realism and institutional dependencies are the three main reasons for sharing economy to grow rapidly and attract new consumer behaviour in the market. Alesever (2013) observed that many investors invest millions into sharing based start-up as the mega-trend to have major economic benefits. Nowadays, the collaborative consumption concept of sharing economy focuses on serving the end of the supply chain (i.e. end consumers) due to access of resources by the owners themselves who seek to generate income on unutilized capacities. This demands group in supply chain seek to spend on cost effective approach in existing traditional services with low needs of societal interaction and contribution (Alesever, 2013). Meanwhile, Lesinmann (2013) conducted a study in Germany to find the relation between sharing economy and financial performance, and found that general resource-saving can be achieved by applying collaborative consumption depending on the industry and implemented framework which can bring substantial savings to an organization. This sharing economy initiative is achievable in boosting firm performance due to the changing consumer patterns of using rather than owning (Kristin Leismann, 2013).

Despite of treat faced by the organizations, collaborative consumption by society can bring advantages to organizations that have embraced it; especially when consumers move from ownership of goods to sharing. Firms who anticipate these threats may buckle up by participating to provide sharing services which will positively influence the performance of the firm as the sharing activity may influences financial saving (Juho Hamari, 2016). Practically, this paper will open a new spectrum of opportunity to the shipping industry to maximize their

outcome utilization by implementing the trending concepts of sharing economy and to create a competitive advantage to the shipping firms.

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