

Formal and Informal Institutions in Business Management of the Greek Shipping Companies, 1830-1870: The Case of the Island of Spetses

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Paper prepared for the European Business History Association Conference

Athens, August 2011

In 1868, George Coutsis, a ship-owner from the island of Spetses, wrote to his partner in the port of Taganrog concerning an accident of his ship:

*“The Captain of the ship did not know that the cargo was insured because I want him to be indebted to me as he is a member of my family ...I ensure you Sir that half of my crew is members of my family and this is why my ship was saved...”*¹.

This is a characteristic example of ship-owners’ awareness of how maritime businesses should be governed, especially the matter of trust and loyalty that emanates from kinship ties and captain’s reliability. Family businesses, where owners hold control over the management, have been accused of incompetence in making “rational” decisions and have been ultimately associated with business failure². On the other hand, efficiency has been correlated to professional management and contractual relations³. Many historians have successfully “restored” family businesses in many industries of the modern economy even in the seedbed of “managerial capitalism”, the U.S⁴. This paper

¹ Letter of George Coutsis (Spetses) to John Delaportas (Taganrog), 24/01/1868, 53/31, Commercial Correspondence, Coutsis Family Archive, Christos Coutsis, Spetses.

² P. L. Payne, “Family Business in Britain: A Historical and Analytical Survey” in *Family Business in the Era of Industrial Growth*, Akio Okochi and Shigeaki Yasuoka (eds.), (Tokyo 1984).

³ See Alfred D. Chandler Jr., *Scale and Scope. The Dynamics of Industrial Capitalism*, (Boston 2004) and Alfred D. Chandler Jr., *The Visible Hand. The Managerial Revolution in American Business*, (2002).

⁴ Andrea Colli, *The history of family business, 1850-2000*, (Cambridge 2003). Geoffrey Jones and Mary Rose, “Family Capitalism” in *Family Capitalism*, Geoffrey Jones and Mary Rose (eds), (London 1993). Mary Rose, “The family firm in British business”, in *Business Enterprise in Modern Britain. From the eighteenth to the twentieth century*, Mary Rose and Maurice W. Kirby (eds), (New York 1994). Leslie

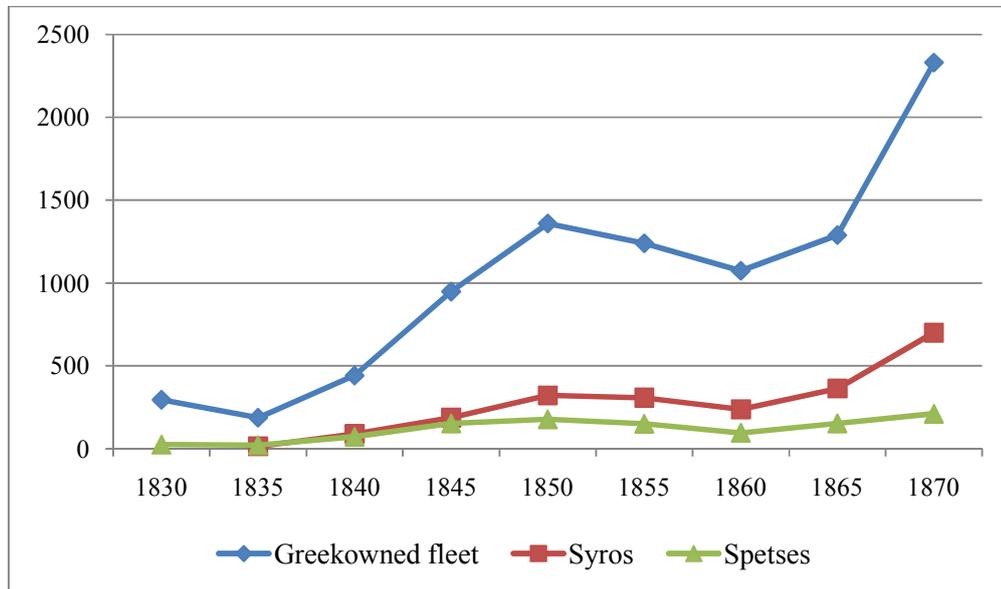
wishes to contribute to this debate by offering a paradigm from the shipping industry and especially the Greek shipping industry. My recent research on the shipping businesses of the island of Spetses has demonstrated that business organization, either based on networks or professional management rarely ever exists in a “pure” form, but rather combined and in total interdependence.

The aim of this paper is to co examine the role of formal institutions such as contracts and legislation, and informal institutions like networks of family relations and their efficiency equilibrium in the management of the Greek shipping businesses through the case of the island of Spetses during the 1830-1870. This paper is based on newly found material of the island’s notarial archive and the archive of the Coutsis family, one of the most important shipping houses of the island of Spetses.

Spetses are considered to be a prime example of Greek owned shipping because of their long standing tradition in maritime businesses and success in the 19th century. From the 1830s till the 1870s, the island of Spetses was the second most important port of registry of the Greek-owned mercantile fleet and a major shipbuilding center of the nascent Greek State after Syros. This economic development was based on a local business group, which was gradually formed from the last quarter of the 18th century till the 1870’s. The question we address here is why and how the merchant shipping of the island of Spetses succeeded in surviving and grew in the competitive economic environment of the 19th century.

Hannah, 'Visible and invisible hands in Great Britain', in *Managerial Hierarchies*, A.D. Chandler and H. Daems (Cambridge, Mass., 1980).

Diagram 1. Number of ship registered in the two most important ports of the Greek State and the total number of the Greek-owned fleet, 1830-1870

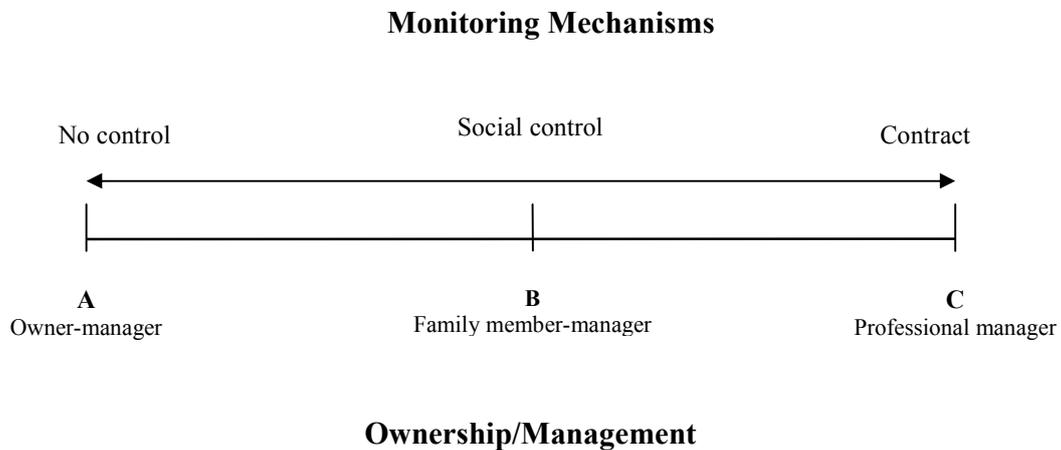


Source: Data elaborated from Database *Dievo*. *Shipping Businesses of the island of Spetses, 1830-1870* and Gelina Harlaftis and Nikos Vlassopoulos, *Ποντοπóρεια: Ιστορικός Νηογνώμονας: Ποντοπóρα ιστιοφóρα και ατιμόπλοια, 1830-1939*, Helen Beneki (ed.), Athens 2002.

My main argument is that the success of the ship-owners of the island of Spetses was feasible due to the efficient management of their shipping companies: it combined the advantages of social control emanating from their family and affinity networks, and contracts to eliminate the risk of the speculative behavior of their captains. The novelty of this paper lies on the combination of agency and stewardship theory to analyze how Greek shipowners formed their management strategies.

The analysis is based on two axes. I will examine first how management became detached from (the realm of) ownership and secondly how this separation, in the form of delegation, affects the mechanisms used to control the agents/captains' performance as it is represented in figure 1.

Figure 1. Ownership/management relation and forms of control



The model proposed in this paper is a dynamic model which can be used to analyze the coexistence and evolution of shipping companies and other businesses in general. The axis represents the relation between ownership and management, where node A refers to the case where the owner is also the manager of the firm while node C refers to the delegation of management to a professional manager. Shipping companies' management defined in a large degree the ownership patterns and strategies. Shipping businesses' ownership structure took generally two main forms, the personal shipping business where the ownership is in the hands of one person and the partnership, where the ownership of the business was divided in shares to more than one partners.

Above the axis, there is an arrow that refers to the type of control exercised in nodes A and C. When the owner was also the manager of a shipping company, the agency costs were eliminated and there was no need for control. It has been argued that when owners participate in the governance of a business, agency cost is reduced. On the other hand, node C refers to the case where a principal/ship owner delegates the management to a professional manager who is not related to the ownership of the shipping company.

Agency theory describes the relation between the principal/owner of a business and the agent/captain. According to this approach, there is an agency problem when a

manager with superior information acts as agent for an owner allowing the manager to exploit business resources to his benefit, the so-called “free rider” problem⁵. This problem stems from information asymmetries between the parties and their different incentives⁶. In the case of the maritime businesses, asymmetry of information was the result of the great physical distance between the principal/ship owner and the agent/captain.

Due to the need to respond quickly to an ever-changing environment, the captain was invested with extended responsibilities. He functioned as a representative of the ship owner in foreign ports; he had to resolve business issues with merchant houses, clients and suppliers on the spot. He was obliged to be familiar with different institutional environments, norms and merchant practices as well as with the standard bookkeeping of the ship’s business accounts. At the same time, he was the navigator and employer for the ship’s crew while he was responsible to avoid mutinies and desertions.

This extensive delegation of decision-making authority exposed principals/ship-owners to high risk as it encouraged agents/captains to behave opportunistically. According to agency theory, the principal had to implement a set of controlling mechanisms, like contracts and other additional means to constrain the risk of the agent free-rider problem. This procedure involved high costs, which can be discriminated in monitoring, bonding and residual⁷. However, in a world of asymmetric information, contracts and other typical control mechanisms could not avert opportunistic behavior while, at the same time, increased significantly transaction costs. Perhaps the most important deficiency associated with agency theory derives from the standpoint that the agents are self-serving economic individuals with ultimate purpose to maximize their personal profit⁸.

⁵ See Michael Jensen and William Meckling, “Theory of the firm: managerial behavior, agency costs and ownership structure”, *Journal of Financial Economics* 3/4, (October 1976), 305-360.

⁶ Danny Miller and Isabelle Le Breton Miller, “Family, governance and firm performance: agency, stewardship and capabilities”, *Family Business Review* 14/1, (March 2006), 74. See also Eugene Fama and Michael Jensen, “Agency problems and residual claims”, *Journal of law and economics* 26/2, (June 1983), 327-349.

⁷ Michael Jensen and William Meckling, “Theory of the firm: managerial behavior, agency costs and ownership structure”, 311.

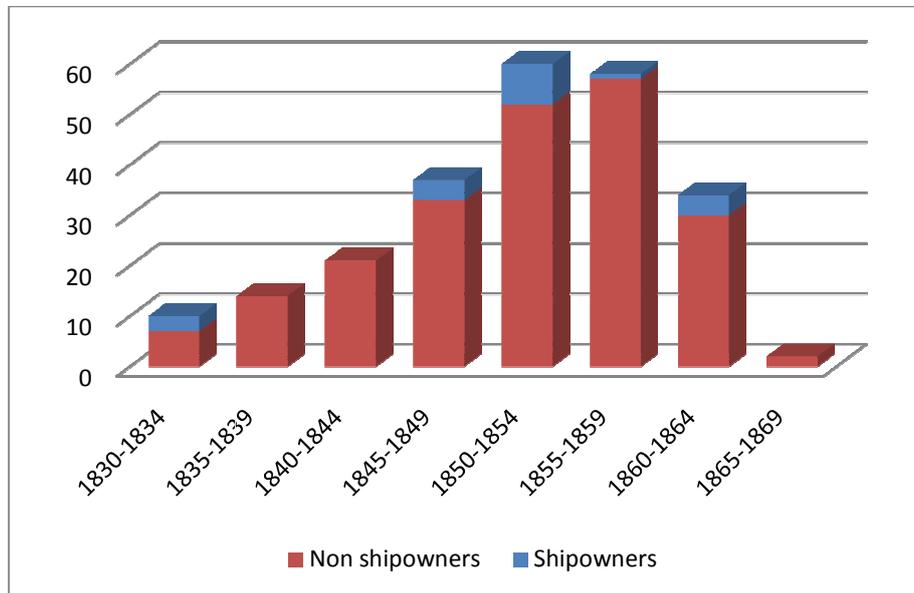
⁸ Alexandra Papadopoulou, *Maritime Businesses, networks and institutions in the merchant shipping of the island of Spetses, 1830-1870. Organization, management and strategy*, unpublished Ph.D. thesis, Department of History, Ionian University, Corfu 2010, 240.

On the other side, stewardship theory is based on the assumption that agents can make decisions for the benefit of an organization and its owner⁹. In this case, the agent considers that business's success was linked to his own interests. This is prevalent in family businesses where the captain is a family member or is emotionally linked to the family. In spetsiot maritime businesses, family and kinship ties were rather important in defining shipping companies' management as they consolidated cooperation and trust. Node B refers to informal ties that connected the manager/agent to the ship-owner/principal of the maritime company.

In order to examine the management strategies of the shipping businesses of the island of Spetses, we must distinguish between personal maritime businesses and partnerships. In this paper, we will focus on personal shipping businesses for two reasons: first it is easier to explore deeper the relations between principal and agent due to the simplicity of its ownership structure and secondly due to the unique role they played for the shipping houses of the island of Spetses as we will show later on. In personal maritime businesses, the ownership belonged to a single person, who was either the manager of the business or delegated the management to another captain. Personal shipping businesses represent almost half of the businesses of the Greek-owned shipping, so it can be characterized as a typical example of a Greek shipping business. As indicated in diagram 2, most of the personal maritime businesses were managed by a person other than the owner of the business.

⁹ Lex Donaldson and James Davis, "CEO governance and shareholder returns: agency theory or stewardship theory", paper presented in the annual meeting of the Academy of Management, Washington 1989. See also Lex Donaldson and James Davis, "Stewardship theory or agency theory: CEO governance and shareholder returns", *Australian Journal of Management* 16/1, (June 1991), 51.

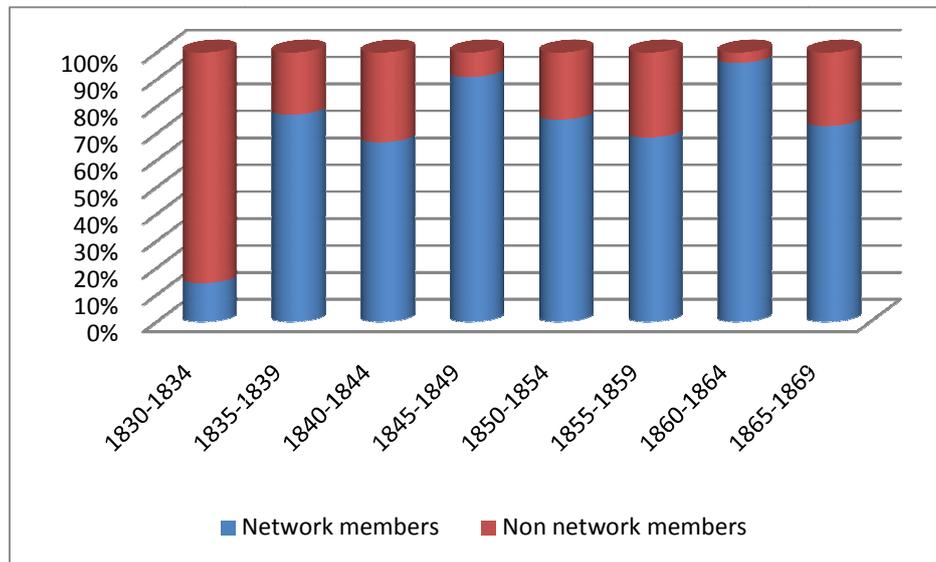
Diagram 2. Number of captains/ship-owners or non ship-owners in personal maritime businesses of the island of Spetses, 1830-1870



Source: Data elaborated from Database *Dievo*. *Shipping Businesses of the island of Spetses, 1830-1870* and Gelina Harlaftis and Nikos Vlassopoulos, *Ποντοπóρεια: Ιστορικός Νηογνώμονας: Ποντοπóρα ιστιοφóρα και ατιμόπλοια, 1830-1939*, Helen Beneki (ed.), Athens 2002.

Except from the quinquennial 1850-1854, during which the bulk of the ship-owners of the island of Spetses concentrated both ownership and governance into their hands in order to obtain stability due to the uncertainty of the Crimean War, in the rest of the period, captains unrelated to the owners managed over the 80% of the total personal shipping companies. This opposes to the agency theorists argument that ownership concentration reduces monitoring costs, thereby restraining the problem of free-rider and boosting returns. If this is so, why spetsiot ship-owners were willing to turn over a large part of the decision-making authority of their businesses to “free riders” and how did they ensure that their agents would not default and shipping ventures could thrive as they did?

Diagram 3. Captains of personal maritime businesses as members and non-members of ship-owners family and kinship networks, 1830-1870.



Source: Data elaborated from Database *Dievo*. *Shipping Businesses of the island of Spetses, 1830-1870* and Gelina Harlaftis and Nikos Vlassopoulos, *Ποντοπóρεια: Ιστορικός Νηογνώμονας: Ποντοπóρα ιστιοφόρα και ατμόπλοια, 1830-1939*, Helen Beneki (ed.), Athens 2002.

As indicated in diagram 3, the majority of the captains/managers of the personal shipping businesses were members of the ship-owners' family and kinship networks. With the exception of the quinquennial 1830-1834, from 1835 till 1869, more than 60% of the captains were related with affinity ties with the ship-owners of the companies. This observation does not imply that family and kinship ties were sufficient to prevent opportunistic behavior or that other controlling mechanisms were not used. In order to verify that social control was capable of building trust we will compare contracts between captains who were related to ship-owners to those signed between captains unrelated to them.

Usually contracts with non family members contained clauses that constrained the captain's ability to exploit the opportunities of profit against ship owner's interests during his voyage and while he was on the island. One of these clauses obliged the captain to hand over all the business's accounts while he was on a trip right after his return and

justify all of his decisions¹⁰. Another characteristic difference between related and unrelated captain was the obligation of the latter to perform his duties in favor of his principal and cut the ship's and his personal expenses:

*“Captain John N. Nestoros is obliged to be parsimonious in ship's expenses, food and salary and to reduce his food and the expenses of his cabin”*¹¹.

Another noteworthy clause implied to non related captains was the restriction of the loans they could receive during their journey, which was determined by the ships value and the experience of former journeys¹². Shipowners knew how difficult it was to monitor their captains while they were away and considered face-to-face meetings very important. In a contract of 1855, the ship-owner states that:

“The Captain is obliged to obey the owner's orders while he was on the island or elsewhere through his representatives or in any other way...”

And if he didn't:

*“...he will be held personally responsible by the Greek law and the owner”*¹³.

According to the contract above, there were other ways of monitoring the captain's trustworthiness beyond the island of Spetses. Ship-owner's network of commission agents in various ports was one of the most effective mechanisms that transferred ship-owner's instructions¹⁴. Every node of this network is a checkpoint for captains as information on ship's state, the precise date of the ship's arrival and departure as well as every expense that took place in the particular port flowed back to the ship-owner. Friends and cooperators in several markets consolidated the net of social control and the multilateral intersection of captain's reputation. In addition, every commission agent sent an account of gains and expenses which was later compared with the captain's accounts. At the second half of the 19th century, telegraph and mail services encouraged the frequent correspondence between the captain and the ship-owner. In map one there is

¹⁰ Power of Attorney, no. 182 (21/03/1849), no. 189 (24/05/1849), no. – (22/03/1850), Notarial Archive of Spetses, 1830-1870, Spetses. For the case of related captains see Power of Attorney, no. 296 (06/06/1850) and no. 171 (11/09/1855), Notarial Archive of Spetses, 1830-1870, Spetses.

¹¹ Power of Attorney, no. 315 (14/06/1850), Notarial Archive of Spetses, 1830-1870, Spetses.

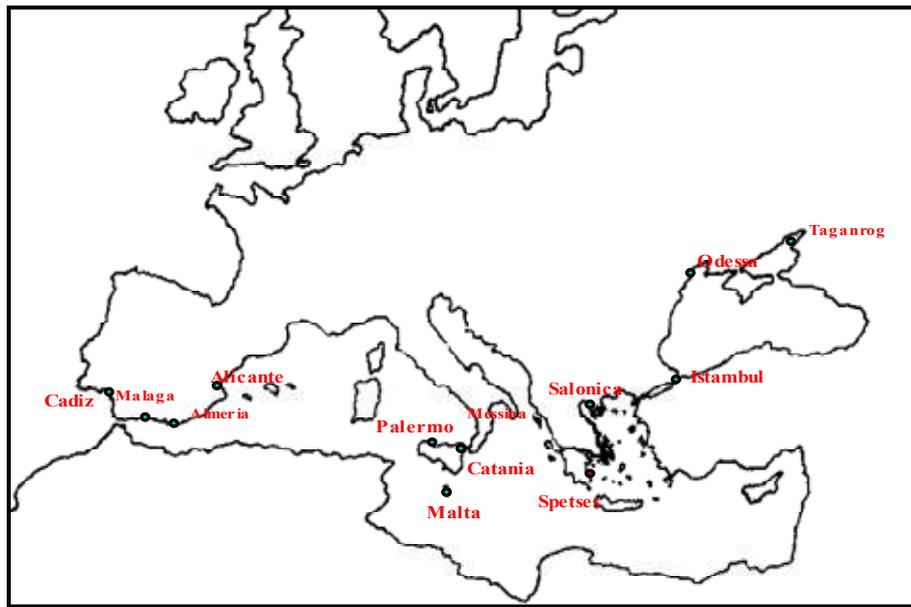
¹² Power of Attorney, no. 1180 (24/02/1853) and no. 1224 (20/03/1853), Notarial Archive of Spetses, 1830-1870, Spetses.

¹³ Power of Attorney, no. 171 (11/09/1855), Notarial Archive of Spetses, 1830-1870, Spetses.

¹⁴ Alexandra Papadopoulou, *Maritime Businesses, networks and institutions in the merchant shipping of the island of Spetses, 1830-1870. Organization, management and strategy*, 249-250.

a characteristic example of the network of agents of one of the most important spetsiot shipping houses, the Coutsis shipping house of the 19th century.

Map 1. Locations of Coutsis shipping house's commission agents in the Mediterranean Sea, 1868.



Source: Data elaborated from Business Correspondence 1868, Christos Coutsis Archive, Spetses.

Many ship-owners adopted more extreme constraints to prevent foreign captain's opportunistic behavior. Reducing captain's authority and assigning shipping business's management to a third person was the most common practice. As is it stated in the fourth clause of the contract of 1845, between Nicolas Lampiris, ship-owner, and Dimitrios Boulamatzis, captain and manager of his shipping business:

“Dimitrios Boulamatzis has no right to interfere to the merchant enterprises of his ship, but he will be confined to navigate the ship”¹⁵.

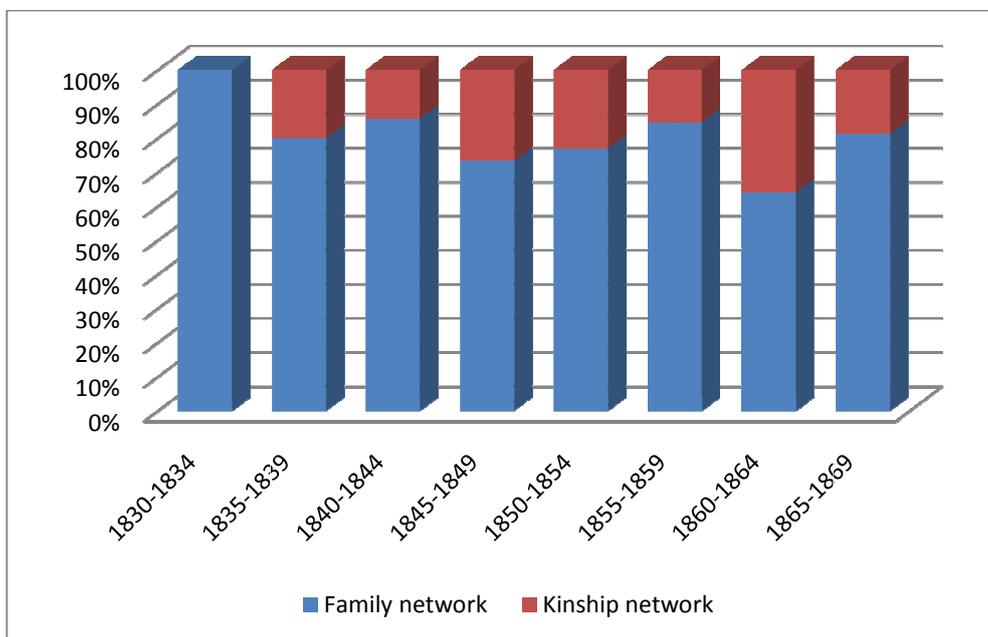
The ship-owner's delegate had to supervise the captain conduct in every journey and the right to dismiss him if necessary. At the same time, he was assigned to operate ship's chartering, cargo purchase, ship's insurance, legal representation¹⁶. Representatives assumed the responsibility to monitor the captain, but who would check

¹⁵ Power of Attorney, no. 1585 (12/04/1845), Notarial Archive of Spetses, 1830-1870, Spetses.

¹⁶ Power of Attorney, no. 1311 (23/05/1853) and no. 1322 (01/06/1853), Notarial Archive of Spetses, 1830-1870, Spetses.

on the delegates? In most cases, representatives were chosen by the ship-owner and were members of his family and kinship network. As I have already mentioned, in the case of the personal shipping businesses of the island of Spetses, typical control mechanisms such as contracts were not sufficient to ensure trust between captains and ship-owners. This could explain why most of the ship-owners preferred to hire members of their family and kinship networks, as it is indicated in diagram 4.

Diagram 4. Captains of personal maritime businesses as members of the ship owner’s family and wider kinship and social network, 1830-1870



Source: Data elaborated from Database *Dievo*. *Shipping Businesses of the island of Spetses, 1830-1870* and Gelina Harlaftis and Nikos Vlassopoulos, *Ποντοπóρεια: Ιστορικός Νηογνώμονας: Ποντοπóρα ιστοφόρα και αμόπλοια, 1830-1939*, Helen Beneki (ed.), Athens 2002.

Most of the captains were, by more than 50-100%, members of the shipowner’s family network and by the rest members of their wider kinship network. This was related to the fact that shipping businesses were organized into shipping houses, an informal institution which was embedded in the family. Shipping houses were aggregations of male entrepreneurs coming from more than one generation of a single family and invested and managed shipping businesses cooperating with each other as well as

others¹⁷. Shipping houses were established when newcomers successfully conveyed their businesses to the next generation.

Figure 2. The development stages of maritime business of Spetses, 19th century



During the period 1830-1870 there were 86 shipping houses which amounted in 498 members, more than 80% of the total number of investors in shipping businesses. Shipping houses invested in 95,6% of the total 972 shipping businesses found during the years 1830 to 1870. From the 86 shipping houses, 66% was active in shipping businesses from 1780 till 1870. The development of shipping houses of the spetsiot merchant shipping evolved side by side with the development of the maritime businesses. Family penetrated into the business network to meet the requirements and increasing needs of the shipping enterprises in capital and human resources¹⁸.

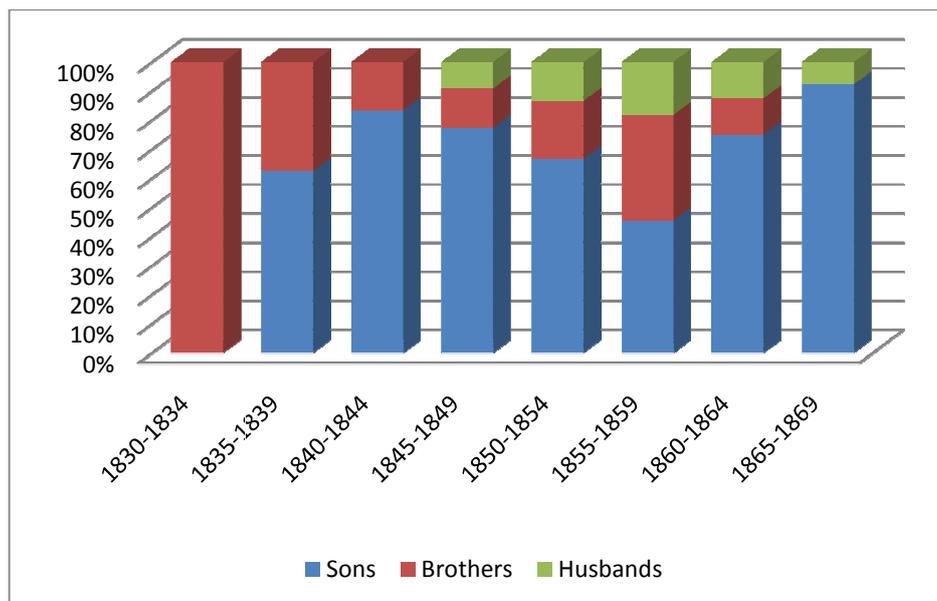
When shipping houses' needs overcame the family's capacity they started cooperating with each other, creating a pool of community network resources. Acting not as isolated and introvert entities, but rather as parts of an interrelated entity, they evolved into a business group. A "business group" is a collection of cooperating firms bound

¹⁷ Alexandra Papadopoulou, *Maritime Businesses, networks and institutions in the merchant shipping of the island of Spetses, 1830-1870. Organization, management and strategy*, 135.

¹⁸ Julie M. Hite and William S. Hesterly, "The evolution of firm networks: the emergence to early growth of the firm", *Strategic management journal* 22/3 (March, 2001), 276. On the business life stages see Neil Churchill and Virginia Lewis, "The five stages of small business growth", *Harvard Business Review* 61/3, (1983), 30-49.

together in some formal and informal ways¹⁹. Several axes of solidarity such as their common origin, language and religious beliefs, which have grown inside the island's intact social structure from the mid 18th century till the 1870, and their mutual participation in the Greek war of Revolution in 1821 connected the members of the business group²⁰. The preexisting social relations between the ship-owners' families were reinforced by marital arrangements with the intent to forge alliances which justifies the great number of relatives delegated with the management of shipping businesses²¹. A paternalistic belief that family-owned ships should involve professionally family and kinship members, especially the younger members who were considered the off-springs of the shipping house, was the reproductive force of spetsiot shipping businesses.

Diagram 5. Husbands, brothers and sons as captains in personal shipping businesses, 1830-1870



Source: Data elaborated from Database Dievo. *Shipping Businesses of the island of Spetses, 1830-1870* and Gelina Harlaftis and Nikos Vlassopoulos, *Ποντοπóρεια: Ιστορικός Νηογνώμονας: Ποντοπóρα ιστοφόρα και ατμόπλοια, 1830-1939*, Helen Beneki (ed.), Athens 2002.

¹⁹ Mauro Guillen, “Business Groups in Emerging Economies: a resource based view”, *The Academy of Management Journal* 43/3 (June, 2000), 362.

²⁰ Alexandra Papadopoulou, *Maritime Businesses, networks and institutions in the merchant shipping of the island of Spetses, 1830-1870. Organization, management and strategy*, 143.

²¹ Ibid.

Most of the captains were shipowners' sons, brothers or husbands. This is one aspect of the importance of shipping houses in the reproduction of local entrepreneurial group. The presence of the shipowners' off-springs in the management of personal shipping businesses cannot be merely explained by economic factors as it is deeply related to the internal structure and hierarchy of family relations. According to Mark Casson, entrepreneurs have the tendency to supply their businesses needs in labor initially through the pool of family resources which could be easily controlled, as their heirs²². "Respect to the elder" as an expression of the traditional paternalistic family system that survived and was reproduced inside the shipping house and the enterprises had a great impact on the behavior of the captains. What was extremely difficult was the balance of power between members who were equal in the family system as it demanded the decision making authority to be distributed equally²³.

There are three types of succession feasible to any family business based on the most useful variable, ownership, from which legitimate decision making authority derives. The first type of leadership succession is the quasi-parental sibling leader in which parents used to choose one of their heirs. This type of succession could be rather unstable when the other siblings get older and challenge the legitimacy of the quasi parental leader. The second type is called the "shared leadership arrangement" that recognized the equal distribution of power between siblings and at last there is the type of "first among equals" arrangement. In order for this type to be effective, the leader must prove his ability to manage the company²⁴.

In the case of the island of Spetses, the "first among equals" arrangement was the prevailing model of succession and recognized the elder sibling as the leader of the family business²⁵. Inheritance norms and practices of the island that provided equal

²² Mark Casson, "Entrepreneurship and business culture", in *Entrepreneurship, networks and modern business*, eds. Jonathan Brown and Mary B. Rose, (Manchester 1993), 37.

²³ Ivan Lansberg, *Succeeding generations: realizing the dream of families in business*, (Boston 1999), 32.

²⁴ Kelin Gersick, John Davis, Marion McCollom Hampton and Ivan Lansberg, *Generation to generation: life cycles of the family business*, (Boston 1997), 41-44. Lansberg, *Succeeding generations: realizing the dream of families in business*, 31.

²⁵ See Alexandra Papadopoulou, *Maritime Businesses, networks and institutions in the merchant shipping of the island of Spetses, 1830-1870. Organization, management and strategy*, 135-136. See Socrates Petmezas and Euthymios Papataxiarchis, "The devolution of property and kinship practices in late-and post-Ottoman ethnic Greek societies. Some demo-economic factors of 19th and 20th century transformations", *Mélanges de l'École française de Rome, Italie et Méditerranée* 110/1, (1998), 220.

shares of the family business to all siblings enforced this model of succession²⁶. Constantine Bamba, ship-owner and leader of the Bamba shipping house wrote in his testament in 1884,

*“The family’s real estate and ships will be divided to my three sons, Christodoulos, Anargyros and Ilias and my wife in four equal shares...I ask them, for the advance of my House, to follow the same [management] system that I sustained till now and thought to be efficient. To my sons I recommend unity, love and cooperation and I wish they remain inseparable. The younger should respect the first-born, Christodoulos, the manager of my business affairs for the progress of the House, always with the consent of his brothers and mother”*²⁷.

The siblings’ performing as captains of the personal businesses of their antecessor was a common practice in the spetsiot shipping houses for one more, even more important, reason. Their employment as captain was part of the succession process of the shipping house’s leadership. The success of this process was very important to the survival of the shipping house and the prevention of the Buddenbrook effect²⁸.

The succession process consisted of two parallel procedures: the leadership and ownership transfer²⁹. Since ownership was concentrated on one person, personal shipping businesses were convenient for the preparation and training of the candidate successors and they were the only businesses which were fully transferred to the successor. During this stage the candidate was trained to make decisions over the management of the shipping and the ship’s navigation. But this was not all.

According to Morris, the successors’ training procedure was not the mere acquisition of knowledge and had to involve qualifications, values and abilities that could

²⁶ See Testimony of Christodoulos Coutsis, n. 192, (1841/07/10), Notarial Archive of Spetses 1830-1869, Spetses and Testimony of Theodore Gika Botassis, n. 1408, (1835/06/20), Notarial Archive of Spetses, Spetses.

²⁷ See the Testimony of Constantine Bamba (Marseilles, 9/21 December 1844), Notarial Archive of Spetses, Spetses.

²⁸ See Mary Rose, “Beyond Buddenbrooks: the family firm and the management of succession in nineteenth-century Britain”, in *Entrepreneurship, networks and modern business*, 133.

²⁹ Jose Casillias, Francisco Acedo και Ana Moreno, *International entrepreneurship in Family Business*, (Northampton 2005), 146.

legitimize his decisions³⁰. This was acquired by cultivating trust between the successor and the local business group (shipping houses, newcomers), the crews, the national and international Greek business network, shipping house's collaborators, commission agents in port-markets. The successor's family name was a trademark of the shipping house's business culture and he had to create his own personal relations and prove that he was worthy of his antecessors' reputation. The prestige attached to the name of the shipping house was an asset he had to gain and enhance.

The case of Coutsis shipping house's succession process is enlightening. John Coutsis was the leader of the Coutsis shipping house one of the most powerful shipping houses of the island of Spetses and till the end of the 1850 he was the owner of four personal shipping businesses. In the 1850s he organized the succession process of his shipping house by introducing his only male successor, George Coutsis, to the management of his shipping business by employing him as captain of his ship *Saint John*³¹. George Coutsis at the age of twenty-two had the right to issue his license as navigator of second class ships and took over the management of the shipping and merchant enterprise. At the same time, he was authorized by his father to monitor the merchant operations of a second family ship the "*Agoraston*" which had his brother-in-law as her captain³². The gradual transfer of the responsibilities of the Coutsis shipping house to George Coutsis ends eight years later with the transfer of the business ownership rights to George Coutsis after the death of his father in 1861³³.

Conclusion

Merchant ship-owners of the island of Spetses met extensive development during the 19th century as they were capable of managing their shipping businesses efficiently. Shipping businesses' management was based on a set of informal contractual and informal network relations in the context of the shipping community. Especially in

³⁰ Michael Morris, Roy Williams, Jeffrey Allen and Ramon Avila, "Correlates of success in family business transitions", *Journal of business venturing* 12/5, (September 1997), 385-401.

³¹ Power of Attorney, no. 177 (28/03/1851), Notarial Archive of Spetses, 1830-1870, Spetses.

³² Power of Attorney, no. 169 (27/03/1851), Notarial Archive of Spetses, 1830-1870, Spetses and See Power of Attorney, no. 177 (28/03/1851), Notarial Archive of Spetses, 1830-1870, Spetses.

³³ Power of Attorney, no. 947 (07/03/1856), Notarial Archive of Spetses, 1830-1870, Spetses.

personal shipping businesses, ship-owners/principals utilized both formal and informal monitoring mechanisms to eliminate the risk of “free riding” by their captains/agents. In the case that ship-owners held the management of their personal shipping businesses, there was no need of controlling mechanisms. However, most personal shipping businesses were not managed by their owners, but by agents unrelated to ownership.

Captains unrelated to ownership were divided in two large categories. The first and larger category refers to members of the ship-owner’s family and kinship network. The second category consisted of foreign captains. According to the category each captain belonged to, different mechanisms of control were used. In the case of relatives, monitoring was based on social control and affinity relations while of the captains of the second category, formal monitoring mechanisms such as limitations in capital lending and expenses, correspondence and face-to-face meetings as well as constraints on his responsibilities and delegate supervision were applied through contracts.

The transaction cost imposed by the need of monitoring was one of the reasons why Spetsiot ship-owners relied mostly on their family and kinship network for the management of their personal businesses. On the other hand, personal businesses were the main preparation and training field of the shipping houses’ successors. By their employment as captains in their father’s ships, younger members of the family were getting familiar with the organization and function of the shipping business. Another important part of their preparation process was the gradual involvement with the house’s business network of partners and clients, process which led to the legitimization of the successor.

Shipping businesses of the 19th century provide us with a prime example of the efficiency of family businesses in the allocation and expansion of their managerial resources by utilizing both family and kinship relations and contracts and formal types of control in order to survive and grow; a characteristic example of the Greek owned shipping businesses in the 19th century. At the same time, this example of the businesses of the shipping gives emphasis on the flexibility of family businesses in different competitive environments and economies.