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Task: How do broader external environmental factors along with COVID-19 affect organisational culture and its performance?

Executive Summary

External environmental factors influence the way and manner organizations carry out their business. In order for organizations to succeed they must be able to clearly identify those factors. The type, location and scope and purpose of the organizations are relevant factors. In determining which external environmental factor that an organization will encounter, and in order for it to thrive it must be able to constantly adapt and evolve to meet the requirements and contingencies of that environment (Alvesson and Sveningsson, 2015)

The Covid-19 pandemic is a clear example of an external environmental factor that can affect all forms of industries and organizations. It has shown that not only the health sector that can be open to such challenge. The health challenge that was occasioned by the Covid-19 In the last few months have affected work culture and the way organizations conduct their business and even their performance. With the current situation, there is the possibility that these changes may likely be retained in the foreseeable future. In fact, it may alter and affect the way organizations relate with their employees and their clients.

The chosen organization for analysis in this report (Airline Transport Company) shows how selected management theories and environmental scanning tools can be utilized to scan and detect the various external environmental factors and how it has affected its performance. This report focused on using PESTEL as a management theory to analyse the broader environmental factors that would affect the airline's organizational culture and performance level.

The report shows that Covid-19 has also altered the organizational culture and relations between the employees and employer because of the government restrictions and operational disruptions in the workplace. We see a trend where many employees are working remotely from home, thereby displacing the traditional and conventional mode of interaction in workplace. Employees are now more than ever relying on technology to communicate as different from physical communication thus disrupting organizational culture. The sad reality is that organizations will have to readjust its mode of operation and culture. These concerns were highlighted by Holzman et'al where some important questions were noted which touched the heart of organizational culture in the time of a pandemic. He asked the following critical questions (a) how to create and ensure a safe and supportive environment for employees (b) what the new characteristics for remote leadership (c) how organizations can ensure and promote creativity and critical thinking within a distributed team and also importantly, (d) how to facilitate the sharing of knowledge within an organization in such times (2020, p.1)

Table of Content

1.0	Introduction -	3
2.0	Brief Introduction of My Chosen Organisation -	4
3.0	Workplace Culture of An Organisation -	5
3.1.	Roles of Organisation Culture -	5
4.0	Workplace Culture of The Bank of England -	9
5.0	Management Theories and Environmental Scanning Tools -	10
5.1	Pestel -	10
5.2	Porter's Five Forces -	12
5.3	Adkar Management Model -	12
6.	Pestel Analysis of The Broader Environment of The Bank of England -	13
6.1	Political Factors Affecting the Banking Sector-	13
6.2.	Economic Factors Affecting the Banking Sector-	13
6.3	Technological Factors Affecting the Banking Sector-	14
6.4.	Environmental Factors Affecting the Banking Sector -	15
7.	Conclusion -	17
8.	Reference -	13

1.0 Introduction

Culture is often said to be the way of life. Hofstede (1980: 25) refers to culture as 'the collective programming of the mind which distinguishes the members of one human group from another. This statement applies both to humans and organizations. The focus of the work is on organizations. And Organization culture may be described as the acceptance of the norms of specific behaviour by the members of an organization. This could be in done tacitly or in a formal way. (Schein, 1990)

It should be however be noted that organisational culture has strong influence on the way the organization conducts its business and relates to its customers. In other words, the culture of the company can determine how efficient it is in terms of productivity, performance level, growth and success Alvesson 2002 p. 1)

With the spreading wave of the covid-19, as an external factor, there are bound to be disruptions in the way organizations conduct their business and there is the likelihood the organizational culture may change. This has the potential of affecting an organization's performance. In the light of this background this wok will introduce an organization which I am familiar with to discuss external factors like covid-19 organizational culture and performance. The report will also discuss the key management theories/ scanning tools that underpins my report. Furthermore, this report will evaluate the extent to which my chosen organisation's present cultural and ethical standards and the personal ethical standards, values and beliefs of most employees are sustainable and can help the organisation to achieve its corporate objectives and social responsibilities.

2.0 Selecting the Organization- Brief Introduction of My Organization

The organization that will be used as a refence point of discussion is the Bank of England. This organization has been chosen because I am familiar with a relative who works in the organization. Information from the Bank of England's official website states that it has it's headquarters located at Threadneedle Street, London in England in the United Kingdom. The Bank itself was established as far back as 27 July 1694 which is approximately 326 years ago. The current Governor is said to be Andrew Bailey. The Bank issues a currency called the Great British Pounds Sterling. The Bank is saddles with the responsibility of promoting the good of the people and the United Kingdom by maintaining a sound monetary and financial stability. (Bank of England).

The Bank of England is one of the oldest central banks in the world. In fact the bank is so reputable that it constitutes a model to other modern central banks. The bank was previously privately owned by shareholders before it was nationalized in 1946 by the Attlee ministry by virtue of the Bank of England's Act of 1946. (Bank of England).

3.0 Workplace Culture of an Organisation

Culture has been described by many authors in a good number of literatures. However, one notable thread that runs through it that it is a set of practice that identifies or distinguishes one person or set of people from another. Hofstede definition aligns with this position when he described culture to mean the collective programming of the mind which distinguishes the members of one human group from another. [Hofstede. G,1980]

In the context of an organization, it is possible for culture develop at different levels. This can be at different departments or units within an organization. However, organizations are wired in such a way that they can develop their own culture. This is even easier in cases when the organization has been in existence for long and have had a considerable length of shared and sufficient history together. Their collective experience can be drawn from a range of occurrence or things such as language, work ethics, values, historical development amongst others (Schein,1999).

A common definition for organizational culture is that it is a “system of shared assumptions, values, and beliefs, which governs how people behave in organizations” Abdullah & Mehta (2018 p. 82). This concept usually included the organizations experiences, expectations, good will, and values that hold it together.

It must be noted that every organization has its own unique form of culture that distinguishes it from other organization even when they operate within the same field. In fact, Alvesson noted that the awareness and the interest in culture vary between managers and companies (2002)

3.1 Roles of Organizational Culture

It is imperative to note that culture has a significant role to play in an organisation. Some organization increased their goodwill and become a strong competitor by developing a strong workplace culture which then distinguishes them from their competitors.

In summary, the roles that organizational culture seeks to play are as follows:

- (a) Culture seeks to establish a sense of bond and belonging amongst employees in an organization.
 - (b) Culture can be said to be used as a control mechanism informally.
 - (c) Culture helps to limit disagreements and smoothen the decision making process by making it efficient.
 - (d) Culture helps to build a sense of identity for employees within the organization.
- (EduNote, 2017)

4.0 Workplace culture of the Bank of England

The codes, culture and ethics of the Bank of England represent its commitment to how they work at the Bank and how it should conduct itself — both within and outside the Bank. The Code sets out principles of staff conduct, policies and supporting requirements: showing behaviours that colleagues, counterparties and the public should expect from.

The Bank of England Code is in four sections; Acting with integrity and demonstrating impartiality, brings together the Bank's conflicts of interest policies, setting out our disclosure and approval requirements, and includes the proper use of Bank resources. This section details record keeping requirements and how they engage openly with the public and stakeholders. It also includes policies on internal and external information sharing, escalating external misconduct concerns and audio and audio visual recording of meetings. Being safe and secure covers some of the fundamentals of how they work, at a time of heightened exposure to physical and cyber-security risks, particularly because many of us are now in a prolonged period of working from home.

As a policy-making institution and supervisor, they handle a very considerable amount of sensitive information. Mishandling that information could cause reputational and legal harm to the Bank and undermine our ability to fulfil its mission. It includes details of how they are empowered, without any fear of retaliation, to speak up about malpractice or misconduct, or raise serious concerns if they feel the Bank or anyone in it is contravening Bank Acting with integrity, demonstrating impartiality. Integrity is one of the principles of public life.

The organisation's personal interests should never influence their decisions at work. They are expected to be free of any suggestion of inappropriate influence. Selflessness, objectivity and impartiality are a core part of our Bank values. We strive to be objective in our decision-making

and decisive in our actions. We take pride in the quality and the impartiality of our analysis and research. We engage with others professionally and make decisions fairly and on merit, using the best evidence available. The Bank strives hard to protect its reputation by ensuring impartiality and independence. These qualities are is vital to the effectiveness of the organization and, if lost, would be hard to recover.

5.0 Key Management Theories and Environmental Scanning Tools

Management theory is an attempt to control the human impact on and interaction with the natural environment in order to preserve natural resources. At the organizational level, corporate environmental performance refers to 'organizational performance in managing natural resources and the natural environment in the process of conducting business. (Ones and Dilchert, 2012)

Environmental Management System is the most widely recognized tool for managing the impacts of an organization's activities on the environment. It refers to the management of an organization's environmental impact in a comprehensive, systematic, planned and documented manner. It incorporates people, procedures and working practices into a formal structure, involves all members of an organization as appropriate, promotes continual improvement, including periodically evaluating environmental performance, and actively engages senior management in support of the Environmental management system.

The environment is always changing, and this is just as true for the business environment as it is for the physical world around us. Managers try to avoid being taken by surprise by unexpected events that would impact their organizations through an ongoing process called environmental scanning. Environmental scanning is a high-level, broad-based process of gathering, analysing, and dispensing information for purpose of developing strategies or tactics. The process entails getting both factual data and qualitative opinions. Organizations also scan when they are considering whether to enter a particular industry.

Some of the commonly used management tools are discussed below as follows:

5.1 Pestel

Pestle is a commonly used management tool. The Pestel framework organizes information gathered from environmental scans. One may wonder just how one go about analysing the total external environment that would affect an organization. PESTEL is an organizing framework that allows decision makers to understand and make connections with a mass of

information. A PESTEL analysis examines six key macro-environmental factors in order to understand their interactions with the organization.

Besides alerting top management to potential threats in the environment, a PESTEL analysis is a part of the external strategic analysis when conducting research into new markets. It gives an overview of the different macro-environmental factors that the company has to take into consideration. Descriptions of the six key PESTEL factors are as follows:

- **Political**

Political issues are a function of how much the government intrudes or is involved in an organization's operations. In particular, it looks at taxation and tariffs, regulations, political stability, and elections. For example, Google and other Internet providers have financial, legal, and ethical issues relating to operating in countries like China or Iran, where repressive governments want to control the flow of information.

- **Economic**

These factors are important in long-range forecasts for revenue and expenses. Businesses in the financial industry may pull back from aggressive strategies in times of rising interest rates.

- **Social**

Society and culture have great impacts on the business environment. These factors include demographics like population growth, age distribution, and attitudes toward safety and health consciousness. For example, rising rates of obesity have forced management to look closely at marketing campaigns in giant food corporations such as Nestle and Kraft Foods.

- **Technological**

Technology facts include research and development (R&D), automation and robotics, and technology incentives. The rate of technological change in the business environment is staggering. A term often paired with technology is *disruption*, a description for innovations that completely change the cast of leading competitors in an industry. Many organizations not only scan the technological environment but also monitor closely for new and disruptive processes.

Environmental

Weather, climate change, air quality, and natural disasters are all environmental factors. Some industries are especially at risk from changes in the natural environment, including manufacturing, agriculture, tourism and travel, and sports and entertainment. Many pollution

regulations limiting water and air pollution have been passed that affect the operation of businesses. Today, the impact of climate control is being debated in Congress, and organizations in many industries are concerned how this latest environmental threat will affect their operations.

Legal

Legal factors include discrimination laws, consumer protection laws, and employment, health, and safety policies. Antitrust, piracy and copyright laws, as well as immigration issues are also of growing importance in the business environment. All of these factors affect how organizations operate, their costs, and the demand for products.

Another management strategy tool is the;

5.2 Porter's Five Forces

Michael Porter, a well-known business consultant and professor at Harvard University, identified five critical external factors that affect strategies being developed by organizations in any industry. This system, known as **Porter's Five Forces**, has become an important management strategy tool. Managers use the tool to examine opportunities and threats and to facilitate decision making in the context of their company's external environment. It measures the competitiveness of an industry and thus its *attractiveness* or potential profitability. An unattractive industry is one in which the combination of these five forces acts to drive down overall profitability.

The five forces defined by Porter include:

- **The threat of new entrants (or barriers to entry).**
- **The threat of substitute products or services.**
- **Competitive rivalry within the industry.**
- **The bargaining power of buyers.**
- **The bargaining power of suppliers.**

5.3 ADKAR Change Management Model

ADKAR model can be used by Change Managers to find out various gaps in the process so that effective training can be offered to the employees. Even though ADKAR model focuses on the business-oriented goals, it can be very useful to support employees to more easily go through the process of change.

ADKAR Model stands for:

- **Awareness** – of the need and requirement for change
- **Desire** – to bring and be part of change
- **Knowledge** – of how to drive change
- **Ability** – to incorporate the change on a regular basis
- **Reinforcement** – to keep it implemented and reinforced later on as well. (Prosci, 2017)

6.0 Pestel Analysis on the Broader Environment on the Bank of England

The external environment plays a critical role in shaping the future of organizations. To keep the business ahead of the competition, managers must continually adjust their strategies to reflect the environment in which their businesses operate. The banking industry affects all countries. But it is subservient to many factors, particularly to the government and the economy. Banks are unable to behave independently and must provide services based on specific laws that affect their growth and offerings.

This PESTLE analysis highlights key factors affecting the banking industry.

6.1 Political Factors Affecting the Banking Sector

Government involvement & regulations

Political influence has a great role in the banking and financial services. Banks used to have great influence and power. But the government has launched a high level of regulations to scrutinize the financial institutions. It is because they acquire a great amount of savings of the public. Therefore, banks should obey the laws of the state.

Critics and the financial analysts say that unnecessary government involvement is not good for the performance of banks. On the other hand, local and federal government has always been involved in the affairs of the banks like forever.

Government at both national and local levels can affect companies not only on a day-day basis through law, policies and authority but also a strategic level by creating opportunities and threats. Specifically, these arise because at competitive level the government can determine industry structure via monopoly and restrictive trade practices legislations further. Legislations will encourage competition so that customers can have more options (Littler and Wilson, 1995).

Banks are fighting for survival because the current situation in the world economy the UK government is giving support to banks by intervening.

6.2 Economic Factors Affecting the Banking Industry

(a) Banks & Economy

Banks and economy of the country have interrelated relations with each other. A healthy economy of the country is good for the financial and banking industry, vice versa. Local or foreign investments are also good for the economy because it would create many job opportunities. In the case of a mixed economy; where the governments and corporations collaborate to raise fund. But in the 21st century, banks play a very important role in providing loans to businesses and companies.

(b) Interdependent Relation

It won't be wrong if we say that the banks and the economy of the country can be a good partner. It is because a healthy economy would depend on the smooth running of the banking industry. Banks can't run their operations if the economy of the country isn't working.

6.3 Social Factors Affecting the Banking Sector

Socio-cultural factors have a great impact on the financial industry. The Changing preferences and choices of the people would make businesses and banks to change their planning and brand strategies. If we look at the attitude and behaviour of the people in a certain demographic, then you would see that it has changed a lot in recent times.

This is perhaps the most difficult for the marketer to identify evaluate and respond to it. It is a complex of demographics it includes changes in population characteristics educational standards, culture, lifestyle attitudes and beliefs. The way we think, we live and behave is the outcome of complex cultural conditioning by family, friends, schools, work and various media. It conditions who decides what we buy, where and when we buy it, and whether we credit or cash for example 45 percent of consumers agreed that they give into temptation and buy things because they like them and not because they need them. This was up from 30 percent 20 years ago. So businesses need to

consider the changing demographic trends in their business and the changing social climate in different parts of the world (Littler and Wilson, 1995)

6.4 Technological Factors Affecting the Banking Industry

(a) Online banking

The technological revolution of the 21st century has brought online banking. Now, almost all financial transactions are carried out through online banking. Not only transactions, but customers can also choose and avail various banking services like insurance, cards, and loans through online. Technology and online banking has made the services much easier for the customers' reach. Every bank has a mobile application, which you can use it either to transfer funds or pay your bills.

(b) Privacy & Security

Online banking and technological development have raised some serious issues like privacy, security, trust, and confidentiality. Personal data has become more fragile than ever before in history. If you know the user name and password of someone, then you can transfer all of their money. Double security and checking systems have reduced the risks to a great extent.

6.5 Environmental Factors Affecting the Banking Industry

Factors like eco-friendly and sustainability have become a matter of great significance for the business industry as well. Some banks are also investing a great capital in the development of renewable energy sources. Many banks have taken the step of going without paper transaction, and solar ATMs with rechargeable lithium-polymer battery.

The purpose is to clean the environment and enable the use of more efficient energy. Some of the banks now publish their annual report in soft form. It also conveys a good brand images, because it reduces the population in many areas.

Furthermore, external environmental factors like the Covid-19 has put more pressure on the Bank to come out with policies that will enable its worker to adapt to the pandemic by devising healthy and safe ways to work.

7.0 Conclusion

This report has been able to examine the various environmental factors that could affect an organization's performance. It examined the various management and environmental scanning tools that can be used to detect the environmental challenges that an organization is likely to be confronted with. It also noted how the Covid-a9 pandemic is as an environmental factor is affecting the way the selected organization of choice (the Bank of England) is responding to the new ways of carrying out its core functions as a central bank.

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