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Organisational Efficiency

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## Executive Summary

The workplace culture of an organisation is something that is an extremely important factor that affects an organisations efficiency and performance. Factors that affect organisational culture include organisational structures, ethical stance, and external/internal influences. The following report is an evaluation of such factors, what effects they have on workplace culture, with both external analysis and internal analysis of an organisation using appropriate analysis tools. The organisation to be analysed in this report is the restaurant called 'The *Indian Edge Restaurant*' which is located in the town of Kenilworth, England. The report will also highlight the ethical stance and corporate social responsibility of the business, and recommendations to further enhance workplace culture.

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## Introduction

As personality and character of a person is unique among individuals, so is organisational culture unique among different organisations. As stated by Oswick, Lowe, and Jones (1996) the culture of an organisation is likened to that of the character of a person. Although most people will have an assumption of what organisational culture means, it is difficult to define or explain precisely. A common way of defining what is meant by organisational culture is that of the saying 'how things are done around here'. An example of this is stated by Atkinson (1990) that organisational culture is something that is reflected in the fundamental principles about the way work is carried out, what is appropriate or inappropriate. Another definition according to Chatman and Eunyoung (2003) is that organisational culture refers to a method of shared values, and beliefs that demonstrate to people what is suitable actions. Organisational performance and efficiency are highly influenced by these values and beliefs.



## Organisational Culture and Efficiency

An organisation's culture is highly important and can be attributed directly to its business performance and organisational efficiency. It is also important that the organisation has the right culture which fits with the organisations environment. An example of this is that of a business in a digital or computerised industry, where having a culture that promotes innovation and versatility will positively affect its performance in an ever changing environment. Similarly, if that same business promotes a culture of old customs, and for upholding rules and processes, then that same business may falter or stay static because of its culture. What this means is having the correct culture will have a positive effect for an organisation, but unsuitable culture may lead to efficiency problems, resulting in failure, and may thwart the company from evolving or taking strategic risks (Arogyaswamy & Byles, 1987).

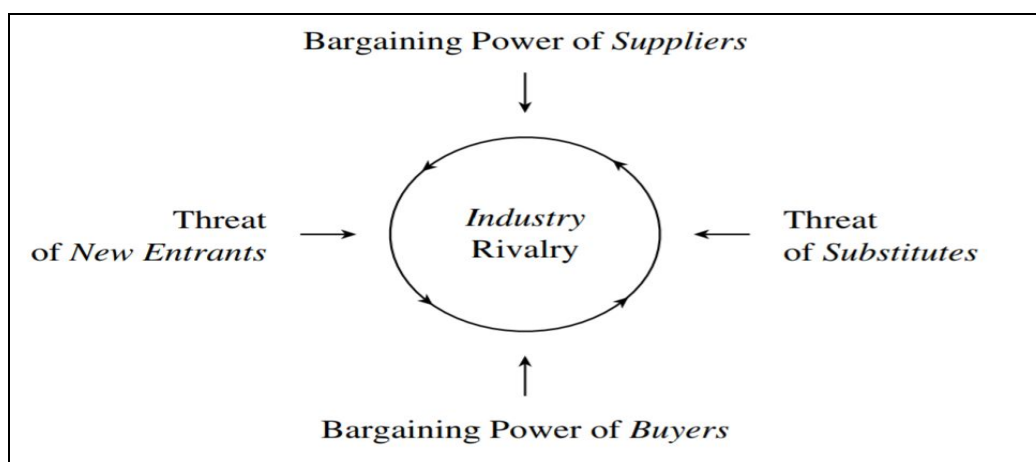
## External Analysis

An external analysis or environmental analysis is an impartial approximation of the evolving world in which a company carries out its operations. It can also be a premonition for diagnosing potential threats and opportunities. One of the many types of external analysis that can be carried out is the Porter's Five Forces Analysis.

### Porter's Five Forces

The porter's five forces can be influential in identifying where power lies in certain business situations. It highlights outside threat levels and determines the attractiveness or profitability of an organisation. According to Slater & Olson (2002) using the porter's five model will show the overall profitability of the market sector by establishing market structure. As explained by Porter (1979) the five forces model can help to evaluate an organisation's environment by underpinning its competitive rivalry, and the theory can also help in strategic planning to improve competitive advantage. The diagram below is an illustration of the Porter's Five Forces theory.

**Fig 1.1: Porter's five forces model.**



Source: Porter, 1985, p.22

The five sections of the Porter's theory are:

- ★ **Industry Rivalry:** threat level from competitors, including how many competitors, quality differences and costs as well as client loyalty base.
- ★ **Threat of New Entrants:** this is determined by barriers to new entrants including specialist knowledge, time and cost advantages, technology.
- ★ **Threat of Substitutes:** threat of similar products or services.
- ★ **Bargaining Power of Buyers:** how easily customers can switch establishments.
- ★ **Bargaining Power of Suppliers:** number of suppliers available, location of suppliers, and cost to change suppliers.

### Porter's Five Forces Analysis of The Indian Edge Restaurant (IER)



The Indian Edge Restaurant (IER) is an established business situated in the affluent area of Kenilworth, England. It has a workforce of twenty employees consisting of management, chefs and waiting/bar staff. The Porter's Five Forces analysis will outline external threats and influences over the company.

*(The IER pictured left)*

Table 1.1 is an analysis of the IER using the Porter's five forces model.

**Table 1.1: Five forces analysis**

| <b>Industry Rivalry</b>                                                                                         | <b>Threat of New Entrants</b>                                                                                     | <b>Threat of Substitutes</b>                                                                         | <b>Bargaining Power of Buyers</b>                                                                                                    | <b>Bargaining Power of Suppliers</b>                                 |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| <p>Strong Force.</p> <p><i>High number of competitors in close proximity, but customer loyalty is high.</i></p> | <p>Strong Force.</p> <p><i>Fairly easy for new businesses to enter the market and offer similar services.</i></p> | <p>Strong Force.</p> <p><i>High availability of similar service and food in close proximity.</i></p> | <p>Strong Force.</p> <p><i>Because of similar services available, customers can choose other establishments at their desire.</i></p> | <p>Low Force</p> <p>High availability of suppliers and products.</p> |

### **Industry Rivalry**

Competitive rivalry is a strong force for the **IER**. This is because there are a number of restaurants in the close proximity of the The **IER**, offering similar foods and services. Low consumer switching costs means there is minimal costs to consumers that want to transfers from the company to other establishments. If the establishment fails to combat this threat then the implications will be a loss of customers and reduced profit margin. Offering customer incentives can act as barriers to lower this threat of competitors.

### **Threat of New Entrants**

The **IER** faces a significant threat of new entrants. Factors such as moderate start-up costs and low costs of doing business are contributors. This contributes to a low risk taking culture at the **IER** because of fears of making mistakes and losing customers. Barriers such as customer loyalty incentives can help lower this threat.

### **Threat of Substitutes**

The IER faces a strong Force of threat from substitution. This is because of factors such as the abundance of substitutes available, switching costs being low. Similar food and drinks are easily available to consumers, not only from other rival restaurants but also supermarkets and large convenience stores.

### **Bargaining Power of Buyers**

Power of buyers is high and is a substantial threat facing the **IER**. This is because of factors like high number of substitutes available, high numbers of competitors, and low costs for buyers to change establishments. Brand and image strengthening would partially address this threat.

### **Bargaining Power of Suppliers**

The bargaining power of suppliers of The **IER** is a low force of influence over the company. The factors that contribute to this low force of influence include:

- ❖ Large number of suppliers available.
- ❖ Adequate supply of raw materials and products.
- ❖ Moderate sizes of individual suppliers.

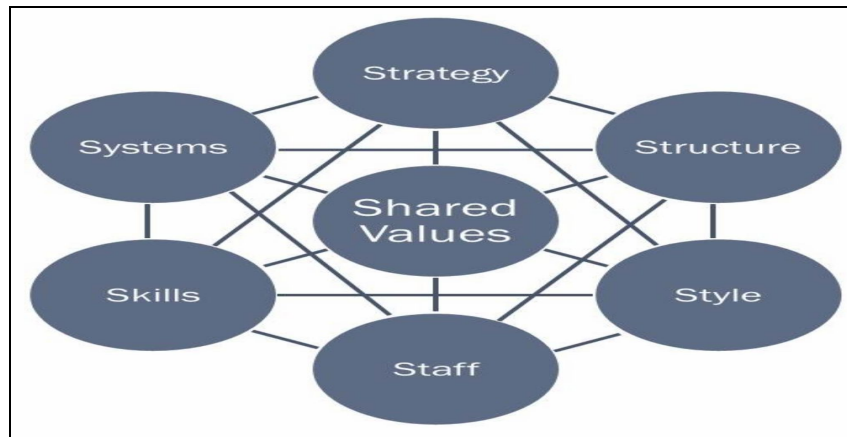
The large number of suppliers and overall high supply weakens their bargaining power over the company because of the various strategies and competencies that they use to compete against each other which in turn keeps prices low. The implications of the large overall supply also means that the restaurant can choose to buy goods from a multitude of sources, with the consideration of quality and price in mind.

In summary, the analysis shows that the most significant forces of threat to The IER is that of competitive rivalry, threat from substitutes and threat of bargaining power of buyers. In general, addressing these threats identified from the analysis, the **IER** will need to enhance its image further, which will help to minimise these threats.

## McKinsey's 7S Framework

The McKinsey's 7S Model is based on seven common elements of any organisation, with the key being to operate successfully, and to gain a competitive advantage, all the elements in the model should align. Figure 2 below is an illustration of the McKinsey 7S model:

**Fig 2.1: McKinsey's 7S Model**



Adapted from: Waterman, 1982

**Table 2.1: Elements**

| Hard Elements | Soft Elements |
|---------------|---------------|
| Strategy      | Shared Values |
| Structure     | Skills        |
| Systems       | Style         |
|               | Staff         |

According to Kaplan (2005) the McKinsey's Models consists of seven elements, of which there are hard and soft elements to be considered. Also commented by Waterman, Peters and Phillips (1980) the hard elements are more measurable and easier for management to control, furthermore the soft elements are more intangible, subject to change, harder to manage, and good leadership is needed to shape them. The table (left) illustrates the categories of hard and soft elements.

## McKinsey's 7S Framework of The Indian Edge Restaurant (IER)

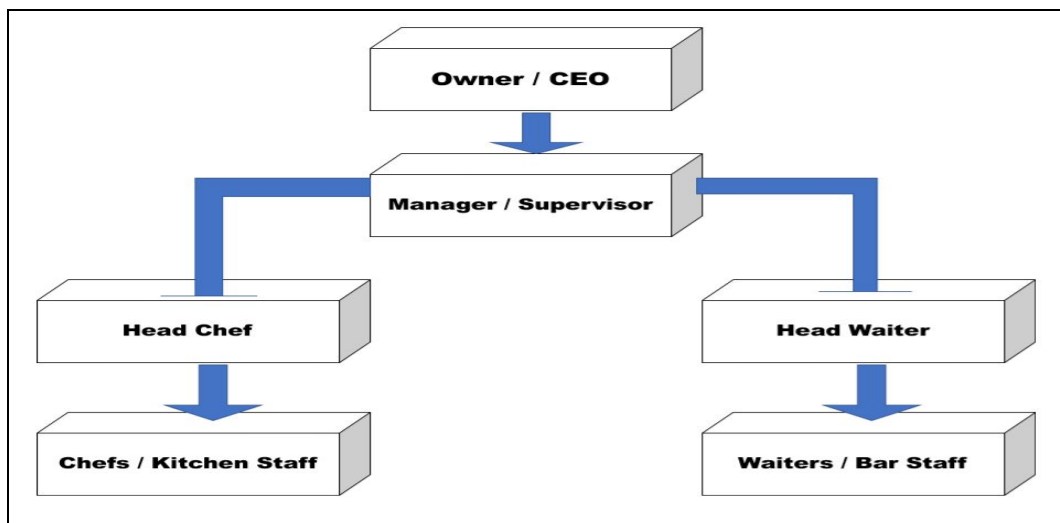
### Strategy

Strategy is the plan devised by management to be successful and gain a competitive advantage over the rivals. The strategy of The **IER** is to "provide the best fine dining experience" in the vicinity. They do this by establishing a culture of care and quality by making this a shared value among all employees. Employees are selected who demonstrate excellent customer service who can provide customers the best possible service and attention from start to finish. Only chefs with experiences of working in successful establishments are recruited. Employees go to great lengths to ensure quality customer service. This in turn leads to customer loyalty, thus a competitive edge over the competition.

### Structure

Structure is the way the organisation is structured in terms of authority and decision making. According to Jones (2013) an organization's structure is a formal system that defines authority within the workplace and coordinates employee actions and behavior to achieve goals in organisations. Depending on the size of the organisation and the number of employees, structure can differ from one company to the other, with advantages and disadvantages in different structure types. The following is an illustration of the structure at The **IER**:

**Fig 2.3: Organisation Structure of The IER**



What Figure 2.3 shows is that the organisational structure at The **IER** has a short chain of command and decision-making power is concentrated at a single point, which means the organisational structure is centralised. Because of the centralised structure, and the chain of command is clear, the structure is in the category of a line or departmental structure. According to Dickson, Resick, and Hanges (2006) this kind of structure is a rigid and tightly controlled structure with both advantages and disadvantages. One of the advantages commented is that it clarifies authority, responsibilities and accountability. This can have a positive effect on organisational performance because decision making is highly defined. Also commented by Zanzi (1987) one of the disadvantages of this type of structure is that there is a vulnerability to be too dependent on a few employees who need to perform a number of tasks. This can affect organisational performance if for example a key person is absent from work. This would create a vacuum of authority and a breakdown in the chain of command.

## **Systems**

Systems are the process and procedures that staff members engage in to set objectives. One of such systems at The **IER** is to have meetings in which daily job needs are communicated and delegated. All problems are discussed with the manager and decisions made accordingly. No reward systems are in place to encourage initiative and this has a negative effect on efficiency.

## **Shared Values**

Shared values are the core values of the company that are evident in the corporate culture and the general work ethic. One of the core values of The **IER** is to provide the best fine dining experience, and "go the extra mile for the customer". During the selection process of employees, individuals with excellent customer service skills are hired, thus ensuring core values are shared. This is integral and highly influential to the workplace culture at The **IER**.

## **Skills**

Employees are given on-the-job training at the workplace to develop the necessary skills. Training is not ongoing at the **IER**. This can lead to staff being under skilled.

## Style

Style is about the style of leadership adopted. The style of leadership/management at The **IER** is that of a bureaucratic style with authority highly centralised. Productivity and efficiency are achieved through standardization of processes. According to Weber (1978) this style of management can have a negative effect on the organisations performance, because of the rigidly defined jobs and procedures and lack of creativeness or innovative inputs.

## Staff

Staff section is about the employees and their general capabilities. Employees are adaptable in their respective roles at The **IER**, with basic all round skills. Some staff are under skilled. The staff turnover is high, which means there is an unstable element of culture.

The 7S analysis shows that there is significant unalignment at the **IER**.



## Business Ethics

Business ethics, also known as the ethos, are principles and operational standards. Business ethics are manifested from practices of decency, honesty, impartiality, honor and compassion. According to Warren (2011) business ethics are the acts that a business follows in response to moral or ethical dilemmas that may arise in the business environment. These ethics concern all aspects of how the business conducts itself. Business ethics can be a normative disciplines of behaviour or be a descriptive disciplines or rules (Hayibor, 2017). Owners, CEO's, managers, all workers of an organisation are expected to understand the ethical stance of organizations they work for, and apply them in the completion of tasks which are set through mission statements of organisations (Alzola, 2015).

The Indian Edge Restaurants business ethos include:

- ❑ **Professional Integrity.** Employees are to behave and maintain a professional style that reflects the business at all times.

- ❑ **Dress to impress.** Employees are required to wear uniforms that are clean and well presented, and a well groomed appearance.
- ❑ **Be Respectful.** This includes both with customers and colleagues, with a zero tolerance to race discrimination or sexual orientations.
- ❑ **Go the extra mile.** Making customer satisfaction your priority, going that extra mile for customers.

### Corporate Social Responsibility (CSR)

**CSR** implies the organisational processes used to produce a positive impact on society as a whole (Wood, 1991). These can be environment, legal, or social responsibilities. The **CSR** can be very important to an organisation because it affects employees, family of employees and the society at large. The **CSR** practices evident at The Indian Edge Restaurant include:

- ❑ **Minimum Pay.** The restaurant pays above the national minimum wage rate, and ensures employees work hours that are compliant with the Anti-slave act.
- ❑ **Reducing Carbon Footprint.** Recycling of materials such as used oils and paper.
- ❑ **Noise and Pollution.** Not disturbing residents in the area by keeping noise down after nine o'clock at night. Extractor fans are regularly checked to insure fumes are kept down to a minimum or to legal requirements.
- ❑ **Charity.** Taking part in local charitable causes and events.

### Cultural Web Comparison

Organisational culture refers to a system of shared beliefs or values held by people that differentiates the organisation from others (Schein, 1996). To identify and analyse an organisation's culture, various theories have been adapted. According to Johnson and Scholes (1993) one such way to analyse an organization's culture is by identifying various aspects through the Cultural Web ( fig 3.1: Janse, 2018 ).

Fig 3.1: The Cultural Web



Source: Janse, 2018

Cultural web aspects of The **IER** are as follows;

- **The Paradigm.** This is what the purpose of the organisation is through its mission statement. "To provide the best dining experience" is one such mission statement at the **IER**.
- **Stories.** These include references of past heroics of employees and leaders, exceptional performances, or stories of failure that can influence the standards of which employee behaviour is expected.
- **Symbols.** These are symbols incorporated such as logos or uniforms. At the **IER**, uniforms are different depending on status such as manager or head waiter or waiters. This reflects a bureaucratic style and role culture.
- **Power Structure.** The power structure of the **IER** is that power and decision making is from the owner,
- **Organizational Power.** Fig 2.3 shows the **IER** structure that is narrow and centralised decision making process indicating a role culture.
- **Control System.** The system of control at the **IER** is focused on getting tasks done. This indicates the element of task oriented culture and a process culture with few risks taken and little feedback. This type of culture has high bureaucracy and red tape is present in the systems of decision-making (Deal and Kennedy, 2000).

- **Rituals and Routines.** This refers to automatic repetitive routines such as daily meetings, conferences or ritualistic chants, such as the Walmart Chant (The Walmart cheer, 2016). Daily routines at the **IER** include group meetings in which customer bookings are discussed and job delegation occurs. Attention to detail is followed with every routine.

Using organisational power structure, Handy (1993) identified four different types of cultures, which are named as;

- Power Culture
- Role Culture
- Task Culture
- Person Culture.

The cultural web indicates that the **IER** has a Role Culture. The organisational structure is bureaucratic and hierarchical. This type of culture can have a negative impact on organisational performance and efficiency. This is because, according to Handy (1993) power and decision making is based on an individual's position, not on an individual's experience or expertise. Furthermore, an organisation with role culture is slow in identifying and implementing the need for change because of bureaucracy.

## Culture Comparison to a Competitive Rival

A close competitor of the **IER** has a more decentralised structure of power. Here, new ideas are encouraged, change is embraced, showing initiative rewarded, and mistakes not openly punished, but documented as a learning process. There are fewer rules that restrict individualism. Work is delegated around the right teams. Teamwork is encouraged through performance appraisals. Supervision is also kept to a minimum, with managers showing more trust in their employees. Most employees at this establishment have been employed there for a long period of time. This is because of the reputation of being a pleasantly good place to work.

Table 3.1 of elements comparison highlights the different elements of culture at each establishment based on the information above and from cultural web analysis.

***Table 3.1: Elements Comparison.***

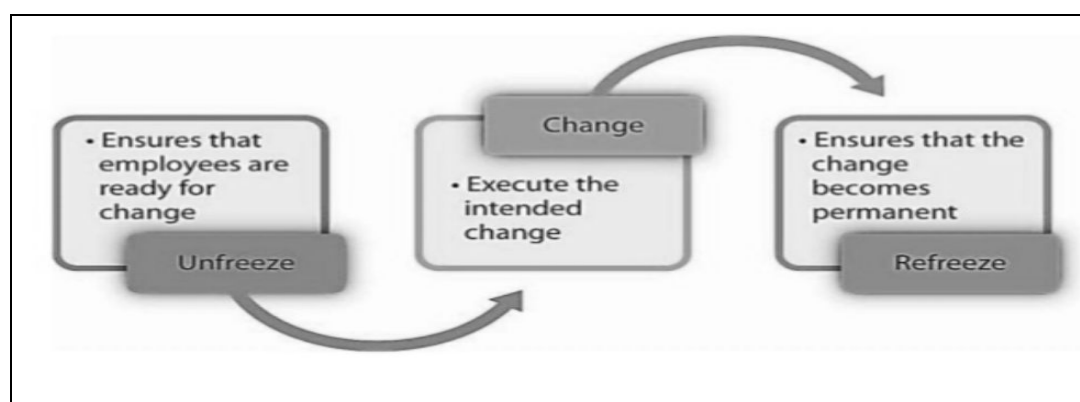
| <b><i>The Elements of Culture at<br/>The Indian Edge Restaurant.</i></b> | <b><i>The Elements of Culture at<br/>the 'Competitive Rival' .</i></b> |
|--------------------------------------------------------------------------|------------------------------------------------------------------------|
| Attention to detail                                                      | Innovation                                                             |
| Outcome orientation                                                      | Risk taking                                                            |
| Bureaucratic leadership                                                  | People orientation                                                     |
| Unstable workplace                                                       | Team orientation                                                       |
|                                                                          | Stability                                                              |

## Conclusion and Recommendations

The key to organisational efficiency isn't always about the type of culture at an organisation, but how well that culture supports and engages employees in working to meet business objectives. Employees are not only looking for financial incentives, but also cultural fits, and balanced working environments where they feel important and valued. Employees need to be engaged in the work they do, and this engagement comes from an organisation's culture. Organisational culture influences employee engagement and sets the tone for the working environment, business performance and efficiency. What this report has highlighted is that there is a need for re-aligning strategy and cultural aspects at the **IER**. This can be undertaken by the following recommendations, which will lead to better performance, efficiency and employee engagement.

- Use the McKinsey 7S Framework to align aspects that need realignment to its core values, implement new strategies, and facilitate organisational change.
- Rewarding ethical behaviour and initiative behaviours more encouraged. This will make the **IER** more rapidly responsive to the changing needs of its customers.
- Using the Lewin's three step model to implement cultural change and sustain change. This theory is a three step process of unfreezing, freezing, refreezing of strategies, processes and structure, to enhance cultural change (Lewin,1947). This process is illustrated below in fig 4.1: Lewin 3 Step Model.

**Fig 4.1: Lewin 3 Step Model**



**Source: Mulder, 2012**

- Shifting to a more task oriented culture by facilitating more teamwork and group bounding. This will also mean that decision-making power would derive only from expertise and when required, improving performance. (Handy, 1993).
- Identifying barriers to performance and induce a culture of open honest discussions. This will help brainstorm new ideas when current routines fail.
- Measure and track organisational and cultural elements that promote performance using tools such as the McKinsey's Organisational Health Index. This will help improve the health of the organisation, achieve strategic goals, and improve long term efficiency and performance assessing underlying mindsets and behaviors that impact performance.
- Showing good leadership and motivating employees through inspiration. This will lead to a more supportive and people oriented culture that will improve efficiency and performance (Sarros, Gray, & Densten, 2002).

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