

Workplace culture and its impact on Organisational Efficiency

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Part 1

Introduction

Background of the organisation

The organisation to be analysed is Ryanair. It is an organisation based in Dublin and founded in 1984. The business activity consists of operating on short haul in the airline industry. The business model is providing low fare prices for flight tickets. The organisation aims to be the first choice for the passenger, to increase traffic whilst maintaining the low fare business model and ensuring a strong position as a market leader. Ryanair has managed to grow the business and operate in more than 40 countries to more than 200 destinations across Europe, North Africa and Middle East.

External Environmental Analysis of your company

PESTLE analysis

Political

The political changes can affect the airline industry because increasing taxes and imposing stricter regulations can make Ryanair struggle to keep reduced costs and to provide low fares which is the heart of their business model. Political instability from various countries can limit profit of Ryanair and loose customer base. Other political that can impact the industry relate to European Union directives and regulations as majority of business for Ryanair is within the UE zone. Ryanair has to abide international treaties regarding travel and customs.

The industry was majorly affected by the Covid-19 pandemic when the activity was reduced drastically. The lockdown and flying restrictions had Ryanair planes stuck in airports for long period of time. At the beginning of the pandemic there were cancelled all the flights due to the imposed travel ban, but after restrictions have started to be lifted the society was too scared to want to travel or were limited about choice for vaccination and quarantining. The governments around the world had implemented this restrictions in order to contain the spread of Covid-19 virus, but passenger had found it overwhelming and many decided to delay travelling. Because Ryanair operates in various countries it had to adapt to each Governmental decision making in regards to Covid-19 pandemic. That is why Ryanair had to adhere to all the protocols from each country in order to continue activity.

Economic

The rise of oil prices has great impact on the industry because it relies on it to operate and will make it more difficult for Ryanair to add marginal benefits. The pandemic is the most current change that determined a great decline in economies every where in the world. It was an unprecedented situation and the modern society resented the lifestyle changes, what was normal before to go on holiday or travel regularly, with pandemic this changed. This impacts the industry because it can reduce the business activity, passengers choosing to have other priorities than travelling. This pressure on the industry had determined major profit losses.

Ryanair had been impacted by the pandemic with more than 90% passages number drop and registering a loss of more than \$200 millions. That is why the organisation had to furlough many of their staff and was discussing about reducing pay (The Times, 2021).

When the travel restrictions were reduced the organisation had started to have business again, but it was a slower process than they hoped because passengers were reticent to change. The frequent changes in pandemic waves and variation in different countries had kept pushing passengers away from flying. That is why Ryanair was forced to adopt different strategies to address economic deficit and had to reduce personnel. The economic decline had also impacted the price of Ryanair shares to more than 7%. It is forecasted for the industry to fully recover over the year of 2022 and 2023.

Socio-cultural

The lifestyle of passengers has been modified due to the Covid-19 virus infections and the lockdown and travel restrictions imposed by Governments. The strict rules towards social distancing, quarantine, vaccination had put off the passenger to travel. Customers were put off by the Governmental restrictions regarding flights and quarantine period.

Airlines companies are targeting leisure and business passengers. The population is starting again to go on holidays from this year, but business are taking it more slowly as it has been observed that online meetings are as efficient. Many of the population have had vaccination and they feel more assured to travel again and that means for the industry to get more business. The business passengers within the industry are only representing a small percentage less than 20%, but it generates more than half of the profits. This type of passengers are willing to pay premium prices or can pay higher prices for last minute bookings. The frequency of the travelling is higher and that will help the industry setback.

Technological

The airline industry has adopted technology in its operations. Digitalisation of airline services had began even before pandemic. With the pandemic this was even more reinforce in order to reduce contact. The growing popularity of social media has also been embraced by the airline companies to advertise, to obtain feedback, to communicate and inform, to attract customers. Some airlines are providing internet, on others they provide movies to watch for the time of the flight.

Ryanair had massive losses with the pandemic, but has managed to put in place strategies to continue activity and for that purposed their strategy involves purchase of better jets which are more expensive but will help them create competitive advantage.

Legal

The industry suffered several current changes with Brexit now introducing final regulations from EU and UK and with pandemic. Ryanair had to comply with the imposed regulations but it affected the organisation's strategy to keep low costs. It had led them to close some operations or some destinations. Also at the beginning of the pandemic Ryanair had opposed to the movement restrictions and contested them stating that the restriction were only advising.

In order to protect environment and the climate change aggravating issues there were imposed different pollution and environmental regulations because the airline industry is big pollution factor from the usage of the aircrafts which as part of transportation industry is responsible for almost 30% of greenhouse gas emissions.

Other legislation that needs to comply with is the employment law and Ryanair had problems in the past when staff from Spain, Portugal and Ireland went on strike criticising the work conditions and the poor pay. In the light of the pandemic Ryanair had to cut pay and reduce the number of crew.

Environmental

Climate change is a very concerning problem and the rise of pollution lately. The Carbon footprint is very alarming and Governments are trying to impose more intensive regulations and restrictions regarding carbon emissions. This affect the industry because it is more difficult to operate.

The reduced number of flights during pandemic has benefited the environment and it has been observed a decrease in the pollution. carbon footprint is a real concern and pollution is a very

debated topic and is very alarming. That is why many groups are criticising the carbon footprint realised by the airline industry (The Irish Times, 2010).

When Ryanair was trying to advertise that their aircrafts can have the lowest carbon emissions, the Advertising Standard Agency actioned by saying the statements are misleading and have no evidence base. That is why Ryanair had put another strategy in place and put in practice a Carbon Offset Initiative which asked the passenger to pay a small tax to contribute to the reduction of flight carbon impact. The funds raised were used for environmental projects.

Other environmental initiatives of Ryanair are reducing the plastic usage by eliminating the use of non-recyclable plastics and by introducing alternative materials such as wooden and paper materials and also have encouraged the travellers to have own cup on board.

Porter's 5 forces

The Porter's 5 forces is a tool of analysis to identify the external forces that can influence the industry and can impact and create changes. There are 5 forces in the theoretical model which refer to the: threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitutes and industry rivalry (Johnson et Scholes, 2007).

Threat of new entrants

To enter the industry it involves massive costs because even to rent the aircrafts is costly. Having large capital is a must for purchasing fuel for the aircrafts. It also involves specialise labour force for crew and pilots.

Ryanair is an established airline company which managed to grow lately and expand to various destinations. It is a strong brand and is first choice for many passengers especially for travelling in Europe because of the low fair business model. Therefore new entrants will have to have great resources to be able to have business activity, but will also need to invest in advertising in order to compete with established brands. Ryanair invested in advertising on different channels of communication radio, television, newspapers, social media.

Bargaining power of buyers

The online booking system can give the customers choice to buy from different low cost companies. When buying in advance customers even can opt for other airlines that are more expensive. Ryanair has the competitive advantage of having numerous destinations which addresses to different segments. The no frill strategy of Ryanair makes the customer not to expect extra services as the service they offer is standardised and any extras have to pay more. The bargaining power of the buyers is low to medium because Ryanair does not rely on a single segment of passengers, they having various destinations. The bargaining power of customers would only influence the industry if a large number of customers will boycott the organisation and chose a different one to travel. An example of customers criticising Ryanair's activity related to the poor customer provision and the organisation got sanctioned (The Telegraph, 2015). Nowadays Ryanair puts more efforts in keeping the customer happy and satisfied.

Bargaining power of suppliers

The suppliers for the airline industry can have great impact. That is why the bargaining power of suppliers is high. The suppliers are in relation to aircrafts and oil supply. Ryanair has good relations with the Boeing supplier and has large volume contract with the manufacturer. Ryanair's growth has involved adding to the number of aircrafts. The fuel suppliers can rise the cost, as it already happened in the past and that leads to higher costs for the airline companies. It can be said that the airline industry depends on the fuel for having business operations. The fuel price is governed by world trade and fuel market dominated by the Middle Eastern countries. Ryanair was dependent on hedging, based on educated guessing for the fuel, to meet its low-fares policy.

Threat of substitute

The threat of substitute is low to medium because there are not many airlines that can maintain low fares and Ryanair has competitive advantage having numerous short-haul flight routes. Some customers who are price sensitive can choose other airline companies if it is cheaper because it is only the price that makes the customers choose Ryanair. That is why Ryanair started to be more customer oriented.

Because trains and railways system now had improved with better technology, faster trains and better connections which can be a substitute for some passengers. The complex railway system in Europe can be considered almost equal in the customers preferences. With pandemic the business flights were replaced with video conferencing and online meetings.

Industry rivalry

The industry rivalry can be high because with the growth of the industry many airline companies had expanded operations to more destinations. Ryanair practices point to point flights so the flight is shorter and the cost is more reduced. The increasing competition determines the industry to start looking at aspects that can make the business better. The competitive rivalry can lead to a decrease in sales. The competition for Ryanair are the other low fare airline companies such as Easy Jet, Wizzair etc. (Market Line, 2020).

Organisational culture

The concept of organisational culture had developed over the years, but it became a point of focus after the 1980's when it started to be studied by academic and business. The culture has great importance in the current business environment because it has been observed that it affects the entire organisation and it can influence the performance and productivity. It can be defined as the sum of the choice and methods to do things in an organisation, but it can also refer to the management style and set up values. Each organisation has unique culture and culture leads the way development and strategy implementation is realised, employees and organisational performance, reward and recognition system, control system (Cacciattolo, 2014)

The organisation culture can be considered under three levels: surface manifestations; values; and basic assumptions. The first level surface manifestations are considered visible elements such as physical objects or behaviour patterns which can be seen, heard or felt. The values are located below the surface and are often unspoken but provide common directions to employees and guidance towards their behaviours. The basic assumptions are invisible and taken for granted, and describes aspects of human behaviour and an organisation's relationship to its environment (Cacciattolo, 2014).

Harrison and Stokes (1990) looked at the culture under four categories: power culture, role culture, task culture and support culture. Power culture has a focused source of power and has hierarchical characteristics in delegating power. There is a mutual trust within the organisation and personal communication. Organisations that have a power culture can react in effective time to changes and

threats. Sometimes such organisations can have strong management but can have high turnover for middle layer staff. The role is specific to high bureaucratic organisations. There are many rules and procedures put in place that need to be followed precisely and it does not adapt very easily to changes. This type of culture can work better for organisation with more stable and slow environment. Employees could prefer to work for this organisations because it offers assurance and stability.. Task culture is the organisational culture where power is given based on expertise and is located in interstices. This type of culture is more specific to very competitive environment whit products that have short life cycles and require continuous innovation and change of strategy in order to stay ahead of competition. If this type of culture does not work anymore it can swift to power culture or role culture.the support culture or also known as the person culture is characterised by limited number of rules and the coordination and is self-oriented (Cacciattolo, 2014).

Ryanair was setup as a family business in 1985, but at the beginning it was not profitable, despite growing the passengers number. It needed new leadership and Michael O’Leary had took charge and developed the business it is today. The organisation changed strategy and adopted a low-cost business model which became their core philosophy (Ryanair, 2022).

The cost reducing strategy was implemented in every aspect of the business in order to create a different organisational culture to represent better the new business approach. Ryanair adopted this philosophy from the Southwest Airlines, but it did not considered to offer a high stander service. Also many times Ryanair was criticised for labour and customers lack of relationship.

Ryanair Culture

Using Schein’s (1985) model of culture it can be observed that Ryanair wants to be seen as a low fare company but does not want to be considered a cheap version. The CEO practiced cost-cutting and efficiency in the organisation’s activities, but he also had a volatile attitude about the staff and that was mirrored in the organisational culture influencing the behaviour of the others too. The employees had to pay for different things which at other airline companies were free. It can be stated that the original version of Ryanair set up by the Ryan family has changed over the years and organisational culture has changed over the years. Ryanair has builded a brand name around value for money philosophy, but had adapted to the society change in expectations and had improved the customer service and the respect for their employees. Simple things to cut cost were puzzling rules that from electricity saving to paper saving and reducing waste wherever possible.

According to Harrison and Stokes’ (1990) the culture practised in Ryanair is a power culture. Power cultures are often found in small entrepreneurial organisations such as property, trading and finance companies. When organisations adopt a power culture, rules and bureaucracies are kept to the

minimum. These types of organisations are also political, where decisions are taken mainly upon persuasion rather than on bureaucratic or rational basis. The central power role is given to Michael O'Leary and is a top to down power distribution. O'Leary always had the supreme decisional power and the last word in majority of things concerning the organisation. The management structure can be considered quite flat with only three layers of management, but it helped the organisation despite the rapid growth because it involved reduce bureaucracy and ability to react faster to changes. With the growth of the organisation only increased the number of engineers and pilots and staff crew. With the pandemic Ryanair had majority of business activity put on hold. The organisation tried diverse strategies to have continuity for the business, but had to respect regulations. The organisational culture did not change much because the organisation had to cut personnel from pilots and crew and engineers rather than management. It is a strong culture in Ryanair and that helped the organisation thrive this challenging times with the pandemic.

Culture and performance

It has been studied that a strong culture will influence the performance level up to 20% higher. The elements to look at when analysing the effects of organisational culture on the organisational performance are: clarifying founder culture to raise awareness, documenting existing company culture to understand the position of the organisation, adhering to the desired company culture, raising awareness and desire for needed change, embedding desired company culture through action and reinforcement

The culture that is created in the organisation can not be strictly controlled and can be influenced by various factors. The founders many times can not define precisely the culture and can be vague in establishing precise elements of the created culture. Ryanair's culture is greatly influenced by the leadership and the way Michael O'Leary considers that things need to be done. Because the power culture is solid in Ryanair, unless the leadership changes, it is less probable for major changes to happen. Besides the CEO the senior team have also a great contribution to the organisational culture. It can be very effective for the organisation to have the employees involved as can lead to improvement of the business performance.

The pandemic is a major change that affected the airline industry greatly. It has determined the biggest lose since the foundation of the company. The approach of Ryanair towards pandemic was positively trying to avoid travel restrictions, it was opened to vaccination and it the organisation had

put great efforts to remain true to its culture and to surpass this challenges and crisis (The Guardian, 2021).

Ethical dilemmas

The ethical dilemmas for Ryanair relate to the impact of the organisation on the environment as there are major concerns about the carbon print. The organisation was often criticised in the past as many other airline companies for the high levels of pollution. When Ryanair has advertised that they have the greenest activity and low emissions, it was ruled out that these statements can not be proved and it can not be classified like that in comparison to the other airline companies. It is true that the company is focused on reducing waste because of the cost cutting strategies and also it practices direct routes to reduce cost for the flight. Another action of Ryanair is to raise money to contribute to important actions for the environment such as planting trees.

Other ethical dilemmas are related to the treatment towards their employees which was criticised in the past and employees themselves went on strike on several occasions because the leadership was only interested to provide value and not about looking after their employees. That is why at one point had to cancel destinations because it did not have enough pilots and crew.

Conclusion and Recommendation

The strategy of Ryanair is gaining leadership in the airline base by cost optimisation. They focus on reducing expenses involved in running a major scheduled airline. However, the most important contribution to the Ryanair low cost base comes from labour productivity.

The strong culture in Ryanair helps the organisation to achieve their aims and objectives, but it is recommended that the organisation should take a more human resources approach to deal with the employees in order to increase motivation and retain talented staff. This way it can improve services and it can improve organisational performance.

Part 2

Reflection

This module *Workplace culture and its impact on Organisational Efficiency* is a complex module that discusses topic around the organisational culture and the organisational performance. Because business do not operate in isolation there are assessed a variety of factors that can impact the business environment.

For this purpose there were proposed diverse models and tools of analysis to identify the elements that could impact the organisation in order to have a clear picture of the elements involved. The PESTLE analysis and Porter's 5 forces theoretical models were used for assessing the macro environment and the sharing forces within the industry.

For this assignment it has been selected an airline organisation because from the individual research I observed that the hospitality industry and the airline industry were the most affected with more than 90% business activity reduction. Ryanair is and has always been a controversial organisation that had tried to face the pandemic in the most positive way that it could. It has been assessed that the organisation has a strong power culture and this is what helped them to start recovering after this major changes with the pandemic.

My learning from this module had made me able to distinguish between different types of culture, knowledge which I used for writing my report and it has given me a better understanding of why organisations choose to act a certain way and choose to do things a certain way. I have learned that the workplace culture has distinguished characteristics because of different leadership, because of the input of the workforce, because of external influential factors.

The performance in an organisation is in correlation with the culture as it dictates if there are practices rewards and recognition systems to motivate staff and to retain talent, it dictates the structure and power levels and where power lies within the structure, it dictates the development and the strategies and it dictates ability to react to change and adapt.

I consider that the learning from this module will be very useful for my learning experience at the university because I know have the knowledge for many concepts such as sustainability, performance, types of culture, but it has also developed my critical thinking and academic writing because through my research for Ryanair I was surprised to discover the organisational culture in Ryanair is not perfect, but it is working for them and it had helped them to surpass great challenges along time and also it helps them to surpass current challenges such as the current pandemic that impacted and disrupted activity in so many industries.

I can conclude that the learning experience has been effective because I was able to put in practice all the knowledge gained by evaluating the activity of an established brand name such as Ryanair and I was able to determine what type of culture it has, how it was affected by pandemic, the ethical dilemmas and how Ryanair has managed to build a strong culture.

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