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Abstract
The cruise industry is a highly complex, but under-researched component of the hospitality industry. This article seeks to explore the paradoxical relationship between shipboard and shore side operations using the McKinsey 7S Framework, thereby providing a foundation for further inquiry. Recommendations are made for practitioners, and ideas are provided for future research.

Keywords
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Shipboard vs. shoreside cruise operations

by Mark R. Testa

The cruise industry is a highly complex, but under-researched component of the hospitality industry. This article seeks to explore the paradoxical relationship between shipboard and shoreside operations using the McKinsey 7S Framework, thereby providing a foundation for further inquiry. Recommendations are made for practitioners, and ideas are provided for future research.

The cruise industry continues to climb its way to the top of the hospitality and tourism marketplace. Recent statistics suggest that the cruise industry has grown some 1,400 percent over the past 30 years, with 60 percent of this growth taking place over the past decade. Indeed, some 120 new cruise ships have been built since 1980, with plans for an additional 52 new ships over the next five years.

In spite of this remarkable growth, little empirical research has been conducted on the internal workings of the industry. While organizational research is abundant in the management and hospitality management literature, concentrated investigations focused on and accounting for the distinctive aspects of the cruise environment are scant. Some studies do exist in hospitality and tourism specific journals such as the Journal of Hospitality and Tourism Research, the Journal of Travel Research, and the FIU Hospitality Review; however, few consistent streams of research are present. For example, Testa, et al., looked at the relationship between crew member job satisfaction and customer satisfaction on nine ships of a large U.S. cruise line.2 The results suggest that a relationship exists and recommendations are made for further inquiry.

Looking at the industry from a customer’s perspective, Teye and Leclerc identified various components of customer satisfaction in the cruise industry.3 Using two ships from a U.S. cruise organization, they discuss the various components of the cruise vacation...
and the subsequent evaluation by 491 guests. Results support the cruise industry's claims that the cruise vacation consistently exceeds customers' expectations. Looking at the industry more broadly, Miller discusses development of cruise brands. The focus of the discussion is on factors influencing brand creations such as travel agents, personnel, and increased competition. Although valuable and insightful, it seems many of these investigations are one-time studies with little follow up or extension.

**Industry is new**

One reason for this dearth of formal research may be the relative newness of the industry combined with a lack of understanding on its internal workings. The shipboard and shoreside components seem to be two different organizations operating under the same name. The goals, processes, and methods of each require varying management approaches to be successful. Further, due to the nature of cruising, data collection becomes problematic compared to stationary lodging properties.

To many, the cruise industry may be an enigma with difficult access.

The 7S framework, developed by McKinsey and Company is a useful tool for summarizing the organizational differences between shoreside and shipboard operations. Although originally designed for use in evaluating a particular organization, the dimensions of the framework are ideally suited for looking at separate organizational or industrial divisions.

Used in the popular Peters and Waterman book *In Search of Excellence*, the 7S framework identifies how either rigid or flexible the organization operates on seven key dimensions. For instance the first “S,” strategy, classifies how planned (rigid) or opportunistic (flexible) the organization is with regard to its strategic decisions. It's important to note that if the organization is too rigid across these dimensions, over-control can result. On the other hand, if the organization is too flexible in its approach, chaos will result.

**Balance is necessary**

The central theme of the model is that balance or equilibrium must be achieved among the dimensions and the external operating environment. For example, an organization with a highly opportunistic strategy should have an organizational structure flexible and responsive enough to take advantage of sudden opportunities that come up in the marketplace. Rather than static polar opposites, these dimensions represent points on a revolving cycle depending on the organization and operating environment. Subsequently, a tension is developed, pushing and pulling the organization in one direction or another. Table 1 illustrates the 7S framework dimensions and how they match up to the shoreside and shipboard operating environments.

Given the many variables faced by the shipboard and shoreside operating environments, these two
Table 1
The 7S framework and vectors of contention applied to shoreside and shipboard operating environments

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Shipboard: tends toward rigidity</th>
<th>Shoreside: tends toward flexibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>Plan or course of action leading to the allocation of a firm's scarce resources, over time, to reach identified goals.</td>
<td>Planned</td>
</tr>
<tr>
<td>Structure</td>
<td>Salient features of the organization chart (i.e., functional, decentralized, etc.) and how the separate entities of an organization are tied together.</td>
<td>Elitist</td>
</tr>
<tr>
<td>Systems</td>
<td>Proceduralized reports and routinized processes (such as meeting formats), etc.</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Staff</td>
<td>&quot;Demographics&quot; description of important personnel categories within the firm (i.e., engineers, entrepreneurs, MBAs, etc.) &quot;Staff&quot; is not meant in line-staff terms.</td>
<td>*Collegiality (flexible)</td>
</tr>
<tr>
<td>Style</td>
<td>Characterization of how key managers behave in achieving the organization's goals, also the cultural style of the organization.</td>
<td>Managerial</td>
</tr>
<tr>
<td>Shared Values</td>
<td>The significant meanings or guiding concepts that an organization imbues in its members.</td>
<td>Hard Minds</td>
</tr>
<tr>
<td>Skills</td>
<td>Distinctive capabilities of key personnel and the firm as a whole.</td>
<td>Maximize</td>
</tr>
</tbody>
</table>

*Note: does not match the flexible or rigid dimension exactly

divisions are almost diametrically opposed in the way they operate. The resulting differences create distinct challenges (or tension) for cruise lines not faced by any other facet of the hospitality industry.

Strategy relates to goals

Strategy refers to the way in which an organization uses its resources to accomplish its goals. According the 7S model, there is a rigid dimension (planned strategy) and a flexible dimension (opportunistic strategy). To the extent an organization follows a planned strategy, close adherence to predefined goals will result. When an organization is more opportunistic, it will capitalize on new and emerging possibilities in the marketplace.

The goals of the shoreside headquarters are very different from those of the shipboard managers. The shoreside group is primary concerned with all activities necessary to ensure that ships are prepared to sail and are full of passengers. These activities include sales and marketing, reservations, finance, purchasing, human resource
management, and organization development. In this regard, shore-side operations are much like that of traditional modern-day corporations. Shipboard operations are primarily concerned with delivery of the cruise product (i.e., lodging, food service, entertainment, etc.) and safety. Where shoreside makes promises to the passenger, it is up to the shipboard group to deliver. Subsequently, each faces very different challenges.

For the shipboard group, safety is the umbrella under which all other operational decisions are made. Above and beyond the difficulties of running a 2,500 guest "floating resort" day-to-day, shipboard managers must conform to laws and regulations from a host of agencies, including the U.S. Coast Guard, Immigration and Naturalization Service (INS), Centers for Disease Control (CDC), and U.S. Public Health (USPH), among others. The result is a highly regulated environment in which proper procedures must be followed to ensure the safety of passengers and crew. These procedures permeate the crew and officer experience from start to finish. Subsequently, a strategy toward achieving tactical goals, which revolves around static policies and procedures, emerges.

While U.S.-based shoreside operations have traditional corporate laws which must be followed, the restrictions are considerably less than in the shipboard environment. Subsequently, shoreside operators are more able to make unplanned changes and adjustments to achieve operational goals. Perhaps the best example of this flexibility is the recent trend in industry consolidation. As smaller cruise operations such as Renaissance and American Classic Cruise Lines fall victim to the sales slowdown, opportunities arise for the big players in the industry. Similarly, the recent battle for P&O Princess illustrates how cruise lines can quickly adapt to unplanned opportunities.

Structure has multiple layers
Since so many specific policies and procedures must be followed on board ships, the natural method of structuring the ship's command is hierarchical, with many distinct layers. Following a paramilitary style, scope of authority and responsibility flow from rank, which is the result of competence in a particular area (i.e., navigation, lodging operations, etc.). Rank is designated by the numbers of stripes for officers, which dictates the number and level of privileges that they receive. As defined by Pascale, the shipboard structure can be described as elitist, where power resides in the hands of a highly competent few (i.e., senior officers). This may be compounded by the fact that many cruise lines recruit their deck and engineering officers from one particular country. For example, Celebrity Cruise Lines recruits Greek officers while Carnival Cruise Lines recruits Italian officers almost solely. This contributes to a class system based on national origin as well as rank.

In the shoreside environment, organizational structure will vary...
from company to company, generally in traditional functional, top down format. As opposed to the shipboard environment, a sense of pluralism exists, where the levels of authority are not as rigid. That's not to say that levels do not exist; however, in comparison to the ship structure, much more flexibility exists.

**Systems continue to grow**

The systems dimension refers to the extent to which an organization imposes rules and policies. One measure of “mandatory” (rigid) or “discretionary” (flexible) systems is the amount of paperwork designed to convey these systems. In the shipboard environment, manuals and rulebooks abound for safety regulations, navigation procedures, and equipment operations. Further, a formal and progressive discipline system exists on board the majority of ships, ranging from being written up to being disembarked in the next port of call. As the need for security increases, it's likely that conformance to codes and laws will continue. These security concerns will lead to calls for increased documentation requirements, licensing requirements, and cargo inspections, which will facilitate further rigid systems.

The shipboard environment is clearly mandatory relative to shore-side operations due to the concern for safety. Shoreside operations do maintain policies and procedures; however, efforts toward “empowering” employees seem to be taking place. For example, Carnival Cruise Lines has made tremendous strides in training management from both divisions as part of an organizational transformation. Central to this program has been the need to involve employees in decision making where possible. While the shipboard management takes part in the training, certain aspects of the environment are non-negotiable, which further facilitates a mandatory climate.

**Style extends to customers**

The fourth “S,” style, refers to leadership style. On the rigid side is a managerial style, which focuses on enforcing policy, where the flexible dimension focuses on change in a transformational style. As a result of a planned strategy, elitist structure, and mandatory systems, it's not surprising that the shipboard leadership style tends to be managerial. In the same way that military leaders focus on conformance to regulations, shipboard managers must do that same.

There seems to be some change in this dimension in customer contact departments, however. Cruise lines pride themselves on the ability to exceed customer expectations and provide excellent service quality. Subsequently, efforts toward improving management skills in this regard are underway. For example, Norwegian Cruise Lines refined its mission statement in conjunction with a new advertising campaign. In addition, customer service training programs for front-line employees and managers were administered. While the rigid structure of the
shipboard environment requires a large amount of managerial behavior, it seems that cruise lines recognize the need to be adaptive in relating to customers.

In the shoreside environment, a transformational leadership approach seems more prevalent simply to remain competitive. The major cruise organizations (e.g., Royal Caribbean, Princess, Carnival, etc.) tend to be sales and marketing driven. That is, adapting to the needs of the passenger or guest is of primary importance. Subsequently, cruise lines tend to reinvent their products, be it by adding new amenities, services, or itineraries.

Staff structures develop

The fifth “S” may be more paradoxical in the cruise environment than in others. Pascale suggests that organizations can be described as individual (rigid) or collegial (flexible). By collegial, he means that a sense of team develops where “social rules” and “common identities” are present, usually through planned methods of socialization by the organization.

In the shipboard environment, this sense of collegiality develops through extended time together in a confined space. Contract length can run anywhere from six to 10 months, depending on the cruise line and staff shortages, with crew members working and living with the same group seven days a week for the entire contract. A “family” environment tends to develop among the crew members, as well as a strong sense of camaraderie.

That’s not to say that conflict does not emerge; like most families, difficulties will arise. The tremendous diversity of the crews is a source of division and conflict. Indeed, often promotion or privileges are provided based on national origin rather than on merit and ability. A paradox is created where crew members are brought closer together because of the working environment, yet are vastly different due to national origin. In spite of this potential dilemma, social norms which create a sense of collegiality develop among crew members. These include celebrating birthdays, holding holiday parties for disembarking crew members, and engaging in regular port-related activities. This sense of community may be the most potentially dangerous facet for cruise organizations since a sense of “us versus them” can emerge between shipboard and shoreside, making it difficult to build a single, cohesive organizational culture.

In the shoreside environment, peer and superior pressure to conform to organizational norms is not as strong as in the shipboard environment. As in any organization, norms will develop, but they may not bind the employees together as they do on ships. For example, shoreside operations tend to run very lean. That is, the staff generally has a large workload that seems to expand as cruise lines build more ships. Since the number of employees who service the ships does not necessarily increase...
proportionally, the workload increases. In this type of environment, it becomes the norm to work as needed in order to complete the work. The result may be a more individual approach to accomplishing departmental goals. On the other hand, the proximity to decision making that shoreside employees experience as well as the existence of a more homogenous work group contributes to a team atmosphere.

**Same values exist**

The tension created by valuing “hard minds” or “soft hearts” is not so much opposites pulling in different directions, but rather two simultaneous constructs that exist in different levels in all organizations. “Hard minds” refers to hard driving efforts toward accomplishing goals, where “soft hearts” refers to a great concern and value for people.

Both operational divisions of a cruise line possess both types of values, but focused in different directions. In the shipboard environment, hard minds tend to emerge relating to safety and security issues. Laws and regulations relating to safety must be followed, and so officers do whatever is necessary to enforce them. In dealing with customers, soft hearts tend to be valued. Cruise lines have made customer satisfaction a priority and shipboard policy reflects that. For example, 10 years ago, a passenger encountering a problem on board a ship would have to wait until returning home to contact the shoreside headquarters before any substantive resolution could be made. Today, shipboard personnel are empowered to handle the majority of these issues at the source.

Hard minds are also present in shoreside operations with regard to profitability. Given the scope of responsibility that senior managers have, conformance to budgets and sound business practices is vital. The major difference between shoreside and shipboard is the time orientation of these goals. Where shipboard managers are concerned about short-term, tactical types of goals (i.e., what happens during a single cruise), shoreside managers must be concerned with long-term goals that impact the overall health of the business.

**Skills vary by function**

The final dimension in the 7S framework refers to whether an organization’s capabilities are focused on a single area (maximize) or are expanded into new areas (meta-mize). Shipboard operations tend toward maximizing, while shoreside operations focus on expanding their capabilities.

During a cruise, onboard officers and managers seek to perfect their current operations, for example, reducing crew response time to boat drills or fire alarms, arriving on time in port, completing dinner service on time, and rapidly embarking and debarking while conforming to Customs and INS regulations. These skills tend to focus on accomplishing goals as systematically as possible. Since onboard operations managers are
trying to improve onboard services by increasing options and becoming more responsive to guests' needs, these changes are small relative to the central theme of safety. Some examples of these changes include expanded purser hours and services, new technology in guest cabins, and a focus on satisfying crew member needs in order to increase motivation. Interestingly, shipboard operators are forced to develop new competencies as the shoreside group develops the cruise product.

Much like other commercial organizations, shoreside operations are being forced to expand their capabilities in order to remain competitive. Looking at the big picture, cruise lines must constantly increase the attractiveness of their brand and develop systems for ensuring customer loyalty. For instance, new and unique itineraries are being added. Holland America Cruise Lines provides the only 21-day Pan American and Panama Canal run from the West Coast. Celebrity Cruise Lines has recently introduced "Celebrity Escape" cruises for adults who want an upscale cruise with no children as passengers. In the wake of September 11, a trend toward short cruises has emerged. To respond to this, Carnival Cruise Lines has begun a series of cruises from Mobile, Alabama, to accommodate residents of the southern U.S.

Brand expansion is not only limited to itineraries. The recent building boom has created new standards in cruise ship features such as martini bars, 24-hour bistro, ultra modern spas with Turkish baths, rock climbing walls, and putting greens. In addition, new technological changes such as Fast Monohull construction, which increases speed allowing more time in port, are being implemented. The end result is an ongoing foot race to outbuild the competition.

**Paradox exists for cruise lines**

Given the seemingly diametric differences in the way shoreside and shipboard operations function, it would seem that cruise lines experience a dynamic unlike that of any other segment of the hospitality and tourism industries. There are inherent problems that will arise when two parts of the same company are moving in opposite directions. Conversely, Pascale suggests that it is exactly this type of tension that should be created within organizations to allow them to deal with a rapidly-changing environment. Table 2 illustrates how the dimensions of each "S" must combine to be simultaneously rigid and flexible.

The implications listed in Table 2 provide some general direction for cruise line operators in applying these conflicting themes. However, since every cruise line is different, blanket recommendations may not be of the same value for each. On the other hand, given the differences identified, one area of concern is constant throughout the industry. Cruise lines must continue efforts toward bringing shipboard and shoreside personnel closer together.
This is more difficult than it sounds, given the day-to-day demands placed on each side, and may become increasingly more difficult as industry consolidation continues to take place and remaining lines increase in size.

To the extent that each side understands the other and shares information and ideas, the potential problems with varying approaches will be minimized. Several methods for bringing these groups closer together are available. Carnival Cruise Lines offers joint shipboard and shoreside training programs. Norwegian and Royal Caribbean Cruise Lines have implemented similar programs, but not to the same extent. By putting members of each group in the same room, miscommunication is reduced and a better understanding of each division is created.

**Employees are rotated**

Another method of bringing these groups closer together is by increasing the time members from each group spend in the other's work environment. This can take place by increasing the number of jobs which require split work time between shipboard and shoreside operations, or by rotating employees in their current jobs. In either case, the result is a unique ability to see both sides and provide suggestions for improving processes. Further, these split positions can help to reduce misunderstandings that may develop on either side.

Looking at the situation from a strategic perspective, including senior shipboard personnel in developing strategic plans may be useful as well. Effective communication is a critical problem for every organization; however, in the cruise industry, given the time and space which separates the two groups, communication problems are doubled. By including senior shipboard personnel in strategic plans, three advantages result. First, "buy in" of the plans is facilitated because the shipboard group was consulted and included in the process. Next, implementation becomes easier because someone senior on board is a proponent of the plans due to involvement decisions that relate to it. Finally, this same individual or group of individuals is uniquely able to accurately communicate where the organization is headed. What may be more important is that this information comes from a shipboard manager rather than a shoreside representative, which lends credibility to the message.

Finally, improvements in technology may help to facilitate cohesiveness among the groups as well. For instance, Maritime Telecommunications Network provides the Digital Ship Earth Station (DSES), which allows complete high-speed telephone, fax, and data communication services via the C-Band system. As such technology enhances current satellite systems, enhanced communication should result.

Another example of improved technology is the webMethods integration platform utilized by Carnival Cruise Lines to more accu-
<table>
<thead>
<tr>
<th>Dimension</th>
<th>Combined</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy:</td>
<td>Strategic opportunism</td>
<td>Shoreside operations must continue to capitalize on opportunities that contribute to the organization's mission and at the same time view shipboard change and development as a strategic imperative.</td>
</tr>
<tr>
<td>Structure:</td>
<td>Interdependent stars</td>
<td>The shipboard environment must maintain a commitment to safety; however, creating a structure where accountability flows throughout the ship may enhance the standard command and control process.</td>
</tr>
<tr>
<td>Systems:</td>
<td>Regulated latitude</td>
<td>The shipboard management should continue its push toward empowering crewmembers in order to maximize the passenger cruise experience.</td>
</tr>
<tr>
<td>Style:</td>
<td>Enlightened discipline</td>
<td>A move toward transformational leadership in the shipboard environment may counterbalance the negative impacts of an almost complete managerial style. Further, improved quality may result.</td>
</tr>
<tr>
<td>Staff:</td>
<td>Socialized activists</td>
<td>Shoreside operations can learn a lesson from the ships in developing a cohesive organizational culture. Further, efforts must be made to reduce the &quot;us vs. them&quot; mentality between the ships and shoreside.</td>
</tr>
<tr>
<td>Shared Values:</td>
<td>Compassionate pragmatic</td>
<td>Meaningful values must be conveyed both shipboard and shoreside. Given the tremendous diversity of cruise lines, these values should be meaningful across cultures.</td>
</tr>
<tr>
<td>Skills:</td>
<td>Evolving excellence</td>
<td>Both shipboard and shoreside managers should continue to sharpen current skills while simultaneously expanding capabilities to stay ahead of the competition.</td>
</tr>
</tbody>
</table>
rately and readily share information between the ships and shoreside headquarters.\textsuperscript{15} The current system requires a lengthy synchronization process, which can create problem-causing lags in information sharing. By shortening the cycle time of important information, increased efficiency and reduced conflict between the groups should emerge. In addition, Carnival, Royal Caribbean Cruise Lines, and P\&O Princess utilize MAPS Crew Manning software which helps to efficiently handle crew member HR-related issues such as scheduling, training, and safety regulation compliance administration more efficiently, further reducing potential conflicts.\textsuperscript{16} Such systems allow cruise lines to better serve their crew members.

**Dilemma can arise**

While efforts to bring the two groups closer together are both warranted and necessary, an interesting dilemma can arise for cruise lines. As communication between the front line crew and shoreside management increases, difficulties can arise for senior shipboard management who may begin to feel their authority is being usurped as more crew decisions are made shoreside. This will be facilitated as crew members become increasingly more frustrated with the managerial leadership style on board. Rather than following the traditional chain of command, appeals or complaints may go directly to the shoreside decision maker, bypassing the shipboard manager altogether. This may impede the efforts of senior cruise line managers to develop a cohesive organizational culture.

It is clear that the cruise industry will continue to grow in the near future, bringing with it further complexities. To ensure that seamless integration of new changes takes place, linking the shipboard and shoreside groups should be a strategic imperative. In spite of operational and cultural differences between the groups, the interdependence that exists between the two requires new methods of building cohesiveness. As industry consolidation continues, it may be this organizational capability, more than any other, which creates a competitive advantage in the future, particularly for smaller cruise lines.

**Questions abound**

This potential dilemma provides an excellent opportunity for researchers seeking to broaden an understanding of this complex industry. Future studies may want to look at the dynamics and difficulties of bringing shipboard and shoreside operations closer together or simply expand on the differences illustrated.

The dimensions of the 7S framework provide a starting point for investigations of the cruise industry. For instance, what leadership style(s) are most effective in the cruise industry? Is a managerial style really the best for shipboard operations? Are shoreside managers truly transformational? To what
extent do the shared values of cruise organizations contribute to important organizational outcomes such as customer satisfaction, customer loyalty, or profitability? Does the tremendous cultural diversity in the industry help or hinder these relationships? As it relates to organizational structure, what suggestions can be made to facilitate a more empowered organization both shipboard and shoreside?

It is answers to these types of questions that would not only help to make research in the cruise industry more mainstream, but would also provide excellent information to cruise operations, thereby bringing industry practitioners and educators closer together. The result of these relationships is shared knowledge, shared resources, and increased interdependence. Such symbiotic relationships are not only mutually beneficial, but can ultimately enhance hospitality as a whole.

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