*Case 15 Allure Cruise Line* [*\**](http://digitalbookshelf.argosy.edu/books/9780558759742/content/id/ch15ast02)*—Challenges of Strategic Growth and Organizational Effectiveness: Part 4*



**INTERVIEW WITH ALLURE CRUISE LINE EXECUTIVE**

Additional interviews were conducted with several members of Allure’s senior leadership team to obtain more information regarding the cruise industry and Allure’s current human resources challenges.

Simon Wadsworth, Vice President of Human Resources for Allure, provided this perspective of the human resource function within the cruise industry, and specifically for Allure Cruise Line:

*“The management of people within the cruise industry has often been perceived as more challenging than any land-based organization for a variety of reasons. For example, there are many legal and political ramifications to being a company headquartered in one country, operating in another country (or countries), and hiring workers from over 40 nations to work for you. We need to deal with visa policies of different countries for these 40-plus nations. Sometimes we have identified people around the world who would be great crew members for Allure; however, because of various reasons including security restrictions and challenges obtaining the appropriate visas, we are unable to hire them and bring them onboard with us. These ramifications also affect crew movement, as to when crew can be moved and the routes crew members will take coming and going from their work. The senior folks on the ships have two- to four-month contracts (e.g., Greek crew members work two months on, one off). This presents a challenge with leadership continuity.*

*“Our recruitment efforts occur in over 40 nations around the globe. This allows Allure to capitalize on crew member expertise. Certain countries have better schooling for specific jobs. We go where we are permitted to go to recruit, and we strive for a good balance among various ethnic and demographic variables—we need a diverse population. For example, in the dining room, we want more mature, older, predominantly male individuals who are more service oriented (most are from European countries, such as France). Currently, recruiting firms help us to find new crew members. We have working relationships with them which allows them to offer certain packages to potential crew members within certain parameters. Allure focuses on finding and retaining mature crew members whose interest is service and their job—not focused on, say, the crew bar or preoccupied with what is happening on shore. We employ the efforts of various hiring agencies throughout the world to help with our hiring efforts.*

\*Note: The data used to develop this case study was garnered through the managers of an existing cruise line. The name of the cruise line, as well as the individuals in the case study, and some data have been changed to protect the confidentiality of the cruise line; specific data changes can be found at the end of this case.

*“Like many cruise lines, Allure uses hiring agents in many countries to do the recruiting of new crew members. These agents screen out candidates and then provide us with general crew as well as a viable candidate pool for management. Then Allure recruiters interview the identified management candidates. We think our managers are very important so this is a little different than most other lines: Other cruise lines depend completely on the procurement allies to do the recruiting, hiring, and sometimes some training as well.*

*“The cost of our labor is pretty significant in the overall operation: about 65 percent of the total. There are high fixed costs with our labor. We are currently doing a competitive compensation study right now. We know that Allure is still doing well since the 9/11 and subsequent worldwide issues, but not as well as the company would like to be. We do know for a fact that our tipped personnel (servers, housekeepers) are paid very well—our passengers can be very generous.*

*“One of the challenging things we are concerned with as we look to expanding our fleet is the potential of cannibalizing our own crew. There are many questions we need to consider: How will we address the issue of the crew wanting to move to the new ships? How many crew will we allow to transfer (we’ll definitely need enough experienced crew to stay on current ships but also provide support to the new operation). One of the big problems will be the significant differences between new and old ships: the ‘new and ‘cool’ vessel will have better crew spaces and new itineraries. We know that too many crew members will want to move, so how will we select who will stay and who will go? How will we address the morale issues of those who do not move? These are some of the concerns we have around recruitment and crew member movement for our new business objectives.*

*“After we recruit and hire our crew, we of course need to train them. Currently, all new crew members are flown straight to the ship and initially learn about expectations, safety, policies, and procedures when they board. We do offer continuous education onboard the ships in a variety of topic areas, including safety and customer service.*

*“When our crew first arrives onboard on their first day, they have safety training classes and are assigned a safety role and trained on it. They also have some up-front training on the company culture, expectations of passengers, basic safety training, regulations, rules, and sign in and paperwork, which is completed during their on-the-job training. At the beginning of their training, they are assigned to a buddy, and they start working right away. There is no space onboard to house crew who are in training but not working. Their OJT Buddy takes them on tour (we are now considering a pay differential for time doing training), goes over standards in dining room, set up of room, housekeeping hours, time of shows, etc. By the second voyage, the crew member is expected to be fully functional.*

*“Ideally the crew members re-sign when their contract comes up for renewal and are able to hit the ground running with little to no training—less of an impact on the operation and higher productivity. Compensation-wise, crew members receive a finishing bonus and re-signing bonus.*

*“Keep in mind that, if we were training crew onshore, Allure must cover all costs of transportation, meals, and lodging, so it is a lot less expensive to do the training onboard. Also, the crew members are able to still be productive and work in the operation, even if they are learning as they go.*

*“There are some opportunities for cross-training for transfer from one position to another, but typically their contracts will not be rewritten. We try and control the turnover since the environment is already unstable enough.”*

*“Allure’s captain’s team was offered input on the type of training they needed and would like: This is very rare and does not typically occur on other cruise lines. It is difficult for officers to be away from the operations for so long so the training is done onboard in two- to three-hour modules. A corporate trainer from the home office in Miami typically facilitates the training, and it is scheduled during port days.*

*“So often, not only with trying to develop our managers but for many things, the challenge comes with the frequent changes in our* *managers. The leadership style onboard changes every month on many cruise lines—on Allure, it changes every three months. Officers sign contracts for up to three- to six-months and typically renew their contracts after taking a two-month break. In general, the officers give one month’s notice if they are leaving, and the Captain will give several months notice.”*

*“Our crew is very diverse in terms of ethnography, background, culture, and many other variables. You could think of it as a ‘small United Nations’ onboard. The pro’s to this situation are that it brings the best of different cultures, like living abroad. Our passengers absolutely love this diversity and have come to expect it. Conversely, with this diversity comes many challenges, most notably communication and culture. While all crew members are required to speak English for safety issues (all crew members must pass an English test), for the majority of the crew, English is not their first language. Clothing is not usually an issue, as the crew members have uniforms and are not allowed to wear any extra adornments on them.*

*“Even though we do our best to retain our crew members, of course there is turnover. The industry wide turnover rate is 35 percent annually (across the board at all levels within the shipboard organization). We’re proud to say that Allure’s turnover rate is around 31 percent. The turnover that occurs in the senior staff often occurs because they are offered one-month on/one-month off contracts from other cruise lines. While our turnover is better than the industry standard, we would still like to find ways to reduce it. We know that several factors impact turnover: (1) many crew members stay because they say it “feels like family” . . . how can we foster this? (2) the amount of developmental training has been shown to improve retention;(3) of course pay impacts retention efforts;(4) the benefits we offer—not just health care and bonuses, but shipboard benefits such as length of breaks between contracts and contract lengths overall impact retention; (5) crew amenities (e.g., Allure does not have larger cabins and Internet access in the crew cabins and instead of having individual sleeping quarters, rooms accommodate two or four).*

*“The crew works very hard while onboard our ships. Our itineraries run from 3 days to 14 days, and in many instances, crew members do not get a day off. Typically crew members work 75- to 110-hour weeks and are on call 24-7, seven days a week. This is typical for any cruise organization. The typical crew member lives within what we sometimes refer to as ‘split scheduling’—crew members will have some hours off in the middle of the day but work mornings and evenings. They sometimes may have only two hours off between shifts, can close at 2 a.m. and then have to open at 6 a.m. Again, this is typical for any cruise organization. If we were to try to increase the amount of time off they have, we would need to increase the labor we have, and we have no space for extra crew. Now this does not apply to positions within the bridge and engine crew, as the STCW (i.e., Standards of Training, Certification, and Watchkeeping) and maritime law restrict the number of hours they can work without rest due to potential safety issues.*

*“When it comes to crew duties, there are two organizational structures in place, and the two lay on top of each other. Each crew member has his or her normal position, the role for which they were hired. Then each crew member also has an extra role (a safety role) that they play on the ship (e.g., captain of the lifeboat or fire brigade). For some of these extra roles, the crew members need and receive extra training and/or certification.*

*“Regarding leadership onboard our vessels, the executive leadership team onboard consists of the captain/master and his three senior officers who report directly to him: the staff captain (second in charge), the hotel director, and the senior engineer. These leaders make up the ‘captains team’ and are the companies’ leadership while the ship is out to sea.*

*“These leaders and all shipboard managers have Operating Procedures (OPs) for everything on the ship and any situation that can occur (e.g., for critical situations, like an incident of tuberculosis onboard, the individual would need to be helicoptered off the ship). The Captain has final say on all decisions on board.*

*“Not only do hierarchical differences exist between the crew and officers, but they also exist among the crew. There are some lower crew who are ranked higher than others, based on their jobs, seniority, etc. Those who are ranked higher will typically get bigger rooms and less people with whom they have to share the room.*

*“So, taking into account these variables of working and living so closely together, you can understand why the challenges with having the crew members live in an enclosed area with each other 24-7 can be many. Crew members live and work with each other 12, 15, 18 hours a day. Consider the ship to be like a big dormitory; and shipboard Human Resources plays the role of the hall monitor. There is a need to have strong policies and procedures, many rules for everything to ensure justness and fairness. For example: no food is allowed in the cabins, for* *cleanliness reasons. Every cabin is inspected weekly (for cleanliness, food, fire safety, etc.).*

*“When the crew members aren’t working, they have several areas just for their recreational use. These include (1) a small crew bar/lounge with a small dance floor, (2) crew mess hall, (3) the officers’ mess hall, and (4) a crew gym. Also, crew members can use passenger areas (e.g., movie theater) when they are not being used. However, general crew members are not allowed to walk around the ship on their time off. Certain officers may socialize with passengers, and may use the passenger areas when not on duty.*

*“Since there are so many rules and regulations—all established for various reasons—we do have a strict discipline system onboard. After five offenses, the crew member is out of a job and is sent home. An example of one of our many rules and regulations is that the majority of the crew members cannot socialize with passengers onboard. Mostly mid-level officers and above are permitted to socialize with passengers (that’s about 60 or so officers). But our general crew members are not and that can cause problems between the ranks. If a crew member who is not permitted to fraternize with passengers does so, disciplinary action would be taken immediately.*

*“Our discipline policy is handled by the staff captain. Depending on the infraction, we have a ‘five strikes and you’re out’ mentality here. Upon the fifth strike, we hold a Captain’s review: this is the morning of our day at the home port, when the crew member can plead his or her case to the Captain, and he decides if the crew member stays or goes, based upon the evidence. There is no brig on the ship, so the crew member is confined to cabin until we reach port if it is decided they are terminated. They are met at the port by a member of our corporate human resources team and escorted by HR to the airport—need to get them out of the country ASAP.*

*“Other means of evaluation for performance includes a review of the Captain’s performance yearly by our Vice President of Operations (currently Rebecca Brandon), and the senior leaders onboard have annual reviews of performance as well. Business metrics are used to evaluate the managers’ performance in addition to their own personal performance. These include our crew turnover, attrition, retention figures, the crew re-sign rate, our USPH (sanitation/cleanliness) scores, our Environment scores, and our Safety scores. The crew performance reviews are more complicated to accomplish due to the high level of attrition.”*

*“Besides the stressors of living and working in the same place, other unique variables that can impact a crew member’s daily life include something as simple as the weather. For example: weather changes can affect itineraries. The ships may have to stay at sea or go to other ports. This can affect the workload of the crew. Or, if many crew members get sick at once, this can affect the level of service we provide to our passengers. If a crew member is sick, he or she needs to go to the crew infirmary. Only the doctor decides if you are sick and ‘not fit for duty.’ Crew members cannot just ‘call in sick.’*

*“Some of the issues that we need to consider when looking at expanding our operation include the development of a labor strategy for the new ships—how will we staff these vessels? Also, it is sometimes difficult to find high-quality crew members. We expect to need an additional 1,000 new crew members to run the ships. Will we move some of the current crew to the new ship? What will the passenger-to-crew ratios be? How will we maximize retention? And finally, where will we train the new crew members?”*

**THE CHALLENGES FOR ALLURE CRUISE LINE (CONTINUED)**

In addition to the strategic growth challenges that Allure Cruise Line is currently facing, they are also experiencing some human resource and leadership issues onboard. The challenges are discussed and outlined below.

**ASSIGNMENT – HUMAN RESOURCE AND LEADERSHIP CHALLENGE**

**GOAL 3: People Strategy**

As you help the leadership team of Allure develop the business and organizational strategies for their organization, they are also looking to your team to help them address some of the human resource management and people issues associated with this expansion.

As part of the expansion process, Allure is planning on sending a management team abroad as expatriates to:

• Oversee the startup of the expansion and the addition of the new ships in the Mediterranean, and

• Prepare for the staffing and the training of the crew (and all other HR functions) on the new ships.

The leadership team needs help determining and planning the following:

• How do they select which managers to include on the team they will send abroad?

• Will they hire host-country nationals in Europe to help?

• How do they prepare these managers for the challenges they might encounter in Europe?

• How do they prepare this team to work as a global team potentially with managers from other countries?

• How do they prepare the managers to negotiate the deals that the expansion will require?

In addition, consider these issues:

• How do they help these managers plan for the HR functions necessary to staff and run the new ship?

• Will the HR functions and how they are set up need to look different for the Mediterranean side of the business?

• How and where will they recruit new crew members?

• What staffing approach should they adopt?

• Should some of the current Allure crew members be moved to the new ships?

• If so, how will the crew members who will be moved to the new ships be selected? How will the transfer decisions be made?

• Where will the training of the new crew take place?

**FINAL COMPREHENSIVE ASSIGNMENT**

Now that you have completed the four parts of the Allure Case, you and your team should prepare a formal presentation and proposal for the senior leadership team of Allure in which you present your analysis of their organization and your subsequent recommendation in which you address the key concerns and questions of the team.

Your proposal and presentation should cover the following:

• The results of your SWOT analysis.

• Your proposed recommendations regarding:

• Whether Allure Cruise Line should expand to the Mediterranean

• The implementation of the expansion.

• The preparation of the team who will negotiate and set up the new business.

• The human resource challenges and key decisions involved in the expansion.

Please be sure to address all of the key questions posed to you by the leadership team of Allure.

**DATA MODIFIED IN CASE STUDY TO PROTECT THE IDENTITY OF THE BUSINESS**

As noted earlier, this case study is based upon very real situations for a cruise business today. While the names and some of the facts have been changed to preserve the confidentiality of the business in question, it should be noted that the business scenario itself is indeed a situation that not only this organization but also many cruise lines are facing in today’s business climate. Specifically, the following data has been modified for this case study:

• The name of the cruise line

• The names of interviewed executives

• The number of ships in the fleet

• The founding date of the cruise line

• The *Vision* and *Mission* of the cruise line

• The number of crew and number of officers onboard each ship

• The overall organizational structure of the cruise line

To date, the cruise line on which this case study is based has not made a decision regarding the addition of new ships nor the expansion of its respective fleets to the Mediterranean.