

Swot analysis of ryanair to evaluate its performance business essay

[Environment](#), [Air](#)



The purpose of case study to evaluate the performance and problem in management in Ryanair. Organisation performance very successful in low cost airline. Ryanair is the leader in low fare airline. But organisation main problems in decision making, planning and customer service.

The SWOT analysis of Ryanair shows that the Ryanair have strong competitors. Customer service is worst. All the decisions were taken by higher management no employees involvement. New rules in EU increase the problems. Organisation culture is not shared. Decision making style of CEO's intuitive. Ryanair leaders need to create integrated culture and empower people to create the competitive advantage for Ryanair. This will take to the organisation to CEO's ambitious point, and help to stay there for long time.

Ryanair Case Study

Situational Analysis

Ryanair was started in 1985 to offer flight from Dublin to London and then few destinations in continental Europe for low fares. Ryanair had the good growth in passenger numbers. Despite this Ryanair had flown through a great deal of turbulence , disposed five chief executives, and accumulate loss of IR£20m. Ryanair was built on Southwest Airlines model. Which is highly successful in United State . Tony Ryan appointed new management team headed by Michel O'Leary.

Change in management was turnaround the company fortunes. By 1997 company floated shares in an IPO on the Dublin stock exchange and on

NASDAQ. Ryanair is the European leader in low fare airline and connecting 86 destinations on 133 routes across the 16 countries. Ryanair was the most successful airline in Europe in terms of profitability and market capitalisation. As the numbers of passenger are growing Ryanair decreasing the fare, to reduce the fares they are using every possible strategy.

External Environment

Political Factors

Ryanair was famous among the media. They have been fined for not providing wheelchair to disable passengers. Fined for illegal favour of airport subsidies. Ryanair paid between 2. 5m and 7m Euros to the regional government. Criticised EU and Irish legislators for employment practises and allowing them to make unions in organisation (O' Higgins 2004).

Economical

Ryanair main business is in European countries and revenues mainly in Euros. Euro is the strong currency which provides stability. They pay their air traffic charges in Euros. Converting the aircraft into flying billboard which was very successful and generate revenues. EU had been stopped the ancillary sale in airline, commission on in flight sales lost, Ryanair lost revenues. Which they were using subsidise falling airfare (O' Higgins 2004).

Social

Ryanair's CEO O'Leary way of declaration war against the easyjet, and at the opening of Ryanair hub his slogan Arrividerci Alitalia is socially not accepted. After the fine by court Ryanair increased the fare and make lobby not

against various EU issues. Ryanair also refuse to take the responsibility of lost baggage and putting it to the airport authorities (O' Higgins 2004).

Technological

Ryanair has large number of different type aircrafts some are more than 15 year old and some are latest Boeings. Ryanair fleet increase from 22 aircrafts in 1999 to 54 in 2003. Ryanair preferred to owning aircraft than lease them. Owning aircrafts save money in terms of depreciation cost. Ryanair even negotiate with Boeing on deliveries, Company buy on his own conditions. Ryanair developed his website to provide online booking. Website helped to cut the staff and agents commission (O' Higgins 2004).

Environment

Ryanair using the new aircrafts they are very fuel efficient and noise level is very low as compare to the old one. Company installed the hushkits in older aircrafts to comply with an EU directive on noise requirement. European commission impose the climate protection charge on aircraft taking off and landing in EU (O' Higgins 2004).

1. 6 Global

Ryanair has a tough competition from other global airlines. Company compete them by reducing the prices and increasing number of flights. Competition more becoming intense when mainstream airlines started their own no frills charter services and airlines. Most low fare airlines using the same pattern of business. They are using the internet bookings, and reducing the in flight services. Some competitors operating from central

airports. Competition is just not limited with airlines high speed rail plans also increase the pressure (O' Higgins 2004).

Decision Making

Decision making is described as choosing alternative. Managers can chose many alternatives but chose one that has maximum probability of success and best fits with organisation goal. (Robbins, 2008). All the decisions were taken by the Ryanair's CEO. Higher management make some unreasonable decisions like free seats, no more ice for drinks, dropped cargo service.

Assumption of Rationality

Decision maker fully examine all the objectives and have clear goal. Rational managerial decisions making assume that decision are made in the best economic interest of the organisation. Decision maker assume to be maximising the organisation's interests, not their own (Robbins, 2008). But in the case study nothing is mentioned about the rational decision making by management of Ryanair.

2. 2 Bounded Rationality

Bounded rationality is behaviour that is rational within the parameters of a simplified decision making process which is limited by an individual's ability to process information (Robbins, 2008). All the decisions in Ryanair case taken by the CEO and there is no evidence that they are involving other staff in decision making. These decisions were good enough and smartest response to reduce the problems. When court fined to Ryanair they immediately increase levy by 70c for all customers. And responded this is

airport responsibility to provide wheel chairs. This seems to be satisficing decision making.

2. 3 Intuitive Decision Making

Intuitive decision making is a subconscious process of making decisions on the basis of experience and accumulated judgment (Robbins, 2008). In Ryanair the decision making is based on intuition as their management is highly experienced. Ryanair created two deputy chief executive positions and filled by company veterans, so that Ryanair can use their experience in future decision making They had the high subconscious involvement due to past success factors. Decision were cognitive based because managers make decisions based on skill knowledge and training.

2. 4 Decision Making Errors and Biases

Robbins, p. 233, 2008,

There were many decision making errors and biases in Ryanair. CEO were highly overconfident they tend to think they know more than they know. Self serving bias, CEO were the major share holders. There might be personal intention of higher management in decision making for their own benefits. After the court case for charging wheelchair Ryanair levy to all passengers and said this is airport responsibility to provide wheelchair, it is immediate gratification bias. As they chose the alternative that offer rewards and avoids immediate cost. Decision making focus on short term rather than in term of ambiguity. CEO has conceptual style of decision making trying to find the problem creatively but not looking at alternatives.

Planning

Ryanair's goal is to maintain the Europe's leading low fare airline position. To achieve the goal Ryanair doing some informal planning and making some adjustments in their informal planning.

Tradition goal setting

Goals are set at the top of the organisation and then broke down into sub goals for each organisation level it is known as traditional goal setting (Robbins, 2008). Ryanair use top to bottom approach in his planning and broke down into sub goals. It is not very clear in the text and not much evidences of goal setting. O'Leary's goal was to move from no frill to no fare airline and free flight to 50% passengers. But every department working in differently. Cabin crew and customer service were working on individual basis without any team objectives, as they don't have any clear objective they were more focused on their commission from the ancillary sale or trying to get more hours. The clarity of the goal was lost. The goal setting and decisions are influenced by CEO as they were the largest shareholder in the Ryanair.

Control

Ryanair controls employee compensation through a performance related pay structure. Ryanair announced an employee share option scheme. Ryanair engineers and staff supervise to the contract workers, enable the company to retain control of quality and safety. Ryanair needs to create an environment of feedback mechanism for all departments. This will help to evaluate its procedures and processes to provide better services. Shared

culture enable organisation to use feedback, feed forward and concurrent control. For better planning it is necessary to have good control system. It will help in future for better planning and measure their current performance even at individual level. Integrated culture will enforce individual's sense of responsibility and understand the organisations objective clearly.

Process

Input

Output

Feed forward control

Concurrent control

Feedback control

Operational flight problem

Problem observed by manager

Feedback from customers and employees

(Robbins , p. 711, 2008)

Sustainable Competitive Advantage

Ryanair is the lowest cost airline in Europe. Company maintain leadership in low cost airlines despite the presence of other airlines. They are gaining the competitive advantage through cost leadership keeping the low fare and

same time remains profitable. Ryanair focus on locations where they will face less competition. They beat competitors by low fare and increase the number of flights.

Company contracts out ticketing, baggage handling and aircraft handling to third parties. They obtaining competitive rate and multi- year contracts at fix price. It limits company's direct exposure to employee relations responsibilities and potential disputes.

Ryanair provide lower labour cost but employees can earn additional pay or remuneration base on their performance. Company cut the agents commission by using internet booking. Ryanair has adopted cost focus strategy to gain competitive advantage.

Ryanair Value Chain

Secondary

Company Infrastructure

Poor HR practices

Technology development: use of internet, old aircrafts 15 years old.

Procurement: Airport deals, strong bargaining power, outsourced and low cost

Inbound Logistic

Low cost

suppliers

Airport Agreements

Operations

Quick Turn around

Reliable service

Outbound logistic

Direct online booking and reservations

Marketing and sales

Internet sale,

Ancillary sale,

Yield management

Low cost promotions

Primary activates

Ryanair has been able to create large share in the Europe and dominating UK-Ireland market. Ryanair value created by outsourcing of aircraft maintenance and other services like online booking, ancillary sale. These actions make the difference between Ryanair and other low cost carriers. But these measures won't long last. Other competitors have more resources and routes can become challenging for Ryanair.

SWOT

Strengths

Ryanair is the leading low fare airline of the Europe. They have many strengths which make it the leader in airline industry. Ryanair is showing the growth in airline industry since 1985. Net profit was increased from €150m to €239m in 2003. Number one carrier on flight between Republic of Ireland and UK with 4 million passengers, 37% market share. Ryanair own 54 aircrafts in 2003 and plan to add 125 more Boeing 737 in fleet by 2009.

Ownership allowed company to benefit from low depreciation cost.

Company's fuel risk management policy is to hedge between 70 and 90 percent of forecasted rolling annual required volume. Acquisition of Buzz airline, and get take off and landing slot at Stansted airport. Mainly they are using the regional airport which offers low landing and handling charges.

Ryanair declare no. 1 for customer service. They claim punctuality, fewer cancellations, fewest lost bags, and fewest complaints per 1000 passengers. Airline has highest seat occupancy and no over bookings. Dealing in euro which gives more stability.

Weaknesses

Company had some old aircrafts which need the high maintenance cost.

Ryanair were receiving illegal state subsidies. Worst Airline rating and customer service as compared to other competitors. Use of remote airports some are more than 100 km away from city centres. No wheelchair service for disables.

Ryanair CEO had the bad image by regulatory authorities. CEO making all the decisions. Poor employment practises more staff from third party. Misleading customer by writing the destination airport in small font.

Opportunities

Ryanair get the first mover advantage at many European destinations. Low cost service which attract more passengers. Expansion of European Union. Acquisition of other airlines and getting new readymade bundle of takeoff and landing slot. Company provide more choices of flights and flexibility. Empowerment of employees and trust in employees. Creating new positions of deputy chief executives.

Threats

Beside the strong growth Ryanair face some threats. New rules and regulations for airport. Climate protection charges may increase the operation cost. Increased landing charges in most of the countries. Employees making unions, these unions can pressurise to the management. New low cost airlines in EU. Price war, selling tickets as low as £ 0. 99 and free seats giveaways announced. Ryan family selling their shares. Fluctuation in exchange rate while company doing most of the business in Euros.

Problem Define

Ryanair got the many problematic issues as mentioned above, their main problem was decision making and value creating areas. Company has been working as a combination of individuals, they should collaborate together in

order to create the value for Ryanair. They need to create a shared value at work place where employees are involved in decision making process. Employees were receiving objective from hierarchy without understanding of objectives. Shared value culture can help employees to understand the organisations objectives. Ryanair can achieve its goal “ maintain its position as Europe’s leading low fare airline” If they value the customers. Ryanair has the highest number of complaints as compare to other airlines. Ryanair was ranked worst airline in a survey on multiple scales of customer services compare to the other competitors.

Recommendations

Based on above analysis, it is recommended that Ryanair should correct the decision making, planning process and customer services. Ryanair should provide clear objectives rather than directional plans. Avoid heuristic and intuitive decision making. Leaders behaviour and action send strong signal to employees and they react in the same way.

Ryanair has mainly profit from financial crisis period after 11 September 2001. While the mainstream carriers were struggling budget airlines were growing. In future Ryanair should change and adopt the strategies mentioned. These strategies don’t need much financial investments.