Homing in on Paradigm Shift: Ryanair Leadership in the Age of Expensive Air Travel

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Abstract

This investigation borders on a critical evaluation of the leadership style of Ryanair in the age of expensive air travel. Another thrust of the paper is a critical look at the organizational model in place at Ryanair which has made it one of the world’s most successful airlines. In doing this we shall be exploring the leadership model and paradigms as well as leadership style that Michael O’Leary, the CEO of this airline has brought to bear in the organization, which have made it an airline of choice in Europe. Also, the study will be evaluating the transformational change occasioned by O’Leary’s leadership style and how it has impacted on Ryanair’s competitive edge, high performance, effective leadership, and organizational development. This study is essentially about Ryanair’s organizational structure in terms of leadership and mode of operation that have placed it ahead of other airlines in Europe and all over the world. This singular characteristic of making air travel affordable for everyone, which used to be an exclusive reserve of the rich, is indicative of paradigm shift in the European airline industry.

Introduction

Over the past decades, air travel has been one of the fastest burgeoning means of transport in many countries in the world. This is the case with the United Kingdom. One important reason for this trend is the ascendancy of consumerism in the developed world, essentially with regard to commercial aviation, which brought about low fares. Another reason for this development is the deregulation in the air travel industry which impacted on increase in competition, the creation of opportunities for new entrants into the aviation industry, improvements in some operational issues and reduction in prices of air fares (Bennett, 2003). Once considered the preserve of the rich, air travel is now widely affordable in the United Kingdom and Europe. The raison d'être for this is anchored in some motors of change in the industry, which include the slogan “inclusive tour” (IT) that helped operators in providing air travel as well as
accommodation, the low-cost carrier (LCC), the ‘‘no-frills’’ services, the cutting out of travel agents and the breaking of British Airways and Aer Lingus’s duopoly, all pioneered by Ryanair.

The establishment of Ryanair in 1985 was a break from the norm in the UK airline industry as regards affordability and mode of operation in the airline industry. It is to this end that Barrett (2004) has indicated that:

“Ryanair has achieved the lowest cost base by a combination of product changes, which unbundled the traditional European national airline product, by high staff productivity compared to the European average and by reducing the costs of airport services brought in by the airline” (88).

From the foregoing, it is apparent that Ryanair is an airline of culture change and organizational innovation (Creaton, 2005); these are basically enshrined in its mission statement and operational ethos.

Part of the aim of this paper is to bring to light how leadership style could be a marker for transformational leadership and possibly paradigm shift as exemplified in O’Leary’s leadership style, the CEO of Ryanair. Another reason is that in the wake of the aftermath of the global economic recession, it is necessary for organizations to re-engineer their leadership as well as management style to remain competitive. Thus, this paper will be addressing the following questions: How competitive is Ryanair’s leadership style? How feasible is organizational change through leadership style? Is good leadership a function of contingency? And also, is Ryanair’s success story a form of paradigm shift? Though this study is a case study of Ryanair’s leadership structure, the main emphasis for investigation is theoretical in scope. Ryanair’s leadership style was used to test the various leadership theories used in this study to show that O’Leary is a transformational leader.

Ryanair: A Brief History

The Irish multi-millionaire, philanthropist and businessman, Thomas Anthony ‘‘Tony’’ Ryan (1936-2007) co-founded Ryanair with Christy Ryan and Liam Longerman in 1985. Before co-founding Ryanair, Tony Ryan was an employee of Aer Lingus, the flag carrier of Ireland. Aer Lingus operates a fleet of Airbus aircrafts serving North America, Europe and North Africa. It is on record that it is Ireland’s oldest and second largest airline after Ryanair. At the moment, it is the 15th largest airline in Europe. Apart from the fortune Tony Ryan made from founding Guinness Peat Aviation (GPA), which was a commercial aircraft sales and leasing company established in 1975 by Aer Lingus, the Guinness Peat Group (a London based financial services company), most of Ryan’s wealth came from Ryanair. As a former employee of Aer Lingus, Tony Ryan learnt the rope of the aviation industry and tapped into it with great expertise and excellence that made Ryanair the largest airline in Europe in terms of passenger numbers.

Ryanair began its operation in 1985 with a 15-seat Embraer Bandeirante turboprop aircraft, flying between London Gatwick Airport and Waterford. Ryan’s business preoccupation was to break the duopoly on London-Republic of Ireland flights at the time, which was held by Aer Lingus and British Airways. In 1986, in fierce, direct competition with Aer Lingus, Ryanair added a second route, flying Dublin-Luton
International Airport (Creaton, 2005). In the wake of the government’s deregulation, competition policy and directive to Aer Lingus to give up its landing slots at one of London’s secondary airports, Stansted, Ryanair started one of the most transformational approaches in Europe’s airline industry as well as the world.

As Ryanair changed the face of airline industry in the 1990 under Margaret Thatcher’s deregulation policy, it restructured its operation by modelling it upon Southwest airline style in the United States. This is responsible for Michael O’Leary’s pilgrimage to the United States to learn on the feet of maverick Herb Kelleher, the founder of Southwest airline (Whitelegg, 2005). This leadership style has brought huge success to the organization: Ryanair operates more than 220 Boeing 737-800 aircrafts on over 1,000 routes across Europe and Morocco from over 40 bases. Ryanair is the largest airline in Europe on the basis of passenger numbers and the largest in the world in terms of international passenger number (Box and Byus, 2007: 71). To this end, Ryanair’s revenue has grown from about £41 million in 1998 to £239 at the end of 2003; this does not include ancillary revenue, which is about £246 million as at the end of 2007.

Ryanair Success Story Phenomenon and Leadership Paradigm: Engaging Paradigm Shift

The concept of “paradigm shift” was developed by Kuhn (1962). It is about shift from culture of business-as-usual to marked revolution of situations and trends. It is in this respect that it has been viewed in Kuhn’s approach that “paradigm shift is revolutionary in the fullest sense of the word” (Sosteric, 2005: 37); it changes the dimension and outlook of an existing business or organizational model.

In contextualising Ryanair, its emergence on Europe’s aviation industry brought a radicalisation of airline system, methods and operational paradigms. And in a larger picture, its emergence spawned culture change in the history of aviation industry in the United Kingdom and Europe. Thus, according to Whitelegg (2005), Ryanair uncompromisingly redrew the aviation map of Europe. Airline forecasters and executives now point to the low-cost model as pathway of the future, and the plethora of books on the topic highlight an attractive market among both academic and popular readers (125). For Barrett (2004) Ryanair’s ability to achieve the lowest cost base by an amalgamation of product variation, which technically unbundled the traditional European national airline product and services, is remarkable. O’Connell and Williams (2005) observed that Ryanair is a leading ensemble of carriers that have driven this change of paradigm regarding expensive airline travel in Europe and the world over:

“Low cost carriers have reshaped the competitive environment within liberalised markets and have made significant impacts In the world’s domestic passenger markets, which had previously been largely controlled by full service network carriers. In Europe 14% of available seat miles are now provided by low cost airlines, with the two largest players Easyjet and Ryanair accounting for nearly 9%” (259).

The following factors are the rationale behind Ryanair’s success story; we shall be highlighting them below.
1. Tight cost control
This strategic mechanism is essentially the sinew of Ryanair’s low-price and no-frills strategy, responsible for its success. Ryanair is about 40% lower than its closest competitor, Aer Lingus, the Ireland’s national carrier. The no-frills strategy ensures that only essential services are being provided; any additional service like hotel, accommodation or even food on flight has to be charged.

2. 100% E-tailing of air tickets. This removes queuing as well as widens Ryanair’s profit base because it is fast and efficient.

3. Flat management structure. This is partly because of its transition from somewhat autocratic posture to democratic leadership style.

4. Uncompromising fuel hedging.

5. Charging of every additional cost and aggressive recovery of style. An example of this is the infamous case between Ryanair and Jane O’Keefe, its millionth customer, when she accused the airline of breaking its promise to offer her free flights for life (Stewart, 2007).


7. Concentration on routes with large non-business potential. Ryanair has contributed in changing the prospects of neglected parts of Europe as well as bringing passengers to underused, decrepit provincial airports, like Stanstead Airport.

8. Maximum utilisation of aircrafts and short turnaround policy. Ryanair has been criticised for its lack of commitment to turnaround, but is also a source of strength, hence, it makes it to be in business continually.

9. The policy of flying only on single type of aircrafts. This is a type of product branding.

10. The use of secondary airports. Most airlines do not do this. This kind of market segmentation is behind Ryanair’s success.

11. Point-to-point routing and increased achievement of highest seat density.

12. Non-unionisation of its staff member, pilots, crew members of staff.

13. Aggressive competitive spirit, which culminated in its desire to acquire one of its greatest competitors, Aer Lingus. Ryanair also indicated that it was going to launch a new long haul in 2009 called RyanAtlantic.

14. Poor emphasis on customer services (relations), hostile public relations and aggressive advertising pattern.

The break from business as usual in Europe’s airline industry which was championed by Ryanair is a palpable form of paradigm shift. In leading strategic change, Kanter et al. (1992) consider paradigm shift as “shift in behaviour” (11). In what follows, we shall be examining the nexus between this paradigm shift and transformational leadership. Hence, transformational leadership is a correlate of paradigm shift as espoused by Thomas Kuhn (Everman, 2006: 132). The points mentioned above are mainly the reasons why we could say that O’Leary’s leadership style is truly transformational, a break from the norm in Europe’s airline industry.

Breaking the Canon: Michael O’Leary, Low-Cost, No-Frills Travel and the Concept of Transformational Leadership

As Burns (1978) indicates, at the core of the formulation of transformational leadership is the concept of transformation, a change with modification in performance that brings about break from the norm, as well as marked departure from existing leadership.
structure. It also brings about motivation amongst the people in a manner that produces leadership by consent rather than coercion. This is what Kotter (1990) sees as ‘energy surge’ (64). This is a process that enables ‘leaders and followers raise one another to higher levels of morality and motivation’ (Burns 1978: 20). As Bowley (2003) notes, Michael O’Leary’s genius, ability to motivate people and to drive change make him a transformational leader. The business journalist and O’Leary’s biographer, Alan Ruddock hones in on O’Leary’s abrasive, goal-getting, penny-pinching and transformational leadership model. For Ruddock (2007), O’Leary is a combative, cost-effective and lemon-squeezing business leader.

The dynamic nature of business organization as well as strategic leadership approaches engaged by organisations so as to remain competitive in the marketplace has catalysed researches into effective leadership in relation to change (Paglis and Green, 2002). Organisations are in constant flux of change. Since change is considered a correlate of organizational performance in terms of growth and development, a leader’s capacity to drive this change, to maintain the vision and to lead change as well as to remain within the confines of organisation’s strategic leadership ethos have precipitated the popular theory of transformational leadership. Transformational leadership is a process by which a leader generates high points of commitment and motivation by creating, communicating and maintaining a clear vision, and frequently, appealing to higher ideas and ethos in relation to the organizational development amongst his followers. Thus, transformational leaders have been depicted as ‘‘those who inspire confidence, communicate a positive vision, and emphasise their followers’ strengths’’ (Peterson et al., 2009: 349). Bass (1985) supports the same view about the ability of leaders to arouse sense of collective vision and goal.

Apart from transformational leadership, the second facet of Burns’ theorising is transactional leadership. Transactional leadership is essentially based on a transaction or sheer exchange of something of value that the leader has or controls which the follower wants in return for their services or loyalty. The difference or contrast between transactional and transformational leadership is prompted by the gradual disappearance of ‘authority’ as the yardstick for command; so, if authority and position power no longer work, the alternative is transformational leadership. In the view of Yammarino (1990), the best leadership model is both transactional and transformational; transformational leadership does not erode the importance of transactional leadership, it rather augments it. However, while transactional leadership is relevant to organizational leadership strategy, it does not produce results that are as high as transformational leadership (Bass, 1985).

As opposed to transactional leadership, which is based highly on managing the current organizational strategic objectives effectively, as well as appealing to self-interests of followers, transformational leadership moves a step higher – by transforming self-interests into goals and objectives of group, including appealing to followers’ sense of commitment, group values and shared vision. Therefore, in transformational leadership as opposed to transactional leadership, instead of followers being rewarded or punished by the leader, their commitment to shared goal is of essence (Politis, 2004: 26). In her article, ‘Ways Women Lead’ published in Harvard Business Review, Rosener (1991) defined transformational leadership as motivating others by ‘transforming their individual self-interest into the goals of the group’” (120). This is at the heart of O’Leary’s organizational philosophy, which underpins Ryanair’s success.
In the modern age of enterprise culture, fierce competition and strategic leadership for profitability in the marketplace, Ryanair has structured its leadership and business model to address “the issues of what constitutes an entrepreneurial approach to the management of organisations” (Sadler-Smith, 2003: 47) for a transformational approach predicated upon success. For Ryanair, these issues find expression in low-cost and no-frills factors, among other factors. Essentially, these factors are responsible for Ryanair’s success phenomenon. In capturing this transformational, change-oriented dimension of Ryanair, it has been noted that Ryanair’s business model is stated to be a disruptive model within the European aviation sector. A disruptive business model challenges the strategies used by the existing, often well-established organisations in the market. Its primary focus is on price sensitivity of customers. In corroborating the above, Stewart (2007) observes that Michael O’Leary, the CEO of Ryanair has been at the centre of no-frills and low-cost revolution that has engendered an explosion (in terms of passengers) in the airline industry. Bass (1985) developed on Burns’ (1978) transformational leadership schema. According to Bass (1985) and Avolio et al. (1991), transformational leaders display four different characteristics that are dubbed the Four I’s; they include the following: (1) intellectual stimulation (2) idealised influence (3) individualised consideration (4) inspirational motivation. Because of the scope of our investigation, we will not explicate these four factors, but Michael O’Leary is an embodiment of them.

Theorising Ryanair’s Leadership Model: Towards Contingency/Situational Theory of Leadership

Contingency theory espouses no one right way to lead will fit all situations. In Everard et al. (2004: 155), this approach states that there is no perfect way to lead an organisation; rather situations determine the way to lead at a given time. In addition, there is a serious correlation or affinity between situational and contingency theory of leadership. Both suggest that sets of structure to lead depend on the problem at hand. Contingency theory is a class of behavioural theory that claims that there is no best method to organise or lead an organisation. Instead, the optimal course of action is contingent (dependant) on the internal and external factors or circumstances. Thus, contingency approach to leadership stresses contextual factors as significant influence on leader success.

In spite of different positions on contingency theory, ranging from Fiedler’s model that emphasises individual leadership to Hersey and Blanchard’s situational theory (1972) that stresses follower maturity, an extension of Blake and Mouton’s (1964) Managerial Grid Model, the point being stressed is that there is a break from Weber’s bureaucratic model and Taylor’s scientific management paradigm – both (that is Weber and Taylor) largely neglected the impacts of the environmental factors as well as encouraged vertical management structure, a departure from flat management arrangement. The shift from the Taylorist framework is characteristic of Vroom and Yetton’s participative contingency theory as well as Northhouse (2004), amongst others in this mould. However, no matter the position one takes on contingency or situational leadership, the hallmark is that it is predicated upon leader-match theory, meaning that it matches leaders to appropriate situations or environment (Browning, 2007: 190). Northouse (2004) echoes the same point: “It is called contingency because it suggests that a leader’s effectiveness depends on how well the leader’s style fits the context” (109).
The leadership style O’Leary has instituted at Ryanair finds expression in a sort of transition: a movement from autocratic leadership to democratic one. This point is in line with Kurt Lewin’s leadership style schema, which talks about three major styles of leadership: democratic – participative, autocratic – repressive and laissez faire – representative. O’Leary has expanded the leadership base at the top management cadre from about 6 to 14 people. It is important to note that O’Leary’s leadership style has to undergo this transition from 1988 till present in order to revive the then ailing, upstart airline, Ryanair, from ‘‘leaking cash’’ (Stewart, 2007); and this required abrasiveness, boldness, cost-effectiveness and seat-of-the-pant style of leadership that culminated in low cost and no-frills approach.

Thus, O’Leary’s leadership structure as at when he joined Ryanair in 1988 as Tony Ryan’s personal enforcer to 1994 when he became the CEO of the airline and now has undergone variation to suit different situations. As Rajan (2002: 33) points out: ‘‘Of course, different leadership styles are needed to cope with different situations: for example, the autocratic style makes sense when an organization is in deep trouble and needs to achieve a rapid turnaround; that style would be counter-productive when the organization is in a growth situation’’. This is the case with Ryanair; its style is in consonance with leadership style being ‘‘fluid’’ (Browning, 2007: 189) to suit situations. Debates could arise as whether O’Leary’s style would work in different circumstance(s), but there is no doubt that he is a perfect situation match for the Ryanair revolution. The remit of this study limits more investigation in this direction.

The most popular theorist on contingency model of leadership is Fred Fiedler whose model is anchored in individual leadership that stresses ‘‘situational contingency’’, rather than traits factors. Fiedler’s model helps the transition from traits and personal features of leaders to behaviour and style (Fiedler and Chemers, 1974). Fiedler’s contingency model is based on two variables: (1) Least Preferred Co-worker thesis and (2) Situational favourableness. Starting with situational favourableness, Fiedler et al. (1976) and Northouse (2004) make the same point that there are three major facets of situational favourableness: (a) Leader-Member Relations (b) Task Structure and (c) Position Power. In the table below, we shall be using the model by Northouse (2004) as our framework of analysis. We are using Northouse (2004) approach because it has a great deal of correlation with our method of looking at the leadership structure at Ryanair.
### Table: Contingency Theory as Identified through Ryanair’s Success Story

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<tr>
<th>Contingency Theory as Defined by Northouse (2004)</th>
<th>Examples from Ryanair</th>
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| **(a) Leader-Member relations:** The group survive in atmosphere the leader has created, as well as the degree of confidence, loyalty, and attraction that followers feel for their leader (page 10) | 1. O’Higgins (2004) agrees and avers struggle to Ryanair’s struggle to be a peerless airline in the early 1990’s saw the airline becoming Europe’s first low fares, no frills carrier.  
2. The staff of Ryanair are non-unionised, and subject to stringent control in terms of cost.  
3. Pilots and crew low salary, but significant variable compensation.  
4. Flat management mechanism. |
| **(b) Task Structure:** The degree to which the requirements of a task are clear spelled-out. Clearly spelled-out tasks give more control to the leader. | 1. Because of O’Leary’s unbending, goal-getting inclination, every staff member ensures that they act within the confines of their duties, hence, absence of protection from unions.  
2. Tasks are clearly spelt out and staff overhead, therefore welfare and overhead costs, which are more or less non-existent.  
3. Staff punctuality and commitment to duty are of essence, and not excusable. |
| **(c) Position Power:** Refers to the amount of authority a leader has to punish or reward followers. | O’Leary takes on his staff if they fail to appreciate his leadership model. (Carayol, 2004) states how he takes on his staff if they stand on his way regarding cost reduction. In 1988, he dealt with the baggage handlers, who wanted same treatment as staff of Aer Lingus that are unionized. O’Leary and top management staff had to personally load passengers’ baggage onto planes (Carayol, 2004). |

The second part of Fiedler et al. (1976) and Northhouse’s (2004) model is the Least Preferred Co-woker (LPC) thesis, which prompts a leader to think of all the people with whom he/she has worked with as well as allows s/he to score these workers by using a scale of 1 to 8. A low LPC score portrays task orientation, while a high LPC suggests the leader has human relations orientation. O’Leary is poor in human relations.
orientation; this is exemplified in his poor public image (Stewart, 2007; Carayol, 2004), so he should score high, while he ought to score low in view of his task oriented leadership model.

Contingency theory is traditionally a function of a leader seizing the moment to make great impact in terms of leadership and organizational growth. This has been exemplified in the way Michael O’Leary transformed Ryanair as a result of erstwhile expensive airline travel in Europe as well as cashing in on the entrepreneurial opportunities brought about by deregulation in the 1990’s in Europe. It is understandable that Ryanair’s leadership success is contingent on the economic situation in the United Kingdom in the wake of the deregulation policy that enabled new entrants into the aviation industry, thereby breaking the norm that made air travel exclusive preserve of the rich class, and the uncompromising entrepreneurial spirit that O’Leary exhibits. It is however arguable that Ryanair would have performed differently under different circumstance, but its leadership success and style is strongly built upon the situation of that moment. In addition, the above discussion regarding fitting Ryanair’s leadership theoretical model within the parameters of Northouse (2004) model, which is a follow-up to Fiedler’s et al. (1976) and Fiedler and Chemers (1974), brings to focus the SWOT, PESTEL and Porter’s Five Forces analysis of this organisation. This approach therefore offers Ryanair strategic management edge, which is largely responsible for its success story.

Conclusion

So, from the above, the question about how Ryanair’s leadership style has revolutionised the European airline industry has been critically answered. It is worthy of note that for an organization to be competitive particularly in the airline industry, it has to reshape its leadership style. In addition, leadership change is largely a function of leadership style. Also, it is arguable from the analysis offered that Ryanair’s success story phenomenon is a form of paradigm shift in the airline industry. From the foregoing, it has been critically analysed that Ryanair leads the way in terms of the revolution that has characterised Europe’s aviation industry about two decades ago. This revolution – a break from expensive airline travel – a form of paradigm shift was initiated by Ryanair under the auspices of Michael O’Leary, its current CEO. To sustain this organizational culture change, Ryanair anchored its organizational model and leadership paradigm in low cost and no-frills approach, which saw the culture of expensive airline travel come tumbling down. It has also been argued that another facet of Ryanair’s success story is lodged in its leadership style, which has witnessed a sort of transition – from autocratic to democratic (although Ryanair has been criticised for its leadership style). And the leadership theory that marks the feasibility of this new organizational culture change is governed by contingency/situational theory.

Thus, even though O’Leary’s leadership model has been successful, it is essentially contingent upon the deregulation policy in place since its establishment. In addition, in order to sustain this organizational success, Ryanair needs to appreciate the competition in the airline industry and adjusts itself for sustainability. At the moment, things seem to be working for Ryanair as evidenced from the above. Ryanair’s present position and future prospects need to be consolidated even though its current organizational scorecard suggests growth: the share price does not look like a struggle. It will take a long time for the wings of this “Tesco of the skies” to be clipped (Davey, 2006).
References


