

## A Case Analysis of the Organisational Behaviour of Ryanair and Its Impact

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**Abstract:** In a competitive and dynamic market place, companies need to be much more focused on the influence that people, groups and structures exercise on the behaviour inside the organisation, as well as on the products and external marketing strategies.

This study is to evaluate the organisational behaviour issues that are faced by one of the most profitable European airlines, which is Ryanair, that could lead the airline to a negative market trend in the future.

The objective of the research is the analysis of Ryanair's organisational behaviour, by diagnosing the main afflicted issues within the organisation and by recommending potential actions to undertake.

It will be evaluated the "autocratic control approach" adopted by the management, lack of motivation and stress of the employees, because of working conditions and relationships, bringing to a staff turnover; And finally organisational culture within Ryanair will be analysed.

Through the application of models and theories related to organisational behaviour, such as McGregor's Theory X-Y, Maslow's Hierarchy of Needs, Herzberg's Two-Factor Theory, Vroom's Expectancy Theory, Pareto principle, Ouchi's Theory Z and Alderfer's ERG Theory, it will be sought to examine these inadequacies within Ryanair and offer reasonable recommendations in order to enhance the current situation of the airline.

**JEL Classifications:** L22, L29, D23, D29

**Keywords:** Organisational Behaviour, Relationships, Staff Turnover, Organisational Culture

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## **1. Introduction**

Ryanair is an Irish low cost air-carrier, created by the Ryan family in 1985 with a share capital of £1 and a staff of 25 people.

The company, after 29 years since foundation, operates more than 1.600 daily flights, with an average of more than 500.000 flights every year, from 57 bases which enable to connect 180 destinations in 29 different countries and carrying nearly 80 million passengers (Ryanair official website, 2013).

Ryanair is passenger airline serving short-distance routes between Ireland, the United Kingdom, Continental Europe, as well as Morocco, unique country out of Europe.

According to the Ryanair annual report (2013), over the years the company has had a steady increase of employees, by reaching in March 2013 more than 9.000 people, including management, administration, maintenance, ground operations, pilots and flight attendants.

Ryanair, unlike the majority of the other European airlines, features delivering a “no-frills” service, without reclining seats, rear seat pockets and with safety vests stored overhead and not under the seat. Such typology of delivered service permits the company to save on aircraft costs and accelerates cleaning and safety controls in the turnaround situations.

## **2. Issues Pertaining to Organisational Behaviour**

Patrick Sills (1975) maintains that “behavioural science knowledge is power” and that knowledge can be used in responsible and irresponsible ways.

The manners in which Ryanair’s organisation is designed and functions affect several factors, from employees’ health and well-being to wider social and economic conditions (Buchanan, Huczynski, 1997).

Despite Ryanair is holding a strong position in the low-cost market and increases its income every year (Ryanair Annual Report, 2013), its poor reputation in terms of customer service and job satisfaction (The Guardian, 2014) may have a negative effect on its success in the future.

The main organisational behaviour issues, which Ryanair is facing, are the autocratic control approach of management over employees, stress and lack of motivation, staff turnover and weak organisational culture (Bamber et al., 2009).

### **2.1 Management Autocratic-control Approach**

Ryanair’s human resource management is characterised by a rigid autocratic control, using often threats of cutting down retributions or firing in order to stimulate employees’ action (Bamber et al., 2009).

As argued by Mullins (2010) in the autocratic leadership style the source of power is the manager and all interactions in the organisation get through to the manager, and the employer controls decision-making process, defining policies and methods to achieve objectives, work activities, relationships and also decides compensations or deserts.

This is particularly relevant in Ryanair. The organisation tends to emphasise status and ritual behaviour through a clear-cut division of labour and a high degree of task specialisation, permitting

to reach a more efficient decision making process because it is in the care of only one person (Creaton, 2004), even though the employees could not accept such made decisions.

In reference to McGregor's Theory X-Y (Mullins, 2010) the nature of human beings can be expressed by managerial practise and he divided individuals in two competing theories which dominate the managerial thought-world. On one hand Theory Y says that people are active rather than passive in their environment, they long to grow and assume responsibilities, on the other hand Theory X maintains that the human beings are lazy and self-centred, they don't like change and their lack of ambition brings them to prefer to be told what to do.

Ryanair management, in order to keep focused on the cost-cutting and low-cost airline leadership's goals, adopts a strict control over its employees and this could lead to the assumption (Shay Cody, 2005) that, according to the management, the employees present the typical features of Theory X.

Unlike Southwest airline, American low-cost carrier, whose human resource management practises focus on a commitment approach which enables the company to reach high levels of productiveness through a frequent and well-timed problem-solving communication among functions, held up by relationships of shared purposes, knowledge and mutual respect (Bamber et al., 2009), Ryanair's employees focus on doing their own jobs and do not interfere with each other, bringing the communication to a minimum level and they are rigidly supervised by the managers as "one cost among others" (Wallace et al., 2009).

It has been estimated that 90 per cent of all process problems have their root causes at the barriers between departments (Develin and Hand, 1993), and this means that the lack of communication within the Irish organisation determines in most cases conflicts and less efficiency.

The control approach can motivate employees to do their best whether followed and assisted by managers, however Argyris (1964) explains it can also create situations in which the employees feel dependent on their superiors and fearful of the staff in charge.

Ryanair's employees are pushed to fulfil their mechanical commitments without improving their personal satisfaction (Bamber et al., 2009). According to Maslow's hierarchy of needs (1943) employees' behaviour is not just influenced by monetary rewards and reinforcement, but it requires internal needs like self-esteem and self-actualisation which are really low within Ryanair organisation and this lack can affect the company results in terms of creativeness, innovation, growth and loyalty.

### **2.2 Stress and Lack of Motivation**

Stress and lack of motivation are strongly correlated to the concept of autocratic control approach applied by the Ryanair's management.

As stated by Bamber et al. (2009) the company does not stimulate its employees in the proper way and the poor working conditions involve a lower morale among the staff.

According to Creaton (2004) some cabin crew works six one-way flights per day including weekends, and in some cases also seven days consecutively without pauses.

These working conditions bring employees to be stressed, exhausted and dissatisfied.

Unlike pressure which can be seen as a positive factor because it is challenging, leads to innovation and enhances performances, stress is generally thought in a negative way because it arises from too many demands on the employee, overwork, too much responsibilities, too little time to rest and the build up of too much pressure (Mullins, 2013). Ryanair's employees have an

increasing health risk from stress due to these circumstances and can suffer for emotional consequences like anxiety, fatigue, depression and low self-esteem.

In addition the negative effects of stress have repercussions on both employees and the company itself in the long period, but also on the customers because their perceived service quality will drop down with a bad service received (Gronroos, 2007), which derives from the unfriendliness and frustration of workers during the flight and at the front office.

Ignoring the low level of job satisfaction, affects the relationships either with colleagues or with customers. This means that on one hand employees are less likely to help each other to get the job successfully done and support the success of the other members of the organisation; On the other hand, the negative attitude towards the customers will not help them to react efficiently to the problems or requests and this will result in a worse service provided.

Herzberg, in his two-factor theory (1987), states that the factors involved in job satisfaction and therefore motivation (motivation factors) are detached and different from those that guide to job dissatisfaction (hygiene factors).

This means that lack of motivation visible within Ryanair derives from a scarce application of motivation factors such as achievement, recognition from peers and supervisors, the job itself, responsibilities, career growth and advancement. However, prior to satisfying and motivating the employees, it is necessary that Ryanair management eliminates the sources of dissatisfaction (Bamber et al., 2009) such as poor working conditions, rigid and autocratic supervision, bad communications and long work hours, which are composed of the negative influences which arise from working atmosphere and environment.

In accordance with Herzberg, solving the problems causing dissatisfaction will not lead to satisfaction and at the same time increasing satisfaction will not eliminate dissatisfaction.

Indeed if the CEO O'Leary gives somebody a promotion, he will not be adding to his/her satisfaction because there are other hygiene factors which need to be enhanced before.

### **2.3 Staff Turnover**

Employee turnover is considered to be one of the persisting problems inside organisations (Armstrong, 2009) and it means that another company may gain a new knowledgeable employee who can become its competitive advantage, while the former organisation loses that knowledge (Branham, 2005).

From the management's point of view (Ryanair Annual Report, 2013) Ryanair assesses its relationships with the employees to be good, with different negotiations with groups of employees, however the low average period of employment of 4.8 years (Ryanair, 2013) proves that employees do not consider these relationships in the same way.

Staff turnover issue inside the organisation is highly correlated to and a consequences of low salary and little competitive reward systems, recruitment and training methods and last but not least uncertainty for the future (Urbancov and Linhartov 2011).

Though the company claims that it guarantees among the best salaries in the low-cost airline industry (Ryanair, 2013), we can assume that this is not properly the truth. In base on a survey conducted by the International Transport Workers Federation (ITF, n.d.) Easyjet, the second largest low-cost airline after Ryanair, pays its staff better than the Irish carrier and in addition the employees of the latter are expected to pay their own uniform, around £360, mandatory safety course, around £1,800, and their training, around £2,000 (The Guardian, 2013).

The compensation for Ryanair's pilots and flight attendants is made partly of salary and partly of efficient performances such as the number of flights carried out and the income generated by on board-sales, for examples magazines, drinks and foods (Box and Byus, 2005).

Furthermore, the reward system is not competitive and does not motivate employees to do their best.

In reference to Vroom's expectancy theory (1964) an employee is motivated in doing his/her job if his/her effort will lead to a performance, such a performance will be rewarded and the value of the reward is highly positive. Therefore as the employees consider the rewards offered by the company insufficient, there could be a chance that they do not want to put so many efforts in their performances and by consequence their motivation decreases, leading to turnover in the long term (Lunenbug, 2011).

As the staff turnover is very high in Ryanair (Creaton, 2004), it is possible to maintain that the company is one of the proponent of Pareto principle (Koch, 1998), better known as the 80/20 principle, which states that generally in any situation a few (20%) are vital and many (80%) are trivial, in other words 20% of employees provides 80% of the production.

Ryanair is strongly in line with this principle, based on the key staff management theory, and in case of not very decisive roles like those in which senior staffs are employed, the airline "does not encourage employees to leave, but neither tries to stop them from going away" (Bamber et al., 2009) because it can easily replace them with new people, especially from Baltic states and Poland (The Guardian, 2005).

### **2.4 "Weak Culture"**

Corporate culture can be defined as the system of conviction, values, traditions and practices which are spread and shared by different individuals within the organisation (Legge, 1995).

McShane and Glinow (2005) state that corporate culture helps workers to comprehend organisational situations through a superior sharing and a more effective and efficient communication, achieving better levels of cooperation with each other.

However, due to the stifling pursuit of low-cost and the lack of dialog within the organisation, Ryanair's culture can be considered as weak (BBC News, 2014). According to Deal and Kennedy (1982) a weak culture in a company occurs when the rules are strictly imposed by the employers, bringing employees to consider their personal goals in a different way compared to the common objectives of the organisation.

The weak culture affects not only the internal relationships among the employees, provoking a sense of instability, lack of trust and difficult common values sharing, but also the attitude towards customers.

Indeed, Ryanair's employees are not able to react in front of customers' requests if these do not concern their specific field of work and much more alarming is the aggressive and hostile service towards clients (Telegraph, 2013).

Minimizing the costs and providing a service with the lowest price is the most important goal for Ryanair's CEO O'Leary, although these go to the detriment of customer care and attention.

### **3. Recommendations**

#### **3.1 Utilising Ouchi's Theory Z**

Ryanair's management aims to reach its end without giving the sufficient importance to its means: the employees.

Theory Z<sup>2</sup> management approach, formulated by William Ouchi (1981), suggests that involved employees are the key to increase productivity and it rests upon the awareness of management's subtlety and the trust between managers and workers. Within Ryanair the form of coordination based on shared purposes, shared information and respect is stifled by the autocratic leadership style, which leads to functional goals, rigid specialisation, disrespect and infrequent and delayed communication (Gittell, 2003).

According to this theory, Ryanair should guarantee a more stable employment, thereby reducing the staff turnover rate and increasing at the same time loyalty towards itself, and extend the number of people involved in the decision making, for instance even flight attendants can provide an important input in corporate decisions because they are every day in contact with the customers and they know better than anyone else what consumers need and expect.

Furthermore, following the concepts of theory Z, in the Irish organisation should be adopted an implicit control mechanism, which derives from a sharing of common values and allows the employees to respond similarly when problems arise thanks to a greater responsibility.

These "humanised" working conditions would increase not only the profits for Ryanair, but also the self-esteem for the workers, favouring a more pleasant and productive work environment (Ouchi, 1981).

#### **3.2 Alderfer's ERG Theory**

While the hierarchy of needs formulated by Abraham Maslow is structural rigid because it considers that the needs follow a specific hierarchy so that an individual cannot fulfil a higher-level need until when a lower-level need has been satisfied, Alderfer's ERG Theory<sup>3</sup> is flexible as more than one need can be operational at the same time and it assumes that a higher-level need can be satisfied even though a lower one is not.

According to Alderfer (1972), if an employee cannot satisfy his/her growth, self-actualisation and expectations he/she will regress to a desire to satisfy relational needs like communication, exchange and interaction.

As it has been analysed above in the second chapter, the lack of communication and difficult working conditions in Ryanair do not enable the employees to be motivated and for sure the absence of recognitions and advancements does not push them to work in a more effective way.

The company should understand that workers are not machines, and they need to be guided towards the objectives through a friendly work environment, sharing of information and job empowerment.

If Ryanair management considered the employees as fundamental assets and motivated them, the organisation would be much more powerful, the number of people leaving the company would decrease and the success in the long term would be more stable.

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<sup>2</sup> Appendix 1.

<sup>3</sup> Appendix 2.

### 3.3 Culture Change

The well-known film director Clint Eastwood, in one of his masterpieces entitled “Invictus” (2009), recalls the powerful meaning of culture and highlights how to create a solid one over time. In an emotional dialogue between the South African President Nelson Mandela, played by Morgan Freeman, and the leader of South Africa’s rugby team Francois Pienaar, played by Matt Damon, it emerges that in order to inspire the others to do their best it is necessary “to lead by example” (Invictus, 2009). It reflects clearly the way to follow in order to change the culture within an organisation. Leadership is the first step to face if Ryanair wants to change its culture and gain a remarkable competitive advantage over competitors.

The behaviour of the chief executive O’Leary has to inspire that of the other employees, so they can perform their work in a better manner without the oppression of stress, the threat of firing and demotivation. Even customers would benefit from this situation because they would find a welcoming environment within the aircraft during the flight and a more friendly services for checking in.

Changing organisational culture is a process complicated and difficult to achieve because, once set, shared values, interpretations and beliefs are not easy to modify (Cameron and Green, 2004).

The weak culture of Ryanair arises from the behaviour of the top management and it must be slowly changed to reach a strong one, where the employees are motivated and loyal, communication is frequent and the entire organisation is aligned towards the achievement of its goal to be the best low-cost airline.

## 4. Conclusion

Ryanair has a dominant position in the low-cost airline industry, however the company is facing many issues which could lead to loose in attractiveness in the future either as employer for whom is seeking for a job or as air transport provider for the customers.

Although the Irish airline has the highest net profit among the low-cost carriers in Europe (CAPA, 2013), it is unlikely to keep obtaining good results in the future whether it does not change this organisational approach.

Autocratic management, lack of motivation and stress, turnover staff and weak culture were analysed through the application of different models and recommendations were provided in order to improve Ryanair’s current organisational situation.

With regard to some ethical considerations, in this study it has not been utilised any parameter to judge the Ryanair’s management and such company has been analysed with the only objective to understand the behavioural dynamics within the organisation.

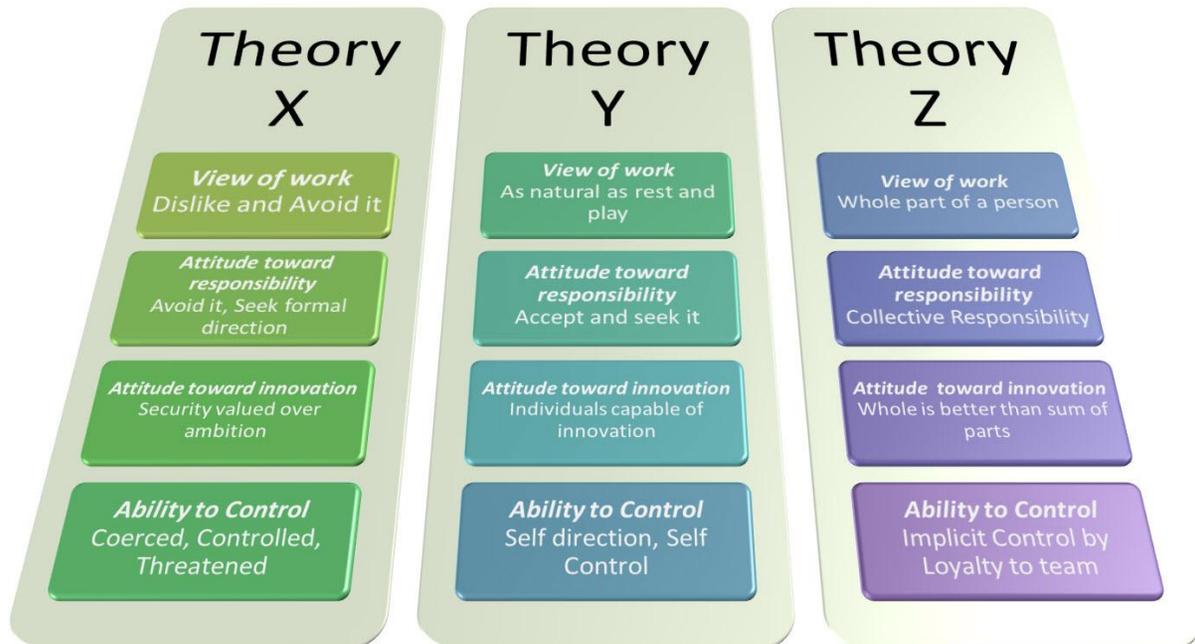
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**Appendices:**

Appendix 1: Ouchi's Theory Z



**Figure 1.** Ouchi's Theory Z

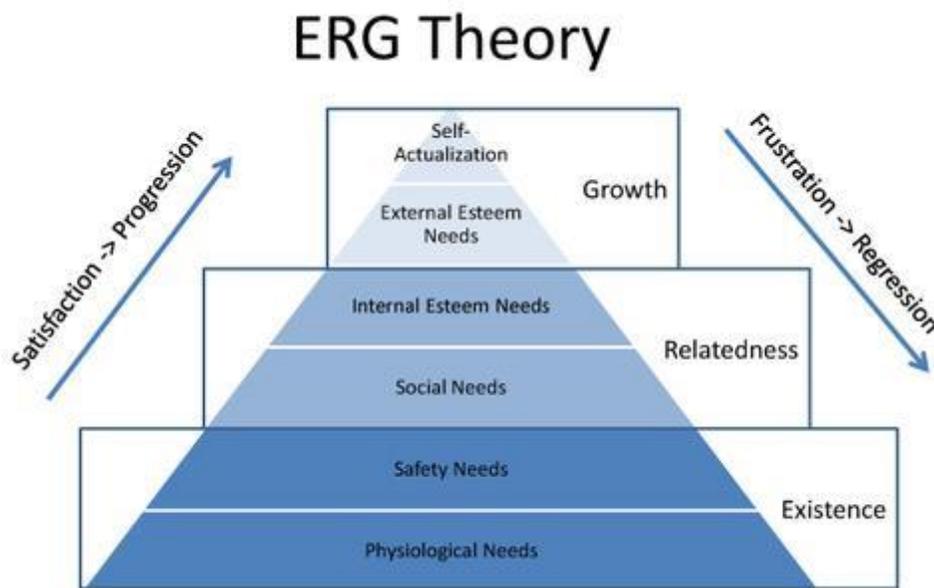
(Source: <https://mercureaace2013.wordpress.com/page/2/>)

William Ouchi (1981) defines a new theory, which distinguishes itself from McGregor Theory X and Y, to better understand the relationships between managers and employees. Theory Z can be interpreted as a combination of the strict American management style and the strict Japanese management style.

According to Ouchi (1981), the attributes of Theory Z are:

- Long-lasting employment of workers
- Participative decision making, with a broad communication, sharing values, cooperative intent and development of trust between employees and managers
- A balance between explicit and implicit control
- Collective responsibility within the members of the organisation
- Company develops a holistic concern for employees, including workers' family life, social life, health and retirement.

Appendix 2: Alderfer's ERG Theory



**Figure 2.** Alderfer's ERG Theory

(Source: <http://pidp3250motivation.wikispaces.com/Needs+Based+Motivation>)

Alderfer is an American psychologist who developed Maslow's hierarchy of needs categorizing the hierarchy in three classes of needs: Existence, Relatedness and Growth (ERG Theory).

- The existence need includes all needs for basic material necessities and according to Maslow's hierarchy physiological and safety needs are included in this group.
- The relatedness need concerns the desire to make and maintain important interpersonal relationships, and requires the interaction with other people. This class is equal to Maslow's social need.
- The growth need groups Maslow's esteem and self-actualisation needs and includes the desire for self-development, advancement and personal growth.

**Appendix 3: Author's Profile – Alberto Nortilli**

Alberto Nortilli was born in 1990 in Verona, a little-medium size city in the north-east side of Italy. In 2009 he ended the high school education at "Aleardo Aleardi" (Verona) and entered University of Verona (Italy), attending the course in Business Administration.

In April 2013 he graduated in Business Administration with an average mark of 86 out of 100 at the University of Verona (Italy).

In February 2014 he started the Master of Business Administration programme in Singapore at the Anglia Ruskin University (ARU), UK. The programme is still ongoing.