1. INTRODUCTION
Ryanair, established in 1985, is one of the biggest airline carrier’s of Europe with 1,600 low fare routes, a workforce of 9,500 and an expected 84,6 million customers for 2014 (“History of Ryanair”, 2014). This success came after a big change to a “no frills” policy and a focus on being a low-fares airline. This case study discusses this business strategy change and uses the different phases (figure 1) of the Adaptive Cycle theory described by Abcouwer and Parson (2007) to describe the change.

2. BACKGROUND
In the early ‘90s Ryanair was at the brink of bankruptcy and had to conclude that their business strategy was not working. Until then they had adopted a “normal” full service airline industry strategy. Ryanair accumulated £20 million in losses and had to restructure (Casadesus-Masanell & Ricart, 2010). They copied the “no frills” airline strategy of Southwest Airlines and re-launched as Europe’s first low-fares airline. The “no frills” strategy proved successful even during the recent global recession. With traffic growing while other airlines had to announce losses, cutbacks or even bankruptcy (“History of Ryanair”, 2014). The main focus of the “no frills” strategy is providing tickets at the lowest possible price and therefore achieving a higher volume of ticket sales and keeping operational costs low. In 2009 22.2% of the revenue was ancillary revenue May (2010).

3. ADAPTIVE CYCLE
The adoption of the “no frills” strategy by Ryanair can be compared to the Adaptive Cycle theory of Abcouwer & Parson (2007). They discuss that an organization goes through four phases when changing. Figure 1 shows the Adaptive cycle and its different phases. The next four paragraphs will discuss the four phases of the Adaptive Cycle and their relation to the strategy change of Ryanair.

3.1 Equilibrium
The full service strategy of Ryanair consisted of combining several services in the ticket price. Services like an in-flight meal and bringing luggage where included in the ticket price. The addition of these services drove up the costs and therefore the ticket prices. The first years Ryanair saw there number of passengers grow. They expended their fleet by leasing new aircrafts and adding more routes. Management did not find in necessary to change anything to their strategy. The airline carrier was in the equilibrium phase. However they where not anticipating change. This changed in 1990 when the airline carrier had a severe financial problem. This situation led to a crisis and is referred to by Abcouwer & Parson (2007) as the ‘release’ (figure 1) transition from equilibrium to crisis.

3.2 Crisis
During the crisis situation Ryanair management tried to find solutions for the financial loses. However none proved successful and they led to a situation of increasing losses. Eventually management realized that the old business strategy was not profitable anymore. Leading to a full crisis where, like Abcouwer & Parson (2007) mention, it was uncertain what Ryanair wanted and could do. They ended in a crisis situation not because they wanted to but because they needed to. A difference with the Adaptive Cycle is that they did not expect change. The equilibrium was no longer sustainable. The drive for change for Ryanair was financial. If the airline wanted to survive they needed to transition to the new combinations phase of the adaptive cycle. This transition is referred to as ‘reorganization’ (figure 1).

3.3 New Combinations
Transitoning from the crisis the ‘reorganization’ led to new possible combinations. Management knew what they wanted but not if the solutions were possible. They needed a solution to solve the high operational costs and make them competitive again. To escape bankruptcy Ryanair management considered the following four ‘plans of action’ (Casadesus-Masanell & Ricart, 2010):

1. Become the Southwest airlines of Europe
2. Add business class

3.4 History of Ryanair
Ryanair accumulated £6 million customers for 2014 (“History of Ryanair”, 2014) proving the full service strategy. This success came after a big change to a “no frills” airline strategy of Southwest Airlines and re-launched as Europe’s first low-fares airline. The “no frills” strategy proved successful even during the recent global recession. With traffic growing while other airlines had to announce losses, cutbacks or even bankruptcy (“History of Ryanair”, 2014). The main focus of the “no frills” strategy is providing tickets at the lowest possible price and therefore achieving a higher volume of ticket sales and keeping operational costs low. In 2009 22.2% of the revenue was ancillary revenue May (2010).

Figure 1. The Adaptive Cycle with its phases, transitions, and want and can statuses.

Exploitation

Conservation

Release

Reorganization

New combinations

Entrepreneurship

Crisis

Equilibrium

Exploiting

Want

Certain

Uncertain

Casadesus-Masanell & Ricart, 2010)
3) Become a ‘feeder’ airline operating from Shannon airport the industry
4) Exit the industry

Michael O’Leary, founder of Ryanair, visited the US to inspect the business model of Southwest airlines. They had a “no frills” approach and offered a low-fares strategy that was very successful. At that time there was no European airline that used this business model. Ryanair had to adapt the model to the European market but it would both solve the high running costs of Ryanair and would allow them to lower ticket prices making them competitive. Adding business class would have increased the operational costs and ticket prices. Becoming a ‘feeder’ airline for Shannon airport would only have benefited the operational costs and exiting the industry would mean the end of Ryanair as an airline carrier. After choosing option 1 the ‘exploitation’ (figure 1) transition to the entrepreneurship phase of the Adaptive Cycle started.

3.4 Entrepreneurship
Management now knew both what they wanted and could achieve. The transition to a low-fares model started by cutting down on routes, using a single type of aircraft and not serving free drinks and meals. The new business model quickly made Ryanair profitable again. Several years go by where Ryanair further restructures and cuts back routes and the fleet. Despite the cut in routes though they achieve a 45% growth in passengers (“History of Ryanair”, 2014). The profitability and growth of Ryanair marks the transition, ‘conservation’, to equilibrium.

3.5 Equilibrium
The equilibrium phase is again reached after Ryanair successfully transitioned to a new business model and returned its profitability. However the low fares of the airline are so popular that Ryanair has the ability to, after 5 years, add more routes. And this moment marks a new transition of Ryanair to crisis. This time forced by financial success and the drive to expand.

4. CONCLUSION
Ryanair sought a way to reduce operating costs and lower ticket prices. They where forced into this change because of growing losses but found a successful way to return from crisis to equilibrium. The business model change of Ryanair is a good example of how change can be explained using the Adaptive Cycle theory. Ryanair has also shown that to be successful in a challenging market you cannot stay in the equilibrium phase for long. A company needs to evolve to grow and this leads to new challenges. This has allowed them to grow to one of the biggest airline carriers of the world and an example for many other airlines that have copied their business model.

5. REFERENCES

