

Communicating in a Crisis and the Role of a Business Leader: The Case of Jet Airways

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Jet Airways: Background

Jet Airways (India) Private Limited was a reputed private airline in India with an average fleet age of 4.45 years. Jet flew to 63 destinations spanning the length and breadth of India and beyond, including New York (both JFK and Newark), Toronto, Brussels, London (Heathrow), Hong Kong, Singapore, Kuala Lumpur, Colombo, Bangkok, Katmandu, Dhaka, Kuwait, Bahrain, Muscat, Doha, Riyadh, Jeddah, Abu Dhabi and Dubai. The Airline carried 1.28 million passengers out of 4.08 million passengers carried by the whole airlines industry. It enjoyed a reputation for punctuality and outstanding service and consequently attracted a large proportion of business travelers. Currently it operates a fleet of 97 aircrafts, which includes 12 Airbus 330-200; 20 ATR 72-500 aircraft;11 Boeing 737-700;42 Boeing 737-800; 2 Boeing 737-900 and 10 Boeing 777-300 ER. The management had ambitious plans to develop its own maintenance hangers and pilot training centers

Jet Airways: Origins

Recipient of several business and leadership awards, Company founder Naresh Goyal completed his graduation in Commerce in 1967 and joined the travel business at the age of 18 as a general sales agent (GSA) for the Lebanese International Airlines. From 1967 to 1974 he learnt the intricacies of the travel business through his association with several foreign airlines.

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The trial version of the case was presented at Case Writing Conference organized by IMT, Nagpur in 2010. The author would like to thank the panelists for their suggestions which helped in the development of the case.

In May 1974, he formed his own company, Jetair (Private) Limited, to market other foreign airlines in India. Naresh Goyal was involved in developing studies of traffic patterns, route structures, operational economics and flight scheduling. Jetair eventually grew to a network of 60 branch offices. After three and a half decades of monopoly by Air India and Indian Airlines, the Indian government reopened the domestic aviation market to private carriers in April 1989. This provided an opportunity to Goyal who established Jet Airways (India) Private Limited in 1991. It commenced commercial operations on May 5, 1993. At that time, Jet Airways claimed to be the only profitable privately owned airline in India. Indeed, by 1997, five of the seven airlines that had been launched since 1992 were grounded. By another count, more than 20 start-up airlines had been launched in India since deregulation, reported *Airline Business*; Jet Airways was one of the very few survivors.

On March 22, 2004 Jet Airways and rival private airlines in India were free to begin flying *outside* the country. Jet had borrowed about \$800 million to finance new aircrafts. Jet was poised to profit from an expected extension of flying rights throughout Asia. Colombo, Sri Lanka, was the first such international destination. Flights to Bangladesh and Nepal followed soon after. An initial public offering of 25 percent of shares, discussed since 1995, was also in the works. Over the next few years Jet established itself as a leading Indian player, becoming a case study for in-flight excellence. Possibly excited by this euphoria, industry insiders say, the management made its first big gamble by eying Air Sahara in 2006.

Apart from Jet and Air India, Air Sahara was among the only three Indian carriers that flew abroad during that period. Naresh Goyal moved in to buy Sahara a year later for Rs 1,450 crores. Jet Airways fulfilled its desire to be the only private Indian carrier to fly abroad in 2006. Acquiring Sahara meant a huge drain on Jet's resources, both on financial and management fronts. All this happened at a time when the concept of low-cost carriers was completing two years in India. The domestic aviation market was growing at 30-40% and players like Air Deccan were challenging the might of full service carriers.

Crisis 1: 1900 Employees Sacked and Then Reinstated

Jet had been constantly incurring losses since 2007-08. "Buying Sahara was a big strategic mistake by Jet. This happened at a time when Jet was growing aggressively on the international front and facing tremendous competition in local market", said the India head of the Centre for Asia Pacific Aviation (CAPA). The first sign of real trouble in Jet became apparent in 2008 when Naresh Goyal entered into an operational tie-up with arch rival Vijay Mallya's Kingfisher.

Sacking of 1900 employees

This step was followed by Jet sacking 1,900 cabin crew members in October 2008, all probationary and temporary workers, across all categories and departments. It was justified as an attempt to switch to leaner business models and cost-optimize the business operations of the airways.

According to Jet, the layoffs were "unfortunate" but "unavoidable" because "everybody is bleeding" as the cost of business has gone up by 30 percent and the alliance is aimed at reaping "maximum synergies." "The economic viability of the industry has been severely affected by the record high fuel prices and most recently due to the crisis of the financial markets globally and the downturn in traffic," Jet Airways said in a statement. "Jet Airways expects these difficult market conditions to continue."

Jet Airway CEO Wolfgang Prock Schaeu and Executive Director B Saroj Datta held a press conference in Mumbai where they explained the company's decision to terminate the services of company employees.

"It is an unfortunate decision, which all of us in the company regret. A total of 1,900 people are being served separation notice. 800 have already been served notice. In the next few days the others will also be served notice. It is an attempt to save the jobs of remaining 11,100 employees," said Dutta at the airline's

headquarters in Mumbai. He said the decision to terminate the employees had nothing to do with the alliance entered into with Kingfisher. "It (alliance) has nothing to do with the workforce of the companies. These are independent decisions of the two companies."

It resulted in a severe backlash not just from employees but also from the government, political parties and regulatory bodies who forced the airline to take back the sacked people. It was in fact an example showcasing the importance of managing stakeholders in a change management plan. Some commented on the manner in which it was conducted-employees waiting at home for office transport found that the vehicles never came; when some of them reached the airport on their own, they discovered that their jobs were in jeopardy.

Reinstatement of 1900 employees

Jet Airways chairman Naresh Goyal, in a dramatic press conference late on Thursday night, said his airline would take back each and every one of the 1,900 sacked Jet employees because he understood their pain and "would not be able to sleep peacefully" if he did not reverse the retrenchments.

"I apologize for all the agony that you went through," Mr Goyal said, his statements directed at the retrenched staff.

The volte face caught everyone by surprise. Jet Airways Chairman Naresh Goyal reinstated the employees a day later saying that he was not aware of these sackings. "I was not there when this decision was taken. I came to know about it later." "I have not been able to sleep all night. I apologize for what has happened," an emotional Jet Airways Chairman Naresh Goyal told reporters at a late night press meet. "I request all of you to start work from tomorrow morning," he said.

Goyal said his conscience did not allow economic consideration to be the reason for sacking employees. "When I saw the tears rolling down some of the workers face I was moved. I

cannot see you all unhappy. My workers are like my family members," he said. "It is my personal decision as father of the family".

The company had said it was forced to trim staff to cut its losses but Goyal claimed that he had not been consulted before the Jet senior management ordered the retrenchment. This statement was contradictory to the earlier ones and puzzled quite a few analysts.

The Indian aviation industry was going through a tough phase and experts felt that it was in the interest of the company to retrench employees to remain competitive. Experts largely felt that Goyal had capitulated under pressure from external parties while others felt that all may not be well with the organizational communication mechanisms at Jet.

"While the mishandling of the Jet Airways sacking and reinstatement of 1,900 employees was an HR and PR disaster, the larger implications of what happened are also worth considering. It is not just that the chairman of India's most successful airline became the butt of jokes, it is also a question of what he knew, when he knew it, and who did the bungling."

- Anjali Bhargava, Columnist, Business Standard, October, 2008.

"The sackings were completely illegal. There was no notice nor was government's permission taken to sack 1800 employees. Perhaps they realized their folly and decided to take these employees back. The matter would have landed in the court."

- Anand Pujari, Labour lawyer, SI Joshi & Co. in October 2008

Crisis 2: The Pilots Revolt

Formation of the NAG

The retrenchment and then the reinstatement saga had bred insecurity among the employees. The airline pilots did not have any union and being contract employees could be shown the door anytime. It was reasoned that the current financial crisis may badly affect the lives of the younger pilots who may be laid off any time as the mass sacking had indicated. This led to the formation of the National Aviators Guild the NAG. On July 24 2009, the NGA - National Aviators Guild- was registered by the Regional Labour Commissioner. Captain Sam Thomas and one of his colleagues played a significant role in the formation of the Union.

The Email Announcing the Termination of Service

On July 31, 2009, the two senior pilots of Jet Airways, who were both office-bearers of the newly formed NAG, were dismissed. They were sent a single-line e-mail stating that their services were terminated with immediate effect and no reasons were assigned for the same. Management alleged that the two captains went around coercing pilots into signing the union membership form. The pilots on their part maintained that their request for discussion and representations were ignored by the management. According to the pilots their appeals fell on deaf ears; NAG issued a strike notice on August 24, 2009.

Jet's Executive Director Saroj Datta stated that the reason behind sacking pilots were internal disciplinary issues and the lawyers were duly consulted before the sacking of pilots. The pilots had gone on mass leave without making any attempt to talk with management, he said, adding, that the move resulted in disruption of operations and caused huge losses to Jet. On his part, Thomas, the joint secretary of NAG said, any sacked employee deserved an explanation and he was not given any for his retrenchment. By not officially calling it a strike, Thomas said the pilots were still within the law.

What does the law say

The right to form a Union is the essence of any socialist state (including India) and apart from the Constitution; it has also been codified in the Trade Union Act, 1926. The crucial point is that it uses the word 'employee' rather than 'workmen'.

The management obtained an *ex parte* order from the Bombay High Court by virtue of Sections 22 and 23 of the Industrial Disputes Act restraining the NAG from striking. Further, since the matter was pending before the Labour Commissioner, it was asked that the dispute be resolved via that medium as soon as possible. It was strongly rumored that the Centre was planning to invoke the Essential Services Maintenance Act (ESMA) - a law used in an extremely rare situation to compel the pilots to fly or else face criminal prosecution. Elsewhere it was reported that the Centre and the DGCA were planning to move an Amendment to the Industrial Disputes Act, 1947 to remove airline pilots from the definition of workmen from the Act. This could ensure that they can never legally form unions and go on strikes.

Discussions and Negotiations

Talks between the pilots and the management failed to resolve the crisis and the deadlock continued. The striking pilots continuously demanded the re-instatement of their sacked colleagues. Meanwhile news reports filtered in that pilots of Jet Airways had skipped a scheduled meeting with the management of the airline as the imbroglio entered its third day. According to a news report, pilots were quoted as saying that they were not informed about the meeting in advance. The meeting was to be mediated by the Central Labour commissioner. The two parties were also scheduled to meet the Labour Commissioner in Mumbai where a case relating to sacking of the two senior pilots was pending. According to reports, the pilots union was unwilling to meet the management and held a meeting to chart out future course of action. Capt Sam Thomas, Joint General Secretary of National Aviators Guild, which was spearheading the agitation, claimed that overall 500 pilots have reported

sick. "There are no talks so far. We have not got any invite from the management side showing their willingness to talk to us," he claimed.

The pilots maintained that they would not return to work until the management took back four colleagues who were sacked. Two of them were allegedly shown the door 45 days ago for forming a union – the National Aviators Guild (NAG) – while the other two were sacked as the protest action began. The four-day strike had led to the cancellation of nearly 700 flights, costing hardships to over 28,000 passengers.

The stalemate between the striking pilots of the Jet Airways and its management failed to come to an end even on the fourth day as talks held between the two factions remained inconclusive. The next round of discussion was expected to take place on Saturday in Mumbai, said television reports on Friday evening. Conciliation talks between agitating Jet Airways pilots and the airline management were held in the national capital before the Chief Labour Commissioner to break the deadlock that has severely disrupted flights across the country. Besides Chief Labour Commissioner S K Upadhyay, the talks were reportedly being attended by Jet executive director Saroj Dutta, CEO Hafiz Ali and head of operation Captain Mohan. The pilots' body National Aviators Guild (NAG) was being represented by its president Captain Girish Kaushik and Captain Sam Thomas.

The conciliation meeting under the auspices of the Labour Commissioner on August 31 did not produce the desired result and the management was asked to furnish the reasons for the sacking of the two pilots by September 7. They failed to comply and the Labour Commissioner fixed the next meeting for September 14.

A few days later Jet terminated the services of a few more senior captains and also obtained a Contempt of Court order from Mumbai High Court, on September 9, 2009. This move actually firmed up the determination of the pilots to keep close ranks in support of their dismissed colleagues. Goyal further incensed the pilots association when he referred to the pilots as

terrorists; that they were holding the country to ransom and announced that he would bring in foreign pilots to cope with the situation.

"I am open to meeting and talking to the pilots. I will be more than happy to meet them. But they cannot harass the passengers," "We won't tolerate such blackmail. The livelihood of more than 30,000 employees of Jet Airways is at stake," the airline chief said.

The NAG withdrew the strike notice on the evening of September 7, 2009 but the members were agitated that the two pilots had not been reinstated. More than 300 of them reported sick.

The only demand of the pilots' union was to reinstate the two pilots. Instead, the management used a battery of high-profile lawyers to obtain a stay from the Mumbai High Court.

Meanwhile, air travelers were facing a harrowing time as the airline cancelled over 200 flights.

Jet cancelled 21 international flights operating on South East Asia sector to Bangkok, Hong Kong and Singapore. The airlines services to Gulf countries, the US and Europe were also badly affected. In Delhi, about 15 flights remained cancelled by virtue of flight cancellations and unavailability in other flights.

"Due to continued pilot agitation, disruptions are expected on the Jet Airways network and consequently, certain flights have been cancelled. On disrupted flights, guests will get full refund or they can reissue/rebook flights without any penalty," a Jet Airways spokesperson said. "Jet Airways is endeavoring to make alternative arrangements on other airlines wherever possible and the airport teams of the airlines will assist its guests to the fullest extent", she said. The airlines also tried to accommodate its passengers in its low-cost arm JetLite. The airlines management combined 12 Jet flights with JetLite.

The NAG at the same time filed petitions in the Chennai High Court against Jet Airways on the hiring of expatriates for the job. On September 10, a public interest case was filed in Chennai High Court, highlighting the flight safety issues in the procedure for issuing permits to foreign pilots, who get preferential treatment over Indian pilots.

Customer Communication

Jet Airways made efforts to reduce the inconvenience caused to the passengers due to the protest by the airline pilots that had disrupted its domestic and international operations.

The ground staffs are the only ones who we can talk to during a crisis situation and if they only come across so ill mannered and unprofessional, how do you expect customers to feel?

Posted: 2009-10-12 by Aditi Iussawalla on consumer complaints.

To deal with the situation, the airline set up a crisis management centre to continuously monitor the situation. At the crisis centre, a team of 15 personnel from planning, revenue management and public relations worked round-the-clock to reschedule various flights and monitor the situation, the airline said.

Jet Airways Chief Commercial Officer Sudheer Raghavan said the airline has re-accommodated 80 per cent of its stranded passengers on flights of other airlines, while they have readily refunded the airfare of the remaining ones. "We have set up a crisis centre and are updating our website on a real time basis. We are also sending SMS updates informing them which flights are operational and which have been cancelled, so that passengers don't have to come to the airport and face inconvenience," Raghavan said. "We are sorry that some of our passengers have had to face trouble. It has been a surprise sprung on us without any early warning," Raghavan said.

Director-General of Civil Aviation had quietly shown his mettle. When the Jet management went for indirect support, he stood firm by remaining neutral. At the same time, he came down heavily on airlines exploiting the situation by charging very high fares.

The management decision to refuse to take back two pilots who were sacked cost the company almost Rs 15 crore a day. Nine-hour-long negotiations between the management of Jet Airways and the pilots of NAG ended in a deadlock with the management agreeing to reinstate the four sacked pilots but with a stiff rider: dissolve the union and form an association. The condition put forward by the management was not acceptable to the pilots. Even as members of the pilots' union went into a huddle to discuss the offer late in the evening, the airline, which operated 365 domestic and 74 international flights daily, was forced to cancel over 281 flights including 21 international flights.

Finally, a draft was worked out late night between Congress leader Sanjay Nirupam, representatives of the pilots and Jet Airways Chairman Naresh Goyal. The management agreed to reinstate the sacked pilots on the condition that it would reconsider the wisdom of a union. Earlier in the evening, after a meeting with the Jet Airways management led by Executive Director Saroj Datta in Hotel Athithi in Mumbai, NAG President Girish Kaushik and the chief negotiator for the pilots had said: "I would pray to God that we start flying today itself."

The negotiations ended with the formation of a grievance committee consisting of both pilots and administration members to hear such cases. Under the agreement, the pilots decided to join duty with immediate effect. It was decided that a committee to look into the coordination between the pilots and the management would be formed. The committee would work under the Central Labour Commissioner. Normal flight operations of Jet airways resumed Sunday after the airline's pilots decided late Saturday to end their five day old agitation following successful talks with the management, the airline said. Newspaper reports showed Jet Airways ground staff holding yellow roses presented by the management as a goodwill gesture at the city airport in Mumbai on September 11, 2009.

Exhibit 1: Shri Naresh Goyal. The Man, the Leader...

He is the kind of man who plays his cards close. Take this time for instance when his A-team woke up one June morning in 2005 at their homes in Mumbai. Business papers were full of Goyal's decision to order 20 new wide bodied aircraft for Jet Airways at the Paris air show. All of it, the newspapers reported, was to be delivered and inducted into the airline's fleet over 18 months. But nobody at the airline—not the CEO, not the directors on Goyal's board, absolutely nobody—had a clue this was coming.

Some speculate that he did this as he sensed that Vijay Mallya's Kingfisher Airlines would be a force to reckon with in the years to come. He wanted the first mover advantage, never mind how impossible the task of inducting these planes into the fleet seemed. There are others who argue that Goyal is an emotional man—and that it was an impulsive decision. Nevertheless it was rather unexpected. Those were the days when ambiguity existed around the rules that permitted Indian airlines to fly abroad. Not just that, there were no trained pilots or engineers in the country who could manage the Boeing 777.

"I guess that is the difference between an entrepreneur and a CEO," he adds. "CEOs are handsome. Entrepreneurs are ugly," says Goyal and roars with laughter. "I get into detail. That makes me passionate about my business, not a control freak," he says. (On onlybombay.blogspot.com/.../jet-airwayss-naresh-goyal.html)

Exhibit 2: The Press Conference

Naresh Goyal in a hastily convened press conference announced "I couldn't take the sight of all these young boys and girls who had been laid off. I took this decision because of my own conscience. Not in response to any political pressure. I made this decision just now when I was on my way to this place with my wife," said Naresh Goyal, Chairman, Jet Airways.

Exhibit 3: Viewpoint

Manish Sabharwal, chairman of Bangalore-based staffing solutions firm Team Lease, offers a perspective. "There is no question in my mind that Jet Airways executed what was a right decision the wrong way," he says.

"There is also no question in my mind that most of the sacked employees of Jet who have been taken back will not be around a year from now because the company handled them without dignity, respect or listening [to them]."

Source: <http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4333>

Exhibit 4: Multimedia links

Readers can view the following interview with the Chairman of the airline at: <http://www.timesnow.tv/Excl-Why-the-Jet-boss-wont-give-in/videoshow/4326959.cms>

Readers may also like to view the interview of Captain Thomas and Mr Dutta with Mr Host Karan Thapar of CNBC. TV Transcripts are available at http://www.moneycontrol.com/news/business/exclusive-pilots-union-jet-slug-it-outlive-tv_414865-3.html

Exhibit 5: Landmark verdict

In 1995, the Supreme Court in *Tirumala Tirupati Devasthanam v Commissioner of Labour* (1995) Supp 3 SSC 653 stated that any group of employees has the right to form a union under the Trade Union Act, the only rider being that it has to be registered.

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