

## Jet Airways: A Study on Consequences of Poor Leadership

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**Abstract:** For any business, the importance of leader is undeniable. If leader is efficient than business can flourish but if leader is ineffective than the business need to bear the effects of poor leadership such as, no transparency and ownership issue, loss of morale, mismanaging resources, lack of direction and so on. These effects are briefly discussed and relates with jet airways study. The airline industry exists in an intensely competitive market. In recent years, there has been an industry-wide shakedown, which will have far-reaching effects. There may still be an odd chance to save Jet Airways if the banks heed what Napoleon Bonaparte had said, 'It's a principle of war that when you can use the lightning, it's better than cannon.' Jet may have missed the flight, though.

**Key words:** Air Sahara, Etihad Airways, Jet Airways, Leadership effects, Naresh Goyal,

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### I. Introduction

Leadership is one of the most important factors determining the success of a company. Poor leadership can seriously affect employee morale and even cause the company's bottom line to plunge. Bad leadership leads to poor employee retention and demotivates the remaining employees, causing them to be much less productive than they would otherwise be.

Poor leadership can have some devastating effects. Because a leader is more than just a figurehead.

Anyone who holds a position of authority has the responsibility of serving as the driving force that motivates team members forward towards a collective goal. This is why leaders are a valuable part of any business, because they are the ones who determine the pace and progress of work.

This is also the reason why poor leadership is such a liability. The actions of a poor leader can lead not only to missed targets, but damage relationships within the organization itself.

In this paper, I am trying to relate the consequences of poor leadership particularly the case with jet airways. For this, I have reviewed some literature for leadership and then trying to find out what is actually happening and what actually had happened due to Lack of direction, lack of communication, micromanaging resources, lack of vision etc at Jet Airways.

### II. Review Of Literature

Different leader have different attitudes and behaviors. Thus, they will perform in different types of leadership practices under different circumstances (Morgeson, DeRue, and Karam, 2010; McGrath, 1962).

When situation favors, Leaders of Jet Airways showed commendable achievement in the aviation sector. But in the adverse circumstances, they have failed to cop up.

In current century, the requirement of a leader to practice well in the leadership is getting more difficult. For the situation nowadays, leaders have to confront with more dynamic environment compared to the working environment that was less challenge for a few centuries ago (Leonard and Lang, 2010).

The effective leaders were those who were able to fulfill their obligation perfectly and were able to achieve the expectation of the organization and its stakeholders (Weinberger, 2009; Goleman, 2000).

In the difficult times when the company actually in need of the promoters, they back off and leave the company in the middle of nowhere thus the expectation of organization and stack holders ignored.

### III. Objective

This paper aims to study the effect of poor leadership on business management particularly for Jet Airways. What went wrong with the leaders of India's finest air player and try to figure out some effective options.

#### **IV. Research Methodology**

This report provides the qualitative information about the effect of poor leadership on business management through secondary market research. The **research method** involves comprehensive **secondary study** on jet airways and provides useful data about how and when things went wrong for this airline company. **Descriptive Research design** has been used for this research. A **Jet Airway** is taken as a **sample** to discuss the effects of poor leadership on management.

#### **V. Analysis And Interpretation**

##### V.I Glorious past of Company and leader

Jet Airways (India) Private Limited has been repeatedly adjudged India's best reputed private airline in India. Also won many national and international awards. Jet flew to 63 destinations spanning the length and breadth of India and beyond, including New York (both JFK). 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. Origin 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.

##### V.II What exactly is happening at Jet Airways

Naresh Goyal, and his wife Anita Goyal, founders and net promoters founded Jet Airways nearly 25 years ago. Now as the airlines is soaked in financial losses and struggles to even pay out salaries to their employees, the two founders and promoters are planning to step down from the board.

Jet is under the huge crisis that it had to ground more than 60 percent of its planes, to retain their employees and leaders to stay with the company

As per the report, the entire 51 percent stake of Naresh Goyal in the airline may be invoked and the airlines would soon start looking for a new buyer in the coming weeks.

##### V.III What actually happened

Jet Airways has informed its employees that they would have to take an up to 25% cut in their salaries as cost of operations for airlines is increasing on the back of rising crude and a falling rupee. Salary cuts are in the range of 5% (for those earning Rs 12 lakh annually) to 25% (for those earning Rs 1 crore and above) starting this month. Jet said senior management had already taken pay cuts.

This decision hasn't gone down well with the pilots, who have not agreed to a pay cut in a market that is struggling with a huge deficit of pilots, especially commanders. In a similar move last year, the airline had reduced the salaries and other benefits of about 350 junior pilots by about 30% from August.

#### **VI. Observation And Findings**

From all this, analysis and interpretation, have relate my observation and findings with the causes of poor leadership and comes up with Downfall of Jet Airways and effect of poor leadership

##### VI.I Lack of direction

The airline says pay cuts are part of its cost-cutting exercise. "As part of its cost rationalization measures, the airline continues to evaluate all initiatives to achieve greater business efficiencies. Payroll is one of the important components of cost structure and the senior leadership has undertaken a reduction in salary to lead by example," the airline told ET.

In a statement, the airline said it was focusing on creating a healthier and more resilient business and that it had been implementing several measures to cut costs and raise revenue margins. The airline has also said that that it was committed to sustainable growth and was planning to add 225 B737 MAX aircraft. At least 11 of these aircraft would be inducted this year, it said.

Jet has refuted "speculative comments from certain vested interests", terming them "deliberate attempts to undermine Jet Airways' transformation efforts".

##### VI.II Low company performance

After two years of relative calm—small profits aided by low oil prices—the industry is in turmoil again as crude prices have soared and the Indian rupee has depreciated against the dollar.

SpiceJet, India's fourth-largest airline by market share, posted a loss of Rs38 crore for the first quarter of the ongoing financial year. Market leader IndiGo hasn't been spared either. The budget carrier's profit in the April-June period of this year nosedived 97% from a year ago to a mere Rs27.80 crore.

But Jet Airways seems to be facing the maximum heat. It posted enormous losses of Rs1,036 crore and Rs1,323 crore in the March and June quarters, respectively. Besides, the airline is in the dock for alleged tax evasion and is also facing probes by India's civil aviation regulator for safety lapses.

#### VI.III Lack of communication

Time and again, the company has faced cash crunches. And now it's back with the oil price rise and the rupee crisis," a person with close knowledge of the affairs of the company told Quartz on the condition of anonymity. "Salary issues had not been there for a long time. But again, two to three years ago, there were talks of asking the senior management to take a pay cut. Now it's across categories. Now it's about whatever keeps the airline flying."

#### VI.IV Micromanaging Resources

The airline is in desperate need of funds. India's banks, beset with their own bad-loan problems, are wary of sanctioning any more loans to Jet whose total cash and cash equivalents stood at Rs320.50 crore at the end of the last financial year.

As part of its plan to overcome its liquidity crisis, Jet Airways raised Rs250 crore from Jet Privilege by monetising its customer loyalty programme for advance ticket sales. The customer loyalty programme purchases tickets from Jet to offer them to its members against redemption of miles.

#### VI.V The leader has Favorites

Etihad Airways has a 50.1% stake in Jet Privilege.

What makes the cash crunch more acute is that Jet's investor Etihad itself is now mired in trouble. Etihad is a global player...It's wouldn't be surprising if they want to exit a micro market like India at this point in time," says Ashish Nainan, research analyst for the aviation sector at CARE Ratings.

Analysts trace most of Jet's troubles to legacy issues. Put differently, Goyal's 2007 Air Sahara deal, which was meant to salvage Jet's market share from the threat of an aggressive Kingfisher Airlines, may have boomeranged.

After Jet acquired Air Sahara for about Rs1,450 crore in 2007, the latter was renamed JetLite as a budget brand.

Aviation experts had then described the deal as a terrible idea as Jet was widely believed to have paid a huge premium for a loss-making airline. "It's very difficult for an airline company to be profitable. At that point, the idea was that Air Sahara was struggling and Jet was an established player. So, probably, the understanding was that Jet could leverage that network and make something out of it," said Nainan.

"When you have two different airlines, you don't have either cost control or optimisation in operations. They have completely different operating structures. This played havoc into the operating structure of the airline (Jet Airways)," Mark Martin, CEO of the aviation consultancy Martin Consultancy.

Ultimately, JetLite was merged with Jet's low-frills brand JetKconnect in 2012, and the latter dissolved. Goel's plan to merge JetLite with Jet Airways was rejected by the aviation ministry in May this year.

After over a decade, the weight of that bad business decision is now back to haunt Jet Airways

#### VI.VI Negative work place environment

Jet Airways has been in news for a year now and not for the good. From struggling to bear the losses to not being able to pay salaries to their employees on time, the company has now reached a stage where stakes are being sold and key people are quitting. In fact, last week it was reported that IndiGo poached over 100 pilots from cash Jet Airways.

#### VI.VII Lack of vision

The founding members leaving the company at this stage does not set a good example for other leaders at Jet Airways. The employees who are already having a hard time trusting the company could be more scared now about the company and their future in it. At this time it is essential that CEO Vinay Dube and other leaders ensure that they effectively communicate with all their employees and clear all their confusions and doubts. A lot will also depend on Naresh Goyal's final address to the staff before he leaves Jet Airways.

While the speculation is that former SBI Managing Director & an ex-Jet Airways board member Srinivasan Vishvanathan may be invited to join the airline's top leadership, the responsibility to steer the cash strapped airlines out of crisis lies on the current CEO Vinay Dube who is expected to stay. Vishvanathan has previously spent nearly three years on the Jet Board as an Independent Director till August 2018.

#### VI.VIII The leader has lack of coordination

When it became apparent six months ago that the end was near, the Tatas were keen but with a condition: Goyal had to go. Blinded by ego and greed, Goyal walked away from the deal when he could have had an honorable exit, realized a good return for his equity, and saved the airline.

Instead of walking out, Mr. Goyal can coordinate with Tata and may able to save the company.

#### VI.IX Loss of morale

Businesses that are listed entities but run by business families quite often brazenly overlook the fact that though they may have controlling stake, their allegiance must be to the public that has invested in their stock, both ethically and by statute. It also makes for good business.

Even though of extra ordinary talented experienced person on board and with senior management, Goyal not able to use their knowledge and resulted in loss of moral and resignation of important work force from the Jet Airways.

#### VI.X Lack of transparency and ownership

Sadly, independent directors, as in all such companies, rarely exercise their independence. The moment some of them do, they are shown the door. After all, they are appointed by the promoters, and not by the public whose interests they are sworn to protect. The Securities and Exchange Board of India (Sebi) must open its eyes to this practice and change the rules.

The banks now own Jet Airways, not Naresh Goyal, and there's no one leader in the airline who can decide and take entrepreneurial decisions and act swiftly — which is key to saving the airline from complete disintegration. The government, on its part, is perhaps understandably unconcerned. The ruling party is fighting elections anyway. The bureaucrats are helpless. Or indifferent, or both.

if Jet continues to fly into the future, the government, which owns the banks, would have recovered any losses from the banks through multiple perennial revenues — income-tax deduction of employees, other taxes, cesses and levies recovered from airports, fuel, spares, taxis, hotels, tourism, various ancillary businesses, etc. And, most importantly, GoI would have saved more than 20,000 jobs.

### VII. Limitation

All these information and data are secondary in nature and do not include the company's information of books of accounts. In order to obtain more complete information and explore in-depth situation, quantitative studies are recommended.

### VIII. Suggestions And Conclusion

1) A focus on operations to stabilize the airline by government intervention and support or more aid by banks can save the Airline.

2) Invite bids within a few days and sell Jet to the highest bidder.

Qatar Airways wants to increase its presence in India with an investment of its own and was eyeing up Jet Airways. The chief executive of the Qatari carrier, Akbar Al Baker, however, ruled out acquiring a stake in Jet Airways because it is part “owned by our adversary” – referring to the UAE's blockade of Qatar alongside Saudi Arabia, Bahrain and Egypt.

In Nutshell, The future of Jet Airways still in the dilemma. The situation is so bad that all of Jet's aircraft deals and leases are being renegotiated. Banks have clearly told Jet to first show how it is running its business. The flash sale that the airline recently announced was done to just pay employees and other dues. This is not the first exit of a leader from the board for Jet. Earlier in November 2018, Ranjan Mathai had left Jet Airways board as an independent director. The same month Vikram Singh Mehta had put in his papers due to “time constraints” and other obligations.

Jet Airways has been in news for a year now and not for the good. From struggling to bear the losses to not being able to pay salaries to their employees on time, the company has now reached a stage where stakes are being sold and key people are quitting.

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