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## **JET AIRWAYS - THE RISE AND FALL OF AVIATION KING**

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### **CASE SNAPSHOT**

Jet Airways, once a dominant force in Indian aviation, rose from humble beginnings to become the country's largest private airline. Founded in 1992 under the leadership of Naresh Goyal, the airline capitalized on India's economic reforms that liberalized the aviation industry. With a commitment to excellence and top-notch service, Jet Airways' rapid growth strategy involved expanding both domestic and international routes, while simultaneously building partnerships with global airlines. However, by the late 2010s, the company faced mounting financial challenges, ultimately leading to its suspension of operations in April 2019. This case study delves into the key factors that propelled Jet Airways' meteoric rise and analyzes the missteps that contributed to its dramatic downfall.

### **INTRODUCTION**

Jet Airways was founded during the time P.V. Narasimha Rao served as Prime Minister of India. As part of extensive economic reforms in the 1990s, this government liberalized the aviation industry, allowing for private participation. Under the leadership of Naresh Goyal, Jet Airways was established as one of India's earliest private airlines. Its inaugural flight from Mumbai to Ahmedabad in 1993 marked a significant milestone in the country's aviation history.

Upon its establishment on April 1st, 1992, Jet Airways commenced operations as an Air Taxi Operator with a fleet of four leased Boeing 737s and ATR 72-500s. The airline swiftly expanded its reach to over 65 destinations globally with a fleet of 124 narrow-body and wide-body aircraft. By 1995, it transitioned to scheduled airline status, rapidly expanding its domestic and international routes. By the early 2000s, it offered over 40 destinations in India and two abroad. Synonymous with premium air travel, Jet Airways cultivated a reputation for excellence before facing unprecedented challenges. Financial troubles led to the suspension of Jet Airways' operations in April 2019, casting a shadow over its previous achievements.

Jet Airways, a former leader in the Indian aviation industry, embarked on a remarkable journey

characterized by its unwavering commitment to delivering exceptional service. Through strategic expansion of both its domestic and international network, including the establishment of partnerships with other airlines via codeshare agreements, Jet Airways secured a significant portion of the Indian aviation market. By the early 2000s, it had become the largest private airline within the country, operating a diverse fleet of aircraft. (*Annexure 1: Milestones*)

### **Background, History and Growth**

Naresh Goyal, born in Punjab in 1949, emerged as the founder of Jet Airways, a testament to his rags-to-riches journey. Despite losing his father at a young age, Goyal's determination and hard work fueled his rise. His initial role as a cashier at his maternal uncle's travel agency equipped him with invaluable knowledge of the industry. Undeterred by financial constraints, Goyal pursued his entrepreneurial dreams, establishing Jet Airways in 1992 with support from his mother and personal savings. Initially focused on marketing for foreign airlines, Jet Airways gradually expanded its operations, eventually becoming a prominent general sales agent for key Middle Eastern carriers. Goyal's journey exemplified resilience and entrepreneurial spirit, transforming adversity into opportunity. Starting with modest beginnings, Naresh Goyal, the visionary behind Jet Airways, skillfully navigated the complexities of Indian bureaucracy to establish the country's largest domestic airline. Starting as a travel agency employee, he rose through the ranks to become an independent general sales agent (GSA), forging connections with airline executives worldwide. Under his leadership, Jet Airways became a powerful force, representing numerous international airlines in the Indian market. Goyal's astute networking and strategic vision propelled Jet Airways from its humble beginnings as an air taxi operator in 1993 to become India's leading airline, offering top-tier international services. The airline's international expansion began with the Chennai-Colombo route in 2004, followed by a successful initial public offering (IPO) in 2005.

Jet Airways meticulously crafted its fleet to prioritize passenger comfort and operational efficiency. Throughout its history, the airline maintained a diverse mix of narrow-body and wide-body aircraft, including:

- **Boeing 737 Series:** These workhorses formed the backbone of Jet Airways' domestic and Shorter-distance international operations, renowned for their reliability, fuel efficiency, and passenger comfort.
- **Airbus A330:** For medium and long-distance international flights, Jet Airways utilized the Airbus A330, known for its spacious cabins and modern amenities, offering passengers a superior travel experience.
- **Boeing 777:** On long-haul international flights, the Boeing 777s reigned supreme as Jet Airways' flagship aircraft, offering passengers ultimate comfort with lie-flat seats and a comprehensive in-flight entertainment system.

### **Jet Airways' Passenger-Centric Innovations**

Demonstrating a commitment to passenger satisfaction, Jet Airways implemented several innovative initiatives to elevate the travel experience. One such example was the transformation of their traditional inflight duty-free program, "Jet Boutique," into a convenient online platform. This platform offered a unique pre-order service, allowing passengers to browse and purchase duty-free items before their flight. Additionally, Jet Airways forged a groundbreaking partnership with Airbnb, expanding accommodation options for their global guests. Further enhancing onboard entertainment, the airline introduced "Jet Screen," a wireless streaming service available on 80% of their Boeing 737 fleet, providing passengers with access to 300 hours of entertainment content. Furthermore, its award-winning Jet Privilege loyalty program experienced significant growth, reaching 8 million members and adding new digital platforms. Through initiatives like Jet Advance, Fare Choices, and Jet Upgrade, Jet Airways aimed to provide convenience while generating additional revenue streams. These efforts exemplified the airline's dedication to delivering exceptional service to its passengers. (*Annexure 3 - Jet Airways – Attraction to Passengers*)

### **Jet Airways' Global Network**

Jet Airways, a former full-service international airline based in India, once operated directly to an extensive network of 66 destinations, both domestic and overseas. Their fleet boasted 124 aircraft, including the latest fuel-efficient B737 MAX. Renowned for its service philosophy promoting the "Joy of Flying" and warm Indian hospitality, the airline connected passengers across 45 domestic and 21 international destinations spanning Asia, the Middle East, Europe, and North America. Strategic partnerships played a crucial role in expanding Jet Airways' global reach. Notably, their collaboration with Etihad Airways, along with various codeshare and interline agreements with airlines like Air France-KLM, Virgin Atlantic, and Delta Air Lines, facilitated seamless connectivity to over 450 destinations worldwide. These partnerships were instrumental in Jet Airways' significant network growth, offering passengers a wider range of travel options and enhanced connectivity across the globe. (*Annexure 4 –Jet Airways & Codeshare Partners*)

### **Beginning of the End for Jet Airways**

While Jet Airways enjoyed initial success, the airline later encountered significant challenges. These included increased vulnerability to external factors like fluctuating airfares and volatile fuel prices. Additionally, strategic missteps in fleet management, such as the acquisition of a mixed fleet of wide-bodied Airbus A330s and Boeing 777s, contributed to the airline's eventual financial difficulties.

### **Soaring High: The Early Years (1992-2004)**

During its early years from 1992 to 2004, Jet Airways soared as India's top private airline, enjoying remarkable expansion, strong cash flow, and profitable operations. The successful listing in 2005

injected substantial funds, marking a milestone for the company.

#### *A Missed Turn: Complacency and Expansion*

However, this era of triumph lulled the management into complacency, resulting in escalating expenses and a growing sense of over-confidence. In a bid to counter the rising competition from established players like Kingfisher Airlines and the emerging threat of low-cost carriers like Air Deccan, IndiGo, and SpiceJet, Naresh Goyal, the founder of Jet Airways, made a strategic decision in 2007 to acquire Air Sahara for Rs. 1,450 crore. While this move aimed to bolster Jet Airways' market share, it ultimately presented significant financial challenges. The integration of Air Sahara proved complex, leading to a multitude of problems that Jet Airways struggled to overcome. The acquisition strained Jet's finances, legal standing, and human resources, hindering its ability to effectively counter the competition. Compounding the financial strain, Goyal's insistence on retaining eight first-class seats, despite their documented lack of profitability, further burdened the airline's resources. Despite recommendations from his commerce chief, Sudheer Raghavan, and longtime associate CEO, Nikos Kardassis, to remove the unprofitable first-class seats, Goyal insisted on retaining them. This decision resulted in unnecessary aircraft weight without generating any revenue, further straining the airline's financial situation. The combination of strategic missteps in managing the airline, coupled with the lack of a well-defined network optimization plan for the diverse aircraft fleet, significantly increased Jet Airways' financial vulnerability. This left the airline highly susceptible to external factors beyond its control, such as volatile fuel prices and fluctuating airfares, ultimately jeopardizing its long-term survival.

#### *Mounting Pressures and a Controversial Deal (2011-2013)*

Naresh Goyal encountered significant challenges as Jet Airways faced financial strain, beginning in 2011-12. Faced with mounting fuel costs and intensifying competition, Goyal was forced to lease out a significant portion, up to 70%, of the airline's wide-body aircraft to airlines like Etihad, Thai Airways, Gulf Air, Oman Air, and Turkish Airlines. This forced Jet Airways to function more like a leasing company rather than an airline, diverting crucial management attention away from running the airline effectively. Despite these challenges, Goyal took on the daunting task of negotiating with Etihad, led by the formidable James Hogan. After nearly 50 meetings, Goyal secured a deal, selling a 24% stake to Etihad for \$379 million. However, this apparent miracle came at a cost, as Goyal soon found himself losing control of his cherished company.

#### *Etihad Airways Enters the Scene*

As Etihad Airways entered the picture, Naresh Goyal, the founder of Jet Airways, found himself grappling with a profound fear of losing control over his beloved airline. With a team of 15 individuals, Etihad aimed to "professionalize" Jet Airways, but their intentions also hinted at turning

it into a feeder airline. Weekly meetings ensued, routes were altered, branding underwent a transformation, and discrepancies in costs were scrutinized. However, Goyal, unwilling to relinquish authority, swiftly reclaimed command, prompting the Etihad team's departure.

#### *Shifting Strategies and Missed Opportunities*

In a strategic maneuver, Jet Airways relocated its global hub from Brussels to Amsterdam, a move seemingly spurred by retaliation against Etihad's attempts to assert dominance. Subsequently, in November 2017, Jet Airways eventually established significant commercial ties with the Air France-KLM alliance, a strategic move that represented a missed opportunity earlier, when the airline had pursued a partnership with the Star Alliance in 2010.

Despite these efforts, Goyal's grip on Jet Airways began to falter. The airline's financial woes deepened, exacerbated by Goyal's reluctance to dilute his stake in the company or contemplate an exit. Faced with mounting losses, Goyal found himself pondering the unthinkable – sacrificing his ownership in the airline he had painstakingly built from the ground up. As the fear of losing control took root, it marked the beginning of the end for Jet Airways, ultimately contributing to its downfall.

#### *Missed Opportunities and Mounting Losses*

As mistakes accumulated, Naresh Goyal's return to running Jet Airways marked a turning point, albeit for the worse. Opportunities to offload costly assets like the A330-200s and the ATR fleet were squandered due to Goyal's reluctance to strike deals at the right time. These decisions, once overlooked, now loomed ominously over Jet Airways as it struggled to find buyers for its surplus aircraft.

Jet Airways' financial situation deteriorated with each passing quarter, culminating in a staggering Rs. 1,036 crore loss during the fourth quarter of FY18. This marked the airline's first quarterly loss in over 11 quarters, signifying a critical financial predicament. By August, the situation reached a critical juncture, with KPMG affiliate BSR & Co. refusing to endorse the airline's financial results due to severe concerns about its financial viability.

#### *Final Demise and Missed Opportunities*

Amid mounting pressure, potential investors like Etihad and TPG issued ultimatums, demanding Goyal's exit as a prerequisite for investment. Talks with prospective investors, including the Tatas and Delta Airlines, floundered over Goyal's continued involvement in the airline's management. With the crisis escalating, lenders intervened, urging Goyal and his associates to step down to avert an impending catastrophe. In a dramatic turn of events, Jet Airways, once a beacon of India's aviation industry, made the heart-wrenching decision to suspend all flights in April 2019. Cash reserves were

depleted, banks refused further funding, and attempts to secure emergency loans fell flat. The airline's downward spiral, marked by defaulting on loans, payments to vendors and lessors, and employee salaries, culminated in a somber night where the skies fell silent, signaling the demise of a once-proud carrier.

#### *Lost in the Labyrinth: Goyal's Futile Attempts*

As Jet Airways plummeted towards its demise, Naresh Goyal's persistent attempts to reclaim control only exacerbated the crisis. From afar, he made futile bids to reclaim his airline, even as lenders sought to salvage what remained. His bid from London was swiftly rejected, leaving behind a trail of frustration and discord. Jet Airways, once a symbol of success, found itself unable to navigate the changing aviation landscape, succumbing to financial challenges and a shrinking market share.

#### *Financial Turmoil and Insolvency*

Jet Airways' downfall stemmed from financial mismanagement and alleged fraudulent activities, culminating in the arrest of founder Naresh Goyal by the Enforcement Directorate (ED). The airline faced accusations of diverting funds, with Canara Bank claiming a ₹538-crore fraud. Investigations revealed substantial irregularities in financial transactions, including hefty expenditures on consultancy fees and misrepresented service payments. Personal expenses of the Goyal family were allegedly covered by Jet Airways. Legal actions, including raids and arrests, highlighted the gravity of the situation. The airline's insolvency in April 2019 led to a change in ownership, symbolizing the end of an era for the once-thriving carrier.

#### *A Missed Opportunity: A Collective Lament*

His decisions ultimately failed the company, its employees, and shareholders, lamented an executive, encapsulating the sentiment of many. Despite a lifeline offered by Tata Sons, Goyal's hesitance to relinquish control led to missed opportunities and the ultimate downfall of Jet Airways. What began as a promising journey turned into a tragic tale of mismanagement and missed chances.

The Downfall of Jet Airways: Unraveling the Five Critical Missteps

- a. Costly Acquisition of Air Sahara
- b. Underestimating Low-Cost Airlines
- c. Flawed Management Style
- d. Vulnerability to Fluctuating Crude Prices
- e. Inability to Attract Strategic Investors

The demise of Jet Airways can be attributed to a combination of factors that unfolded over time. These included costly acquisitions, underestimating the rise of low-cost airlines, flawed management decisions, vulnerability to global economic factors like fluctuating crude prices, and the airline's ultimate inability to attract strategic investors. The case of Jet Airways served as a cautionary tale for



businesses in dynamic industries, emphasizing the importance of adaptability, strategic foresight, and prudent financial management. As the aviation industry continued to evolve, the downfall of Jet Airways highlighted the consequences of neglecting these fundamental principles and offered valuable lessons for future business endeavors.

### Discussion Questions

- Q1. Evaluate the impact of Naresh Goyal's strategic decisions, including the Air Sahara acquisition and fleet configuration, on Jet Airways' financial stability. Consider alternative strategies that could have mitigated financial risks.
- Q2. Examine the role of external factors, such as rising fuel prices and increasing competition from low-cost carriers, in contributing to Jet Airways' financial distress. Analyze how effectively Jet Airways adapted to these challenges.
- Q3. Discuss the implications of Etihad's entry and subsequent exit on Jet Airways.
- Q4. Assess Naresh Goyal's response to the airline's financial crisis. Could different leadership decisions, including turnaround strategies or timely partnerships, have potentially saved Jet Airways?
- Q5. Could Jet Airways Have Been Saved?
- Q6. Explore the role of corporate governance and decision-making processes in the downfall of Jet Airways. What mechanisms could have been implemented to ensure greater accountability and potentially prevent the crisis?

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### **Annexure-1 Milestones**

<b>Year</b>	<b>Milestones</b>
1992	Incorporated as a private company
1993	Commenced operations as an air taxi operator with leased Boeing 737 aircraft
1995	Granted scheduled airline status
2001	Reconverted into a private company
2003	Operated a fleet of 41 aircraft, conducting over 250 daily flights
2004	Became a public company
2005	Filed draft Red Herring Prospectus for initial public offering (IPO)
2005	Launched intercontinental flight connecting Mumbai with London Heathrow
2005	Secured purchase agreement with US-based manufacturer for 10 Boeing 777-300ER planes
2006	Established code-sharing agreement with American Airlines for India-US flights
2006	Signed contract with CAE for Boeing 777 and Airbus A330 simulators
2007	Signed MoU with Lufthansa Technik AG for A330/B777 component works
2007	Acquired Air Sahara
2008	Launched daily direct flights between Mumbai and Bangkok
2009	Introduced Jet Airways Konnect (all-economy, no-frills service)
2010	Signed ten-year business transformation and IT services agreement with IBM for \$62 million
2011	Awarded "Best Domestic Airlines" by CNBC
2012	Merged brand into Jet Konnect



2013	Established partnership with The Mobile Store through JetPrivilege and formed a strategic alliance with Etihad Airways
2014	Launched daily direct service from Mumbai to Paris
2015	Launched daily flights to Amsterdam from Mumbai, Delhi, and Toronto
2017	Signed cooperation agreement with Air France KLM
2018	Entered into a pact for purchasing 75 B737 planes
2019	Operated last flight (Amritsar to Mumbai)

### Annexure 2- Aircraft Fleet Overview

Aircraft Model	Number of Aircrafts
Boeing 737-300	23
Boeing 737-700	5
Boeing 737-800	77
Boeing 737-900	8
Boeing 737 MAX 8	5
Boeing 777-300ER	10
Airbus A330-200	4
Airbus A330-300	8
ATR 72-500	20

### Annexure 3 - Jet Airways – Attraction to Passengers

Jet Airways Attraction	Details
Jet Boutique - Online Duty-Free Shopping	Jet Airways redefined its classic inflight duty-free program, "Jet Boutique," by taking it online. They also introduced a unique pre-order option for duty-free shopping.
Partnership with Airbnb	Jet Airways <b>forged</b> an industry-first partnership with Airbnb, the world's leading community-driven hospitality company. This partnership <b>allowed</b> them to offer passengers a wider range of accommodation options in India.

Jet Screen - Wireless Streaming Service	Jet Airways <b>expanded</b> their "Jet Screen" wireless streaming service to cover 80% of their Boeing 737 fleet. This service <b>provided</b> passengers with 300 hours of entertainment options including Hollywood, Bollywood, and regional movies.
JetPrivilege Loyalty Program:	The award-winning JetPrivilege loyalty program <b>continued</b> to grow, reaching 8 million members (a 30% increase). The program <b>incorporated</b> new digital platforms and <b>welcomed</b> new partners (2 airlines and 41 non-airline companies) to offer additional benefits to Jet Privilege members.
Innovative Initiatives for Passengers	Jet Airways <b>introduced</b> various initiatives to improve passenger convenience and generate additional revenue. These initiatives included JetAdvance, Fare Choices, Baggage Drop, the Global Pass, Seat Select, Priority Advantage, Fare Lock, and JetUpgrade.

#### Annexure 4 –Jet Airways & Codeshare Partners

Airline
Etihad Airways
Garuda Indonesia
Air Berlin
Air Canada
Fiji Airways
Air Seychelles
All Nippon Airways (ANA)
Jetstar Asia Airways
KLM
Korean Air
Kenya Airlines
Air France

Alitalia
Virgin Atlantic
Vietnam Airlines
Bangkok Airways
Hong Kong Airlines
Delta Airlines
Malaysia Airlines
Qantas

## **JET AIRWAYS - THE RISE AND FALL OF AVIATION KING TEACHING NOTE**

### **1. Synopsis**

Jet Airways, once India's leading airline, rose from a small air taxi operator to a major player in the domestic and international aviation market. However, by 2019, the company ceased operations due to a combination of strategic missteps, financial mismanagement, and a rapidly changing industry landscape. This case study explores Jet Airways' journey, analyzing the key factors that contributed to its downfall and prompting discussions on strategic decision-making, leadership, and navigating challenges in a dynamic industry.

### **2. Target Learning Group**

This case study is primarily envisioned for MBA students, particularly those enrolled in Strategic Management courses. It can also be used in courses on Corporate Governance, Leadership, Financial Management, and Crisis Management.

### **3. Learning Objectives/Teaching Objectives and Key Issues**

- Analyze the impact of strategic decisions on a company's long-term success. (Key Issue: Acquisitions, fleet management, and market positioning)
- Evaluate the role of financial management in organizational sustainability. (Key Issue: Debt burden, cost control, and revenue generation)
- Examine the influence of external factors on a company's performance. (Key Issue: Fuel prices, competition, and government regulations)
- Assess the importance of effective leadership and ethical conduct in navigating crises. (Key Issue: Naresh Goyal's leadership style and ethical considerations)
- Discuss the role of corporate governance in mitigating risk and ensuring accountability. (Key Issue: Decision-making processes and oversight mechanisms)

#### 4. Teaching Strategy and Teaching Plan

This case study allows students to explore the intricate relationship between strategic decisions, financial management, leadership, and a company's competitive position. By fostering classroom discussions and critical analysis, instructor can help students develop their strategic thinking skills and gain valuable insights applicable to various business scenarios. The session can be planned as per the schedule given below.

##### Introduction (10 minutes):

- Briefly introduce Jet Airways and its historical significance in the Indian aviation industry.
- Highlight the company's downfall and its relevance to strategic management concepts.

##### Case Presentation (20 minutes):

- Allocate students into groups and assign them sections of the case study (e.g., company history, financial performance, external factors).
- Each group presents their assigned sections, focusing on key milestones, challenges, and turning points.

##### Group Discussion (40 minutes):

Facilitate a discussion using the following refined questions:

*Strategic Choices and Financial Woes:* Evaluate the impact of Naresh Goyal's strategic decisions, including the Air Sahara acquisition and fleet configuration, on Jet Airways' financial stability. Consider alternative strategies that could have mitigated financial risks.

*Adapting to External Pressures:* Examine the role of external factors, such as rising fuel prices and increasing competition from low-cost carriers, in contributing to Jet Airways' financial distress. Analyze how effectively Jet Airways adapted to these challenges.

*The Etihad Partnership: A Double-Edged Sword:* Discuss the implications of Etihad's entry and subsequent exit on Jet Airways. Explore how the dynamics changed, particularly regarding financial support and market access, and what lessons can be learned about airline partnerships.

*Leadership Response to Crisis:* Assess Naresh Goyal's response to the airline's financial crisis. Could different leadership decisions, including turnaround strategies or timely partnerships, have potentially saved Jet Airways?

*Corporate Governance and Decision-Making:* Explore the role of corporate governance and decision-making processes in the downfall of Jet Airways. What mechanisms could have been implemented to ensure greater accountability and potentially prevent the crisis?

##### Wrap-up and Conclusion (20 minutes):

- Summarize the key takeaways from the discussion, highlighting the importance of strategic foresight, adaptability, sound financial management, and ethical leadership in a competitive environment.
- Encourage students to apply these lessons to other business contexts and situations.

## 5. Questions for Discussion

Strategic Choices and Financial Woes:

*Q1. Evaluate the impact of Naresh Goyal's strategic decisions, including the Air Sahara acquisition and fleet configuration, on Jet Airways' financial stability. Consider alternative strategies that could have mitigated financial risks*

Impact of Naresh Goyal's Strategic Decisions on Jet Airways' Financial Stability

Naresh Goyal's strategic decisions played a significant role in eroding Jet Airways' financial stability. Two key decisions and their consequences can be analyzed as follows.

a. Acquisition of Air Sahara (2007):

Positive intentions: The acquisition aimed to expand Jet Airways' network and market share, making them a dominant player in the Indian aviation market.

Negative consequences:

- Financial burden: Air Sahara came with a hefty price tag and significant debt. Integrating their operations proved challenging, further increasing costs.
- Cultural integration issues: Merging two airlines with different work cultures and operational processes led to inefficiencies and internal conflicts.
- Fleet complexity: Air Sahara's fleet added another layer of complexity to Jet Airways' already diverse aircraft types, potentially increasing maintenance and training costs.

b. Fleet Configuration:

- Jet Airways maintained a mix of leased and owned aircraft. While this offered flexibility in terms of scaling operations, it also had drawbacks:
- Higher operating costs: Leased aircraft typically incur higher costs per flying hour compared to owned aircraft.
- Less control over maintenance: With leased aircraft, the lessor controls maintenance schedules and processes, potentially leading to higher expenses.
- Lack of standardization: A mixed fleet requires training pilots and maintenance personnel on various aircraft types, increasing overall training costs.
- Alternative Strategies to Mitigate Financial Risks:

- Organic growth: Instead of a large acquisition, Jet Airways could have focused on organic network expansion through strategic route additions and partnerships.
- Fleet standardization: Standardizing the fleet on a single or limited number of aircraft types would have simplified maintenance, reduced pilot training costs, and potentially led to better fuel efficiency.
- Cost-conscious approach: Earlier adoption of cost-cutting measures like renegotiating contracts with vendors, optimizing flight schedules, and potentially reducing employee benefits could have improved financial health.

Overall, Goyal's strategic decisions, while aiming for rapid growth, contributed to a complex and expensive operation. Alternative strategies focusing on organic growth, a standardized fleet, and cost control could have placed Jet Airways on a more financially sustainable path. Naresh Goyal's decisions, like the Air Sahara acquisition and a mix of leased and owned aircraft, increased debt and operational complexity. Alternative strategies focused on organic growth, a standardized fleet, and cost control might have improved financial stability.

*Q2. Examine the role of external factors, such as rising fuel prices and increasing competition from low-cost carriers, in contributing to Jet Airways' financial distress. Analyze how effectively Jet Airways adapted to these challenges*

#### *Adapting to External Pressures*

This case highlights the significant impact of external factors on a company's financial health. Here's an analysis of how rising fuel prices and competition from low-cost carriers contributed to Jet Airways' struggles, along with their adaptation strategies:

#### *Rising Fuel Prices*

Jet Airways, like all airlines, faced a significant cost increase due to rising fuel prices. Fuel is a major operating expense for airlines, and price fluctuations can severely impact profitability. Jet Airways' faced challenges in efficiently managing fuel costs

#### *Increasing Competition from Low-Cost Carriers (LCCs)*

LCCs like IndiGo and SpiceJet emerged as major competitors, offering significantly lower fares. This put pressure on Jet Airways' market share, particularly on price-sensitive routes. Potentially, they may have offered discounts or promotions to remain competitive, but these tactics likely had a negative impact on their margins. Launching their own low-cost subsidiary, Jet Konnect, was a delayed reaction and couldn't compete effectively with established players.

#### *Overall Effectiveness of Adaptation*

Jet Airways' adaptation to external challenges appears to be limited and ultimately ineffective. The following are the relevant points to be discussed.



- **Delayed response to LCCs:** Launching a low-cost subsidiary years after established LCCs gained a strong foothold proved to be a disadvantage.
- **Financial constraints:** Jet Airways' existing debt burden may have limited their ability to invest in cost-reduction initiatives or aggressive marketing campaigns to compete with LCCs.
- **Rising fuel prices and competition from LCCs** undoubtedly played a significant role in Jet Airways' financial distress. However, the lack of a clear and effective adaptation strategy to address these external challenges likely exacerbated their problems. This case highlights the importance of proactively managing external factors and adapting business strategies to maintain competitiveness in a dynamic market.
- **Rising fuel prices and low-cost carrier competition** squeezed margins. Jet Airways' response was slow, and they failed to adapt their pricing strategy or fleet composition to remain competitive.

**Q.3** *Discuss the implications of Etihad's entry and subsequent exit on Jet Airways.*

Etihad's involvement with Jet Airways was a double-edged sword. While the initial investment provided much-needed capital and access to new markets, it also saddled Jet Airways with debt. Etihad's subsequent exit left a significant financial gap and disrupted access to key routes, further straining Jet Airways' finances and contributing to their downfall. This case highlights the importance of airlines diversifying their financial partnerships and developing clear exit strategies to mitigate risks associated with major partnerships. Furthermore, a focus on organic growth and financial sustainability is crucial to avoid overdependence on external sources.

Etihad Partnership - Etihad's initial investment provided capital, but their exit caused financial strain and limited access to international markets. The partnership highlighted the importance of careful partnership evaluation and exit strategies.

**Q4.** *Assess Naresh Goyal's response to the airline's financial crisis. Could different leadership decisions, including turnaround strategies or timely partnerships, have potentially saved Jet Airways?*

Naresh Goyal's leadership during Jet Airways' financial crisis has been criticized for its lack of effective response strategies. The following points can be discussed to solve the question.

- **Delayed response to competition:** Launching a low-cost subsidiary (Jet Konnect) came too late to effectively compete with established LCCs.
- **Unwillingness to relinquish control:** Reportedly, Goyal rejected partnership offers or mergers that could have brought fresh capital and strategic direction.
- **Proactive cost management:** Implementing fuel hedging strategies or optimizing fleet management could have mitigated fuel cost increases.
- **Earlier LCC response:** A more aggressive low-cost strategy, including earlier entry into the market or strategic partnerships with existing LCCs, might have helped retain market share.

- *Considering strategic partnerships:* Exploring mergers or partnerships with other airlines could have provided financial support, expertise, and potentially a more robust network.

**Q5. *Could Jet Airways Have Been Saved?***

While the situation was complex, it's possible that different leadership decisions could have significantly improved Jet Airways' outlook. Exploring alternative strategies like those mentioned above might have helped them weather the financial storm:

- **Improved financial health:** Proactive cost management and strategic partnerships could have provided a financial buffer against external pressures.
- **Enhanced competitiveness:** A more aggressive LCC strategy or strategic alliances could have helped Jet Airways retain market share against budget airlines.
- **Diversification and growth:** Exploring new partnerships and revenue streams could have reduced dependence on a single partner (Etihad) and facilitated organic growth.
- **Leadership Response to Crisis -** Goyal's leadership lacked a clear turnaround plan or a willingness to consider alternatives. Proactive measures like cost-cutting, route optimization, and exploring strategic partnerships could have provided a path to recovery.

**Q6. *Explore the role of corporate governance and decision-making processes in the downfall of Jet Airways. What mechanisms could have been implemented to ensure greater accountability and potentially prevent the crisis?***

Jet Airways' downfall highlights potential weaknesses in corporate governance. Naresh Goyal's dominant shareholding likely limited diverse perspectives and led to decisions focused on short-term gains, exemplified by the Air Sahara acquisition. The resignation of independent directors during crucial partnership discussions raises further concerns about independent oversight.

Stronger corporate governance practices could have mitigated these risks. A truly independent board with relevant expertise could have provided objective oversight and challenged risky decisions. Transparent decision-making and a focus on long-term strategic planning might have ensured financial prudence and explored alternative growth strategies. While effective governance may not have entirely prevented the crisis, it could have significantly improved Jet Airways' financial stability.

**6. Background Reading Materials**

Articles

- BBC article 'Jet Airways: The riches to rags story of India's oldest private airline' provides a comprehensive overview of the challenges faced by Jet Airways (BBC, 2019)
- Forbes article 'Why Do Indian Airlines Keep Failing?' by James Asquith (Asquith, 2019).

Video:

- YouTube Video - 'The Downfall of Jet Airways' - <https://www.youtube.com/watch?v=pzhK6ssQ6T0> (12 Minutes)

### **7. Additional Teaching Considerations**

*Invite guest speakers:* If possible, the case teacher can consider inviting industry professionals who have experience in the aviation sector or strategic management to provide insights and answer student questions.

*Debate format:* Case teacher can structure the discussion as a debate where students argue for or against the decisions made by Jet Airways' leadership.

*Simulation exercise:* Divide the class into teams representing different stakeholders (e.g., Jet Airways management, board of directors, creditors) and have them simulate a negotiation or decision-making process.

By using a combination of case study analysis, discussion questions, and additional resources, this teaching note aims to facilitate a rich learning experience for MBA students. The case provides a valuable opportunity to explore the complexities of strategic decision-making, corporate governance, and navigating challenges in a dynamic industry like aviation.

### **8. Experience of using the case**

The case has not yet been discussed in the class. However, it is expected that discussing it in the class of Strategic management will provide students with valuable insights and enhance their understanding of the subject matter.