Kenya Airways Dominant Image Restoration Strategies during the 2015/16 Financial Crisis

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Abstract

Kenya Airways is the flag carrier and the largest airline in Kenya. It prides itself as the African airline. Kenya Airways underwent a major economic crisis during the 2015/16 financial year, amounting to a total of 29.7 billion losses in March 2015 leading the carrier to be rated as the highest loss-making company in East Africa. This crisis tarnished the image of Kenya Airways leading the airline board of management to engage in an aggressive image restoration campaign. The aim of this study was to examine the dominant image restoration strategies employed by Kenya Airways in its communication during the 2015/16 crisis. The study was guided by two theories namely; Image Restoration Theory by William Benoit and Situational Crisis Communicational theory by Coombs Timothy. Benoit's image restoration theory propounds the image repair strategies and options that are directly applicable to a specific crisis cluster which an organization experiences. The Situational Crisis Communicational theory provides a situational and contextual understanding of a crisis which can help an organization to assess the crisis type, frame a crisis, and place responsibility before they decide on response strategy. The study compiled data from magazines and press releases from Kenya Airways addressing the financial crisis between the period of March 2015 and September 2016. Using the entire population sampling, the researcher analyzed the data qualitatively through textual analysis. The study provides insights into future crisis communication management in the airline sector and other corporate sectors undergoing similar crises.

Keywords: Corporate Image Crisis Financial Crisis Image Restoration Strategy

1.0 Background to the Study

Kenya Airways Limited, KQ, is the flag carrier and largest airline of Kenya. KQ prides itself as the African Airline. The airline underwent a major economic crisis during the 2015/16 financial year, amounting to a total of 29.7 billion losses in March 2015, leading the carrier to be rated as the highest loss-making company in East Africa. This crisis eventually tarnished its image. A financial crisis occurs when a company does something that makes it to suffer financial consequences. Financial crisis damages the corporate reputation of an organization by affecting the power of the brand, customer satisfaction, service delivery, perception of management strength and integrity and clarity of strategic choice direction (Anthonissen, 2008). In the case of Kenya Airways, its reputation was damaged during the 2015/16 financial crisis. The airline attributed this crisis to so many factors such as threat of terrorism, volatility of exchange rates, West African Ebola crisis, low passenger numbers, high and fluctuation of fuel costs, and strong competitive pressures in their key markets like Ethiopian airlines. Underpriced ticketing and large aircraft purchases also led to financial losses (Kenya Airways, 2015).

These factors cumulatively had a negative effect on the Kenyan aviation sector and thus, both the operational and financial performance of the airline during the 2015/16 crisis was adversely impacted leading to huge image loss (Kenya Airways, 2015). As a result of this, the airline board and management team formulated a turnaround strategy called 'Operation Pride' which focused on three main priorities, namely: returning to profitability through revenue enhancement and cost containment, refocusing and resizing the business and enhancing partnerships (Kenya Airways, 2016). The board of directors also took a decision to reduce their fleet by offering for sale of four B777-200ER aircrafts. The airline also sold one of the aircraft (B767 – KYX) and received KSH 322 million on the sale during the month of March 2015. Furthermore; approximately 600 employees were also laid off during the 2015/16 crisis (Kenya Airways, 2016).

Crisis is a sudden and unexpected event that threatens to disrupt an organization's operations leading to financial and reputational loss (Coombs & Holladay, 2010). Crisis injures the reputation of an organization within a short period of time if not managed very well. Because of this, image restoration strategies should be employed during a crisis so as to restore the lost reputation.

Coombs & Holladay, (2002) further explains that when a crisis hits, crisis management should be adopted, this is a process designed to prevent or lessen the damage a crisis can inflict on an organization and its stakeholders. Crisis management is divided into three broad phases: Pre-crisis, crisis response and post crisis.

Pre-Crisis Phase is the first phase and it is concerned with prevention and preparation of a crisis. Prevention involves reducing known risks that could lead to a crisis while preparation involves crisis management plan (CMP) that is updated annually, selecting and training crisis management team and conducting exercises annually to test the crisis management plan and crisis management team. Planning and preparation allow crisis teams to react faster during a crisis and to make more effective decisions (Coombs & Holladay, 2010).

The second phase is the crisis response phase which is all about what crisis managers do and say after a crisis hits. This phase has been divided into two sections: the initial crisis response and reputation repair and behavioral intentions. During the initial crisis response, the crisis management team should be quick by giving the initial response within the first one hour, be accurate by carefully checking all facts and be consistent by speaking in one voice. The second section is reputation repair and behavioral intentions which involves attacking the accuser, denial, scapegoat, excuse, justification, reminder, ingratiation, compensation and apology (Coombs & Holladay, 2010). The last phase is the post crisis phase. According to Coombs & Holladay (2010), this is the last stage and it is when an organization is returning to business as usual. Crisis is no longer the focus in this stage but it still requires some attention. Reputation repair strategies may be initiated during this stage. Follow-up and additional communication is also required. This phase should act as a learning experience and the learnt lessons should be integrated into the pre-crisis and crisis response phase.

2. 0Theoretical Literature

According to Coombs, (2007), there exists no one correct response to all crises. The response is entirely dependable on the crisis types and how key facets of the situation influence attributions and reputations perceived by stakeholders. The broad image restoration strategies employed during a crisis are; denial, evasion of responsibility and reducing offensiveness of an event (Benoit, 2004). Denial strategy means that the accused denies that there is a crisis or shift the blame to culprit. This strategy is effective when an organization is innocent. When using denial, a communicative entity can either use simple denial by claiming that it did not perform the act, or shift the blame by saying someone else is responsible (Benoit, 2004).

Evading responsibility or excuse strategy holds it that an actor pleads a lack of control related to an act and hence makes an excuse based on unintentional acts or that it had good intentions (Benoit, 2004). Excuse has the following four components: firstly, provocation: the actor claims that an act was committed in response to other wrongful act. Defeasibility: the actor pleads lack of knowledge or control over important factors related to offensive acts. Another one is to make an excuse made of accidents: making an excuse for factors beyond control. Lastly, to suggest the action was justified based on good intentions: the actor asks not to be held fully responsible based their good, rather than evil motives in committing the act (Benoit, 2004).

Reducing offensiveness or ingratiation has it that the accused may try to reduce the degree of negative feeling experienced by the audience. The ingratiation strategies seek to gain public approval by connecting the organization to things positively valued by publics (Benoit, 2004). Ingratiation strategy has six components: Bolstering which is stressing good traits, minimization which means an act is not serious, differentiation which means an act is less offensive than similar acts, transcendence which means more important values, attacking the accuser which means reducing the credibility of the accuser, compensation which is to reimburse victims, corrective action is to plan to solve or prevent recurrence of a problem and finally mortification which means to apologize (Benoit, 2004).

3.0 Research Methodology

This study adopted a descriptive-interpretive research design. This design enabled the researcher to identify patterns in the data that led to a better understanding of the texts from Kenya Airways and magazines and press releases. Total population sampling technique was used to pick magazines and press releases that communicated information concerning Kenya Airways image restoration strategies. Entire population sampling is adopted if the size of the population being investigated is very small and it has a particular set of characteristics (Ritchie & Lewis, 2003). Data was analyzed through textual analysis which is a method that communication researchers use to describe and interpret the characteristics of a text. The purpose of a textual analysis is to describe the content, structure and functions of the messages contained in texts (Frey & Botan & Kreps, 2000). In this study, texts of Kenya Airways' magazines and press releases disseminated during the period of March 2015 and September 2016 were textually analyzed and interpreted. For ease of analysis, these texts were grouped into three phases; phase I, phase II, and phase III. These phases represented major turnaround strategies in the airline.

4. 0 Findings and Discussions

4.1 The dominant image restoration strategies employed by Kenya Airways in its communications during the 2015/16 crisis

Based on the findings, the dominant image restoration strategies employed by Kenya Airways during the 2015/16 financial crisis were displayed by the examples below:

4.1.1 Phase I: Anticipatory reduction of offensiveness of financial crisis through bolstering and transcendence strategies Kenya Airways adopted anticipatory reduction of offensiveness of the financial crisis through bolstering and transcendence strategies by reminding its stakeholders of the good works done by the airline in the past. This is seen when the airline displayed its excitement after winning the offer by the African Union to fly the health officials to the Ebola hit countries as shown in example 1 below: Example 1, 1st March 2015, Kenya Airways' in-flight magazine: Kenya Airways' former Group Managing Director and Chief Executive Officer Mbuvi Ngunze said: "We are incredibly honored by the AU…to have won the bid to fly the health officials, who are on a mission to assist our brothers through the crisis.

The airline further utilized anticipatory reduction of offensiveness of the financial crisis through bolstering and transcendence strategies. This is perceived when the airline communicated positive attributes about the new Terminal 1A as seen in example 2 below: Example 2, April 2015 Kenya

Airways' in-flight magazine: The opening of the airport's new Terminal 1A which has three floors and includes duty free shops, a food court, customer lounges and a mini-market among other facilities, has the capacity to handle one-way peak hour traffic of 1500 passengers.

Kenya Airways also used anticipatory reduction of offensiveness of the financial crisis through bolstering and transcendence strategies by priding itself as the first African airline to connect to Vietnam as shown in example 3 below: Example 3, May 2015 Kenya Airways' in-flight magazine: Kenya Airways has launched its direct service to Hanoi from its hub at Jomo Kenyatta International Airport in Nairobi, making it the first African airline to connect the continent to Vietnam.

During the month of June 2015, Kenya Airways further used anticipatory reduction of offensiveness of financial crisis through bolstering and transcendence strategies. This is noticed when Kenya Airways won the prestigious British Safety Council International Safety Award 2015 as seen in example 4 below. Example 4, 1st June 2015 Kenya Airways' in-flight magazine: Mbuvi Ngunze said "Kenya Airways has been awarded the prestigious British Safety Council International Safety Award 2015, which recognizes organizations across the world that excel in occupational safety and health management."

As a continuation, in the month of July 2015, it can be seen that the airline also adopted anticipatory reduction of offensiveness of financial crisis through bolstering and transcendence strategies by partnering with the Kenya Golf Union and Kenya Tourism Board. Example 5, 1st July 2015 Kenya Airways' in-flight magazine: Mbuvi Ngunze said "In order to increase the tournament success, Kenya Airways has partnered with the Kenya Golf Union (KGU) and extended invitations to the Kenya Tourism Board and the Kenya Open Championship."

During the month of August 2015, Kenya Airways further employed anticipatory reduction of offensiveness of financial crisis through bolstering and transcendence strategies as well. The airline did this by introducing new changes in its flights as seen in example 6 below. Example 6, August 2015 Kenya Airways' in-flight magazine: Mbuvi Ngunze said: "we have introduced new cheap flights, lower entry, fares on some of our markets for early-bird customers. We are keen to have our guests grab the Hot Deals and enjoy a whole new experience with us."

Additionally, in the month of September 2015, Kenya Airways employed anticipatory reduction of offensiveness of financial crisis through bolstering and transcendence strategies. This is seen in the example below when the airline extended support of East African Safari Classic Rally. Example 7, September 2015 Kenya Airways' in-flight magazine: Mbuvi Ngunze said: Kenya Airways extended support of East African Safari Classic Rally which continues to promote trade, tourism and business opportunities between East Africa and the rest of the world.

Moreover, during the month of October 2015, the airline employed anticipatory reduction of offensiveness of financial crisis through bolstering and transcendence strategies again by reminding its stakeholders that the Kenya Airways is a leading airline in the region and its commitment in curbing poaching and the illegal trade of wildlife. Example 8, 1st October 2015, Kenya Airways' in-flight magazine: Mbuvi Ngunze said that, "as a leading airline in the region, we are against the movement of trophies of elephants and rhinos among other endangered species on our planes."

In addition to that, in the month of November 2015, the airline still used anticipatory reduction of offensiveness of financial crisis through bolstering and transcendence strategies. This is seen when Kenya Airways informed its stakeholders that it was a key sponsor at the Social Good Summit held in Nairobi. Example 9, 1st November 2015 Kenya Airways' in-flight magazine: Kenya Airways was a key sponsor at the Social Good Summit held in Nairobi.

Furthermore, in example 10 below, the airline utilized anticipatory reduction of offensiveness of financial crisis through bolstering and transcendence strategies. It did this when it communicated to its stakeholders that Kenya Airways Zimbabwe won the Customer Contact Association of Zimbabwe Service Excellence Award for the second time. Example 10, 1st December 2015 Kenya Airways' in-flight magazine: "Kenya Airways Zimbabwe has won the Customer Contact Association of Zimbabwe Service Excellence Award for the second year running."

4.1.2 Phase II: Reducing offensiveness of financial crisis through corrective action strategy

At the beginning of this period under analysis, that is the month of January 2016; Kenya Airways adopted reducing offensiveness of financial crisis through corrective action strategy as depicted in example 11 below. Example 11, 1st January, 2016 Kenya Airways' in-flight magazine: Mbuvi Ngunze said: " "going forward the main focus of the company will be on the business turnaround, with the launch of Operation Pride, a program that includes a multitude of initiatives designed to turn the airline into a profitable and proud organization again."

In the month of February 2016, Kenya Airways also employed reducing offensiveness of financial crisis through corrective action strategy. This is seen when the airline replaced the ageing 737-800s with B737-800NG. Example 12, 1st February 2016, Kenya Airways' in-flight magazine: Kenya Airways takes delivery of its eighth B737-800NG. "This is the eight and the final delivery of 737-800NGs leased from GE Capital Aviation Services, brought in to replace the ageing 737-800s in KQ'S fleet, further enhancing its position as the airline with the youngest fleet in Africa."

As a continuation, during the month of March 2016, Kenya Airways also employed reducing offensiveness of financial crisis through corrective action strategy. During this month, the airline corrected the financial crisis by selling four remaining Boeing 777-200ER aircraft to the US-based airline Omni Air International as discussed example 13 below. Example 13, 1st March 2016, Kenya Airways' in-flight magazine: Kenya Airways has sold two of its four remaining Boeing 777-200ER aircraft to the US-based airline Omni Air International. KQ announced its intention to sell its B777-200 aircraft in November 2014, as it sought to rationalize its fleet following the arrival of the state-of-the-art Dream liners.

In the month of April 2016, Kenya Airways also implemented reducing offensiveness of financial crisis through corrective action strategy. The airline corrected the financial crisis by awarding their loyal customers with platinum life status as presented in example 14 below. Example 14, 1st April 2016, Kenya Airways' in-flight magazine: Kenya Airways is awarding their customers who have flown with the airline or any of the Sky Team members on 60 one-way flights every year for ten consecutive years without fail. As part of its turnaround strategy, the airline enhanced its connectivity across its network. This is observed in the month of May 2016 when the airline also utilized reducing offensiveness of financial crisis through corrective action strategy. Example 15, 1st May 2016, Kenya Airways' in-flight: Mbuvi Ngunze said: Kenya Airways have boosted connectivity across their network by at least 20 per cent following several flight schedule changes that came into effect on 27 March.

In example 16 below, the airline also utilized reducing offensiveness of financial crisis through corrective action strategy by adding a new destination to its network. Example 16, 1st June 2016, Kenya Airways' in-flight magazine: Mbuvi Ngunze said: "we are excited to add a new destination to our network we continue to connect Africa to the world and the world to Africa."

In the month of July 2016, Kenya Airways further adopted reducing offensiveness of financial crisis through corrective action strategy. As part of the operation pride, the airline corrected the financial crisis by subleasing its second B787 to Oman Air. Example 17, 1st July 2016, Kenya Airways' in-flight magazine: "The delivery of the second B787 to Oman Air completes the transaction of the sub-lease with the Omani carrier, with the agreement lasting for three years."

Furthermore, during the month of August 2016, Kenya Airways further employed reducing offensiveness of financial crisis through corrective action strategy by offering a direct service between Livingstone and Cape Town as seen in example 18 below. Example 18, 1st August 2016, Kenya Airways' in-flight magazine: Mbuvi Ngunze said: "We are excited to add a new destination to our network. We continue to connect Africa to the world and the world to Africa.

4.1.3 Phase III: Corrective action and shifting the blame strategies

This is the last phase of the Kenya Airways' dominant image restoration strategies during the period of this study. This phase covers the period of 21st July 2016 and 1st September 2016. At the beginning of this period under analysis, Kenya Airways employed corrective action and shifting the blame strategies This is seen when the airline tried to correct the financial crisis and shifted blame to three significant items namely; currency fluctuation, debts and fuel hedging as displayed in the example below 19: Example 19, 21st July 2016 Kenya Airways' press release: "Three significant items negatively impacted the financials. The US dollar strengthened significantly against the Kenya shilling (12.9%) and other currencies, resulting in an increase in foreign exchange loss of Ksh 9.7 billion. The group's cost of borrowing increased, incurring an additional Ksh 2.3 billion in interest expense. In addition, the movement in international oil prices during the year unfavorably impacted the group's fuel hedges, resulting in an additional Ksh 5,093 million in realized fuel hedges losses.

In addition to that, Kenya Airways further employed corrective action and shifting the blame strategies. The airline attempted to correct the financial crisis by selling off and leasing some of its surplus aircrafts, monetizing assets, and right-sizing its staff. It shifted blame to three external micro-economic factors, which are wild currency fluctuations, volatility in fuel prices, and a changing commodity price environment as perceived in example 20 below: Example 20, 21st July 2016 Kenya Airways' press release "Mbuvi Ngunze, said: "As part of its turnaround strategy, Operation Pride, KQ has sold off and leased some of its surplus aircraft, and monetized certain assets. A staff right-sizing exercise is ongoing. The results were achieved in a tough aviation context, in which airlines continue to be weighed down by wild currency fluctuations, volatility in fuel prices, and a changing commodity price environment."

After utilizing these image restoration strategies, Kenya Airways turnaround strategies led to positive results. This is when the airline realized significant operating improvements; passenger numbers increased to 4.23 million, revenue grew by five per cent to Ksh 116 billion and operating costs reduced by five per cent. Gross profit significantly improved up to 42 per cent while reducing overall losses. Furthermore, other key positive events that took place were continued implementation of turnaround strategy through Operation Pride, Kenya Airways reviewed long-term options in relation to its capital structure in order to underpin its turnaround strategy and Key stakeholders, including the Government of Kenya, remained supportive of the company's efforts.

6. Conclusion

Crisis threatens to disrupt an organization's operations leading to financial and reputational loss. Therefore, just like Kenya Airways, other organizations undergoing any kind of a crisis might utilize the various image restoration strategies as offered by William Benoit.

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