

# SURVIVAL SKILLS for Flight Departments

The robust ones promote themselves to company leaders & bean counters

by Matt Thurber

When the business climate is healthy, when the stock market climbs and when consumer and business confidence rises, optimism prevails in the trenches of business aviation and new aircraft are sold and new flight departments are formed. But the operation of corporate flight departments can be a risky business, and no matter how good the economy, changes in circumstance can trigger the dreaded news: another flight department is closing.

During the past year, pilots, mechanics, schedulers and dispatchers, flight attendants and managers received the dismaying news that their flight departments were shutting down—among them, the operations serving Darden Restaurants, Coventry First, American Seafoods, Masco and McGraw Hill Financial. While this is all part of the normal churn of business-flight departments were also created during that period—it might also be a reflection of the way flight departments and their corporate overseers relate to each other.

“One of the things we have noticed as we work with many flight departments is that the role of the reporting executive at the corporation and the role of the

aviation director are both changing,” said Jim Lara, principal of Gray Stone Advisors, Knoxville, Tenn. The problem with many flight departments, he explained, is that business aviation-focused managers bring a more technical perspective “rather than truly understanding the mission of their host organization and its strategic direction.”

Lara cited two examples of companies he worked with during the past year. One reporting executive at a corporation was interested in how the flight department could add value. In this case, the company has a regular need to send executives to China, where assembly work is done, and the goal was to minimize the total time of the trip for these travelers. The company aircraft could keep the total travel time to an average of 30 hours. The flight department managers “came to the realization that the department’s ability to provide this is a real point of value,” he said. Understanding how much their company and reporting executive appreciated this capability, the managers reorganized the flight department structure and crew roster to ensure these trips could truly excel at meeting the needs of the traveling executives.

The managers learned to anticipate their company’s needs instead of just reacting, by looking for other similar opportunities within the company, Lara explained. “They now have a seat at the table on the planning side.”

In the other example, Lara worked with a reporting executive who is part of a new generation replacing older leaders. One facet of this generational change, Lara explained, is that up-and-coming leaders are being promoted from the ranks of middle management and aren’t as familiar with business aviation and its benefits, because they aren’t normally authorized users of the company aircraft. In this case, the executive had no experience flying privately. “His discussion was all around cost,” he said. “That’s a common metric in business. He was talking about business aviation costing 10 to 12 times the price of an airline seat and [asking] how that can be worth it. We’ve got a completely different communication challenge with a reporting executive who is not an authorized user as opposed to one who is an authorized user.”

## A Strategic Business Asset

No matter the background of the reporting executives, however, it is imperative that today’s flight department managers have a seat at the table at corporate headquarters, Lara asserts. “You must be involved with where the corporation is going and developing ways for doing better from a financial and innovation perspective. You can’t be at the airport. You have to work with the reporting executive to have that every-month conversation not only on how you’re doing but also about how you have contributed to the company’s

success over the past month. You have to be able to quantify that and to know what the company deems important, then measure and report against that.”

As much as the business aviation industry hates to admit it, some companies and owners use jets as “royal barges” to fly people around without clear business purpose. The smarter use, of course, is to treat the aircraft as a strategic business tool, Lara explained, to help the business grow, bring customers to headquarters and facilitate access to remote locations for the leadership team more efficiently than other transportation options. Lara used to work in the turnaround business. “Business aviation was our strategic tool, our time machine,” he said. “We could keep our leadership team tight and have broad geographic access. We’re believers in business aviation, and we found it to be such a compelling and competitive tool that we’re now devoted to business aviation.

“Businesses grow and change,” he added. “If they have a tool that is not producing a return on investment, they’ll dispose of it because it has no value. It’s all about the numbers, about what value is being created by this asset and what returns are being reaped. If there aren’t any returns, you don’t have a reason for being. You’ve always got to be mindful of that.”

## ROI Advice

When it comes to advising companies about how to ensure that the flight department is delivering a solid return, Gray Stone Advisors generally works directly with the flight department. If the corporation asks for help, Lara always gets the flight department involved. “The flight department is always an integral part of anything we do,” he said.

The first step is to discuss with the flight department and its company leaders “their perception of how business aviation creates value for the organization,” Lara said. Surprisingly, few organizations express interest in NBAA’s TravelSense software, perhaps explaining why the association no longer supports it. The software calculated airline-versus-business aviation trip costs while taking into account the time cost of the passengers.

“The real question is about value,” he explained. “As one of our reporting executives told me, we never get any questions from shareholders on business aviation if we’re making our numbers. If not, they’re all over us about how we’re running the business. People used to focus on how much an executive’s time is worth and how that stacks up in airline versus business aviation travel time. We’ve learned that boards of directors never hire CEOs or senior executives based on the premise that they’re going to break even. If you take their compensation and divide by 3,500 hours and say, ‘That’s what the executive costs and how does that compare with our aviation cost?’ that’s the wrong





## RECOMMENDATIONS FOR AVIATION MANAGERS

Get a high-quality education with a business focus.

Be a life-long learner. You have to develop yourself relentlessly to stay relevant and contemporary.

Find a mentor at company headquarters to help you develop your career plan and build your skills.

Volunteer for special assignments to show you're willing to learn and demonstrate skills beyond the aviation department and get more exposure inside the corporation.

Keep networking within and beyond aviation and become involved in the fabric of your community, which will help you develop leadership skills in new areas.

Summon the courage to have a conversation. While this could bring negative consequences, you have the best interests of the flight department and the jobs of its employees at heart.

"The heads-down model is a generation or two out of date. If the corporation goes radio silent that's not a good thing. You've got to have the lines of communication open all the time." ■

Source: Jim Lara, principal, Gray Stone Advisors

question. It should be, 'What is that executive worth to the shareholders and the corporation?' It's generally a multiple of 50 times compensation. If you start doing that, the numbers get pretty big pretty fast."

Information often comes to light during these meetings with Lara that flight department managers had never heard, such as a critical series of customer-facing opportunities coming up in the next few months. Lara and his team will ask for more details and help the flight department use its resources to "minimize the travelers' time out of the office and maximize time with the customer," he explained. "You don't want to be asked. Go after it, generate your own business. The aviation manager should be the travel expert."

In some cases, the reporting executive knows nothing about business aviation, and Gray Stone Advisors has been asked for a "full-immersion program" to teach the executive about the flight department that is under his or her charge. Part of this effort includes taking the executive for a three-day deep dive into business aviation at the annual NBAA Convention. "Those are fun assignments," Lara said. The executives are "eager to learn, fun, sharp and get it very quickly. They study it just like they would study being put in charge of a new business at one of their conglomerates."

### Preparation and Training

For the flight department manager who wants to lay the ground for maximizing the department's benefits and fend off the surprise of a shutdown, there are some steps that Lara recommends taking. Of course, these may not help if circumstances make a shutdown inevitable. For example, Darden Restaurants (which owns Olive Garden and LongHorn Steakhouse, among others) closed its flight department last year, officially because of a restructuring of its support functions. Company executives will travel on the airlines or by car, a company spokesman told AIN. He added that

business aviation served Darden well when it was growing rapidly, helping executives reach locations without airline service. "We have significantly slowed our growth at the company," he said, "so that's the main reason; we don't need to make those trips as frequently." Last year hedge fund Starboard Value took over Darden.

Undercurrent News reported last October that American Seafoods closed its one-jet flight department because of a collapse in prices for its core fish products. The Masco shutdown had to do with "a change in leadership at the chairman level," said Lara.

"I don't think it's anything unusual. Companies continually assess what makes sense for them and what doesn't and what's generating value and what isn't," he said. "The business cycle is always running, and you're going to see new flight departments starting and legacy departments closing. If you're not generating value and can't demonstrate it, you're not going to be there."

Dave Weil, CEO and founder of consultancy Flight Department Solutions, has seen flight departments close for all of the reasons cited above. "There are many different factors," he acknowledged. "You've got to have a CEO who really believes in aviation. Or maybe the new guy has a financial orientation; it's tough to deal with that."

"A smart flight department manager will understand how to communicate the value of what the department is doing," Weil said, "and if the CFO and CEO at least are open to listening and talking about it, then a smart manager can get them to appreciate it more. You want to figure out how to maximize the flight department for the executives. The more successful you are, the less likely something bad is going to happen." □



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