

## The Executive's Role in Flight Performance

*Peter v. Agur, Jr., President  
The VanAllen Group, Inc.*

As a senior business executive, being on board your business aircraft is one of the few places you are not in control. Since you probably don't know how to fly, that may be a good thing. On the other hand, it may not. You may be the weak link in your flight department's performance.

Here is a sobering observation: fewer than one in twenty flight departments routinely perform at a level above a C+ or B-. Yet, if effort and desire were all it took, most flight departments would get an A or B. But that isn't enough.

Most flight departments are staffed and led by bright, well-meaning, high energy, ambitious professionals who understand high service better than the matre'd of a four star restaurant. Then why is there so often a disconnect between their desire, aptitude and abilities versus the outcomes they create? Why are these prized people not achieving what they, personally ache to deliver; destination solutions with perfect safety and outstanding service at the lowest practical cost? Frequently, the failure is a lack of executive leadership. Your flight department needs your help. They need your guidance and authority to perform successfully on behalf of your company and its travelers.

Let me explain my grading system:

- "A" - Absolute leading edge in technology, staff, policy and performance on all levels and in all activities.
- "B" - Best practices.
- "C" - Competent, safe.
- "D" - Demonstrated need for improvement or is improving to become competent, safe, or better.
- "F" - Fails to "get it" and may not want to, may be lucky... so far.

"Absolute leading edge" is a level very few organizations can afford or want to achieve. It is sometimes called the "bleeding edge". The cost alone for leading edge achievements can be staggering. The return on investment is rarely justified. But there may be specific elements or practices that you or your flight department choose to target the lofty goal of leading edge. Most of those elements are related to "safety".

"Best Practices" is a very high and reasonable objective. It is also very difficult to maintain because those practices are continually evolving and improving. Which means there must be a continual investment in identifying those changes, evaluating their merit, and spending the time, money, and effort to incorporate them into your flight department.



"Competent" is a minimum standard for performance. Yet, it is the neighborhood in which most flight departments toil hard to continually operate. That is not a condemnation - it is a fact. "Competent" implies the flight department is continually successfully serving your needs and expectations in the face of a wide variety of externally and internally induced challenges and opportunities. This is good. It is also the minimum standard for effective risk management. Anything lower than competent induces significant safety, service and financial risks.

Only if you are ignorant, a fool or suicidal would you venture into the air in an aircraft or with a crew that is incompetent. An incompetent aircraft or crew is usually an acute or "right now" problem. It happens to most flight departments, from time to time, for lots of reasons. For example, one common source of temporary incompetency is the introduction of a new staff member who is not yet familiar with your flight department's processes, policies and procedures. Another is to acquire an aircraft whose systems, operating characteristics and mechanical condition are unfamiliar to its operators. Or a crewmember has a head cold or insufficient rest. The best flight departments recognize when they are entering into an arena in which they are competency challenged and take deliberate steps to manage the risks or to accelerate the transition to competency, or higher.

The ones that "fail to get it" are rare, but not rare enough. They are the rampant rhinos who bend the rules to get it done. They rarely see themselves as being dangerous, but since they are selective about which minimum standards to practice, they are candidates for the Darwinian model for performance improvement, to their passengers' peril. Rampant rhino's are easily identified. Their peers refer to them as "accidents waiting to happen". Their superiors say things like "they always seem to find a way to get us there" or "I'd fly with him anywhere, anytime, in the worst conditions, because we have". The guy who jumped off the Empire State Building and called out as he plummeted past the 53rd floor, "So far, so good", used a similar rationale.

As an executive, you are co-responsible for your flight department's performance. It is your leadership, guidance and authority that assures your flight department's success or sets it up to fail. You exercise that responsibility in two ways: Purpose and Policy.

### **Purpose**

If top management fails to define a business unit's purpose that unit's leader is apt to use his intuition and make one up. If most flight departments are a corporate strategic resource and most flight department leaders have a strong operational managerial bias, it is your responsibility, as a senior executive, to help close the Venus-Mars gap.

The chairman of a Fortune 100 company recently described one of the most effective statements of a flight department's purpose, "Our business aircraft give us five or more added years of service from each of our top executives. Our top executives work hard for our business and its shareholders. The continuity and impact of their effort far exceeds the costs of our flight services." His vision of the flight department's purpose is clearly strategic. He expressed it in terms of high value results rather than in cost



savings. Many executives have difficulty keeping the two issues, value versus cost, in balance or context.

The purpose of a flight department is normally expressed in terms of the strategies of the parent business, its key members and its most important markets. The clear expression of that purpose establishes the foundation of what services the flight department provides, for whom, with what resources and in what manner and for what costs.

In another instance, the chairman of one of the world's leading investment banking firms said it eloquently; "We do business with the leaders of nations and industry. Our guests must be at least as comfortable, physically and emotionally, on our aircraft as they are on their own. Our three highest priorities for our aircraft operations are safety, safety, and safety. We must then deliver a world-class travel experience. And finally, I will treasure every nickel they save in making those things happen." With a statement of purpose as clear as that, it is much easier for the flight department's members to place brush to canvas and make the chairman's vision come to life.

Looking at these two statements of strategic purpose, the issue isn't cost or revenue per unit of activity, like that of a bus or a mail truck. The issue is to have the aircraft available for a trip and the impact of that trip's success, like a fire truck. Using this definition of aircraft services as a strategic activity, it is apparent that traditional measures of cost-benefit do not apply as effective metrics or management guidelines for value determination.

Don't get me wrong. Some aircraft services clearly are economically driven. They are most often characterized as shuttle operations. These services frequently provide cost and time effective travel support on routes the commercial carriers do not. The economic exception is when there was a strategic need for the privacy for the passengers or the materials they carry. Otherwise, shuttle services would not normally be the purpose of a flight department. Those expectations, goals and management metrics must also be appropriate if a flight department's services are expected to be cost beneficial, like those of a shuttle.

The hybrid use of business aviation services is occasionally confusing for managers and operational staff alike. That confusion arises when top management indicates that in addition to its strategic mission there is a desire for the flight department's resources to create added value by conducting supplemental trips of a cost-beneficial nature, either for internal customers whose commercial travel costs would be greater than the marginal cost (i.e., direct operating cost) of using the aircraft's slack capacity or by generating cash revenue with charter trips.

Unfortunately, it is common for internal mid-level managers and flight department personnel to equate their success to that economically driven supplemental mission. But, make no mistake about it. A flight department whose primary purpose is to support the strategic intent of its company is generating relatively little added value by carrying non-strategic passengers to save a few thousand dollars here or to earn a few



thousand dollars there. In fact, it is important that the secondary mission not interfere with the primary strategic objective of assuring key passenger time-place mobility. To say it another way, it is a major mistake for the fire truck to be delivering mail on a remote route when a major fire breaks out back home.

If this all comes across as a little confusing, it will be easier for you to understand how and why corporate managers and flight department leaders, may become uncertain about the true purpose of their flight services. In the end, it is imperative that top management be deliberately clear about the flight department's purpose. That clarity will make it easier for everyone.

### **Policy**

Purpose is supported by effective policy - there must be a match between mouth and movement. The following partial list of elements contain a brief commentary of some of the most common opportunities for critical alignment between top management's expectations and the flight services group's performance.

#### Organizational Structure

The flight department manager should report to a level within the corporation consistent with the department's purpose. If the department is a strategic tool than the manager should report to a strategic manager, a senior executive. Otherwise, a department that reports to a mid-level operational manager is more apt to encounter structural barriers to effective decision-making or policy support. You may not want it to put a mid-level manager in potential position of making a career limiting effort of taking on one or more 500-pound gorillas.

On the other hand, if the purpose of flight services is operational, they may effectively report to an operational manager. No matter which, it is imperative that the policy and budgetary issues be easily addressed. Many flight department decisions or concerns are time sensitive because of safety, the mission, the magnitude of the problem as it affects key passengers (nee top executives), or pending substantial costs. Administrative delays due to ineffective structure and lack of authority can be expensive, both politically and financially.

#### Flight Services Use and Distribution

The purpose of flight operations should drive the selection of their marketing channels and systems. If the purpose is strategic, the number of authorizers should be limited to the primary users or beneficiaries of those services. Since strategic operations are not cost sensitive, it may not be necessary or appropriate to impose charge back fees for the flight department's services. Additionally, trip request conflict resolution should be based on the value of the trip for the business.

If the purpose includes operational trip support, the number of authorizers should remain relatively small (the average is six per aircraft). If the authorizers' titles are lofty enough there may be no need for charge back fees, since the political price of a misjudged request can be dear. Both instances can promote highest and best use of the aircraft. On the other hand, if the corporate culture and budgetary policies need



additional help in assuring the most effective use of the aircraft, a charge back rate of the direct operating cost of the trip is often sufficient. Competing requests for operational use of the aircraft could easily be settled based on the hierarchy of economic need (time and dollars).

Although it is becoming less common to hear crews complain about executives overtly or subtly pushing them to exceed defined performance limits (runway, duty day, weather minimums, etc.), the hillsides continue to be littered with the exceptions. Do be clear about the pilot's authority and responsibility to assure safety, even to the result of a denied destination. Be certain to acknowledge good decision-making in the face of the pressure to perform.

#### Financial Capital Budget

There are two important aspects of the flight department's capital budget: aircraft and facilities.

The aircraft must support the purpose and the mission (range, passenger load and use, runway and airport limitations, etc.). New versus used aircraft choices are influenced by financial and technical performance factors. Remember that even though a well-maintained jet can be operated safely for twenty-plus years, the practice among many companies is to limit the maximum aircraft age to about fifteen years from date of manufacture. Sure, there are a lot of great 20 year old Hawker 700s out there but even they are getting harder to maintain, more difficult to upgrade to RVSM (Reduced Vertical Separation Minimums), and their direct operating costs are significantly greater than their younger siblings.

The aircraft should be equipped for function (comfort and productivity amenities) as well as safety. Current high standard safety technology "need to haves" include, but are not limited to:

- Traffic and Collision Avoidance System (TCAS),
- Ground Proximity Warning System (GPWS and its much more effective next iteration, Enhanced GPWS),
- Reduced Vertical Separation Minimums (RVSM) for current Atlantic and Pacific route access (North American routes will be added in a few years),
- Automatic External Defibrillator (AED), and
- Therapeutic oxygen as well as sufficient oxygen capacity to support a systems failure at the most inopportune time en route.

Heads Up Display (HUD) is a "very nice to have" but Synthetic Vision or Enhanced Vision System will be the next major improvement in safety equipment.

The acquisition of an aircraft sounds pretty straightforward; until you talk to contract lawyers, tax attorneys, risk managers, aircraft salesmen, flight department managers, friends and neighbors. When it comes time to do the deal, don't leave home without them.



The hangar facility capital issue is less obvious. The ongoing boom in business aviation has put a lot of pressure on storage facilities. The recent large increases in hangar rents in the Northeast are testimony to the economics of the problem. Many companies do not invest enough in their hangar facility to protect and maintain their multi-million dollar aircraft properly. Quite often the landlord, the fixed base operator, dictates the storage space allocated for the aircraft. The rent for that space should not only guarantee that your aircraft is inside whenever it is home but that it is free from being packed into a group hangar with a high risk of being damaged in a hangar rash incident, or worse. Even though a ground or storage related event is usually covered by insurance, it is still one of the most insidious and expensive unnecessary costs you can incur in the aircraft's ownership cycle. If at all possible, get discreet and dedicated space to assure your precious aircraft's security.

Now that you have the aircraft and hangar space, don't forget the necessary maintenance tools, spare parts, test equipment, inspection stands and OSHA-related safety provisions.

#### Human Capital Budget

The most important person you hire for your flight department is its manager. He (most are men but there are a growing number of very capable women, too) must be able to effectively manage multi-million dollar resources and budgets, develop and orchestrate high performance work teams, and be able effectively mix with other corporate managers who are his peers and competitors for his department's budget. In his spare time he may be able to fly, too.

In the past, many flight department managers were anointed into their positions because they had the greatest tenure or had developed a great rapport with the boss. However, the attributes that make someone a great technician (pilot, computer jock, physician, etc.) are not the same set of skills and aptitudes that will ensure their success as a manager. Select and develop your flight department manager with those concerns in mind or be prepared to bare the responsibility and consequences for his failure.

Minimizing headcount is likely to be a continual concern in the economics of the core business of your company. That is not the case at the flight department and it should be held separate from traditional staffing metrics. There are a number of good reasons why:

- Safety failures in aviation are 70% human factors-sourced. Therefore, you attract, hire, develop and keep the best and brightest people possible. Temporary people, no matter how cheap or qualified, do not perform in a team environment nearly as well as established members.
- Turnover of pilots and technicians is very expensive (\$50-100k per occurrence) in contrast to the core business. Turnover also reduces the group's competence and performance of safety and service. In today's market turnover is often driven by quality of life issues as well as compensation concerns.
- Many flight departments are staffed insufficiently to effectively manage fatigue and rest for pilots. Set hard fatigue limits and then turn down trips beyond those



limits. If the cost of denied trips is great enough to warrant added crew, you know what to do. The economic case for an average of 2.75-3.0 pilots per domestic-use aircraft is very easy to make when you take into consideration the lost opportunity of not achieving the trip's objectives and the cost of having a multi-million dollar aircraft sitting idle for want of a \$50,000 per year First Officer. International crew staffing ratios require at least 50% more bodies.

- You will probably still be forced to decide whether or not to occasionally use day pilots. If you do, employ the most competent pilots available to reduce the distractions and workload caused by the lack of efficient crew coordination.
- The next easiest "head" to justify in a flight department is the technician. For each complex aircraft (mid-sized jet or twin-engine helicopter, or larger) you should have at least one technician. That technician is likely to save you more than his/her compensation in reduced maintenance costs and aircraft down time.
- The next important role to include on the roster is for administrative support. There needs to be continuity of contact at the airport. The pilots and technicians have schedules that prohibit effective manning the phones. The most expensive administrative assistant you could have would be a pilot or technician. A scheduler/administrative manager is worth her/his weight in gold.

There is an important point to keep in mind about staff development at the flight department to keep in mind. Consider the budgets for flight and maintenance training as skills maintenance rather than personnel development. That way there will be adequate funds for much appreciated organization and personal skills growth.

#### Cash flow

Two of the more appropriate means of managing money flows for a flight department's activities are (1) to have a comprehensive and effective budgeting process and (2) for the manager to have a high spending authority (as compared to other managers of support organizations).

The costs of running a flight operation tend to be fairly predictable until something breaks. Then it's like having a Mercedes on steroids. A generator for a jet can easily cost \$30,000+ (and they do wear out). Any kind of significant engine work is going to be a six-figure event. You can either give the flight department manager the latitude to deal with those unscheduled expenses on his own or you can have him take up executive's valuable time (and valuable aircraft repair time, too) asking no-brainer questions like, "May I buy this part or do you want to turn the aircraft into a \$15 million conference room?"

#### In Closing

Your flight department is your company's frontline ambassador. As a senior executive, you are co-responsible for its direction and ability to perform. It is up to you and the flight department's members, together, to make the grade to a "B", or better.