



## **Outsourcery: Dungeons & Dragons '95**

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Dungeons and dragons were the nightmares of medieval Europe. Sorcerers often stirred the pot by telling dark tales with horrific imagery. They were the keepers of secrets. Knowledge was their power.

It is no different today. We all have our nightmares. One of business aviation's dragons is outsourcing. The keeper of these secrets is the dreaded accountant. The time has come to bring some of those secrets into the light of day.

Outsourcing is seen by many of us as a threat lurking in the dark halls of corporate headquarters or in the bag of tricks conjured by various vendors. Yes, the threat of outsourcing is real. The degree of the threat may be within your control if you have the knowledge of an "outsourcerer." Let's explore some of the potions and notions of outsourcing for flight departments.

### **Why outsource - Why not outsource**

We are surrounded by demanding customers and aggressive competitors. Yet, our most important resources (people, money, time, and knowledge) are becoming more precious. A proven tool for dealing with this is outsourcing. Some companies treat outsourcing like a magic wand. Properly used outsourcing can liberate people, conserve money, save time, and focus knowledge. Improperly used outsourcing can alienate customers and open doors for competitors. It would be nice if, like a magic wand or a tool, outsourcing required an apprenticeship or came with a user's manual. Then users would know the when-to's, how-to's, cautions, and warnings. But it doesn't. As a result, there has been a lot of outsourcery trial and terror.

Knowing when not to outsource is relatively easy. A company shouldn't outsource, or compromise, strategic advantages. A strategic advantage is anything that separates you from your competitors in fact or in the perception of customers. It may be a technology, a process, or a relationship. You should use your resources to create and keep strategic advantages. You can use other's resources to free up your strategic resources.

As long as your flight department is a strategic resource there is little risk of it being outsourced. If your aviation services are not strategic you should ask yourself if outsourcing is a good alternative for your company and its passengers.

There are three cumulative reasons for people and businesses to make a major change like outsourcing: they must have the need, the desire, and the ability to do it.



### **The *need* to outsource**

A few months ago an executive, Mark, asked me if his company should outsource their flight department. I asked him if he had a need to outsource their flight department? Why would they get rid of a department that had been doing a great job?

Mark said his company was heavy into outsourcing everything that made operational and financial sense. Any part of their company that wasn't part of the core business was fair game. Their need to outsource is typical of a movement that has reached mystical proportions. It's a need based in operational policy and business trends (or fads).

The other need to outsource is financial. A dramatic example occurs when a company is suddenly faced with economic crisis. During the merger mania of the eighties a number of companies were threatened with hostile takeovers. Every spare dollar of corporate capital was needed as a defense. To a threatened company the capital invested in company aircraft represented millions of dollars in relatively ready reserves. As a result, a number of corporate aircraft were either sold or refinanced. It may seem like this is knee jerk decision making but when a company is fighting for survival amputation can be a reasonable alternative.

### **The *desire* to outsource**

The primary reason for a change in the desire to insource a flight department is a change in sponsorship. Most flight departments got their start from one benefactor who championed the cause of business aviation. That benefactor had a vision, a desire, to establish and develop a transportation tool for themselves and their organization.

When that benefactor no longer leads the company the rules of the game are unsure. If the successor has a similar appreciation for business aviation there is apt to be little change. And if the flight department is perceived as an effective tool for the company, rather than an expensive perk for a select few, there is less potential for a political or economic push for change. Flight department managers rarely have influence over these events. Often, they can only react to them as they occur.

However, there are times when flight departments have been outsourced as a direct result of their own actions, or inactions. Senior management's desire to maintain an internal flight department is inversely proportionate to the headaches the department causes. If the department is seen to be well run and contributing to the company's accomplishments and positive image the desire to keep it usually remains strong. On the other hand, if the flight department is a focal point for problems and seems to be a distraction from running the core business the desire to keep it internal can be undercut. When this happens, the flight department's services could be outsourced, even at a premium cost, and be worth it to the company's leaders.



### **The *ability* to outsource**

During the early eighties there were only a few widely known commercial alternatives to an internal flight department. Aviation Methods, Executive Air Fleet (now Jet Aviation), and Wayfarer Ketch were some of the leaders in the emerging flight services management company business. They provided performance excellence for customers who were willing to pay an appropriate fee.

Initially the services of management companies were focused on a few major cities. But two things have changed; (1) their competitors continue to emerge and (2) information technologies and communications have evolved reducing their original advantages. Today management companies offer their services wherever customers need them.

A growing trend among some business aviation departments is to explore their options for diversifying into the flight services business on a local or regional basis. If management companies can provide condominium alternatives to aircraft ownership or services why can't a corporate flight department offer duplex services?

The results are apparent. The ability for a company to outsource its flight services is an expanding opportunity rather than a barrier to change. If a flight department wants to remain insured it must monitor the need and manage the desire for its services.

### **Outsourcing as a flight department tool**

Outsourcing can be a threat to your flight department's existence. However, it is also a tool that can assure your flight department's success.

Let's look at two companies, their flight departments, and how they use outsourcing differently. The ABC Service Company is a relatively new business headquartered in a mid-sized community with customers spread throughout the country. The XYZ Manufacturing Company is an old company based in an airline hub city with plants and customers scattered across the region.

Like most organizations experiencing rapid growth, ABC doesn't have enough resources to go around. Capital and cash flow are their critical concerns. They want all their resources concentrated on gaining new ground, fast. Outsourcing support functions helps them do that. They have hired legal firms, payroll services, and others on a pay-as-you-go basis to provide non-critical functional support to their expanding and changing business.

ABC's flight department is in synch with the rest of the company. They have a core cadre of professionals who have orchestrated the purchase of good used aircraft to conserve capital, leased hangar space from a full service FBO, and supervise the maintenance of their aircraft. They are outsourcing capital intense support like facility, fuel, and phase inspections. Outsourcing also allows them to create elastic capacity. They use a few highly trained and qualified contract pilots. They also manage a close



relationship with a top quality charter company. The ABC flight department's objective is to be lean and agile. Outsourcing helps them make that happen.

XYZ Manufacturing Company has a completely different set of challenges. Over the years the company grew in girth and the recession of the early 90's hit them hard. The company has already gone through classic headcount reductions and is now deciding which business units to get rid of, or outsource. Non-essential organizations like food services and security are being contracted to suppliers who specialize in those areas. This has freed up needed capital and people for XYZ's core business.

XYZ's flight department is in synch with its parent, too. They have downsized their fleet and people population to meet only the most critical travel needs of the company. In doing so they have discontinued some services and reduced others.

As an example, over the years an XYZ Company shuttle between headquarters and several plant sites had proven to be effective and economical. Recently, the flight department manager approached a regional airline to provide those services. An agreement was reached that assures the company will continue to get top quality services at similar costs. The results are nearly transparent to the passengers. Most importantly, the company can move millions of dollars from non-revenue producing shuttle aircraft into profitable plant facilities and equipment.

In many ways outsourcing is for everyone. It's a trendy name for things you've always done. It also places new emphasis on seeking ways to do more with less. But there have been mixed results from outsourcing.

One of the support units XYZ Manufacturing decided to outsource was security. They reached an agreement with a major security firm to transfer the employment of XYZ's existing security staff to the security firm.

The same people would be working in the same places doing the same things. The only anticipated changes were the labels on the uniforms and headings on the paychecks. But there was a sudden and substantial reduction in the quality of security service. Even though the guards were working with the same "customers" they had worked with for years, they felt dislodged and disconnected. They believed they no longer worked for the people they supported, and it showed.

The lesson XYZ learned is being experienced everywhere outsourcing is applied. Outsourcing will not succeed if you abdicate your responsibility to act as a partner with the provider. The provider must (1) understand what is expected, (2) know what the established standards of service or product performance and cost are, and (3) get continuous feedback from you about current services and changing needs. In other words, you must still manage the product or service.



Like the magic wand wielded by the Sorcerer's apprentice, outsourcing is a powerful tool. It can also be a threat if your department is not creating unique value-added services. If you mismanage or misuse it, outsourcing can cause damage or reductions in performance. It is a tool that should come with a users manual. When you master the secrets of "outsourcery" you can achieve amazing results!

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*This article is from The VanAllen Group, Inc., a business and aviation consulting services firm that helps companies and their flight departments succeed together. For more information contact: Pete Agur, President at (770) 507-5001.*