Flight Path to Success
Aligning Leadership, Culture and Strategy to Fuel Innovation and Growth in Aviation

Strong operational performance and cost control have always been critical to the success of airlines. Yet, as the industry becomes ever-more complex and customer expectations grow, airlines face growing pressure to strike the right balance between managing costs and enhancing customer experience. Future success will require organizations to deftly manage traditional levers of the business while leveraging culture and impactful leadership to respond to changing industry dynamics.

The competitive landscape for North American airlines continues to evolve, as business models converge. Facing pressure from both low-cost airlines and international carriers, legacy airlines are increasing efficiency, reducing costs and fine-tuning their “experience continuum,” including adding more low-cost, no-frills fare options. Meanwhile, some discount airlines are expanding routes and offering new services with the goal of luring more business travelers from traditional carriers.
On top of the competitive challenges, airlines face growing customer demand for efficient and innovative technology as well as the ever-present risk that a customer service mistake could quickly go viral, with consequences that could include a billion-dollar hit to market value and long-term reputational damage. As a result, guest experience can’t be viewed as just another department. A commitment to the customer and customer service must be imbued throughout the organization and be a core part of the culture. And like the legendary story of the janitor at Cape Canaveral who told President Kennedy that he was helping to put a man on the moon, people at every level must view their jobs with that purpose in mind.

Growing demand, airline consolidation and improving profits gained during a long period of lower fuel prices have enabled airlines to make much-needed and much-welcomed investments in their fleets, infrastructure and technology to deliver a better travel experience for customers. As they look to the future, it will be important for airlines to continue to invest in people and culture — building agile, customer-centric leadership teams and a culture that empowers employees to work in new ways and make the right decisions for customers.

**PUTTING THE RIGHT LEADERS BEHIND THE CONTROLS**

To outperform rivals and deliver the personal, one-to-one service levels that air travelers are looking for, airlines will need nimble and agile leadership teams able to identify new opportunities and transform operational models to seize those opportunities. Several traits in particular will be important:

**An orientation toward learning and innovation.** Leaders must increasingly be outward-facing, continually monitoring developments in the sector, competitive changes and broad consumer and technology trends, and carefully considering how they will impact the business. They will have to look for good ideas from other sectors and be willing to embrace new thinking and outside ideas. As they prioritize improvements to the customer experience, for example, we have seen airlines become more willing to hire people from other parts
of the travel and hospitality industry to head areas like in-flight experience and other front-line customer touch points. These leaders have the potential to drive changes in their own areas and also to influence how the whole organization thinks about customer service and experience.

**Strategic thinking.** Transformation will continue to be on the agenda for airlines. Leaders will need to identify emerging technologies and innovative business models that can help them differentiate their companies in a competitive market, and redefine how existing models are executed — both commercially and operationally.

**Sophisticated leadership skills.** Hierarchal, top-down leadership models that make it hard for airlines to respond quickly to technology or market developments are becoming outmoded. Leaders looking to build more nimble organizations and deliver a seamless customer experience must be able to trust their teams, equip them with the information and tools they need to be effective, motivate and engage teams at all levels, and delegate decision-making more broadly. In addition, as more airlines strive to foster caring, learning-oriented and results-focused cultures, leaders must understand how they influence culture and adopt the tools to manage culture change.

**The ability to analyze data and use insights from data to accelerate decision-making.** As data and digital technologies continue to reshape the industry, leaders must embrace innovation and leverage technology to connect with customers and provide them with a distinctive experience. In addition, it will become increasingly important to use advanced data analytics to surface new business opportunities and to understand the unique preferences of customers, which is key to tailoring marketing initiatives and customer services and empowering front-line teams with the data and resources they need to make decisions on-site.
**Customer-centric.** Investments in technology and operational improvements must be grounded in real insights about customers. Innovative and strategic leaders who are able to translate customer insight for technology and process improvements can help redefine the customer experience, improving loyalty and increasing revenue in the process. Aviation organizations are turning to hospitality, casino operators, retailers and leading airlines in an effort to find leaders across disciplines with a customer-first mindset. The ability of these leaders to be effective will depend in part on how well they are able to serve as a bridge between the existing organizational culture and the culture aviation companies are trying to build.

**CRACKING THE CODE ON CULTURE**

Evolving culture will be a key pillar of the strategic agenda of most airlines, and a number of airline CEOs have spoken publicly about transforming their organizational cultures. Leaders will need a deeper understanding of the drivers of culture, and the ability to define a target culture and model desired behaviors. Increasingly, airlines are looking to build cultures that embrace learning and innovation — to encourage new ways of thinking and smart risk-taking — and caring to increase employee engagement and support outstanding customer service.

Because culture and leadership are inextricably linked, airlines will need to select and develop leaders who support the cultures they want to build. The style of the management team — especially the CEO — the way they behave and communicate, what they focus on in meetings, the questions they ask and the people who they hire, recognize and promote all send signals about the culture and how to succeed in it. Leaders play a central role in setting the tone and changing habits when an organization is trying to evolve its culture.
In addition, structures, processes and practices — including performance management, compensation schemes and training — exert significant influence on culture. When these systems and processes are in conflict with the target culture, it can impede culture change. United Airlines underscored the connection between training and values with its recently announced “core4” training program, in which some 30,000 customer-facing employees will participate in a four-hour training session focusing on providing safe, efficient and caring service.

BUILDING FOR THE FUTURE

Airlines are highly complex organizations operating highly complex businesses. Not the least of the challenges for most airlines is the need to create differentiating customer experiences in an asset-intensive industry, where managing costs will always be a concern. Airlines that will be in the best position to thrive in the future will focus on developing a strong leadership pipeline and creating a culture that supports innovation by doing the following:

Identifying a target culture and placing “culture carriers” in key roles. Cultural fit and the ability to lead cultural change will be crucial for airline leaders going forward. As organizations assess leaders for these traits, it will be important to use objective criteria, rather than relying on something as intangible as “gut feeling.” Organizations that have a thoughtful and data-driven understanding of their corporate culture and have the tools to evaluate how candidates for leadership roles fit with the culture the company is building will be best positioned to find and develop these culture carriers.
We use a framework that evaluates organizational culture and individuals’ personal style on two dimensions — how they respond to change and how people work with one another. This framework, which includes eight distinct cultural styles, can be used to evaluate organizational culture and understand how an individual executive is likely to align with — and shape — that culture. With such tools, organizations can look at the real drivers of culture fit, such as whether the person is more likely to thrive in a more stable or more flexible environment, or whether the person prefers to collaborate with others or work independently.

**Planning for leadership succession and development.** The ability to identify and invest in the development of rising stars is critical to maintaining a competitive advantage and future business sustainability. The foundation of a robust succession planning and leadership development program is a rigorous executive assessment methodology, which measures executives against specific capabilities they will need to be successful as well as executives’ analytical capabilities, social intelligence and self-awareness are skills that speak to their ability to navigate more complex, ambiguous and demanding contexts.

**Improving leadership team performance.** Organizations that cultivate and sustain high-performing senior leadership teams are more likely to outpace the competition. As airlines bring in executives and new ways of thinking from other sectors, it will be important to build well-functioning leadership teams that provide the ideas, perspectives and resources that enable the organization to achieve great outcomes. Team performance depends on multiple factors, including its composition, leadership, purpose, processes, how aligned the team is with the strategy and organizational culture, and how team members interact. Executive and team assessments can identify individuals’ strengths and blind spots as well as impediments to team performance.

***
Airlines today are focused on driving innovations in technology and process to enhance the customer experience, while maintaining strong operational performance and cost control. To strike the right balance, they will need to invest not just in technology but also in people and culture with the future in mind. This includes building agile and customer-focused leadership teams with the vision and leadership skills to motivate employees at all levels of the organization, and equipping them with the information and tools they need to provide exceptional customer experience. Transforming culture also will be a priority for most airlines, which are looking to foster cultures that emphasize caring and learning — encouraging strong employee engagement, smart risk-taking and sense of purpose.
ABOUT SPENCER STUART

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning 57 offices, 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment and many other facets of organizational effectiveness.

For more information on Spencer Stuart, please visit www.spencerstuart.com.