MANAGING THE BUSINESS OF THE FLIGHT DEPARTMENT

Communicating with the Aircraft Principal

Part one in NBAA's resource series focused on small flight department management.

By the time a pilot achieves a position as a flight department manager, he or she has likely developed a deep knowledge base of the aviation-specific information needed to captain a corporate aircraft, train other pilots, plan and manage staffing and maintenance schedules, implement safety management systems and comply with necessary rules and regulations.

It is equally important for managers to be able to discuss and negotiate issues associated with the business side of running a flight department with the company's owner or senior management, who will view the flight department as an integral part of their business strategy that must be continuously scrutinized for costs, efficiency and support. While there is likely to be some common crossover between the goals of the owner/senior management and those of the flight department manager, a gap may exist between what is most important to these two individuals or groups.

As a result, members of the flight department management team need to be adept at communicating with the aircraft principal about a wide variety of matters. On any given day, they may need to discuss aircraft scheduling and safety (a primary goal and skill set of flight department management), budgeting and return on investment exercises related to overall operations (aircraft principal primary goal and skill set), and everything in between.

COMMUNICATING WITH THE AIRCRAFT PRINCIPAL

A panel of industry leaders shared strategies for effectively communicating with the principal at NBAA's 2016 Business Aviation Convention & Exhibition (NBAA-BACE). The panel included employees from Gray Stone Advisors, who provided reference material that they made available to flight department managers at the Orlando, FL, conference, as well as on their website (see "Resources" section below). The following are selected excerpts from this document, titled "Budget Negotiation Tips and Strategies."

Strategies for In-Person Discussions

- You have less than six seconds to capture your audience's attention.
- Start with the answer or solution. If they want to know how you got there, they will ask.
- Follow the answer with your suggested course of action.
- Ask for their decision and be silent until they respond.
- When the audience is asking a question, **listen**. Don't think about your answer until you have heard their entire statement.
- When the "sale" is made, immediately say "thank you" and leave.

Budget Preparation and Negotiations

- Only focus on the things you can influence.
- Write down each assumption as you think through each budget line item.

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- Identify what's going to "drive" or "influence" each of the expense items.
- Describe, in words, the relationship between cause and effect.
- Identify the fixed and variable costs.

General Advice Shared by Panelist Experts

- Flight department managers must learn how to look at the aircraft/flight department as a business.
- Understand that communicating budget issues is not a one-time event – it is an ongoing necessity.
  - The "peer circuit" can be a good source of advice. For example, find out if someone has a good example of a budget template, then copy it and modify as necessary.
- On the subject of discussing impacts of staff turnover:
  - Each pilot turnover equates to about $150,000 to $200,000 per incident when you include training, substitute pilots, etc. For charter operators, the costs can be greater when adding in the lost revenue associated with charter trips they were not able to accept while short on crew members.
  - These costs can be avoided by ensuring work/life balance and positive morale.
  - You need to bring numbers and empirical evidence to the owner or you will lose this argument.
- On the subject of communicating issues around safety:
  - It is possible to justify to your boss the value of a FRAT when a trip is canceled because of it.
  - The purpose of the FRAT is to evaluate and quantify risk, then to take steps to mitigate the risk if/where possible.
  - Instead of saying "I couldn't meet the mission," redefine what the mission is. For example, the mission is "to deliver the principal safe and sound."
- The most common mistake flight department managers make when negotiating with the principal is to debate about the number. The best way to win is to debate the "assumptions," the forecasted operational requirements of the flight department. Get alignment with your owner on the assumptions and the budget is a product of those. If you want to change the number, change the assumptions.

CONCLUSION

It is essential for flight department managers to be able to translate all matters of importance to the flight department into a business case that is in alignment with the priorities of the owner or senior management.

RESOURCES

- Budget Negotiation Tips and Strategies, Graystoneadvisors.com
- "The Changing Face of Small Flight Departments" panel discussion handouts:
  - 2016 Small Flight Department Survey (PDF)
  - Budget Negotiation Tips and Strategies (PDF)
  - Demystifying Aircraft Accounting and Budgeting (PDF)
  - Flexible Budget Example (PDF)
  - The Changing Face of Small Flight Departments (PDF)

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About NBAA

Founded in 1947 and based in Washington, DC, the National Business Aviation Association (NBAA) is the leading organization for companies that rely on general aviation aircraft to help make their businesses more efficient, productive and successful. Contact NBAA at (800) FYI-NBAA or info@nbaa.org. Not a member? Join today by visiting www.nbaa.org/join.