

The View from the Corner Office
Best Practices in Business Aviation Policies & Procedures

James E. Lara¹

Business aviation practices are under the magnifying glass. We have an opportunity and responsibility to:

- Develop and maintain *Best Practices* in policies and procedures within our Flight Departments;
- Vigorously challenge misguided perceptions, and;
- Actively demonstrate the beneficial relationship between responsible business aircraft utilization and improved business performance.

The flight department's implementation of best practices contributes to operational efficiencies, positive perception, departmental success, and, most importantly, shareholder value. From the perspective of a board member or senior executive officer, whose firm operates business aircraft in today's environment, there are several fundamental best practices in policies and procedures that today's business aviation leader must understand and adopt to maximize success for his company, department and career.

Introduction

The 'View from the Corner Office' addresses how the C-Suite expects you, the business aviation leader, to optimize your contribution to enterprise performance and the enhancement of shareholder value. Efficient and transparent business aviation performance, particularly in today's economy, has become an essential focus for companies across all industries. New market forces exist today that further substantiate the need for business aircraft, such as increased global operations, demands for faster, almost immediate interaction and service, and the ongoing pressure of trying to fit more and more into a 24-hour day. By benchmarking, utilizing and consistently upgrading best practices in policies and procedures, the flight department's management function will support the C-Suites and Board Members responsibility to increase shareholder value. In addition, the enhancement of accountability, transparency and performance validation metrics will transform the flight department's internal and external perception from a cost-centered, asset management activity to a more robust, value creation and benefit driven function.

¹ **James E. Lara**, Founder and Principal of Gray Stone Advisors, has extensive experience in senior corporate executive positions in publicly and privately held organizations with local, national and global influence. He has successfully created and led cross functional teams to achieve strategic goals and initiatives. Mr. Lara is currently listed, or has served, as a Board Member of numerous companies and corporations. In addition, he is an engaging and enterprising entrepreneur. As an advisor/mentor to business leaders at all levels, Mr. Lara facilitates 'best in class' performance on an individual and corporate level. Jim is a graduate of San Francisco State University with a bachelor of science in Business Management and an emphasis in Computer Science. Post-graduate studies include work at prestigious institutions including Stanford University, Southern Methodist University, Northwestern (The Kellogg School), Thunderbird University and the University of Virginia (The Darden School). He is also an Airline Transport Pilot, type rated business jet captain and aircraft owner/operator with over 11,000 flight hours. Through Gray Stone Advisors, Jim is an active member of National Business Aviation Association (NBAA), Aircraft Owners & Pilots Association (AOPA), and Turnaround Management Association (TMA).

How Does Business Aviation Add Value to Your Enterprise?

The first step in developing and implementing best practices for your department requires a complete understanding of how business aviation adds value to your enterprise. What unique benefits, advantages and gains can be directly attributable to the use of business aviation within your firm? Are the company's business utilization strategies clearly defined and understood? Are the benefits derived from business aviation apparent to both internal and external stakeholders? Do you and your team members understand how your department and the aircraft assets contribute to shareholder value?

Each business aviation leader must know the strengths of the department and the value your department brings to his/her particular enterprise. Think of it as your 30 second 'elevator speech' and know it 'cold'. Make sure the value derived is both tangible and measurable. Then, report on these value-creation metrics on a regular basis.

Are You In-Synch with the Enterprise's Utilization Strategy?

Maximizing your contribution requires a clearly defined and agreed upon Utilization Strategy. Determine if your Utilization Strategy is based on 'Tactical' or 'Strategic' objectives. If your firm utilizes tactical objectives, are you maximizing load factors? If your firm's use is more strategic, are you ready to take advantage of time sensitive opportunities. In other words, is your department spring-loaded in the "pounce position" – with aircraft ready to go whenever there is an opportunity to capture business in advance of the competition? Are you ready to take advantage of profit building opportunities, or quickly put out 'operational fires'?

You must be the Chief Evangelist of business aviation within your enterprise, always looking for ways to increase the value derived from business aviation within your firm's Utilization Strategy. Your department must be ready to respond to dynamic market changes, as well as fluctuations in how management responds to customer demands, new business opportunities and competitive challenges. Find ways to ensure that aircraft usage yields more than the enterprise invests.

How do you go about becoming a Chief Evangelist for your enterprise? First, fully understand, measure and document how business aviation adds value to your company. Bring your team and business associates on board; once everyone is clear on 'what business you are in' and how you add value', you can evangelize by promoting your contribution whenever possible. Second, it's up to you to illuminate business aviation's role within your company. Do you have pictures hanging on the walls that document business aviation's contribution to the history and growth of the company? Are you regularly documenting and contributing news of your departmental milestones to your company's marketing and public relations staff? Third, how visible are you? Are you providing community and corporate support? Is your team volunteering within the company and community in ways that reflect positively on your department and your company? Have you developed a network of advisors/mentors within the enterprise and the aviation community? Leaders within the aviation community have proven to be very supportive in helping others become 'Chief Evangelists', and focus on the value you contribute to your company, as well as the business aviation community.

As mentioned above, understanding the value derived from business aviation is critical in your role as a business aviation leader. If you can't ensure that aircraft usage yields more than the enterprise invests, evangelizing business aviation may be the least of your concerns.

Often, business aviation leaders are preoccupied with the wrong metrics, such as hours flown. The focus is commonly on 'activity' as opposed to 'productivity'. While it may be important that *you* know

how many hours you've flown month to month, the C-Suite and shareholders want to know how those 'hours flown' add value to the company. What are you and your team doing through efficient aircraft utilization to strengthen the organization? What are you doing within your department to help reduce operating expenses? Are you researching new programs and services that will make the pursuit of new business opportunities more cost-effective? How are you transporting executives, management teams, customers, and other passengers more efficiently today, with higher load factors, enhanced safety, increased value-creation, improved efficiencies? It is imperative that you consistently demonstrate to the C-Suite that business aviation is materially improving the return of the shareholders' investment in the company.

No Longer "Those Folks at the Airport".

Aviation can no longer function as an isolated department. The days of the flight department being referred to as "those folks at the airport" are over. You must understand the culture and values of the company. If you and your team are not integrated into the fabric of the Enterprise, you stand the risk of being marginalized, and, potentially, not being considered part of the core, value generating engine of the enterprise.

Business aviation is an integral part of your firm's executive transportation & communication system. As in every business endeavor, we use special tools for various tasks or missions. Your 'tool kit' should include value creation-based metrics that quantitatively and qualitatively assist in the decision making process regarding when and when not to use a business aircraft. A well-defined operational policy that includes the argument for using or not using the business aircraft includes specific determinations that balance the value created against the mission costs. Make it a habit to determine how shareholder value is enhanced with each particular usage. Company leadership and the flight department must work in tandem to project a positive perspective by ensuring that aviation usage is driven by mission need (not rank or ego), with consideration for aircraft size, commercial usage and supplemental lift considerations.

Protecting the Enterprise is as Important as Protecting the Passengers.

To mitigate risk to the company, business aviation leaders need to work with enterprise leadership in the development and utilization of a Leadership Continuity Policy. The primary policy considerations should include a robust and implementable succession plan. The continuity policy should apply to both corporate and commercial travel. Use this as your litmus test – If the people traveling together were lost, would that be a lethal blow to the entire enterprise or to any significant part of the company in a manner that the firm would be irreparably damaged. If the answer is 'Yes,' you may want to give this topic some additional consideration.

You Manage One of the Greatest Productivity & Communication Tools.

Business aircraft provide one of the greatest productivity and communication tools available to enterprise leaders. Enhancing the following six points within your department – each directly attributable to the smart use of business aircraft - can significantly increase shareholder value.

1. **Business Aviation utilization creates MORE USABLE TIME.** As time is our only NON-RENEWABLE RESOURCE; this is one of business aviation's most apparent and measurable benefits.
2. **An aircraft is a FORCE MULTIPLIER.** It is not uncommon to visit 4 cities, in person, in a single day! How is your department facilitating, maximizing and measuring the aircraft's efficiency quotient?

3. **Your department provides a COMPETITIVE ADVANTAGE.** The firm's competitive advantage is greatly enhanced by enabling sales, business development, and customer service teams to **respond quickly**, in the most effective manner, to capture new business and serve existing customers! What is the value of those increased sales?
4. **Improved Management EFFICIENCY.** Business aviation enables a corporation to utilize thinner management teams in developing and managing multiple locations and global operations.
5. **Business Aviation is a VALUE-ENABLER.** Used effectively, the aircraft serves as a "Value-Enabler" - a tool that enhances a company's mobility, information exchange, reach, and impression.
6. **Improved OPERATIONAL EFFECTIVENESS.** When your company's employees use business aviation to easily reach outlying locations in a timely manner, you've contributed to improved operational effectiveness and efficiency which translates to overall bottom line profitability.

Business Aviation productivity and value creation must be revalidated on a regular basis. Are you tracking and measuring your Flight Department's unique 'REALITY-BASED CONTRIBUTION DYNAMICS'? These 'contribution dynamics' are the areas that really make a difference in most For-Profit firms:

- Market Share/Revenue Growth
- Profit Margin Growth
- Asset Efficiency
- Employee Productivity & Work/Life Balance
- Customer Satisfaction & Loyalty

Flight departments can never, ever, rest on what was accomplished yesterday. Resist the 'entitlement trap'. We live in a society where an 'entitlement attitude' has become pervasive and 'contagious'; it leads to anger, resentment and frustration. Instead of the 'one-way mind-set' of entitlement, discipline yourself and mentor your team to focus on the empowerment of individual responsibility, commitment and authenticity. Document your department's achievements, performance, and productivity by demonstrating your department's value creation to the leadership and shareholders of your enterprise.

Know Your Numbers

Learn to speak the 'Language of Business', in other words, know your numbers (the ones that matter to your audience) and know your audience. Make sure you are aligned with the Finance Officer and that you can comfortably and knowledgeably discuss the firm's ROI (Return on Investment) that is attributable to aviation. Develop a Cost-Benefit Analysis Model for each aircraft utilized. Demonstrate the Indirect Cost Savings by reducing the cost of doing business; and, express the Cost Avoidance Savings by showing how you have eliminated a new cost that would have otherwise occurred. Document the operational efficiencies attributed to the business aircraft by tracking the variance in work required to achieve the same or better results. As with all departments, you need to update your operational practices to match today's corporate strategies.

Be a company-wide resource. Continually redefine and sharpen the justification for the use of business aircraft. Prepare and provide business aviation utilization efficiencies, savings and value creation metrics to your media relations department. Now is the time to enhance your department's transparency and welcome the opportunity to teach others within your organization the value of business

aircraft. The process of internally justifying aircraft usage may reveal areas within the organization where aviation utilization could improve production and efficiency.

A Positive 'Reality-Based' Perception is Critical.

How does business aviation in your enterprise look to the outside world? Internal and external optics – or 'Perception Reality' - is a hot topic in the media and across the general population. Companies who are using business aircraft for the right reasons realize value creation and a positive effect on company performance which clearly reflects a positive optic image. Misuse of this potentially valuable asset can result in a reduction in shareholder value and a negative effect on company performance. The glaring optics this creates has a long-term negative impact which is felt both externally and internally.

In Conclusion

The flight department is a business and it must be run like one. If you are passive or complacent, you are at risk. You are in a serious and competitive battle for capital resources, positive perceptions and your enterprise's support. Don't ask corporate leadership to spend political capital on you. Make sure you never need it. Focus on running your business, developing your leadership skills, growing your people, and updating your operational practices to match your enterprise's strategy.

As you strengthen business aviation's value to the enterprise and to its shareholders by developing and maintaining best practices and policies within your department, you also strengthen your value to the organization. In addition, you help build and reinforce a positive perception of business aviation. When the 'Corner Office' views your department, you will enjoy the spotlight if you take the time to implement best practices and policies that contribute to shareholder value and improved business performance.

For more information contact:

James E. Lara
Principal & Founder
GRAY STONE ADVISORS
7501 Cherokee Springs Way
Knoxville, Tennessee 31919 USA
+865.357.5077 – Office
+865.292.5600 – Mobile
+865.684.4946 - Fax
www.graystoneadvisors.com