MANAGING YOUR FLIGHT DEPARTMENT LIKE A BUSINESS

Flight departments usually are not considered revenue-generating organizations, but they still should be managed as a business unit.

Historically, flight departments are not perceived as profit-driven or direct revenue-generating organizations; even so, they should be managed as business units nonetheless.

It can be difficult to measure the effectiveness of a flight department because the beneficial outcomes brought about by business aviation activities can be subjective and each company’s use of business aviation may achieve a different strategic purpose.

However, one thing is consistent: the primary purpose of a company flight department is to increase returns to the company and its shareholders while gaining efficiencies and creating a competitive edge. Flight department managers should collaborate with passengers to document business successes made possible by the use of the company’s aircraft and allocate these successes to the business unit served.

DETERMINE METRICS CRITICAL TO YOUR COMPANY

“Do the hours associated with each business unit being supported by the flight department match up with the focus or the efforts of the company as a whole?” asked David Wyndham, president of Conklin & de Decker.

“Are the flight department’s activities aligned with the corporation’s priorities?”

For example, average passenger load per trip might be an important measurement for a company that utilizes business aviation as an employee shuttle. On the other hand, for a company that focuses on secure and flexible transportation of sales teams, average passenger load can be a meaningless number.

“The metrics of value will vary from company to company based on the main mission of the aircraft,” said Wyndham. “Flight department managers need to be part of the success planning of the company and should work with the executive team to determine the metrics most meaningful to their company.”

“Business aviation cannot rely on metrics traditionally used by airlines since flight departments are not revenue-based organizations,” said Pete Agur, chairman of the VanAllen Group. “Traditional metrics like flight hours and passenger loads are measurements of movement, but not necessarily of productivity.”

The last three editions of Business Aviation Insider featured articles focused on bridging the gap between the flight department and company headquarters, since the historic flight department model sometimes can result in silos between the flight department and “downtown.” This final article in the series will provide guidance on how to manage your flight department like a business.
If typical aviation metrics are not appropriate for business aviation, what metrics should a flight department manager track? Agur and Wyndham recommend collecting and examining data beyond these common metrics, with aircraft availability being one of the most important metrics for a typical flight department because the aircraft is only an asset when it is available. Some companies might require aircraft availability 365 days a year, while others will focus on the actual number of business days in a year, deducting weekends and holidays, that the airplane is available.

Aircraft availability is influenced by a number of components. Two of the most important are maintenance events and crew availability. From a maintenance perspective, the goal should be to maximize aircraft availability by minimizing the aircraft’s days “down.”

For example, a flight department should track time used to complete planned maintenance events. Completing a planned maintenance event in 16 days instead of 20 days provides added potential trip productivity for the company. In some cases, it might be beneficial to approve overtime for your own maintenance technicians, contract additional maintenance technicians or pay additional fees to a maintenance repair organization to run extra shifts to complete a maintenance task early.

Each year the flight department manager should estimate the anticipated “down” days, based on upcoming, planned maintenance, then add an estimated number of “down” days for unplanned maintenance. These numbers could be based on data from previous years or industry-wide trends for the specific aircraft type. At the end of the year, actual days lost to maintenance activity should be compared to the estimate.

Crew availability is another component of aircraft availability. Flight departments traditionally staff their organization based on actual or anticipated days flown. However, this is often not the best method of staffing. Pilots and other flight crew are typically on standby, even on days without flight hours. Flight department managers should consider this duty time if the individuals are expected to respond to a flight request.

Unless properly tracked and managed, ignoring standby duty time can have a negative impact on the flight crews’ quality of life or can result in excess aircraft availability without flight crew availability. In some cases, key passengers might require the aircraft to be crewed and available on a 24/7 basis. This might require the flight department manager to increase personnel numbers, hire contract crews or consider supplemental lift options.

“A flight department aircraft is like a fire truck,” said Agur. “It is valuable even when it isn’t being used but only if the flight crew is also available.”

Agur provides an example in which an aircraft returns mid-day from a trip to Europe. Upon returning to the U.S., flight crew is out of duty time, but new passengers require a trip to another destination later in the day. In this case, Agur says staff capacity – either permanent only or with supplemental crew – should be reviewed. A key metric tracks trip denials due to lack of aircraft availability versus lack of crew availability.

“The cost of crewing is a minor piece of the flight department puzzle,” said Agur. “The flight department’s ‘customers’ are likely to be unhappy if the aircraft is available and ready to fly but the crew is out of duty time.”

As a strategic partner, be prepared to present options to achieve the company’s objectives for that mission. It’s not only about safe, efficient, flexible and secure transportation; the real value the flight department brings is helping the company achieve its goals.

**BUDGET FOR SUCCESS**

Most experts recommend a flight department develop a budget that has a 3-5-year horizon and is updated every 6 to 12 months. It’s important to project at least that far in advance in order plan for major maintenance events, for example.

An upcoming expensive maintenance requirement could impact the resale value of an aircraft and possibly encourage an owner to trade in or sell the aircraft. The budget must include the total maintenance costs, like parts and labor, but should also consider loss of use of the aircraft and the need for substitute transportation while the aircraft is down. Long-term maintenance events are a critical component of fleet planning during the ownership cycle.

The flight department manager must also document and assess variances from the anticipated budget. If the actual budget shows a notable difference from the planned budget, the flight department manager should be prepared to analyze that difference and explain it to the organization.

For example, did actual costs exceed anticipated costs?
because extra flying facilitated a merger or other successful business venture? Did a 10-percent increase in flight activity result in only an 8-percent increase in variable costs? A successful flight department manager will – to the extent possible – ask key passengers to indicate if a pop-up trip led to a successful business transaction, then document and report these unanticipated but productive trips and any efforts made to manage costs.

“There’s an old saying: ‘A penny saved is never seen,’” said Agur, “but an effective aviation department manager can demonstrate efforts to manage costs and will acknowledge extra effort from their staff.”

MANAGE THE ASSETS

Some flight department managers consider the asset management aspects related to budgeting, like the example above of an upcoming major maintenance event influencing the aircraft’s value and possible sale or retention issues, but are not well versed in other considerations related to asset management.

Guardian Jet Managing Partner Don Dwyer says flight department managers need to learn the language and concepts of asset management, then do their homework specifically on their company and its needs. Dwyer suggests flight department managers learn their company’s approach to capital expenditure, depreciation, cash flow and so on.

For example, a low-margin brick-and-mortar company might look at every dollar spent differently than would an Internet company with low overhead. Working with the financial and strategic planning experts in your company can help a flight department manager align the aviation department fiscal policies and practices with the company’s larger goals.

“Capital (the aircraft) has grown to be such a high percentage of the flight department’s total aviation spending that the manager needs to be comfortable discussing it with headquarters,” said Dwyer. “Essentially, we are talking about the opportunity cost of using capital. One company might consider the opportunity cost to be 4 percent, while another might think it’s 18 percent. It’s critical that a flight department manager understand their own company’s philosophy.”

Developing an effective fleet plan means considering your company’s operational, financial and cultural needs, according to Dwyer, who says flight department managers need to plan for both the acquisition and disposition of aircraft.

“How long should you own an aircraft? What’s the downside to owning it too long or not long enough?” posited Dwyer. “An effective flight department manager should be able to identify the sweet spot, which is different in every scenario.”

MAKE A BUSINESS CASE FOR THE FLIGHT DEPARTMENT

Total flight hours or miles or trips flown will not build a solid business case for the continued operation of the flight department. One way a flight department manager can promote the operation is by using the business success metrics discussed above. Whenever possible, know and document the deals that were made or saved because the company’s aircraft was available.

Just because the flight department personnel and frequent users of the aircraft know its benefits doesn’t mean anyone else in the organization is aware. It is crucial for the flight department to be seen as an asset to the company and not a “secret” department out of view of headquarters.

The level of exposure a flight department gives its activities to the organization as a whole will vary greatly depending on the size, type and culture of the company. For example, a publicly traded company might share details of the flight department only with its board of directors and senior executives, while a smaller organization might provide information to all employees.