

REPORT
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DATA
FLIGHTGLOBAL INSIGHT

HOW TO GET A HEAD IN AIRLINES

Carriers continue to focus on their own ranks in their search for leaders, but as the route to the top evolves, the freshness brought by recruitment from outside sectors can be appealing

Continuity has always been key in management. The most successful airlines tend to be those that have stuck to their model or principles. Likewise, carriers that have kept faith with chief executives or renewed leadership teams in an orderly succession have generally fared better than those changing chief executives faster than a low-cost carrier airport turnaround.

The last 10 years have been among the most challenging for airlines. The lows have been lower than ever before, competition has squeezed carriers, losses have deepened and volcanoes erupted. The results of the 100 biggest airlines, based on the 2010 *Airline Business* World Rankings, shows greater continuity of leadership among the money-makers.

From 2001 to the end of 2010, the 10 most profitable carriers have had half the

number of chief executives as the 10 airlines that lost the most money over that period.

Drivers of change at the top vary. The largest carriers, which are predominantly privately owned, have largely been able to enjoy orderly leadership successions. Even in North America – where 9/11 and maturity of competition and the market contributed to some of the heaviest losses – the chief executive count remains relatively low. Change often came with formal restructuring or mergers. This has

INSIDE JOB

The top 20 carriers tend to promote from within the group for the top role. In some cases, such as former **Swiss** chief executive **Christoph Franz** (pictured) at Lufthansa, this has involved being chief executive of another airline in the group; in other cases, the chief executive of one of the merging partners has taken the helm – such as **Jeff Smisek** at **United-Continental** or **Doug Parker** at **US Airways**. Indeed only **four** airlines' chief executives did not come from within the airline or an enlarged airline group, and these come with some caveats. **Calin Rovinescu** at **Air Canada** had been chief restructuring officer during the airline's bankruptcy protection before returning five years later as chief executive; **Richard Anderson** technically joined **Delta** from outside the industry, but had previously served as **Northwest Airlines** chief executive – with which Delta merged in 2009.



been seen once again with American Airlines. And here the departure of Gerard Arpey, who had set his stall out to keep the airline out of Chapter 11 bankruptcy protection, seems to be symbolic of change.

But nowhere has the pressure been felt more than in ailing national carriers. Airlines that remain in state ownership, or have governments who believe they still do, tend to see the highest turnover of chief executives and often recruit from outside the industry. This can put them at the mercy of changes in ownership, government or direction.

Hungarian carrier Malev is one such carrier that has endured regular changes in management, with seven chief executives in the last decade – none of whom was in place for more than two and a half years – and different owners. The airline is back in government hands after a brief spell of private ownership by the AirBridge consortium.

The extent of this turnover at the top is laid bare in a recent Hungarian Government white paper on the carrier. “Between 1945 and 1990 Malev only had five general managers. Between 1990 and 2011, about 20 different people were appointed to manage Malev,” it notes, in a damning report.

“Frequently, all professional considerations were disregarded and solely political loyalty was taken into account. In the overwhelming majority of cases, the appointed persons had no experience whatsoever in aviation business management,” it says.



Much has changed in the recruitment of chief executives among airlines. “It used to be if you were from flight operations that was how you got to the top,” says Michael Bell, who co-leads the aviation practice at executive search specialist Spencer Stuart. But while he says this remains the case in many state-run airlines, it has changed among the bigger private carriers operating in mature segments.

RISING FUNCTIONS

“What we have seen is the ascension of the financial and commercial departments’ talent,” he says. “The new chief executives of bigger carriers have either been the chief financial officer, like [Thomas] Horton at American or US Airways chief executive Doug Parker [at America West], or they are from commercial departments.

“That’s not to say they [chief executives] don’t spend time in operations,” he says, noting airlines often give executive talent experience at maintenance or airport units to widen their knowledge of the business.

He also points to the rise of lawyers to the higher echelons, such as Jeff Smisek at United-Conti-



ental and Richard Anderson at Delta Air Lines. He says this partly reflects their involvement in all aspects of the business.

Peter Dunkin, a former British Airways and Etihad executive who now heads up executive coaching specialists Aviationwise, believes the marketing function should be a rich seam for airline leadership. “Marketing touches all areas of the business and the customer, but there are some roles that are much more internal and functional,” says Dunkin. “The challenge is to make the transition from a technical function to leadership. The danger is the airline can become more orientated towards the function of the chief executive. So they need to be able to step back from that to lead the whole organisation.”

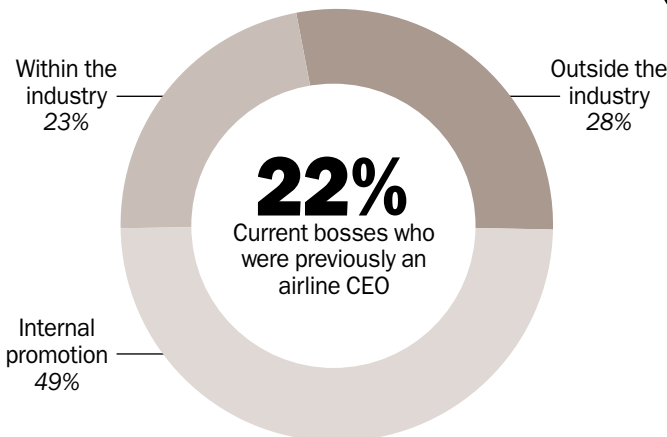
The majority of airline chief executives still come from within the industry. Almost half of the current leaders of the top 100 airlines were promoted from within the airline or the wider group. Another 22% were recruited from elsewhere within the industry.

Leading carriers appear to be reticent to look outside the industry for new talent. Indeed, none of the 20 biggest airlines by revenue has looked outside the industry for their current chief executive.

Bell says the big carriers have experimented with going outside the industry with mixed results.

“It is not that they were all failures, but there is a very steep learning curve. It’s such a com-

PROMOTED FROM WITHIN: WHERE THE TOP 100 CEOs CAME FROM



BEEN THERE, DONE IT
Around a **fifth** of the airline chief executives in the top 100 have held the top job at an airline previously. Few make returns to the same airline. **Jean-Cyril Spinetta** (pictured), who moved upstairs at **Air France-KLM** at the end of 2008, has recently returned to the front line to redirect the airline’s attempt to put itself back on course. **Marco Antonio Bologna** – who served as **TAM** chief executive between 2003 and 2007 – returned in 2009 to become group head.

**THREE
CARD TRICK**

Plenty of airline chief executives have been in charge of more than one airline, such as **Air Malta's Peter Davies**, who has already led **Brussels Airlines**, **Caribbean Airlines** and UK regional **Air Southwest** during the last decade, and many such as **Willie Walsh** or **Samer Majali** have led two top 100 carriers. Indeed **Christoph Mueller** (pictured) now at **Aer Lingus**, has led three top 100 carriers during the last 10 years, having headed **TUI Travel's** airline operations and starting the decade at the helm of **Sabena**.



plicated business, with all its interconnectivity. There have been some good examples," he adds, "but I think that model works better when you have a strong deputy."

Dunkin agrees a strong team is crucial for a chief executive new to the industry. "There is no doubt aviation is very complex and I would say there are very few more complicated businesses. But that is not to say that someone from outside can't get to grips with it. You have to have the ability and confidence to empower your people."

He adds that for a chief executive coming fresh to the industry, it is important to have experience from sectors relevant to the type of business the airline operates in. "Some of them are more customer service-orientated businesses, while others are more tough retailing businesses. It would help if the chief executive came from that kind of industry, but not an airline specifically," he says.

Kenya Airways chief executive Titus Naikuni – who arrived at the airline from the mining and rail sector, albeit with experience as a board director of the carrier – plays down the importance of industry experience. "It's not complicated – it's just managing people and resources," he says, as he enters his ninth year at the helm of the SkyTeam carrier. "If you look at an area as complicated as revenue management, I don't have to know it, I just need to know the output."

Just over a quarter of the top 100 carriers

have recruited from outside the industry, with this more common among smaller carriers. Bell sees this most evident among low-cost carriers, pro-active brand operators and state-owned airlines.

LOW-COST OUTLOOK

Low-cost carriers have regularly looked beyond the industry. For example EasyJet picked Carolyn McCall from the publishing world, while her predecessor Andy Harrison came from motoring organisation the RAC. Bell suggest this partly reflects the ideology of low-cost carriers. "They see themselves as a consumer company," he says.

It is also a result of the number of founder bosses or leaders who have led the airline's reinvention as a low-cost operator. The likes of Michael O'Leary, Constantino De Oliveira Jr and Tony Fernandes have all become the long-term face of big low-cost players, following the footsteps of Southwest Airlines founding father Herb Kelleher.

Bell also points to non-industry figures coming in to airline such as Virgin Atlantic and Air New Zealand. "They are very brand-centric, very innovative and they worry that there isn't that kind of thinking at other airlines, so they go outside," he says, pointing to Rob Fyfe, who came to Air New Zealand from media company ITV

Digital, as an example.

Then there are those airlines where the state still has some role in the management selection. "The selection process is very different when you have government influence," says Bell.

While many non-industry recruits have come in to tackle rescue missions at airlines, Bell suggests carriers in need of restructuring often opt for the experience of the tried and trusted. "I think they look at the restructuring and they think the stakes are too high and the learning curve too steep," he says.

Dunkin adds: "In terms of coming from outside the industry, it's about fresh ideas and a fresh approach. You need people who can challenge the status quo. Sometimes it is a bit harder for people who have grown up within the industry to challenge the status quo.

"It's not vital a chief executive is from the industry. It is important to have strong commercial and people skills, the ability to communicate and an abundance of resilience because of the toughness of the industry."

But once in the role, whatever the background, the challenge can be to stick to a long-term vision in the face of what seems like a production line of crises. "It's an exciting job. It has so many diverse challenges that it is very exciting, but it can be very distracting," sums up former Air Canada chief executive Montie Brewer. "It's very hard to focus on the long term, because you think there might not be a long term if you don't do something about the short term." ■

**BACK
TO HAUNT YOU**

One of the drawbacks of a rapid turnover of chief executives is some of them may have a feeling of unfinished business. Hungarian national carrier **Malev** has been through seven chief executives over the last decade, including **Joseph Varadi** (pictured). But after Malev dispensed with his services in 2003, a year later he turned up at low-cost start-up **Wizz Air**. Seven years on, the central European budget carrier – with Varadi still at the helm – has outgrown Malev by revenue. **John Borghetti** missed out on the top job at **Qantas** when **Alan Joyce** was appointed. He has since not only moved to **Virgin Australia**, but has also led the airline's move squarely into Qantas business territory.

