WHAT NEXT IN AVIATION?

An action plan on how to attract and engage the millennial talent
Once loyal consumers have become more sophisticated, demanding and discerning in their choice of travel provider.

The millennial generation is demanding more experiential, personalised offerings and the aviation sector must respond. The dynamics have shifted, and this is equally relevant in the quest for talent.

World Tourism Forum Lucerne, in conjunction with Korn Ferry and IATA has conducted a global study to evaluate how the aviation industry is rising to today’s talent challenges.

The views of industry CEO’s are contrasted with the hopes and expectations of millennials taken in a parallel survey.

Prof Martin Barth, President & CEO of World Tourism Forum Lucerne says, “Increasingly, the future sourcing of skills is a subject of debate and hence, we at World Tourism Forum Lucerne were especially keen to explore this issue further with our partners Korn Ferry and IATA.”
The Study

- **The CEO Interview**: discussed during the CEO Roundtable at WTFL 2017
- **The Millennial Survey**: delivered and debated in the Korn Ferry workshop "What next in Aviation" at WTFL 2017
- **The Action Plan**: What next in Aviation? Whitepaper drawing together all commentary and opinions from CEOs and millennials with analysis by Korn Ferry and recommendations for the future.

**CEO INTERVIEW**
In a first-of-its kind study, we’ll gather the insights of CEOs from the 50 most high profile aviation companies in the world with a focus on talent, and their vision for the future.

**ACTION PLAN**
The result will be a comprehensive analysis of one of the most pertinent issues facing the aviation industry: Talent Management. The corresponding action plan will amalgamate the viewpoints of both the aviation sector leaders and millennials to arrive at simple, actionable steps that can really impact change and make the industry even more attractive for this audience.

**MILLENNIAL SURVEY**
We’ll showcase the viewpoints, expectations, priorities and ambitions of both millennials and the current employee pool through an employee survey carried out across aviation companies globally.
With the advent of digital technology, and the opportunities offered by these new business models, it is crucial that companies act now to put the right team of people in place.

“Companies need to have the talent that can drive innovation by applying new technologies and finding new business models. Innovation is crucial for a company’s long-term survival and future prosperity,” says Michael Bell, Senior Client Partner, Global Head of Civil Aviation Practice, Korn Ferry. He adds “the only way companies can survive and prosper for decades to come is by constantly reinventing themselves.”

The aviation sector today is competing for talent not just against others in the industry, but against companies across all sectors. There are also examples of companies from other industries moving into the travel industry through innovations in digital technology.

Korn Ferry conducted a global survey this year to interview people working in the travel and tourism industry. The vast majority of those surveyed were millennials (95%). When asked which companies in the travel and tourism industry inspire them the most, the top companies mentioned were: Airbnb, Google and Uber.

In the survey, Korn Ferry also outlined four employer traits: client-oriented, altruistic, collaborative and innovative. It defined innovative companies as those that challenge conventions, encourage creativity and experimentation, and develop ground-breaking products and services. Hence, because of its reputation for innovation, the company attracts employees who are skilled experts, open to different ideas and are energetic.

Innovative was the employer trait that those surveyed valued the most; rating 8.4 in a scale of 1 to 10. But it was also the quality that, respondents felt, their current employer was lacking the most; with a rating of 4.8 out of 10.

The trait where employers rated the highest was client-oriented, with a score of 8.1 out of 10. For the other two traits, altruistic and collaborative, the score was 4.9 and 5.6 respectively.

Also, the number one challenge for companies, according to those surveyed, was “managing innovation”. The second biggest challenge respondents identified was “creating a climate where people are motivated to do their best.”

Respondents said they want to work for companies that take a collaborative approach, where employees feel involved in the decision-making process and where a sharing of ideas leads to innovation.

“This shows that a collaborative and innovative environment is one that can help to keep employees engaged and stay loyal longer,” says Torbjorn Karlsson, Senior Client Partner, Civil Aviation Practice at Korn Ferry. It means a culture in which participative decision making and open, transparent information sharing is preferred, he adds.

The Korn Ferry survey also found that the average current culture is significantly below the mark with regards to collaboration and nearly the opposite, with top down decision-making and protective information management the norm.

Vickers says airlines are competing for talent not just against other airlines, but against companies in other industries. “But airlines, like other legacy businesses, face a challenge attracting technology-savvy talent,” says Vickers, adding that “such talent is generally more predisposed to joining a technology company.”

“Legacy companies can sometimes be perceived as being ‘old school’, which means they have difficulty competing for talent against newer companies in the tech sector and mission driven firms with a compelling purpose,” says Vickers.

“The airline industry needs to attract technology-savvy talent that can help the industry to innovate, because the airline industry is one that can be disrupted,” she adds.

Fiona Vickers, Partner in Korn Ferry’s Digital Practice, says “the fact that the top three travel and tourism companies that inspire millennials are non-airlines should be reason for concern.”
In a separate survey, World Tourism Forum Lucerne and Korn Ferry surveyed some of the key opinion leaders in the world’s aviation sector. The purpose was to get their views on the state of the industry, the extent to which the industry is subject to disruption, the growing importance of big data and data analytics and how companies can attract millennials as consumers and future employees.

Aradhana Khowala says, “Equally, the CEOs we interviewed conceded that the aviation industry could do with a greater focus on talent management. Many of the CEOs recognised that parts of the value chain have indeed been commoditised and players have to work harder and look deeper for ways to differentiate themselves. What also emerged is that mastering this challenge requires a willingness to make space for unconventional ideas, as well as flexibility to adapt business models to changing employee, consumer and market needs.”

Global CEO and survey participants:
There were those surveyed who argued the aviation industry is a highly regulated one, making disruption more difficult. But despite this, the overall consensus among airline executives was that the industry can, and will be, disrupted by new digital technologies and new business models.
The aviation industry is susceptible to disruption, because customers are becoming more independent and brands are becoming less important, says Harry Hohmeister, Member of the Executive Board of Lufthansa, adding that pricing has become more of a key differentiator, as has service convenience.

Gordon Wilson, CEO of Travelport, says “airline consolidation staves off disruption, because it makes the remaining airlines stronger and allows them to offer a more compelling proposition—namely a global network that is seamlessly integrated for the customer. Airlines should aim to own the end-to-end travel experience. But consolidation has yet to take place across many parts of the globe. In those regions where there are more airlines per capita, carriers that are not government-owned are especially ripe for disruption.”

Karlsson at Korn Ferry says the airline CEOs who were interviewed in the opinion leaders’ survey, “tended to see more opportunities than challenges from digitisation. Which is interesting considering how other established players in transport and travel sectors are seeing their value chain severely disrupted.”

And there are already examples of companies, outside of the airline industry, muscling into the aviation business and working to offer consumers an end-to-end travel experience.

An example is Four Seasons Hotels, which recently launched its Four Seasons Private Jet business. It is catering to a very small segment of the market and targeting the top end, but it is still a segment of the airline market.

Hotels, such as Four Seasons, are also opening their own airport lounges, a concept previously only airlines championed.

Angela Gittens, Director General of Airports Council International (ACI), says airline business models are already being disrupted in some specific areas.

“Self-connection is an example of disintermediation. It will flourish and it will create a lot of opportunity for the smaller and niche carriers,” says Gittens. Network carriers have traditionally been responsible for through check-in of baggage but now airports—in cooperation with ground handlers—can provide such a service.

Airlines are now boosting their service offering, says Gittens, adding that they are doing this because they know, they are no longer competing for brand loyalty against other airlines, but against big players in other industries, such as the global hotel chains and credit card companies. And whoever has the strongest customer loyalty can leverage that brand loyalty across multiple industries.

---

Aradhana Khowala at WTFL adds, “In terms of facing broader competition, building a strong employer brand, fostering a corporate culture that is conducive to innovation and entrepreneurship and learning from other industries like IT and FMCG are the top solutions that featured amongst a lot of the responses.”
The way passengers search for flights online, such as using online pricing aggregators, means the relationship with the customer is becoming less and less exclusive. Digital technology is allowing other intermediaries to come into play.

But aviation executives also do see digital technology as not just a threat but also an opportunity. If used correctly, digital technology and data analytics can be used to get past intermediaries and develop a direct relationship with customers. Staying close to customers is the best means to avoid being side-lined by disruptive forces in the market place.

“In our organisation, we are taking this very seriously,” says Lufthansa’s Hohmeister, adding that “we see digital technology as an opportunity because it allows us to have a very direct relationship with our customer.”

“If we play it right, the airline will be better off than today where you have customers booking through travel agents, global distribution systems (GDSs) and online travel agents (OTAs). If I have the customers’ trust and their data, I can send them customised offers based on their preferences. This digitisation hence is not a disruptive force for airlines but a constructive one.”

“It is constructive because it gives airlines a real chance to add value to the customer,” he adds.

But those that fail to embrace digital technology will be side-lined, warns Qantas Airways CEO, Alan Joyce.

“Digitisation and ‘Big Data’ is real. A lot of people [in our industry] are standoffish about it, but if the airline is not at the forefront of it, without a doubt, we will be disintermediated,” says Joyce.

“The airline industry needs to continually improve and use digital technology to: win over the customer, deal with them directly, give them the best service, the best information, the best offers and the best platform.”

Singapore Airlines CEO, Goh Choon Phong, says this is something his airline has been working on. “For SIA specifically, the importance of having a direct link to our customers and knowing their likes and dislikes has been a key and critical value proposition. We have spent a lot of effort and resources to build, what we call, a customer engagement system where we see every interaction with the customer as an opportunity to know them better.”

_________________________

*Singapore Airlines CEO, Goh Choon Phong, says one specific digital initiative of SIA, is to develop digital apps that allow SIA customers to manage their entire journey seamlessly. “It is significant because it allows us to offer our customers an end-to-end service,” says Goh.*
The reason airlines are embracing digital technology is because customers—particularly the younger generation—are demanding it, according to Korn Ferry and WTFL research. The young want an aspirational brand to associate with, not a faceless, cultureless organisation to clock in and out of.

WTFL's Aradhana Khowala says, “We believe the millennials in the workforce and those that are now entering into employment will reshape the world of work. With businesses having to compete fiercely for the best available talent and with more and more of that talent to be attracted and recruited from the ranks of millennials, it is imperative that business leaders and HR teams revise their current strategies.”

“Millennials are very interested in what is happening in the global environment. They grew up in a free world, a borderless world where it is easier for them to discover the world. Travel is cheaper and more readily available. So they are more keen to travel and I think technology will tempt them to travel even more.”

“But this generation want their own experience, rather than take what is presented to them. They are even more independent and want to discover for themselves,” says Hohmeister.

Wilson at Travelport says: “Millennials are more attracted to spending a greater proportion of their income on experiences rather than material goods. The travel industry needs to recognise and adapt, quickly.”

“There is also a greater weight of currency placed on genuine CSR (community social responsibility) initiatives, not tokenism,” he adds.

Airlines not only have to do more to win over the younger generation as consumers but also as potential employees.
Another recent survey by Korn Ferry found that 23% of respondents identified “company culture” as the number one reason they choose one job over another, while 22% of respondents cited “career progression.” The third most common response was “benefits package” with 19%.

“This represents a major shift in mind-set, which can partly be attributed to the growing influence of millennials in the workplace,” says Karlsson at Korn Ferry.

Joyce at Qantas says: “A mega trend is the rise of generation Y and Z. We think attracting them as a brand and attracting them as an employee is key. Research shows that 80% [of gen Y and Z] see that social responsibility is important and that it is important to work for a company that is ethical and socially conscious,” he says.

“If half of our workforce in future is going to be generation Y, we need to make sense to them as an employer and be an aspirational brand,” adds Joyce.

Cathay Pacific Airways’ former CEO, Ivan Chu, says the younger generation have rising expectations and aspirations. He says the aviation industry does provide a great breadth of job opportunities and life experiences.

“If we can raise the aspirational quotient of the industry, it will be even better,” he adds. But he says: “I think we are not doing enough to help people understand the huge opportunities that exist and will continue to exist in the industry.”

Gittens at ACI agrees: “I don’t think the industry has done enough [to attract the next generation of talent]. I think we haven’t paid very much attention to this at all.”

“We are competing with other industries for talent. However, because of the cost cutting and financial issues with airlines, they have to pay attention to this issue. They have been laying people off and will have to think of ways of replacing people from a smaller pool of talent.”

Wilson at Travelport says: “The next generation care ‘why’ more than ever before. Organisations must have a purpose - ‘a force for good’—and be able to reflect this in their values, adapt to different cultures and connect.”

“The travel industry —and most certainly Travelport —is ‘under the radar’ for a lot of millennials,” says Wilson. “They don’t see the benefit of joining the travel industry over some of the higher profile sectors. This must shift and part of the change is creating a purpose.” He says Travelport is seeking to bring breadth and depth of opportunity and embrace cutting edge technologies.

The aviation industry needs to attract technology-savvy talent that can help the industry to innovate, because the industry is one that can be disrupted especially in parts.

Technology has a very important role from the perspective of employee attraction and engagement as well. Paul Griffiths, CEO Dubai Airport says, “A website is often the first port of call for future talent and it needs to be inspiring and futuristic. The industry needs better websites that truly reflect what the industry is about. A lot of our brands look alike, are all too similar and speak the same language and this needs to change.”

Aradhana Khowala at WTFL says, “Every sector offers jobs. The aviation sector needs to reorient and offer opportunities not jobs. The young today crave for an opportunity to join a successful business in a fast moving industry that is truly global. And aviation as a sector can tick all the boxes when done right.”

So how can the sector compete with the technology giants for the same limited pool of talent? And how can the aviation sector stay attractive as an employer with changing demands from an emerging generation?
World Tourism Forum Lucerne and Korn Ferry have put forward several key recommendations and actions as a result of the CEO interviews and the study it did with younger executives working in the travel and tourism industry; 95% of whom were millennials.

Firstly, airlines need to ramp up employee learning and development, says Karlsson at Korn Ferry. ‘Encouraging and supporting learning and development’ ranks just after compensation and work/life balance.

Aradhana Khowala adds: “It is important to offer excellent training and development programmes as millennials expect to learn all the time. Training opportunities that are distinctive and that can benefit them long term are especially attractive.”

Another key recommendation is to revamp recruitment efforts and review remuneration.

Aradhana Khowala says aviation companies should “look at refreshing the recognition programme to reward better and look to be creative in this area. It does not have to always mean more money; it could be time off or the opportunity to have an enriching life experience.”

“The aviation sector’s recruitment efforts need to communicate the bigger picture and emphasise the social and economic contribution that they make to the economy. Highlight the complexity of the management challenges, and the limitless opportunities with a career in aviation,” she adds.

Furthermore she says, “The sector needs to review the pay scale and stay relevant by adapting to reflect the divergent priorities of the young. As an example, pension is not as relevant for the young, which was historically an important part of remuneration. The industry also needs to find ways to channel its profitability back to attract and retain the best talent, more especially as it is competing with other industries for skilled employees. Some are doing this already and more need to join in.”

She adds, “The sector could focus more on the non-monetary forms of compensation like sense of purpose, opportunities for growth, a quality work culture and an aspirational brand as it can make many employees even forego higher compensation.”

WTFL believes that fostering diversity is an effective way to achieve this objective. This includes oxygenating and infusing fresh blood and new perspectives into the industry. This means routinely taking on board additional smart people with skills, ideas and experiences from other industries. In addition, the sector needs concrete steps to actively engage girls to bridge the gender gap especially in careers such as pilots, aircraft maintenance workers and aerospace engineers.

Another key recommendation from the study is that airlines need to champion innovation and creative thinking.

Karlsson says the reason companies such as Airbnb and Google rate highly as potential employers, is because they are considered to be innovative organizations that know how to leverage big data and create new business models in the travel and tourism industry.

He added that these companies are in the media a lot and people are interacting with these businesses regularly thanks to the internet.

Karlsson says companies such as Google and Airbnb have been...
effective at building their ‘employer brand’ through the media to the point where people aspire to work for these companies.

He says: “Airlines 20 years ago rated much higher as potential employers, because working for an airline was a way to see the world and go to destinations others may not get to go to. But now that air travel has become more affordable, people no longer need to work for one in order to travel. That key attraction has lost some of its pull.”

“He says: “Airlines 20 years ago rated much higher as potential employers, because working for an airline was a way to see the world and go to destinations others may not get to go to. But now that air travel has become more affordable, people no longer need to work for one in order to travel. That key attraction has lost some of its pull.”

“But in recent years, technological development has been more incremental. And technology related to the internet, is seen to be the new ground-breaking sector,” he adds.

Another key finding from the survey is that airlines need to create a company culture that is collaborative, where people feel involved in the decision-making process and where people are encouraged to share ideas to drive innovation.

Aradhana Khowala says, “Companies need to take care, as a culture of inclusion is not only what you implement internally but is also about public visibility of what you stand for as an organisation because the young look for, and seek out, role models.”

Karlsson says low-cost carriers have done a better job at being seen to be a dynamic place to work. The low-cost carriers, particularly when they were first starting out and were quite small, were also better at having a collaborative culture in the work place, adds Karlsson.

One of the issues facing airlines, particularly as they get larger, is that many departments within the carrier end up working in silos, says Karlsson, adding that there needs to be more collaboration between different parts of the airline.

It is clear is that innovation is the key to the aviation industry’s future prosperity. And if the sector is to attract the top talent in future and avoid being disrupted, it must be at the forefront of innovation.
Amp up employee learning and development
Respondents value the learning, comradery and personal growth that collaborative environments can bring. But personal growth must be paired with the opportunity for career development when looking to attract and keep top talent. “Encouraging and supporting learning and development” ranks just after compensation and work/life balance as a top attractor.

Champion innovation and creative thinking
By doing this an employer is able to address respondents’ number 1 concern, “Managing Innovation.” When asked which companies candidates feel most inspired by, the top three included Airbnb, Google, and Uber. All were noted for their ability to innovate, leverage big data, and redefine business models within the travel ecosystem.

Motivate with collaboration and growth
The second biggest challenge respondents have with their current companies is “Creating a climate where people are motivated to do their best.” Collaborating, participative decision making, and sharing ideas lead to a culture of innovation. A collaborative, innovative, environment ensures staff are kept engaged and loyal longer.

Revamp recruitment efforts
Look at refreshing the recognition programme to reward better and be creative in this area. It does not have to always mean more money; it could be time off or the opportunity to have an enriching life experience. Communicate the bigger picture and emphasise the social and economic contribution the aviation sector makes to the economy. “Highlight the complexity of the management challenges, and the limitless opportunities with a career in aviation.”

Review and be creative with remuneration
The industry needs to find ways to channel its profitability back to attract and retain the best talent more especially as it is competing with other industries for skilled employees. The sector could focus more on the non-monetary forms of compensation like sense of purpose, opportunities for growth, a quality work culture and an aspirational brand as it can make many employees even forego higher compensation.

Foster diversity
This includes oxygenating and infusing fresh blood and new perspectives into the industry as well as routinely taking on board additional smart people with skills, ideas and experiences from other industries. The sector needs to take concrete steps to actively engage girls to bridge the gender gap especially in careers such as pilots, aircraft maintenance workers and aerospace engineers.

Create a company culture that is collaborative
Build a workplace which is dynamic and where people feel involved in the decision-making process and where people are encouraged to share ideas to drive innovation. “Companies need to take care, as a culture of inclusion is not only what you implement internally but is also about public visibility of what you stand for as an organisation because the young look for, and seek out, role models.”
The annual summit engages some 600 participants from 75+ countries, many of whom are top leaders from business, government, civil society, academia and media. It’s all about sharing existing knowledge on best practice and generating new, innovative approaches to the most pressing issues facing the travel, tourism and hospitality industry.

At the core of the World Tourism Forum Lucerne’s agenda is the provision of a highly exclusive, independent platform enabling top managers from around the globe to meet a selection of handpicked future talent. It’s an opportunity to shape global, regional and industry agendas, and to devise ways to make the industry more attractive for future talent.

Korn Ferry is the preeminent global people and organisational advisory firm. We help leaders, organisations and societies succeed by releasing the full power and potential of people. Our more than 7,000 colleagues deliver services through our Executive Search, Hay Group and Futurestep divisions:

- Korn Ferry Executive Search – helping attract the best executive talent to leading organisations.
- Korn Ferry Hay Group – the advisory, reward and talent strategy side of the business.
- Korn Ferry Futurestep – delivering everything from global and regional RPO and project recruitment, through to individual professional search and consulting in a range of specialisms.

Through our combined strength and specialised expertise, we have an unrivalled ability to address the entire talent continuum.

Aradhana Khowala
Member of the Advisory Board
World Tourism Forum Lucerne
mob: +44 788186 6049
aradhana.khowala@wtflucerne.org

Prof. Martin Barth
President & CEO
World Tourism Forum Lucerne
mob: +41 79 602 30 40
martin.barth@wtflucerne.org

Dominique Virchaux
President, South America
Korn Ferry
mob: +33 683 396 292
Dominique.Virchaux@kornferry.com

Torbjorn Karlsson
Senior Client Partner, Civil Aviation
Korn Ferry
mob: +65 62316233
torbjorn.karlsson@kornferry.com

About WTFL
www.wtflucerne.org

About Korn Ferry
www.kornferry.com