

The CEO column

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The Crisis: ANSP CEOs in the Eye of the Storm

Unlike some of my more esteemed colleagues I've been in the ANS business for 'only' 10 years, but without doubt this is the most challenging time I have faced. In New Zealand we've gone from 10 years of 'Sharing the Gains' to a (probably) lengthy period of 'Sharing the Pain'. And this is the role of the CEO in these times: to make sure that the pain is being spread as equitably as possible amongst the key stakeholders – the owners (usually the Government), the customers (usually the airlines), and the ANSPs themselves (usually our people).

For the owners of the ANS system, this means going from earning a decent return on capital to making economic losses. For those of us who borrow from the banks, it may also mean not breaching banking covenants which could trigger a significant rise in interest rates. For the airlines who are reducing capacity to keep load factors up, this requirement for ANSPs to remain solvent, means many ANSPs are under pressure to increase their prices just to break even. The airlines cannot accept this when they're fighting for survival. They want to see extraordinary measures being taken by the ANSPs to reduce costs, and to avoid price increases. Which brings us to the third stakeholder group – the ANSPs. What measures is our industry taking to demonstrate a commitment to cost-cutting? Following the lead from the CANSO CEO Forum in Amsterdam, Airways held a two day Cost Summit to which we invited a cross-section of staff, facilitated by an external partner. We zeroed in on five significant initiatives, which could be implemented over the next 90 – 360 days, to reduce our costs by approximately 5%. Now 5% may seem a bit modest, but in a business that is 90%+ fixed cost, and when you're already benchmarked as low cost, believe me 5% is a tall order. We've set up a Project Team, reporting to the Executive to oversee the process. We'll be reviewing all our capital expenditure, looking hard at staffing levels in certain areas, conducting a sector review, and having (another) look at procurement.

Which brings me to the last point. At times like this it can feel quite lonely as a CEO, because it seems that everyone – customers, staff and the Government – wants you to perform a little better for them. So what sort of leadership is needed during turbulent times. Here are some thoughts:*

- Confront reality – see things as they are – be upfront that you don't have all the answers ("We have a compass but not a map"). Be clear that these events are not of our making and are a real test of our character and culture. But don't tell them all is lost – this immobilises people
- Remain calm. That was the main strength of Capt Sullenberger when he landed in the Hudson
- You have to be very visible – possibly 10x as visible as before, and with your sleeves rolled up
- You need to be absolutely clear with your communications – repeat everything in simple terms
- Make sacrifices early (e.g. CEO salary cuts) – "I don't like this any more than anyone else and by taking a pay cut I sure want to fix it as soon as possible"
- Beware the unknowns – what else can go wrong – don't forget Business as Usual.

So good luck during the crisis. And don't forget your CANSO CEO network is there if you need ideas or support.

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