

BOARDROOMS MISSING OUT

Lack of leadership diversity in global airlines undermines their commercial success and prospects, says Christoph Wahl of executive search firm Egon Zehnder

“These are, in many ways, fine times for airlines – profit margins and load factors are high and fuel costs low.

But this rosy picture is uneven: some operators are faring much better than others and, to prosper in an increasingly uncertain and globalised world, almost all airlines will need to become more innovative, efficient and customer-centric.

At Egon Zehnder, we advise and support global companies, helping them to find and develop the right leaders to meet such challenges – so we need a clear understanding of the issues and their impact on talent. When we first looked in depth at the factors driving the commercial success of global airlines, five years ago, we found having a clearly defined vision and business model was a central factor – and in general low-cost carriers did this best. The fresh perspectives and insights required derive from more diverse leadership teams.

We wanted to understand the status and importance of diversity more clearly so last year we conducted a second study, looking at eight different measures of diversity (age, gender, nationality, experience with other airlines, international experience, other industry experience, tenure with current airline and the sector). We looked at nearly 1,300 senior executives across 73 global airlines, representing around 80% of all air traffic – and confirmed leadership teams across the industry remain largely homogeneous. However the study also demonstrated diversity can powerfully impact performance, particularly when there is a clear business model.

TOP PERFORMING

One striking finding was that the top performing airlines have a significantly higher diversity of leadership across nearly all of our eight diversity



criteria. Low-cost airlines notably have a higher proportion of women in senior roles and are more ready to bring in outsiders with cross-industry experience. On the other hand, we found the majority of under-performing airlines tend to be state-owned and/or lack a focused, viable business concept.

Not surprisingly, many of these have a comparably low level of diversity in their top teams and are predominantly monocultural (such as single-nationality, male, engineering, ‘company lifers’).

Of course there are also regional differences. Airlines from the Americas, as well as Pacific carriers, show a higher degree of fluctuation of talent within the airline industry and between different industries than the other regions, whilst mostly Gulf, Latin American, and also Pacific airlines demonstrate greater multinational, internationally experienced top managers. We were surprised many globally positioned airlines in mature air transport markets still source top teams with a strong national talent market focus. However this may be less the result of company strategy

than due to a comparably thin local leadership talent pool.

The clear correlation between greater diversity and improved commercial success (assuming a clearly defined business model) presents a challenge to many of today’s leading operators whose present leadership teams lack the diversity of most low-cost carriers.

We strongly believe they should set greater diversity at the heart of their strategies moving forward – raising the question of how; particularly in regions of the world such as the Middle East, where talent pools may be limited and largely homogenous.

We believe there are three key areas where legacy carriers should focus to help drive diversity and change. First, they need to drive cultural revolution from the top – with all senior executives playing their part to foster and accelerate diversity across their teams and departments, and also to develop a more balanced mix in their leadership teams.

Second, airlines should recruit from a wider talent pool – looking at candidates who are not only diverse by gender, age, or nationality, but in terms of their broader international and industry experience.

And third, it’s not enough just to recruit more diverse executives – their differences need to be put to work to complement each other and benefit teams and the organisation as a whole.

Diversity in its broadest sense is a powerful weapon against group-think and can drive commercial success in changing markets.

Many leading airlines will need to embrace it – strongly and more rapidly – to retain their lead in future years. ■

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