COVID-19: rising to the challenge with resilience
Airline sector

The rapid global spread of COVID-19 (novel coronavirus), widening travel restrictions, and the plunge in demand for air travel are shining a light on the five core tenets of crisis leadership that can help the airline industry respond to this challenge with resiliency and move forward with confidence:

1. **Speed over elegance.** Decisive action—with courage—is often more essential than getting it perfect.
2. **Mission first.** Stabilize today, and harness both the energy and constraints of volatile conditions to spark innovation tomorrow.
3. **Design from the heart.** Seek and reinforce solutions that align to your purpose and societal obligations and that serve the heart of the organization.
4. **Own your narrative.** Paint a picture of a compelling future and path forward that your stakeholders can support and rally around.
5. **Embrace the long view.** Focus on what’s on the horizon to instill confidence and steadiness across your ecosystem.

Rising to the challenges of a crisis is nothing new to airlines and the broader aviation and travel sector. Just as the industry has overcome past health epidemics, economic recessions, unfortunate safety incidents, and other debilitating events, it too will overcome the COVID-19 crisis.

The actions that government, industry leaders, and individual airlines take during this period will influence how deep the crisis reaches, how long the effects last, how quickly the industry recovers, to what extent the industry will be transformed, and which companies will emerge relatively stronger than their peers.

It is incumbent upon today’s generation of leaders to address the COVID-19 crisis boldly and decisively. This requires taking swift and aggressive action, embracing new ways of working and thinking, and—perhaps most importantly during this crisis—communicating empathetically, thoughtfully, and transparently with employees, customers, shareholders, and the public at large.

It is important to note that there is not a “one-size-fits-all” approach or “playbook” for leaders to follow. Rather, they have an array of choices to make, some easy and some hard, based on their business’s unique position and needs. Actions that airline boards, executives, and leaders should consider as they respond, recover, and prepare to thrive in the new normal include:

- **Put your people first.** Preserving your people and culture is just as important as preserving the balance sheet. Beyond communications, ensure that staff “feel” that leadership has their best interests at heart. Demonstrate servant leadership by regularly spending a portion of time on the front lines. Be swift and generous with voluntary offers to defer and diminish the impact of any involuntary measures.

- **Transform the supply chain.** Streamline operations to cut costs and improve liquidity. Utilize cognitive spend diagnostics and strategic sourcing techniques to identify and capture otherwise hidden cost reduction opportunities. Reduce the number of suppliers and form strategic partnerships with aligned interests in lieu of vendor relationships. Reward suppliers that share risks by prioritizing “value-based” terms where possible.
• **Adapt to consumer shifts.** Customer psyches have shifted, altering traditional pricing behaviors. As with staff, ensure that customers “feel” that you have their best interests at heart. Incorporate social distancing principles in operational and service procedures. Be swift and generous with cancellation and refund policies. Raise cash through discounted gift cards and corporate sales for future travel. Preserve cash by offering, but not forcing, discounted vouchers for future travel in lieu of refunds.

• **Leverage loyalty.** Loyalty programs offer multiple levers to improve both sentiment and cash flow. Say “yes” to interested customers by eliminating inventory controls on awards. Reduce anxiety by suspending expiration of miles and reducing thresholds to attain or retain desirable status levels. Raise cash by selling discounted miles or points for future travel to banks, third-parties, and the public alike. Generate revenue via lower pricing on third-party merchandise to boost redemptions. Partner with mission critical medical and other charities for member donations.

• **Reimagine partners.** The value of allies is best recognized in times of crisis. Expand alliances’ remit to provide additional technology and operational support. Increase joint purchasing activity to create scale, improve pricing, and reduce costs. For JVs with ATI rights, co-locate teams and consolidate strategic functions for relevant businesses.

• **Repurpose people and assets.** Creatively redeploy idle talent and assets to generate cash and serve society. Offer cargo charters to shippers and freight forwarders in search for additional cargo capacity. Subcontract blocks of staff to retailers, logistics, and other businesses facing a surge in demand. Repurpose catering services for relief purposes. Support relief efforts through provision of travel to medical staff and shipment of critical supplies.

• **Recalibrate investments.** Ensure that remaining spend is on the highest and best needs given a new climate. Adjust investment criteria, focusing on rapid payback periods and cost-cutting in lieu of ROI or NPV. Resist temptation to prematurely cancel projects late in their life cycle. Harden defenses against bad actors that view airlines as distracted and vulnerable targets during a crisis.

• **Protect the brand.** Brand value and reputation risk is heightened during a crisis. Balance between connecting with audiences emotionally while avoiding seeming overly enthusiastic. Withdraw any advertising and other marketing activity that may be deemed inappropriate or insensitive. Suspend large-scale advertising campaigns not aligned with the crisis.

• **Fortune favors the bold.** Bold decisions will reshape the industry. Early participants in consolidation will benefit from a first-mover advantage. Right size and rebuild fleets creatively, recognizing that yesterday’s “seller’s” market is now a “buyer’s” market. Opportunities will exist to invest in or acquire attractive assets, including slots, gates, and routes.

• **We’re all in this together.** Stakeholders should work together to help ensure industry resilience. Governments should eliminate or reduce duties, fees, and taxes and relax restrictions on foreign ownership and cross-border mergers. Aviation regulators should eliminate or extend suspensions of “use it or lose it” slot rules. Airports should reduce landing fees, passenger facility charges, and other fees.

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