



The Future of Aviation: A Guide for Assessing Strategic Transformation Readiness

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The next 20 years will redefine the aviation industry. A range of forces are poised to reshape the ecosystem, from new customer expectations to transformational technologies. Succeeding in an increasingly dynamic environment will require airlines to change in fundamental ways. The first place to start: assessing transformation readiness across critical strategy, organizational, and cultural enablers, and implementing a mitigation plan for gaps.

The airline industry is facing a number of forces that will require incumbents to make significant changes to their core business. Digital technologies are increasingly enabling new ways to engage with customers and optimize operations. Concerns around the environmental impact of aviation are driving demand for more efficient aircraft and sustainable aviation fuels (SAF). Additionally, changing customer behaviors are reshaping the global travel landscape. For example, better virtual collaboration could temper demand for business travel, while income growth could fuel growth in tourism.

Artificial intelligence is revolutionizing core parts of the business model like customer service and

operational efficiency. It is also enabling entirely new business model attributes such as more personalized travel experiences and predictive maintenance of aircraft.

Advancements in propulsion technology, like hydrogen and electric power, promise dramatic improvements in the environmental profile of air travel, while requiring ecosystem-level changes like we have seen in other industries impacted by electrification.

In addition, there are disruptive forces that will require aviation companies to evolve beyond traditional models. Innovations such as electric vertical take-off and landing aircraft (EVTOL) could start to redefine urban mobility, presenting

opportunities for airlines to expand their service offerings. Within the core business model, for example, airlines could use EVTOLs to transport passengers to airports; beyond the core, they could use EVTOLs as a standalone mobility solution for short haul journeys.

Combined, this set of forces will drive waves of change over the next 10 to 20 years.

The Need to Move Beyond “Better Sameness”

While many incumbents in the airline industry are experimenting with new technologies and making moves to respond to key trends, the industry has not been known for significant innovation and has historically focused on “better sameness.” Most innovation is narrowly centered on the aircraft, for example, design and efficiency improvements, and has been led by OEMs and suppliers, not carriers. One notable exception of disruptive innovation, the low-cost model, was not driven by incumbents but pioneering new players like Southwest and EasyJet that the incumbents ultimately had to emulate.



Some of the aviation industry's conservatism is self-imposed, but the incremental orientation of many airlines is also understandably driven by the unique characteristics of the industry. The appropriately significant focus on safety leads to risk aversion.

The heavy emphasis on operational discipline crowds out a focus on innovation. Boom-and-bust cycles, and the need to respond to geopolitical crises and events, make it hard to commit resources to innovation over time. The industry has benefited from tailwinds driving growth over the last several decades, and with few meaningful disruptive threats, there has been little imperative for significant innovation or transformation.

It's true that the industry has been somewhat protected from disruption by its unique characteristics - regulatory restrictions, structure (such as limited landing slots at airports), and the high capital costs required to enter the market. However, there are indications this is changing. Consider SpaceX's success in the aerospace industry. Like aviation, aerospace has long been dominated by incumbents due to similarly high barriers to entry, but SpaceX's introduction of reusable rockets dramatically changed the cost structure and allowed it to penetrate the market and capture share.

Senior leadership teams that immediately start to prepare their organizations for the future will be at a significant advantage.

Assessing Transformation Readiness

The first step in changing an organization is assessing the organization's readiness for transformation. This provides a baseline and helps to identify the most significant gaps that need to be addressed. We outline 10 critical questions chief executive officers and their leadership teams should discuss to assess their organization's readiness.

1. Are key stakeholders aligned on the strategic imperative for change?

Making the case for change is easy in moments of crisis, but by then it's often too late. Aviation leaders need to assess whether they share an aligned perspective on the expected future environment, accounting for disruptive trends, changing competition, and new technology. Misalignment can lead to haphazard resource deployment, reduced transformation speed, and lower return on investments.

2. Do we have a clearly articulated vision and strategy for the future?

A clearly defined vision for where an organization is headed in the medium-term provides a “north star” for the transformation and is a critical enabler. Airline leaders need to assess whether they have a perspective on: how might the world look different in 10 to 20 years? What will drive value to customers in the future? How might new competitors, technologies, and business models fundamentally shift our industry paradigms? Are we positioned to drive value in that predicted future environment, or how might we build/buy/partner to acquire the necessary capabilities to drive value?

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3. Are our strategic planning processes sufficiently future-orientated?

No successful transformation was ever created at the annual “strategy week.” While useful in static environments, the traditional strategic planning approach of projecting historical data several years into the future is rarely sufficient for addressing major change since it is based on an implicit view that tomorrow will look similar to today.



Leaders need to assess whether their current strategic-planning processes are sufficiently future-oriented. Do they incorporate information regarding the changing macro environment, update the strategy accordingly, and track transformation progress? Strategic-planning processes should also be executed on a regular cadence to enable necessary strategic pivots.

4. Can we sufficiently free up resources from the core business to support new growth?

Failing to free up resources will result in stagnation. The good news is there are always investments that have only persisted due to lack of better alternatives. Aviation executives need to ensure they are looking at the portfolio holistically, rationalizing lower priority projects, and have the right metrics that balance competing objectives and drive efficiencies.

The transformation cannot be tackled all at once. Leaders need to ensure they maintain the right balance of activities across the core business and new businesses to keep the transformation moving at a pace that is relevant to market dynamics, while not starving the core of resources.



5. Do our structures, capabilities, and operating model give us the ability to pursue a transformational strategy?

“Strategy should drive structure” is a common refrain but is hard to do. Large organizational redesigns consume time, energy, and tempt distraction, but left unaddressed, the gravitational pull of the current model will impede progress. Aviation leaders need to look across their org structure and operating model to identify and address any blockers.

6. Do we have pathways to innovate new solutions and business models beyond the core business?

The forces facing the aviation industry will require substantial change and innovation. Leaders must objectively assess the ability of their current processes to go beyond better sameness. There will likely be a need for new breakthrough innovation pathways that are optimized for agility, learning, and expansive thinking.

7. Are there cultural barriers and behaviors that will impede transformation?

Airlines are known for their often strong cultures that bring many benefits. However, there are equally often cultural attributes and behaviors that will impede transformation. These might include how leaders engage with innovation teams, or their willingness to grapple with difficult choices outside of the core business. Aviation companies need to identify the specific behaviors that are getting in the way of progress and nudge them in a different direction.

8. Are there talent gaps and a plan to address them?

The right talent to lead and support a sustaining strategy is unlikely the right talent to lead and drive transformation. One of the major regrets of executives who have led transformations is that they moved too slowly to align and re-assemble their teams. It’s critical to assess talent that will play a key role in transformation initiatives, both in leadership and other levels in the organization. Leaders should ensure talent is comfortable with ambiguity, leverages a customer centric-design approach, deploys a test-and-learn mindset, and has an acceptable appetite for risk. Given the role technology will play in the future, leaders should also ensure they can attract and retain digitally native talent.

9. Can we effectively communicate the strategy and program to key stakeholders?

A transformation requires bringing along key stakeholders; this include leadership, employees, suppliers, investors, and various other stakeholders. They need to understand not just the “what” but the “why” driving the transformation vision. Transformation often challenges and resets

fundamental assumptions about the market and the company. Effective communications need to directly address those shifts and reset the audiences' cognitive biases.

10. Are there effective governance mechanisms to monitor key metrics, ensure ongoing alignment across component activities, and adjust the program as necessary to achieve goals?

Change programs unfold over many years. They evolve as market conditions and other factors shift. There is constant tension between the core business and future parts of the business. All this requires continuous monitoring and redirection. CEOs and their leadership teams need to ensure their existing governance mechanisms are up to the task, and if not, make the requisite adjustments.

Addressing each of these questions will help aviation leaders assess their organizations' readiness for transformation.

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