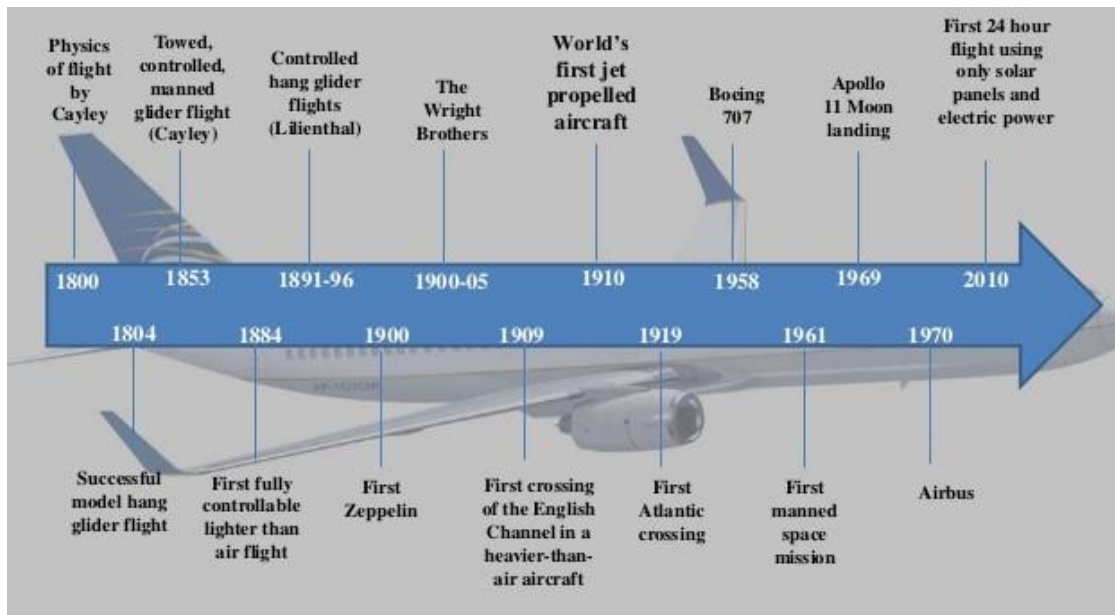


DIGITAL TRANSFORMATION IN AVIATION AND AEROSPACE



“Digital Transformation” is a term that we hear thrown around quite often these days. As we hear the hype about *The 4th Industrial Revolution*, leaders in every industry are developing innovative solutions to improve the way we work and live. Companies around the globe are striving to remain competitive by utilizing advanced analytics, robotics and artificial intelligence, IoT, 5G and other smart technologies in factories, offices and in the field.

While aerospace companies spent most of the 20th century on the cutting edge of technological innovation, it is no secret that the industry today is viewed as a slower adopter of new technologies to improve operational efficiency. A recent McKinsey report detailed that while over two-thirds of the Top 50 Aerospace & Defense companies announced major digital initiatives last year, the results have been underwhelming. In addition to tight regulations, common digital transformation complaints in the industry include lack of focus, too little attention to customers’ needs, a shallow talent pool and organizational structures that are too rigid.



As the aerospace industry is lagging behind others in these efforts, the question we should be asking is: What can we learn from other high-tech industries when it comes to leading an effective digital transformation? I recently spoke with Elizabeth Xu, former CTO of BMC Software and current CTO of the CP Group, where she leads digital transformation for several hundred subsidiaries globally for the \$55 billion conglomerate, who spoke about what she is seeing in the global market:

JARED: With nearly every large company looking to move faster and more efficient through new technology, how do you see companies staying competitive?

ELIZABETH: Every company today needs to be seriously looking at new digital technologies in order to stay competitive. It is not enough to simply digitize all of your documents, you must be finding ways to automate your business, and using technology to develop decision-making processes that are faster and more transparent, but this does not come free. You need money to invest in any transformation, and when finances are limited you need to get ahead of the key challenges you will face.



Elizabeth Xu
Group CTO
C.P. Group

JARED: What are the key challenges companies will face?

ELIZABETH: The key challenges every company will face revolve around strategy, culture, and knowing the customer.

- Strategy - You need to have a clear strategy, which means building in realistic milestones and KPIs to measure progress. Without those deadlines and effective KPIs, it is not going to happen. This falls to the leadership of the company. The leaders have an agreed upon vision about what the company is going to become, by when. Without that clear vision and appropriate strategy, you will fail no matter how much you invest.
- Culture – This is the hardest part. Culture is all about what your people value and what they are used to experiencing. When people are so used to one way of working and you ask them to change how they operate, you are going to get resistance. It is imperative on leaders to educate their people and influence how they view a digital transformation, and what additional value it is going to provide to them.
- Customer – Understanding your customer and knowing what problems you need to solve for is another area where companies miss the mark. These days, you have so many startups developing new services that redefine the customer experience. You need to have that startup mentality when it comes to serving your customer. Aerospace is different in a sense, due to the regulatory environment...you cannot move nearly as fast as most tech startups, but the mentality must be there. What is the customer journey like? How do we use new technology to get them what they want faster?



JARED: Do you see companies needing to make a lot of personnel changes? Particularly at the leadership level?

Elizabeth: Absolutely. We typically have to bring in new people to lead these efforts. Any mid-size to large business who does not have a Chief Technology Officer, needs to take a hard look at bringing in someone who can be focused on this. However, you cannot afford to change out everyone. I advise companies to invest in a few key leaders who can train their current people to lift their skillset.



JARED: Our firm is now seeing many companies bring in Chief Digital Officers. Are you seeing the need for many companies to bring in a CDO when they previously have not had one?

ELIZABETH: Not always. A good CDO is particularly important when a strong data background is needed. However, some CDOs can really be glorified Program Managers. If a company is truly serious about investing in new technology and undergoing a transformation, they need to have a good CTO who is driving change and at the helm of bringing in new technology.

At McDermott & Bull, many of our aerospace clients call on us to recruit new leaders who can lead technology upgrades or full-blown digital transformations. We often look at candidates outside of the industry to come in and lead these efforts. However, as Elizabeth stated above, the true vision and support for any transformation must come from the top. Chief Executives, Board Directors and other key leaders must be aligned behind a common vision with a realistic strategy to execute against that vision, and be fostering a culture that believes in the evolution.

There is no doubt that the exponential rate of advancement in next generation technologies will continue to impact the aerospace industry, and players need to invest in the right technology and people in order to remain competitive with their peers, and rising competitors overseas. This starts with knowing your customer, and the key problems you are seeking to solve, then having a clear and concise strategy, with a firm decision on what your company culture needs to become. When companies can accomplish these steps first, they will have a much greater chance of success as they invest in new technologies.

ABOUT THE FIRM AND THE AUTHOR

McDermott & Bull (www.mbexec.com) is a full-service retained executive search firm headquartered in Irvine, California servicing businesses throughout North America and Europe. The Firm's Aviation & Aerospace Practice Group partners with boards and senior leadership teams to align talent strategies with business strategies – specializing in assessing their clients' specific requirements for senior leadership and ensuring a parallel between those requirements and the organizational culture.



Jared Moriarty is a Principal Consultant at McDermott & Bull, based in the firm's Southern California headquarters. Prior to McDermott & Bull, Jared worked as a Sr. Recruiter for another California-based firm, placing executives in the Engineering and Finance functions. He is a licensed private pilot, based out of John Wayne Airport in Orange County, and his aviation experience has proven invaluable with many of the firm's aviation and aerospace clients. Jared received a Bachelor of Science in Finance from the University of Connecticut and his MBA from Chapman University. He currently serves on the Board of the Chapman MBA Alumni Association.

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Rod McDermott
Chief Executive Officer



Craig Sabina
Principal Consultant



Brent Lamb
*Associate Principal
Consultant*



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