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Rollie Vincent
JETNET iQ Creator/Director



I've Been Afraid of Changin'

A deeply introspective Stevie Nicks wondered aloud and to the world whether she could handle the “changin’ seasons of her life” in *Landslide*, a song about fear and self-doubt written a few months before she and Lindsey Buckingham were recruited to join Fleetwood Mac. Waitress, cleaning lady, then international pop rock star, Nicks’ career and that of her fellow band members literally took off as the now British-American band embraced new people and new artistic directions.

While a cleaning rags-to-riches path seems more common in the sports and entertainment world than in business aviation, we can take away some important insights to guide our own pathways to change. Diversity in all its forms and however defined – M/F, age, experience, work style, geography, and in a myriad of other ways – can revive a workplace and propel its people to new heights of performance. Like many things in our industry, this is of course easier said than done. Maintaining that upwards trajectory – keeping successful – is oh so very hard to do, but a foundational element of leadership for the ages.

Leadership in any industry is both an art and science. In our opinion, some of the best practitioners have built their organizations from the ground up by focusing on clear objectives, encouraging buy-in, measuring and improving upon performance, and constantly listening, adjusting, and communicating. Checklists – something that

the aviation industry has largely perfected – are amongst the simplest time-trusted tools we have at our fingertips to organize and structure the change journey. In this issue of JETNET iQ PULSE, leadership expert and 2021 JETNET iQ Summit speaker, David Porter contributes his thoughts on leading momentous change, a topic of widespread interest during these unprecedented times. To paraphrase David, sometimes – or perhaps all the time – the most effective approach to ready ourself and our teams for change is to start by simply asking the right questions.

“Checklists – something that the aviation industry has largely perfected – are amongst the simplest time-trusted tools we have at our fingertips to organize and structure the change journey.”

Embraer, the sponsor of this issue of PULSE, continuously embraces change as integral to their DNA. Boldly launching and then reimagining clean-screen designs, the company seeks to offer technology and value beyond what has been traditionally expected within its chosen market segments. Want to be in the room with leaders who are building runways into the future? Join the titans of the business aviation industry at our 10th JETNET iQ Summit at the fly-in / fly-out TWA Hotel at JFK Airport on Sept. 15-16:

www.jetnet.com/summit



Outlook

There are many ways of monitoring the state of the business aircraft market. While headline numbers speak loudly – for example, that 6.2% of the jet fleet was available for sale at the end of June 2021 – we often find it important to qualify market statements by putting these into context. What is the distribution of results around the average? How do current results compare with prior periods? What is the rate of change? Most importantly, what can we learn from the numbers, and where do we think these may be headed in the future?

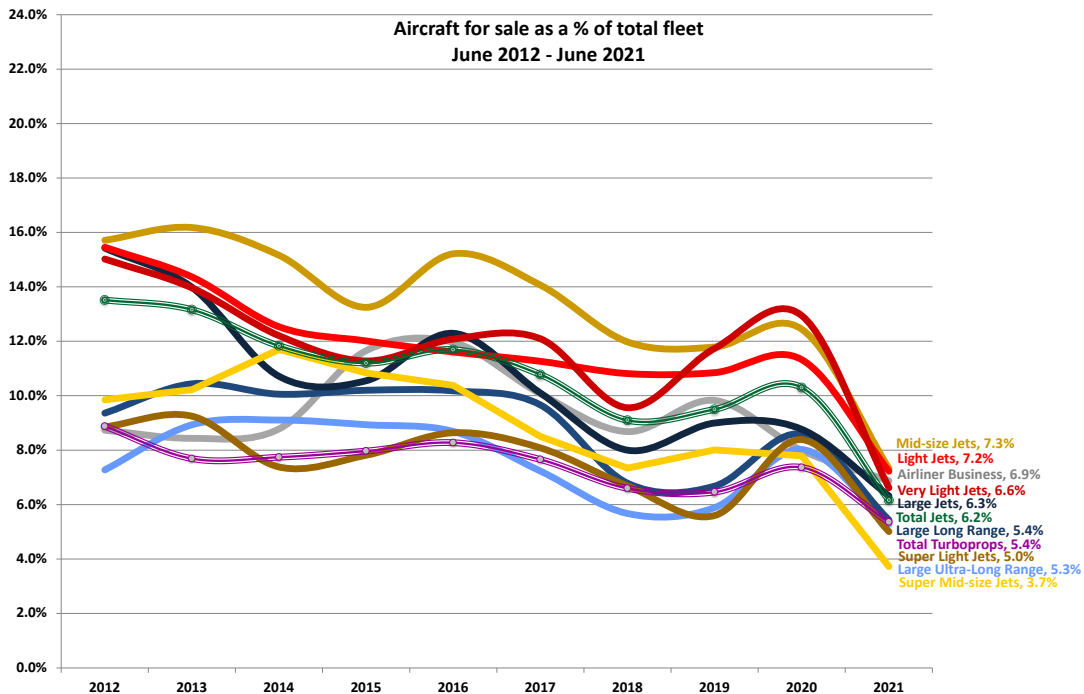
To the surprise of many the pre-owned business aircraft sector has proved remarkably resilient throughout the COVID-19 era and recovery. Transaction volumes in the aggregate at the end of 2020 were “off the charts” by most measures, and in a good way, a fact that is backed up by plenty of data. The number of pre-owned aircraft that are on the market and the share of the world fleet that they represent have been in steady decline for more than one year. For-sale inventory levels as a percentage of the installed base of turbine-powered fixed wing aircraft worldwide are today at the lowest levels ever recorded by JETNET. Demand is clearly outstripping supply at the macro level, with

high-net-worth individuals (HNWI) and first-time buyers representing a very noticeable share of transactions.

The current state of the pre-owned market is in stark contrast with the post-Global Financial Crisis period. Today, demand is strong, inventory is low, and there is growing (albeit still largely anecdotal) evidence that transaction prices have firmed, exactly the opposite situation in the aftermath of the last economic recession. Today, supply chain and production challenges – getting quality components and systems to the aircraft assembly lines, managing employee turnover, recruiting new skilled people, controlling input costs – and concerns about the longer-term sustainability of demand are amongst the drivers that are temporarily crimping new aircraft production rates.

Who would have thought that supply – not demand – would be the industry’s challenge in 2021? This is arguably a good 1st World problem to have but an inescapable challenge, nevertheless, and one that is pressurizing today’s marketplace.

Pre-Owned Business Aircraft Inventory For Sale



Source: JETNET / JETNET IQ

PRAETOR 600

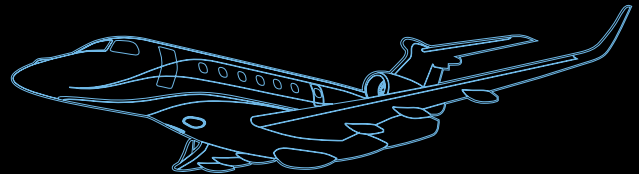
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Successfully Leading Momentous Change



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Whatever we defined as change before last year, we can all agree that the current definition has significantly expanded. As we finish 2021, the horizon remains foggy, whether in customer demand, supply chain and company capabilities, or employee well-being and commitment.

Successfully leading our teams and organizations through momentous change has never been more challenging or essential. This post explores several ways to lead effectively in a VUCA (volatile, uncertain, complex, and ambiguous) environment, an abstraction that, for all of us, has become more concrete than ever.

What is momentous change?

It is the sustainable change that increases trust, collaboration, and performance and acts as a differentiator. That requires us to focus on what matters. It is change that helps us be successful rather than busy.

Why do our change efforts frequently fall short of expectations?

1. We lose our nerve, change our minds, and try a slimmed-down version that seems less risky. In short, we give up.
2. We focus on tools and processes before people, forgetting that organizations don't change unless their people do. Success happens when we bring them with us, not when we create a perfect technical solution.
3. We define inevitable obstacles as failures rather than as a signal to double down, repeat our purpose, recall why we began this work in the first place, and continue forward. The threats driving our need to change didn't suddenly go away. The bright light of unexpected obstacles temporarily blinded us.
4. We communicate sporadically, vary our messages, and forget that repetition is the mother of skill. The resulting ambiguity leads to confusion, frustration, and disengagement in those leading and doing the work.
5. We don't make the distinction between delegating and abdicating our responsibilities. Momentous change requires imperfect yet relentless leadership at all levels.
6. We focus on the map and ignore the compass. Change is non-linear, so our maps and plans need frequent adjustments. How we lead in these moments makes a difference. When we are clear about our values, ignore the noise, stay confident in our goals, have each other's backs, and persist, momentous change has the space for emerging.



Successfully Leading Momentous Change (cont.)

How do we successfully lead momentous change?

We start at the intersection of culture, people, and leadership. Ignoring the interdependency of these three elements kills transformation in its tracks. What follows are some straightforward tactics to keep your organization moving forward in the face of inertia and resistance.

Culture: The neighborhood housing our collective behaviors in which strategy lives or dies (acts as an accelerator or decelerator)

- Vision, mission, and strategy are not enough.
- Before we replace behaviors, we first have to stop doing stuff that no longer serves us.
- The toxicity of passive-aggressive and approach-avoidance cultures leads to vicious compliance, not commitment and engagement. The dismantling of these environments in favor of collaborative ones is critical to effective change.
- Employees demand flexibility in their work arrangements (and will vote with their feet if they don't get it). Not the average employees, your best ones.
- Including diverse voices, experiences, and viewpoints in decision-making creates breakthrough opportunities.
- Providing clarity of roles, goals, and expectations reduces confusion and accelerates performance.

People: The oxygen for innovation, productivity, and transformation

- An organization changes only if and when its people choose to change, which happens when we challenge assumptions, beliefs, habits, and behaviors and replace each with things that serve us rather than slow us down.
- Building a diverse team is a smart strategy because it's good for business, not because it ticks a box.
- Top talent is looking intently for greener pastures. The goal is to make ours the greenest to retain talent.
- Your people want to be challenged, recognized, and rewarded.

- They want to work collaboratively, and for leaders, they believe in.
- Mutual respect and mutual purpose are drivers of increased importance to effective change.

Leadership: The catalyst for momentous transformation

- Employees follow courageous leaders who believe in something and take a committed stand, especially when it's challenging to do so.
- Employees excel in the presence of clarity and consistency.
- Employees want leaders who are moving them toward a meaningful purpose and a bigger story.



Successfully Leading Momentous Change (cont.)

The intersection of culture, people, and leadership happens when leaders are intentional and use three leadership principles in concert to amplify results and increase the likelihood of successful change—courage, humility, and discipline.

Courage allows us to act despite fear. Humility makes room for safer, more inclusive, and productive discussions. Discipline builds and sustains habits that keep us on course.

Questions are a powerful tool to guide us along a path of courage, humility, and discipline. Invest an hour in answering these questions, and your return will be eliminating weeks of frustration and a renewed focus on the changes that matter to you and your team.

Courage

1. What assumptions are you making that keep you from acting?
2. Which conversations are you not having right now that matter?
3. What difference will this decision make in 1 day? One month? One year?
4. What perfect answer are we waiting for rather than making progress now?
5. How can we start moving now and make course adjustments later?
6. What is the cost of doing nothing?

Humility

1. Which of your behaviors are getting in the way right now? Which team behaviors?
2. Who can I trust to help me identify unhelpful behaviors and improve the way I'm showing up?
3. How often am I showing up with curiosity rather than already knowing?
4. What's one thing I can do today to be more curious? More open to input? Less controlling?
5. How does what I'm about to say help people be more committed to the change?

Discipline

1. How do I make sure to use consistent language in describing our change goals?
2. In what ways do I routinely provide clarity to my team?
3. What will keep us from changing our minds when this gets hard?

4. How can we strengthen our defenses against shiny-object syndrome?
5. What are the three things on my daily actions checklist that will lead me toward being a more effective leader?

The last point is that meaningful change usually happens when top executives are not in the room. So, how do we provide the depth and breadth of leadership to get everyone ready? We ask and answer more questions:

1. How are we influencing them while we are there?
2. What expectations did we set?
3. In what ways did we argue for our collective possibilities rather than our limitations?
4. How big is the purpose we are trying to achieve? Are we chasing quarterly EBITDA, 100-slide board decks, or 5% labor cost reductions? Or are we successfully integrating an acquisition, reducing customer touchpoints from 7 to 3, and increasing MTBUR by 15% in the fleet?
5. Based on our track record, how confident are people that we will do whatever it takes to stay the course? If confidence is lower than desired, what will we do differently this time?
6. If we challenge our team members to stretch, what capabilities will they build as a result? Some 70% of individual growth happens during stretch assignments.
7. Can our goals and timelines be accomplished by working in the same way we are now? If not, what do we do instead?

We've only scratched the surface of what it means to deliver momentous change. By focusing on the culture, people, and leadership components and adopting the principles of courage, humility, and discipline, you can ask and answer a set of questions that sets you and your team up for sustained success.



David Porter Advisors

David Porter coaches and advises CEOs and their teams, helping them improve trust, communication, and decision-making skills by improving behaviors that limit their potential. From a foundation of three principles: respect, straight talk, and results, he brings his experience as an executive in 10 industries, a proven coaching model, and a focus on client-defined success to every engagement.

<https://davidporteradvisors.com>

Business Conditions

GDP



The Economist's **GDP growth forecasts** for 2021 are: U.S. +6.0%, Euro Area +4.4%, U.K. +5.7%, Mexico +5.9%, Brazil +5.5%, Canada +5.4%, China +8.5%, Russia +3.4%, and Australia +4.4%



Business jet cycles (take-offs and landings) in June 2021 were up by 37% YOY for U.S. Part 91, up by 129% YOY for U.S. Part 91K, up by 76% YOY for U.S. Part 135, and up by 91% at European airports



Dow Jones Index (U.S.) was up 32%,
FTSE 100 (U.K.) was up 15%,
CAC 40 (France) was up 33%, and
DAX 30 (Germany) was up 22%
YOY from July 27, 2020 to July 26, 2021



U.S. Index of **Consumer Sentiment** was 85.5 in June 2021 vs. 82.9 in May 2021 and 78.1 in June 2020 YOY;
Euro Area **Economic Sentiment Indicator** was 117.9 in June 2021, versus 114.5 in May 2021 and 70.2 in June 2020



U.S. unemployment rate (seasonally adjusted) was 5.9% in June 2021 representing ~9.5 million people, up 168K from May 2021 (5.8%)



U.S. **Purchasing Manager Index** (Manufacturing PMI) was 60.6 in June 2021, versus 52.6 in June 2020;
Euro Area **Business Climate Indicator** was 1.71 in June 2021, versus -2.25 in June 2020



Transactions of pre-owned business aircraft in Jan.-Jun. 2021 were 1,376 jets and 715 turboprops, up 42% and up 35% YOY (JETNET as of July 26, 2021)



Business aircraft deliveries in 2021 YTD are 252 jets (including Cirrus, Boeing, Airbus) and 125 turboprops (JETNET as of July 26, 2021)



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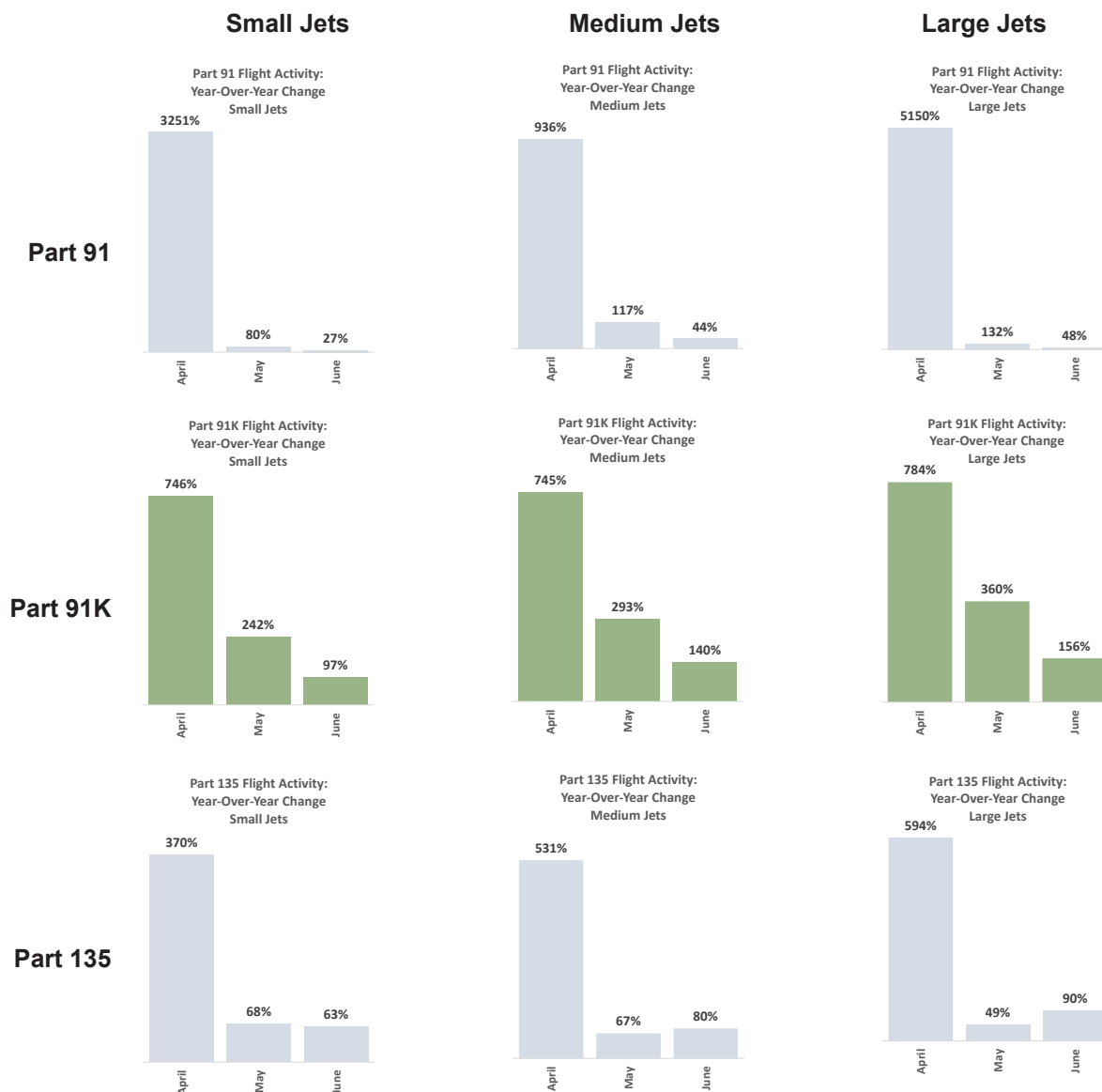
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U.S. Business Jet Utilization – All Operational Categories

April / May / June 2021 Percentage Change YOY Versus April / May / June 2020

For market and financial analysts, April 2020 will go down as one of the easiest-ever comparables in many industries. U.S. business jet flight activity across all operational categories came to an almost complete ground stop in the immediate aftermath of the WHO's COVID-19 pandemic announcement

on March 12, 2020, making April-to-April YOY % change comparisons next to meaningless (see charts below). More meaningful YOY aircraft utilization comparisons in the United States began to be evident in May but particularly in June 2021, led by fractional program and charter flying.



Source: U.S. FAA / JETNET / JETNET iQ; for aircraft size category definitions, please see the Appendix

Expectations for Business Aircraft Utilization

JETNET iQ Q2 2021 Survey of Business Aircraft Owners / Operators - Worldwide

Almost 80% of aircraft owners and operators who responded to our recently completed Q2 2021 JETNET iQ Survey believe that increased utilization evidenced in the fractional program and charter segments is sustainable. In fact, those who strongly agree outnumber those who strongly disagree by a remarkable 39-to-1 factor. Persistent customer demand for fractional and charter flying appears to be straining supply, providing opportunities for OEMs to capture additional fleet

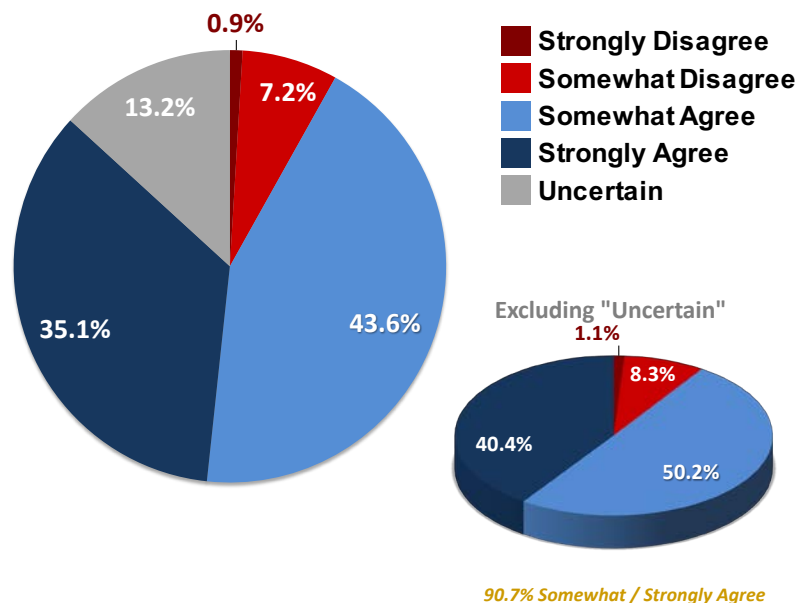
sales and refill their order backlogs. This is welcome news indeed, as we estimate that cumulative industry backlog across the “Big 5” aircraft manufacturers – Bombardier, Dassault, Embraer, Gulfstream, and Textron Aviation – fell 18% YOY on a \$U.S. value basis in 2020 YOY.

Change, it seems, is about the only constant in today’s business aviation market.



Q2 2021 JETNET iQ Survey: Worldwide

I believe that increased utilization in fractional / charter operations seen over the past six months will continue into the future



Source: JETNET iQ Q2 2021 Global Business Aviation Survey (n=506 business aircraft owner / operator respondents from 65 countries)

About JETNET iQ

JETNET iQ is a business aviation market research, analysis and forecasting service consisting of three main elements:

- **JETNET iQ Reports** are the definitive analytical reference for business aviation, incorporating quarterly state-of-the-industry analyses, owner / operator surveys, and detailed delivery and fleet forecasts;
- **JETNET iQ Summits** are annual industry conferences providing unique data, insights and networking opportunities; and
- **JETNET iQ Consulting** provides customized research and analysis for clients on a project-by-project basis.

JETNET iQ Reports are available in various formats on a subscription basis, and are published regularly by JETNET LLC, 101 First Street, Utica, NY 13501 - **currently offered at 11 different levels**. JETNET iQ is a partnership between JETNET LLC of Utica, New York and Rolland Vincent Associates, LLC, of Plano, Texas.

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Since late 2010, JETNET has conducted quarterly surveys of the worldwide community of business aircraft owners and operators in order to gauge customer sentiment, brand perceptions, aircraft purchase, selling, and utilization expectations, and other factors. JETNET iQ Global Business Aviation Surveys are password-protected and by invitation-only. Potential respondents are drawn randomly from the JETNET worldwide database of business jet and business turboprop owners and operators; they are initially contacted by telephone and/or e-mail by JETNET's team of multilingual researchers. Target respondents include chief pilots, directors of aviation, and senior management. Each survey includes at least 500 respondents in 50 or more countries each quarter, and respondents closely reflect the worldwide distribution of the business jet and turboprop community.

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Appendix

Data sources:

Real GDP growth forecasts (2021): The Economist – July 24, 2021

<https://www.economist.com/economic-and-financial-indicators/2021/07/24/economic-data-commodities-and-markets>

Stock Markets:

Dow Jones Industrial Average: <http://ca.spindices.com/indices/equity/dow-jones-industrial-average>

London Stock Exchange (FTSE 100): <https://www.londonstockexchange.com/indices/ftse-100>

Euronext Paris (CAC 40): <https://live.euronext.com/en/product/indices/FR0003500008-XPAR>

Frankfurt Stock Exchange (DAX 30): <https://www.boerse-frankfurt.de/indices/dax?mic=XETR>

Initial Unemployment Claims: Bureau of Labor Statistics (U.S.); <https://www.dol.gov/ui/data.pdf>; “SA” = seasonally adjusted

Unemployment: Bureau of Labor Statistics (U.S.); <https://www.bls.gov/news.release/pdf/empsit.pdf>

Consumer Confidence: University of Michigan Survey of Consumers (U.S.); <http://www.sca.isr.umich.edu>

European Commission (Euro Area) – Economic Sentiment Indicator; https://ec.europa.eu/info/sites/info/files/full_bcs_2021_06_en.pdf

Business Confidence: U.S. ISM Manufacturing PMI (U.S.)

<https://www.ismworld.org/globalassets/pub/research-and-surveys/rob/pmi/rob202107pmi.pdf>

Eurostat (Euro Area); <https://ec.europa.eu/eurostat/databrowser/view/teibs010/default/table?lang=en>

https://ec.europa.eu/eurostat/databrowser/view/ei_bsci_m_r2/default/table?lang=en

Business aircraft fleet, deliveries, transactions, days-on-market (DOM), utilization: JETNET; GAMA

Survey results: JETNET iQ Global Business Aviation Surveys (Quarterly)

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Definitions and Abbreviations:

For the purposes of these Reports, business aircraft may be classified into 4 primary categories, reflecting propulsion, price, performance, and weight class differences. These categories are: Turboprops (Single-Engine Turboprops - SETP and Multi-Engine Turboprops - METP), Small Jets (Personal Jets, Very Light Jets, Light Jets), Medium Jets (Super-Light Jet, Mid-Size Jet, Super Mid-Size Jet), and Large Jets (Large Jet, Large Long-Range Jet, Large Ultra Long-Range Jet, Airline Business Jet). The “Personal Jet” category includes single-engine turboprop-powered models, today represented by the Cirrus Vision Jet.

B&GA: Business & General Aviation
EIS: Entry in Service
FBO: Fixed Base Operator (private air terminal)
FTSE: Financial Times Stock Exchange (London)
GAMA: General Aviation Manufacturers Association
GDP: Gross Domestic Product

HNWI: High Net Worth Individual
MTOW: Maximum Takeoff Weight
NGO: Non-Governmental Organization
OEM: Original Equipment Manufacturer
QOQ: Quarter over Quarter
QTD: Quarter to Date

S&P: Standard & Poor's
TTM: Trailing Twelve Months
WHO: World Health Organization
YOY: Year over Year
YTD: Year to Date

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