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## How a company challenged established employment models with a “total labor management” idea

OSM Aviation, a newcomer in the sector, is disrupting the aviation industry. A specialist in the employment, training and administration of cabin crew and pilots, it is changing the way airlines approach talent management. More than a recruitment agency, it is a new way of thinking. OSM Aviation’s idea is based on a new and comprehensive outsourcing model of “total crew management” – taking responsibility for the entire crew management process, from recruitment and training to planning and execution. The challenge faced by OSM Aviation is to offer a value proposition that will appeal to both the operators and the work force. The company’s objective is to supply airline operators with added flexibility and an opportunity to save costs, as well as to provide them with top quality crew members, while also offering crew members secure, fair and predictable employment.

### At a glance

- » OSM Aviation successfully created a labor outsourcing business model that revolutionizes the way airlines manage their crews.
- » The success of the idea is driven by its dual appeal since it offers advantages to both the employer (airline operators) and the employees (crew members).
- » OSM Aviation’s labor outsourcing model offers inspiration for other players in labor-intensive industries.

## THE BROADER ISSUE

Markets are becoming increasingly volatile and competitive. Many industries are characterized by unpredictability, fierce competition, labor intensive operations as well as thin margins. External factors, such as economic fluctuations, government regulations or the influence of interest groups have an impact on results, yet they are often beyond management's control. Companies increasingly focus their efforts on controlling costs, especially labor costs, at the risk of lowering labor quality.

In unpredictable markets, industry players have to adapt quickly to challenging market conditions. In particular, they have to be able to quickly procure talent to support dynamic industry changes or cut labor costs by laying off workers during economic downturns. Meanwhile, workers – in particular skilled talent – are becoming more demanding: they want secure employment, good work conditions, work flexibility, career development opportunities, as well as a generous compensation.

In an attempt to drive down costs and increase labor flexibility, companies have long considered outsourcing different parts of their operations to providers who can deliver the same product at a lower cost. Outsourcing employees brings several advantages to companies and costs savings is just one of them. A study on Human Resources outsourcing established that 26%

of companies outsourced talent to save money, 23% to focus on strategy and 22% to improve compliance.<sup>1</sup> By delegating management of its employees to an outside supplier, a company benefits from higher flexibility, access to a larger talent pool as well as skilled staff. Despite the benefits, barriers to outsourcing core functions are high. The most frequent objections include the possible loss of quality due to different professional standards, concern for safety, potential conflicts of interest as the outsourced workforce may be providing similar services to competitors, and the impact on company culture.

Until now, secondary functions were the most likely to be outsourced. The workforce at the heart of the company activity in direct contact to the customers – such as pilots or flight attendants – were the least likely to be outsourced. One visionary airline professional saw an opportunity in this untapped market and created OSM Aviation, the first total crew management company.

## TOTAL CREW MANAGEMENT

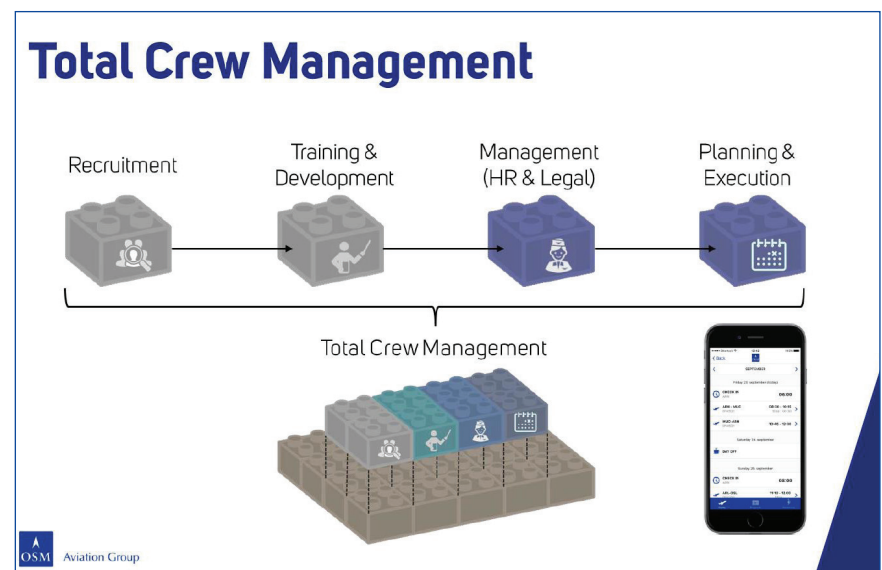
OSM Aviation introduced a new sustainable business model, which offers secure employment and appealing careers for its aircrew,

while providing air transporters with top quality and highly efficient crew members. The new company's goal is not only to improve the work life of crew members but also to give airline operators both added flexibility and an opportunity to save costs.

## Value Proposition

OSM Aviation's total crew management value proposition is based on four key building blocks:

- **Recruitment:** Flexible, adaptable and high-quality recruitment services, including specialized aircrew recruitment processes using either its own recruitment and assessment tools or those of the customer.



- **Training & development:** Employee training to match the specific requirements of the airline.
- **Management (HR & legal):** Seamless crew management services including base management, HR management, industrial relations, payroll, insurance and social security, employment compliance, and emergency response organization.
- **Planning & execution:** Integrated planning and scheduling including 24/7 crew control, analysis and optimization.

The company's strategy relies on three key principles: no compromise on safety, local presence, and permanent employment for its employees.

- **Safety** is a key requirement in the airline industry. OSM Aviation operates in accordance with international and national rules. Requirements for cabin crews and pilots are the same as those for crew members employed directly by the airlines.
- **Local presence:** One of the pillars of OSM Aviation's strategy is to be locally present in all its markets. It employs people in all the 18 countries in which it is present, is familiar with the local labor market, and has collective agreements on pay and working conditions in a number of countries.

- **Permanent employment:** Offering permanent local employment to employees is a key driver of the company's appeal, assuring crew members of financial security and peace of mind. Crew members who are not actively working for an airline still receive a full salary from OSM Aviation.

While OSM Aviation's model offers key advantages to both aircrews and operators, the key challenge lies in striking the right balance between safeguarding the interests of the employee as well as those of the airline.

### Customers 1: Operators

Airline operators benefit from substantial cost reductions by outsourcing crew employment. Reduced costs can be realized through the optimized planning and execution of crew management, as well as by optimizing the use of local employees at international bases in low salary countries. Operators benefit from predefined costs and pay a fixed price for each aircraft and each sector flown, enabling them to budget labor costs more reliably.



We need to balance cost efficiency for the operator and on the other hand stability and trust in management and foreseeable careers for the employees. If we don't have happy employees, we have nothing to sell.<sup>2</sup>

**Espen Høiby** | Company founder & CEO

However, the aspect airlines value most about OSM Aviation's proposition is that it gives them the flexibility to scale up or down as the operator can terminate jobs at any time or quickly increase head count, if necessary.

### Customers 2: Employees

OSM Aviation's value proposition is designed to make the company an attractive employer: One of the key advantages for potential employees is the guarantee of stability. By offering its employees permanent jobs and entering into agreements with their unions to safeguard employee rights, the company comes across as responsible and serious. OSM aviation is also able to provide its employees with increased career opportunities. In the airline industry, pilot careers are heavily seniority driven and promotion from within is the norm. If a pilot transfers to another airline, he will have to start from the bottom of the hierarchy. OSM Aviation's new system is breaking up that seniority constraint by allowing pilots and other crew members to transfer between airline companies while maintaining their level of seniority.

## DID IT WORK?

Independent airlines have responded with enthusiasm to OSM Aviation's proposal. Its largest customer is Norwegian, but it also has assignments from several other international airlines, including Finnair, Air Greenland, Sun Express, Turkish Airlines, Thomas Cook and Condor, to name just a few. Founded in 2013, OSM Aviation has grown quickly. By 2017, the innovative service provider had 5,000 employees in more than 18 countries and was the global market leader of total crew management. The company is now ready to bring the company to the next level and convince the market that its model is sustainable.

## TAKEAWAYS

Starting with just an idea, OSM has quickly grown to become a leading player of crew management

in the aviation industry. The following are some insights from OSM Aviation's journey:

- Be a pioneer: As a newcomer in a fiercely competitive industry, it is worthwhile to challenge established processes with innovations that will disrupt the industry's established codes.
- Search and reapply: a unique idea can originate from a successful model in another industry, another product category or another region.
- Think broad to include all stakeholders: By setting a wide definition of who your customers are and understanding their needs, you can develop a superior value proposition creating added value for all stakeholders.



<sup>1</sup> Dikaiou Fessas, Stephanie. "Why are HR Outsourcing services on the rise?" Powerimageservices.com, 3 January 2017. <http://powerimageservices.com/why-are-hr-outsourcing-services-on-the-rise/>

<sup>2</sup> Instone-Brewer, Alice. "Charting a New Course". Endeavour Magazine, November 2017. <http://www.littlegatepublishing.com/2017/10/endeavour-magazine-november-2017/>

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