



David L. Sokol deploans at NetJets' headquarters in Columbus, Ohio

**EDITORS' NOTE** David Sokol is also Chairman of MidAmerican Energy Holdings Company, Chairman of Johns Manville, and a board member of BYD Company Limited. In 1989, Sokol was the CEO of Ogden Projects, and in 1991, he became President and CEO of CalEnergy Company Inc., now known as MidAmerican. In 2007, he authored and self-published *Pleased But Not Satisfied*. He earned his Bachelor of Science degree in civil engineering from the University of Nebraska at Omaha and holds an honorary doctorate degree from Bellevue University in Bellevue, Nebraska.

**COMPANY BRIEF** NetJets Inc. ([www.netjets.com](http://www.netjets.com)), a Berkshire Hathaway company, is the pioneer and worldwide leader in fractional aircraft ownership. With NetJets fractional aircraft ownership, businesses and individuals gain the convenience, access, and time advantages of owning a whole aircraft but at a fraction of the cost, and with guaranteed availability 365 days a year with just a few hours' notice. NetJets offers the largest and most diversified private jet fleet, comprised of 13 of the most popular business jet types in the world. Since its inception, NetJets has established a reputation for being the safest and most secure private aviation company in the world. Today, NetJets offers not only fractional aircraft ownership but also Jet Cards through its subsidiary, Marquis Jet, as well as aircraft management and on-demand charter services through its subsidiary, Executive Jet Management. NetJets has operations in the United States and in Europe as well as an affiliation with the provider of the NetJets Middle East program.

### What made you decide to get involved with NetJets?

Having been a NetJets owner, I was familiar with NetJets and always thought their services were fantastic and, hopefully, would continue to be after I got involved.

In 2009, Warren (Buffett, CEO of Berkshire Hathaway) asked me to get involved with the company. NetJets had founded this industry – it

# Service Quality

## An Interview with David L. Sokol, Chairman and Chief Executive Officer, NetJets Inc.

has roughly a 70 percent market share and the recession provided an opportunity for us to look at ourselves and say we lead the market, no question, and we're the best, but can we be better?

Oftentimes, the entrepreneurial management that starts a business struggles when the time comes to transition, improve, or reinvent itself. Warren wanted to make sure the business was ready to move ahead for the next 20 years.

### With all the success the company had already experienced, was it hard to get the employees to understand the need to evolve?

The hard part was that the company, unfortunately, had not addressed the overall shift in the economy, so we had to lay off around 1,000 people. That is always difficult.

The company, from an operational and safety standpoint, led the industry in every aspect you could measure, and because of that, the actual flight operations were in great shape.

So the changes were related to purchasing the right kind of aircraft for the future, as well as adjusting the cost structure to where it needed to be based on the current economy and the growth opportunities, and the employees embraced that because people who are used to flight operations embrace the notion of long-term planning and we brought in those principles.

### How were you able to make cuts when needed without the client noticing or service suffering?

That was a group effort. We took employees across the company and said, here is what the owners are paying, and here is the value they expect – we can't reduce that.

We also agreed that any recommended changes can't impact safety, integrity, or the owner experience. So the owner/value equation had to be held constant.

### Many who think of private aviation imagine a top tier niche traveler. Is it broader today?

It's becoming broader. I am a bit biased because I had the opportunity to use private aviation when I started my first business in 1983. The fellow who funded the business had a Gulfstream II that he didn't use very much. After watching me fly commercial for a year, he suggested I use his plane, and the following year, we did twice as much business. So I have been sold on private aviation as a productivity tool my whole career.

That doesn't mean that every employee of every company needs access to private aviation. But it is a time machine. Over my career, it has proven to me that I could get three times

as much done as a CEO as I could if I had to do all my flying commercially. That benefit is beginning to be better recognized.

### Why did NetJets acquire Marquis Jet?

Marquis Jet has been an important partner with NetJets and, realistically, we should have made them part of our company five or six years ago so that we could have more thoroughly integrated them into our sales activities, thereby better managing our fleet size and our overall sales efforts.

With the acquisition of Marquis Jet, we provide the most competitive and broadest range of products and services in private aviation. We now offer a private aviation solution to meet every business aviation need through one company. Whether it's fractional ownership, Jet Cards, leasing, charter, or aircraft management, we can customize a solution that serves the needs of each customer individually.

### Where your high market share is today, is it challenging to find growth? Do you expect that growth to come predominantly from outside the U.S.?

It is important to understand that while we have a 70 percent market share in fractional ownership of aircraft, we are only about 5 percent of private aviation.

So the real growth potential and where we're seeing our greatest expansion currently is in acting as an outsourced corporate flight department solution; there are many companies where we already act as their virtual or actual flight department. With NetJets fractional ownership, you get an entire company (over 800 aircraft and 6,300 employees worldwide) rather than just an airplane. We hire the pilots, maintain the planes, and attend to all the logistics.

Initially during the recession, there was a demonization of private aircraft. It caused the boards of virtually every company to make sure their companies are using airplanes efficiently and that provided an opportunity for us because that is where we shine.

If you own one airplane, it can only do one thing at a time; if you own four one-quarter interests with us, you can have four airplanes in the air the same day going four different places and, yet, the overall cost to you is less. So our efficiency is driving this potential business.

The limiting factor on our growth in the future is that we can never compromise the service quality. So it will be my intention to grow the company more slowly in the future to ensure that service quality to our owners. We have reached a size where that has become a critical element. ●