The week before David Storch retired as AAR Corp. CEO and chairman on May 31, he met with Lee Ann Shay to discuss his 39-year career with the company and his leadership philosophy. Storch was only the second CEO since the company’s founding in 1955, and he now serves as nonexecutive chairman of the board.

You spent most of your career at one company. What were the benefits?

First of all, you should only do what you’re passionate about, and ideally, you can make a living doing it. It’s important to love what you do, your company and who you work with—regardless of your age. You must feel like you’ve got a future and work in an environment where you can make a difference and be the best you can be. That’s what I preach here: Create an atmosphere where people can be the best they can be, make a difference, make money and have fun. At the end of the day, that’s important because you spend a lot of waking hours at work, so you might as well like what you do. Invest in what you’re doing and commit to it. If you don’t love our environment, you should go someplace else.
There's not “one shoe fits all” today. I liken working at one place to being married to one person. Over time, there are going to be good times and bad times, and you can fight or flee. You have to figure out what's right for you. In a business career spanning my length of time, you need to be committed and be willing to go through the tough times. And you have to be willing to see a future that looks bright at all times.

Our industry has been characterized as volatile and cyclical. I've been through at least four tough down cycles: 1981, 1991, 2001 and the financial crisis of 2008. Each one was worse than the last one, except perhaps 2008. In 1981, interest rates went very high, there was an oil crisis and airlines struggled. In 1991, Iraq invaded Kuwait, and the ramifications were felt throughout our industry from increased fuel prices, and people were reluctant to travel, so that created a tremendous downdraft. In 2001, we had 9/11. It takes a certain toughness and grit in our industry—particularly recognizing that today, we're sitting here in good times, but you know there will be tough times at some point, and you have to be ready for it.

*The aviation industry is heavily regulated and has been criticized for being slow to change. With digitalization, artificial intelligence and myriad other technological changes coming, do you see the pace of change accelerating for aviation?*
The beauty of aviation for me is that it’s always been changing. I’ve seen tremendous evolution: size of the fleet, quality of airplanes, a huge shift in the people who lead airlines. This industry has been fast-changing but adheres to some fundamental core tenets: Safety of flight has always been paramount, and there has always been a lot of caution about anything that could jeopardize safety of flight. As we look at the development of the aircraft and development of the new technology, it’s interspersed with increased scrutiny as we look to make those technological leaps, because we never sacrifice safety of flight. The industry should be commended for that because today the safety record is probably the best it’s ever been, and the skies are more crowded than ever. I find this industry extremely exciting. Once people get a taste for this industry, it’s hard to leave.

Are you happy with the commercial aviation/military aviation business split, and do you think it will change?

When we came out of 9/11, we lost 30% of our revenue overnight. The first task was to stay alive. Once we did, to survive, we needed to figure out how to avoid this in the future. If you would’ve taken a snapshot of August 2001, we would’ve had a high percentage of our revenue tied to U.S. domestic airlines. As we came out of 9/11, we started thinking strategically and thought it was best to service 50% domestic/50% international, 50% commercial/50% defense, 50% front end/50% services. At 9/11, we were roughly 80% backend/85% commercial airlines (75% of which were U.S. airlines), so we were very dependent on U.S. airlines. Ten years earlier, we had lost many U.S. airlines, but we saw United, American, Northwest and Delta emerge from the early 1990s period stronger, only to get weaker over time. Ultimately, they became economically distressed as well. So having a mix of businesses that was more diversified, we thought was smart. Our challenge was that we were relatively small, so it’s hard to diversify like that. We had to run at a fairly fast clip. We grew organically and through acquisition, and we also started searching for more engagement in Asia and the Middle East for our commercial businesses.
Fast-forward from 2002 to 2012: In that decade, the landscape had changed. U.S. airlines got healthier, the U.S. was winding down some of its military engagements, and the international markets were still pretty active. At that stage, we started thinking, maybe we don’t need to be 50/50 across the spectrums. Maybe we should just look at it as 50% commercial and 50% defense, we could cover our bases and still strive to get 50% domestic/50% international. We’re on that path. Our actions reflect that.

We really strengthened the balance sheet to allow us to invest in the service activities we wanted to invest in. Today we have a larger footprint in MRO and supply chain, and we have more airplanes under management than ever before. That’s how we see things shaping up for us going forward.
We’d like to have more engineering content in the things we do as a way to improve margins and value to our customers.

*How are you going to do that?*

The same way we’ve grown the company: organically and through select acquisitions.

*AAR recently announced a joint venture with Indamer in India. What was the driver behind that, and where else is AAR thinking about investing?*

When you look at our MRO segment, we’re heavily dependent on the North American market. We’ve stayed away from being south of the border largely because we wanted to build our business around the U.S. workforce. We didn’t go into Canada to move jobs: We invested in Premier Aviation [at Trois-Rivieres Airport in Quebec and at Windsor International Airport in Ontario] to support Canadian customers. When you look at the future of the industry and you look at the company’s strengths, it begs the question: How can you expand MRO activities outside the North American market? Once you get into emerging markets, there typically are huge cultural differences, and to be successful, we feel that it makes sense to approach these markets with partners who can help us navigate the local customs, customers and culture more efficiently.

We’ve been approached over the last 5-6 years by numerous people wanting us to work with them to build in-country MRO. We’re recognized as the largest in North America, and if they team with a European player, there’s a sense that there might be competition so they might not be the best partner, whereas we’re not going to realistically take a narrowbody from India and move it to the U.S. We’re appealing to a lot of people in these emerging markets. We’ve had discussions in numerous countries, and this one presented itself as unique because the partner is extremely solid and impressive. They were looking for some capital from us, but they were really looking more for our technical expertise.
AAR is positioned well: We have to pick our spots carefully. We must walk before we can run, but I think India is a great way to kick off expansion.

*Any other expansion initiatives you can mention?*

In addition to capital investment, we have had a lot of MROs come to us over the years asking for technical expertise. We just signed a contract with Korea Aerospace Industries in Korea for technical consulting.

*Congratulations on receiving the Disciplined Life Award from the Perspective Charter Schools in Chicago. You’ve been involved in this school, Overtown Youth Center in Miami and the Smithsonian—making significant contributions and leading by what you advocate.*

My belief is that my responsibility is to create a great work environment to allow us to attract and retain great people, because great people will figure out how to delight customers. If I delight my customers, I can reward my shareholders. And when I reward my shareholders, I can invest in the communities.

Let’s talk about people, because this is critical. We believe in the “do it right” way of life. My belief is for a person to be a success in a holistic sense, they have to have their priorities right. My view is that you have to be part of something bigger than yourself. And no one person is better than another, so we’re all in this together. Once you become a leader, it’s no longer about you—it’s about your people. Look at the world around you. I make sure I’m very engaged with my family, friends, workforce, customers, my community—and to me, I think it’s important to make this world a better place, the best I can, realizing I’m a small player in the scheme of things. Donating money is one way, but it has a limitation in terms of the impact it can have.
Share your insights, too. For instance, at the Smithsonian, we’re working on the Design Hangar [howthingsfly.si.edu] and a wind tunnel, where kids can come in and put weights on paper airplanes inside the wind tunnel to give them a sense about balance, etc. The idea that we can open up kids’ eyes early in life and get them excited about this profession is a great thing to do. In this case, we’re engaged with the Smithsonian about exposing kids to aviation.

When you’re talking about perspective, it’s about giving kids who otherwise wouldn’t have a chance, a chance. These are inner-city kids who haven’t had exposure to aviation. Zero. We’re trying to give them exposure and assist with science, technology, engineering and mathematics education. We’re giving these kids a break. We rent buses and take them to our facility in Indianapolis. For some of these kids, it’s the first time they’ve seen an airplane. If we capture one kid’s imagination, we’ve had a success.

Hopefully, as I move on, I’ve articulated and acted in a way that others will follow suit. What I have found is that when leaders are selfish, they won’t be leading long, and they won’t be successful. It can’t be about you; it has to be about others.