

NewsDigest Volume 11, No. 15

A cross-divisional group of employees began a series of meetings with senior executives to discuss Delta's necessary transformation to survive and compete in the marketplace. These transformation meetings are designed to facilitate better, faster and more focused communication throughout the company on issues crucial to the survival and success of Delta.

"Delta must transform itself and change the way we do business," said Jerry Grinstein, chief executive officer, who co-hosted the first meeting with Michael



Palumbo, executive vice president and chief financial officer. "But we do not intend to assume a low-cost carrier business model or continue to struggle through for another few years in a traditional legacy carrier role. We are choosing instead to pursue a Delta solution, using the tools and resources unique to us to carve out new and previously uncharted airline territory. Our goal is to do it once and do it right."

The roll-out of the transformation plan will be based on Delta's strategic assessment, scheduled to be presented to the board later this month.

Meeting participants include frontline employees, leaders and pilots from across the organization, the five Delta Board Council members, a leader from division councils or forums, the Air Line Pilots Association, and the Professional Airline Flight Control Association.

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ACES**

During the meeting, Grinstein identified Delta's four principles of transformation or ACES: Achieve viability; Create a customer-focused culture; Excel at operational performance; and Sustain profitable growth.

"They are Delta's four ACES as we move forward with a comprehensive, bold, and determined vision of our airline's future," said Grinstein. "While some of the particulars will be changed or added over the next few weeks, this is the foundation on which Delta's transformation will be built."

New tools were launched to accompany the meetings to keep employees informed. There is a new transformation site on Delta News Network Web page on DeltaNet. It contains speeches, presentations and other information from each presentation.

Grinstein will record a weekly update that employees can access by dialing 866-JG-UPDATE or 866-548-7328.

As Grinstein and Palumbo presented an overview of the direction and the financial situation, the first discussion included a variety of questions and recommendations from employees.

"This is going to be a long, tough period of time over the next two or three months," said Grinstein. "The only thing I can do is talk about it and paint as accurate a picture as possible. The whole company is going to go through the eye of a needle in the next two months."

Grinstein and Palumbo acknowledged the success of the Profit Improvement Initiatives in considerably lowering Delta's costs, but noted that more is needed.

"Our financial goal is not to achieve intermittent, unsustainable periods of profit – and not to expect recovery from industry cycles, which are no longer reliable," said Grinstein. "Instead, we are working to put in place a cost structure in line with our ability to generate revenue, making us 'viable' over the long term."

"We now compete in an environment where pricing is increasingly dominated by low-cost carriers," he said. "As a result, we must now build on the momentum created by PII, renewing our focus on this important program. Achieving the necessary cost structure also will require Delta to become a high performance organization characterized by high levels of productivity, efficiency, accountability, motivation and spirit."

Grinstein emphasized that he is convinced the transformation is possible.

"We'll take calculated risks when necessary, then support and celebrate successful innovation or learn from our mistakes," he said. "Yes, it will be hard going, with many difficult and often painful choices. If we move forward with a comprehensive plan – do it once and do it right – and if we never, never, never give up, then Delta can and will emerge as a financially healthy and secure company and a formidable competitor."

Visit the [Transforming Delta Web page on DNN](#) for Grinstein's full remarks, the PowerPoint presentation and video clips from the meeting.

Delta's ACES *

A **Achieve** viability: Delta's financial goal is not to achieve intermittent and unsustainable periods of profit and not to expect recovery from industry cycles, which are no longer reliable. Instead, the company is working to put in place a cost structure in line with its ability to generate revenue, so Delta is viable during the long term.

C **Create** a customer-focused culture: Delta's future success depends on its ability to give passengers good value and good flying experience – a customization of the Delta experience for passengers that requires Delta to think about products and service from the customers' point of view.

E **Excel** in operational performance: Excelling in operational performance requires consistence and excellence in a variety of areas – safety and security, on-time arrivals, speedy, fault-free luggage delivery, top notch, consistent in-flight service. Accountability for meeting or exceeding standards as well as recognition of exceptional performance will be essential if Delta is to achieve best-in-class status.

S **Sustain** profitable growth: Delta must grow to move the company to a level of prosperity and security. The company cannot shrink its way to profitability. However, Delta can only pursue growth once the company has restored certain basics such as an appropriate cost structure, significantly reduced debt and reasonable access to capital.