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Atlanta author fires at Delta succession plan

By Rachel Tobin Ramos
STAFF WRITER

A critic of Delta's executive team, and the author of a scathing book detailing the management mishaps that led to Delta's filing for Chapter 11 last year, has issued another missive aimed at Delta CEO Jerry Grinstein.

Atlantan Harry Nolan, author of "Airline Without a Pilot — Lessons in Leadership," said that Grinstein's July 14 nod toward Chief Operating Officer Jim Whitehurst and Chief Financial Officer Ed Bastian as possible successors is "betting on the wrong horses."

The issue of succession is a major one for investors like New York-based American Express Co. (NYSE: AXP) and General Electric Capital Corp., as they consider whether Delta Air Lines Inc. (OTC: DALRQ) can make good on about \$2 billion in loans they floated the airline while it's in bankruptcy. Succession will also determine how much faith investors put in the airline's leadership to stay in blue financial skies.

Nolan's solution is to urge the Delta board to hire airline turnaround artist Hollis Harris, a 36-year veteran of Delta.

Harris, 74, is now the head of Harris Global Security Inc., based in Tyrone, Ga., a company he founded in January to provide security services for cargo and airline food service companies.

Reached by phone, Harris said he's a supporter of Grinstein's, but when the CEO leaves, if the board asked him to be chairman and CEO, he'd "consider it."

"I am not pushing for that," he said, "but if they called me, for the people of Delta, I would consider it. The people of Delta are who made the airline what it is. They need to be able to believe in their management, whomever it is."

Nolan doubts that the longtime Delta employees would really see Bastian, 49, and Whitehurst, 38, as promoted from within the Delta ranks.

Nolan says both only joined the struggling airline in the last eight years and they "carry the stigma of having been recruited [by the] deposed former Delta CEO Leo Mullin."

Neither Bastian nor Whitehurst has "the industry knowledge, business experience or credibility to lead Delta to sustained success once it leaves bankruptcy and Grinstein retires to Seattle," Nolan said.

While Grinstein credits Whitehurst, who came to Delta in 2002, as the architect of Delta's transformation plan, Nolan complains the COO lacks a "sense of urgency," which is why it took Whitehurst a full year to create the transformation plan, despite millions of dollars in losses a day.



BYRON E. SMALL

Top-flight: Hollis Harris, above, is the right man for CEO, says Harry Nolan.

And Delta already has asked the bankruptcy court for another extension to form its reorganization plan, Nolan said.

As for Bastian, Nolan paints him as another newcomer who joined Delta in 1998, left briefly in 2005 and only returned, Nolan contends, after Delta offered him the CFO title, repaid Bastian's six-figure signing bonus from the other job, and raised his pay by several hundred thousand dollars.

The right man for the job, Nolan says, is Harris — someone who investors like General Electric and American Express could have confidence in.

Harris, a Carrollton native and battery commander during the Korean War, was Delta's president, COO and a board member until he left in 1990, after Ron Allen leapfrogged Harris to become CEO.

Harris went on to become CEO of Continental, Air Canada and World Airways, steering all three out of the turbulence of financial instability toward profitability.

In January, Harris started the security firm, which he wants to leave to his son, who flew for U.S. Airways for 24 years. Harris Global would provide security services for airlines and airports, from passenger facilities to cargo facilities.

Harris said his company has yet to win a competitive bid for a project, but is looking to acquire several companies to get a foot in the door of the industry.



Grinstein

Delta Air Lines Inc.

Harris was named the "Number One CEO" by the Financial Times of Canada in 1996, and he was inducted into the Georgia Aviation Hall of Fame in 2005.

The head of Delta's retirees agrees with Nolan's assessment of Delta's management.

Cathy Cone of Texas, chairman of Delta Air Lines Retirement Committee, sent an e-mail to members July 20 after 150 former employees flew to Washington to urge Congress to pass airline pension reform.

In the e-mail, she complained about the lack of support her group received from Delta officials at the Capitol, but she also expressed dismay over the "new face of Delta," which "appears to be run by the 30-40 year old short timers that are often identified as 'promoted from within' ... leaving out 'within 5 years of employment.'"

Wrote Cone: "The new face of Delta that seems to be emerging is one of a company that has borrowed the name but not the values and traditions and the heart and soul of the company I worked for more than 35 years."

At least one aviation consultant, however, would disagree with their assessments of Delta's bench.

"You've got an airline going in the right direction with Grinstein there," said Mike Boyd of the Boyd Group Inc. in Evergreen, Colo. Both Bastian and Whitehurst are "people with focus. Hollis Harris is a nice guy and all that, but he may not be a guy for the job."

Boyd added that Nolan is a consultant who has never worked in the airline industry. "I don't give Nolan any credibility whatsoever."

Nolan replied: "He's entitled to his opinion. I look at behavior and results, and that's what my book was based on and that's what my assessment of Whitehurst and Bastian is based on."

Nolan stressed he's glad Boyd has a different opinion.

"I think it's time the issue of the succession plan for Jerry Grinstein is put on the table, and that's what I've done. I've brought it out into the light of day."

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