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Book blames management for Delta's decline

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Delta Air Lines' descent into bankruptcy was caused by poor leadership, not by high fuel prices or competition from low-cost carriers, a new book charges.

The book, "Airline Without a Pilot," by Sandy Springs management consultant Harry L. Nolan Jr., faults former CEOs Leo Mullin and Ron Allen for destroying Delta's culture and failing to plan for "predictable" economic cycles.

It points fingers at Delta's board for failing to correct the airline when it was veering off the course set by the frugal founder, C.E. Woolman, in 1929.

Instead, Delta's board (including current CEO Jerry Grinstein), failed to hire CEOs with the right temperament and skills.

The bad decisions started with CEO W.T. Beebe, who in the 1970s groomed Allen to be CEO. But Nolan describes Allen as arrogant and out of touch.

When Allen was ousted in 1997, the board quickly hired Mullin, a management consultant with Harvard degrees but almost no airline experience.

The decision put the wrong person in the pilot's seat, writes Nolan. And when the board authorized a secret, multi-million-dollar pension guarantee package for Mullin's team, employees' trust was shattered.

"Mullin and his team took over an airline rich in cash, assets and employee loyalty, then nearly squandered it all (except for what they protected to put in their pockets). The Delta board clearly provided no meaningful parental restraints during the squandering," writes Nolan.

Nolan sent a copy of the book to Grinstein, who responded in a personal letter: "It's always an education learning how others see you. ... We will steer through the current storm and restore Delta's people to their rightful place."



JOANN VITELLI

Harry Nolan Jr.: "(Jerry) Grinstein's first 18 months (were) a financial disaster."

But not everyone agrees with Nolan's indictment of Delta's leaders.

"Is Delta's management somehow worse than that of other airlines?" asked Kenneth J. Button, who focuses on public policy and the U.S. airline industry at George Mason University. "I'm not quite sure."

Delta resisted bankruptcy longer than many other U.S. airlines, he observed. The real problem in aviation now is competition. Button said an upstart airline in Europe, Dublin's Ryanair (Nasdaq: RYAAY), makes Southwest look like a luxury airline: The seats don't recline, it has no window flaps, and "they're making a fortune." Sales in 2005 were \$1.7 billion.

Another observer said that Nolan may have ignored another powerful force in his book: pilots.

Pilots should have adapted to the competitive pressures from new, low-cost airlines, said E. Scott Smith, an Atlanta partner with labor employment law firm Fisher & Phillips LLP.

Exit strategy

Nolan suggests ways to help the airline emerge from bankruptcy:

- Fire all of the management consultants.
- Begin succession planning for Grinstein now by looking for the right leader.
- Quickly create a bankruptcy exit strategy prior to the June deadline.
- Prepare to deal with low-cost carrier competition on international routes.
- Have a plan for \$100-a-barrel oil.

Instead of compromising on salaries, pilots asked for more, said Smith, who represents air and rail carriers in labor relations. "They did that for 20 years. Unfortunately, the big carriers tended to give that to them, because it's very hard for an airline to take a strike."

Nolan, however, is convinced Delta's story is a study in bad management. He hopes Delta won't repeat its mistakes.

"The board has a fiduciary responsibility to get engaged," said Nolan. "They're not just there to get their fees and free flight privileges. But I don't see any indication of the board changing."

The author, 63, lives in Sandy Springs and has consulted for companies such as Cable & Wireless CAI. He was partially motivated to write the book because his wife had worked for Delta for more than 20 years. But he also saw an opportunity to answer a question on many Atlantans' minds: What happened to Delta?

The author says Delta's chief of operations, Joe Kolshak, a former Marine fighter pilot and small-business owner, would be a better choice to succeed Grinstein than 30-something Chief Operating Officer Jim Whitehurst.

"There's no doubt in my mind," said Nolan, "that [Kolshak would] make a decision, hold people accountable, and listen to people."

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