



Delta Express Strategy

What was the value of using Decision Analysis?

- presented by -

Paulette Corbin - Managing Director Delta Express

Gerald A. Bush - Decision Strategies, Inc.

Topics Covered Today

- Why did Delta need to make a strategic decision?
- What was difficult about developing a strategy?
- Which value elements are impacted by the process?
- What might have happened?
- What actually happened?
- What is to be learned from Delta's experience?

Why did Delta need to make a strategic decision?

Other business pressures were pushing change.

Pilot's Union

- New contract required a competitive initiative to preserve jobs threatened by cost-advantaged competitors.

Employees

- Delta needed a clear success to regain confidence and build morale after a two years of drastic reductions and job losses.

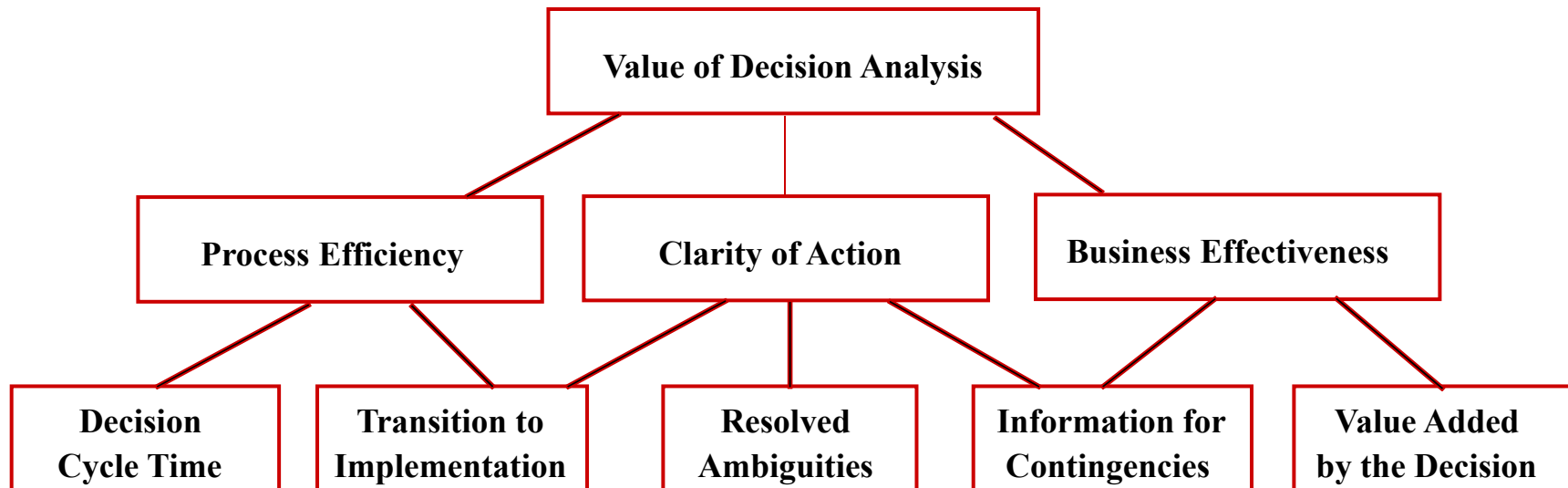
Wall Street

- Were looking for evidence that cost improvements were real.

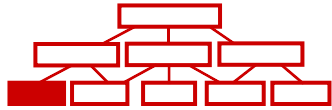
What was difficult about developing a strategy?

- Pilots - had worked out their solution and were ready to implement, not to do more analysis and miss the window.
- Marketing - had an entirely different proposal, and were reluctant to risk any radical changes.
- Local airport managers - had their own ideas on how to create a cost advantaged, reliable operation.
- Executives - had not communicated their goals.
- Timing - the decision needed to be made within a month and implemented within the next three months.
- Employees - thought it would be impossible to do.

Which value elements are impacted by the DA process?



This objectives hierarchy illustrates a value model for the assessment of impact that the structured DA approach has in strategy development, executive approval, front-line involvement and full implementation.



Decision Cycle Time

Measuring the efficiency of the process

What could have happened:

- Major consulting project - 6 months, high cost, little front-line or executive understanding, probable rework and delay

What actually happened:

- All deadlines were met
- Executives were excited about the opportunity
- High level of front-line involvement
- Clear strategic theme that made subsequent decisions faster



Transition to Implementation

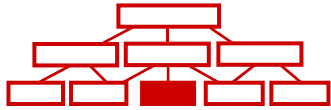
Measuring the effectiveness of the process

What could have happened:

- Reluctance to commit resources to the job, little front-line enthusiasm, knee-jerk reaction to competitive response

What actually happened:

- Extraordinary efforts were volunteered
- Clear product distinction was understood at the front-line
- Cost advantage, safety and reliability goals were exceeded
- Operating profitability was positive from start-up



Resolved Ambiguities

Measuring the communication and buy-in

What could have happened:

- Conflict among pilots, operations and marketing on goals
- Little front-line understanding or public communication

What actually happened:

- Pilots, marketing and operations all thought it was their idea
- Employee grapevine created excitement to work on Express
- Executives bragged to Wall Street about the venture



Information for Contingencies

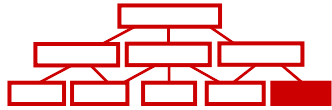
Benefits from explicit treatment of uncertainties

What could have happened:

- Competitive reaction - price erosion problems
- Customer expectations - added costs and blurred product
- Internal - time and energy focused on fire-fighting

What actually happened:

- Competitive response and customer expectations were anticipated and plans worked better than expected.
- Focus for management moved from start-up, to learning and optimization, followed quickly by expansion.



Value Added by the Decision

Financial, operating and strategic significance

What could have happened:

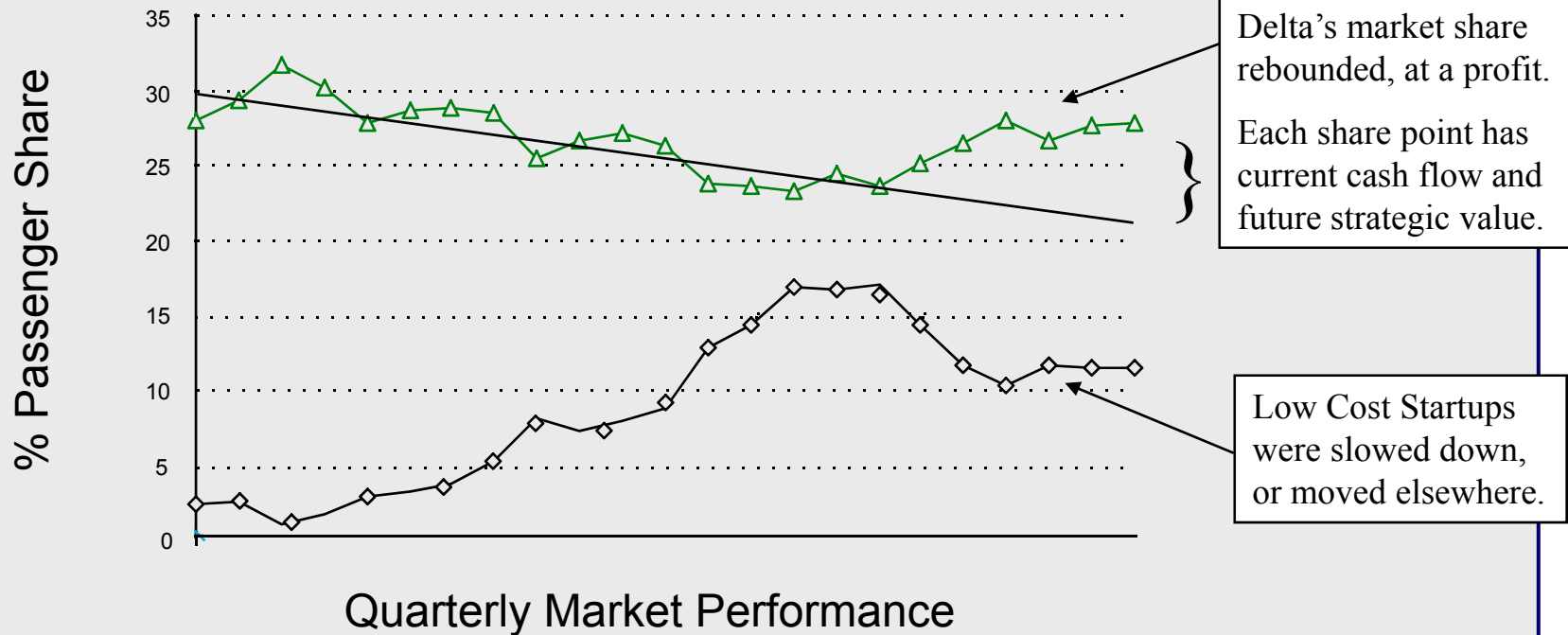
- Other airlines had failed at this, costing \$100's of millions
- Market erosion left little room to retreat for profitability

What actually happened:

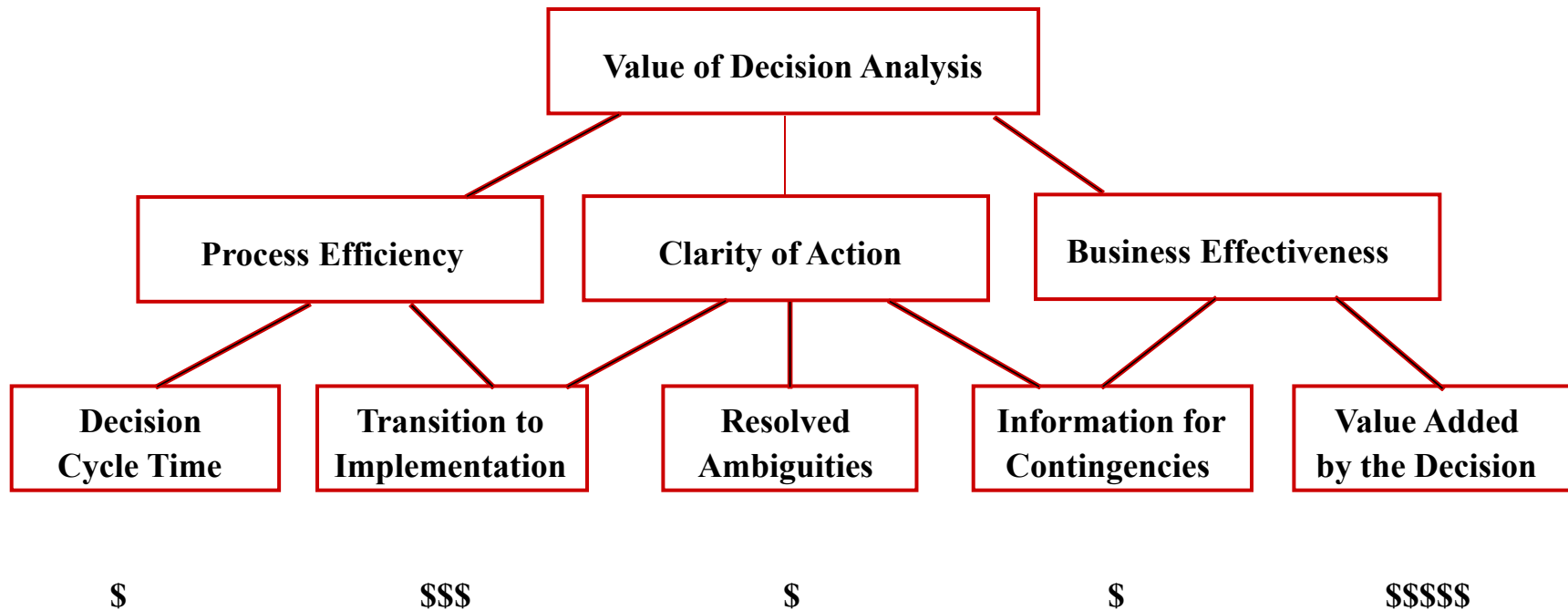
- Market share was recaptured profitably
- Operations were safe, reliable and valued by customers
- Process learning is spreading to the rest of the company
- Wall St. reaction moved from skeptical to positive

Delta Express Solved the Initial Business Objective

Florida Market Passenger Share History



Summary of Value



Quantification of value is an ongoing process. It assists in optimizing the Express operation and to gain approval for strategic expansion.

What is to be learned from Delta's experience?

Leadership

- The process worked because the business leaders supported it.

Involvement

- Front-line and cross-functional participation took first priority.

Structure and Discipline

- Confidence was built by understanding the alternatives and range of possible outcomes rather than selling favored assumptions.

Communication

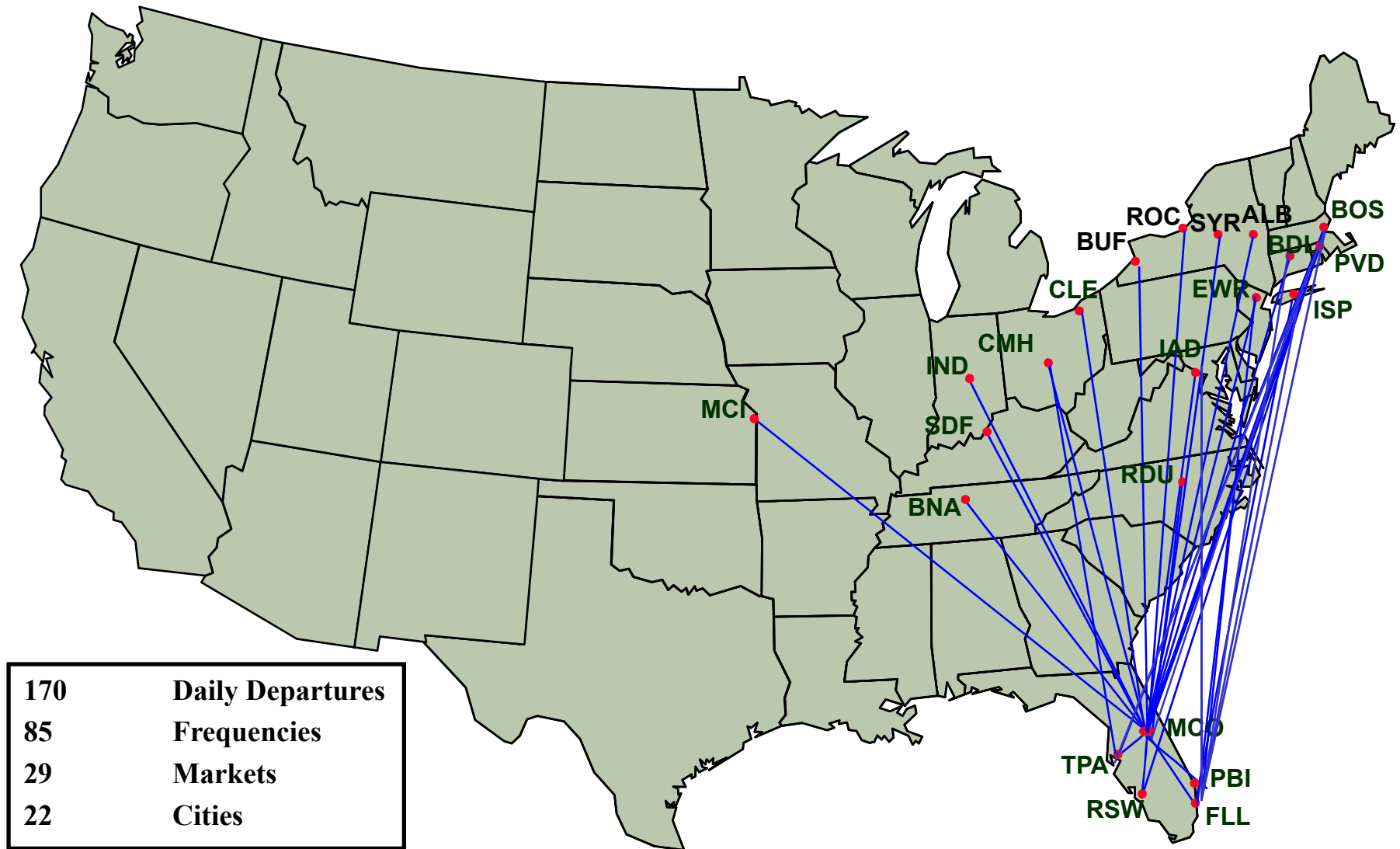
- Constant dialog with executives, the front-line and other functions enabled cohesive understanding and timely commitment to action.

Measurement and Follow-up

- A Quality System is being implemented for learning and improvement.

Where is Delta Express Today?

Route Map as of 12/98



Delta Express startup was phased in over 4 months beginning Oct 1996.
Express initially operated 12 aircraft into 13 cities with 62 daily departures.

Profile - Paulette Corbin, Managing Director Delta Express

- **As Managing Director, Paulette is responsible for the day-to-day operations of Delta Express, the cost advantaged business unit within Delta Air Lines.**
- **She began her career with Delta as a Flight Attendant in Boston in 1973. She assumed positions of increasing responsibility in the company, including special assignments on the Integrated Customer Service Team and Core Team Member for creating Delta Express. She was named assistant to the Executive Vice President - Operations in January 1997. She was the original Personnel Board Council Representative to the Delta Board of Directors and served as Director - Flight Attendants until being promoted to her current position.**
- **Paulette played a key role in the original management group that planned and launched Delta Express. She was responsible for developing the processes and procedures required to operate the low-fare carrier.**
- **A native of Boardman, Ohio, Mrs. Corbin attended Hollins College and graduated from Allegheny College. She actively supports CADEF, which funds the research and education of autistic children and is active in the Atlanta Humane Society. Paulette and her husband, Mark, presently reside in Tyrone, Georgia.**

Profile - Gerald A. Bush, Ph.D.

- **Gerald A. Bush, co-founder of Decision Strategies, has integrated business process thinking with Decision Analysis methodology. Specialty areas as a DA coach include business strategy development and quick decisions in tight situations.**
- **Gary's workshops are known for "a high level of relevance to business" and for being "extremely alive and interesting". Gary's clients reflect a significant reduction in the cycle time for decision making and an increase in the value and understanding of decisions made and implemented successfully.**
- **Gary is a graduate of Hartwick College in New York and the Georgia Institute of Technology in Atlanta. Before founding Decision Strategies, Gary was VP of Corporate Planning for Boehringer Mannheim, a healthcare company. Gary spent 15 years in the healthcare industry in research, product development, quality systems, technology assessment, business development and strategic planning positions.**
- **Gary's oversees a group of associates in the Atlanta office of Decision Strategies whose clients include a major U.S. airline, a gas services and pipeline group, an international electric power group and a number of other clients in pharmaceuticals, medical diagnostics, information technology and consumer electronics.**