Delta Airlines: A Fleet of Change

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Introduction

Since 2001, Delta Airlines has initiated organizational changes both internally and externally as a response not only to 9/11, but also to allegations of unfair union practices, the failing airline industry (resulting in bankruptcy) and the failing economy today. “Sooner or later, internal or external changes force every structure to remodel” (Bolman & Deal, 2008, p. 97). To counter the enormous challenges, as well as the fear that has been generated in both its employees and the general public during these times, Delta implemented detailed restructuring and communication plans that have allowed them to emerge from bankruptcy in 2007 (achieving profitability that same year), as well as purchase Northwest Airlines in 2008, combining the two companies to create the world's largest airline to date. As Iatrou & Oretti (2007) explained, “airlines, like all global companies today, need to be fast, efficient, profitable, flexible, adaptable and future-ready, with a strong market position” (p. 21). This makes airline restructuring one of the most challenging and complex fields, since it involves an intricate, goal-oriented and time-definite sequence of activities, all of which aim to bring about a lasting improvement in competitiveness.

“Restructuring is a challenging process that consumes time and resources with no guarantee of success. Organizations typically embark on that path when they feel compelled to respond to major problems or opportunities” (Bolman & Deal, 2008, p. 89). This report will explore not only the past (since 2001) and present challenges and responses that have prompted organizational changes within Delta Airlines, but it will also assess whether Delta leadership has navigated, managed and solved these challenges successfully. Delta’s historical data, mission, restructuring and financial information will be explored by examining the available information in public company documents and on the company website, www.delta.com. Additionally,
employee interviews will further inform our investigation of the organizational restructuring process, as well as contextualize the changes on a very personal level. We will also assess the present and future impacts the changes are having and will have on the airline industry as a whole. Research through scholarly journals, past and current news reports, case studies, and industry analyses will provide the necessary information to detail the restructuring efforts at Delta Airlines. This paper presents an analysis of the Delta case based on the four-frame method introduced by Bolman and Deal (2008) in *Reframing Organizations: Artistry, Choice, and Leadership*. All four frames will be contrasted to lead to our recommendations. These recommendations will be principally supported by the human resources frame and based on the current challenges and various strategies that are being employed while the merger between Delta and Northwest enters its final stages of implementation.

Theoretical Framework

In *Reframing Organizations: Artistry, Choice, and Leadership*, Bolman and Deal (2008) argued that leaders must be attentive to four distinct, but overlapping, facets of organizational life: (1) structural, (2) human resource, (3) political, and (4) symbolic (cultural). The structural frame is an organization’s formal, often written, rules, policies and processes. The human resources frame refers to the needs satisfaction, motivation and career development of an organization’s staff. This approach emphasizes support, empowerment, staff development, and responsiveness to employee needs (Bolman & Deal, 2008). The political frame asserts that organizations are constrained by outside forces and beset by internal differences about ends, means and rewards, and that these must be managed by dealing with interest groups, building power bases, coalition-building and negotiating conflicts even if they cannot be overcome (Bolman & Deal, 2008). Finally, the symbolic frame emphasizes how the need vision and
inspiration influence an organization. The symbolic frame suggests people need to believe that their personal work, and the work of the organization, is important and meaningful. Traditions, ceremonies, and rituals are very important aspects of organizational life. Bolman and Deal (2008) asserted that these four frames represent the ways in which leaders should perceive organizational situations, and in turn, shape how these respective situations are defined and the manners in which they can be managed most effectively. Bolman and Deal (2008) stated that "an increasingly complex and turbulent organizational world demands greater cognitive complexity: effective managers need to understand multiple frames and know how to use them in practice . . . to be fully effective as both managers and leaders" (pp. 428-429). As such, these frames are extremely useful in diagnosing Delta’s organizational needs, identifying institutional challenges and contexts, and devising appropriate actions. These frames also can be used to rethink and reframe unsuccessful change initiatives.

Organization Overview

Just as a delta is a symbol for change in math, Delta Air Lines symbolizes the “changing mathematics of the airline industry” (Anderson, 2008, ¶1). Bolman & Deal (2008) explained, “An organization’s culture is revealed and communicated through its symbols;” in Delta’s case the symbol associated with the airline is one of progression and change (p. 254). Founded in 1924, Delta began as Huff Daland Dusters, a crop dusting service in Macon Georgia. In the span of 85 years Delta has gone through numerous changes, both positive than negative, making it the world's largest airline (by traffic) after its $2.8 billion acquisition of Northwest Airlines in 2008, serving more than 375 destinations in more than 65 countries, and operating a mainline fleet of about 775 aircraft (Anderson, 2008).
History of Delta

After changing Huff Daland Dusters to Delta Air Service in 1928, C.E. Woolman began a passenger service the following year between Dallas, Texas and Jackson, Mississippi. The Travel Air S-6000B was a small plane featuring room for five passengers and one pilot (Delta.com, 2009). After a few name changes, the airline operated as Delta Air Lines, beginning in 1934 after winning a contract from the United States Postal Service (Anderson, 2008). After moving its headquarters to Atlanta, Delta made the first of many mergers: in 1953 it gained routes in the Midwest and south by merging with Chicago and Southern Airlines (Delta.com, 2009).

This initial merger led to several more through the decades. Rapidly expanding, Delta and Northeast airlines, a major carrier in New York and Boston, merged giving Delta direct routes from the Northeast and New York to Florida. It was when Delta merged with Western Airlines in 1987 that Delta became the fourth largest U.S. carrier and the fifth largest world carrier (Delta.com, 2009). It was at this time that Delta began its first trans-Pacific service bringing passengers from Atlanta to Portland, Oregon and then to Tokyo. In 1991, Delta acquired the bankrupt Pan Am, and took over the transatlantic routes as well as the Pan Am Shuttle. This was the largest acquisition of flights in airline history, with Delta gaining routes between the United States and Europe (Delta.com, 2009). According to Iatrou & Oretti (2007), “mergers seem the only safe way to achieve synergies and secure a single strategy… mergers can better achieve the objective for which alliances were formed” (p. 21). Unfortunately, the transatlantic routes were not profitable because of fewer passengers, higher fuel fares and the competitors’ low prices. This cost Delta more than 2 billion dollars from 1991-1994. Delta was hit hard because of this merger, and it was no surprise when Delta launched an extensive structural cost-cutting program in which ten thousand employees lost their jobs either by straight
lay-offs, early retirement or attrition. After these drastic cuts, Delta proved profitable again in 1995 (Delta.com, 2009).

Airline mergers were common in the 1990’s which caused some unease within the airline industry (Delta.com, 2009). Vaara (2004) viewed these mergers as such:

In the 1990’s, the number of alliances in the airline industry grew each year, and the scene also became very volatile; alliances were broken, new ones were formed very frequently, and airlines left one alliance group to join another. Such turbulence seemed to bring a measure of cautiousness and perhaps fear, if not paranoia, into the way airlines are willing to discuss alliances. Indeed, in the alliance frenzy of the late 1990’s it was sometimes difficult to tell whether an airline was a competitor or a partner. (Vaara, 2004, ¶4)

Iatrou & Oretti (2007) further explained the unease experienced in the industry by distinguishing between airline alliances and mergers: “The main difference between alliances and mergers is that although they actually have the same aims, mergers offer better level of control and achieve efficiency more quickly. A merger potentially allows 100% consolidation, while alliances integration is much more limited” (p. 21).

External Challenges & Responses

9/11 and the Suffering Airline Industry

Cunningham, Young & Lee (2004) explained the negative impact September 11th had on the airline industry as a whole by stating:

Since September 11, 2001, the environment of American and world business has changed dramatically. The negative effects of this terrorist incident were particularly profound for the U.S. airline industry. In the wake of September 11, air traffic plummeted, and
ultimately, many carriers experienced the most difficult times of their corporate lives. Some carriers were forced to go into reorganization and/or bankruptcy. (p. 10)

It was not until after 9/11 that Delta joined the financial hardships of commercial airlines. However, while the attacks caused many airlines to go out of business, Delta survived; but not without drastic damage. A statement made by the Vice President of Government Affairs Delta Air Lines, Inc. in 2002, given before the National Commission at a Chicago Field Hearing gave an outlook of Delta’s financial status. Scott Yohe (2006) stated:

Last year, U.S. airlines collectively lost 7.7 billion—despite the federal emergency package enacted by Congress to prevent an industry collapse in the immediate aftermath of the attacks. Delta alone reported a financial loss of $1 billion in 2001. The total aid package covered only a few short weeks of the tremendous losses that the airlines continue to sustain. (p.435)

After the year’s first quarter in 2002, the industry reported an additional 2.4 billion dollar loss. A major cause of this financial crisis was the huge cost of complying with the waves of new taxes, government mandates, and other new costs that were imposed on air travel (Yohe, 2006). One of the main reasons Delta survived this difficult time was because they had a structural plan that was “properly designed… accommodat[ing] both collective goals and individual differences” (Bolman & Deal, 2008, p. 47). Financing of course was a major factor for the airline industry during this time of crisis but a solid structural frame was necessary to stay afloat during this difficult time. This structural frame functioned as a “blueprint for officially sanctioned expectations and exchanges among internal players (executives, managers, employees) and external constituencies (such as customers and clients)” (Bolman & Deal, 2008, p. 50).
Transparency and effective communication between the executives and employees was critical, as was making customers feel safe to fly again.

*Competition from Low-Cost Carriers (LCCs)*

In 2004, even with a financial rebound, Delta found stiff competition with low-fare carriers. Iatrou & Oretti (2007) noted, “whether they are called budget, low-cost or no-frills airlines, the truth is that these new carriers have, if not seriously threatened, certainly challenged the pre-deregulation dominance of the established flag (Europe) and legacy (USA) carriers” (p. 17). The consumer, especially with the failing economy, had become very cost savvy customers. The Internet allowed these consumers up to date information, providing a resource to find the best deals when purchasing airline tickets. It was found that “the LCCs radically innovative business model has enabled them to operate at half the cost of traditional network carriers” (Iatrou & Oretti, 2007, p. 18). To combat this, “conventional carriers [tried] to cut their distribution costs by adopting Internet booking and electronic ticketing” (p. 18).

Specifically, for Delta to combat the recent rise of LCCs they looked to the symbolic frame for guidance, asserting the idea that when people think of the Delta Airlines organization over the years, they think of innovation, customer service, and a pleasant flying experience. These symbols were not typically attributed to many LCCs, giving Delta a competitive advantage. It was imperative for Delta to take these symbols to the forefront of their plan and ensure that the organization lived up to these expectations within their values and vision. As Bolman & Deal (2008) noted, “the values that count are those an organization lives, regardless of what it articulates in mission statements or formal documents … vision turns an organizations core ideology, or sense of purpose, into an image of the future” (p. 255).
Hurricane Katrina

After Hurricane Katrina damaged much of Delta’s oil providing rigs in 2005, a rise in the cost of jet fuel occurred. However, the preceding year, the Airline Pilots Association (ALPA), proposed to Delta management "hedging" on fuel (purchasing options to buy fuel in the future at current prices) while prices were low, thus protecting the airline against expected increases in fuel costs. Because Delta accepted that proposal, they were able to weather the skyrocketing fuel prices, but it did not completely offset the major portion of the airline’s costs that kept rising. It was then that “in September both Delta and Northwest filed for Chapter 11 bankruptcy protection” (Yohe, 2002). Delta, as in the past, had a game plan for their survival: new programs, customer discounts and new technologies that were tested and utilized in order to keep Delta “one of the largest companies in the world” (Baumwoll, 2008, ¶9).

Internal Challenges & Responses

Bankruptcy

In September 2005, Delta made a voluntary filing with the U.S. Bankruptcy Court for Chapter 11 bankruptcy (Delta.com, 2009). Chapter 11 allowed the airline to conduct its normal operations while undergoing corporate restructuring—under the supervision of court and bankruptcy laws. Although airline companies filing for bankruptcy was not unusual, as there were one hundred instances of bankruptcy in the airline industry within the past thirty years (Engber, 2005), these companies had to defend themselves after admitting their bankruptcies and taking legal action to reorganize.

Since declaring bankruptcy usually has a negative connotation, audiences may question a bankrupt company’s legitimacy as an organization, requiring a company to attempt to legitimate itself and restore its image. Bolman & Deal (2008) noted, “restructuring is a challenging process
that consumes time and resources with no guarantee of success” (p. 89). To its credit, Delta understood that during the time of bankruptcy restructuring it was important to keep employee uncertainty low so that they remained motivated to pull through important restructuring strategies. By implementing the following four principals, Delta was able to successfully adapt, restructure and achieve profitability two years later.

· The change developed a new conception of the organizations goals and strategies.
· They carefully studied the existing structure and process so that they fully understood how things worked. Many efforts at structural change fail because they start from inadequate picture of current roles, relationships, and processes.
· They designed the new structure in response to changes in goals, technology, and environment.
· Finally, they experimented as they moved along, retaining things that worked and discarding those that did not. (Bolman & Deal, 2008, p. 97)

Pilot (Union) Problems

In 2004, Delta was involved in long drawn negotiations with its pilots union - the Airline Pilots Association (ALPA), aimed at getting the union to accept pay cuts that would help the airline balance its precarious cash position (Adams, 2009). At Delta, pilots were the only category of employees that were unionized. Furthermore, according to company sources and analysts, Delta's pilots were the highest paid in the industry, earning on an average, between $100,000 and $300,000 a year (Adams, 2009). It was observed that the annual pay for a captain on Delta's smallest mainline jets (a typical mid-career position) was, on average, $195,000 a year. Comparatively, captains of similar-sized jets were paid around $113,000 a year at
American Airlines and $152,000 a year at Southwest (Adams, 2009). Delta pilots also enjoyed more generous work rules, benefits and furlough protections than pilots at other airlines. Many analysts believed that excessively high pay and benefits for pilots were the main reason for the high labor costs at Delta.

To deal effectively with this internal problem at Delta, executives had to turn to the political frame for guidance. As Bolman & Deal (2008) noted, “the political frame views organizations as rolling arenas hosting ongoing contests of individual and group interests” (p. 194). For Delta to remain competitive, the high labor costs associated with pilots needed to be adjusted. Power was a central element in this political frame, as “alliances form because members have interests in common and believe they can do more together than apart” (Bolman & Deal, 2008, p. 201). In order to achieve mutually beneficial results, Delta’s executives and pilot unions needed to cooperate together and negotiate successfully. The first step was to set the stage for negotiation by re-emphasizing Delta’s commitment to an agreeable solution for all parties. Bolman & Deal suggested “agreement and harmony are easier to achieve when everyone shares similar values, beliefs, and cultural ways” and the Delta organization has set the stage for this (p. 196). It was imperative that “the political frame emphasizes that goals are not set by edict at the top but evolve through an ongoing process of negotiation and bargaining” (p. 197). By the Delta executives working cohesively with the pilot union with the best interests of both in mind, the Delta organization found a mutually beneficial conclusion to solving this internal issue dealing with the pilot unions.
Delta Strengths and Weaknesses

Structural Frame

*Machine bureaucracy.* Though previously operated under other organizational structures (i.e. simple structure), today Delta is a machine bureaucracy that drives the company where standardization of work is its key means of coordination, and the company's technostructure (i.e. legal and financial staff) is viewed as an integral part of the organization. “Important decisions are made at the strategic apex; day-to-day operations are controlled by managers and standardized procedures” (Bolman & Deal, 2008, p.80). One weakness of a machine bureaucracy “is how to motivate and satisfy workers in the operating core” (Bolman & Deal, 2008, p. 80). It is the operating core that comes in contact with the key stakeholders and customers that Delta Airlines serves. Communication is important between management and superiors in order to make sure there is synergy among all of the parts of the organization. If the core of the machine bureaucracy is not in line with management then their needs may be unmet leading to a structural breakdown. Unfortunately, over the years, communication has drastically decreased, creating uncertainty, ambiguity and resentment among employees. According to Tanner (2009), “Delta has become a top-heavy bureaucracy. There are too many people and not enough communication between groups” (Appendix A).

*Board of Directors.* The ten voting members of Delta's Board of Directors include leaders of reputable companies and Delta CEO Richard Anderson. Currently serving as Chairman of the Board for Delta, Daniel Carp was formerly Chairman and CEO of Eastman Kodak Company. To ensure input from Delta's pilots (after the 2004 pilot union situation), a non-voting member sits on the board as their representation (Baumwoll, 2008). The Board of Directors is assisted by four key committees, also run by outside directors from reputable companies. These committees meet
throughout the year and formulate recommendations regarding vital policies: auditing, corporate governance, personnel and compensation, and finance (Baumwoll, 2008).

**Management style.** Any company in the airline industry must achieve a careful balance between hard-line management practices (driven by cost reduction) and benefits offered to its pilots, flight attendants and support staff. Delta management has relied on achievements that may result in short-term gains, rather than long-term results, such as its attempt to launch a low-cost airline. Such publicity ploys have not endeared management to employees (who prefer a stable, defined strategy) nor to the investing marketplace. However, Delta has long been known as an advocate for its employees who have chosen multiple times to reject union representation and instead rely on direct negotiation with management.

**Technology.** Delta has the ability to gain access to a wide variety of markets with its technology and innovation. The technology used by Delta has helped it establish the brand as an industry leader in some aspects, including becoming a founding partner in Orbitz (Baumwoll, 2008). This has allowed Delta to share information more readily with the public as well as work with hotels, car rental companies and full-on vacation packages to initiate flights to destinations. Furthermore, Hartsfield-Jackson International Airport in Atlanta is one of Delta Air Lines’ main hubs within the US. “Because Delta controls three of the six concourses outright, as well as having other major gate access within the remaining concourses, Delta Air Lines flies 56% of the passengers from the airport” (Baumwoll, 2008, ¶ 10). This gives the company a distinct advantage over its competition, since it would be harder for other airlines to come in and control a vast majority of the flights like Delta currently does. These, along with other technologies that Delta has used throughout the years, have added perceived benefit in that customers can receive expedited automated service. However this has two drawbacks. The first is that technology
within the airline industry does not stay proprietary for very long, meaning that all carriers soon adopt the new method to stay competitive with one another. The second is that by automating every aspect of the flight process, human contact and service is slowly eliminated, taking away that “personal touch” that Delta has been renowned for in years past.

_Human Resource Frame_

Successfully managing the human capital of an organization involves accepting its complexity and its unpredictability. An effective human resource strategy depends on a high capacity to adjust to change. The process starts with the employee’s potential (skills possessed when hired and future trainings) to adapt to organizational change; and based on the interdependency principle, finishes with the organization flexibility in adjusting to employees’ needs when the productivity can be increased (Boleman & Deal, 2005).

Delta's human resource strategies that promote unprecedented employee loyalty are legendary, beginning in 1982 when, while Delta was suffering from financial troubles, its employees took a voluntary pay cut. The company used the proceeds to purchase the company's first 767, its largest plane at the time, naming it the “Spirit of Delta.” Following this time, Delta was once again profitable for several years (Baumwoll, 2008), mainly because of the perceived added benefit to the end product for customers: Faith within the company is a big part of customer loyalty and when one sees that the employees take voluntary pay cuts or refuse to unionize- it shows that the employees are committed to the company they work for. However, in recent years, the company's relationship with employees has been strained because of massive layoffs, bankruptcy-proof pension trusts and executive bonuses which were not tied to performance.
A basic human resource strategy includes “hiring the right people, keeping them, investing in them, empowering them, and promoting diversity” (p. 142). The employee and the organization are interdependent. “Organizations need people and people need organizations, but their respective needs are not always well aligned” (Boleman & Deal, 2008, p.137). Delta is currently organized around a Corporate Leadership Team (CLT) composed of ten members. (Delta.com, 2008b). In 2006, Delta hired Michael H. Campbell from Atlanta to assist with the initial plans of a merger with Northwest Airlines. In the media release introducing him to the public, Campbell insisted on Delta as being a enviable company to work with and the employees being the main asset of the company (Delta, 2006). In September 2007, Richard Henderson was chosen to be the new Chief Executive Officer. When he presented the merger in April 2008, he insisted on being “the right time and the right deal” (Delta, 2008a). Out of the eleven reasons he presented for choosing Northwest Airlines, only one referred to human resources issues: extending the pilots’ contract. The other ones were related to innovation, financial reasons, and market leadership. The merger was presented as increasing the job security for employees in making the company stronger. In October 2008, the employees were assured that no “employee will be involuntary furloughed as a result of the merger and seniority protection” (Delta, 2008b).

However, a controversy emerged though in the media about the salaries dispensed to the CEO and other members of the CLT. In April 30, 2009 the Atlanta Business Chronicle published astounding numbers. Anderson’s package in 2007 was $3.3 million when the company lost $8.9 billions the same year. A fit between the organization’s need to sustain its activities and the employee’s goals, skills, and personality is central to an efficient use of the human capital (Boleman & Deal, 2008). Even if human resources seem to be the main asset of Delta’s success, it does not appear that much attention had been given to this frame from the CLT to date.
**Political Frame**

“At every level in organizations, alliances form because members have interests in common and believe they can do more together than apart” (Bolman & Deal, 2008, p.201). As such, Delta Air Lines has played an integral part in the broadening use of code-sharing between various airlines. Code-sharing is an agreement between carriers, wherein a flight operated by an airline is jointly marketed as a flight for one or more other airlines. Iatrou & Oretti (2007) explained that, “code sharing has been the most prevalent factor in multinational airline alliance arrangements” (p. 71). Currently, Delta Air Lines is in the code-sharing SkyTeam Alliance with Continental and Northwest airlines as well as various others throughout the world (Delta.com).

According to Iatrou and Oretti (2007), code sharing is a strategic and cost effective way to help airlines:

- to achieve better presence on routes they do not fly and to gain access to airport facilities through the partner airline
- to enable joint operation airlines to supply a viable service when traffic volumes do not justify individual operations by two airlines
- to remain competitive or, in some cases, to enhance competitive position by obtaining feeder traffic
- to obtain increased market access to points hitherto restricted by capacity provisions in ASAs and thus circumvent foreign investment restrictions. (p. 71)

Successful business alliances are a critical strategic component in many industries, but too many strategic alliances fail to meet their partners’ objectives. While the reasons behind alliance failures are complex, and vary according to type of alliance and industry, many failures result from ill-conceived overall alliance strategies and poor alliance management, execution and
implementation (Bolman & Deal, 2008). However, in Delta’s case, code-sharing was an important decision that involved allocation of scarce resources among the many airlines in the industry who were enduring difficult financial times. This allowed Delta to realize cost sharing and pooling of resources; co-develop products, technologies, resources; reduce and diversify risks; achieve competitive advantage; and gain cooperation of potential rivals or pre-emptying competitors (Baumwoll, 2008). “The concept of scarce resources suggests that politics will be more salient and intense in difficult times” (Bolman & Deal, 2008, p. 196).

Symbolic Frame

On the symbolic frame, Delta has a powerful image as a leader, provider, innovator, and luxury carrier.

Luxury and amenities for passengers are sought-after in the airline business, and Delta Air Lines looks after everyone who decides to fly with them. For its First and Business classes, new seats are being installed on all of its major aircraft, including new Recaro seats with a built-in massage feature and their new sleeper suite product for international flights. Economy class seats are getting revamped too, with the addition of a half moon design and a staggered formation of the chairs to allow more privacy and easier rest as well as add two more inches to its current legroom. (Baumwoll, 2008, ¶12)

Examining Current Strategies through the Four Frames: Merger w/ Northwest Airlines

Bastien’s (1987) study concerning mergers and acquisitions found that “corporate mergers and acquisitions (M/As) have become extremely common over the past 20 years. They have been used by executives to expand corporate size, power, and economic health” (p. 17). It was for these reasons that Delta decided to merge with Northwest. Delta Air Lines CEO Richard Anderson stated that Delta and merger partner Northwest Airlines could not have done their
restructuring outside of Chapter 11 bankruptcy. “A bankruptcy court is a court of equity and it has very broad powers to assist you in terminating contracts and restructuring your costs. You wouldn’t have been able to do it outside of a Chapter 11 restructuring,” (Yamanouchi, 2008, ¶2). Anderson said during an appearance on CNBC. "When airlines merge, they have to think about legal issues, communications, maintenance, real estate and so on," says consultant Jerry Glass, the former human resources chief for US Airways, which merged with America West in 2005. "Every one of those has hundreds or thousands of details that must come together"(Yamanouchi, 2008, ¶4).

**Structural Frame.**

“Two issues are central to structural design: how to allocate work (differentiation) and how to coordinate diverse efforts once responsibilities have been parceled out (integration)” (Bolman & Deal, 2008, p. 52). The extensive flight service and brand legacy of Delta Air Lines is recognized throughout the airline industry as unique. Evidence of this can be found in this recent merger with Northwest, who publicly acknowledged that the "combined company" would take on the Delta name. However, Delta has also made some missteps in its differentiation strategy including its attempts to launch a low-cost airline brand, its many route eliminations, and some announced services not yet implemented.

**Systems Integration.** “Delta officials don’t plan to fully merge the two airlines' websites and ticket reservations systems until next year, when they hope to qualify for a single airline operating certificate from the Federal Aviation Administration” (Adams, 2009,¶7). Likewise for separate operations control centers that currently direct both airlines' flights 24/7 from different parts of the country. Airport ticket counters, gates and airport clubs won't be fully integrated until next year. Painters are busy replacing "Northwest" with "Delta" on Northwest jets; it will take
many months to repaint and redecorate Northwest's jetliners, unify onboard menus and seatback safety cards, etc. "What we don't want is people getting tangled up in a mishmash," says Tim Mapes, Delta's marketing chief (Adams, 2009, ¶ 4). It will be critical for Delta’s executive management team to effectively communicate to its constituents while the process is unfolding. Bastien (1987) found:

Under circumstances of stress to the organization, such as a merger or acquisition, communication is the key to managing uncertainty in the acquired organization. If communication is inadequate or quantity, quality (formal or collegial), or congruence for the acquired organization, rumor mills. A decrease in productivity and an increase in employee turnover can result. Human resource managers in M/As need first of all to be aware of these problems and issues. Secondly, they need to understand that managing communication is crucial for effectively managing acquisitions. Finally, they need to be conscious of their own organizational cultures and the cultures of the other party so that differences in values and practices so not become sources of rejection and resistance (Bastien, 1987, p. 32).

The later deadlines for the difficult technology merges are deliberate. When US Airways and America West were completing their merger and converting to one reservations system in March 2007, the system crashed. Automated airport kiosks failed, delaying flights nationwide and frustrating customers. It's a type of failure Delta and Northwest want to avoid.

Capacity cuts. The recession and reduced spending on travel, in general, are big driving factors in many of these decisions. For example, “Delta announced in December plans to shrink its combined system 8% to 10% by year's end because fewer people are flying. Last week,
however, Delta said its February passenger traffic fell 9.2% from a year ago; Northwest passenger traffic fell 13.6%” (Adams, 2009, ¶4). Although both airlines have been cutting flights, passenger traffic is falling faster than the airlines are shrinking -- a trend across the industry. As a result, they and other big carriers probably will have to slash more capacity soon. Still, Delta and Northwest are working to forge a new single network that will be competitive going forward. Delta is shrinking dramatically in some places and growing in others where it's profitable to do so.

Merger raises aircraft choices. Behind the scenes, the airlines are methodically shifting planes around, putting Northwest jets on Delta routes and Delta jets on Northwest routes to better fit airplanes to passenger demand and distance. Robert Cortelyou, Delta's senior vice president for network planning, says the addition of Northwest's fleet lets Delta choose from a bigger menu of jets seating 175 to 400 fliers. "We can move these aircraft around the globe -- from the Pacific to Africa, for example -- and put them in the right spot," he says.

Human Resources Frame

Delta Air Lines employs over 55,000 personnel as of 2007, with approx. 17% represented by unions (Baumwell, 2008). This is in contrast to other legacy airlines, where all employees are unionized. Delta has a history of high employee morale and loyalty even through its recent bankruptcy proceedings. During a hostile takeover bid from U.S. Airways, Delta staff supported management in rejecting the offer despite claims of benefits to Delta personnel. Employees launched a grassroots campaign called "Keep Delta My Delta" which featured buttons, petitions and statements explaining why Delta should reject U.S. Airways' proposed merger (the offer was withdrawn in early 2007.) Conversely, the recent support of Delta's pilots union for the Northwest merger should ensure a smooth transition to a new global airline,
pending approval of government regulators. On May 28, 2008, Delta employees voted to reject a representation offer from the Association of Flight Attendants (who were representing the Northwest flight attendants) in favor of retaining direct relationship with Delta management (Baumwell, 2008).

The airline industry is highly labor-intensive, and it is vital for Delta to keep its workforce motivated and satisfied. Overall, Delta's employee strategy is to retain its employee base by providing above-average compensation and open communication more so than in typical union-run airlines. Delta offers extensive benefits to its employees, including full medical coverage, 401(k) savings plan, and, of course, free travel (Baumwell, 2008). “One primary reason that Delta has long pursued a merger with Northwest Airlines is that few staff positions would be affected by such a move, due to only 1% overlap in the routes served by the two carriers. Upon its launch, Delta is also offering employees a 4% equity stake in the new global airline” (Adams, 2009, ¶ 1).

Union integration problems. Both Delta and Northwest pilots are represented by the Air Line Pilots Association union, working under a common labor agreement, although they will continue to fly their respective aircraft types until the Federal Aviation Administration issues a single operating permit to the combined carrier by end of 2010 (Anderson, 2008).

Normally, seniority integration at merging airlines is a disruptive process that can take years of litigation to resolve because seniority is central to determining a pilot's pay, schedule and type of aircraft. The pilots at US Airways Group Inc., a product of a 2005 merger with America West Airlines, still haven't agreed on a single seniority list, forcing US Airways to keep the two groups segregated. “This is a historical labor first,’ said Capt. Lee Moak, head of the Delta branch of ALPA, referring to the fact that both pilot groups were able to achieve a single
contract and seniority list so soon after the deal closed. He called the seniority ruling ‘fair and equitable’” (Yamanouchi, 2008, ¶ 3).

The International Association of Machinists union, which represents Northwest customer-service agents, ramp workers and reservationists, on Monday filed suit against Delta in U.S. District Court in Washington, D.C., to prevent the airline from taking further steps to promote a seniority integration process until a union election can be held.

The Association of Flight Attendants union, which represents the Northwest cabin crew members, filed a similar suit in November. A Delta spokeswoman said it is "illogical" that union status must be settled before seniority issues are. (Appendix B)

Furthermore, Delta spokesman Kent Landers said the company believes the position the machinists and flight attendants unions have taken is "wrong as a matter of law and does not serve the interests of our combined work groups. And, importantly, seniority integration is one of the top issues on our employees' minds and we are committed to resolving seniority and integration issues promptly" (Yamanouchi, 2008, ¶6).

Political Frame.

The airline industry continues to be in a state of upheaval, as the importance of price continues to trump other consumer considerations. As an airline founded on differentiating itself through service, Delta has struggled to find a concise and compelling way to tell its story. Fragmented audiences and channels have led to consumers who tune out traditional advertising, and Delta has largely discontinued such typical tactics.

For a legacy carrier, Delta has been surprisingly savvy in establishing a presence on the internet. In 2007, building on its employees' own grassroots campaign, Delta launched a website called "Keep Delta My Delta" which featured e-mail petitions and other means for consumers to
engage in the company's "battle" against U.S. Airways (Delta.com, 2009). In 2007, Delta created a legitimate YouTube hit with its new in-flight safety video viewers online dubbed the video's featured flight attendant "Deltalina" and the exposure increased traffic to Delta.com B (Delta.com, 2009). Delta recently designed in just 60 days a website called NewGlobalAirline.com (presumably with input and endorsement from Northwest). “The slick website, including a profile on the social networking website Facebook, contains details on how the proposed merger will benefit consumers, communities, and employees of the combined airlines” (Adams, 2009, ¶3). Delta has wisely realized that typical billboard-and-TV advertising is on the way out, and that innovative channels with rich information must be developed for today's digital consumers.

*The Symbolic Frame.*

The foundation of Delta's differentiation is its customer service throughout the travel experience, premium in-flight offerings and rewards programs for frequent flyers. In 2007, J.D. Powers and Associates judged eight airlines in its "traditional network" category ("low-cost airlines" competed separately) (Baumwell, 2008). Delta Air Lines ranked second in Overall Satisfaction of these carriers, following only Continental. This overall rating was based on Delta's strong showing in seven of the eight categories: Check-In, Boarding/Deplaning/Baggage, Aircraft Condition/Cleanliness, Flight Crew, In-Flight Service and Overall Cost. The only measure where it lagged competitors was Flight Reservations/Scheduling. Clearly, Delta strives to deliver a superior customer experience in all points of contact with the company.

In the "Best of Business Travel Awards" from Business Traveler Magazine (January 2008), Delta was again recognized in three categories: Best Frequent Flyer Program, Best Airport Lounges and Best Airline Web Site (Baumwell, 2008). These rankings spotlight key
differentiators that Delta offers to business travelers, who often look for more than simply the lowest cost in choosing a corporate travel partner (Adams, 2009).

**Progress to Date**

Almost a year after Delta Air Lines announced it would buy Northwest Airlines and become the world's biggest carrier, fliers will soon start seeing the first outward signs that the two carriers are becoming one. By the end of March, all the "Northwest" signs at Northwest's longtime hubs in Minneapolis, Detroit and Memphis will be replaced by Delta signs and Delta's bright red triangular logo. And pilots, flight attendants, ticket agents and gate agents of both airlines will be outfitted alike in Delta uniforms. But for two major airlines that have operated separately for decades with different route structures, corporate cultures and passenger policies, the hard stuff -- such as merging two giant and complex reservations systems -- will not happen until next year, Delta executives say. (Adams, 2009, ¶1)

Today, “the new Delta is a mammoth carrier, with about 6,000 daily departures and 1,000 aircraft at its disposal, including the Delta and Northwest fleets and both carriers' regional affiliates. Publicly, Delta is confident that months of planning by 25 integration teams will avoid mistakes other merging airlines have made, disrupting flights and alienating passengers” (Adams, 2009, ¶1). But the sizes of both carriers and the details involved in making them run have created problems for customers already. “‘It's been pretty much a nightmare for me,’ Northwest frequent flier Doreen Rosimos of Marlborough, N.H., says of her three recent Delta trips. She says she bought tickets for the Delta flights on Northwest's website, www.nwa.com, but Delta had no record of the tickets when she arrived at the airport. ‘I had to truck all the way down to the Northwest desk, get it fixed, then trek back to the Delta desk to get a Delta boarding
pass,’ she says. Others have had a smoother experience. Bruce Dickie, a Madison, Wis.-based sales representative and Northwest frequent flier, says he has actually experienced a few positives. ‘When flying on Delta, I now get an automatic upgrade to first class,’ he says” (Appendix B).

Recommendations and Conclusions

*Invest in the Structure or Support the Human Resources?*

As previously stated, any company in the airline industry must achieve a careful balance between hard-line management practices (driven by cost reduction) and benefits offered to its pilots, flight attendants and support staff. Delta management has tended to rely on achievements that may result in short-term gains, rather than long-term results such as its attempt to launch a low-cost airline. Such publicity ploys have not endeared management to employees (who prefer a stable, defined strategy) nor to the investing marketplace. However, until recently, Delta has been known as an advocate for its employees who have chosen multiple times to reject union representation and instead rely on direct negotiation with management.

Effective leadership is at the center of our analysis and recommendations. The primary challenge of Delta’s leadership resides in leading a changing organization in a changing world, full of changing people. Leadership means achieving organizational goals while facing uncertainty. Delta showed its efficiency in dealing with crises, but is now realizing that they did not leave the organizations without any weaknesses. “It’s a hectic life, shifting rapidly from one situation to another” (Bolman & Deal, 2008, p. 312). Leaders can design (structural), empower (human resource), advocate (political), or inspire (symbolic), but they cannot predict the future. Delta Airlines faces the difficult choice between investing less money on technology and innovation or reducing human resources cost, because they cannot financially afford to do both.
In reducing the first, Delta’s history and tradition would be challenged and this would lead to a complete restructuration of its organizational culture. However in reducing the human resources costs, problems with unions will arise again and weaken the unprecedented and sacred loyalty that the employees have within the organization. We recommend focusing on a human resource frame and leadership style because it best mirrors Delta’s culture, in addition to maintaining flexibility by adapting different frames to fit different situations.

Delta Airlines has changed its CEO numerous times, confusing its employees while trying to appease its stakeholders. Were these mistakes in leadership related to the choice of the wrong leader or the application of the wrong frame and style? When choosing a frame, an organization has to match it to the situations that it encounters. “Choosing a frame to size things up, or understanding others’ perspectives, involves a combination of analysis, intuition, and artistry” (Bolman & Deal, 2008, p. 317). Currently, the employees are facing a high degree of ambiguity and uncertainty. “If goals are clear, technology is well understood, and behavior is reasonably predictable, the structural and human resources approaches are likely to apply. As ambiguity increases, the political and symbolic perspectives become more relevant” (Bolman & Deal, 2008, p. 318).

Employee commitment and motivation are central to the success of Delta. An important strength of the company is the legendary loyalty that the employees display for their company. This variable would advocate the use of the human resource and symbolic approaches. However, technology is another important aspect of the successful history of Delta. “When good decision needs to be technically sound, the structural frame’s emphasis on data and logic is essential” (Bolman & Deal, 2008, p. 318). The choice of a good leader in this situation is therefore difficult, but we recommend approaching the merger from a human resources frame in order to
(1) ensure a smooth merger between the two companies, and (2) remedy existing bad relations between employees and management.

Conclusion

The history of Delta involves change, restructuration, merger, and unions. As a pioneer in mechanic, business strategies, and alliances, Delta has shown, for almost a century, its expertise in navigating the rather hectic and unpredictable airline industry. Delta has shown its effective and reactive leadership as well as strategic management throughout its various crises. Consequences from 9/11, unfair union practices, failing airline industry, and the weak economy are among Delta’s challenges. To restructure a machine bureaucracy such as Delta, the board of directors and key committees need to carefully examine the economic variables as well as the human resources constraints. The investments made throughout the years have financially weakened Delta; whereas its visible success in the competitive airline industry has strengthened the personnel in their value and indispensability. The company is in a changing environment with loyal employees, and careful action must be taken to not sabotage such loyalty in the face of restructuring.

Alliances and technological innovations place Delta as a leader in the industry. However, it is only with investment in the loyalty of its employees that Delta can keep innovating before being imitated by competitors. With massive layoffs, bankruptcy-proof pension trusts and executive bonuses not tied to performance, the relationship has weakened between leadership and personnel. Presently, however, the highest costs for Delta are the personnel. Unions prevent pay reductions that could allow the money to be invested in managing the current merger with Northwest. Pilots, flight attendants, and machinists unions have challenged the restructuration in
opposing to any reduction of benefits, seniority or salary. As a result, Delta has suffered immensely from the lack of personnel loyalty and morale creating a restructuring crisis.

As such, in restructuring Delta, a human resource frame is recommended to maintain a high degree of commitment and motivation in the employees and to deal with the current level of uncertainty. The main recommendation is to find a leader that can wear all four hats: be knowledgeable of the technologies, knows how to empower the employees, deal with the media and the stakeholders, and finally inspires a new vision for Delta. The main frame of intervention needs to be human resources, although a major focus on the structural frame is recommended to back up this strategy: invest the financial resources on the people, and then trust the people to use the technology at its best. However, finding a leader that can maintain this primary frame while adjusting other leadership styles when communicating with stakeholders, unions, or the public, respectively, is a difficult task in the present situation, making finding the right leader to reframe the organization the top priority. Larsson & Finklestein (1999) stressed leadership and management style is critical to succeed in turbulent times when they stated, “We found management style similarity reduced employee resistance, even though it had little effect on organizational integration. That finding is important for it empirically establishes that management style similarity may have its greatest effect on eventual synergy realization through its attenuation of cultural differences between merging organizations, rather than by facilitating interaction and coordination among different management groups” (p. 17). For this leader to build trust with the employees is a necessity. To lead the employees to face technological and economical challenge together is a target and an indispensable sine qua non condition for success.
References


Appendix A: Delta Interview (2009)

**George Tanner**  
*Flight Dispatcher*  
*32 years of service*

“Every 5 years you get a small gift and pin.  
The 30 year mark, I got a clock.”

(History):  
In the many years that you have been working for Delta, do you feel that the various changes in the organization helped or hinder your career goals?

*Hindered: They keep changing the rules for advancement.*

(Structural frame):  
Pilots have their own policies depending on international rules and regulations, flight attendants, and other personnel groups as well. Are there additional policies changing because of the restructuration of Delta?

*Yes, but we do not know what they are yet.*

If yes, how is that influencing your workload and the communication between the various groups?

*Communication between the two groups is nil. As far as changes go, they are yet to be determined.*

Does this make job security uncertain?

*Not for me, for some yes.*

For what groups?

*For those groups where seniority plays a vital role in whether an employee will keep his/her job: ramp workers, mechanics, etc.*

How would you explain the division of labor in your workplace?
Mine is a unique area where I have autonomous authority. My job is like the captain of the airplane, where there is not a person I report to; rather I have strict regulations that I follow, and I’m evaluated on that.

**How would you explain the structure of your organization? How does this fit into the organization's current circumstances?**

*Delta has become a top-heavy bureaucracy. There are too many executives and not enough communication between groups.*

*Everyone is trying to protect their “fiefdom.” Whatever will make our performance evaluations look the best is the strategy that will be implemented.*

**(Human resources):**

**During restructuration and mergers, where does the motivation and coordination come from mainly?**

*Motivation is ground-based….very little direction or motivation from up top.*

**How?**

*By sharing a common goal of providing excellent customer-service to our customers. Its very pride-based…which we have seen go by the wayside with the new generation, who are mainly interested in getting a paycheck.*

**Do you believe that your personal style is welcomed and appreciated?**

*Yes. My personal style is very flexible and competent. I don’t like change, but I’m willing to change even if I don’t personally agree with it. I understand that I am not a negative person…and I want to make the best of what I can.*

**How does/does not Delta, as an organization, serve its employees needs?**

*These days Delta is just a paycheck to the employees. They have taken away retirement….the medical benefits are way too expensive. The flight privileges are still good…but that and a paycheck is about it. No more employee loyalty as we used to know it.*

*When I first started at Delta you could start at the bottom and work your way up so you could understand every facet of the operations of the airline. Now it is difficult to do that. Now the people they hire have no technical expertise…just number crunchers. Their idea about the airline is strange…they rely on manufacturing type business models for a service type industry, and you just can’t do that.*
What is the organizational personality of Delta?

First of all, customer service used to be the TOP priority. Then customer loyalty and care came as number two. Then fostering good employee relations and loyalty came as number three. There used to be an emblem on our paycheck that said “All airlines are the same, only the employees make the difference.” Then they took it off in the mid-90s and it made it clear that employees were pretty much no longer valued.

And now?

I think that’s just it. They have no organizational personality. The problem they have is that have lost the individuality as an employee/customer needs-based operation. We exist to make the managers big salaries.

(Political):

What role are the unions playing in the restructuration?

The specifics must be worked out before the merger can take place. Therefore, it stands that it would hold up the merger if agreements are not reached soon. The mechanics opted not to have a union. The pilots union and our union had to work out agreements before they could merge with Northwest. The flight attendants are still suing over seniority… and that could drag out for a number of years, who knows?

Oh, and the ramp workers were unionized at NW, and Delta’s were not. They are still going through that process…

Are you unionized?

Yes, through PAFCA (Professional Air Flight Controllers Association)

Do you trust your union to represent your best interest?

(With hesitation)… Overall, yes. Our union is more of an association that is more work rules oriented. We are not a greedy union (like the pilots union), we try to work with the company and its goals and objectives as far as financials and programs are implemented. Our main focus is quality of life issues: shifts, time off, etc. If left uncheck, Delta would try to do split shifts.

How does Delta as an organization decide and allocate resources? Who gets what and why?

Because of the bankruptcy, they said they had to freeze our retirement in order to save our retirement, so they said. I’ve been there 32 years, but my retirement says 28 years. It had something to do with being able to meet the government mandate of having $1 billion in liquid cash in order to continue operating.
Right now, the resources are going toward the merger as far as getting the different equipment types mergers, training crews, which airplanes to put in which markets. They went through the employee thing real quick with a broad brush. The economy is so bad right now, that they are having to use all of their resources to make it a viable entity.

So to say, they can’t do more for the employees now because of the high expense in the bad economy. They have increased my pay greatly because we’re so shorthanded. In the most recent events, the swine flu pandemic has created a drastic reduction in traffic to Mexico and the Americas, so we’ve had to cut service drastically.

**How is conflict handled within the Delta organization?**

*Swift and unmercifully now.*

(Misc.:)

4 regime changes since I’ve been in flight control

Even with deregulation, the airlines are still a VERY regulated industry: FAA: certain level of safety and training; Unions: certain working conditions, etc.

The competition due to low cost carriers has made legacy carriers like Delta move to international service to maintain revenue streams and cost structures. Where the legacy carriers have done well is in being able to hedge fuel...creating a competitive advantage over low cost carriers.

Anytime you advance technology, it requires more workers, even though they like to say it doesn’t.

(Symbolic:)

**What are the main symbols you feel committed to at Delta?**

The Delta widget used to be the main symbol that invoked pride and commitment. It’s nothing to us now.

**Do you believe that Delta kept its identity through the various changes?**

No.

**How do the employees at Delta deal with the uncertainty and ambiguity that occurs so often in the airline industry?**

They do not have Delta as their sole source of income.
What are the vision and values that Delta holds as an organization?

*Their vision is tainted b/c of economy and uncertainty.*

Do rituals, stories, or ceremonies play a part at all in the Delta organization?

*Not now. Not anymore.*

**(Future:)**

Do you believe that the company will invest in the future in innovation or in personnel?

*I have no idea. Its whatever the flavor of the month is and whatever new exec they bring in.*

What do you think will be the future of Delta airlines?

*Delta in some form will be around for a while. In what form is just dependent on economic conditions.*

What has made Delta so resilient through all of the changes that will help them in the future?

*The foundations of the company that they are now destroying. The good employees, the people who still hang on to caring about others.*

Trust?

Do you trust your company for making decisions that will take into account the personnel and the various groups and subgroups of employees?

*Oh no, definitely not. If they were about the stockholder or the employees or the customers...or even the bottom line, it would be a different story. The executives’ salaries are the only concern.*
Appendix B: USA Today Interview (2009)

**Delta takes its time to get merger right**

Northwest integration comes along step by step

Section: Money, Pg. 10b

Almost a year after Delta Air Lines announced it would buy Northwest Airlines and become the world's biggest carrier, fliers will soon start seeing the first outward signs that the two carriers are becoming one.

By the end of March, all the "Northwest" signs at Northwest's longtime hubs in Minneapolis, Detroit and Memphis will be replaced by Delta signs and Delta's bright red triangular logo. And pilots, flight attendants, ticket agents and gate agents of both airlines will be outfitted alike in Delta uniforms.

But for two major airlines that have operated separately for decades with different route structures, corporate cultures and passenger policies, the hard stuff -- such as merging two giant and complex reservations systems -- will not happen until next year, Delta executives say.

"When airlines merge, they have to think about legal issues, communications, maintenance, real estate and so on," says consultant Jerry Glass, the former human resources chief for US Airways, which merged with America West in 2005. "Every one of those has hundreds or thousands of details that must come together."

Today, the new Delta is a mammoth carrier, with about 6,000 daily departures and 1,000 aircraft at its disposal, including the Delta and Northwest fleets and both carriers' regional affiliates. Publicly, Delta is confident that months of planning by 25 integration teams will avoid mistakes other merging airlines have made, disrupting flights and alienating passengers. But the size of both carriers and the details involved in making them run as one make some bumps almost inevitable.

"It's been pretty much a nightmare for me," Northwest frequent flier Doreen Rosimos of Marlborough, N.H., says of her three recent Delta trips.

She says she bought tickets for the Delta flights on Northwest's website, www.nwa.com, but Delta had no record of the tickets when she arrived at the airport.

"I had to truck all the way down to the Northwest desk, get it fixed, then trek back to the Delta desk to get a Delta boarding pass," she says.
Others have had a smoother experience. Bruce Dickie, a Madison, Wis.-based sales representative and Northwest frequent flier, says he has "actually experienced a few positives."

"When flying on Delta, I now get an automatic upgrade to first class," he says.

On 13 international routes this summer, Delta will change aircraft: It will fly Northwest Boeing 747 widebodies on flights between Atlanta and Honolulu and between Atlanta and Tokyo, while putting smaller jets on flights to some European cities such as Amsterdam.

As the integration inches along, loyal Northwest and Delta fliers in small and midsize U.S. cities fret about how the merger as well as the economy will affect the flight choices they have come to depend on.

Frequent Northwest flier Dickie, for example, worries the merger will shrink the options he has from Madison, Wis. Today, there are flights on either Northwest or Delta to Minneapolis, Detroit, Atlanta, Cincinnati, Memphs and Reagan Washington National Airport.

"I can't see this number of choices lasting very long," Dickie says.

Contributing: Barbara Hansen

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