

# RULES OF THE ROAD DELTA AIR LINES, INC.

OCTOBER 2007



I.

***Our Basic Business Principles***

- A. Always fly safe.
- B. Delta must have organic growth in revenue of at least 7%, and RASM at 105% of industry.
- C. Delta must have industry leading productivity by producing CASM below all major flag carriers.
- D. We create value through (i) great customer service, (ii) great operations, (iii) a great brand, (iv) the best employee relations, and (v) great new ideas in all aspects of our business.
- E. We must be the employer of choice, by being responsible to our employees and treating them with respect and dignity. We will provide a good and secure place for them to work in a safe and orderly manner. That means the best ethical management and employees, motivated every day to serve or exceed customer expectations. We will provide fair and appropriate compensation and benefits and an environment that provides for advancement. Employees must feel free to make suggestions and tell us when we are mistaken.
- F. We will maintain a 40/60 debt to equity ratio which produces, consistently, 8-10% pre-tax returns.
- G. We will be good corporate citizens.

## II.

### ***Connect with our Businesses***

- A. Know our customers and care for them. Connect with our customers. Superior customer service and relationships can be a strategic advantage that allows us to beat our competitors. Mr. C. E. Woolman said it best: “Now, Delta is growing and growing fast. Yet we will never have any monopoly. We will always compete with planes of similar speed and comfort and identical fares. If we continue to grow, it will be because we can expand without losing the “difference” that made Delta’s reputation...” Circa 1946
- B. Know our people and care for them. Know our people and understand their strengths and problems. Value their differences. Take our employee satisfaction surveys seriously and respond with action plans to always improve employee satisfaction. Hold people accountable and recognize successes.
- C. Know the business cold and provide a superior return to our shareholders. Pour-over the numbers, cogitate on your problems, read everything you can get your hands on that is relevant to our business, and ask your colleagues for their views. Be open and candid. Know our numbers cold – know the numbers and metrics that are the true barometers of the business. If it is not measured it will not get managed. Manage by exception by focusing on problem areas.

### III.

#### ***Face Reality***

- A. Know thyself. Know the strengths and weaknesses in your business. Please do not shy away from recognizing strengths and great performance or openly discussing business challenges and reaching specific plans for remediation. Attack the biggest issues first and never give up.
- B. Always honest. Live with integrity and reflect honestly in all we do and say. Always be collegial even in tough conversations.
- C. Speed wins. Be decisive and do not delay. Speed in execution is the difference between success and failure.
- D. Respect the competition. All of our competitors are superior to us in some aspect of the business. Do not be dismissive of them or we will let down our guard and get beat. As C. E. Woolman said, "...no good comes from running down any type of competition. When you sell Delta, sell on facts and not comparisons."

#### IV.

##### ***The Dialectic: Listen Attentively and Speak Openly***

- A. "A reasoned investigation of the truth." (Webster's Pocket Dictionary) Truth is our currency.
- B. Rigorous and constant debate is required because PowerPoints and e-mail strings without rigorous debate do not produce results. Do not confine the debate to senior executives because we learn from the people closest to the work. Intellectual conflict is constructive. That's how we get to the correct answer.
- C. Constantly probe and question and be persistent.
- D. Remember, there are few 100% solutions.
- E. Be informal; avoid long, flashy PowerPoints – if we cannot synthesize and reach a pithy conclusion in 10 pages of well-written and organized thinking, then rethink the problem and solution.
- F. No politics. Period. Put all the cards on the table. Be inclusive. Do not keep issues, weaknesses, or problems to yourself. Be flexible – change your mind when persuaded by meritorious argument.

## V.

### ***Debate Constructively, Decide Definitively, and Support Actively***

- A. Be open minded and listen. Always look forward. The past is of minimal value. As Mr. Woolman said, "Delta sells only the future...Delta has had to keep looking ahead."
- B. Be positive and direct in all dialogues. We are not seeking blame, only answers. Engage colleagues with the idea that we all have a shared purpose, that no one wants to let the company, our shareholders, employees, or our customers down.
- C. Do not interrupt your colleagues.
- D. Ask questions to draw out participants and learn. Always have passion in the pursuit of knowledge.
- E. Reach conclusions, assign specific responsibilities, and leave the room unified. Keep your to-do list from decision-making sessions. Always remember the need to document and follow up on the "who, what, when, and where" responsibilities. Be a bird dog – stay on the trail until complete.
- F. No pocket vetos.
- G. Rely on your colleagues and be reliable for them. We only win as a team.

## VI.

### ***Management by Objectives (MBOs): Set Clear Goals and Follow Through***

- A. Every employee must have about five clear, measurable objectives to accomplish in order to be successful in their job. Typically, most business processes can be measured by (i) cost, (ii) quality, and (iii) turn time.
- B. Typically, these objectives will support (i) customer service and support, (ii) financial commitments, (iii) product delivery, (iv) employee leadership, and (v) innovation and growth. Be wary of “hockey stick” business plans – they seldom materialize.
- C. Employee satisfaction is in part driven by people understanding what is expected of them. As leaders, we must regularly and consistently communicate. We must measure constantly and tell people where they stand in terms of performance against commitments.
- D. The “how” is just as important as the “what”.
- E. Regularly monitor and coach – understand where the organization is short of goal and coach people to assist in reaching goals. It is a constant process – you, as a leader, need to help remove obstacles and clarify the path to goal for the business.
- F. Regularly commend and reward superior performance.
  - As simple as thank you notes or a verbal commendation.
  - We must reward performance.

## VII.

### ***People: Encourage Employee Involvement and Demand and Accept Responsibility***

- A. We run a meritocracy. Build the team.
  - People who meet goals get advancement and rewards.
  - Failure to perform – honest talk – Direct Collegiality – never personal.
  - No “new jobs” for non-performers.
- B. We take talent reviews seriously.
  - You should constantly be assessing and coaching – be honest and respectful – call it “Direct Collegiality.”
  - Develop high-performing/high-potentials and RSPs.
- C. Hunt for and develop the doers – your life improves.
  - No real formula for finding these people – you know it when you see it.
  - When you find them, nurture them, and propagate these leaders – they know how to find others for themselves.
  - Hire people smarter and more capable than you and give them the opportunity to shine in a meritocracy – this is hard to do, but is the easiest path to success.
  - We must build tomorrow’s leaders.
- D. Don’t allow blockers. Do not be afraid to withdraw rewards for failure to perform or address poor performers – do it fairly, objectively, and respectfully.
- E. Lead by example – if you work until the job is done correctly, so will your people. Be a plow horse.

## **VIII.**

### ***Summary of Our Most Important Behaviors***

- A. Communication – listen attentively and speak openly.
- B. Encourage change and innovation.
- C. Promote broad employee involvement.
- D. Embrace diverse people, thinking and styles.
- E. Debate constructively, decide definitively, and support actively.
- F. Set clear roles, responsibilities, and expectations.
- G. Demand and accept responsibility.
- H. Follow through with clear, consistent consequences.
- I. Develop and leverage deep customer insights.
- J. Be courageous and optimistic.

## **IX.**

### ***Constitutional Principles***

- A. Always tell the truth.
- B. Always keep your deals.
- C. Do not hurt anyone.
- D. Try harder than all your competitors – never give up.