Delta Airlines: How Ineffective Human Resource Management Caused its Implosion

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What separates those companies that are able to weather difficult economic times from those who cannot? The answer often lies with how effective the company is in formulating strategies that effectively utilize its human resources. In the case of Delta Airlines in our text, we see an example of a company that treats it human resources as expendable, and in doing so removes how it can compete and with what the company can compete.

Delta was once known for being an airline renowned for the quality of its service. However, its stock price had been falling, and CEO Ron Allen was under pressure from the shareholders to reverse this trend. In doing so, he embarked upon a goal to reduce the per mile cost per seat from 9.26 to 7.5 cents per mile. The strategy formulation and execution however was presumably done with little to no input from human resource management. The majority of cost cutting was done by broad removal of personnel, with the company shedding eight percent of their workforce over a two year period. In addition, many of the personnel removed were highly skilled, including seasoned customer care representatives. Outsourcing jobs such as aircraft cleaning to other companies was done with little to no oversight, resulting in a noticeable degradation of cleanliness (Gerhart et. al., 2013).

In making changes at Delta, Allen did not effectively consult with human resource management, and in doing so drastically reduced their ability to compete in the passenger ferrying marketplace. Delta had a reputation for competing on quality, and were consistently ranked highly for their professionalism. After removing many seasoned knowledgeable employees, they lost their ability on how to compete with many of the other budget airlines. Delta also lost its ability to compete by losing the ‘what.’ Delta had been successful because of its employees, including the friendliness of service and the clean aircraft. Planes and hangars were not lacking- it was the employees that made the company. By losing these valuable employees, and with the changes lowering the morale of those employees remaining, Delta largely lost its ability to compete in the marketplace (Gerhart et. al., 2013).

The deleterious effects of collective turnover, as what happened at Delta Airlines, have been made clear in the available research. Turnover “damages performance because it conveys a loss of valuable knowledge, skills and abilities.” In addition, “it hinders performance because it disrupts established patterns of interaction, creates flux in coordination, and diverts attention to nonproductive activities” (Hausknecht, Heavey, & Holwerda, 2013).

If I were in charge of the company I would pursue several major initiatives to help turn the company around. The first of these would be to repair the strained relationship between management and line level employees. This would involve giving the employees a greater involvement role, which in turn would enhance their commitment to the company’s success. According to Applebaum, Bailey, Berg, and Kallelberg, long term effective relationships between the company and employees can be built through the introduction of training programs, motivation based programs, and participation in decision making (Appelbaum, Bailey, Berg, & Kalleberg, 2000). New training programs would be implemented to educate the new employees on customer service. A competition with monetary prizes could be implemented for the baggage handling group with the least amount of lost luggage.

Another major change would be at the top through ethical leadership. Ethical leadership has been defined as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships and the promotion of such conduct to employees through two-way communication, reinforcement and decision-making” (Brown, Treviño, & Harrison, 2005). In addition, it means treating employees with respect, keeping promises, and actively seeking their involvement when it comes to decision making (Kalshoven et al., 2011). I would abandon the “so be it” mentality of Ron Allen, and actively seek the input of employees. This would be done through a strengthening of the human resource presence on the board, frequent surveys sent out to the rank and file, and an ‘ideas at work’ website to encourage the sharing of best practices amongst the organization. With these changes, I believe morale would improve, employees would again feel valued, and the prospects of the business could improve.

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