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Time Bending: Temporal Malleability and Organizational Response in Crisis Situations

Gary W. Carson

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Time Bending: Temporal Malleability and Organizational Response in Crisis Situations

by

Gary W. Carson

A dissertation submitted in partial fulfillment of the requirements for the degree of Doctor of Philosophy
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Time Bending: Temporal Malleability and Organizational Response in Crisis Situations

Gary W. Carson

ABSTRACT

The terrorist attacks of 9/11 created a crisis of epic proportions for the airline industry. The attacks, on the heels of the first financial losses in four years, threatened the existence of many airlines. It was incumbent on the CEO to make sense and offer a plan to control the crisis and move forward. There were fewer audiences more attentive to this sememaking activity than the stockholders. On the cusp of the organization, shareholder management is a central job of CEOs in the 21st century. This study focuses on CEO presentations to shareholders for American, Delta and Frontier Airlines before during and after the events of 9/11. Using Close Textual Analysis as configured by Michael Leff, the time focused rhetorical analysis is extended to include slices of time. How CEOs use experienced time and interpreted time to gain stockholder confidence, control the crisis and create a shared vision of the future is the goal of this project. A longitudinal study across the years of 2001-2003, this dissertation considers how the organizational, leadership and personal goals of each of these airlines and their leaders are met through rhetorical configurations of time.
Chapter One

Introduction

This dissertation centers on a series of historical events and their consequences for the airline transportation industry from the perspective of rhetorical and organizational communication. The terrorist attacks of September 11, 2001, when four commercial airliners beginning transcontinental flights were hijacked in a coordinated, simultaneous action and flown into targets in the United States, created unprecedented responses and consequences. These effects cascaded through the economy and the American psyche. The fallout threatened the existence of many airline companies.

The focus of this dissertation is how leaders in the airline industry construct time to achieve their organizational and personal goals in response to the terrorist attacks. Contending for the survival of their organizations, leadership is often defined through the lens of how a crisis is handled (Ogrizek, Guillery, Kimball-Brooke, Brooke, 1999). In a letter to her 13 year old son (who would later become President) Abigail Adams noted “It is not in the still calm of life, or in the repose of a pacific station, that great characters are formed. The habits of a vigorous mind are formed in contending with difficulties. Great necessities call out great virtues” (Adams, Adams, McCullough, 2002, p. 253).

The exigencies created by the events of 9/11 for the airline industry called forth organizational responses on many different levels to many different constituencies. As the leader of an organization in crisis, the Chief Executive Officer is the “face” of the organization (Ogrizek, et al. 1999). Taking into account both internal and external audiences, the CEO takes on the dual role of formulating responses and communicating decisions. Through decision making and persuasive activity, the CEO shapes the actions
of the organization, the perceptions of its stakeholders, and the organization’s interaction with the external environment. This dissertation addresses the leadership response to one particular constituency that exists at the cusp of the internal-external boundary of the company; the stockholders. As such, this investigation will deal with the rhetorical activity of United States airline leaders in presentations to shareholders over the three year period immediately preceding and following the 9/11 attacks.

In the midst of crisis, CEOs are charged with a visionary role. They stand at the nexus of the past and present, making sense of the former to enact the latter. Utilizing their representational authority, they speak for the organization and for themselves as they attempt to give voice to the history of the organization and use of it to create a path to an envisioned future. To achieve this they take control of time and bend it as a tool utilizing both the storytelling and the meaning making function of their office to achieve their purposes. Time configurations are a nascent field in the organizational communication literature.

Focusing on the rhetorical use of time in response to crisis exigencies calls for a close consideration of organizational communication, leadership, crisis management and rhetorical theory / practice. Each of these will be considered as they relate to three research questions. The research questions under consideration are:

1. In response to the multiple exigencies created by the 9/11 attacks, what rhetorical time strategies did airline CEO’s use in their annual meeting address to stockholders prior to, immediately following and significantly afterwards?
2. What are the similarities and differences in the time configurations of the chosen rhetorical strategies found within particular airlines and in comparison between the selected airlines over a three year period of time; 2001 – 2003?

3. What factors account for the similarities and differences in the usage of time in the chosen rhetorical strategies both within a particular airline and between the three airlines in the three year study period?

The following chapters consider the events of 9/11 and the responses to them from a communication perspective. Chapter one contains a literature review of pertinent theories and practices of rhetoric, organizational communication, and crisis management. Chapter two provides a methodology and research focus for the study. Chapter three places the presentations to shareholders within the larger context of the American/global economy and in a historical context of the chosen airlines. Chapter four presents an analysis of the CEO presentations to shareholders over a three year period. Chapter five compares the presentations within the particular airline for the three years and across the industry in each year. Chapter five also draws conclusions from the study, considers limitations, theoretical and practical implications and suggests future areas of research.

Literature Review

In the remaining pages of Chapter 1, I consider literature relevant to the theories and application of rhetoric; that is, strategic stylized language used with the intent of persuading an audience. The use of rhetoric in modern organizational settings and specifically – the United States airline industry in crisis is highlighted. I review literature salient to an understanding of the development of the use of rhetoric in organizations, consider the constitutive nature of communication in organizations and the rhetorical
nature of crisis response and management. This is done against the backdrop of the economic, organizational, political and social exigencies created by the attacks of 9/11.

*Experiences of September 11, 2001*

At the start of the Tuesday staff meeting of the church I led, our maintenance director Mike, a retired career Coast Guard Ensign, came in and announced that a commercial airliner had flown into one of the World Trade Center Towers. After a few comments on the event, we began discussing programs, schedules, music, leaky toilets, the start of a charter school and other pertinent information that was normal discourse of church staff meetings. My cell phone, on silent mode, buzzed repeatedly from two callers, as my wife, a RN, and Gale, the head of Pastoral Services at the hospital, called multiple times in the first few minutes of our meeting. When the phones of two other staff members rang, we began to joke about modern technology and the “electronic leash.” The Church secretary, taking her call in the hallway, came back into the room and announced “A second plane hit the other Trade Center Tower.”

In case there was any doubt, Mike said, “This is not coincidence, we are under attack.” We quickly gathered around the television in the secretary’s office.

As a part time hospital chaplain, I spent the rest of the day at Community Hospital working with Pastoral Services, visiting every department, speaking with staff and patients, listening to their comments and holding religious services. Between visits I watched one of the ubiquitous TVs, horrified at the images of people jumping from the upper floors of the Towers and watching as the buildings collapsed one floor upon another. The noon hour was spent in the lunch room on the locked-down Psych Ward attempting to calm fears and offer comfort to folks who lived on the edge of life in
“good” times. I felt inept, fumbling for words while trying to be a calming influence, attempting to give assurances and perspective in the midst of ambiguity and uncertainty about what was happening and what it meant. As time passed, it was clear I was not alone in my rhetorical angst. Two days later I attended the third session of my introductory graduate class in communication at USF, and the events and “meaning” of 9/11 still dominated every conversation.

The case could be made that the events of Tuesday morning, September 11, 2001 impacted no industry more than the airlines. The disorientation, horror, sense of loss, uncertainty and material effects altered the face of the industry and impacted their operations substantially. In an unprecedented move in the history of air travel, The Federal Aviation Administration shut down all air transportation in the United States for three days (National Commission on Terrorist Attacks, 2004). When they took to the skies again it was a different world. Previously held views of how the world worked, the rules and expectations had all changed. Airline leaders were thrown into the breach to address uncertainty and ambiguity, calm fears, find credible interpretive frames and create a vision that fit an altered landscape. Strategic decisions in nebulous circumstances and the rhetorical management of those decisions amid disorientation tested their leadership capabilities.

Before proceeding to the leader’s rhetorical management within the airline industry, three theoretical areas that lay the foundation for this study are presented. The first area considered is crisis management. A communicative act that at its core is rhetorical, crisis management is a growing field of interest within organizational communication studies. The second salient area is the organizational communication
theories of Karl Weick and Anthony Giddens. Their views of how organizations use time provide a basis for the CEO time bending that is the focus of this work. The third area of consideration is general rhetorical theory and the recent development of rhetoric in light of its growing influence on organizational activity. It is through the lens of organizational threat management by the CEO in a yearly presentation to shareholders that these three salient, theoretical areas will find common ground and application. These presentations to the stockholders are akin to “a state of the company address”. They are infused with rhetorical choices and activity and provide a text worthy of multi-level for analysis.

Crisis, Crisis Management and Organizations

Crises are a challenge to the existence of an organization. Regardless of their origins, crisis demands the attention of leadership. Crises require rhetorical responses to the multiple publics involved; crisis response involves a contestation for meaning, an appearance of control and an articulated vision for a “return to normal” in the future. Organizations define crisis out of their particular frame of reference and worldview. Organizations validate a crisis by responding to these events as a crisis through the resources they employ to address it. The airline industry, by its very nature, has attentiveness to crisis built into its operating structures. The events of September 11, 2001 created a crisis situation that became a threat to the survival of the entire industry. From the outset the crisis of 9/11 for the airlines is an outsider created crisis. While planes were at the center of the events, they were not the cause of the tragedy and its aftermath. In one sense this origin relieves the airlines of the need to assume responsibility for the crisis. They are seen, along with the nation as a whole, as victims. This shaped their early responses in unique ways.
This section considers the organizational enactment of a crisis and the positive and negative aspects of Crisis Management Plans. Each of these areas directly correlates to the activities of airlines in the aftermath of 9/11. As an industry well schooled in crisis management, the potential consequences of these unique events created a need for new responses. The events of 9/11 did not fit in their Crisis Management Plans. They were, in many ways, in uncharted skies. To find their way into the future CEOs use the reference points of the past to create a future flight plan.

Crisis Definitions


- occurs suddenly
- demands quick reaction
- interferes with organizational performance
- creates uncertainty and stress
- threatens the reputation, assets of the organization
- escalates in intensity
- causes outsiders to scrutinize the organization
- permanently alters the organization

Crisis can be seen as “an interrupted narrative” (Heath, 2004, p. 151); “poor management of unexpected events” (Weick, Sutcliffe, 2001, p. 2) or “a threat to organizational survival and legitimacy” (Pauchant, Mitroff, p. 12). Crisis management is about responses that exhibit some sense of control, re-configuring perceptions, creating
symbolic actions and communication (Ogrizek, et al. 1999). Crisis management intensifies the functions of leadership/management, “[management] is about keeping disorder at bay” (Lennie, 1999, p. 96). Before a

Millar identifies three major categories based upon the origins of the crisis.

- Managerial: malfeasance or inattentive management - allowing small problems to grow into big ones.
- External: environmental disasters or outsider created disasters
- Societal: legal actions or changes in laws, attitudes or beliefs (2004, p. 27).

One can say that a crisis occurs when the prevailing narrative has escaped the control of the leadership and new ways of viewing the world are needed before stakeholders and publics can make sense of it. As noted above, the origin of 9/11 allows the initial responses of the crisis to focus on its external genesis. The purpose of a longitudinal study is to see if that focus is sustainable or if prolonged crisis raises other questions about the organization, its leaders and what constitutes effective responses. Millar’s summarization of crisis definitions will be utilized in this investigation. The attacks of 9/11 and their effect on the airline industry fit Millar’s criterion of “occurs suddenly, demands quick reaction, interferes with organizational performance, creates uncertainty and stress, threatens the reputation and assets of the organization, escalates in intensity, causes outsiders to scrutinize the organization, permanently alters the organization.”

Crisis management involves at least two different activities; making changes and communicating those changes. While changing structures, practices and strategies is vital to address the issues of a crisis, communication of those changes to various
constituencies is essential to convey control of the crisis and subsequent recovery from a crisis. Changing the internal activities and outside relationships may address the problem, but that in itself will not help the corporation recover because crises have significant public scrutiny. Left alone, this scrutiny can exacerbate and even escalate the crisis. Organizational changes lay the groundwork of fixing the problem and reestablish normal operations. The communication of those changes and repairing the image of the organization within the community and the larger society reduces outside scrutiny, limits unfavorable actions and helps to repair the image of the organization (Ogrizek, et al. p. 57). One primary response to crisis is the assurance that order is being restored, that control is being regained. The need for this is magnified for shareholders who buy shares for future returns on their investment based upon their confidence in management and their practices. “Stock markets… are driven by perception and anticipation” (Yilmaz, Oren, 2004 p. 6). Communication of the changes made to address a crisis, to regain control of a situation and restore confidence is critical in shareholder management (McKay, Deogun, 1999). Shareholder confidence in the organization, is a future oriented activity. Past events and even past crises are ultimately only relevant to the extent that they impact future perceptions of the health and stability of the organization.

In the next section of this chapter organizational communication will be presented as a context for crisis management. In the third section the rhetorical nature of organizational crisis management will be considered.

Organizations and Organizing

Organizations are socially constructed entities. That is, they are meaningful orders established and maintained through communication. Social construction is evident in
every aspect of an organization, in the values it upholds, the culture it establishes, its policies and procedures, the rewards it hands out and its view of the external environment. Organizations are created through individual’s interaction with environments, creating processes and relationships whereby they invent, through their choices and meaning making, what is known as an organization. Karl Weick (2000) notes, “I view organizations as collections of people trying to make sense of what is happening around them” (p 5). People within organizations, often times with divergent views, come to tacit agreement on what things mean, proposing, defending and creating salient policies and procedures for their organization. These choices are created and defended by persuasive argument. Hence social construction has at its foundation a series of persuasive actions.

*The rise of rhetorical activity in organizational communication theory*

Part of the development of any society is the process of forming relationships around shared values, goals and meanings (Migdal, 2001). Society is organized through these relationships. Collectives of people gather based upon the concept of kinship as an organization pattern. While maintaining individual identities each is subsumed into larger cooperatives founded upon some need, goal or organizing principle; food, protection, procreation and/or affiliation. The foundation of the organizing pattern defining leadership and follower-ship in ancient times was based upon religious virtue, class and the need for protection. The coalition of religion, politics and military might expressed in the concept of the priest/ king/ general was one of the prevalent organizing patterns (Hastings, 2003). These roles often became an integration of power and intrigue, with leadership passed between generations or changed through violence. A clear example of
this is seen in the accession to power of the Egyptian king Akhenaton. His establishment of monotheism in a society that was historically polytheistic resulted in his being deposed through an alliance of ousted priests and the army (Mertz, 1990). With the advent of democracy in classical Greece, we find in Plato’s *Republic* one of the first significant treatises giving a philosophical/theoretical justification for societal and governmental organizational patterns (Book I). Centuries later, the Magna Carta codified the rights of nobility, legitimizing a power structure through law instead of relying on individual favor and the personal views of the ruler. Later the rise of guilds and the concept of the nation state began to supplant the divine right of kings whose power was based on collusion with the church as it granted religious justification for the exercise of ruling authority.

What is significant in this brief summary of shifting organizational patterns is the role that communication, specifically rhetoric, plays in organization. Aristotle’s view of verbal combat supplanting physical combat found its place in the justification, negotiation and creation of power-sharing structural patterns. Two of the three categories Aristotle recognizes for the use of rhetoric, deliberative and forensic rhetoric, deal with decision making in the application of power. The removal of religion and religious values from the center of an organizational ethos increased the role rhetoric played in organizing and organizations. Religion, an enterprise that is largely rhetorical (Burke, 1970) is contested and eventually supplanted as the foundation and rationalization of societal organization. Other premises took the place of religion, requiring a rhetorical justification. These other premises gave rise to people associating along lines outside of a common genetics, culture, religion, or geography. These rhetorical premises were concepts, not institutions, and participation was, at least in theory, voluntary. Their
conceptual nature elevated the significance of communication/rhetoric in fostering and maintaining organizations and as a key to examining organizational life. Alliances were established based on benefits and acceptance, identification and mutuality spread across time and space. In the industrialized world of global corporations and networking, alliances, membership, belonging, participation, and jobs create associations and identifications that transcend historical ties to land, kith and kin. A primary means of establishing these ties is communication.

I will demonstrate later in a section on the history of rhetoric that the ancient focus of the classics was on the speaker, where the audience was a consideration but not the primary concern. In modern rhetoric the audience plays a central role in engaging the rhetor in a coalition of meaning making (Perelman, Olbrechts-Tyteca, 1969). In a similar vein, social construction makes a connection to cooperative meaning making within organizations. This is critical because many modern organizations have moved from organizational patterns where power and control were concentrated in the hands of a few leaders to organizations operating as a coalition of diffused authority and shared power. Persuasive presentations and shared meaning are essential in modern organizations where workers and management are seen as partners in the organization (O’Hair, Freidrich, Dixon, 2005). The two complementary and mutually supporting developments; the rhetorical coalition of audience and speaker and the negotiated, constructed shared meaning of organizations have a major impact on the modus operandi and expectations for airline CEOs operating in the 21st century. It is by establishing a shared interpretation of what events mean that a CEO persuades the shareholders to trust in the future viability of the organization. At present I turn to the two theorists, Karl Weick and Anthony
Giddens, whose work will provide a framework for understanding the presentations of CEOs to shareholders that is the focus of this study.

*Karl Weick and Anthony Giddens*

Weick first published the *Social Psychology of Organizing* in 1969, developing concepts of how an organization creates and interacts with its environment in a recursive loop, a circular system of enactment, selection and retention. Weick posits that the environment often presents as an equivocality, a situation open to uncertainty and multiple interpretations, that must be addressed. Making sense of the equivocality requires enactment of the environment. Enactment is a choice of what is salient.

“…people are very much a part of their own environments. They act, and in doing so create the materials that become the constraints and opportunities they face” (Weick, 1995 p. 31). The choice of what to enact in an environment is related to past results retained in the organizational memory; they are outputs of organizing that were previously successful sense making responses to an equivocality. Once successfully resolved the response is now stored as cause maps. “These maps …allow the person to interpret what goes on in a situation and they allow the person to express herself in that same situation and to be understood by others” (Weick, 1979, p. 132). Cause maps are rhetorical devices used to affirm for the speaker and convince the hearer of the sensible reduction of a past equivocality and create a relationship to a current environment and perceived need. In an Aristotelian sense, cause maps are a means of persuasion by which a rhetor links perceived patterns of cause and effect relationships to current conditions and invites the hearer to make the same connections. In a broader sense, cause maps are a reflection of a belief system, a worldview. “Your beliefs are cause maps that you impose
on the world, after which you 'see' what you have already imposed" (Weick, 1979 p. 135).

These world views create what Burke labels a “circumference of action” in which we use symbols for purposive discourse (Burke, 1945, p. 76). These circumferences are defined by our own choices of salience that are communicated in repeated figurative phrases called tropes. In a section entitled “Four Master Tropes” Burke states “I refer to metaphor, metonomy, synecdoche, and irony. And my primary concern with them here will be not with their purely figurative usage, but with their role of discovery and description of ‘the truth’ ” (p. 503). Cause maps, as defined by Weick, are tropes, a shorthand of shared meaning and experience that connects people, actions, choices, culture, organizing principles, the past, present, and imagined future together.

The structuration meta-theory of Anthony Giddens complements Weick’s views. Developed as a reaction to structuralism, his concern in *The Constitution of Society* is with how the structures and enactment of those structures in organizations by individuals constitute, reconstitute and transform the organization in the continuous flow of activity over time termed the “durée” (1979, p. 3). Like Weick, he sees organizations functioning and operating within enacted environments as “part of a fluid process of social production and reproduction” (Durham, 2005 p. 31). Giddens (1979) sees the recursive reenactment of rules and behaviors through time as critical to the processes of organizing, power wielding and structure creation. “An ontology of time space as constitutive of social practices is basic to the conception of structuration, which begins from temporality and thus, in one sense, history” (p. 3). Individuals, operating within a set of rules, constraints and structures co-create the organization. Social construction based on
relational interactions establishes the ground for movement of the organization into the future. He states, “One of the main propositions of structuration theory is that the rules and resources drawn upon in the production and reproduction of social action are at the same time the means of system reproduction” (p. 19).

Instead of operating within a fixed organizational structure with rules, practices and procedures as givens, Giddens theorizes that we may participate in, affirm and/or undermine the structure and rules of the organization. These choices create intended and unintended consequences for the individual. Intended consequences are created in so far as one participates within the structure, follows the company pattern and reaffirms the structure and rules. Unintended consequences in that this repetitive affirmation through participation can lead to institutionalization where practices are “sedimented in time-space” (Giddens, 1979 p. 22). Individuals within the organization are subject to a powerful force pulling them toward conformity created by this institutionalization. These forces become embedded in practices and worldviews and at times, particularly in a crisis, become both the guiding beacon and the driving wind to bring the ship safely back to port. The concept that organizational rules and structures are created across time and space and embodied in organizational hierarchies (McPhee, 2004) is useful in this study. Giddens conceives of the notion of durée, which is the continuous flow of activity across time and space. This cautions against the invocation of a singular rhetorical moment and invites consideration of rhetorical moments flowing across time from multiple sources with various adjustments to the intended and unintended consequences. This multiplicity of sources and situations create a rhetorical ecology (Edbauer, 2005) (Warner, 2002).
The events of 9/11 challenged the efficacy of societal structures, creating discontinuities and equivocalities that were previously unknown within aviation (National Commission on Terrorist Attacks, 2004). The structures and rules of the airline industry and government sponsored security suffered a severe blow. There was a “break” in the application of previously learned behaviors and rules. How would leaders respond to the exigency of the situation? Which cause maps would they invoke as sense making paradigms? How would the rhetorical moment of that Tuesday in September 2001 impact the configuration of identity, control and threat management in the time that followed?

**Organizing Section Summary**

Before I detail rhetorical development and some of its implications within modern organizations it is useful to consider how the concepts introduced in this section interrelate. What constitutes a crisis for one person or one part of the organization may not be a crisis for another. In Weick’s terminology, the circumstances of the environment must be enacted in order to create, recognize, validate and focus organizational energy/resources on the event that is now proclaimed a crisis. Watzlawick, et al. (1974) note that crises are relationally defined (p. 90). That is, a crisis for an organization is created through a relationship between what is seen, how that seeing is perceived, the persuasive activities that occur to convince others of the “reality” of the problem and the selection of “learned” behaviors for addressing that crisis. In this study airlines enact their role as victims of the attacks as well as utilize the crisis of the 9/11 attacks to deflect public focus on many normal business activities that are problematic.

The organization, contextually, historically and structurally rooted, seeks out previously successful solutions retained within organizational memory to identify [enact]
a potential crisis and possible solutions. Enactment is a process of scanning the environment with a list of organizational capabilities and retained lessons from the past available as identifiers and interpretive tools. The structure of the organization privileges some frames over others, hears some voices over others. People and organizations solve problems for which they have solutions (Watzlawick, et al. 1974). Only when the problem is actionable is it sense-able for the organization. It is this type of sensemaking that allows organizations to move forward without continually reinventing themselves. The insights of Karl Weick and Anthony Giddens provide a basis of understanding from which the responses of airline CEO’s amidst the crisis created by the actions of 9/11 can be investigated. In light of the needs of crisis management and the influence of communication within organizations the rhetorical responses of CEOs to the crisis situation of 9/11 will be considered.

Rhetoric in organizational settings

*Rhetorical theory, symbolic combat and rhetorical moments*

An ongoing problem of human existence is how to settle differences without destroying, through violence or alienation, the community one seeks. Aristotle, the father of neo-classical modern rhetoric, envisioned the use of language as a means of verbal defense and combat (Rhetoric, Book 1: 1), utilizing forms to discover truth, create agreements and influence people to work in concerted ways, thereby multiplying individual efforts and effectiveness. In a classic definition, Aristotle opined in *Rhetoric* that “rhetoric is the identification of all available means of persuasion in any given situation (Book 1: 2). In this definition he established that rhetoric is situational, always derived from a specific situation and applicable to that particular set of circumstances.
Michael Leff (2000, p. 243), concurs, “...the rhetorical hypothesis ... must deal with the specific persons and actions that enter into consideration of a social or political situation, and so rhetorical argument must apply principles to actual cases”.

Thus the application to specific circumstances, to actual cases, is a foundation of rhetorical analysis. These rhetorical actions or words are choices selected within an array of available choices. These choices reflect the intent and motivation of the rhetor. These choices also reflect the constraints and possibilities available to the rhetor created by the context of the situation, or at least the circumstances that the rhetor sees. Hence a situation is rhetorically enacted within surroundings, which is its context. The context creates the circumstances in which the original action or words that are of interest are made intelligible and meaningful. To understand the available means of persuasion and the intent of the rhetor the context must be understood. Only then can the choices that the rhetor made be evaluated. The rhetor enacts the context with a discursive response, that is, the rhetor chooses what is salient by responding to specific aspects of the contextual situation with the goal of achieving a desired outcome. It is this context, the reading of the context and the salience-enacting choices of the rhetor that is known as a rhetorical moment. (Black, 1970).

Rhetorical history, time and rhetorical enactments

Rhetorical moments are both recognized and enacted by the rhetor. In the interplay between events, interpretation, goal[s] of the rhetor and the perceived needs of the audience, rhetoric, that is persuasive speech, is formulated. In a seminal work, David Zarefsky (1998) elucidated “Four Senses of Rhetorical History”.
1. “… the history of rhetoric – the development, from classical times to the present, of principles of effective discourse” (p. 26)

2. “The rhetoric of history…. ‘is concerned with the tropes, arguments and other devices of language used to write history and to persuade audiences…. because rhetoric is central to it [history]” (p. 28).

3. “The third sense of rhetorical history, then, is the historical study of rhetorical events” (p. 29).

4. “… the study of historical events from a rhetorical perspective is the most elusive but possibly the most rewarding. … What distinguishes the rhetorical historian is not subject matter but perspective. … the rhetorical historian [operates] from the perspective of how messages are created and used by people to influence and relate to one another” (p. 30).

The study of responses of the CEOs and their organizations to the crisis events of 9/11 for the airline industry in general and each airline in particular from 2001 to 2004 fall clearly into category four of Zarefsky’s configuration. Some of their responses are clearly rhetorical events as presented in the third sense. Also of note is that these lines of division are blurry as the rhetorical elides into the historical and back again. Historical events begat rhetorical events that in themselves become historical events due to their significance and communication competencies in a tightly coupled and sometimes inseparable loop of activity and language. The pronouncements of CEOs in response to organizational and/or environmental events are rhetorical presentations that can gain significance as historical events.
All of these senses are infused with time considerations. Two conceptions of time, experienced time (Charmaz, 2003) and interpreted time (Harvey, Kamoche 2004) are useful in understanding how rhetoric and time interrelate. Experienced time is the linear time of events unfolding. It is a schedule format, where the sequencing of events in proper order is vital. Interpreted time is the time of storytellers and mythology. It is the act of seeing within the chronological order connections and relationships and constructing meanings from separated events. While one action may not directly follow another in time, it may follow in significance or relationship. Connections are made by leaping across time for the purpose of grouping that uses persuasion to show their relationship. This is rhetorical time. Both linear and rhetorical time considerations are distributed throughout Zarefsky’s historical considerations of rhetoric. The rhetorical usage of time is a significant part of the meaning making. The unfolding and configuration of “time” and the larger sense of configuring events into the fullness of “Time” for rhetorical purposes, reveals significant aspects of the rhetor’s goals and orientation.

_Audience, rhetorical ecology and meaning_

One of the hallmarks of rhetoric has been to take into account the audience and tailor the oration to them. (Aristotle, Rhetoric Book I. 1356; German, Gronbeck, Ehninger, Monroe, 2004). In the latter half of the twentieth century the concept of the speaker choosing to address a single audience became problematic. Words spoken to a specific audience about a specific context can be electronically rebroadcast to audiences beyond the scope of the rhetor’s original configuration. Through these secondary presentations and further rhetorical manipulation of an original presentation, a text can
now be utilized in ways that were not part of the intended rhetorical response to a
singular rhetorical moment. This configuration of an audience beyond the vision of the
rhetor significantly expands the concept of rhetorical moment. In this section these
alterations are considered in light of the multiple audiences, multiple identities and crisis
management goals that a CEO must address in the airline industry in the early years of
the twenty-first century.

The study of rhetoric seeks to consider what language does, how it functions in a
particular situation (Bitzer, 1969). Rhetoric functions as a means of persuasion. Symbolic
presentations can move an audience toward a particular action, position, or worldview.
Burke defines rhetoric as a “symbolic means of inducing cooperation in beings that by
nature respond to symbols” (1945, p. 43) and argues that "the most characteristic concern
of rhetoric [is] the manipulation of men's beliefs for political ends....the basic function of
rhetoric [is] the use of words by human agents to form attitudes or to induce actions in
other human agents” (p. 41). Rhetoric seeks to create the circumstance where the
intended audience will be moved, in some way, from where they are at the start, toward
the rhetor’s goal of action, acceptance or identification. Hence the intended audience, as
identified in the analysis of the rhetorical artifact, is significant in understanding the
rhetor’s selection of available persuasive means, or purposive choices within the social
environment, linguistic choices, time sequencing and overall rhetorical presentation.

One of the core assumptions of rhetoric is that when preparing a text, the rhetor
envisions an audience for the presentation and adapts the presentation based upon an
analysis of that audience. The text reflects the rhetor’s interpretation and expectations of
that perceived audience. Analysis of a text will uncover the rhetor’s understanding of the
audience. Rhetorical analysis requires an evaluation of the rhetor’s conception of the audience and a determination if the perceived audience and the audience that is influenced by the text are congruent. In ancient Rome, the first part of Cicero’s oral presentation Against Verres, delivered before a judicial tribunal was intended to convict governor Verres of his crimes. When the conviction occurred after only the first of five planned presentations, Cicero had the other four intended court orations published (Cicero, 1971). The purpose of the original rhetorical act, to persuade the tribunal of Verres guilt or innocence, was transformed into a demonstration of Cicero’s oratorical and rhetorical skills. Likewise, a President of the United States delivering a policy speech at a college graduation does not have those graduates and their families sitting in front of him as the intended or focus audience. The intended audience, the perceived audience and the audience of influence are muddied even more with the advent of multiple technological means of transmission and reproduction.

Much was made of the presentations by Osama bin Laden and President Bush upon the start of the war in Afghanistan on October 7, 2001. Cheshire (2001) noted that the use of electronic transmission allowed the images and words of President Bush to be juxtaposed with those of the leader of Al Qaeda. Bush, sitting in the Oval Office with the symbols of the nation state displayed about him, as the ideological representative of democracy and capitalism, declared war. As the President fades into the ether, images of Osama bin Laden appeared, wearing a U S Army camouflage jacket, delivering an oration before the rocky background of a cave, a gun in the corner, displaying symbols of his claimed ideological, religious authority; representing his amorphous coalition. In this juxtaposition, the news media presented the “texts,” Cheshire argued, as competing
rhetorical acts presenting two worldviews in a “form of etheric jujitsu”. This was rhetorical war accompanying the actual military engagement. Cheshire notes, “Sept. 11 was just the beginning of it .... the terrorists' televiusal coup of Oct. 7 was as significant as the earlier one.” Their individual presentations were not chronologically sequential, and were not written as a call-response, presentation-rebuttal of a debate. This further layers the rhetorical acts, intended by the rhetors as a response to a specific rhetorical moment. The rhetor’s efforts are re-packaged, in a rhetorical fashion, by the media’s presentation through their own interpretive lens that displays the rhetor’s original “intention” in a new light.

Consumed by viewers and hearers, the dislocation of space and compression of time mels these presentations into a 21st century version of the 19th century Lincoln-Douglas debates over the political, cultural clash of worldviews and issues surrounding slavery. Those debates of the mid 1800s were carried out in many different venues, for audiences bounded by experienced time and their spatial geography with significant alterations by the rhetors at each particular locale. The Bush - bin Laden “debates” were enactments, creations by a confluence of the rhetors and the media through replays of singular presentations, rhetorically configured and shown by the media for its audiences, to appear in a forensic format as a “debate”. Moreover Cheshire posits that bin Laden’s ability to upstage and supplant the President’s announcement with his own presentation is the issue. “... the content of bin Laden’s video missives is basically irrelevant. What’s at issue is their mere presence, which seems to give him control over reality itself exceeding that of generals, experts and heads of state” (2001)
While the function of rhetoric remains the same, the audiences, both intended and actual, the intent toward those audiences, and the influence of the rhetorical text over time and space can no longer be contained in the concept of rhetorical moment. The moments of persuasion, while still temporally bound in their genesis, can be extended by the technological carrying of the linguistic and symbolic presentation across space and time in ways that the author/speaker never imagined or intended. Zarefsky’s categories can be seen, at times, to meld together surrounding singular rhetorical moments that are reconstituted, invigorated and supplied with new meanings in transmogrified social contexts. Multiple audiences and multiple interpreters of rhetorical acts create a flow of communication that is itself subject to the rhetorical shaping of the transmitters and consumers. This makes the concept of singular presentations problematic. Rhetorical texts are presented to a rhetorical moment, but sometimes develop a life of their own, dissociated from the moment. The present media-laden situation calls forth the concept of an ecology of rhetoric (Warner, 2002; Edbauer, 2005). An ecology of rhetoric promotes the understanding that rhetoric is not a single act but in certain situations is a series of presentations over time. They can only be fully understood when multiple presentations are considered en masse. I have noted how organizational communication within the complex communicative environment of Annual General Meetings of Shareholder creates an understanding of an ecology of rhetorical situations, an ongoing series of events that create the context for the response of the CEO dealing with the past and anticipating a future. One parallel to these required yearly presentations can be found in presidential State of The Union addresses.
The Annual Message and Annual General Meetings

Organizational communication literature does not have a lot to say about CEO presentations to shareholders. When these presentations are considered from a rhetorical perspective there is even less scholarly consideration (Yuthas, Rodgers, Dillard, 2002). There is, however, a significant amount of literature analyzing the rhetoric of elected officials delivering annual messages. The Constitution of the United States provides for an annual statement about the country to be made to Congress by the President in what was known for the first century and a half of the United States as the Annual Message. Given by the President verbally before Congress or sent as a printed document, what we know as the State of the Union address is similar by analogy to the CEO presentations to shareholders at the SEC mandated Shareholders meetings. Some parallels that will be fruitful for this study will be drawn between the two presentations.

The Annual Message/ State of the Union address takes its form and function from the Constitution, Article 2 section 3. Campbell, Jamieson, (1990) note

“In charging presidents with reporting on the State of the Union, the Constitution gives them, in the role of national historian, the opportunity to reconstruct the past in order to forge the future. Using history skillfully, they can involve the Congress and people in an affirmation that is not only the way it was, but also the way it will be. More eloquent presidents have seized the opportunity to reshape reality and to imprint that conception on the nation” (p. 52)

Four aspects of Campbell’s and Jamieson’s understanding of the annual message are significant for this study. Serving as historian the President can first reconstruct the
past. This reconstruction is a persuasive act achieved by the reordering of time and making connections to disparate events. Telling listeners what things meant in the past provides groundwork to explain what things mean now. It uses the past to establish a common vocabulary and interpretation schema for the present. The usage of time to persuade the readers and hearers of the meaning of past events is a fundamental action of these annual messages.

Secondly, these addresses are not just for identifying issues and putting forward a recommended course of action, they are grounded in common values. “…facts do not speak for themselves; assessments must be grounded in values. As a consequence, State of the Union addresses not only assess and recommended; they also articulate the values underlying assessments” (Campbell, Jamieson, p. 53). Presidents make meaning of the past by connecting to the long held values that they affirm have carried the nation through. The identification of values is always rooted in the past. Once illuminated from the activities of the past these particular values are available to shape the future. It is, as the John Quincy Adams character of the movie “Amsitad” intones “…. who we are, is who we were.” (1994).

Thirdly, “skillful” Presidents reshape reality and imprint that reality on the hearts and minds of the people. Once the vocabulary of the past has been created it is utilized to explain what is happening in the present. Current circumstances are made “real” by naming them and explaining them. Once established this reality becomes the means to construct a bridge to the future. These past-present relationships provide rationale for why it makes sense to take a proposed course of action to arrive at the desired future.
Fourthly, the values underlying assessments are not the only foundational work summoned from the past. These annual messages serve to identify and [re]enact an identity. “In the course of mediating, assessing and recommending, Presidents also create and celebrate a national identity, tie together past, present and future, and sustain the institution of the presidency” (Campbell, Jamieson, p. 54). Note that the identity enacted is threefold. It is the national identity of the country, the identity of the institution of the President encased in the leadership role and the identity of the individual holding that office that are created and celebrated. Identity, like values, is an alignment of the past and present projected into the future. Campbell and Jamieson further state “….. the annual message has been, from the outset, one symbolic moment in which the head of state has woven the cloth of common national history, character and identity” (p. 54).

The President, in the State of the Union address, weaves the cloth of a common history that threads the activities and values of the past with the goals of the future. This is done while simultaneously affirming the office and person and invoking a common heritage and identity. The President enacts a past in order to create a future. The CEO, much like the President, symbolically represents, in their person as well as their presentation, the common values and identity of the corporation. Malleable time utilized to establish meaning and make connections is a tool of the national and organizational historian

Annual Messages of the President of the United States show useful parallels in another connection to the CEO presentations at shareholders meetings. Many of both types of required presentations are done in the normal course of leadership and national/organizational activity. As such, they follow formulas and accepted historical
practices (Tullis, 1987). At other times the exigencies of a crisis create a unique rhetorical situation. One common theme is a positive approach.

“Confronted with the problems of inflation, unemployment, war, ..... the state of the Union message boldly assures its citizenry that, in the future as in the past, Americans will solve their problems. ..... No President, no matter how pessimistic or how severe the crisis, has ever reported that the State of The Union was such that its problems could not be surmounted.” (Campbell, Jamieson, P. 55).

In crisis situations presidential Annual Messages are forward looking, with plans of actions and a positive approach. In short, they exhibit what is rhetorically identical; some form of control, or at least the perception of control. The exercise or perception of control is a fundamental crisis response required of leaders. In a crisis presidential messages are proposals of actions that provide a sense of control, a vision of the future with the problem addressed and at least a restoration to normal activity.

A crisis raises the stakes of the task Presidents engage in when addressing the public. Those characteristics highlighted above take on greater meaning. This includes greater pressure on leadership qualities in a crisis situation. A crisis often brings the expectation and practice of charismatic leadership, Bligh, Koles and Meindl conducted a rhetorical study of President George Bush’s major speeches after 9/11 including the State of The Union addresses in September 2001 and January 2002. They define charismatic leadership as “A leader’s exceptional powers or qualities that are linked to … increased effort, satisfaction, and performance on the part of followers…” (p. 214). They note that in a crisis, presidential rhetoric “raises the salience of certain values and collective identities….. and articulates the goals and required efforts in terms of those values and
identities.” Since these values and identities are rooted in the past, presidential rhetorical responses to a crisis are grounded there as well.

Using Shamir, Zakay, Breinin, and Popper’s (1998, p. 388) seven properties of the content of charismatic speeches in response to a crisis, Bligh, et al, analyze Bush’s speeches and the media’s response to determine their charismatic leadership practice and perception. They found an increase of references to collective history, collective identity, values and moral justifications. In addition they identified increased references “to distal goals and a distant future, and fewer references to proximal goals and the near future” (Bligh, Koles and Meindl, 2004, p. 215). Presidential crisis rhetoric utilizes an elastic concept of time, expanding or contracting time in order to achieve the persuasive goals of the presentation.

These parallels in the role of historian and in crisis responses provide an analogous ground work to the nine presentations by CEOs that are the focus of this study. The usage of time as a persuasive tool, reconstruction of the past, historical conceptions of identity, hearkening to fundamental values, and time bending to create bridges from the current crisis to the desired future are all found within shareholder speeches at annual meetings. The legal requirement and the repetition of the speeches at specified times are also analogous. But political activity is not business. There are two significant differences in the situation that CEOs find themselves in.

Without delving into the differences between commerce and representative democracy as practiced in the U.S., two factors that alter the situation for CEOs are job [in] security and the results driven measurements found in profit and loss statements and share value. Presidents are elected for four years and as history shows us, serve out their
terms. Their job rating is defined, in the last sixty plus years, by polling data, popularity and job effectiveness ratings (Bligh, et al. 2004). Even if they are not able to govern effectively they stay in office. CEOs, on the other hand, can be fired at a moment’s notice. In a 2 year study of CEO successions in Fortune 500 companies, Margarethe Wiersama (2003) notes that over 70% were the result of Board of Directors initiated ousters. Many of these were done for the purpose of “restoring investor confidence quickly” Essentially these firings and early retirements had a significant rhetorical dimension. Even if a change is not warranted strategically for the organization it may happen because of the management of investors. Secondly, CEOs are measured quarterly and annually by profit statements, dividends, market shares, and other numerical data that indicates the health of their organization and success of their leadership. Unlike polling results for a president’s popularity, casualty numbers of war, or the size of the national deficit, the numbers for organizations have direct consequences in salary and job security for the CEO. These daily measurements of confidence found in the closing stock value on Wall Street result in a shortened response time and greater direct connection between the numbers and the evaluation of the CEOs ability.

These differences intensify the situation for CEOs, creating a greater immediacy and pressure to their decisions and their presentations. The presentations of Presidents and CEOs have the similar characteristics and goals but the consequence, especially in a crisis, is intensified exponentially for the CEO. What the tasks of corporate leaders may lack in magnitude when compared with national political leaders they make up for in time pressure. Polling data on Presidential popularity may be bad news but the President will finish out their term. For the CEO poor performance reviews by shareholders may lead to
being summarily dismissed. The need for the past to provide markers and anchors for the future is found in both roles. The margin for error for the CEO is smaller, the time to respond is shorter and the personal consequences loom much larger. Time is the central currency by which these leaders fulfill their duties to their political constituency and their company’s stockholders.

Chapter Summary

Crises place unique demands on leaders to develop and deliver an effective response. Organizational crisis situations are by definition a particular circumstance that requires rhetorical responses to a variety of stakeholders over time. The ability to create shared meaning for the stakeholders while exhibiting control of the crisis situation is a primary task of leadership in the midst of crisis. The attacks of 9/11 relieved the airlines of culpability in creating the crisis but still required creation of credible responses to the new circumstances. Since stockholders are future oriented the linkage between the past and the future is an important one for CEOs effectively manage.

Organizations are constituted by communication, socially constructed to create shared meaning and activities, enacting environments and making sense of what has already happened in an enactment, selection, retention process. These retained memories become “cause maps” of what has worked before enabling organizations to enact an environment that makes sense and at the same time reproduces the structures of the past. The interplay between individuals with agency and sedimented structures creates organizations. Repetition within organizations can be persuasive, persuading individuals to reproduce the structures. By the same token, perturbing the patterns, rules and structures can also be persuasive. Over time individuals with agency within organizations
can transform the structures, rules and meanings of the organization. As symbolic representatives of the organization CEOs can use both the repetition and the perturbation of structures, rules, processes and meanings to create a shared vision. This a significant rhetorical function of leadership.

Rhetoric has, from its inception, served an organizing function fulfilling both a forensic and deliberative purpose. As such, time has played a central part in its application. The use of experienced and interpreted time allows the rhetor to establish meaning utilizing time as needed to make connections and draw conclusions surrounding activities and events. The mediated context of modern society compresses and expands time considerations as well as multiplies audiences and electronically reproduced presentations into an ecology of rhetoric. This requires the speaker to address a larger context than a specific rhetorical moment. The attacks of 9/11 created a common ground of understanding and an extended time of dealing with the consequences. Common ground is found in analogous consideration of residential State of the Union addresses. Like President’s, CEOs serve as historians and meaning makers reaching into a past for connections to a desired future.

In chapter two, consideration of a particular form of rhetorical analysis and its application to airline CEO presentations to their stockholders will be undertaken. I will analyze the speeches of CEOs to determine their intents and goals in managing investor confidence. The Research questions presented earlier in Chapter One will be used to focus my analysis. CEO presentations for three airlines over three years will compare how time is used to accomplish these goals.
Chapter 2
Methodology

Introduction

Organizational crisis is an area of growing concern and analysis (Barton, 2001). While rhetorical analysis has been applied to threat situations, it has been considered mostly from a public relations management perspective (Seeger, 2006). With an increasing understanding of the communicative nature of leadership roles in the face of threat, rhetorical theory applied to these situations should prove useful. It is my goal to enrich the understanding of this field by examining a particular type of rhetorical response to a specified audience; the CEO address to shareholders at the Annual Meeting will be considered for three airlines; American, Delta and Frontier, in the first three years of the twenty-first century.

This chapter will explain the rhetorical method utilized, identify salient comparative categories and explicate the methods of inquiry. A form of rhetorical criticism, Close Textual Analysis, will be used. This type of criticism focuses on how the speakers use time as part of their persuasive presentations. In addition, I will explain the choices for which texts to study, the boundaries of rhetorical moment(s), and the three research questions.

Rhetorical Approach

Close Textual Analysis

Close textual analysis [CTA] (Burgchardt, 1995; Hunt, 2003) is a method of rhetorical critique that centers on the internal activity of the discourse. It considers the word usage, definitions, syntax, grammar, ratios, cohesion, structure, techniques and...
tropes contained inside a text. All rhetoric considers the context surrounding the rhetorical act, but Close Textual Analysis focuses less on the exigency than on how the rhetor, given a particular rhetorical moment, constructs the argument, brings influence to bear, presents the dramatic moment, classifies the interactions, describes the situation and identifies for the hearer/reader the salient points of presentation. CTA is an in-depth analysis of the internal linguistics of the presentation. Close Textual Analysis takes into consideration how the rhetor enacts the context. It is about the choices, methods and devices the rhetor uses to create connections and meanings within the work that are put forth to persuade the hearer to agree with the presentation.

Close Textual Analysis engenders a comparative spirit within the work itself. Whereas other approaches bring social, philosophical or structural patterns with them and uncover their usage, perturbations and accretions, CTA uses the presentation as a source to understand itself. The parts help define the whole and the whole helps shed light on the parts. This line of inquiry asks, “within a given context, how does the rhetor attempt to influence the audience? And what intentions and motivations are present in this work? These are then considered in light of the enacted needs, of the rhetorical moment. CTA does not use an outside source to pre determine the scheme of evaluation but finds its direction within the work itself. CTA uses carry on satchels while many other critiques require steamer trunks of predispositions to affect their analysis.

Dramaturgy, C T A and the Analytic Process

This seeking of intents, revealing motives and considering the internal grammar of the rhetor that characterizes CTA has a number of similarities to the literary based rhetorical analysis created by Kenneth Burke. Rhetoric, in its original conception, was an
analytical tool for the study of oral presentations. In the first century BCE, Longinus
developed an application of rhetorical theory that applied to the written word (Herrick,
1997). In the works of Kenneth Burke, we see the efforts of Longinus come full circle as
literary theory is applied to rhetoric (Burke, 1931) in the concept of dramatism. Using a
form of Close Textual Analysis, Burke develops comparative ratios of textual linguistics
in the form of a pentad of perspectives to assist in identifying motives behind the rhetor’s
choices.

Like CTA, dramatism illuminates the internal workings of the presentation as its
main focus (Leff, 1986). Burke attempts to provide tools with the understanding that
wielding the tools are secondary to the rhetorical text itself. The tools he develops are not
applied in a formulaic manner (Payne, 1990) but work by comparing aspects of the text to
itself to discover the rhetor’s plans. The tools, called the pentad, are: agent, agency, act,
purpose and scene. These are used by choosing two parts of the Pentad, comparing the
number of words that relate to the pentadic concepts and noting the emphasis of the
words within the chosen categories. These categories are compared through ratios of
word usage that point us in the direction of the rhetor’s aims, motives and goals. For
example, consideration of President Bush’s State of The Union address on September 20,
2001 shows that the conflict created by the 9/11 attacks is not seen on a temporal plain
but as an eschatological battle between good and evil. Nineteen times Bush uses words of
totality and completeness (“every” and “all”) to show that the scene is not a political,
cultural conflict, it is the ultimate battle, for our very souls (Carson, 2006). The response
he posits then fits his rhetorically enacted scene.
By attention to the form and interrelations within the texts and the linguistic clusters the analyst allows the text to “discover” the relevant tools applicable to it. The analyst’s insights emerge as the tools are applied in an exhaustive dissection of the text. For example, if a defense lawyer spends most of the time speaking of the poverty of a defendant’s upbringing he is emphasizing the material components of the situation. The scene can be viewed as the determining factor of explanation for the actions of the defendant. The implication is that the responses are preordained by the environment. However, if the lawyer, in the midst of these material, scenic descriptors, speaks of the awards the defendant earned in his Boy Scout Troop the analyst may decide that the interruption of the description of the scene by this recounting of agency, the rhetor is attempting to highlight and emphasize the agency by the effect of incongruity.

CTA and dramatism are used in concert, not to discover one hidden meaning, one philosophical frame or structure, but to consider a multitude of meanings. These possibilities are part of the work of the rhetorical act but also part of the work of the “seeing” and bias of the analyst. Just as the rhetor enacts an environment, selects meanings and responses, and chooses that which will be retained, so does the analyst.

“Critics must move from what is given in the text to something that they themselves produce – an account of the rhetorical dynamics implicit within it. At minimum, this act of interpretation requires a means to justify the identification of significant features in the text to explain the interactions among these features. This process … requires an exercise of judgment at some level of abstraction” (Leff, 1986, p. 378).
It is the reflexivity contained within the analytical enterprise inherent in CTA, constantly comparing to itself and the results of one part to the grammar, syntax, tropes, and worldviews, of another part, that allows overarch and specific themes, motivations and goals, to be “discovered,” “found” and “created” within the presentation through analysis. Before moving on to Michael Leff’s adaptation of CTA from a Burkean perspective it is of note that analysis will sometimes reveal effects that were not intended by the rhetor. Hence, the CEO of Exxon attempts to diminish the hyperbolic, cataclysmic reactions by placing the Valdez oil tanker spill in perspective by noting that it is only the 27th largest spill in industry history. This is interpreted as big business callousness and a devaluing of the “pristine wilderness” (Ogrizek, et al., 1999, p. 75). The rhetor cannot control the meaning given by others to the words once uttered, for whatever political, social or cultural reason that may be assigned to it. Language is an effective weapon or tool but often yields, by the very nature of its lack of singular ownership or control, unexpected results. As previously noted, this is further complicated by the textual manipulation that routinely occurs in a mediated society.

*Experienced and Interpreted time*

In close textual analysis, “the critic must attend to the elements contained within the text itself…. this act of interpretation requires a means to justify the identification of significant features in the text and explain the interactions among these features” (Leff, 1995). It is an attempt to see the focus of the rhetor as seen through a detailed consideration of the internal constructions and the interplay of the text to itself and its subject matter. The text itself is informed from the contextual parameters. Once observed, these internal patterns, “could not rest content with isolated judgments about the text
itself. The demands of the situation had to be entered into the equation” (Leff, 1995, p. 5).

Michael Leff contends that application of analytical constructs to other types of discourse dilutes theory and practice, for the primary function of the rhetorical analyst is found in the consideration of speech texts (1986). As such, these texts:

1. Are bound to a moment in history, hence radically particular.
2. Are an artistic and literal representation of that public world.
3. Seek to alter public consciousness at that moment.
4. Seek to establish a conceptual space for transformation to occur.

(Leff, 1986, pp. 382 – 386).

Given Leff’s emphasis on which texts are legitimated, Zarefsky reminds us that “History and criticism are not identical but are overlapping circles (1998, p. 28). Of Zarefsky’s four categories of circular overlap, Leff’s close textual analysis would fall under what was earlier noted as sense number four, “the study of historical events from a rhetorical perspective…” (p. 30). Leff compares historical events with the recounting of those events. The distinctions between the two are rhetorical choices that are revelatory of the rhetor’s purpose and motivation.

The concept of time is central to the textual criticisms in two ways: internally and externally. Internally speeches unfold through the chronological progression of words and sentences. Externally, speeches respond to social, political and economic circumstances that develop over time. To be effective, speeches must be well timed. The key to close textual analysis, according to Leff, is to
understand fully the interplay between intrinsic and extrinsic temporal dimensions of the discourse (Burchardt, 1995, p. 513).

Discourse is an historical act embedded in an historical context. The timing of a speech symbolically reveals the historic time and negotiates the interplay between the historical significance of the rhetorical response and the situation. “The central task of textual criticism is to understand how rhetorical action effects this negotiation, how the construction of a symbolic event invites a reconstruction of the events to which it refers.” (Leff, 1986, p. 522). Using close textual analysis centering on the rhetorical situation and rhetor’s replay of the events, Leff seeks not so much as to “appropriate the past” (Gronbeck, 1998, p. 56) as to engage in an analysis that will maintain “the integrity of a discourse unfolding within the drama of local circumstances and straining to encompass and alter the configuration of those circumstances” (Leff, 1987, p. 389).

Close textual analysis, as exemplified by Leff’s approach, is useful for this study. The CEO presentations under consideration here are historical accounts of a crisis that impacts the understanding and possible future viability of the organization. These accounts are bound within historical time of the actual events, what I have called experienced time. The CEO/rhetor reconfigures time, in what I have called interpreted time in order to achieve their persuasive goals. Considering how these historical events are reconfigured, how time is used to make the connections to the pre planning and post crisis responses will contribute significantly to the understanding of the CEO’s purposes. Certainly the “drama of local circumstances” highlighted through Leff’s close textual analysis will be useful. Rhetorical criticism is not concerned primarily with “permenance or beauty, but with the effect of the rhetoric (Zarefsky, 1998, p. 21). Leff’s close textual
analysis is also close *contextual* analysis. It is the interplay between the perceived needs, what is available and what is utilized within the social context, and the inner action and activity itself.

*Michael Leff, sequencing, meaning making and CTA*

Theorist Michael Leff utilizes the perspective of time sequencing and meaning making developed by Burke and combines it into a format for Close Textual Analysis that looks at the logic of time sequencing in choices of the rhetor to reveal motivations and goals. Since both logical connections and temporal connections are choices, consideration of the two together can provide important clues to the goals of the rhetor; what they desire to expose and what they hope to obscure. The key is found in the sequencing and relation of events as they happened compared with the sequencing of these same events found in the descriptions and interpretations of the rhetorically enacted events in the rhetor’s speech or persuasive act.

A CEO presentation to shareholders is about retelling what happened, creating a sense of what it means, and stating the plan for the future. Since crisis management requires at least an appearance of control, a chronological sequencing that exhibits a sense of control is a common rhetorical choice. Crisis events take place in time. We can chart them based on a chronological hour by hour sequencing. We can sometimes surmise what occurred and for how long it occurred. Of interest is how the rhetor uses time to make sense of these events that interests us here.

The rhetorical act condenses, expands, frames, enacts, creates connections and gives meaning to events. The physical description of events themselves is never a clear cut “given” but open to interpretation and perspective. The very nature of using symbols
to describe and create events is a rhetorical act, the primary focus of the rhetor is to make meaning and interpret events. While the “facts” are often disputed, there is generally sufficient acceptance of events to create a common ground of understanding of what is being talked about and in what order it occurred. While understanding does not always equal agreement, this temporal guide structures the rhetorical moment.

Leff argues that the usage of time ratios are insightful for rhetorical analysis. This is achieved in two ways. The first is the rhetor’s linguistic choices that cluster together emphasizing certain characteristics of the events and responses. The second is a study of the time ratios that the rhetor uses to describe the actual event and its “logical” connections outlined in the rhetorical text. Close textual analysis then becomes the vehicle by which these time configurations and their “logic” connections are made. Leff provides a tool whereby we can consider the internal workings of the speech; its relationships, revelations and obfuscations, as they relate to what happened and how it is described as happening within the structure, tone, attitude, and linguistics of the speech. It is the temporal dis-location of the event and the speech that is used to see the interpretive goals of the rhetor. If the build up to an event takes place in a short time frame and the event itself is lengthy, it is of note when the rhetor spends two-thirds of the speech speaking about the genesis of the event and little time on the event itself. Perhaps the rhetor is seeking to show the inevitability of the event based on the causative factors of its genesis as opposed to highlighting the options of response to the event or the skills of the participants. These comparisons of time, in telling the story and creating meaning, are consequential choices that are used to persuade and influence the hearers toward desired conclusions and results.
Leff, while not always applying the specific structure of the Burkean pentad of scene, act, agency, agent and purpose, uses these concepts and their derivatives to highlight rhetorical choices and the motivations that inhere to them. In the example on inevitability in the last paragraph the choice to highlight the build up may be that the scene has dominated and the agency of the respondent was limited by it. This “the die is cast” perspective is seen in the time spent by the rhetor in building the case. Once the uncontrollable nature of events has been reified then the case for the valorous effort to respond in difficult, uncertain times is made. The airline industry, in a post 9/11 world, has a newly limited agency and a greatly altered scene in which to enact its choices and responses.

Likewise, Kenneth Burke’s concept of the importance of linguistic clusters, i.e. comparing the frequency of root word usage to other types of verbiage, is extended by degree by Leff to the temporal plain. Comparisons of words about time, the timing of words, the ratios of words, the re-sequencing of events, time metaphors, the individual descriptions and attributions of the meanings of events are the tools of analysis. Logical connections are noted and their influence considered, however, for Leff, temporal linkages trump logical categorizations – the temporal connection provides the logical relationships. It is in this temporal consideration that the internal workings of the rhetorical piece and the external, “sitz in leben,” the life situation, occurs. The response to the rhetorical moment is found in the re-telling, the re-sequencing that leads to the interpretation of the event.

The point of the analysis is not to know what words are used but the reason the words are used, the purpose of the created structure, how the logical and temporal
connections move those attendant to its message toward the goal(s) of the rhetor. Leff writes, “Consequently, the enterprise begins with a severely empirical orientation; the critic must attend to the elements contained within the text itself. The empirical contents of a text, however are in no way equivalent to the symbolic action that marks a work as a rhetorical discourse” (Leff, 1986, p. 378). It is this codifying of symbolic action through the alteration of original time sequencing that creates utility for the analyst and those seeking to understand a particular rhetorical act. The junction between the external moment and the internal interpretation as found in its temporal component helps point to the rhetor’s choice of a means of persuasion. If the audience accepts the symbol system and symbolic descriptions contained within, then they are readily moved to understanding what the presenter seeks to convey and the conclusions derived.

This is of particular relevance to the focus of this dissertation. The CEO enacts events that are deemed noteworthy. Those events are displayed through a retelling that conveys significance to them through the lens of the past year’s activity. The events are imbued with meanings, goals, and implications for the future. The process is interwoven throughout with temporal sequencing, framing, re-sequencing and conversion of events into symbols of interpretation. Shareholders, analysts, the public and stakeholders of all types are invited to accept this symbol system and join in the meaning making conclusions proffered by the CEO. These conclusions have multiple implications for the company, the problems they face, their continued viability and profitability.

An extension of Leff’s principles

Michael Leff utilizes the perspective of time sequencing and meaning making by comparing what happened and how it is re-created in the presentation. But the
configuration of time as a persuasive technique is not only found in the compression of time that relates events separated by linear time into a cohesive singular action, causation, or result but is also found in how time is “sliced”. Where does the story begin? What is its ontology? As well as how far is it projected into the future? What is its ending? The selection of the space between where a story starts and where it ends has significance as an attempt to create a persuasive linkage. The slice of time in which the event takes place, the created temporal boundaries, have rhetorical significance.

David Payne (1989) considers how time is configured as people apply rhetoric therapeutically to deal with failure. “The selection of some past moment and the construction of a meaningful sequence involving failure that derives from an originating failure is especially important. ….. Furthermore, therapeutic theories all utilize interpretations that point to significant events of the past which preordain the kind and degree of failure that present troubles represent. ….. [psychology & religion] support theories which create sequences of past events, and when used to explain instances of failure they point to which events are most likely to be causal and motivational.” (p. 95)

An individual uses this slice of time to create connections, to select a rhetorically acceptable beginning that explains why the present events have occurred. A continuous line to the present is drawn from some constructed history. The event itself or the conceptual lesson, the meaning derived from the event, is carried forward to the present and through the present into the future. The past event or its lesson is configured as the roots for present action or a possible remedy for past failings.

Time is also configured with a future orientation connecting it to an idealized or hoped for circumstance. Time is projected into a desired future, defining when the
desired action will be realized. The distance of this conceived future from the present is significant. The further away an event is projected from the present the greater the opportunity for an idealization of future circumstances. As time is projected into the distant future the events of the past fade in significance giving way to the ideals and values of the past.

Individuals persuasively constructing a slice of time as a therapeutic response to failure make connections to help themselves alter the understanding of the past or align themselves with the goals of the future. Similarly, when a CEO responds to failure they make connections by slicing time for the purpose of seeking the assent of the shareholders. Dealing with projections of company viability and profitability the rhetorical consideration of time is intensified in the usage by the CEO. The internal activity for the individual in therapeutic usage becomes an external persuasion of others within an audience. The connections made are not within the internal system of the individual based on experience and memory. CEOs construct connections by recalling historically available events and ascribing meaning to them. They must first develop a common vocabulary with their audience by introducing a chosen event. Once that common vocabulary is established meanings of the past, present and future are possible.

The speaker’s use of history is shaped by their rhetorical goal which is grounded in their motivation. What they are trying to do through their presentation shapes what they are searching for in the available history. If they seek to emphasize values, truths and identities, then the rhetor can reach back into the fog of the unspecified past and pluck out a lesson fit for the current exigencies. If the connection is to be made to a specific event then the story begins with an event rooted in a verifiable historical setting.
and activity and meaning is given. If the future is the concern, then the past can be configured at the point at which the current problem started and appropriate changes can be proposed. Fixing the error of our ways can create a desired state. Future changes can also be grounded in a return to the past for which an event that is analogous to the desired state can be conjured. This returning to our roots becomes the model form the past that will restore the future. The events chosen and the connections made, how time is sliced and reconnected is a rhetorical tool used to create connections in the minds of the audience.

For example, I begin my Plan of Study submitted for the Doctoral Program at the University of South Florida’s with, “My sixth grade American History course read about Benjamin Franklin standing before the Continental Congress debating the adoption of the Constitution…. And so began my love affair with rhetoric.” This starting point relates how my interest in rhetoric and the power of words was piqued in a school class by studying the artistry of Franklin’s words. It is then related to working in my dad’s business, my work as Presbyterian minister and my future goals once my degree is completed. The meaning derived is inherently tied into the chosen slice of time. A student in a sixth grade English class to 46 year old doctoral student and beyond is linked as a contiguous relationship with activities highlighted that confirm this thread through the years. As such, I rejected many other possible beginnings in order to make the meaning “obvious”. It may be that the same lesson could be derived from selecting other starting points but the persuasive effect may not be as strong as a class long ago resulting in taking more classes now. By selecting this place to start the argument is made that the
present and future naturally follow these experiences of the past. As Weick notes, “you ‘see’ what you have already imposed” (1979, p 35).

As Payne discusses the framing of events in time in the therapeutic uses of rhetoric he notes, “two basic sorts of historical interpretation are therapeutically useful: (1) those that emphasize permanence or continuity in temporal development, and (2) those that emphasize principles of change” (1989, p. 88). Time is “sliced” to begin at the point that is symbolically enacted as a beginning of the present experience. Breaks in the flow are seen as aberrations to be corrected or needed alterations in the course of events to undo present undesirable circumstances. Meaning is given to the past in order to provide explanation to the present circumstances and future goals. Payne posits that present failures are related to past activities or that from this present situation the future is threatened.

He goes on to note, “First, these constructions of past and future orientations are symbolic. It is by using symbols drawn from conceptions of the past and the future that constructed sequences and interpretations can manipulate understanding of human experience and provide rationale for action. Second. The operations and symbolic manipulations of these meaning contexts are interactive.” (p. 96). This interaction works in both directions. The symbol coheres to its usage and the usage constructs the value of the symbol. The way that it is used gives symbolic meaning and the symbolic meaning is put into “action” by constructing relationships that are persuasive.

This interaction allows the rhetor to transform time. “When we look at the therapeutic use of this topos, we discover that that past and future are not simply two stages of temporal relationship; they are also “places: where a person’s identity can be
rhetorically situated for therapeutic analysis and change. Selves of the past can be perfected in present and future time. Selves of the future can be protected by reforming selves in the present to correct faults of the past. In short, when therapeutic change is proposed, one cannot simply avoid making arguments about identities ‘placed’ in the past, present and the future.” (pp. 91-92). The usage of slices of time is not merely a rhetorical decision to determine appropriate ways to persuade they are an unavoidable necessity.

CEOs are confronted with unavoidable choices of how time is to be expressed as they fulfill the requirements of their role, the form and the legal requirements of their shareholder presentations. As historians conjuring up events, values and identities, and as guides to a desired future by constructing bridges and identifying paths, they use time as a foundation of their persuasive activity. Since shareholder management has a significant component of managing perception then the time component becomes more critical as it defines the organization’s past identity and what it will become in the future. The ambiguity and uncertainty of a crisis and the intensified need for a clear articulation of steadfast values and other anchors of identification increases the rhetorical import of the symbolic reenactment of the past and the linkage of those actions and values to a desired and achievable future.

Crisis, enactment, structuration and rhetorical theory

The full value of this study is found in the synthesis that can occur between rhetorical analysis centered on the configuration of time, Gidden’s structuration theory, and Weick’s theory of enactment and sense making as they are applied to the specific organizational communication of CEO presentations to shareholders at Annual General
meetings. Each has a time and logic component where they intersect, developing a coherence that allows the analyst to apply rhetorical principles to an organizational setting in unique ways. These intersections are most obvious in structuration theory and its concept of repetition and duree as practices over time create affirmations of structure, principles, power, relationships and culture. They are not as readily apparent in Weick’s theory of enactment and sensemaking.

The enactment-selection-retention sequencing of Weick’s theory of sensemaking has a memory function within it. In a cyclical loop that, once started, has no clear beginning or end, enactment of an environment is informed by the retained memory of past activities. Lessons learned give clues on what parts of the environment to enact. In short, the past lessons give you a starting point of where to start looking in the present environment. The scope of that memory provides a list of past activities and lessons from which one can co-opt their significance and meaning in making connections to the present circumstances. Iconic stories or figures, mythical retellings of distilled events stripped of their ambiguity and uncertainty, reaffirmations of tightly held culture, principles and values are available to the CEO to slice out and bring to today’s exigencies.

The past orientation is only part of the story in Weick’s configuration. It is the envisioned future implied in these choices that has the greatest significance. Retained memory is considered not just to link the organization to the past but also to influence the movement of the organization into the future. The enacted environment is not about connecting to a past for its own sake but rather to create a credible bridge to the future. Future needs drive the enactment-selection process. It is, in a sense, a triple enactment.
The past is enacted as retained memory is scoured for events that can provide of vocabulary that creates a common ground. The present is enacted as the environment is chosen based on what salient aspects are germane to perceived organizational needs. The future is enacted by creating a vision, convincing the audience what the future looks like when the organization arrives there. The usage of time, compressed, sliced, reconfigured and pressed together in order to fashion meaning is a foundation of Structuration Theory, the enactment-selection-retention process and Leff’s Close Textual analysis. To utilize these three together is to focus on how CEOs use the past, present and future to manage stockholder perceptions.

Section Summary

Before proceeding to the study parameters, a recap of the methods of Close Textual Analysis is productive. Close Textual Analysis is a process where the analyst engages a text from within the text, identifying commonalities, patterns connections and interactions. Michael Leff focuses on the usage of time as a fundamental consideration of the persuasive activity in a text. The historical sequence of events and their retellings as a rhetorical tool point to the motivations, goals and purposes of the rhetor. Leff’s time based analysis is extended to include how time is sliced and related to the temporal considerations of Structuration theory and Weick’s time infused process of organizational sensemaking. Through an investigation of how an airline CEO configures the past, imbues it with significance, engages the present environment and projects the meanings of both into the future the analyst can identify rhetorical strategies employed. These insights allow investigators to see what enactments the rhetor chooses in responding to
and creating a rhetorical situation and identify salient organizational communication connected to that rhetorical moment.

Study Parameters

Rationale for the study

My experience as the Chaplain of the psych ward on September 11, 2001, attempting to make sense of unfolding events in the midst of uncertainty and ambiguity, was hardly unique. Leadership, even on the small scale called for by my position, required rhetorical presentations that persuaded folks struggling for assurance that the world was not spinning out of control. Likewise, CEO’s of an industry deeply affected by the events of 9/11 were called upon to provide assurance, vision and insight of how to keep their organizations from spinning out of control. Of equal importance is the articulation of the remedies for crisis in order to engender confidence. The project of this work is not to define one answer of how a leader addresses the exigencies of an organizational threat situation. The project is to recognize the multiple inputs, the targeted audience(s), the fluidity of the circumstances and the role of the rhetor in enacting an environment and creating possibilities for solutions through Giden’s durée of time and the ecology of rhetoric.

My goal is to identify the persuasive choices made by the rhetor. Once these choices are identified my goal is to recognize attempts at enacting of an environment. This will assist in determining which assigned meanings, problems and solutions the speakers chose. Since the meaning is contested and the reflexive loops of rhetoric – response – rhetoric [or in Weick’s terms enactment – selection – retention] allow for many possible insights and motivations to be revealed, their choices will assist other
leaders in threat situations to see what is available and how it can be utilized to rhetorically manage a threat situation.

Research Questions

The questions that form the nexus of this study are themselves imbued with rhetorical temporal considerations. A time frame has been identified for this study, the years 2001, 2002 and 2003, connections made based on logical categories of airline status, size and profitability. The questions are as follows:

1. In response to the multiple exigencies created by the 9/11 attacks, what rhetorical time strategies did airline CEO’s use in their annual meeting address to stockholders prior to, immediately following and significantly afterwards?

2. What are the similarities and differences in the time configurations of the chosen rhetorical strategies found within particular airlines and in comparison between the selected airlines over a three year period of time; 2001 – 2003?

3. What factors account for the similarities and differences in the usage of time in the chosen rhetorical strategies both within a particular airline and between the three airlines in the three year study period?

The Address of the Chief Executive Officer to Stockholders

The particular rhetorical situation chosen is the address of the CEO to shareholders at the annual meeting of the corporation. This public address is a “state of the company” type presentation that is always both retrospective and prospective - - and often introspective. The address is intended for those shareholders present, those shareholders who will read and/or hear/view the presentation later, for analysts of the
industry and outside parties of interest both long standing and newly interested due to the recent threat situation.

*The Companies*

While only two airlines were directly involved in the hijackings of September 11, 2001 (United and American) all airlines, the industry and the economy as a whole were severely impacted by the events of that day. The choices of which of the 45 United States-based airlines to consider was based on three factors.

1. **Leadership during the scope of the study.**

   While the original intent was to seek the same CEO for each company throughout the three years of the study this became problematic. The turnover in CEO leadership at this time was significant, in part, I would guess because of the events of 9/11 and in part due to volatility in the marketplace. This is reflected in no small part to the reactions of shareholders to precipitous drops in value and returns on investment. Therefore Airlines with a high profile in the industry during this time period were selected.

2. **Impact of 9/11 events on the corporation or the CEO.**

   Consideration included direct consequences on the organization in the terror actions, subsequent leadership created by the events of 9/1 or long term effects on the operations of the airline organization.

3. **Standing within the commercial passenger airline industry.**

   Considering larger airlines with significant market share focuses on industry development as a whole and not on the unique characteristics of a niche or “new” carrier.

   The three airlines selected were American, Delta and Frontier. They fit the criterion established above in the following manner: Two American Airlines planes were
hijacked on the morning of 9/11. One flew into the North Tower of the World Trade Center, the other flew into the Pentagon. Delta leadership became the primary proponent of government loans/subsidies/bailouts of airlines following the attacks. Frontier Airlines is one of the few Airlines to make a profit in the years following 9/11 while climbing to near major airline status.

*The Time Frame and the Matrix*

The addresses of the CEO’s to stockholders at annual meetings will be considered for the years 2001, 2002 and 2003. The annual meetings consider the events of the previous fiscal year; hence, the 2001 meeting will consider FY 2000; 2002 will consider the fiscal year 2001; and 2003 will consider the events of 2002. This provides insight into the companies

a. Before the events of September 11

b. A view immediately following the terror attacks while the focus is still on the impact of the events

c. The start of a return to “normalcy,” where the immediate events of 9/11 do not occupy center stage.

The three-year rhetorical history, if you will, invites comparisons of rhetoric in each of the individual corporations by the rhetors dealing with particular circumstances within their particular organization. This descriptive rhetorical analysis will reveal enacted exigencies and enacted strategies and capacities of the organization and CEO highlighting how they line up and play out across the movement of time. The in company continuity addresses the first research question.
Addressing the second research question is a comparative analysis between the organizations. There is a contiguity of situation for the airlines in a common economic, social reaction to the attacks. This analysis will seek factors that seem to account for the differences, similarities and rhetorical strategies based upon these various exigencies across the organizations as an enactment of this contiguous environment. This three by three comparison of time and airlines should prove a trove of information concerning rhetoric, communicative enactments, threat and leadership.

*Likely findings and their potential impact on theory and practice.*

Leff’s time oriented Close Textual Analysis will elicit an understanding of the rhetor’s enactment of the environment, the perceived needs of the audience and projected capabilities and capacities of the organization. This study will advance the theory of leadership and its rhetorical dimensions. This advancement of theory will add to a small list of studies of the rhetoric of long term crisis response. It will also advance the concepts and provide insight into how organizations are constructed, maintained and given meaning by their communication. By addressing the many constituencies, the CEO’s focus creates an image of the organization that they symbolically represent, that then lays the framework for alterations and perturbations to that image.

The practice of organizational rhetoric will be advanced in so far that leaders have another means of understanding their role and potential choices for fulfilling their tasks. By recognizing the critical importance of their rhetoric as an enactment of the environment and a creation, instantiation and contestation with the structures and culture of their organization in the *durée* of time, they will recognize parallels between their particular organization and other organizations in similar circumstances. These parallels
reflect the process of structuration for their organizations. Cognizance of their role in what Weick describes as the enactment of the environments and the process of structuration as defined by Gidden’s allows for recognition of greater possibilities of a coherent rhetoric. Even more important is that this study invites leaders to think of their role differently; not as an application of techniques to achieve pre-selected results but to understand, as a whole, their task as rhetorical agents within a persuasive ecology. It invites them to recognize they have a choice to see, frame, give meaning, enact an environment and create a co-orientation in the sea of scrutiny that crises elicit. It also allows them flexibility in the selection of options within the changing needs of a crisis situation. If an understanding of how rhetorical choices can define outcomes, how rhetorically limited enactments pre-determines available options, how linguistic choices constructs protective barriers as well as creates walls, then intentional choices can be made with maneuverability, flexibility, ambiguity, and reflexivity built in.
Chapter 3

Organizational and Social Context of the Presentations

Introduction

Financier Warren Buffet commented,

“If a capitalist had been present at Kittyhawk back in the early 1900s, he should have shot Orville Wright. He would have saved his progeny money. But seriously, the airline business has been extraordinary. It has eaten up capital over the past century like almost no other business because people seem to keep coming back to it and putting fresh money in.

You've got huge fixed costs, you've got strong labor unions and you've got commodity pricing. That is not a great recipe for success. I have an 800 (free call) number now that I call if I get the urge to buy an airline stock. I call at two in the morning and I say: ‘My name is Warren and I'm an aeroholic.’ And then they talk me down. (Buffett, 1991)

Legendary American Airlines CEO Robert Crandall noted,

“Ladies and gentlemen, our industry is in big time trouble! The massive losses of late 1990 and early 1991 have wiped out all the accumulated profits commercial airlines have ever earned. Today, U. S. Carriers, believe it or not, have a retained net
deficit of $1.4 billion. That means from their founding through June of this year, United States airlines have lost $1.4 Billion.”

(Reed, 1993, p. 282)

The events of 9 - 11 took an unprofitable industry into a full blown crisis situation. Following six years of record profits, the economy had slowed down well before the events of 9/11. Its effects were felt throughout the airline industry (Jiang, Hansom, 2004). What was a normal slide in revenues and profits in a fluctuating industry became, with the economic impact of 9/11, a struggle for survival. What happened to revenues and profits was not new. The cyclical pressures placed on an industry that is used to bankruptcies, mergers, and consolidations were uniquely intensified by the precipitous nature of the decline and the length and breadth of the downturn. We have seen in chapter one that this crisis was unusual in that its origins were created by forces outside the industry, where the airlines were not the main target but a form of collateral damage. This provided some latitude in the presentations of CEO’s to shareholders because they were not defending their organization from accusations that their actions or inactions started a crisis, but it did create some unique conundrums; the plans of the past did not fit the “new” circumstances. The time continuum that is the background of all the presentations and the foundation of organizational identity, reconstitution and social construction, has been breached and must be reestablished.

Before addressing the unusual circumstances and the persuasive responses of the CEOs, to shareholders it is helpful to know a brief history of the airline industry and of the individual corporations involved in this study. The focus of this dissertation is how CEO’s construct time and use it to achieve their organizational and personal goals in the
midst of crisis situations. Rooted in previous decisions and organizational culture, CEOs use the past in their stockholder addresses as the foundation of their views of the future. Stockholder presentations simultaneously look to the past year and make statements about the future. These are meaning making activities where the retrospective view serves the main function of acquiring a language for the purpose of establishing confidence in what will be done in the future. In stockholder presentations CEOs refer to the retained past and to organizational and personal integrity to envision the future. More than a historical accounting or linear events CEOs, U. S. Presidents, the scions of families, use time as the cornerstone of the bridge between the past, present and future.

In a crisis, the need for this grounding is intensified because of the inherent uncertainty of the future that defines a crisis. Invoking the past becomes critical to engender confidence that the successful lessons from the past can be reenacted in the future. It is therefore necessary to understand the past to understand how it is used rhetorically in the crisis of 9/11.

In this chapter a brief history of the airline industry in the United States, a synopsis of the three airlines of study and the context of the U S economy as it relates to the airline industry in the latter years of the 20th century is presented. Before that is undertaken, it is helpful to consider the role of Al Qaeda in these events.

The work of the “jihad” of Al Qaeda against the United States and the subsequent “War on Terror” prosecuted by the Administration as a “result” of 9/11 will not be discussed. Ironically, the motivation for the attacks is irrelevant to the effects it had on the airline industry. As was noted in chapter two, the content of the message of bin Laden is negligible in its significance when compared to his ability to conjure a presence over
the airways in the “rhetorical battle” with the President. Likewise, while the psychological significance and upset of the status quo is remarkable, the symbolic impact of the use of airliners as weapons and its effect on the economy are the significant factors for this study. It is what the airlines represent to a modern society, their practical and symbolic function in a global economy that is of note.

Profitability, symbolism and the airline industry

Air craft and air travel are seen as a symbolic representation of great scientific, technological achievement. Affordable air travel is a sign of wealth and power. Once measured by their navies, air power has become the marker of military strength and national pride for nations. Chairman of the government owned Air France noted, “It is obvious we are fighting for the Air France Group. . . . But in actual fact, we are also fighting for France. (Christian Blanc, 1996). The buildings targeted on 9/11 were chosen because of their symbolic meaning (9/11 commission). The means of attack; fuel laden transcontinental jumbo jets, are classic examples of an inferior force using the strengths of a superior enemy against them. The Al Qaeda network had made clear they wanted to “bring these towers down” (Lessons of First…., 2003) because the Twin Towers were the symbol of American capitalism. They defined the skyline of the economic center of the world and significantly served Wall Street through the brokerage firms ensconced in its two towers. The 1993 Al Qaeda fertilizer bomb exploded in the garage below the Towers was the first attempt to destroy these symbols of capitalism and power. Likewise, the airplanes and the airline industry were a symbolic and practical tool designed to inflict not only a military impact but create fear by turning these iconic symbols of American capitalism into missiles of war (National Commission on Terrorist Attacks, 2004). The
symbolic and practical role of airlines in the American economy and the American psyche developed in the last 70 years as the industry grew from the womb of government oversight, funded by government contracts, to a free market industry. It is to this nascence, regulation and subsequent market driven freedom that I now turn.

The airline industry, government participation and regulation

In one form or another, the government has always been involved in the U. S. airline industry. This started in the early days through granting licenses for carrying mail, creating the Civil Aeronautics Board in 1936 [CAB] and further regulation by establishing the FAA (1938) in response to a series of mid-air collisions. The United States Government regulated and controlled various aspects of air travel by licensing airlines, limiting routes, controlling the number of competitors and influencing profitability. Governments around the world, on many levels, subsidize or even own national airlines (Kahn, 2002). In the U. S., the government has not owned airlines but has treated them as a public commodity; guaranteeing profitability and setting prices. With a spate of hijackings in the late 60’s and 70’s federal Marshals were placed on planes to insure safety. (Cohen, 2002 ). Until 1978, air travel, the use of air space, what cities have air service, and the configuration of routes were part of this government - industry coalition and a source of national pride as well as an engine for economic growth. CAB regulated airline travel for safety and guaranteed a reasonable rate of return through setting fares and limiting competition (Barnum, J. 1998).

In 1978, after much debate, Congress passed Public Law 95-504, the Airline Deregulation Act. Over the next four years, the following actions were phased in:
1. Competitive pricing was encouraged among existing airlines without government regulation.

2. Standards for the establishment of new airlines were liberalized.

3. CAB received authority to grant antitrust immunity.

4. Most mail-carrying subsidies were ended immediately.

5. By 1988 all government subsidies for providing “essential air service” would be eliminated.

6. Gradually phasing out CAB by transferring remaining regulatory duties to the Department of Transportation. (PL 95-504).

   The results of no longer treating airlines as a regulated public utility were like going to a NASCAR race to watch the crashes; someone would win but there is great “interest” in the spectacular crashes and the drama of who would survive.

   “Only six of the 21 US airlines that were publicly traded at the time of deregulation in 1978 survived through 1992. Eleven of the 21 airlines were taken over and six filed for bankruptcy …… deregulation injected considerable instability into the airline industry and resulted in a Darwinian experiment in which assets were reallocated to firms that adapted to the shock of deregulation most effectively” (Lehn, 2002). For many, these birth pangs of moving to a modified market economy, the competition and “survival of the fittest” marketplace has increased service options and lowered inflation adjusted prices between 30 – 40 % (GAO 1996; Robson 1998; Kahn 2002). The benefits notwithstanding, “…it is striking that so few of the formerly regulated airlines survive as independent carriers after deregulation” (Kole, Lehn, 1999).
The industry experienced unprecedented losses from 1990 – 1993. The turn around in the years 1995 – 2000 saw unprecedented profits (Jiang, Hansom 2004). Both the losses and profits were nearly triple any year under government regulation. Coincident with leading the economic growth of the late nineties, the airline industry also led the way into a downturn. The changing climate saw that profitability starting to wane in the first and second quarters of 2001 (annual reports of AMR, Delta and Frontier). At the turn of the millennium, deregulation had been in force for greater than two decades.

In many ways the 1990s had been a learning period as the industry attempted to cope with the full affects of deregulation. A primary concern was learning what to expect in a free market environment, dealing with the dialectics of expansion/contraction, profit/loss, and capital costs/employees by recognizing what works and what does not work in this volatile environment. While the task is still the same; transport people and cargo from point A to point B, how to do so profitably on an expanding scale against subsidized, international competition and a bevy of new competitors with changing technology and the prospect of catastrophic events only a landing away makes the industry, as Warren Buffet remarked in the opening quote, “extraordinary.” The longing of the human heart to soar with the birds and the romance of flight makes Buffet, Crandall and others, “aeroholics”.

Rhetorically, the strategic plans and the tactical maneuvering of organizations in this environment are rationalized through a series of presentations and reconfigurations of time and events. The need for leaders to present the appearance of control, especially in a crisis situation, is problematic since causative factors and clear lines of relationships are often murky or nonexistent. The enactment of the environment to align with the
organization’s practices, interpretations, and configuration of the world is, at times, putting square pegs in round holes. As Buffet and Crandall noted, investing in airlines is risky at best. For CEO’s to instill confidence in the future for those with an “urge to buy airline stock” utilizes appeals to the storied past and the romance of breaking the bounds of earth to soar in the heavens.

Robert Robinson (2000) notes

One hundred years ago, Wilbur Wright and his kid brother, Orville, embarked on one of the most enthralling adventures of all time: uncovering the mysteries of powered human flight….

The rest is history, as aviation quickly shrank the globe, tying together nations and states in a matter of hours, instead of days and weeks. Today, flying has become an unquestioned fact of life (p 32).

This “unquestioned fact of life” is a given in our society. Airlines will operate and people will fly. The demand is projected to be 1 billion passengers a year in 2013 (Mullins 2002). For the U. S. airline industry, the questions of air travel center around what companies will survive which business models win out and how does the constantly changing shape of the industry effect travel at any given moment. “Since the original 1978 [Deregulation] Act, the number of airlines has shrunk by more than half, yet there are still too many seats and not enough passengers.” (Andres, 2003, p. A 21). Three airlines that have navigated through the changing landscape and made it into the new millennium are American Airlines, Delta Airlines and Frontier Airlines. A brief history placing these airlines in context of the new millennium follows.

American: “Something special in the air”
Of the six remaining pre-deregulation carriers, American Airlines [AA] is the oldest and has the most storied past. AA traces its roots to the 1926 Robertson Aircraft Corporation with chief pilot, Charles Lindberg, carrying mail for federal government contracts. They later added passengers to their mail routes. The consolidation of scores of airlines led in 1934 to the start of the thirty-four year leadership of C. R. Smith as President. That same year it adopted the name American Airlines. In 1936, all commercial air service was placed under the oversight of the newly created Civil Aeronautics Board. AA carried its millionth passenger by 1937 and maintained a cutting edge technologically as the first to fly the Douglas DC - 3 jet in commercial service. In June, 1939 American Airlines became a publicly traded company on the New York Stock Exchange (AA web site History).

With many adaptations of marketing and aircraft purchases, one of the more significant innovations engineered by American was its SABRE [Semi Automated Business Research Environment] system. The largest, private data processing system of the late 1950s, it was used first to coordinate air travel and track reservations within the airline from airports and ticketing offices. It was then adapted to make reservations available to travel agents from their desks. This service was sold to other carriers who did not have the wherewithal to create their own system. It became the standard for the industry. This type of innovation and industry leadership became the hallmark of AA and part of its corporate culture (Reed 1993).

Through acquisitions and expansion of markets based upon successful lobbying of CAB, American grew in market share and size. Continued leadership in innovations saw the first frequent flyer program and development of the hub and spoke flight service
plans. The hub and spoke is the model for air travel today for many airlines, especially the legacy carriers. It uses centralized airports for coordinated travel that delivers passengers from a variety of destinations and, in a time-coordinated effort of “beehive-like” activity, sends them from the hub to their final destination (Reed).

Not all of AA industry leading activities are positive. Since the 1940s American has located its central maintenance center in Tulsa, Oklahoma. Unlike many other airlines that contract out their maintenance, American maintains all of the planes it flies. In 1992 The FAA fined American a record 10 million dollars for maintenance violations (Reed, 1993). In this area AA has also held a dubious leadership position. Encompassing a 15 year period before the turn of the century it is noted, “… American Airlines has had 270 fatalities, 741 FAA incidents, 158 NTSB incidents, and 505 FAA violations/fines in 1997-2000, making it the U.S. leader in FAA violations and fines” (NTSB, 2007). In comparison Delta and Frontier airlines have had none. Their problematic “leadership” was furthered by the 156 lives lost in the 9/11 hijackings of two airliners by hijackers. This dubious leadership was extended even further by a November 12, 2001 crash resulting in the second largest single loss of life for air passengers and crew on United States soil. Two hundred sixty-five people died when AA flight 589 crashed into Queens, New York shortly after take off.

While the safety record is leading the industry in a negative fashion the leadership of AA has been notable for its longevity and success. Albert Casey was named CEO four years after C. R Smith’s 34 year tenure ended. Shortly after assuming the helm Casey hired Robert Crandall. Crandall led the AA fight in Congress against deregulation in 1977-78. He was appointed as President in 1980 and became CEO half way through the
decade. Crandall became synonymous with cutting edge leadership in the deregulated airline industry while making AA the largest airline in the world in terms of passengers transported (Reed 1993). Dubbed, “the man who changed the way the world flies” by The Wall Street Journal, Robert Crandall transformed the entire airline industry during 25 years with American Airlines.” (WSJ). There are four areas of Crandall’s influence that are most notable for this study.

1. His initial opposition to and later adaptation to deregulation.
2. Simultaneous cost cutting and expansion of the airline.
3. Labor conflicts from all the major unions of AA.
4. An innovative business model that dealt with the realities of conditions in air travel following deregulation.

Each of these will be briefly touched on because they provide a foundation for the CEO presentations to shareholders for all three airlines at the turn of the century.

Robert Crandall, a former TWA executive, began at AA as the movement for deregulation gained steam on Capitol Hill. He used his passionate personality and expletive-filled communication practices as a point man in opposition to deregulation. Addressing a government lawyer before a Senate hearing he decried, “You fucking academic eggheads! You don't know shit. You can't deregulate this industry. You're going to wreck it. You don't know a goddamn thing!” (Dempsey, Goetz, 1992, p. 17).

Once deregulation became law, Crandall became President and COO during the four year phase-in period of deregulation. Under his leadership, the airline’s adaptation to the new environment saw a quick expansion of routes, a series of takeovers of smaller airlines and increasing prominence in the industry in size, revenues and leadership. The “American
“Airlines Way” became the focus of attention, a model for other airlines, and a culture within the organization. Under Crandall, AA did not follow competitors, they set the standard. Its economic performance became the benchmark for returns by other legacy\textsuperscript{1} airlines (Reed). This was done through simultaneously expanding and cutting costs.

Known as a grueling boss, he would summon underlings to his office for expletive filled Q & A sessions where, through intimidation, browbeating and insightful attention to the details, procedures and practices of all aspects of airline operation he would extract information and develop policies for cutting costs throughout the organization. While increasing the bottom line and giving voice to middle level management, they rued their summons to appear before Crandall (Reed, 1993). It also created a culture of cost cutting that spilled over in similar grilling of lower level employees by their bosses. The domestic expansion was accompanied by international expansion as AA returned to overseas markets. As a capital intensive and labor intensive operation, air travel constantly struggles with balancing fixed costs of airplane fleets and the personnel costs. For AA this resulted in labor relations wars.

“Labor represents the single biggest category of airline costs, currently 28%.”

Labor costs for legacy carriers are not very flexible. (Morrison, Winston, 2005).

Unionization of mechanics, airline pilots and flight attendants has created a rolling series of negotiations with the result that any of these three unions can shut down operations. In 1993 flight attendants stopped travel on American Airlines with a strike over the busiest travel time of the year, the Thanksgiving holiday (Handbook of Texas). During a pilot’s sickout in 1999, U.S. District Judge Joe Kendall stated, “If you would look up bad labor

\textsuperscript{1} Legacy airlines are those that started before deregulation. (Morrison, S., Winston, C. 2005)
relations in the dictionary, you would have an American Airlines logo beside it” (Honolulu Star Bulletin, 1999 p. B 1). Crandall, when asked about union troubles mused about an employee takeover similar to Eastern Airlines and expressed frustration with the comment “I've said many times that I'd be thrilled to sell the airline to the employees and our [union] guys said ‘No, we'll take all the money, anyway.’” (Crandall, 1997). Despite this ongoing animosity, Crandall and his leadership team were able to work within the changed landscape brought on by deregulation and creatively respond by developing a business model cognizant of the new needs that developed. Crandall and AA recognized two realities.

1. As other legacy carriers folded many new airlines entered the market as low cost carriers [LCC]. While most of them folding quickly they created a significant amount of competition.

2. The cyclical nature of the profitability of operating an airline, a result of deregulation, requires large amounts of cash reserves to deal with the downturns in the market.

Competition was no longer just with the other legacy airlines but with the LCCs and regional airlines. They attempted to compete through innovation and creativity. American Airline became a wholly owned subsidiary of AMR Corporation [1982] adding new regional carrier - American Eagle two years later. AA created consulting firms to assist other airlines, and held controlling ownership in the SABRE Holdings that were spun off into an independent corporation (AA web site history). AA flexed its corporate leadership muscles resulting in charges of predatory pricing in regional markets where they tried to drive smaller start ups out of business (Edlin, 2001). AA concentrated on
the more lucrative business travel market, avoiding the discounts traditionally offered to the leisure traveler. They also built a nearly $2 billion cash reserve while expanding and cutting costs. After 19 years at the helm Crandall was succeeded by Don Carty. Carty used a similar strategy as Crandall in the takeover of TWA in 2000-2001; assuming planes, routes and personnel [sans their unions] without assuming any debt from the takeover. The deal was completed in January 2001, eight months before two AA planes were used in the September 11, Al Qaeda attacks.

*Delta: “You’ll love the way we fly”*

Another legacy airline, Delta Airlines began as Huff Daland Dusting, a crop dusting service spreading calcium arsenate over cotton fields to eradicate the boll weevils plaguing that cash crop. The first passenger flights began in 1929 but were suspended during the Great Depression. The seasonal nature of crop dusting led to air service and mail contracts in South America. Like many other airlines of the day, passenger service was an add-on to the government, state-side mail contracts. A regional airline that moved from its base in the river “Delta” of Louisiana to Atlanta in 1941 founder, C. E. Woolman used the new headquarters to participate in the war effort; training pilots and mechanics, transforming planes for military use and servicing military planes for The Army Air Corp (Delta web site). Transporting its millionth passenger in 1946, Delta became known for its impeccable safety record and customer oriented service.

Like most airlines of the day, Delta grew with the increasing demand for air travel and through mergers and acquisitions. One of the unique characteristics of the airline was Woolman’s view that, “‘If you put three cows in a pasture where there is only grass enough for two, they all get thin,’ he favored mergers between competing airlines”
(NAHF web site). In a series of mergers between 1952 and 1987 Delta expanded from its southern base by adding on routes and service to the rest of the country (Delta Museum). Additionally, Delta partnered with TWA in 1948 for the first interchange service, where pilots from another airline flew planes of their competitor (Delta). This was a result of the regional boundaries of air travel before deregulation. Able to fly only from their allotted cities by CAB route restrictions and competition limiting rules, cooperative efforts such as interchange were developed. This allowed pilots from other airlines to fly Delta planes [and vice versa] in connecting service routes. This was the forerunner of the code sharing cooperation that developed after deregulation.

In many ways that spirit of cooperation has worked for labor relations within the airline as well. A 2003 report from MIT noted, “Our case study research suggested that at least three airlines have been able to build a positive workplace culture with employees at different points during the past twenty years: (1) Delta, from at least the early 1980s up until it began imposing wage cuts and layoffs in 1992;” (Kochan, von Nordenflycht, McJersie, Gittell, 2003, p. 7). This cooperative spirit had an effect on unionization itself. While most “major”2 airlines are heavily unionized, Delta is an exception to that rule (Kochan, et al., 2003).

“With the exception of its pilots and dispatchers, Delta has remained non union by following a union substitution strategy. Delta’s historic approach to labor relations involved an implicit commitment to high wages, lifetime employment and a ‘family’ culture with the intention of avoiding union representation and inducing high levels of service from its employees. For example, Delta’s first unprofitable

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2 FAA definition of major airlines are those over $1 billion in annual revenue (FAA)
year came during the industry slump in 1982, but that year Delta made good on its implicit no-layoffs promise and even gave employees an average raise of 8.5%. In return, employees jointly purchased a $30 million jet for the carrier as a token of appreciation (Financial Times).

“For a long time, this approach helped Delta maintain a reputation as a high-quality, high-service carrier. But in 1994, after four consecutive years of losses the carrier broke its implicit guarantee when it laid off 15,000 employees and unilaterally cut wages… Not surprisingly Delta’s service levels quickly deteriorated…. As part of its return to financial health, Delta also strove to reestablish its good relationship. By 2002 it had significantly improved its service levels” (Kochan, et al. 2004, p.14)

Of the sixteen strikes, six Presidential interventions and ten non-strike work actions that have occurred for major carriers since deregulation to 2001, only one involved Delta and their union, the Airline Pilots Association. By contrast American Airlines has been involved in 10 of the 32 union related activities. The single incident of Delta’s “official” labor troubles fall within the time frame of this study, occurring during the winter of 2000-2001; pilots refused to accept overtime, resulting in a slow down. (GAO 2003). The overall effect of the slowdown was negligible (Gittel, von Nordenflycht, Kochan, 2003). This flexing of union muscle did not impact unionization efforts of other employees at Delta. “On February 1, 2002, Delta's approximately 19,000 flight attendants rejected union representation by a 71% to 29% margin” (Delta Annual Report, 2001). The well known Delta service was created because of the work of the
mostly non–unionized employees. This enabled Delta to have the most passenger enplanements of any airline in the world in 2002 (Bureau of Transportation Statistics 2004).

While some airlines developed their own computerized reservation system [e.g. United Airline’s Apollo System], Delta became a co-sharing partner with American Airline’s SABRE system. Buying space and promoting the system with agents allowed for national coverage without competing at another level with the other airlines, keeps costs down, and lowers resource allocation for design, implementation and maintenance of its own system. Delta’s management focus has always been customer service. Innovation, while sometimes present, is not the focus.

However, one innovation that has made a difference with Delta is its use of regional jets [RJ] as a feeder system for its longer flights. With over 30% of industry capacity of RJs Delta’s ComAir generates nearly $2 billion a year for the airline. This allowed Delta, in the time frame of this study, to claim being the world’s largest airline when passenger enplanement is used as the measurement. Many passengers were transported short distances by the regional jets. While this justifies Delta’s claim as the largest airline in the world due to the number of people who board a plane, the industry standard for size is based on passengers per air seat miles. The RJ dependency actually lowers profitability for revenue per air seat mile (Babika, Lukachko, Waitz, 2001).

Like American, Delta’s top leadership has been stable with five CEOs in its first six decades. Woolman led the airline for twenty-one years until 1965. After the 5 year term of Charles Dolson, W. T. Beebe served as CEO for 16 years; starting seven years before deregulation and leading through full implementation of deregulation. Ronald
Allen followed Beebe with an 11 year turn at the helm until 1997 when Leo Mullin was appointed CEO. Mullin assumed command when the industry was making record profits and continued at the helm when four hijacked planes changed the American landscape and significantly altered airline operations. With a long history and a differing focus of leadership in the industry Delta and American led the way into the new century. The third airline under consideration had neither a legacy history nor a leadership role. In the late 1980’s Frontier Airlines was a minor legacy airline, disappeared into bankruptcy, and then was resurrected as a low cost carrier in the early 1990’s.

*Frontier Airlines : “A different kind of animal”*

Three of the five main goals of the Airline Deregulation Act of 1978 are
“(2) placing maximum reliance on competition in providing air transportation services;
(3) the encouragement of air service at major urban areas through secondary or satellite airports;
(5) the encouragement of entry into air transportation markets by new air carriers, the encouragement of entry into additional markets by existing air carriers, and the continued strengthening of small air carriers” (PL 95-504).

What the legacy carriers feared is the foundation of the competition the government wanted to create with deregulation. The effects of these goals are found throughout the industry.

The Frontier Airlines operating in 2001 was both the victim and the beneficiary of that act. The original Frontier Airline started in 1950 as a merger of three regional airlines. Serving as Denver’s airline, deregulation brought direct and significant

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3 Major and minor airlines are designated with the demarcation of $1 billion dollars in revenues. In 2001 American and Delta revenues exceeded this dividing line while Frontier did not.
competition from United and Continental. When Continental went into the first of its bankruptcies, favorable laws enabled it to offer services at costs significantly below market charges, eroding Frontier’s bottom line. In addition, Frontier’s failure to partner with United’s Apollo Group reservation system further eroded accessibility to the market. Frontier brought fraud charges and the US government brought anti trust suits against United for its monopolistic Apollo Group practices. In financial distress, Frontier was bought by People Express in 1985 and then was completely disbanded when People, overburdened with debt due to its acquisitions, was purchased by Continental in 1987. Continental, due to its own financial difficulties vacated its routes from Denver seven years later. Shortly thereafter a new Frontier Airlines was formed by executives of the original company and new investors, resuming its role as “Denver’s airline”. It now chose to compete using different business tactics. Its business model was based on Southwest Airlines successful expansion from an intra state carrier to a national Low Cost Carrier [LCC].

Of all the changes enabled by deregulation the LCC is perhaps the most significant. It was pioneered by an intrastate Texas airline and its charismatic CEO, Herb Kelleher. Taking over in the year of deregulation, Kelleher developed a formula that led the seven year old Southwest Airlines to unparalleled success beyond the Lone Star State. That formula is as follows: 1. A simple air fare structure 2. A limited number of airplane types, thereby providing uniformity of maintenance costs and parts 3. Staffing with a lower ratio of employees coupled with low costs and higher productivity than their counterparts in legacy airlines. 4. Flights located in airports where gate and
arrival/departure costs are lower. 5. Unique brand identity. 6. A point to point route structure. (Wybrandt, 2004).

Alfred Kahn (2002), Chair of CAB throughout the deregulation process noted, “Decontrol of prices allowed airlines to fill their planes by offering large numbers of heavily discounted fares for seats that would otherwise go unused. Decontrol of routes permitted them to plan their operations as they see fit. And deregulation has compelled improvements in efficiency through the intense pressures of the price competition it unleashed.” The emphasis on low fares, low cost and the “fun branding” of Southwest is seen in the typically humorous, Kelleher style comment “If the Wright brothers were alive today Wilbur would have to fire Orville to reduce costs” (Jones, 1994). Again eschewing the typical CEO stockholder presentation formula Kelleher never used a text or notes in any of his presentations (personal communication, investor relations at SW Airlines March 8, 2005). The only airline to be consistently profitable in all economic conditions, Southwest Airlines is a model for the deregulated airline and a major challenge to the other legacy airlines.

The reemergence of Frontier followed the pioneering Southwest LCC pattern in all areas except point to point travel. “Frontier began operations with two 737s serving Denver, Bismarck, Fargo, Grand Forks and Minot, North Dakota” (Frontier web site). The formula of using only 737s, low fares, and working with employees to provide a personalized level of service in a cooperative management mode are all part of their corporate culture. The airline grew and received awards and recognition. By mid 2001 Frontier had carried over 11 million passengers, initiated a 3 for 2 stock split stock, had 8 quarters in a row of profitable operation, was named One of Business Week’s hot growth
companies (Arndt, 2001) and one of *Fortune* magazines 50 fastest growing companies (Fortune) and Best Domestic Low cost Carrier by *Entrepreneur Magazine* (2002). It also adjusted to changing labor relations as its mechanics voted for unionization followed by Pilots and dispatchers. By 2001 it was not a major airline but was steadily growing toward the billion dollar revenue marker established by the FAA for that designation. It is a leader in maintenance procedures, receiving the highest award for mechanic/technician training; the only airline to have 100% employee participation in this award. One unique aspect of Frontier’s operation is that it developed on a hub and spoke operational plan. Most LCCs are point to point service providers whereas FA uses the hub and spoke model of the legacy carriers with Denver as its sole hub.

The newly formed company has had two CEO’s. The leader of the group that recreated the airline, Samuel Addoms served from 1994 to 2002. Jeff Potter was with Frontier from 1995 to 2000 when he left to become President of Vanguard Airlines only to return to Frontier as Chief Operating Officer in May 2001, becoming President in August 2001 and was elected in April 2002 as the CEO. The Fiscal year for FA ends on March 31st and the shareholder’s meeting is held in September. Although Addoms was CEO at the 2001 shareholder’s meeting, the newly returned Potter delivered the address to the shareholders.

**Summary**

It is within the context of their corporate histories, the organizational cultures, the industry fluctuations and the personal actions of its leaders that these three airlines moved into the new millennium. Their histories are not archived practices of past glories, traumas and difficulties overcome. They are a repository of meaning, a resource to be
mined to meet the exigencies of the current situation. How the past is conjured up, represented and connected to the present difficulties and future goals is a rhetorical activity. Time becomes the currency, not in a linear sense but in rhetorical practice. The events of the past are relived, reoriented, reconfigured and reconnected to the present so that a continuous “natural” flow is created. The durée becomes a driving force as the structures are reaffirmed in practice and rhetorical application. Social constructionist practices are employed that proclaim “who they are is what they were”. While the future is uncertain the meaning of the past is clear, at least as persuasively created at a moment in time to meet particular needs. Belief in the future is based on the persuasive force of the past. It is in light of who they are and what they represent that the CEOs attempt to maintain the confidence and financial support of the shareholders against the ever changing, always interesting, often volatile world of airline transportation.
Chapter 4

Chief Executive Officers Speak
American, Delta and Frontier in the years 2001, 2002 and 2003

This chapter addresses research question number one: In response to the multiple exigencies created by the 9/11 attacks, what rhetorical strategies did airline CEO’s use in their annual meeting address to stockholders prior to, immediately following and significantly afterwards? Research question two and three will be addressed in Chapter Five.

Annual Meetings

Annual General Meetings of corporations, i.e. shareholder meetings, have inherent multiple purposes independent of the circumstances of the particular year they are given. Shareholder meetings are required by the Security and Exchange commission for companies that issue common stocks. They open with legal statements about the accuracy and the binding nature of the information presented therein. They are governed by the laws of the state in which they are incorporated. They are opportunities for shareholder votes to be cast on the election of director’s, non-binding and binding proposals on company policies and practices and social and political statements of interest to shareholders. They also approve mergers, allow the sale of significant assets, and change company by-laws and articles of incorporation. They can be lengthy, all day affairs, or as short as one-half hour (Baue, 2006). However, meeting all the legal requirements is only one aspect of these meetings.
As a state of the corporation address that is both retrospective and prospective, shareholder meetings are communicative tools that serve to inform, persuade, explain, interact, and most important, engender confidence in the leadership and the corporation. One of the primary tasks of the CEO is shareholder management. Since shareholder meetings are a primary contact opportunity and possibly the only face to face meeting between the owners of the corporation and the leadership in a given year, this function is significant for CEOs. The address is not only to those present but to shareholders, analysts, communities, employees and many others. In chapter 2 a connection was made to the form and goals of State of the Union Addresses of the U. S. President with similarity of purpose and presentation. For corporations "‘It's important to remember that the CEOs want to use their annual shareholder meetings to show off how well the company is doing,’ Passoff says….The good esteem of the shareholders — even minor ones — is a commodity in its own right.”’ (Frel, 2005) For CEO’s this becomes critical in the midst of a crisis since, as I have shown, stock value is inexorably linked to confidence of investors in the future profitability and stability of the corporation and its leadership.

The annual meetings under consideration in this dissertation are notable because they address the crisis of the individual corporation as well as the social, political and economic crisis that occurred with the events of 9/11. As such they are both universal and particular. There is an understanding that the larger circumstances creating these exigencies are understood and do not need explanation and analysis. Their particular impact and how they altered the plans, goals and practices of the corporations and created a new set of circumstances to be addressed is their focus. As previously noted, the 9/11
crisis engenders a different tactic of response because outsiders created the problem. Hidden by the magnitude of the social and political impact of the crisis is the economic downturn that started in the last quarter of 2000. Also hidden is the industry overcapacity and the innate volatility of airlines operation after deregulation. In some ways the attacks of 9/11 remove attention from a downturn that promised to become a significant problem for the industry as a variety of economic factors congealed together prior to hijacked planes crashing into the twin towers and Pentagon.

In this chapter, each address of the CEOs airline will be considered for the three year period that is the focus of this study. In the following chapter the presentations will be considered between the airlines and similarities, differences and conclusions will be drawn. The industry and individual airline contexts highlighted in chapter 3 are assumed as the background for making sense and giving meaning to the presentations. The emphasis of this analysis will be the persuasive elements found in the configuration of time by the CEOs to achieve their individual, professional and corporation’s goals. As the largest and most influential corporation American Airlines will be considered followed by Delta and then Frontier Airlines.

American Airlines : Don Carty and Gerard Arpey

The three presentations to the shareholders for American Airlines are notable for their contrast of length and scope of information. The May 2001, pre 9 – 11 and 2003 Post 9 – 11 speeches are over 2118 and 2463 words respectively. They are thematically organized in lists based on an analysis of past events and future projections. These lists are the major organizational pattern of the speeches for 2001 and 2003. In contrast, the speech of 2002, immediately following 9 -11, is 623 words; less than 29% of the shortest
of the other two speeches. This is significant because threat situations are known for their ambiguity, uncertainty and questions. While this will be visited in detail later, perhaps the amount of the shared knowledge and common ground of the audience lessened the “need” for elaboration. It may have been that since there was not a whole lot that could be done about the situation at this point, the strategy was to say little. It may also be due to the fact that once again maintenance issues and the significant loss of life in the November crash of Flight 587 in Queens created a circumstance where less was more.

2001

The 2001 speech uses two lists that are interwoven along the lines of internal/external orientation. In the second paragraph of the pre 9 – 11, CEO Don Carty lists the significant events and challenges that have occurred in the last year. They involve

- the sale of a SABRE reservation system,
- purchase of TWA,
- sharing of the Northeast Shuttle
- investing in the DC shuttle
- air traffic control issues and
- a federal lawsuit for predatory pricing
- Resolution of issues with the Pilot’s Union and mediation with Flight attendants (lines 10-13).

The second list he offers is that of the Airline Leadership Plan that was developed by AA in 1999. The 6 critical areas of the plan are listed in the third paragraph,

- safety
• service
• product
• technology
• culture
• network (line 19)

It is the latter list that is addressed in a systematic fashion with the former list nested within in relation to how it affects the Airline Leadership Plan. The orientation of the presentation is to consider how the external activities will impact the vital internal functioning of the organization. After speaking 694 words, one third of the entire presentation, about the impact of the TWA acquisition on the AA network he states, “I don’t want to leave you today with the impression that we spent all our time working on deals. We have taken great strides along the other critical paths of our Airline Leadership Plan….” (lines 74-75).

With AA, their legendary past and industry leadership role is an iconic frame that is utilized in overt and subtle ways. As the industry leader and trend setter, the legendary CEO Robert Crandall tripled the size, tripled revenues and doubled profitability while making AA the industry leader in nearly every significant performance category. From this culture of excellence, this culture of ruthless leadership (Reed, 1993) arose the mentality of being the biggest dog on the block. This expectation of industry leadership and innovation and this goal of seeking to do things in such a way that the rest of the industry copied you is evident in these speeches. With its roots in the legendary activity of Charles Lindbergh, American Airline does not move into the future, it controls it. The
view that all airlines want to be like American is a “natural” result of a slice of time beginning with Lindbergh following a continuous thread from the past to the present.

This can be seen even in the naming of the plan that encompasses the six critical areas referred to in the 2001 speech. The 2000 American Airlines Annual Report notes, “… the overarching goal of the Airline Leadership Plan, the strategic program that we launched in 1999 that focuses the Company’s activities on the six areas that we believe defines success for any airline…. In 2000 we made important strides toward industry leadership in all six” (p. 3) [emphasis added]. In line with its place in history, AA’s Airline Leadership Plan draws attention to the “reality” that before the plan has been implemented and its value shown in actual conditions, people will know it leads not only AA but defines the industry itself. Carty continues this thread as he speaks about another plan “Last January former President Clinton recognized ASAP, our Aviation Safety Action Partnership, as a model to be implemented throughout the industry” (line 105).

This framing as an industry leader extends to the CEO and management team through a mixture of personal/organizational statements that establishes individual and organizational credibility. Carty’s statement concerning the increasing network made available through the TWA acquisition is hyperbolic in tone. “I personally feel confident in saying to you, our shareholders, that we could not have devised a more responsible, more economic way to do it” (lines 49-51). More than leadership optimism he is stating that the management team, the self proclaimed top management team of the industry of which he is the head, has done the penultimate job of creating a network unparalleled in the industry. Again this is stated within a month of the purchase being finalized, before the actual consolidation of assets, flights and personnel would occur. One would not
expect anything less from the best of the best that stand upon the shoulders of Lindbergh. While the meeting opens with the statement that these forward looking statements are no guarantee of future activity, it is clear that as part of the industry leader, the future is bright because of what we have done in the past and who we are now.

The entire presentation of 2001 is tied to this storied past by noting it is “our 75th year” (line 9). This is further emphasized with reference to Charles Lindbergh (line 28). Throughout the 2001 speech there is an interplay between industry leadership, significant past events and confidence for the future. Dominated by the Airline Leadership Plan’s network and the purchase of TWA [735 words] and the AA culture [463 words], one half of the presentation heralds glimpses of storied pasts and a leadership that is on task. Events are rearranged on the basis of the significance Carty ascribes to them. Even the years are compressed. The 2000 fiscal year is the focus of the meeting yet many events, including the centerpiece April 2001 TWA acquisition, are included. The positive events are used in multiple years as highlights of the speech are repeated from the previous year and brought to the fore again next year [sale of SABRE, 75th Anniversary, TWA].

With the Airline Leadership Plan’s concept of control comes the necessity of commitment. Carty closes with, “With the flexibility we have built into our fleet plan, our fuel hedging program and our strong commitment to the Airline Leadership Plan, we believe we will be very well positioned for whatever happens going forward” (line 149). Ironically the events of 9/11 will test that statement in a way unimaginable at the time. The future is not discussed unless it is connected to the past. The configuration of time to construct meaning, to use the past to enact a present environment, to create a link
between the “giants” and lesser lights of the past, to give insight to the choices of today and the goals of the future is a primary rhetorical technique in Carty’s presentation.

Similar to 2001, the 2003 presentation centers on a new set of lists. The presentation of 2002 does not. It is centered on a singular event that is seen as the cause of all others. Even though two catastrophic events occurred in 2001, only one is highlighted with all conditions attributed to it. Even in the abbreviated form of 2002 the compression and slicing of time is a central focus. Instead of making connections across decades Carty makes connections across weeks.

2002

Carty begins the speech to the shareholders in 2002 with irony, “You know, in some respects 2001 was like most other years” (line 4). Burke (1945) notes that the effect of irony is to establish a dialectic, framing a perspective (p. 512). Carty creates an incongruity that is plain to the hearers. By line 8 Carty resolves the incongruity with, “As everyone in this room knows, 2001 was not just another year.” Sixty percent of the speech deals with a brief introduction and comments directly about 9/11 and the airline industry. The other 40% deals with the changes for AA; most of those are related directly to 9/11. Only 108 words are used to describe, in the sparsest of terms, three significant activities of the year; the 75th anniversary, the TWA merger, and a More Room in Coach campaign. The term 2001 is used as a replacement for 9/11. The 12 month year is implied but the focus of “2001” is on the events of 9/11. As stated, 2001 was not just another year – it was a singular event from which all other activities are filtered. This quality of the year, established before the meeting and assumed by Carty in the speech, allows for a significant time compression that simultaneously focuses and deflects.
The two big events for AA in 2001 were the simultaneous hijackings of planes that were flown into the World Trade Center (flight 11) and the Pentagon (flight 77) and the Nov 12 crash of AA flight 587 shortly after takeoff into a Queens, New York neighborhood. A total of 147 passengers and crew members died on the two hijacked flights. A total of 260 passengers and crew died on the Nov. 12 flight. (NTSB). The first event was an outsider caused incident with the responsibility for airline security resting more with the government than the airline. Flight 587 is another story. The NTSB found that the probable cause of the accident to be the first officer’s excessive force on the rudder pedals (NTSB). Avionic technicians were servicing and resetting malfunctioning stabilizing equipment shortly before takeoff. Given the history of AA maintenance programs there was potential fallout about the safety of traveling on the world’s largest carrier. Rhetorically, Carty ignores these problems and focuses all attention on the 9/11 attacks.

After making explicit the irony in line 8, Carty states, “For American Airlines every accomplishment, indeed every other event was overshadowed by the twin calamities of the September 11th attacks and the terrible crash of an American plane in Queens, New York on November 12” (lines 10-12). This is the only time the November 12 crash is mentioned. It is lumped together with the events of 9/11 and treated as if they have the same causative factors. The key is the use of the word “twin”. All knew of the planes crashing into the “twin” towers of the World Trade Center. This was the dominant media framing of the events of 9/11. Two American Airlines planes, a “twin” hijacking occurred. Linking the events of 9/11 and the crash of November 12 by the word “twin” evokes a similarity of origin and effect. It compresses two months of time into a single
act. As Burke notes, statements are simultaneously a reflection and a deflection (Burke, 1945). By focusing on the outsider created crisis of 9/11, Carty is deflecting the gaze and consideration of airline culpability for the crash of Nov 12.

As stated above, the year 2001 is used as a representation for the events of 9/11. The phrase “September 11” is used only 3 times in the speech. The first time is in the quote at the beginning of the last paragraph. The second time immediately follows that quote at the start of Carty’s next paragraph, “Prior to September 11th our company's greatest obstacle…” (line 13). Hence the phrase, “the terrible crash of an American plane in Queens, New York on November 12” is sandwiched between two explicit references to September 11. Introduced as the “twin calamities” it is reasonable to expect that having had significant exposure to reporting of the events of 9/11 and imprinted with the language, phrasing and sequencing of the media accounts the order of delivery of these words, “For American Airlines every accomplishment, indeed every other event was overshadowed by the twin calamities of the September 11th attacks and the terrible crash of an American plane in Queens, New York on November 12.

Prior to September 11th our company's greatest obstacle…” was referring to 9/11.

The only other time the phrase “September 11” is used is 3 lines later when Carty states, “And obviously after September 11 things got much, much worse” (line 16). Whether expanding the connection intentionally or not, he may be more correct than he realized. The events surrounding the second largest loss
of life in an airline accident on US soil (NTSB) was reported well after the meeting by the NTSB. It was due to AA pilot error. With all the legal and financial ramifications it could easily be defined as “much, much worse,” not for the country, but for AA. Using a common language about 9/11 that an audience readily understands, then rhetorically connecting other potential difficulties to 9/11 serves to combine the non-related difficulties, creating groupings that are not logically valid but are emotionally acceptable. The mantra of 9/11 as the source of the troubles, the usage of 2001 as a substitute for the events that morning in September and the brevity of the speech served to deflect attention away from the problems of Flight 587. The umbrella of understanding created by the attacks of 9/11 was large enough to downplay the culpability and the implications of the airline for the Nov 12 crash within its shade.

Michael Leff notes that one can find motivation revealed in how someone uses the chronological sequence of events in the retelling of those events and creating significance and meaning through the retelling. The activity of 9/11 was an act of war in which the airlines are unwilling participants. The crash of Flight 587 is the opposite. Linking them plays into the emotions of the audience and deflects scrutiny. It is the only reference to the November crash in the entire meeting, including any stockholder questions, votes or other activities recorded in the minutes of the AGM.

The center third of the speech re-focuses attention away from the crashes creating three slices of time in rapid succession. He orients them back to the founding of the company in briefly mentioning that AA is celebrating 75 years of history. Carty looks at the past year’s accomplishments by noting that “despite all of the aforementioned
problems in our business, completed the biggest, the most complex and most successful integration of two airlines in the history of our industry” (lines 28-30) and invoking the “nightmare” of deregulation as an analogy for the current situation (line 34).

The roller coaster of emotions created by this trio of the distant and recent past serves three rhetorical functions. The first is that it invokes the concept of longevity through changing circumstances. Although Lindbergh is not mentioned his presence is there. Secondly, the problems do not deter the leadership team from “the biggest, most complex and MOST SUCCESSFUL merger. The crisis created by the events does not have control, the management team remains in charge. Thirdly, we have been here before. Deregulation created a financial circumstance analogous to the one we are in now. The unstated connection is made – we were successful in negotiating that environment, we will be successful in this one also. In 179 words Carty slices time to look back in order to gain confidence as they focus on the future. Carty invokes the images that in times of crisis the anchors are found in two places – our history and our leadership. Even calamity does not deter us from being the MOST successful. Our past teaches us that we have been here before and the shareholders need to know, we will be fine.

Similar to 2001, the 2003 presentation centers on a new set of lists. However, The speaker in 2003 is not Carty. Financial promises and decisions made in the aftermath of 9/11 to the management team were hard to justify in the wake of subsequent givebacks by the union. In April of 2003, Carty was forced to resign as CEO. Gerard Arpey was named the leader of American Airlines.
By the Shareholder’s meeting of May, 2003 the events of 9/11 were twenty months in the past. The negative financial effects were still significant in many sectors of the economy but the “understanding” of investors that time was needed for adjustments to the newly created circumstances created by 9/11 had faded. AMR stock had fallen from a May 15 2001 value of 37.01 a share to a May 15, 2003 value of 6.72 a share (Marketwatch, 2003) with a reported net earnings loss of $ 4.7 billion in the previous four quarters (AA SEC 10K filing 2002, p. 21). In trying to keep the airline on course, leadership sought yearly expense reductions by reducing fleet costs of $2 billion, gaining concessions from their suppliers for $175 million, and negotiating salary give backs from all of their unions equaling $2 billion (lines 31 – 52). Carty was instrumental in gaining these concessions.

The problem was not with the concessions but with pension protections and contractual bonuses promised to upper level executives shortly following 9/11. Executive leadership received these guarantees totaling millions of dollars if they remained with the company through this turbulent time. In 2001 it was felt that AA needed the best available people who were familiar with the company to make it through the upcoming financial difficulties. The problem was that disclosure of these payments was not made until a few days after the union concessions were signed. Business Week noted of the man who by his own admission in 2001 stated “no one could have devised a more responsible, more economic way” to acquire TWA,

CEO Donald J. Carty snatched defeat from the jaws of victory by revealing the details of executive-retention bonuses and pension
protections after most union members had narrowly voted to accept $1.62 billion worth of annual concessions. Suddenly, Carty's calls for "shared sacrifice" rang hollow. Almost immediately, two of the three unions were calling for new votes -- endangering the contracts Carty fought so hard to win. "This has been probably the most badly handled transaction in my 30 years in the industry," says airline expert Mo Garfinkle of GCW Consulting. (Zellner, 2003)

Gerard Arpey was thrown into the breach a few weeks before the 2003 annual shareholders meeting. He begins his presentation with a personal statement noting he has spent his entire career at AA, using the metaphor of “calling it home” (line 5). He later refers to his 20 years at AA (line 19) (line 144). He notes what he has done “in the short time he has been CEO”, bracketing the talk with details of his face to face interactions and letter correspondence with employees (line 12) (line 148). This personal history lesson is given primacy and recency (German, Gronbeck, Ehninger, Monroe, 2004). When measured by total words spoken about his personal history it may seem of minor in importance despite its dual position. It is, however, significant because of its weaving of personal time and corporate history. Arpey does not invoke the legacy of Lindbergh but his own legacy. Arpey uses his past to connect to the struggles of the individuals trying to save an airline. This slicing of time in the presentation by his personal activity is a microcosm of what is needed under these circumstances, the company’s perseverance that is akin to his own.
The focus of the talk is the means by which AA will “survive” then “thrive”. Like Carty before him, Arpey centers his speech on four tenets of a new plan, “The American Turnaround Plan” (line 27). The plan “is summed up in the following four tenets:

- lower costs to compete;
- fly smart, give customers what they value
- pull together, win together
- build a financial foundation for our future (lines 27-30).

The American Turnaround Plan takes nearly 2000 of the 2469 words, or 81% of the presentation. Of this the second tenet, “fly smart, give customers what they value” accounts for 885 words and the first and third tenets are nearly 425 words each. Stating the last tenet “in a sense sums up the rest of the plan” (line 165), Arpey emphasizes the present and immediate future while giving a nod to long term implications. When a company has lost over $4 billion in the last year, seen its CEO resign under fire and its major competitors sliding into bankruptcy, focusing on the long term would be irresponsible and counterproductive. Fixing the issues that must be addressed now is paramount. Arpey focuses on two areas of major concern that are both related to his configuration of time. His first focus is his setting the clock of the corporation to start on September 11, 2001. In the second focus, similar to his personal reflections, he looks at the past, not only for its benefits but for the problems the AA family has had.

After his personal introduction and reminisces, Arpey begins in line 7 with these words, “Since September 11, 2001, the nearly 100,000 members of the American Airlines and American Eagle family have been engaged in the noble effort of trying to save this great company.” Two thirds of the way through his talk he states, “As everyone here
knows, the revenue picture today bears little resemblance to the year 2000” (line 112). He refers to fleet capacity in 2001 (line 95) and decisions made about seating size in the year 2000 (line 104) placing each of these under the scrutiny of changes within the “past three years” (line 173). The 77 years of a storied past and the hubris of industry leadership has given way to the crisis reality of survival starting in the events of September 2001. Gone is the Airline Leadership Plan defining an industry. In its place is the more modestly named American Turnaround Plan, focused solely on his company. The images of home, family, cooperation, pulling together, noble efforts, sacrifice, and shared commitment are juxtaposed against the challenges, struggle for survival, enormous financial constraints and turbulent and difficult period foisted upon them. Selected historical recountings eliminate the downturn that started before 9/11 and projected losses throughout a changing industry on par with the early years of the 1990s (Andres, 2003) as noteworthy. Crisis brings its own problems with them but it also brings a causation that allows attribution of most of the present difficulties on the crisis event whether the connection is accurate or not. In this case the crises of the events of 9/11 are rhetorically configured to mask the underlying problems of the industry. By refocusing on 9/11 and attributing today’s issues to its affects, Arpey attributes problems to outside forces not lack of planning, the nature of the industry or poor leadership.

Another connection Arpey makes is the connection between leadership tactics and past problems within the corporation. When he reaches to events and attitudes before the September 2001 era he valorizes the employees and AA culture and indirectly implicates the problems created by organizational leadership attitudes. In the opening paragraphs he mentions the “guts and determination” of employees (line 10), the aforementioned noble
efforts and the commitment and sacrifices made, while reminding the shareholders that he told employees, “while we won't be abandoning the values and strengths that have always defined American Airlines, we will be bringing new leadership, new thinking, and fresh approaches to the challenges confronting us” (lines 15-18). I have shown in considering Presidential State of the Union messages that crisis intensifies the need to hearken back to values. One reason is the changes that crises demand. Assurance that the changes are not fundamentally altering the landscape of the company is designed to breed confidence. Investors bought into the AA culture, not some form of unproven altered company. This theme of the need for “a new leadership” approach is repeated by highlighting what was wrong with the old way while holding on to the time tested values that have made AA what it was and will be again.

The third tenet of the Turnaround Plan is explicit; the only way to deal with the crisis is to pull together. These admissions of past wrongs are found not overtly but built into the descriptions of what is needed. To pull together will take a “transformation” (line 131) and all of this hinges upon the need to “build trust and teamwork back into the fabric of this company” (line 133 emphasis added). A cultural, interactional change is needed “creating an atmosphere at American where every employee feels valued, where everyone is treated with fairness, respect and appreciation, and where rancor and suspicion are replaced with cooperation and a shared commitment to our collective success” (lines 139-142, emphasis added). What was there did not work. Now, at a time of crisis, a new path needs chosen and it is up to leadership to initiate and sustain it.

Throughout the presentation Arpey emphasizes this change by his use of the plural pronoun “we” or its cognates. It is found 77 times, or once every 32 words of the
presentation. In the front two thirds of the speech most of these refer to the corporation. “We” could be replaced by “American Airlines” or “the corporation”. In the latter third the “we” refers mostly to the people, not the organization. The “we” is management, or union and management, or employees, or Arpey and senior leadership. We are not a faceless entity but living, breathing, choice making human beings. “We” or its cognates appear once every 26 words near the end. Out of this adversarial sparring match that has gone on throughout the decades a unity must be created and management understands both its role in creating the problem and the stakes involved in solving it. In conclusion of his third tenet Arpey speaks of the task of senior leadership, including himself, “We do, however, recognize that we will ultimately be judged by what we do, not by what we say, and we welcome that” (lines 163-164). With a candor that is bred in part by the exigency of survival, Arpey places the onus squarely on the shoulders of the leadership to right the wrongs of the past, build on the heroic struggle of the present and give AA a chance to continue. It is not a singular effort by the CEO but one that “engages every member of the AA team.” At its core is a man who sums up his 20 years at American Airlines by presenting himself as one of them. His time with the corporation, his perseverance, his friendships and face to face interactions make him one of them, schooled in the time tested traditions of the AA way. His recounting of time makes him trustworthy. The meaning of his service is the foundation for their future together.

American Airlines Summary

The struggles for American Airlines in the time period under consideration are considerable. The loss of three airplanes and over 400 passengers and crew in a two month period, hemorrhaging funds at unparalleled levels, leadership missteps and
historical antipathy between labor and management threatened the survival of the enterprise. The three year period under consideration saw the circumstances demand an alteration of the rhetoric as hubris was set aside, at least for a time, as frictions were eased with the oil of cooperation poured on the troubled waters of harsh economic and political exigencies. Reconstructed time and slices of time serving as rhetorical filters are a significant factor in addressing these exigencies. Using the legacy of the past to invoke the necessary lessons of the present, rolling the self-created difficulties of the present into a more acceptable outsider attack, or using one’s own history as a door to gain acceptance and provide assurance that they are all in this together, time is the building block of the Carty/Arpey presentations. How the organizational and personal pasts are conjured up to give explanation, to enact an environment and to make sensible the present choices and future visions hinges on the CEO’s abilities to use time persuasively.

American Airlines was not alone in this. The entire industry was forced to make choices of how to stem the precipitous downturn in business and the changing face of air travel as the very measures taken to prevent another 9/11 type attack served as a reminder of the threat to one’s safety. Delta Airlines did not suffer the trauma of the hijacking of its airplanes. It did however, find itself dealing with a similar rhetorical ecology, one where understanding of the unforeseen effects could be expected by its employees and shareholders as adjustments were made to the new reality, at least for a time. It is to the presentations by the CEO of Delta that we now turn.

Delta Airlines: Leo Mullin

At the turn of the millennium Delta Airlines [DAL] laid claim to being the largest airline in the world on the basis of total passenger emplanements and net income. Its
legacy status and cooperative leadership in the airline industry was an integral part of the corporate culture that Mullin inherited in 1997 as he assumed leadership in the midst of the greatest profits the industry has seen. The Mullin presentations for 2001, 2002 and 2003 are 2051, 3316, and 3167 words respectively. Unlike leadership at AA, Mullin’s presentations increased after 9/11 in an effort to make sense of the fallout of the attacks and flesh out the implications for the airline. Unlike the AA presentations there is only a passing reference to a systematic plan. This is found only in Mullin’s presentation in 2003. The plan is not used as a skeletal structure for the speech, it is auxiliary at best. While the similarity of topics is evident, the explanations of individual and leadership decision making takes greater precedence as Delta moves from the “largest airline” in 2001 to dancing on the edge of bankruptcy in 2003. Leo Mullin seeks to persuade the shareholders and the audiences not present that he is in charge and the leadership team can maneuver through the crisis, despite all indications to the contrary.

2001

The April 2001 meeting in Atlanta was held only 6 months after the last shareholder meeting in Cincinnati. This was to place them in line with other corporations holding spring meetings (personal communication, Carrie Weaver, Investor Relations, DAL June 5, 2005). Mullin’s opens by stating that the six months brought significant changes, “While our last Annual Meeting for Shareowners convened just six month ago in Cincinnati, the speed and import of intervening events has had a significant impact on the aviation industry and on Delta Air Lines, disproportionate to the actual elapsed time” (line 6). This begins an organization of the speech that is based on time. Mullins sticks within the time period designated for the meeting, discussing the events of 2000,
spending 58% [1189/2051] of his speech reviewing and making sense of the events of the calendar year 2000. He calls them “context for the events of the last few months (line 17). In contrast, only 18% [362/2051] of the time is spent addressing the present circumstances and 12% [245/2051] of the words are spoken on consideration of the future. The remainder is found in the conclusion.

The preponderance of information on 2000 serves two purposes. First, it highlights the mostly good news of the year before he addresses the current problem, the pilot’s strike of its subsidiary, Com Air that is in its 32\textsuperscript{nd} day (line 143). This strike followed another pilot created issue as Delta pilots were involved in a slow down in November and December that reduced capacity by 3-4% and negatively affected passenger service (line 125). The slow down occurred as pilots refused overtime. To settle the dispute and negotiate a new contract required federal government intervention.

Second, it serves to show a pattern and disturbing trends in the industry that Delta must address in addition to the pilot problems. Both of these current issues are challenges to the two pillars of Delta’s corporate culture; satisfied customers as a result of happy employees (Delta Airlines Annual Report, 2000, pp. 12-13).

The two pilot issues: the last two months of 2000 and the current strike, go against the historic cooperation that the company has enjoyed with its unions as highlighted in the last chapter. The impact of these problems hits to the heart of Delta’s core culture which is customer service. Mullin conjures fundamental corporate values as he speaks of the “long-standing service reputation derived from over 70 years of operation” (line 56) and that customer service was a focus of his leadership from 1997 onward (line 54 & 57). The slow down and strike are seen as an aberration from the historic foundation and the
goals of his leadership. It is, however, not all the pilots creating the problem. In fact “the vast majority of [Delta] pilots, exhibited the best of our service tradition by responding heroically to minimize the impact on customers…” (line 131). While most follow the Delta tradition some have broken with the values of the past. He later makes the point that settling the pilot slowdown was done by reaching an “industry-leading pilot contract” (line 119). This is within the management modus operandi of “top pay for top performance” (line 112). That federal negotiators were needed to achieve the settlement and that it sullied customer relations and Delta’s reputation is not the Delta culture.

The corporate culture that allowed the airline to climb back to the number one position in on time service is also threatened by outside forces, “The business news today provides a constant litany of downward economic trends and corporate losses, indicating that few companies are escaping the effects of the current economic environment” (line 85-87). This threatens what Mullin calls in his opening, “…issues in almost every arena that have challenged our ability to deliver on commitments to our constituencies, especially to customers and shareholders” (line 9). Faced with a context that is unyielding and a few rogue employees, Mullin gives reason for the $122 million in losses in the first quarter of 2001 and why the record profitability of the past 25 quarters (line 97) cannot be expected to last. He uses these slices of time to explain recent circumstances and to lessen expectation while not losing confidence. This is not an easy duality to achieve. It is at the end, when his points have been made and the reminders of the successes of 2000 have been used to contextualize the present difficulties that he turns to the American Civil War to find a focus that reveals more about his outlook and viewpoints than he planned.
Dealing with two rancorous union negotiations for the first time in company history Mullin looks to Abraham Lincoln for a vision that addresses the breach in this heretofore unit of teamwork, civility and harmony known as Delta Airlines, where customer service is paramount. He chooses the ending of the Second Inaugural address given by the victorious President, “‘With malice toward none, with charity for all; with firmness in the right, as God gives us to see the right, let us…do all which may achieve and cherish a just and lasting peace among ourselves’” (lines 184-186). In using this he is drawing a parallel between the Civil War, whose ongoing rancor and alienation was so great these epic words were needed to give a moral reason for stopping the animus and healing a broken shattered nation, and Delta’s contract negotiations.

While I cannot speak for Mullin’s internal framing, his perception of the degree to which there is a violation of the character and culture of the organization by the pilot’s self-serving actions must have seemed like a civil war. This is a breach that needs restoration in order to establish “a lasting peace”. For Mullin, invoking this iconic quote and sentiment from the past reveals that this is not just business, it is personal. He saw these actions as threatening the very integrity of the corporation and his leadership. Before the pilot’s contract dispute is fully settled, he uses the words of the victorious President and invokes God’s blessings to call for peace. He reaches back to the divisiveness of the Civil War to establish the degree of brokenness and prescribe a remedy for healing. Speaking from Atlanta, arguably the city most devastated by the events of the Civil War, he uses the words of the victorious northern commander to reclaim the airline’s heritage. Time is sliced so that the lessons of our country’s past are brought to bear on this corporate betrayal.
In the next few months of 2001, Delta and its pilots would settle the disputes and get back to “normal”. That is, until the events of 9/11 changed the dynamics of the industry. It is in light of this breakdown in corporate culture and a perturbation of the formal and informal rules of interaction so long practiced at Delta that we turn to consider the rhetorical responses to the events and impact of 9/11 on this major, legacy airline.

2002

The April 26, 2002 address to the shareholders contains no references to the loss of corporate culture or rancorous relationships. It would seem that the Lincoln quote of 2001 had worked, re-establishing right relationships at the airline. Sixty percent longer than last year’s speech, Mullin establishes an orientation to 9/11 and repeatedly uses it as the time referent for the entire presentation. He filters past events through the events of 9/11 and projects future accomplishments based on the tasks that must be overcome as a result of 9/11. Thirty times, or once every 110 words, he reorients the listener’s focus with reference to September 11. In this presentation he highlights six crucial areas for business success and briefly touches on them. They comprise 26% [879/3316] of the presentation and are clearly subordinate to the time orientation of 9/11 which comprises 100% of the text, from the first word to the 3231st word. While the previous year was about potential problems, none of these are mentioned, he does not even refer to the Com Air strike that was settled in 2001. In fact, teamwork, sacrifice and only the positives of industry leading revenues and emplanements are mentioned. Before anything is elucidated in the talk he opens by evoking the feeling of 9/11 with a narrative account that sets the stage for the rest of the speech.
He states, “We all felt disbelief, horror, and concern and compassion…”, “…our emotions were quickly overtaken…”, he tells of tracking screens that “slowly went vacant”, of “the absence of sound… as the airport went eerily silent…”, and the realization that people and planes “were scattered at unplanned destinations” (line 14 - 26). This re-creation of emotions is critical in establishing the difficulty of operating in this environment. It is only under these circumstances that one can see the heroic effort, sacrifice and diligence of the employees. These characteristics are the foundation of the corporate culture and are now applied to the challenges of 9/11. Because of this foundation not only will Delta survive, but it will thrive (line 86). Juxtaposing these two words Mullin queries, “Hence, the question before us today is, will we simply survive, or have we laid the right foundation, taken the right steps, and made the right plans to ensure that Delta will thrive…” (line 98). He uses the word “survive” only twice but repeats thrive and its cognates more than 20 times. This gives the talk a future orientation as seen through a 9/11 lens. In fact on line 101, with 30 percent of the speech completed, he states “and the theme of my remaining remarks today, is this: Delta will thrive….” Whereas the context [and rogue pilots] in the previous year’s address prevented Delta’s customer service foundation from going forward, the events of 9/11 are not seen as controlling or as debilitating. Organizational crisis demands some form of control. Being able to thrive places the control within the aegis of management 

Bennis notes one of the key characteristics of leadership is a positive attitude (Bennis, Nanus, 1997). This becomes crucial during a crisis. Addressing shareholders that have already seen stock value drop precipitously and the debt load of the company dramatically increase (lines 205-208) Mullin emphasizes why the plans in place establish
a foundation for overcoming the emotional jarring of 9/11 and reestablishing a solid financial footing. His confidence and the public’s confidence and, by implication, investor confidence, should be high despite the difficulty. As long as we engage in that most difficult of all tasks, and that is to "think" (line 285), we can get through this. Mullin incarnates the emotion at the opening and "solves" the emotional dilemma with brain power. He is saying, the head will win out over the heart. Near the end he asks, “Colloquially, when asked the simple questions, ‘What do you want Delta to be?’, we have always answered, ‘The world’s greatest airline.’ Is this possible? Clearly, in my view, it is” (lines 281-284).

One of the differences between leadership and management is the communication of vision (O’Hair, et al., 2005). He slices time back to the defining calamity of few months ago and uses that as the anchor for his presentation. The focus is on the future. To see beyond the present difficulties and present a view of a different destination than where the present paths lead requires the skills of the evangelist and the prophet. It involves enacting an environment; selecting what may not appear possible and making it salient to the organization, providing an impetus and rationale to try to achieve it. Mullin serves as both prophet and architect, calling forth a Delta arisen from the ashes of 9/11. His present tense emotive narrative at the outset seeks a future oriented creation of the “world’s greatest airline”. This presentation is as much a sermon as it is a discourse of commerce. The persuasive act rests upon the emotion and the many positive statistics (lines 137-228) that he uses to provide a sound mathematical complement to the visionary, redemptive rhetoric. The past is a distant blur, the statistics of the last few months are necessary because people are leery of seers. The statistics are useful because
investors are concerned about the finances. It is here that some of the statistics presented in such a positive light mask the underlying problem that will by this time next year create a crisis that threatens the entire organization. Solving the problem of cash flow and reduced income in the short term sows the seed for long term problems.

Structuration theory defines the communicative processes by which groups affirm their structures and cultures as well as allows for a re-creation of them. Through the durée, participation and resistance in actions and language creates, reaffirms and alters the rules, practices and self-understanding of a group. In a crisis such as the airlines in the aftermath of 9/11, the attempts to create a new reality, to take “responsibility for our future” (line 256), was a necessity of survival. But an ancient proverb notes “Between speaking and doing there is an ocean.” The constitutionality of communication participates with materiality, structures and practices to define the organization. Mullin’s words by themselves cannot create the organizational conditions to thrive. The additional debts that Delta takes on in response to 9/11 become a weight under which it struggles to escape. Mullin leads the industry team in negotiating with Congress and the Bush administration for the Air Transportation Safety and System Stabilization Act (line 47, line 209) securing monies to support airlines in the midst of the crisis. It does not fix the crisis in his own company. Without the cash on hand to weather the downturn, the debt load becomes an overwhelming problem. The presentation in 2003 will speak to its effect.

2003

The 2002 speech ends by repeating the themes of thriving and confidence with these words, “And -- finally and most importantly -- in the coming months, we stand
ready to prove that our confidence in this airline and the people who will make it the world’s greatest airline is well deserved.” The response to the immediate crisis effects is to proclaim they were on a foundation of confidence. The succeeding year saw the challenge of September 11 give way to the pounding of increasing problems that created a synergy all their own. The opening of the 2003 speech is light years away from the thriving motif. Mullin begins in 2003,

That environment …. may well be the most difficult in airline history.

As such, it now presents Delta with a task that would have seemed unimaginable just two years ago, which is to restructure our company, remain solvent, and form the basis for sustained success in the future.

And we must accomplish this task in the midst of significant macro-economic and competitive changes that, given the recent experiences of our competitors, suggest the odds may be against us. (lines 8-14)

Trying to survive won, thriving has been sent packing. Yet in 2003, even surviving is in serious doubt.

“When is a crisis reached? When questions arise that can’t be answered” (Kapuscinski, 2003). By this definition, 2003 was an overwhelming crisis time for Mullin and Delta. Immediately following the introduction, Mullin moves into an explanation of leadership compensation, including his own. Similar to the American Airlines retention bonuses that led to Carty’s ouster, Delta considered retaining top leadership a paramount goal immediately following 9/11. Promised bonuses and his own contract renewal were problematic in the midst of record losses and negotiating union and employee give backs. The questions of 2003 did not go away when answered by the responses fashioned in
2001 strategies. Likewise, understanding and enacting an environment proved problematic. “However, as I reviewed last year’s speech, it was clear that none of us at that time yet knew the degree of profound, fundamental change which still lay ahead” (line 76). Again a reassessment is given, “In retrospect, that portrayal, which I thought was quite bleak at the time, now looks incredibly optimistic, given the reality of the past year” (line 84). Throughout this entire presentation Mullin explains that the views from last year were wrong and how this year is something no one foresaw. Obviously what was seen was not what was salient. What was acted upon did not provide a solution. The preacher’s zeal did not withstand the withering economic realities. Time, restarted to begin on September 11, 2001 no longer even relates to 9/11. Time now relates to last year’s assessment of 9/11 and the errors made in that assessment. Unlike AA the storied past is not invoked, the problems are not what 9/11 has done but how they were interpreted, framed and the solutions offered from last year have become the issue. This shrinking of time is a significant rhetorical move. Caught in the swirling vortex of a crisis there is only now, only today, only us.

The context setting of 2001 has given way to an understanding that none of the rules apply any more, that there are no answers, only questions. The time frame for this speech is the present because, to Mullin, history is no guide in this uncharted territory. It is clear, there may not be a future for Delta or the industry. Combining these two themes he states, “And as to my point [last year] that low profit levels would likely be the industry’s primary problem in 2002, that issue has been fully displaced by the urgent issues of day-to-day airline survival and the related concerns of maintaining an effective, efficient national aviation system” (line 91). Day to day survival and trying to remain
solvent is a full time task with no room for nostalgia or future plans. He expands the struggle beyond Delta to the entire system. Survival and financial solvency are presented as “ifs”. The misreading of the future in 2002 leaves Mullin casting about for a means to move these ifs to a yes. He finds one way to articulate the path through five processes.

It is significant that Mullin does not call these a plan. Perhaps the tenuous circumstances are such that the word itself provides too much hope. They are instead conveyed as “underpinnings” – foundations upon which to build, maybe even out of the ashes. A plan implies control and that is not available in this new territory. The zeal of evangelism has given way to the harsh realities that may consume the organization. Even the focus of 9/11 has faded as it is mentioned only six times throughout the speech and most of them are direct references to something said in last year’s speech. The understanding that allowed extra patience for companies to adjust to the 9/11 attacks is no longer available. If a plan cannot be used perhaps these foundations will set the stage for recovery. In a crisis, leaders are called upon to project some sense of control. Mullin’s presentation demonstrates that when a crisis evolves to a threat, when control seems impossible, time narrows to the present and foundational values are the only vestige to hold onto.

The five underpinnings are as follows:

First, an unwavering focus on our fundamental customer service obligation, which has as its most basic element an absolute commitment to safety.

Second, a balance sheet with strong enough liquidity to provide the staying power required to weather a sustained financial crisis.
Third, the ability to maintain this staying power by minimizing the cash required for daily operating expenses, otherwise known as cash burn.

Fourth, a cost structure that, in the immediate term, enables survival and, in the period thereafter, would be competitive with all other carriers, and responsive to the continued growth of low-cost airlines.

And finally, despite the surrounding crisis, steady movement towards our longer-term strategic objectives (lines 104-114).

They are remarkable for two reasons. The first is their complicated nature. These are not campaign slogans or even remarks that are easily understood. No PR jingle is found here. There is no time to create clever, catchy phrases that the media and stakeholders can remember by a mnemonic device. Secondly, they are, in many ways, the same responses to the problems found in the previous two years. The difference is they are unrelated to the past, lopped off from a historical context. Time is sliced very thinly in this section. Other than a vague comment about strategic objectives, they are seen as originating in the present crisis, devoid of historical precedent, analogy or connection. Mullin’s burden is to create a new world out of whole cloth, unable to piece together the lessons of the past the present alone connects to the future.

Despite the call for new thinking because the old ways do not work in the new environment, Mullin presents the same old formulas. Despite the pleas that state otherwise, the past is merely reconfigured to meet the new exigencies without proper citation. Fifty-nine percent [1857/3167] of the words of this presentation are used to explain the details of these underpinnings. The threat is addressed as Delta renovates 81 airport lobbies for better customer service (line 135), receives federal aid reimbursement
for security measures, (line 150), optimizes the network and simplifies the fleet (line 159), continues partnership with pilots and employee groups for effective competition (line 200) and adds flights at the Atlanta hub, (line 230). These five foundations could fit as part of the strategy for any year, at any time. Organizations solve the problems they are capable of solving. The new looks suspiciously similar to the old. The retained memories of past success are repackaged as new, innovative solutions to present crises. The enacted environment, despite all the statements to the contrary is but a reflection of the retained memories of the organization.

**Delta Airlines Summary**

Seeking answers, Delta’s leadership revisited familiar ground. Crises are defined in part by their uncertainty and ambiguity. Whether it be the crisis of altered organizational culture that creates and publicly projects antipathies likened to the Civil War, that the crisis elicits a spiritual revival mentality as an ideal vision is shared, or that a crisis results in trying to force the new world into a map case that is handy, the rhetoric of crisis management is imbued with time considerations. Gaining bearings from the past that impact the present in order to achieve an envisioned future seeks connections that transcend time, a way of clutching onto the time honored values of the organization. When the crush of events threatens to obliterate the history of the organization Mullin eschews the past to focus only on the present. In so doing he seeks trust placed in his leadership while at the same time calling into question his own assessments of events from the year before. At a time when American Airline’s Arpey was standing on the shoulders of giants, Mullin chose to stand alone, hat in hand explaining why the thriving of the last year’s speech has given way to the “can we survive?” of this year’s speech.
This was not a rhetorical move that would breed investor confidence of his leadership or the future profitability of the airline.

9/11 affected the legacy carriers in significant ways. It also impacted the operation of smaller airlines and newer airlines. The low cost carriers had their own unique problems and unique ways of seeing and addressing the crisis of 9/11. The final airline under consideration is Denver-based Frontier Airline.

Frontier Airlines: Jeff Potter

Frontier Airlines [FA] adopted the practices of a Low Cost Carrier but adapted it to its own business model. Most LCCs operate from a traditional point to point flight pattern as pioneered by Southwest. Most legacy carriers operate with the American Airlines pioneered hub and spoke model. Frontier operates as a LCC with a hub and spoke model. It also adapted a standard business meeting practice for its CEO presentations. Unlike American or Delta, Frontier Airlines uses PowerPoint as the format for the presentation of the CEO to the shareholders. Using slides with graphics, pictures and text, the audience in attendance hears the state of the company from its leader and sees the representation of the information in graphs, charts, pictures and text. Usually the text is supplemented with speaker’s notes that expand the abbreviated on screen presentation. This technology allows for visual reinforcement of the information. It is conducive to the sharing of large amounts of numerical data through chart and graph representation that makes the comparisons sensible in a glance. In this section I will consider the presentations of the CEO in two different formats. The years 2001 and 2002
will use the PowerPoint presentations from the annual shareholder’s meetings. For the
year 2003 the letter from the CEO to the shareholders in the Annual Report will be used.4

PowerPoint also allows for uniformity and repetition of data from year to year.
Creating a similarity not often achieved in oral presentations, the background and format
of the slides can easily remain the same while the data is changed each year. It is this
factor that stands out when considering the presentations for 2001 and 2002. Leadership
at Frontier utilizes the PowerPoint format to explain where it stands in relation to other
airlines. As a relatively new airline its identity is fashioned, in part, against how it
compares to the competition. All three presentations have a very clear chronological
structure to the presentations. It is to these 3 presentations that I now turn.

2001

All three Frontier presentations contain an opening that defines the legalities,
scope and trustworthiness of the forward looking statements contained in what follows.
These standard statements are SEC required and speak to the potential fluctuations of the
marketplace and the lack of control any corporation has over its business environment. In
this standard practice is the element of time configuration as the past can be trusted but
the future is uncertain and uncontrollable and statements about the future are “based on
information available to the Company as of the date of this presentation” (slide 2).5 The

4 A file containing the PowerPoint presentation for 2003 was sent to me by Frontier Airlines PR
Department. Unfortunately, the file was corrupt and not only would not open but erased itself. Repeated
attempts to have a clean copy sent resulted, after many months, in the corporation saying they had purged
their files and none were available. At the suggestion of the secretary of the corporation and the head of
Public Relations I contacted a number of financial analysts that follow Frontier. No extant copy of the
presentation was found. Since the benefit of comparing an LCC to the other two airlines was more
beneficial for the purpose of this study than an exact match in format, the letter to the shareholders was
deemed a good approximation to the presentation of the CEO at the annual meeting.

5 Citations related to slides will use the year of the slide (if needed) and the number of the slide. Material
from the slide will be shown with the slide number only. Material from the notes will add the word “notes”
to the slide number.
SEC requires that companies in their shareholder meetings, annual reports and quarterly conference calls proclaim at the start that what they say about the future are enactments of an environment. Once enacted, the salient aspects of the environment are selected to give shape to an envisioned future. Once this common process is acknowledged all may go forward, according to the SEC, with a clear understanding of reasonable expectations. The formal procedure of presenting these statements at the start of the CEO presentations, conference calls, and Annual Reports displays a tenet of Structuration theory. These communications are repeated in a variety of venues and official documents over time giving them greater authority and force by the expectation they create and their repetition. The letter in the Annual Report has similar language but is expanded to include a variety of specific references to material contained in the Report itself. It is reinforced and altered based upon organizational need and government requirements.

One clear impression from the Frontier slide presentations is the preponderance of numbers, particularly financial data. There is minimal interpretation of the numbers and some generalized statements that do not always coincide with the other slides. Slide 4 is an 8 line, double-columned set of numbers with rows designated by the acronyms ASM, RPM, RASM, CASM and Load factor and Gap. All are standard abbreviations for airline performance measurements. These dollar amounts are compared in the second column labeled “Variance”. This contains percentages to the tenths place showing a comparison to the unseen data from a year ago. Potter states “As you see on Slide 6, operating income, net income before taxes and net income all more than doubled over the

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6 ASM is available seat mile; RPM is revenue per mile; RASM is revenue per available seat mile. CASM is cost per available seat mile. Load factor is the average percent of seats sold per flight and Gap is the difference between revenue and cost.
prior year” (slide 4 notes). The problem is these are not seen on this slide where the comment is made or on slide six. They appear in slide 5.

This proclivity for exactness of numbers extends to defining each action by months. The fleet is not merely increased in FY 2001, but FA will have “27 aircraft (24 Boeing jets after the early return of a Boeing 737-300 in Sept. ‘01 and 3 Airbus aircraft)” that means that it is “Soon to be 29 aircraft due to the addition of two more Airbus aircraft during Sept.” (slide 3, notes). This detail is found throughout the 7 slides that contain number filled charts as well as the 7 descriptive sides. This preciseness creates unintended humor as Potter announces that a new agreement providing regional jet service allows for an average of 7.5 connection choices on Frontier when flying through our Denver hub. I hope the .5 connection comes with a parachute.

There are inaccuracies in the midst of the certitudes of the numbers. The Houston service is proclaimed to start in May 2001 on slide 7 after stating that it “started” on May 2002 in the notes of slide 6. The discrepancies are not just in transposed numbers. The FA fiscal year runs from April to March and their annual meeting is in September. The first 6 slides address FY 2001 which ended in March 2001. Industry comparisons and economic forecasts are made for calendar year 2001 (slide 8). In slide 13 notes, a cryptic remark is made about hundreds of planes being returned, “(this includes 270 which we’re hoping to return early in December but that we have not announced as well as the sixth Airbus we’ll take delivery of in Feb.02)” (slide 13 notes). Even though these are in the notes and subject to oral corrections at the time of presentation, they indicate some uncertainty in the main form of expression chosen for this presentation, numerical data.
It is clear that most of the presentation is informational, offering a picture of the airline and a picture of the industry as it relates to national and global economic factors. There is little in the way of interpretative sections and no narrative sections that tell the Frontier story directly. Yet the form itself tells a story of intent and goals. Burke notes that constitutionality determines outcome. The construction of the presentation predetermines where the presentation will end up. (Burke 1945 p 196). The story is found in the presentation of mathematical figures to tell the story. It may be that the size of the airline or lack of a long term history of FA minimizes what Potter has to work with. It may be that the type of investors present makes this an audience specific choice.

Whatever the reason, this form requires the audience to be learned in accounting principals, airline lingo, industry metrics and possess the mathematical acumen to make these figure sensible. Seven years in, while FA is still trying to purchase its first planes and carve out a niche in the marketplace, the numbers become a statement of who they are and why they will be here next year. Like a recent graduate seeing if their college grades can translate into confidence in the work place, Potter uses the numbers to help confirm organizational legitimacy in an industry where corporations open and close with speedy regularity. He slices time thinly to look at quarterly and yearly results with passing reference to what has happened in their brief history.

The time configurations in the presentation serve a similar purpose but extend beyond establishing legitimacy of the corporation, it reaffirms the ability of Frontier Airlines leaders. Other than the sometimes lack of clarity about the fiscal year 2001 and the calendar year report, the preciseness of time used in the presentation, represents that the management team is keeping track of the business activities in a diligent, detailed
manner. Variances are reported to the tenth of a percentage point, revenues and expenses to the dollar instead of the normal thousands of dollars. Reports on the number of the present cities served are made then updated, “Current route map serving 22 cities out of Denver, adding Reno/Tahoe NV and Austin TX on October 1. (24 counting Reno and Austin)” (Slide 3, notes) as if the investors that are asked to follow all the other numerical data cannot add on two more. Like parents noting a half pound increase in the weight of their newborn the preciseness is demonstrative.

Slide 13 is a detailed, 12 column quarterly projection of the intended replacement of the leased Boeing fleet with an Airbus fleet. Four colored columns project which of the 2 types of Boeings will be replaced by which of the 2 types of Airbus planes in which quarter. Even as a visual aid it is hard to determine specific numbers seeing only orders of magnitude as FA grows from 25 to 37 planes. The future is shown as a time of growth as the old [shown in green and purple] is replaced by the new [shown in metallic silver and white]. Time, like money is a commodity not to be wasted or altered. Meaning is not made by making connections across time, meaning is made, albeit by inference, by attending properly to the expenditure of time.

Without asking for the shareholders confidence Potter attempts to speak “their language” and trust that these types of presentations demonstrate good stewardship of their money. Frontier Airlines is a growth company being properly nurtured by a leadership that is detail oriented and in control. Through the proper counting of time and accounting for dollars the presentation form proclaims, you can count on us - you can know we will be here in the future.
Five slides longer than the year before, the 2002 presentation had 11 slides that have the titles and information formatting that is the same as 2001. Additional slides include a post September 11 environment slide, a business strategy, a flashback to the 2001 industry assessment, 9-11 effects on income, a series of charts comparing FA to the rest of the industry, two slides on Frontier’s focus and an Awards and recognition slide. The same dependency on numbers prevails although the slides that are not charts, tables or graphs contain more explanatory prose than the previous year. One marked difference between the 2002 presentation and the previous one is that there are no speaker’s notes.

Relying on numbers as in 2001 there is a loss of some preciseness in financial statements that revert to the traditional form of reporting in the thousands of dollars. More important is the fact that FA lost money in the first quarter of the 2002 fiscal year. The June figures show a 2.9% loss, the first time in 4 years a quarterly loss is posted. Slide nine shows this on a dual, y-axis graph that has bars representing net income over time and a red line showing operating margins over that same quarterly time frame. With airlines reporting record losses and bankruptcy rumors and filings common in the industry, including their major Denver competitor United Airlines, Potter chose to show a graph that highlighted previous success as much as it did the present loss. Four years of profitability and one quarter of losses are displayed. It is clear that this is due to September 11. A small arrow indicating September 11 in the only red print on the page serves to link the business metaphor of red numbers on the balance sheet to the events of 9/11. The overwhelming successes are reason enough to see that this loss is an aberration as the scope of time is expanded to include all of the last 4 years. A four year time slice
of time is not used in any other data given. Without saying the slice of time makes the meaning clear, profitability and growth are the norm, the events of 9/11 created an aberration.

The slide nine graph is one of five graphs in the presentation. A more understandable repeat of the Airbus fleet conversion graph of 2001 is given in slide six under the title of “Business Strategy- Steady Conservative Growth”. The other three graph slides are consecutive and linked because they are comparisons to the performance of other airlines in a series of metrics where FA is seen in a favorable light. They are entitled “Low Operating Costs” (slides 11 & 12) and “Breakeven Load Factor Results, Quarter ended June ‘02” (slide 13). The first Low Operating Costs graph uses an industry standard CASM measurement to show that FA has the third lowest costs in the industry over the last 3 months. The next slide with the same title shows Frontier as the industry leader in the percentage that it has reduced its costs in the last year ending on June 30. This is a measurement not found in other airline reports and is not known to financial analysts that cover the industry (McAdoo, B., personal communication, June 14, 2007).

The subheading reads “Frontier has reduced its costs more than its peers over the last year.” Time is sliced according to its persuasive effect. The graphs encompass a time when Frontier appears favorably against its competition. Potter conveys that while the airline may be suffering losses the essential metrics show that they are holding their own on against the competition. This grading on a curve is fashioned by the slices of time represented.

The final comparison to other airlines uses a graph showing a recognized industry data set of a break-even load factor. There are two aspects of the presentation that make it
misleading and confusing. Again the time frame is the quarter ended June 30, 2002. This is a report given at an annual meeting considering the entire year that looks only at one quarter of the year. Time is sliced to FA advantage. The visual representation of the graph is also misleading because it appears that FA has a break even load factor that is less than one-half its biggest competitor in Denver, United Airlines. It appears this way because the scale starts at 50%. The difference in whole numbers is that a breakeven passenger requirement for FA is 65% while United’s is 87%. Visually, it looks as if the difference is much greater because of the starting point [50%] of the y axis.

Jeff Potter’s 2002 presentation to the shareholders is characterized by carefully selected time frames, contrived visual representations and created comparisons. Each of these is designed to place the most favorable light possible on the operations of FA and thereby instill investor confidence in Frontier. There is very little explicit reference to 9/11. Unlike the legacy carriers, time is not recalibrated to 9/11. For Frontier, 9/11 is not the focus, survival and staying the course are. The impact of the events is seen in a larger context but the events themselves are not significant. The slices of time are expanded and contracted from 4 years to 3 months, limited to the Frontier fiscal year 2002, or contained within the calendar year 2002, or established for a specific quarter in either year. The choice of time frames is a rhetorical choice to create a favorable representation of the numerical data contained within. Time, the valuable commodity from 2001 when its chronology was precise, is now maneuvered into position to create persuasive texts in which to encase the “appropriate data”. Appropriate at least for bolstering investor confidence.
Already reporting on the revenue loss of the first quarter of the 2003 fiscal year, Potter’s confidence in the ability of FA to weather the economic downturn faces a test in the coming months. No matter what metric is used, industry standard or Frontier created, the impact of 9/11, an economy attempting to find its bearings and a deepening crisis that threatened many airlines’ survival, the coming year would be a trying one.

2003

As stated in the opening of this section, the 2003 presentation is not a PowerPoint slide show but a letter contained within the annual report in late spring. The annual shareholders meeting is held in September which allows the reporting of the first quarter that ends June 30. The Annual Report comes out in May and uses projections of quarterly data for the quarter ending June 30. This is not a significant or detrimental difference between the two sources. While there are certainly differences in the overall presentation, feel and symbolic capacities between letters, slide shows and speeches the content is similar enough to warrant comparison. It is aligned with the expanding concept of a text (Putnam, 2004) but more importantly it fits within the tenets of structuration theory through the repetition of communication and practices over time as constituent of the organization. Organizations construct their identity by communicating similar meaning in multiple forms that become, in some ways self fulfillments of their visions, interpretations and socially constructed selves. It is therefore not surprising that the CEO letter in Annual Reports to shareholders should contain a lot of the same information as the face to face presentations to shareholders at the annual meeting. Given the previously stated difficulties in obtaining the original PowerPoint presentation this is a reasonable substitute.
While not in a slide show format the annual letter to shareholders for 2003 contains many of the same topics and even the same order as the presentations of 2001 and 2002; introduction, achievements, difficulties/opportunities, a presentation of the data of the first quarter of 2004 and projections of changes and plans for the coming year. Like the slide shows, the letter is chronological in its sequencing and identifies clearly what time period each item presented is related to. Connections are made as historical and contemporary exigencies of the industry, the economy and the geo-political circumstances are placed in context for the efforts of the organization and vice versa.

Potter begins by noting that 2003 was a “turbulent year” in the airline industry and couples that with a mixed bag of items. “Continued threats of terrorism, the war with Iraq, and several significant Chapter 11 bankruptcy filings were just some of the many obstacles Frontier faced in fiscal year 2003” (line 5). From the outset, Potter frames this with the understanding that there are factors outside the airline industry pertinent to the events of 2003. The employees, met these challenges by “working harder than ever” (line 9) with the benefit of “reporting significantly lower losses than those suffered by the majority of airlines over the last year” (line 12). Potter continues his trend of evaluating Frontier on a curve, of identification based on comparison. His focus in this letter is found in the three themes of fleet transition, action and growth in the midst of challenges and difference based on branding.

Eight times in the letter Potter mentions the fleet, starting on line 15 and finishing on line 103. It is, in the midst of uncertainty, the guide to the future, the star guiding FA to future profitability. It is accomplished “in spite of the external challenges” (line 14), the foremost milestone of 2002, part of the continued transition (line 20), “a key message
about our service” (line 90) and part of the plan for 2004” (line 97). As in past years, the same detail is shown by doing the math for the audience when planes are added and subtracted and then re-emphasized to make sure that the total is understood. (lines 20 & 100). The emphasis on the details of the fleet plan is twofold, to show growth and activity while reinforcing a future orientation.

The growth is seen in moving back and forth across the boundary of the last fiscal year and the current fiscal year. The airline has “reduced”, “improved”, “successfully created” “implemented”, “introduced,” “completed”, “expanded” and “unveiled. It is “focusing on factors we can control,” “inaugurating service”, “working harder than ever”, and “simplifying”. The one thing FA is not doing is sitting still. This action is not carried out in typical times, but against the backdrop of “challenges”. These challenges are characterized as “unprecedented” (line 70), “external” (line 14), “business challenges” (line 77), in a “very challenging economy” (line 8) filled with “obstacles” (lines 7 & 8), “unemployment…at its highest level since Frontier’s inception” (line 71) and “unlike any…ever faced before” (line 70). Rejecting “engaging in excessive hand wringing” FA met these multiple challenges with a can-do attitude.

Repeated reinforcement of the growth realized and the challenges faced is found in the paragraphs starting on lines 60 and 69. The time is reoriented to 1994, highlighting the highest load factor “achieved in one month since its inception in 1994” (line 63) and “National unemployment… is at its highest levels since Frontier’s inception in 1994” (line 71). Time is sliced to rhetorical advantage. It is designed to show unparalleled achievement against unparalleled challenges for Frontier. Although the actual unemployment rate was higher in 1994 than in 2002 (Bureau of Labor Statistics, 2007)
this fact is not relevant as the parallel demonstrates the unique situation Frontier is in and the creative forward looking responses made.

Once the unique circumstances of doing business in the environment of 2002 are established, all are assured FA is meeting the challenges with “unique ways” (line 78). The time focus is shifted to the new “Different Animal” branding campaign of “last spring” (line 80). The sequencing ties the three events together and back to the inception of the airline through the “unique” and “different” word usage found in these passages. The branding campaign is also connected to the 1994 inception because it is based on “four cornerstones” (line 82). These 3 paragraphs constitute 37% of the 1086 word letter. Combined with the 8 milestones (lines 18-46) and the last two paragraphs, this letter is a testament to positive thinking and action in the midst of daunting odds. Potter’s letter creates a clear impression, it’s the worst conditions we have ever seen in this company, but we are doing well. He persuades with slices of time that connect recent actions to future gains and by reclaiming their brief history, not the profitable years, but the initial struggles. He sets the clock back and then leaps into the future with hope, energy and excitement. We will be successful in present difficulties as we were in our original ones is the theme.

*Frontier Airlines Summary*

The work of the CEO for Frontier is the work of identification and organizational creation. The struggle to restart in Denver, the climb to profitability and the unusual way that Frontier uses a low cost carrier model and the hub and spoke structure gives them a unique place in the industry. The downturn of late 2000 and the predictions for 2001 before 9/11 is the first economic slump that Frontier has had to weather. They had neither
past accomplishments working in these economic storms or storied heroes to invoke to gain confidence. Without this cache, Jeff Potter uses that which has stood them well so far, their goals, plans, industry comparisons and their business plan. He uses all four in a series of time configurations to persuade investors that as their past commitment brought positive returns they can be confident in the future profitability of Frontier Airlines.

Chapter Summary

The CEOs of American, Frontier and Delta airlines address the issues of their individual airline and the exigencies of the common circumstances through a variety of persuasive means with configurations of time being a dominant one. With unique styles, each uses chronological time in various configurations to make connections for their audience as they conjure up the spirits of the past, explain the present, and provide insight into the future. The heyday of the late 1990’s gives way to the downturn of 2000 and the crisis of 9/11. By the time their 2002 fiscal year annual meetings are held the crisis has evolved to a threat and unprecedented forces are at work in the industry. CEOs become casualties as the crisis management plans implemented in 2001 become answers to the wrong questions for 2003. The threat of bankruptcy looms large for the legacy carriers as attempts to enact an environment fail to address the changing needs of the corporation’s crisis. The CEO, the possibility of survival and the needs of the corporation are not the only thing that changes. Rhetorically and materially, the crisis also changes. At first the crisis of 9/11 is utilized to explain chronic, systemic problems in the industry that are unrelated to any particular crisis. After some time has passed, 9/11 moves from center stage to the periphery as solutions for problems are needed regardless of their origin but the centrality of time configurations remains.
Research Question one asks what time strategies were used by CEOs. The Rhetorical time strategies of CEOs in the 3 years of this study include recalibrating when time begins, compressing time to obscure events, slicing time to connect to distant history or recent events, using personal historical lessons, creating measurements across time to bring favorable comparisons, recalling iconic figures, past successes and well managed previous crises. As historians and visionaries CEOs stand in the present with temporal malleability as a means to define and give meaning to the past in order to create a sense of the future. Their role is to explain, exhibit control and proffer solutions to present dilemmas so stockholders might maintain confidence in the organization. Using time to achieve their goals in the present they turn to a time before things fell apart. Crisis increase the need to control the future because the present is so uncertain. The past provides the vocabulary for creating visions of a future where full recovery is made and “normal” is restored. In crisis the past takes on added importance, for values, for icons, for lessons and for reassurance. CEOs enact the past in order to broker an assent for the envisioned future that will be shared. In the next chapter these presentations that have been considered individually will be examined as a group, first within each airline then across the airlines for each of the years.
Chapter 5

A Comparative Study Within and Between the Airlines

A Three Year View

Research question two seeks answers on two sets of comparison. The first is a comparison of the individual airline within all three years. The second is a comparison of all three airlines within a single year. The third question seeks to find possible reasons for the similarities and differences. The questions are stated as follows:

2. What are the similarities and differences in the time configurations of the chosen rhetorical strategies found within particular airlines and in comparison between the selected airlines over a three year period of time; 2001 – 2003?

3. What factors account for the similarities and differences in the usage of time in the chosen rhetorical strategies both within a particular airline and between the three airlines in the three year study period?

Following the format established throughout this dissertation, American, Delta and Frontier will be considered respectively.

A Summary of AA 2001 – 2003

American Airlines culture centers on being the best and leading all other airlines. Their innovative programs and first place status allows them to breathe the air of a stratosphere where no one else is found. This is seen in the presentations of 2001 and 2003 as other airlines are minimized or ignored. The only time the names of other airlines are mentioned is eight times in 2001; all within the same context, in regards to a potential joint venture of the DC Shuttle with United Airlines and minority ownership of DC Air. United, U S Airways and DC Air are clustered in references to these ventures
Mentioned in the section where the TWA acquisition is highlighted, Carty speaks as a king does, from the perspective of the effect commoners have on royalty and the kingdom, “If United's deal does go through, we are going to add additional important assets. If it does not, it in no way diminishes the tremendous value of the TWA transaction” (lines 62-64). The only other time competitors are alluded to is in Arpey’s 2003 presentation. He uses the generic phrase “low cost competitors” (line 51) and the possessive “our competitors” (lines 63, 70, 114 & 115). American does not condescend to recognize anyone else; airlines are competing with AA not the other way around. Even the competition is “our” competition. In the heady atmosphere of AA culture there is only the horizon in front of them; let the others try to keep up.

As the pacesetter for the industry everything is subject to the AA power, even time. Compressed, expanded, or ignored, time is a tool to be used to engender confidence, obscure problems, highlight achievements and multiply anniversaries. The 75th anniversary is mentioned in three consecutive years as the calendar year and the months of the following year leading up to the annual meeting are melded together as needed. Likewise the TWA merger takes center stage in 2001 and is mentioned as one of the three highlights in the short address of 2002. Chronology is ignored as the highlights of 2001 and 2003 are reordered based on significance and meaning. In chapter 4 it is shown how time is compressed as events are placed together to minimize the negative impact on AA by taking the emotion of 9/11 and implying its causation for Flight 587. This persuasive tactic highlights the final part of this summary.

Regardless of their origin or cause, the events of 9/11 become a cipher by which many calculations and representations are made concerning American Airlines and the
environment. In Weick’s terms, enacted environments are first filtered through the lens of 9/11. Carty notes that the future is founded on the effects of 9/11, “The airline industry landscape has been dramatically altered during the past year and that means more change than we've already seen is absolutely inevitable” (2002, line 39). Other causative factors that were part of the landscape; LCC competition, a downturn in the economy, over capacity, union difficulties, aging airplanes, rising fuel prices, and the lessening of the need for business travel are all subsumed into the causation of the singular event, September 11. This shaking of the foundations leads AA back to its historical roots, to the days of Lindberg and the dedicated staff, “One thing I have learned in my 20 plus years here is that when the men and women of American get their hearts and minds around a mission, that mission almost always gets accomplished” (line 19). As was noted earlier about presidential presentations given in the midst of crisis and the accompanying uncertainty, a return to the principles of the past becomes the means to successfully navigate the present.

By 2003 some of the hubris of AA had been muted as it watched its competitors file for bankruptcy and record losses appear on its bottom line. Despite all this, its place of entitlement, its earned dominance, its focus on AA and no one else, continues. The crisis of 9/11 exacerbated what appeared to be an already significant downturn and yet 9/11 was rhetorically utilized to absorb all other difficulties into it. By 2003, with AA maintaining solvency despite its losses, Gerard Arpey, like Carty before him, asks investors to trust in AAs leadership as “we believe the Turnaround Plan that I have outlined this morning is the road map we need to guide us to the stable and successful future that everyone here wants for our company” (2003, line 171).
American Airlines held true to form amidst the changing circumstances of the 3 years of this study. Always seeing the competition below as it looked down from the mountaintop, the years of the crisis and the aftermath saw it become, if possible, even more self absorbed. By the time Arpey took over the bruised and battered corporation, leadership still projected its control, creating “maps” that lead it out of the wilderness to profitability and its rightful place, atop the pantheon of the airline industry. In the uncertainty of a crisis, a return to the principles and values of the past becomes the means by which to navigate the present. It is necessary to return to a beginning point, but not just the one of historical origin. It is necessary to slice out a new start, returning, as Payne notes, not just to a time but to a place in order to regain those values. Time is a rhetorical tool that allows the CEOs to simultaneously restart the clock at 9/11 and call forth a more distant past as a place to find and reclaim the techniques, attitudes and values necessary to deal with the present crisis. AA does not look outside the organization but to itself, to its own past accomplishments and achievements to steer the company on the right path through perilous waters. The leadership does not try to control the future and predict what will happen, they attempt to breed confidence by returning to the past. They have been here before and will continue to find a way through. For AA, through the use of time, who they were, is why you can be assured of who they are now and will be in the future.

AA uses its own identity in the midst of crisis as a foundation of maintaining investor confidence for all three of the presentations in this study. Unlike, American, Delta loses its sense of history, focusing on the present leadership and their analytical ability to maneuver through the crisis. As present needs press in, the focus of time becomes narrower. Losing control of time Leo Mullin bounces through the present,
making then retracting his visions, seeking some formula to maintain investor confidence while weathering the storm of a post 9/11 airline industry.

A Summary of DAL 2001 – 2003

Over the years Delta Airlines grew on its reputation for customer service and strong commitment of its employees to the welfare of the company through their focus on customer service. Since crises are self determined, based on its reputation and corporate culture, it is possible to consider that all three presentations by Leo Mullin were delivered in the midst of a crisis. The first is the crisis of corporate culture created by the impacts of the strike actions of the pilots for ComAir and the slowdown by Delta pilots. The second crisis was created by the events of 9/11. The third crisis, constructed as a result of 9/11 but just as easily construed as a leadership and management crisis, by the inability to enact an environment that was sensible and effective for their exigencies.

In 2001 the crisis centers on a loss of the corporate culture. Oddly this is seen in two opposite ways; the first in attempting to show that Delta is the number one airline in the world and the second in the pilot’s actions of 2000 and 2001. The highest net income in the industry (line 23) and the most emplanements (line 49) are presented as “more than any other airline in the world”. Characterized as “excellent achievements” Mullin then makes them subordinate to DAL’s core value, “But the most gratifying of all our accomplishments was Delta’s continued improvement in customer service” (line 54). Delta has seldom been the industry financial leader and these numbers are not, by Mullin’s estimation, the measurement of industry leadership. Almost always a follower and seldom a leader, DAL culture is displayed in its smooth coordination of a system that keeps customers happy. This downplay of the successes of 2000 may be a result of the
first quarter losses of 2001 reaching $122 million. Too much emphasis on gains could easily bring the same scrutiny to loss.

It is, after all, the core value of customer service that is touted as “improved” that suffers the greatest damage at the end of 2000 and the first and second quarter of 2001. He laments, “Given the high-level of customer-service orientation resident in the people of Delta Air Lines, these reliability failures [of the 2000 slow down] were painful and difficult for us all” (line 129). While the “vast majority” of pilots were “heroic”, the unstated implication is this loss of corporate culture is due to a select few. Given the corporate ethos of teamwork and commitment the outside help of the federal government is an intrusion into a heretofore harmonious family, a public admission of family turmoil, the exposure of dirty laundry. What matters from the past for Mullin are the values of the corporation. There is no iconic figure that he recalls, no particular leadership accomplishments are revisited. The values of the past are what matters. These values are plucked out of the historical fog, disembodied from materiality or person. Even its present successes are minimized in light of this core value. It is an outside source, Lincoln’s second inaugural that is used to address the perceived needs of the organization. Time is sliced but the place it is sliced from is not their own story but someone else’s, a dubious reference at best.

The crisis of 9/11 returns DAL to its core values. Mullin highlights over and over again in the 2002 speech that the people of DAL are the difference. They are “highly professional, showing unity and support” (line 8), “highly qualified” (line 94), one of the 3 main constituencies (line 96), those for which we seek to “ease the disruption” (line 239), “unified and in action, successfully overcoming challenges previously unknown in
our industry” (line 314) and those in which you can have “confidence in” (line 319).
Crisis has a way of clarifying and uniting, of removing the chaff and reclaiming the
essence. The “rogue” element has been rehabilitated, or at least ignored for a while, its
recidivism held at bay, as everyone pulls together in the culture that has served so well so
far and will once again “make it the world’s greatest airline” (line 319). But, as shown in
Chapter 4, crisis also reveals weakness that may remain hidden in the midst of success.
Again the usage of time focuses on the present. It is as if the specific successes of the past
are forgotten and the only sound is the mantra of past values displayed in the present. The
organization of 2002 is linked to concepts and ideas called forth in a generic fashion.
Crisis response is anchored in visionary talk of thriving. A contiguous line of an
ambiguous concept of the past - customer service - is connected to an ambiguous concept
for the future - thriving. The vestiges of the past are concepts and the present is subsumed
into an equally nebulous future. It may have seemed too much smoke and mirrors for
skittish investors who are concerned with material gain.

If the presentation of 2001 displays an interruption of corporate narrative and
culture then 2002 is an attempt to reclaim core values in the midst of an outsider created
crisis. In light of the exigencies of the moment and the lack of understanding and
preparation by leadership, Mullin’s multiple mea culpas simultaneously recognize one
crisis and create another. One of the central problems of a crisis is the lack of control.
Delta views its success as built upon teamwork that is focused on customer service. A
 crisis of confidence is created by negotiating givebacks from employees while giving
bonuses to management. This has Mullins spending one-fourth of his speech justifying,
repairing the breach and “sincerely apologizing” for the problem. However, the more
damaging part is the admission and details of the miscalculations and misunderstanding of the economic environment practiced in 2002. In a series of “confessions”, he states,

“it was clear that none of us at that time yet knew the degree of profound, fundamental change which still lay ahead.” (line 76)

“In retrospect, that portrayal, which I thought was quite bleak at the time, now looks incredibly optimistic, given the reality of the past year.” (line 84)

“Regarding my observation last year that passenger demand and revenue were slowly returning to normal levels, that trend ended abruptly” (line 86)

“And as to my point that low profit levels would likely be the industry’s primary problem in 2002, that issue has been fully displaced by the urgent issues of day-to-day airline survival…” (line 90).

Summarizing his miscalculations as he moves into the response he calls it a “much grimmer picture” (line 94).

Mullin’s attempt to repair the breach caused by the bonuses and explain why the optimism of last year did not pan out violates expectations of the corporate culture thereby articulating a new crisis – the crisis of leadership. The failure to foresee the effects of the compensation process and the failure to enact the proper environment is doubly focused because of the language Mullin uses. In the “confessions” starting on line 20 and ending in the grimmer picture phrase Mullin uses “I” or its cognates twenty five times. Despite an occasional “we” the focus is clearly on what he did and then what he did not do. Its indictment is multiplied because of the order of the presentation. Placed
sequentially in the presentation, Mullin’s responsibility taking is magnified from the first policy problem to the second leadership problem. In a crisis leadership exhibits control. If control cannot be exhibited, the successes of the past and the shoulders of the mythologized historical figures can be used to bolster confidence. In this case Mullin narrows the focus of time to begin with 9/11 and focuses on his own actions. By addressing the internal crisis and assuming full responsibility for it he unwittingly links it, with the same “formula”, to the crisis of understanding and vision of last year’s presentation - so much for teamwork.

He reaches into the past and gets no further than last year. He does not to conjure up epic figures and daunting tasks accomplished but seeks to clarify why he was wrong and how he misread the signs. Even though Mullin addresses the former issue with his own givebacks, he links his personal culpability to the lack of vision. His attempt to address the latter is not with a plan but with “underpinnings”. In so doing he exponentially multiplies the impact of his failure to enact an appropriate environment and detaches himself and his organization from its past. His failure to go beyond the events of 9/11 boxes him in and allows him no rhetorical room to operate. The further back in time, the less concrete the hearer’s images, the more malleable they are to meet current rhetorical needs. The closer the invoked past events are to the present the more competing personal interpretations, experiences and images the audience has of them. This makes it harder rhetorically to create shared meaning from the past to apply to present exigencies. By anchoring time to 9/11 Mullin creates a situation where sense is made in an arena that everyone has experience, interpretation and opinions. The “safety”
of the past is rendered inoperable. This has a major impact on the interpretation of the contractual bonuses.

To fail to understand, immediately following 9/11, the impact these contracted bonuses would have in 2003 is at least rhetorically defensible. But, to evangelize that all is well and claim the industry is coming back, without a proper sense of the looming, dire circumstances or taking drastic actions to forestall it, is an exhibition of lack of control. Focusing, by presentation structure, language usage and time slices that lack of control on the CEO, Mullin intensifies the crisis and has the opposite effect of gaining shareholder confidence. Within 6 months, he announces his “unexpected” retirement from the position (Reuters, 2003). What he lost more than anything is control of time. A crisis needs an expanded vision, it needs the history of the past, the lessons and the people of the past to mitigate, soften and provide an alternative vision to the present circumstances. Past stories need told, not to valorize the “good old days” but to provide perspective, a common language and an anchor. By controlling time the myopia of the present exigence is treated with panoramas of past successes. Once the myopia has been cured, the bounty of distant future shores can be envisioned. Mullin attempts to create the latter without the former by focusing more intently on the present and leaping into the unknown future.

Unlike Delta, Frontier Airlines has a well defined organizational plan not dependent on leadership. This plan becomes the stabilizing center for its three presentations. Like Delta, there is no reference to iconic figures. In response to the first economic downturn faced in Frontier’s brief history, creative, comparative measurements become the tour de force of the presentations. Unlike Delta, the future is envisioned
based on what is happening in the larger scope of the industry, economy, the Frontier plan and Frontier’s founding activities.

A Summary of FA 2001 – 2003

One of the advantages of a smaller size is that small changes can make significant differences in the overall operation. One of the advantages of being relatively young is that behaviors are not as entrenched and therefore more malleable. Structuration theory recognizes the impact of processes over time as an organization is socially constructed from its communication processes. With less to fall back on, with less history to combat, Frontier Airlines is able to maneuver through these years, in part based on its historical tabula rosa. Founded at the end of the early 90’s industry slump, it took 3 years to become profitable. Positive returns on investment lasted for 4 more years. The economic downturn exacerbated by the problems of 9/11 is the first foray into the traditional cyclical airline modus operandi for the fledgling airline. In each of the years of this study FA is attempting to create a name for itself, to identify internally and externally who it is and establish credibility so that investors will have confidence in the short term and the long term. This is accomplished in three ways: a focus on rational metrics, a minimal narrative expression of its corporate culture and the constant advocacy of its fleet plan.

Frontier is displayed in these presentations by charts and numbers. Speaking the “language” of investment, Jeff Potter uses a series of numerical and graphic snapshots to show the achievements and difficulties of the past year. Precise orientations based on months and numbers creates not only a common bond and common language but a comparison year to year. The form is the foundation of the persuasive process. Potter’s ability and personal influence are minimized, the company, through the numbers, speaks
for itself. The time focus is narrow, year to year, quarter to quarter, with an occasional reference to its early struggles and successes.

This numerically based presentation is not supplemented with a lot of meaning making or discussions of core values and corporate policies as is found in the two legacy carriers. If the numbers speak for themselves then Potter does not have to place them within a specific historical context of the organization’s roots, goals and values. The context given is twofold: toward the larger economic climate and toward other airlines. We are all in the same boat is the mantra of the economic story told. Once that is established, FA is not content to be pigeonholed by comparison to like-sized or like-aged airlines - FA takes on all contestants. Like the smaller man who fights the largest guy in the bar to establish his place, Frontier creates an identity by measuring up, even if the metric is unrecognizable to anyone else. This measurement is not as important as what it reveals: progress, zeal, fearlessness and detailed leadership. The one constant that displays all of this is the advocacy of the FA fleet Plan.

The foundation of LCC operation is streamlined maintenance costs and fuel efficiency (Wybrandt, 2004). This is accomplished through a modern, homogenous fleet. Starting with leased Boeing 727’s and 737s Frontier’s success enabled an upgrade to the newer, more fuel efficient Airbus 300’s. Seen as the foundation for future profitability, orders and options were taken on 37 planes that would replace the Boeing’s and increase the fleet size over the six year period from 2000 - 2006. Each year Potter gives detailed updates on what is happening with this plan through graphs, charts and repetition. It is even seen as the singular effective response to 9/11 (2002, slides 4,5) because it exhibits control. The first heading on slide 5 states “Scaled Back….” Followed by 4 points. The
section heading reads “… But Maintained Our Ability To Plan For The Future” followed by 4 points including “Retained Air Bus delivery schedule”. Staying the course, no matter what the exigencies, is a significant test for this fledgling airline and its second CEO. Scaling back is fiscally responsible response to the problems. Maintaining one’s abilities to plan for the future is a means of control of an otherwise out of control situation.

Unlike the major legacy carriers, survival is always in question for Frontier. Carving out a market share in Denver against the behemoth United, establishing brand identity and creating an effective mix of people, planes, customers, and confident investors, Frontier does not have the luxury or the burden of the past to fall back on. Its sensemaking is forward looking in its plans as it takes on each issue. The CEO answers the questions “Who is Frontier Airlines” and “What are we?” each year as it takes on all airlines to make a name for itself and financial returns for its investors. In some ways 9/11 is just another obstacle, another factor to be dealt with. It changes the environment and makes it harder, but while living on the edge, a few more issues doesn’t change much. Going with what they know, the fleet plan contains within it its own response, one of projected stability and dogged determination to go forward in this process of becoming. A telling remark by Potter in the 2003 letter highlights this. “We have always managed our airline by focusing on factors we can control, as opposed to engaging in excessive hand-wringing over those that we cannot, and looking for opportunities in the challenges that face us” (line 47). Potter answers the question “What we are?” in many ways. No matter what way he answers they all mean, “We are determined”.

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Children slice time in fine increments, they are four and a half years old not just four. Potter and Frontier do the same. Quarterly measurements are touted as signs of progress. The “good old days” are easily remembered by all those present because they were just a few years ago. Without a legacy to invoke, appeals to history are limited. Without a legacy to invoke, options are limitless. The present and recent past are the time slices of confidence building. Likewise, future visions are limited by the fragile nature of youth and the need for maneuverability in an uncertain landscape. Time is sliced but it is sliced thinly in both directions.

*Across the Years Summary*

Seen across the three years the progression from the normal business activities and their cyclical pressure points to the crisis of 9/11 and beyond, the CEOs attempted to retain and create confidence from the shareholders by various means. A significant rhetorical means is their usage of time. Attributing blame and seeking understanding, the context of a changing economy “‘None of us has ever seen this kind of collapse in business travel’” (Potter, 2001, slide 8) and later, the effects of 9/11, gave way to a new crisis, a crisis of confidence. The issue evolved into whether leadership had the tools to address the long term exigencies they now faced. American and Frontier were consistent in their approaches, even in not saying much after 9/11, American held forth its aloof demeanor and historical foundations, no explanation was needed. Delta failed to capitalize on its ascendancy to industry statistical leadership and focused instead on what it considers a core principal [customer service] disembodied from a material past. The miscalculations [it could be labeled hubris but that seems a stretch] expressed in the sermonic presentation, gave way to the personal focus of 2003. In considering the
presentations across the defined time span it may be that maintaining one’s identity
despite the external changes is the most important rhetorical response in any form by any
airline. That identity is founded in past experiences and successes. It is this past that
diverts undo focus from the present and allows a concrete past to materialize. Once the
myopia is broken, the future can be envisioned.

In the next section, the presentations will be considered as a function of the year
in which they are given, comparing the shareholder presentations of the individual
airlines against the backdrop of the events within their comparative fiscal years.

American Airlines, Delta Airlines and Frontier Airlines.

2001

Across the airlines for each year it can be said that they held true to their character
and ethos in 2001. The corporate culture of dominance shined through for AA. The
 corporate culture of teamwork and service is at the heart of Delta airlines in principle if
not in practice. Frontier continues its climb, enjoying the heady feeling of 15% growth
and a rational plan. The slackening economy is a concern as the advances and dividends
of the last few years start to dissipate on unsettling economic forecasts and losses for the
quarter. Each airline sees outside elements as inhibiting their potential for growth. For
American it is “the pitiable state of the nation's air traffic control system and its
universally adverse effects on the service that we and other carriers are able to offer on
any given day” (line 133). For Delta the outsider is an insider. Not the union but those
few pilots who failed to accept the corporate culture and act like outsiders by engineering
a slowdown and a strike. For Frontier the industry forecast are the biggest threat, “[The]
Industry is expected to lose $2.0 billion during calendar 2001” (slide 8).
For 2001 it is business as usual in the airline industry; living on the edge and swinging from record profits to staggering deficits. Those who have been here before, AA & DAL tell their story and revert to core values that have worked in the past to see them through. AAs values are embodied in people while Delta’s remains an disembodied concept. This application of lessons learned over time crosses both Structuration theory’s duree and Weick’s retained memories. For those like Frontier who have not been here before, they let their figures show that the losses have been kept at bay a while longer. Reminding themselves and others that they are cut from a different cloth than their legacy brethren, they maintain profitability despite the downturn and predictions.

It is interesting to note the taken for granted attitude of American when it comes to labor troubles compared to Delta’s reaction to them. Federal assistance via the National Mediation Board is old hat to American. “Even as we work towards positive outcomes with all three [unions], it is hard not to recognize how uncertain and how unpredictable the relationship with labor has grown not just for our company, but throughout the entire airline industry” (AA, line 123). For Delta it means a whole lot more than solving a dispute, it means a break in the corporate culture where the customers play a large role in healing it, “We are gratified, too, by the loyalty of Delta’s customers, and by their patience during these often frustrating and uncertain weeks and months” (DAL, line 133). Each airline remains within their corporate culture, applying it, celebrating it, trying to claim it or reveling in its success in the year 2001 against the changing economic climate. Without enumerating past troubles AA links the present disputes to past activity, it’s just more of the same. For Delta labor disputes are seen as an aberration, a violation of company culture by a few malcontent employees. Delta fails to
admit its growing labor difficulties and blames the malcontents for a decline in customer service (line 130). The problems of all three airlines in early 2001 will pale in comparison to the effects of 9/11 on their industry.

2002

The three airlines of this study approach the events of 9/11 and its impact in very different ways. Carty of American speaks little and uses the events of 9/11 as cover for other events of the year. Without lengthy meaning making of connections to what has happened, he spends time praising employees who have “been an inspiration to us all” (line 47). In the finest tradition of the leader of the industry the ironic statement that opens his talk includes the statement “like most other years, the American Airlines and the American Eagle teams rose to meet a number of incredible challenges. And from a strategic standpoint I think we did accomplish quite a bit in terms of positioning our airline for long-term competitive success” (line 5). The challenges may have been different but for American overcoming them has been the norm once again. Their history of success bears witness and anchors their present difficulties. No big promises are made for the future, no claim of understanding of the current situation, just trust in the airline, as the past places its imprimatur onto the future.

Delta sees the success of the past derailed for a time but the current crisis is an opportunity to “survive then thrive”. Mullin highlights much about how the economy and the industry have fared as it weathered the storm and has “turned the corner”. The Government industry wide intervention that was engineered by Mullin, has done its job and the industry can see brighter days ahead. This sermon is for the stakeholders to have heart, the worst is over and there is light at the end of the tunnel. If Carty says too little
lest he complicates and reveals what he seeks to obscure, Mullin speaks too much, with too much professed insight that he retracts in painful detail the following year. For Mullin, time escapes him. He acts as a man with no past to recall and a future that he cannot articulate because he has no words to express what it will be like. Without historical referent he is creating a future without grounding it in the past.

Frontier seeks positives in any way it can get them. Nearly a full year after 9/11, with the first loss in four years on the books in the quarter ending in June 2002, Potter finds ways to show that investors should still be confident. He displays to investors once again, the fleet plan, that they are winners of the reduction percentage, and, despite recent losses, he reinforces the four years of profits that just ended. They do not lead nor do they lag behind, patience as “steady conservative growth” (slide 6) is the mantra that replaces the “15% growth strategy” of the previous year. He walks the fine line of lessening expectations while maintaining confidence. The central focus of this confidence is the control of the future exhibited by an airline acquisition plan that will not be deterred. Without a significant corporate culture to fall back on or stories of past glories, Potter shows how a flexible FA continues forward against the odds of the economic climate and industry difficulties.

The crisis of 9/11 is used to reflect and deflect the issues and problems of the individual airlines. At the feet of 9/11 lay all types of demons, industry problems, corporate decisions and professional foibles. Some are presented with a clear logic, others through emotional parsing, association by proximity, evangelical zeal and strategies of identification. Cost control and cutbacks are touted as an effective response as all wait and see, especially investors, whose ideas win out and which plans are effective
responses to the crisis. The events of 9/11 become a temporary cover as the problems of the present are focused on these events. 9/11 receives too much blame and is used to buy time for the problems that were already rolling through the economy and the industry. The focus of time is narrow for FA as it has been since its inception. AA focuses on the past year but maintains its mooring in historical precedence and past successes, including deregulation. Delta is forwarding looking with confidence while disengaged from all but the ideals of the past. The crisis of 9/11 creates problems but it also buys time. By 2003 that patience has worn thin. The focus is on which direction the organization is moving.

2003

By 2003 the “pass” investors patiently gave to the companies because of the crisis is over. While the initial crisis was outsider created, the follow up, after an “appropriate amount of time”, is focused on administrative ability and strategic maneuverings to become profitable again. This affected all three airlines in 2003. The two legacy carriers had similar issues, losses and compensation bonuses in the midst of union give backs. They dealt with the fall-out in different ways. Frontier dealt with the financial losses but had less of a corporate ability to absorb the losses and, in my view, less investor wiggle room. It could be argued that the losses created leadership issues for each airline because an answer was needed NOW to build confidence for the future. However, the compensation issues of the legacy carriers created an undeniable leadership crisis. After consideration of how the legacy boards of directors dealt with the leadership crisis, the larger question of profitability will be addressed.

The issues of executive compensation became an issue for Delta and American about the same time, when the SEC required 10K Annual Reports were filed listing
executive compensation. These reports are due April 1 but AAs was delayed for two weeks (Zellner, 2003). The AA Shareholder’s meeting was scheduled for May 15, while the Delta meeting was to take place April 25. Carty was ousted by the Board when the unions threatened to re-vote on the agreed upon givebacks. Mullin retained his post. Carty’s replacement, Arpey, does not directly mention the issue of executive compensation once in his presentation. Mullin on the other hand, spends one-fourth of the speech dealing with it. Coupled with the “confessions” of the errors in last year’s speech, Mullin presents an overall impression of errors and lack of control. Arpey presents a plan and Mullin presents “underpinnings”. The appearance of control and assuredness that breeds confidence in leadership by investors is shown in leaders providing answers to questions not mea culpas. That Carty was ousted by the Board presented a view that AA was decisive and willing to do whatever it takes to work through the current economic trials. This was coupled with the significant cutbacks in costs that AA had already implemented. Mullin’s actions of reducing his compensation package was an effort to re-establish good faith with the unions. Unfortunately it maintained the focus on him instead of corporation. As such it could be also construed as self serving, especially in light of the concomitant forced retirement of Carty.

It is of interest to note that the executive compensation issue that had such an impact on both airlines was a failure to control time. It is not the future that is out of control but the past. Sound business decisions made in the darkness of crisis are hard to justify in the light of present circumstances. One of the ironies is that many analysts see these executive compensation packages as a necessary part of keeping the airline solvent in 2001 (Zellner). In 2001 it was clear that skills of leadership transfer across industry
lines. Airline executive pay incentives in 2006 brought this response, “‘Compare airline CEOs with the automotive and technology industries, and you'll find they're grossly underpaid. If you want the best, you've got to pay for the best,’ says David Castelveter of the Air Transport Association, a trade group that represents major U.S. carriers” (Johnson, 2006, p. C1). These troubles were time related, created because the announcement of their bonuses granted in the past coincided with the union give backs and the airline’s continued steady loss of income. The failure to make appropriate rhetorical justification for these past decisions or to modify the contracts intensified the focus on the losses. The non disclosure of the bonuses were perceived as a betrayal, playing into the antipathy between the sacrificing union and “overpaid” management. This side show did not diminish the focus on the central issue – their financial losses that threatened bankruptcy (Reed, 2003).

Each airline CEO sought to express the way in which their organization would return to profitability. This is of critical importance in managing investors and maintaining confidence. Before that could happen the losses needed to be first stemmed then stopped. Regardless of the origin, actions need to be taken to instill investor confidence enough to maintain share value. Arpey sets forth American’s plan while rooting that confidence in the actions and responses of the past. Mullin, after raising questions about leadership abilities, tries to set a foundation based on ambiguous future and past values. Potter sandwiches Frontier’s losses between progress on fleet replacements and a cautionary reading of signs of a turnaround.

Each of them addresses the larger context of the “unprecedented [economic] challenges” as a limiting factor to deal with. This is expressed as, “National
unemployment, including long-term unemployment, is at its highest level since Frontier’s inception in 1994” (Potter, 2003, line 71), Mullin notes about the 2001 compensation decisions, “Yet, in the current timeframe, with new and different challenges, these actions, when considered cumulatively, no longer appear appropriate” (line 48). Arpey agrees, “As everyone here knows, the revenue picture today bears little resemblance to the year 2000” (line 112). The world has changed the CEOs state and the expectations must change also.

Gone, however, is the focus on September 11. Only 8 times in the nearly 8000 words of the three texts for this year is 9/11 mentioned. Once in each of FAs and AAs meeting and 6 times by Leo Mullin. Of Mullin’s six, most of them are in the confessions part, quoting what was said in the previous year. No longer able to place the blame for the current conditions with 9/11, the changed circumstances and economic realities are brought to the fore. As has been shown in other areas, AA focuses on its own reactions and plans more than the outside forces in which it labors. FA emphasizes the positives and DAL recognizes the outcome is uncertain. This is seen in the endings each CEO chooses to use for their 2003 presentation.

To take hold of the future, to capture the vision you promote and to create a new reality takes rhetorical skill. Daniel Boorstein, in his study of the settling of the American west, tells of newspapers that proclaimed a new town in the midst of the prairie grasses, describing buildings and a way of life that existed only in the presenter’s mind. (Boorstein, 1965). Similarly, shareholder relations for an organization require enacting a future environment that is sometimes just as visionary. This is done rhetorically by linking the past through the present creating something that makes sense for the future.
Each CEO attempts to do this. In their conclusions they offer the essence of that vision. Arpey creates a map through the uncertainty, “we believe the Turnaround Plan that I have outlined this morning is the road map we need to guide us to the stable and successful future that everyone here wants for our company” (line 176). Potter reiterates the fleet plan and expansions into new markets, growth in the midst of losses, and partnership with the investors, “We believe we are on track to weather the current storm and position Frontier for a bright future. As a valued shareholder, you contribute to that future” (line 107). Both CEO’s present an unambiguous vision. The vision however, is not presented as a certainty but as something “we believe”. Mullin however, chooses a different rhetorical tactic.

The final two bulleted points of Mullin’s presentation deal with winning….. or losing. He states,

- “At this point, the battle is ours to lose – or to win.
- Based on the foundation we have built and – most importantly -- the capabilities and the fierce spirit of Delta people ….. I am confident that the outcome can and will be not a battle lost, but a battle won.” (line 286).

Mullin presents the choices and the possibility of loss. Unlike the “survive and thrive” of the previous year, he uses the first person singular “I” to persuade the shareholders of the “win” The same “I” that he used so often in his earlier apologizing. The use of the word “lose” twice within the last 68 words may be realistic but creates rhetorical ambiguity when the situation calls for certainty. Even the “can and will be” injects the possibility that it may not happen. A dialectical possibility in times of uncertainty seldom breeds confidence. His team is paid to create a “map”, to buck the odds and “grow”, to at least,
be certain of its vision. Instead he offers possibilities and his personal assurance. By contrast, in the next to last line Arpey states “You have my word, we will do our very best…..” His personal assurance is followed up by a corporate “we.” Perhaps the certainty of vision the previous year led Mullin to shy away from reducing the ambiguity of 2003. Perhaps he learned too much. The ongoing negative effects of the economy on the airlines made the crisis of 2003 worse than the previous year. 9/11 was no longer rhetorically available to absorb the blame and all the federal supplements had been used up. The societal crisis had found other expressions and satisfactions. The airlines were, to a large degree, on their own when it came to addressing these severe issues. When Mullin gazed about for an acceptable scapegoat, he only found what seemed an acceptable rhetorical device from which to project the problems of 2002. Unfortunately that device was a mirror. Time for Mullin became very narrow indeed and rhetorically, no escape was provided as all eyes were on him.

It is not the rearranging of chronologies and jumping across time spans to create connections that matters, it is reconfiguring the meaning of the past so it meets the needs of the present and bridges to the future that gives persuasive force. Rhetorical purpose resurrects the past’s significance as the speaker offers to explain the present in that light. Once grounded in an event, person or value the enacted past can be bridged to a coherent future. Investor confidence depends not only on what the CEO thinks might happen in the future but what has been done in the past to justify that future expectation. While the legalese at the start of the meetings states that previous returns are no guarantee of future returns, investors use previous returns and links to the past to determine the salience of
future visions. Since investor management is about managing expectations, enacting a sensible past gives credence to future visions.

*Within the Years Summary*

Each year the CEO’s were called upon to address circumstances that had striking similarities as they addressed their stockholders. The boom then bust of the industry affected the plans and goals for each of the airlines in this study. Relying on their past, or without a sufficient past their plans, they attempted to show control by warning of the downturn and its possible effects. Later, as they were overwhelmed by the events of 9/11 and the precipitous declines it engendered, they sought to enact environments, to see about them the relevant aspects that would make sense of the equivocality in a world and an industry that no longer was sensible. These enactments were shared in different ways, from parsimonious utterances to certainty and assurances to new ways of measuring the world; all the while using 9/11 as the explanation of the problems. Finally, when the effect of 9/11 wore off sufficiently that investors would no longer accept its direct consequences as an explanation, the CEOs attempted to create a vision from the edge of non existence, attempting to gain the confidence of shareholder’s in the professional abilities of the CEO and the abilities of their leadership team.

In each year, caught between the “facts” of the past and the uncertain projections into the future they offered their interpretation of the meaning of the events that occurred. Time is the commodity by which they made their connections, created an interpretation and proffered a future. Slicing it in different chunks, depending on what impression they sought to make, the “past” was anywhere from the last few weeks to 77 years ago. Weeks were compressed into single events and personal stories intersected with corporate
actions and histories. Meanings were created by logical connections that rendered time irrelevant or amplified the significance of prescient time that found them ready to deal with the onset of a crisis. While one aspect of these shareholder’s presentations is retrospective their goal is always prospective. By defining the past they hope not to serve as historians but as visionaries in historian’s garb. It is not only Leo Mullin who speaks with a prophetic voice in 2002. Each of the CEOs seeks to create the future they pronounce by the act of proclaiming it. How well they accomplish this rhetorical task is seen, in some measure, by the stock value maintained, rising or diminished. As sense makers for the organization their presentations in the midst of crisis takes on added significance because of the inherent ambiguity, uncertainty and equivocality of the crisis. Abigail Adams once noted to her future President son, “The habits of a vigorous mind are formed in contending with difficulties. Great necessities call out great virtues” (Adams, Adams, McCullough, 2002, p. 253). The great necessities of the airline industry, inherent in its deregulated state, were exacerbated to crisis proportions by the events of 9/11. This crisis threatened the survival of many airlines, shook the confidence of investors and challenged the “vigorous minds” of its leaders in ways they had not been challenged before.

Crisis call forth vigorous minds that must address the materiality of the crisis, in this case; financial losses, layoffs, employee give backs, bonuses, increased security costs, management ethics and rising fuel prices. As stated in chapter one, addressing the materiality is only part of the equation of crisis management. The communication of the decisions is vital if the crisis is to be solved for those stakeholders within the corporation and the public that is now aware of the issues of the organization in crisis. For
stockholders, on the cusp of the internal/external division of the organization, communication of how a crisis is being addressed is critical for their decisions because they hold a financial stake in the organization and will directly benefit or be penalized for the actions of the organization. These “explanations and plans” of the organization are rhetorical tools for gaining, maintaining and fostering confidence so that private and institutional investor will keep their stock and maintain the stock’s value. With these goals in mind the presentations to shareholders represent the best that the organization has to offer in both its interpretations of the past and its vision for the future.

Imbued throughout with time considerations, time becomes a central tool for this rhetorical management. To address a crisis, CEOs must use time, not just the linear, experienced time of the retelling of events but more importantly, interpreted rhetorical time. A major task is the utilization of meaning making time, the time of connecting disparate events by their enacted commonalities that makes sense of equivocalities and gives direction to the future in the midst of present uncertainties. Moving seamlessly from their task as historians CEOs assume a prophet-like role as they proclaim an “attainable” future. The past is displayed again in the duree, not for its historical significance but for its future salience. When the present is out of control, the ability to rhetorically manage time, to slice it, compress it, mold it, reshape it, becomes a central means of CEOs achieving their goals with shareholders. Crisis is by definition about loss of control. A crisis is certainly about the loss of control of the material portion of the organization. But more significantly, it is about the loss of the control of time, specifically the future. To regain the future CEOs use the retained memories and meanings of the past to create a vocabulary and invoke analogous circumstances,
pronounce implementation of present plans to create a sense of understanding and mastery over the current problems and to proclaim a vision of the future. To address a crisis effectively, particularly for shareholders in the ecology of rhetoric that exists in the organizational society in which we live, means to utilize the persuasiveness of rhetorical time. Events become the building block of meaning making where time is not a given but a variable.

Study Limitations, Implications and Future Considerations

Limitations

The design of this study is a rhetorical analysis of airline CEOs to shareholders before, during and after the crisis of 9/11. The purpose is to consider how these CEO’s dealt with the persuasive requirements of presentations in the highly rhetorical environment of addressing shareholders at the annual shareholder’s meetings. Under normal conditions a primary purpose of Annual General Meetings is to gain, maintain or create investor confidence in the corporation, the CEO, the leadership team, or the industry itself. Confidence building is a rhetorical activity. During a time of crisis the rhetorical elements are pervasive and significantly magnified. The methodology was to focus on the usage of time as the CEOs dealt with the rhetorical ecology of yearly contact with investors through this venue, quarterly analyst calls and annual reports. The three airlines chosen are selected because they are a cross section of the industry and degrees of participation in the events of 9/11. AA and Delta provide insight from the perspective as major, legacy carriers, one directly involved in the high jackings, while Frontier is seen from its niche as a relatively new, unique, Low Cost Carrier.
As Burke (1945), notes, how a matter is constituted determines the outcome or range of outcomes (p. 197). Therefore, the selection of these airlines certainly limits the study. It may have been more fruitful to select all major legacy carriers or all minor LCCs in order to create a uniformity of approach, history, and commensurability. The differences of airline age, size, available resources and history make the comparisons different by orders of magnitude. For example, in 2002 American spent more on food services than the total revenue of Frontier Airlines. American’s revenues were more than 42 times that of the Denver based LCC. (AA Annual Report 2002)/FA AnnualReport , 2002)

Additionally the starting point of the study influenced its outcome. Extending the starting point in the years before 9/11 would establish a firmer baseline of non-crisis presentations before attempting to discover what changes were made as a result of the events of September 11, 2001. This would create a comparative background of the style of the individual CEOs as well as what data and interpretations were considered relevant by the leadership team for the investors. It would also reveal the issues that have been presented over time and how they were rhetorically fashioned in crisis to chosen outcomes and influences that were sought.

Limiting the study to airlines where the same CEO made the presentation each year would have minimized differences based on personality and abilities. That being said, studying different CEOs allows for a greater revelation of corporate policies and culture because these presentations are not the work of an individual but are shared across leadership lines. The involvement of different CEOs allow for the organizational structure to be seen more closely over time.
The final two limitations are inherent to the individual fields of rhetorical analysis and organizational communication. Rhetorical analysis has within its practice the understanding that the analyst is creating meanings and drawing inferences from the insight and research base compiled. Close Textual Analysis, seeks to allow the text to shape the analyst’s vision by being immersed in the text as a grounded understanding emerges. The study of these enactments is itself an enactment. Attempting to limit the presuppositions, the analyst cannot help but bring a worldview and an understanding of the purposes and meanings to the techniques used to persuade. As such, my background in leadership positions, albeit in much smaller organizations, creates the dynamic of investigation based in part on how I read the situation and the leadership tasks that inhere to it. In addition, there is a limitation on the understanding of the impact that the individual personality of the presenter brings. The ways of phrasing ideas, the emotional sensitivity, the tone of the text may be more closely connected to the individual style than the organization. This individual style is mitigated in each case due to the role as representative of the organization speaking on behalf of the organization but is sometimes hard to separate.

Finally, at times, organizational studies suffer from their specificity to an industry or a niche organization within a particular industry. How much of the crisis communication revealed here is applicable beyond the volatile airline industry is questionable. Is it, for example, applicable to the study of FEMA during the response to Hurricane Katrina or the crisis of the shootings at Virginia Tech? How much of the “official, structured” nature of these presentations vis a vis the SEC limits their use of rhetorical techniques to persuade? Since context determines availability of techniques this
may be a significant factor. Additionally organizations are highly symbolic in their creation of identities, meaning making and identity projection. Can this be measured or understood from textual studies or does it need to be studied over a period of time? The use of PowerPoint presentations compared to a letter in the case of Frontier Airlines is a case study by itself in retained memory of organizations and Structuration processes. With these limitations recognized, the study contributes to theory and practice in a variety of ways.

Contributions to theory

Crisis communication is a growing field within the study of organizational communication. Leadership communication has a rich history in the disciplines of history, politics, military studies and rhetoric. Rhetoric has grown in significance in crisis communication within organizational communication studies. In my view, this will continue to grow as society continues to move to an ever increasing dominance of organizations as the major form of identification and interaction. This study contributes to theory in three significant ways; rhetorical responses to crisis, leadership in the midst of crisis and the central focus of time in addressing crisis situations.

Crises are rhetorical situations infused with a contestation for meaning, salience, relevance and significance. How one approaches a crisis, the choices of representation of the organization, the subject matter, tone, sequencing and perspective of the presenter all point to the intent and the effect of the speaker. The awareness of the contestable nature of the crisis is the first aspect to be understood. Once the rhetorical goals are created, which goals best suit the purpose of the organization in regards to the audience is significant. This study focused on the malleability and contestability of time as the
chronological history of events interacts with the meaning making recapitulation of those events. What connections are made, how they are rationalized and the impressions desired are necessary considerations of the rhetoric of crisis management.

Charged with a visionary role, leaders in organizations stand at the nexus of the past and present, making sense of the former in order to enact the latter. Utilizing their representational authority, they speak for the organization and for themselves as they attempt to give voice to the history of the organization and mold it as an indicator of the path to an envisioned future. As such they take control of time and bend it as a tool to achieve their purposes. This understanding of both the storytelling and the meaning making function of their office contributes to an understanding of the task, opportunity and responsibility before them and a process available to them. Focusing on time configurations in an organizational context is a nascent field in organizational communication literature.

**Contributions to practice**

This study provides depth and insight for those addressing the needs and issues of crisis communication. It also allows those who study and practice leadership to understand a significant dimension of their role and task and to see the relevance of time from a different perspective. The methodology of the study, utilizing rhetorical analysis in an organizational setting, further extends the use of rhetorical analysis beyond traditional boundaries. By being aware of the communication processes organizations engage in, the constitutive nature of communication comes to the fore. Making sense of equivocalities and the establishment of practices that contribute to the structuration of the organization will assist leaders and organizational participants to heed the relevance and
foundational nature of what they say, how they say it and the goals of their communication (O Hair, et al, 2005).

The practice of leadership is also impacted by this study. The role of a leader is largely communicative. Despite all other duties their primary task is to speak for the organization. This is particularly true for the management of shareholders and the Annual General Meeting. In a crisis the communicative tasks are intensified as shareholders want to know what is happening and what is being done to control the crisis. The CEO represents organizational leadership and is attended to by all stakeholders in the organization through the forum of these meetings. What they say, how it is said, the techniques they use and the recognition of the rhetorical nature of their task is relevant to fulfilling these duties. Leaders of publicly owned corporations will find an additional avenue to accomplish their task of shareholder management and equity retention; through the understanding of the persuasive nature of time. The past is not merely history, it is an essential building block for making sense of the present and creating a future. How time is compressed and sliced are important choices lest implications and connections be created that undermine rhetorical goals. These choices should be made with recognition of available time related techniques and their significance.

Finally, practitioners of rhetoric will find, as Cheney (1992) observed, that leaders of organizations engage in the “managing of multiple identities”. The relevance of rhetorical studies and rhetorical techniques within organizational settings goes beyond public relations and “spin” to encompass the very lifeblood of the organizational purpose, construction and identity. Rhetorical principles are at the foundation of the process of organizing and are found at the multiple, contestable aspects of internal and external
organizational activities. Shareholders are on the cusp of internal and external activities and are therefore a good place to start in understanding the role of rhetoric and leadership in the midst of crisis management within and outside of organizations.

Future Possibilities

There are ample opportunities for additional studies of structured and unstructured presentations of CEOs and management teams to various constituencies. Quarterly calls, annual reports, Congressional hearings, lawsuits, media conferences, editorials, blogs, and analyst interviews provide additional opportunities for comparison of how CEOs and organizational leadership enact environments, reinstantiate the organization and use time to make sense of circumstances. The regular visitation of crises in organizations, self created and otherwise, will continue to provide a rich cross section of materials available to study the rhetorical response of organizations within a crisis context. Due to the nature of airline transportation and the daily cognizance of imminent disaster, studies of airlines can forward definitions and understandings of crisis management that are applicable beyond the scope of this particular industry. Certainly the airlines are a rich and sometimes chaotic field to study, perhaps in the strong dialectics at work here insights into those who “swing more gently” will be provided as key issues are identified and effective rhetorical responses are developed.

One possible extension of this study relates to CEO pronouncements and stock prices. If one of the key tasks of CEOs in the twenty first century is management of stock prices and stockholders, what correlation is there between the presentations they make and stock prices? In the years after this study the trading of Delta’s stock was suspended when it fell under a dollar and the airline filed for bankruptcy protection. Losing equal
amounts of money, American Airlines stock lost two-thirds of its value before it bottomed out and began to gain value. Seeking a correlation between the confidence stockholders have in leadership, CEO pronouncements and stock prices may prove an interesting and fruitful consideration.

Likewise, further work on the significance of time in rhetorical analysis, particularly for organizations and for crisis situations could be expanded. In 1905 Einstein showed what storytellers for thousands of years already knew; time is an imposed structure in physics that is malleable to the forces of mass and velocity. Storytellers already knew that time is an imposed structure malleable to the forces of purposes, meaning making and connection set forth by the storyteller. The use of close textual analysis and linguistic ratios allows underlying intents and motivations to be seen in clearer focus, especially when combined with the study of rhetorical time.

_Consideration_

Rhetoric, crisis and leadership, are all studied within the context of an industry that defines technological achievement for nations, an industry that is in many ways symbolic of the new millennium. Time moves ever onward but the meanings of the events it encapsulates are available to a speaker to order and reconfigure historical actions and relationships for persuasive effect. Connections are made and identities constructed by the malleability of time. Especially in a crisis, the anchors of the past become the potential moorings for weathering the current storm. Credibility for the future is established by reclaiming the past. Recognizing the centrality of time configurations, speakers, especially those interested in establishing and maintaining organizational identity and confidence, would do well to attend to its persuasive potential.


Appendix A

Presentations of American Airlines
2001 REMARKS BY Mr. Carty

CHAIRMAN CARTY:
While the vote tallies are being taken, I am pleased to have the opportunity, at least for
few minutes this morning, to give you a brief overview of this past year. My only concern
this morning is I will not be able to do justice to all the important events that took place
in the short time we have.
I think it is fair to say the challenges, the disappointments, the demand for innovation and
the sometimes surprising opportunities that have always characterized the airline
business, are as present and robust as ever in this, our 75th year. Since we last met
together, we sold our majority interest in Sabre, we bought TWA, we made plans to share
the Northeast Shuttle with United and to invest in DC Air, we have been continually
tested by the nation's inadequate air traffic control system, and in the past month we have
seen the government's 1999 predatory pricing suit against us disappear. We have resolved
the lingering and thorny issue with our pilots and have been called back into mediation
with the flight attendants. And that is just the short list.
Let's take these events one at a time and talk about them in the context of the Airline
Leadership Plan. That is the strategic framework we launched in 1999 to organize the
company's efforts and focus our energy on the six critical areas we believe define success
for any airline safety, service, product, technology, culture and network.
The TWA purchase all by itself is a significant-enough event that it presents us with
tremendous benefits as well as, I might add, daunting challenges sometimes both at the
same time. All six are the key areas that I just referred to. But an immediate impact and
one that played a major role in shaping our decision to make the purchase is the
tremendous benefit it provides to our network. I usually talk about network last in these
discussions, because there is so much to say about it and because in a business where the
goal is to get passengers where they need to go, the strategic importance of where we go
cannot be overstated.
It sounds simple and, of course, years ago it used to be. Back in 1926 when Charles
Lindburgh made the first flight for what would then become American Airlines, it was
from St. Louis to Chicago, from point A to point B. It was on that straightforward basis
that routes were added one after another thereafter, until the changing needs of travelers
and the changing nature of the U.S. economy made that model both costly and obsolete.
Thus was born the hub-and-spoke model, which allowed us to offer on a cost-effective
basis exponentially more frequency and destination options.
Over the past several years technology, globalization, integration and consolidation have
changed all of our lives, changed the way we all do business and propelled another
quantum leap in the needs of air travelers. Fundamentally they still need exactly the same
thing to move from A to B. It is just that point B is as likely to be Uzbekistan as Illinois.
We have to find ways to get them there on American, American Eagle, on one of our
alliance partners or on some combination of all of those.
Even without the TWA transaction, the year 2000 was significant in terms of our goal of
network leadership. We expanded our operations in critical domestic cities like Boston,
New York, Los Angeles and San Jose, California. We grew the American Eagle fleet
network through the aggressive deployment of regional jets. In the global arena we
extended our reach around the world through our Oneworld partners and a number of
other bilateral relationships. We think that the combination of all those things gives us the
industry's premier set of alliances.

Coming on top of those improvements, the TWA purchase represents literally a giant leap
forward in our network building efforts. I personally feel confident in saying to you, our
shareholders, that we could not have devised a more responsible, more economic way to
do it. In St. Louis, we get a third mid-continent hub to relieve pressures building at DFW
and Chicago. We take over extremely valuable real estate and slots at LaGuardia, JFK
and at Washington Reagan. We add to our position as a leading east-west carrier, we gain
access to markets that are new to AA network, and we do it all while maintaining a strong
balance sheet and without adding incremental capacity to an industry that is perpetually
and not always successfully trying to maintain the tricky balance between supply and
demand.

The TWA purchase was only one part of a planned three-part transaction. Parts two and
three, the acquisition and lease of assets from US Airways that would allow us to share
the Northeast Shuttle with United, and the acquisition of a 49 percent stake in DC Air are,
of course, contingent upon the closing of United's proposed merger with US Airways.
That prospect looks less certain every day, but I think it is fair to say that we are
positioned well for either outcome. If United's deal does go through, we are going to add
additional important assets. If it does not, it in no way diminishes the tremendous value
of the TWA transaction.

As all of you know, the TWA deal has already closed and on its own represents a very
positive outcome not just for customers and shareholders, but for our third constituency
group, our employees. We are proud to say that this deal brings together two of the
strongest and most experienced workforces in the airline business. It brings them together
in a way that adds more assets than employees. The net result of this will be wealth of
hiring and promotional opportunities for the people of American, as well as our new
colleagues from TWA.

I do not want to leave you today with the impression that we spent all our time this year
working on deals. We have taken great strides along the other critical paths of our Airline
Leadership Plan in ways we know will substantially improve the travel experience for our
passengers. How do we know that? We know it because we asked them. What they told
us first and most often was they wanted more room and we gave it to them. Last year we
launched the More Room Throughout Coach program, which adds from two to five
inches of pitch throughout the coach cabins on virtually every aircraft throughout our
fleet. We did not stop with more legroom nor did we limit our upgrades to coach. We are
increasing the legroom in Business Class and we have rolled out our new Flagship Suite
First Class Concept on our 777s. We have fully flat seats on our 767s in first class that
serve Europe and South America. All these initiatives are complemented by the program
we launched last fall to expand the storage capacity of our overhead bins. So when you
combine that program with the reduction in seats, the result is going to be clearly
industry-leading amount of carry-on space for our customers.

If we made being on the aircraft more pleasant, we have also made getting there easier
and more efficient through technological innovations, which are allowing us to better
serve our customers while also increasing our productivity. Roving Agent is a wireless,
hand-held device that agents use to check in passengers and issue bar-coded boarding
passes on the spot. One-stop self-service allows passengers to check themselves in on
touch screens at kiosks around American's domestic terminals. And these are addition to
a suite of back-office improvements in reservations that will both increase the focus on
customer interaction and reduce the average transaction time.
We are also making improvements to the physical infrastructure of our operation.
Passengers traveling through DFW, JFK, Boston, Miami and Los Angeles are going to
see the progress in our efforts to improve, and where we can, expand our terminal
facilities. We continue to upgrade and refresh both the American and American Eagle
fleets. American put 43 new jets into service during the year, and Eagle's fleet of regional
jets grew to be 83 strong. Eagle's O'Hare operation became all RJ during the 4th quarter.
With the planned delivery of 26 more RJs this year, we are going to continue replacing
turbo props in the Eagle fleet and expanding our connecting service at Chicago, DFW
and all our focus cities on the East Coast.
One of 2000's early highlights came in the area of safety, which is one of our six
Leadership categories, but is certainly the first among equals. Last January former
President Clinton recognized ASAP, our Aviation Safety Action Partnership, as a model
to be implemented throughout the industry. Another significant commitment to safety we
have made is in the flight department, where we plan to invest more than $11 million
annually to increase the frequency of recurrent pilot training.
Those are just some of the highlights from last year. I can spend at least as much time
talking to you about the major developments that have already occurred in 2001. As I
mentioned earlier, a few weeks ago we received very good news regarding the predatory
pricing lawsuit filed against us by the U.S. government in 1999. As I think all of you
know, we have always maintained the suit was without merit, and while American
Airlines was an intense competitor and will continue to be, it competed in the past, in the
present and in the future, always within the law. And of course the judge in this case
agreed and our motion for summary judgment was granted, and the suit was simply
dismissed.
We are obviously pleased with this and relieved to have it behind us, so we can now
direct all of our energies to the challenges and opportunities that lie ahead. That is exactly
how I would describe the current state of our labor relations as both an opportunity but
also as a challenge. We are either negotiating or preparing to negotiate with all of our
labor unions. Even as we work towards positive outcomes with all three, it is hard not to
recognize how uncertain and how unpredictable the relationship with labor has grown not
just for our company, but throughout the entire airline industry. It gets much more
difficult to manage for both sides with every proposal that is negotiated in good faith by
both parties, and then we turn around and find it rejected by the membership.
This week we were very pleased to be called back by the National Mediation Board to
resume talks with the flight attendants. We continue to hope that we will finally get an
agreement. We are also in negotiation with the Transport Workers Union, and those
discussions are going very well. We will also soon be in discussions with our pilots. I
remain optimistic that we will reach agreement with these unions as well.
Finally, no list of challenges would be complete without mention of the pitiable state of
the nation's air traffic control system and its universally adverse effects on the service
that we and other carriers are able to offer on any given day. This problem is not simply
complicated; it is impossible for any single carrier to solve. It will not be solved to
anyone's satisfaction in the very near future.
But there are pieces of the puzzle that we do control, and in those cases the management of American has gone about doing what we always do try to identify the problem and try to fix it. Late last year we completely overhauled the schedules of our DFW and our Chicago hubs. Those schedule adjustments, I am pleased to say, are reaping real dividends in the form of improved dependability.

Compared to that list of challenges, the softening economy and rising fuel prices we experienced the last part of 2000 and continuing into the first quarter of this year, seem eminently clear-cut and at least comprehensible. Fortunately we have more experience dealing with the effects of an up-and-down economy in our business, and we are confident in our ability to manage the current downturn. Our first quarter results reflect the impact of the weakening economy. With the flexibility we have built into our fleet plan, our fuel hedging program and our strong commitment to the Airline Leadership Plan, we believe we will be very well positioned for whatever happens going forward.

Again I want to thank all of you for being here today, and I do look forward to seeing you again and reporting to you more progress when we convene a year from now.
MR. CARTY: While those ballots are being accumulated, let me just make a couple of comments. Again, let me reiterate my welcome and thank all of you for joining us this morning.

You know, in some respects 2001 was like most other years, the American Airlines and the American Eagle teams rose to meet a number of incredible challenges. And from a strategic standpoint I think we did accomplish quite a bit in terms of positioning our airline for long-term competitive success.

As everyone in this room knows, 2001 was not just another year. It was a year that brought unprecedented challenge to our country, to our industry, and obviously to AMR Corporation. For American Airlines every accomplishment, indeed every other event was overshadowed by the twin calamities of the September 11th attacks and the terrible crash of an American plane in Queens, New York on November 12.

Prior to September 11th our company's greatest obstacle had been the slowing U.S. economy, which triggered a substantial decline, even before September 11, in air travel. Generally all of our business - all of our travel was affected, but business travel was affected particularly. And obviously after September 11 things got much, much worse. Demand for both leisure and business travel fell, while security, insurance, and a host of other costs increased.

Now, to deal with the new business climate we made a number of very, very difficult decisions at American; shrinking the airline, dramatically cutting capital spending, and worst of all, having to furlough thousands and thousands of our colleagues. While 2001 was a painful year for our customers, it was also a very painful year for our employees, and of course all of our shareholders.

And yet despite all the bad news, 2001, which among other things marked our company's 75th anniversary, did contain a number of important highlights and milestones. In January we signed a deal to acquire substantially all of the assets of TransWorld Airlines, and in the months that followed, our people, despite all of the aforementioned problems in our business, completed the biggest, the most complex and most successful integration of two airlines in the history of our industry. The More Room Throughout Coach campaign, which we launched in 2000, gained real traction in 2001, giving us a very important point of differentiation versus the rest of the industry. That good news notwithstanding, our company is now faced with the most severe financial challenge that we've seen, at least since deregulation a quarter of a century ago. And while the road back to profitability is likely to be long and steep, the management of this company will leave absolutely no stone unturned as we seek out opportunities to enhance our business model and once again make AMR a rewarding investment.

The airline industry landscape has been dramatically altered during the past year and that means more change than we've already seen is absolutely inevitable. But as we learned in 2001, the values and the principles that underlie our every success, safety, service, product, network, technology, and corporate culture are as solid as they've ever been. And the velocity of change today makes sticking to those guiding principles all the more important.

However, our company's ultimate strength lies in its people who in 2001 endured more than any of us would have thought possible. The dignity and strength and grace of the
American Airlines and American Eagle teams have been an inspiration to us all. And in the year to come, those of us in senior management will do our best to live up to the example they've set for us.

Again, thank you all for being with us this morning. Mr. MarLett, do we have the results of the balloting.
2003 Remarks by Mr. Arpey

Thank you, Mr. Brennan. Good morning everyone. Thank you all for joining us this morning. I want to preface my remarks on the state of our company by saying how honored I am to help lead the airline I have called home my entire career and the team that I consider to be the very best in the industry.

Since September 11, 2001, the nearly 100,000 members of the American Airlines and American Eagle family have been engaged in the noble effort of trying to save this great company. In my first communication with them since becoming CEO, I commended them for their guts and determination and promised to apply the same guts and determination to my task of leading our company through these difficult times. In the short period I have been CEO, I have spent as much of my time as possible meeting face to face with our employees, listening to their ideas and suggestions, and thanking them for their commitment and willingness to sacrifice on behalf of our company. I also let them know that while we won't be abandoning the values and strengths that have always defined American Airlines, we will be bringing new leadership, new thinking, and fresh approaches to the challenges confronting us.

It is especially important that all our people understand the "whats and whys" of our direction, because one thing I have learned in my 20 plus years here is that when the men and women of American get their hearts and minds around a mission, that mission almost always gets accomplished. While lowering costs has been our primary focus in recent months, returning the airline to health and profitability is going to require a much broader plan. So the leadership team and I have been working hard to crystallize our strategic vision into a crisp, easy to understand plan to put some context around all of our activities, and more importantly to provide a framework for the decisions we make going forward.

The new plan, which we have dubbed "The American Turnaround Plan," is summed up in the following four tenets: First, lower costs to compete; second, fly smart, give customers what they value; third, pull together, win together; and fourth and finally, build a financial foundation for our future.

What I would like to do is provide a little more detail on these four points, starting with the first, lower costs to compete. This is an area where we have already made a lot of progress. However, the fact that we compete with low cost airlines on an ever increasing percentage of our flights means we must continue to streamline, simplify and remove costs from our operation wherever we can. Most of you are aware that we set out to remove 4 billion dollars from our cost structure. While that's an enormous challenge for a company our size, I am pleased to report that we are well on our way to achieving that goal.

Although employee costs represent our largest single expense, we began our cost reduction program by focusing on ways to reduce our non-labor costs, areas like fleet simplification, scheduling efficiency, streamlined customer interaction, distribution savings, product changes, and day-to-day operating adjustments. The initiatives we launched in these areas will, once fully implemented, save us roughly 2 billion dollars a year. That is a great result, but unfortunately it was not enough.

We then turned towards our employees. And after much negotiation and interaction, we were ultimately able to reach agreements that will save us 1.8 billion dollars annually in labor expenses, and we are in the process of implementing those agreements as we speak.
Finally, we reached agreements with many of our suppliers on concessions that have brought us over $175 million in annual cost savings. Beyond the obvious financial benefit, this lowering of our cost structure is strategically important because lower costs will enable us to compete, rather than retreat, in lots of markets that are important to our customers and where our franchise has been jeopardized by the entry of low cost competitors.

For example, for several years we have steadily lost market share in some important transcontinental markets, partly because we were not perceived by our customers to be price competitive. And the truth is, no airline can be price competitive unless they are reasonably cost competitive. We are determined to close the gap on both. And to that end, yesterday we introduced a new fare structure in several transcon markets including Kennedy-San Jose, Kennedy-Long Beach, and Kennedy-Orange County. The program is very simple. In each of the markets I mentioned, the walk-up one way fare does not exceed $299 in the coach cabin. What's more, our first class walk-up ticket is $599 each way, something that our low cost competitors simply cannot match.

At the same time, in addition to these low fares, we will continue to offer fares matching our competition at every price point on the curve. While this new initiative demonstrates very well the link between lowering costs and becoming more competitive, it also reflects our determination to refine our service and product offerings in response to both the fluid competitive landscape and the evolving desires of our customers.

That's a great lead in to the second objective of our Turnaround Plan, fly smart, give customers what they value. For 25 years, ever since our industry was deregulated, American's success has depended on our ability to generate more revenue per unit of production than our competitors, thus compensating for our higher costs. What the second tenet of our plan is about is about capitalizing on our strengths and sustaining our revenue premium by giving customers what they truly want and are willing to pay for. It is about keeping our focus on the higher yielding business passenger, but not losing sight of the need to attract at least our fair share of all market segments.

First and foremost, to do this we must continue to run a safe and dependable airline. The good news is we have made great strides in improving our on time performance the past couple of years, and this area of strength will be bolstered as the simplification of our fleet and streamlining of our entire operation picks up speed. But dependable service, while important, is just the start. To fly smart we must optimize the breadth and efficiency of our network. We continue to believe our hub and spoke approach represents the most effective way for us to take the most possible customers to the most possible places. Adding to the effectiveness of this approach is American's regional partner, American Eagle, as well as our numerous international alliances and our cargo and mail business.

We will preserve the scope and breadth of our global network, but size and effectiveness are not the same thing. Flying smart sometimes means picking the right battles to fight. So building the most effective network must be a continuing process of fine tuning. Moreover, given the fall off in air travel demand, we must be vigilant about keeping supply and demand reasonably in balance. This summer, our peak capacity will be down by more than 6 percent compared to last year. That number reflects a 10 percent reduction in our domestic system and an increase in our international network of almost 2 percent.
As for our fleet, by July we will have eliminated 57 aircraft compared to a year ago, and we plan to shrink the fleet by another 57 units by next summer. At that point, our fleet will be 21 percent smaller, and our network capacity will be 15 percent less than it was in the year 2001. We are likewise examining all the attributes of the American Airlines product. There are many areas of strength in addition to our network, which we believe are important contributors to the brand image we depend on for our revenue premium. The AADVANTAGE Program, Admirals Clubs, first class service and various other amenities are important to our premium customers. But again, flying smart means we must pick our battles wisely and examine every aspect of what we do and what we offer in every market we serve. And in the end, we cannot afford to provide more than our customers are willing to pay for. I'm sure every one here is familiar with the more room throughout coach campaign we launched back in the year 2000, a time when airline yields were at historically high levels and our business model was tightly focused on capturing share in what was then a very robust business travel environment. Even in that environment, we understood that taking seats off every airplane would actually cost us revenue in some more leisure-oriented markets where loads tend to be very high and fares tend to be lower. But our desire for a consistent product across all market segments combined with the benefits we expected from an increased share of business traffic outweighed that concern.

As everyone here knows, the revenue picture today bears little resemblance to the year 2000. The demand for business travel is no longer sufficient to warrant offering fewer seats than our competitors in many higher demand markets. So to satisfy the demand for more low fares and to match the product being offered by our competitors, we will be adding seats to our aircraft in markets where price is more important than leg room. This change will impact two of our fleet types, the 757s and the A-300s, which together represent roughly one-quarter of our total fleet. We expect the reconfiguration of those aircraft to be complete by early next year. We are making this change in markets where our more room product has not translated into a revenue advantage. We will retain the more room product and continue to promote it aggressively in markets where the customer base is weighted more toward premium travelers and corporate customers. I should also point out that adding seats back on some of our aircraft also contributes to the first objective of our plan, cutting costs to compete, by reducing unit costs associated with operating those aircraft. Moving forward to preserve our strengths and compete on both the cost and revenue fronts, we are going to have to be nimble enough to match what we offer our customers to what they truly value, and most importantly, what they are willing to pay for. We are determined to transform American into a leaner, stronger and more agile competitor in the marketplace.

And the third tenet of our plan, pull together, win together, is an explicit acknowledgment that the future of every member of our team is tied to the success of that transformation. Moreover, none of the initiatives I have described this morning can fully succeed until we build trust and teamwork back into the fabric of this company. The senior officers and I are convinced that if we do our best to take care of our people despite the enormous financial constraints that we face, they will do their very best to take care of our customers. That is no small challenge and it's made even more difficult by everything our people have been through and the sacrifices they have made over the past two years to assure the
survival of our company. Nonetheless, the senior leaders and I are committed to creating
an atmosphere at American where every employee feels valued, where everyone is
treated with fairness, respect and appreciation, and where rancor and suspicion are
replaced with cooperation and a shared commitment to our collective success.

While this kind of transformation will not happen over night, I accept that this sort of
change must start at the top. Throughout my two decades here, I have always been proud
to be an employee of American Airlines, and I am committed to doing whatever it takes
to make sure this remains a company that every member of the team can be proud of.

In my first days as CEO, I made it a priority to meet face to face with as many employees
as I could, I have spent a lot of time talking and listening to employees throughout our
comp any, and this is something I will continue to do. We are also committed to
continuing the act of engagement process we have utilized with the unions representing
our people, which was integral to the breakthrough restructuring agreements we reached
last month.

Of course, our aim is to engage every member of the American Airlines team, whether
they're a part of an organized group or not. So we have used agent advisory boards, our
employee resource groups, focus groups, surveys, and less formal feedback mechanisms
to garner the input of our agent management and support staff groups, and we will
continue to do that in the future.

An important part of our "pull together, win together" initiative will be making sure
through the use of stock options, profit sharing, and incentive plans that each member of
the team has a personal stake in the success we're working to create. As our focus starts
to slowly shift from short-term survival to long-term success, frequent and effective
communication with our people will be critically important, and the senior leadership of
the company and I are committed to that objective. We do, however, recognize that we
will ultimately be judged by what we do, not by what we say, and we welcome that.

The last tenet of our plan, build a financial foundation for our future, in a sense sums up
the rest of the plan, because by lowering costs, flying smart and pulling together, we will
be laying the groundwork for the future we all want for our company. But this fourth
tenet is also an acknowledgment that we cannot build that future if we don't generate
enough earnings and cash flow to restore our balance sheet, nor will we be able to invest
in the aircraft and facilities we will need to thrive and to grow in the years to come. So
the financial challenge we face to dramatically improve the profitability of our business
must be at the forefront of every decision we make.

The past three years have been a turbulent and difficult period for not only our
employees, but also for our customers and, of course, our shareholders. While the months
to come will continue to bring challenges, we believe the Turnaround Plan that I have
outlined this morning is the road map we need to guide us to the stable and successful
future that everyone here wants for our company. You have my word, we will do our
very best on your behalf to make that happen. Thank you all very much.
Appendix B

Delta Airlines
While our last Annual Meeting for Shareowners convened just six months ago in Cincinnati, the speed and import of intervening events has had a significant impact on the aviation industry and on Delta Air Lines, disproportionate to the actual elapsed time. In that period, Delta has faced issues in almost every arena that have challenged our ability to deliver on commitments to our constituencies, especially to customers and shareholders.

Today, I would like to talk with you about these challenges and about how Delta is responding.

In addition, I’ll review with you the reasons that, despite the noise and distraction of the last few months, we remain fully confident about our airline’s future and we look forward with enthusiasm to the period ahead.

Now, before we discuss the challenges of the last few months, it is important for context to recall that when viewed as a whole, 2000 was a year of many achievements -- many of them outstanding -- for Delta Air Lines.

During those twelve months:

- Delta earned $897 million in net income, more than any other airline in the world. That compares, for example, to $752 million earned by American Airlines; $626 million for Southwest; and $412 million for British Airways [$348MM - Lufthansa; $281MM – United; $175MM – JAL].
- Moreover, during a year when the operating margin for the airline industry averaged 6.5%, Delta achieved a 10.4% rate, topping 10% for the fifth year in a row.
- We also maintained an 8% unit cost advantage over other hub-and-spoke carriers.
- We sold 12% of Delta tickets on-line -- the most of any hub-and-spoke carrier – with 6% of those through delta.com.
- And this trend to less expensive distribution channels is particularly important since distribution costs, which totaled $1.7 billion last year, are Delta’s third biggest expense after salaries and fuel.
- Also in 2000, Delta announced a major terminal expansion at the strategically important New York-JFK airport. This initiative positions our airline for continued growth in important international markets, with much improved flight frequencies and better connections to the U.S. domestic market.
- During 2000, we were especially pleased, to announce new service to Buenos Aires, which we inaugurated on April 1. With this inaugural, we accomplished a major action goal for Latin America by providing service to all major business centers in the region within three years of launching Atlanta as the newest Latin America hub.
- During 2000 we continued the dramatic strengthening of our international alliance, SkyTeam.
- SkyTeam, which recently added Czech Airlines as a member, now accounts for $400 million of Delta’s total $500 million in annual revenue from codeshares and alliances.
SkyTeam is rapidly becoming the second most successful alliance in the world, with the potential to reach No. 1. Delta also enplaned 120 million passengers in 2000, more than any other airline in the world. We easily exceeded the passenger counts at American, which totaled 86 million, and at United, with 83 million – and we anticipate retaining that lead even after American and TWA combine operations.

These are all excellent achievements. But the most gratifying of all our accomplishments was Delta’s continued improvement in customer service. From 1997 onward, when our new management team was assembled, Delta has made customer service the No. 1 priority after our obvious bedrock commitment to safety. Given Delta’s long-standing service reputation derived from over 70 great years of operation, our employees were disturbed in 1997 by the company’s falling performance as measured by the Department of Transportation’s customer service indices. At one point, Delta fell to tenth out of 10 in on-time rankings. In the year 2000, however, Delta ranked No. 1 or 2 in lowest numbers of customers complaints, denied boardings, and mishandled bags. We slipped only in the on-time category, where Delta fell to fourth place because of operational difficulties in the last two months of 2000.

And while a Newsweek cover article last week carried the caption "Airline Hell", the charts in the article conveyed a positive message regarding Delta’s customer service performance. Newsweek chose to use the widely-touted Wichita State survey of airline customer service for its foundation statistics. And there -- at the very top of the key chart that rated overall customer service quality -- was Delta, ranked as No. 1.

In an extremely difficult year, with an onslaught of negative public sentiment within the industry, what a tribute this represents to Delta employees. However, despite these excellent achievements, storm clouds were gathering as the fourth quarter began, including concerns over high fuel prices, industry restructuring, increased governmental scrutiny of customer service issues, a weakening economy, and pilot contract negotiations.

While all these issues remain on the radar screen, the two that have most dominated the Delta’s performance difficulties during the last six months are the deepening economic downturn and labor issues both at Delta and at our wholly owned subsidiary, Comair. First, let me discuss the more general of the two issues, which is the current economic environment. The business news today provides a constant litany of downward economic trends and corporate losses, indicating that few companies are escaping the effects of the current economic environment. Consensus forecasts for GDP growth have consistently fallen over the last few months and the forecasts now range from a prediction of zero growth for the year to a high of 1.8% -- well below the 5% GDP growth rate for 2000. Such indicators point to a longer economic slowdown than had been expected, and to an economy that will not yield the kind of revenue gains we have seen in recent years.
An unfortunate reality for our industry is that, since business travel expenses are an early
cost-cutting target, airlines suffer a disproportionate amount of revenue pain during these
cycles relative to the rest of the business world.
The effect of the slowing U.S. and global economies, along with labor issues, were
reflected in Delta’s March quarter results, which we announced last week.
For that period, Delta posted a disappointing net loss of $122 million, our first loss in 25
straight quarters.
The other situation impacting Delta’s performance in recent months has been the
uncertain status of pilot contract negotiations at Delta, and also at Comair.
Of course, we are gratified that much of that uncertainty was relieved when on Sunday,
Delta and ALPA arrived at a tentative agreement that brings significant benefits to all
constituencies: customers, shareowners, and employees.
But the process of these negotiations has had a major influence on all that has been
happening at Delta, and provides important context for the future.
So let’s review briefly where we wanted to be at this point and then where we actually
are.
To this end, I’d like to refer to five important principles regarding negotiations that we
enunciated at the October shareholder meeting.
First, since customer service is Delta’s highest priority after safety, passengers should be
exempt from spillover from labor negotiations.
Second, Delta is committed to the principle of top pay for top performance.
Third, the application of the principle of top pay for top performance continues to be that
pay for Delta employees ranks at the top of the industry as compared with the equivalent
employee group in the industry – flight attendants to flight attendants, agents to agents,
pilots to pilots, and so forth.
Fourth, in order to support the lofty goal of top pay for top performance, everyone at
Delta must constantly seek productivity gains.
And finally, in order for Delta to fund the increased costs of an industry-leading pilot
contract, we require the corporate strategic flexibility to pursue new businesses and to
quickly act to meet competitive challenges.
In retrospect, the contract negotiation process met these expectations, with one deeply
regrettable exception.
Unfortunately, customers were impacted in the course of these negotiations, especially
during the extensive schedule interruptions in November and December.
That situation, in turn, necessitated a system downsizing of around 3% to 4%, which
continues even today.
Given the high-level of customer-service orientation resident in the people of Delta Air
Lines, these reliability failures were painful and difficult for us all.
In the face of these challenges, Delta people throughout the corporation, including the
vast majority of pilots, exhibited the best of our service tradition by responding heroically
to minimize the impact on customers whenever possible.
We are gratified, too, by the loyalty of Delta’s customers, and by their patience during
these often frustrating and uncertain weeks and months.
Let me also extend my gratitude to both negotiating teams for their hard work and
professionalism throughout these negotiations.
And in addition, we are grateful for the vital role played by President George Bush, by Secretary of Transportation Norman Mineta, and by the National Mediation Board in assisting Delta and ALPA to reach an agreement. This is an important bridge we have now crossed. But unfortunately, though we would very much like return our full attention now to customer matters, all is not yet quiet on the labor front. Comair pilots are now in the 32nd day of a strike. While meetings resumed yesterday, there appears to be no clear path to a settlement. Delta fully supports Comair’s management team in their efforts to reach a resolution that maintains vital service to our nation’s small and mid-sized communities while enabling the continued financial viability of the feeder airline business.

So, having briefly outlined for you the most significant challenges our company has faced over the last few months, the obvious question is, "Where do we go from here?" In the near term, we must deal with the economic hand we’ve been dealt, hoping that the turnaround will be fast, but fully prepared in the event it is not. We are pursing aggressive marketing campaigns and pricing strategies to return diverted passengers to our flights and to develop new business. On the cost side, Delta as you know already holds an industry advantage in unit costs, and we also have in place a prioritized set of cost-management initiatives. This program begins with the cost-savings that are easiest and least painful to implement, including items such as reallocating capacity and restricting non-essential hiring. The program can then proceed along a clear, measured path of escalating actions to be implemented only as-needed.

For the longer term, we will continue to build on our strengths, pursuing the important initiatives that support our long-term strategy. Delta will: Grow in the Southeast, using our strong and successful Atlanta hub as the foundation. Expand our East Coast presence, including facility improvements at Boston and New York-JFK that will foster this growth. Build on our position as No. 1 U.S. carrier across the Atlantic. Continue to expand in the profitable Latin American markets. Pursue opportunities for profitable growth in regional jet markets. And further develop alliances, including SkyTeam, that extend Delta’s reach. As I conclude my remarks today on the state of Delta Air Lines and our prospects for continued long-term success, I am highly optimistic. The six months since our last meeting have been difficult for our company, but we have held steady to the course thanks to the dedication, strength and skill of our time-tested team of Delta people. If there is one phrase that captures what is best above all about our workforce, it is a core commitment to teamwork as a basic element of corporate success. Because the negotiation process has been at times divisive, it is with a sense of relief that we now begin the important work of coming together again as a single, united team. The task will be tough – but not nearly as difficult as situations other divided organizations have faced. When our nation was beginning its steps toward reunification following the Civil War, President Abraham Lincoln provided apt leadership.
In his second inaugural address, he offered these useful words of counsel:

"With malice toward none, with charity for all; with firmness in the right, as God gives us to see the right, let us…do all which may achieve and cherish a just and lasting peace among ourselves."

Our team can and will return to a single focus on Delta’s future. The vision that will unite us is the certainty that everyone’s best opportunity for personal and professional success lies in our company’s continued success and profitability, and the sharing of the benefits that derive there from.

Thank you.

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The single most obvious subject which must be addressed in any shareowner review of 2001 is, of course, the impact of September 11 and its aftermath.

Virtually every corporation across our nation and around the world felt the reverberations from this terrible tragedy.

But most were spared the direct impact experienced by U.S. airlines, whose aircraft became the weapons of war leading to massive death and destruction in this heinous act of terrorism.

Without question, the nation’s air travel system was shaken to its very roots.

We all felt disbelief, horror, and concern and compassion for the persons directly affected on the morning of September 11.

But for those in aviation, our emotions were quickly overtaken by the realization that our nation’s air transportation system was under siege, and that we must, for the first time ever, bring commercial air service to a halt.

Within two hours of the first strike, all Delta domestic flights were safely on the ground.

Within another 45 minutes, so were our international flights.

The screens in Delta’s Operations Control Center slowly went vacant as the planes landed.

And soon, we at Delta began to comment on the absence of sound as the roar of the airport, so much a part of our life that we don’t even notice it, went eerily silent.

Amazingly -- even though passengers, crew members, and aircraft were scattered at unplanned destinations -- Delta’s service levels were back to more than 85% of normal levels by the fifth day after shutdown.

The operational capabilities of the airline, always great, led to performance at heroic levels.

And so, let me take a moment in this public forum to express once more my sincere gratitude for the professionalism and the resounding unity and support which has flowed from the employees of Delta Air Lines throughout this period.

But even as the operational feats were accomplished, another crisis swiftly asserted itself. Financial matters, a back burner concern in the first three days, swiftly came to the fore. Passenger revenue was reduced to zero during the shutdown, and there was immediate recognition of a prolonged revenue crisis that would emerge;

Large revenue drops historically have occurred following an aviation crisis – and this was clearly the worst the industry had ever encountered.

In addition, the industry had to re-invent security immediately -- to contribute to the defeat of terrorism and to restore public confidence that it was safe to fly.

These dual challenges – financial matters and security – led to another remarkable team effort – this one involving the federal government and the aviation industry.

In one three-day period, an entirely new approach to aviation security – new rules, new procedures, new personnel, new technologies, and new partnerships involving airlines and federal intelligence agencies – was added to the security already in place, which had previously worked quite well.
And within a week, the federal government had passed the landmark Air Transportation
Safety and System Stabilization Act. Funding from this legislation enabled aviation to fulfill its public interest obligation to the
American people and helped restore a shaken American economy. It provided legislative support for the security changes underway, and essential financial
and insurance help for an industry stressed to its monetary limits by the terrorists’
decision to use commercial airplanes as weapons. I do want to pause here and thank again President Bush, Secretary of Transportation
Norman Mineta, and the U.S. Congress for their leadership during a dire period. In this arena as in many others, they truly stepped up and met their part of the aviation
challenge.

Today, more than seven months later, U.S. airlines have recovered from the initial blows
of this crisis. Survival of all airlines seems probable. However, the potential to thrive remains in question.
In the wake of 9/11, the path to ensuring survival was rocky, requiring many difficult
decisions with far-reaching implications for the industry: Staffing cuts throughout the industry affected more than 95,000 employees.
Capital expenditures, including technology and aircraft, were greatly reduced And the debt load for virtually all carriers increased enormously.
On the positive side, months of diligent focus on improved aviation security succeeded in
restoring the public’s confidence in air travel; And passenger traffic is slowly returning.
Now, while the rebound in traffic is encouraging but, unfortunately, we have to note that
revenue is not keeping pace.
For example, while the number of passengers traveling on Delta in the March 2002
quarter was down 8% compared to the March 2001 quarter, passenger revenue for the
same period was down 20%.
At the same time, industry costs that had not even been a consideration prior to 9/11
skyrocketed as war risk insurance premiums and aviation security expenses escalated
sharply. The financial strain of lagging revenue and growing costs has been troubling in terms of
short-term industry losses;
Unfortunately, it also bodes poorly for the future financial strength of our nation’s
airlines.
In remarks I made last month, I characterized the current state of the industry as "living
on the edge."
By that I meant that each airline would generally be able to finance day-to-day operations
but would be unable to invest adequately in tomorrow. We’re surviving, but we’re not positioned to thrive. What does this mean --- to survive, but not to thrive?
A thriving, growing healthy industry is one that serves its constituencies well, both today
and tomorrow.
For an airline, that means:
Providing customers with high levels of service, including excellent access to the world.
Providing a return on investment to our investors and shareowners that attracts an adequate stream of future private sector financing. And it means attracting, rewarding and retaining a highly qualified and highly motivated team of employees. Serving these three constituencies well – our customers, our shareowners, and our employees – is Delta’s overarching goal. Hence, the question before us today is, will we simply survive, or have we laid the right foundation, taken the right steps, and made the right plans to ensure that Delta will thrive, and therefore that Delta will meet and exceed our obligations to these constituencies? The answer to that question, and the theme of my remaining remarks today, is this: Delta will thrive, emerging from this difficult period not as the same airline it was before September 11 – but as a better, stronger, more competitive, and more successful company than ever before.

My confidence derives from two important sources:
1. Prior to 9/11, Delta had developed a strong foundation which served us well in the aftermath of the crisis and will continue to serve us going forward.
2. Delta has a well-defined strategic direction which builds on our strong foundation and provides us with more opportunities to succeed than any other airline.

I’ll begin with the first point, which is the strong foundation Delta had built prior to 9/11. During the period preceding 9/11, our airline had worked diligently to establish excellence through consistent focus on six areas crucial to our business success. These areas include:
- Safety and Security
- Customer Preference
- Employee Satisfaction
- Network Development
- Technological Innovation
- Financial Performance

I want to comment briefly on each, for they provide the key evidence as to why Delta will succeed.

Turning first to safety and security, let me begin with an important point:
While the terrible tragedy and grief of September 11 belonged to us all, Delta was spared the sharper pain of losing our passengers and crew. Our heartfelt sympathies go out to those more directly affected – at the World Trade Center and the Pentagon, and at our compatriot airlines, American and United. For reasons that may be larger than any of us can know, Delta was spared direct involvement in the tragedy. Of course, terrorism of such magnitude was beyond the imagination of all in the aviation business prior to September 11.

Before that date, and as a foundation for moving forward, Delta has always maintained an excellent safety and security commitment. Just since 1996, our airline has safely carried almost 600 million passengers 3.8 billion miles. During that period, employee injuries and aircraft damage have also declined steadily. In 2001, Delta actually exceeded every safety goal we set. Our achievements confirm Delta’s safety performance standards as second to none. In fact, a Federal Aviation Administration industry-review memorandum from earlier this year, which was largely critical of the industry, made note of Delta’s "excellent safety culture" and "strong lines of communication."
Turning to the area of customer preference, Delta also had made good progress prior to September 11:

Industry surveys show Delta has moved over the last few years from the bottom tier to the top tier in customer satisfaction –

As recently as this month, Delta was rated the #1 airline by Consumer Reports magazine.

In the area of employee satisfaction, surveys show that Delta has substantially improved employee morale.

Positive employee response to the statement "Delta is a great place to work" grew from 54% in 1996 to 75% in the most recent survey.

Relative to employees, it is also important to note both Delta’s commitment to diversity and the strong progress being made.

Delta has increased the percentage of women and minorities represented in Delta’s management ranks from 25% in 1998 to 30% in 2001.

And at the officer and director level, that percentage has grown even more dramatically, from 17% in 1998 to 25% in 2001.

In the coming year, we’ll continue our efforts to further improve these numbers.

In terms of network development, Delta has built on our core strengths and also expanded into new territories.

For example, in Latin America and the Caribbean, we grew from almost no presence to our current major commitment of 34 daily flights to 14 countries serving 20 destinations.

We now serve every major business center in South and Central America.

Delta also expanded its role in the regional jet market from our partnership with Comair, which, in 1997, owned just 54 RJs, to our current ownership of more than 231 RJs, or more than 30% of the industry’s total.

Importantly, these RJs support mainline presence and growth by providing approximately $2 billion annually in passenger feed to our mainline hubs.

By 2001, Delta had also successfully extended its network by moving from a small international alliance with Swiss Air to founding-member status in SkyTeam.

SkyTeam is now rated #2 in the world -- second only to Star.

SkyTeam last year added Alitalia to its membership, and also gained important anti-trust immunity for Delta and European SkyTeam members Air France, Alitalia, and CSA Czech Airlines.

Other key partners include Korean Air in North Asia and Aeromexico in Mexico.

In the area of technology, Delta by 2001 had progressed from a technology laggard to a technology leader.

As an example, Delta advanced from almost no indirect or Internet product distribution a few years ago, when we relied just on travel agents and calls to our reservations centers, to selling more than 20% of all tickets online in 2001.

Delta is widely regarded as an innovator in all matters of electronic commerce.

And in the area of financial performance, Delta had also established a strong, industry-leading position.

In key financial measures for the industry – including operating profit margin, cost per available seat mile, and return on investment -- Delta exceeded all hub and spoke airlines; in the entire industry, we were exceeded only by Southwest.

Our company has progressed, too, from previously weak auxiliary income to strong, especially through our burgeoning partnership with American Express.
In addition, Delta has gone from no investment gains to huge investment gains, including almost $1 billion to date as a result of our Priceline.com agreement. Delta has also developed a highly professional fuel hedging program oriented to mitigating the risks associated with fuel cost spikes. Through this program, Delta saved a total of more than $853MM, relative to simply making purchases on the open market from 2000 through 2001. In large part because of these financial performance improvements, Delta was, by September 11, firmly in control of its destiny.

In summary, then our hard won gains over the past few years in the crucial areas of Safety and Security; Customer Preference; Employee Satisfaction; Network Development; Technological Innovation; and Financial Performance placed Delta in an industry-leading position prior to September 11. So – what, then, has happened to our airline in the intervening seven months? Importantly, Delta’s strong base and excellent performance record have served us well in the difficult aftermath of September 11, and we’ve continued to make progress on many fronts.

As mentioned earlier, Delta along with all airlines, confronted an immediate financial crisis post September 11. But the strength of our pre-September 11 financial foundation assured from Day 1 that Delta would make it on its own. On the afternoon of September 11, we borrowed $450MM in pre-approved funds, established for such a contingency. Six days later, on September 17, we succeeded in completing $1.25 billion in secured debt offering we had already initiated prior to 9/11. Completion of that transaction represented an enormously gratifying statement of support for Delta by private financial institutions.

In addition, Delta itself played a leadership role in convincing Congress of the seriousness of the industry plight and facilitating passage of the airline stabilization act. Our portion of the $5 billion cash aid from the Stabilization Act totaled $654 million. As a result of these steps and other efforts, Delta has ended the March 2002 Quarter with a cash balance of $1.5 BB and additional short-term liquidity of $1.6BB plus $7BB in unencumbered aircraft that could be used as collateral as need arises. All these achievements together constitute a strong financial position as we move to the future.

The second major area of progress following 9/11 was to build on our strong tradition of safety and security to help revamp aviation security. Delta has rapidly and thoroughly implemented all enhanced security processes and procedures.

Thirdly, in the immediate post September 11 period, Delta also increased its already rigorous attention to cost control, including trimming excess capacity and related staffing. We swiftly reduced scheduled capacity by approximately 15%. Importantly, our strong foundation provided flexibility so that as we adjusted the schedule, we kept our network footprint intact – continuing to provide some service to every domestic city we served prior to 9/11. Even as we faced the need to eliminate as many as 13,000 jobs, we worked hard to preserve the Delta spirit…
And we did.

Of course, any job reduction effort is difficult –

But one of the proudest moments of the last year occurred when Delta’s management team presented to me an innovative collection of voluntary programs designed to address excess staffing.

These programs -- which included voluntary severance, leaves of absence, and early retirement – permitted approximately 10,000 Delta employees to depart the company on their own terms, most with options to return as travel demand rebounds.

While Delta regrets the loss of any employee -- including those who were not eligible for voluntary programs -- we were greatly heartened that these programs helped so much to ease the disruption of employees’ lives.

Finally, at the same time that Delta strictly managed costs, we also have maintained a strong customer orientation.

Though the aviation industry, as I mentioned earlier, has succeeded in restoring the public’s confidence, the so-called hassle-factor associated with air travel has unquestionably increased significantly.

Right now, that hassle factor may rate as the most significant obstacle to getting the full complement of passengers back on the planes.

Delta is working closely with governmental agencies such as the Department of Transportation, the Office of Homeland Security, and the Transportation Security Administration to improve convenience.

But importantly, Delta itself is finding other ways to speed up the airport experience, from 300 additional automated check-in kiosks in airport lobbies to faster frequent flyer lanes at security checkpoints.

In summary, then, Delta’s progress both before and since September 11 has been good, and in many cases excellent.

But as George Bernard Shaw once noted, and as we referenced in this year’s annual report, "We are made wise not by the recollection of our past, but by the responsibility for our future."

Here, too, Delta is taking charge.

As I noted earlier this morning, Delta has a well-defined strategic direction which builds on our strong foundation and provides us more opportunities than any other airline to succeed in the future.

In the near term, our strategic direction will build on the customer service, financial, security and capital investment initiatives underway;

These steps will provide the necessary momentum to carry us forward on important strategic fronts, including:

- Strengthening our position in Atlanta and the Southeast
- Expanding our presence in the Northeast
- Continuing to build on our position as #1 U.S. carrier across the Atlantic, based on number of nonstop destinations served.
- Increasing our reach in Latin America
- Maintaining our industry-leading role in RJ markets
- And growing the SkyTeam alliance infrastructure

Even as we take these steps, however, we all need to acknowledge that aviation has fundamentally changed.
Forces were already in motion for these changes prior to September 11, but these forces became hugely more powerful in its wake.
The strong position Delta held prior to 9/11, combined with the excellent responses to the challenges since then, should give all of us confidence that Delta will be an airline that thrives.
But our ambitions are greater than that.
Colloquially, when asked the simple questions, "What do you want Delta to be?", we have always answered, "The world’s greatest airline."
Is this possible?
Clearly, in my view, it is.
But it requires that we now engage in that most difficult of all tasks, and that is to "think."
We must think through the fact that old assumptions no longer prevail, and think through how to both respond to these changed assumptions and also how to take advantage of them.
We’re not waiting for the world to come back to Delta and to fill our flights profitably once more.
Instead, we’re thinking through tough issues such as these:
We must restore customers to first place in our concerns, creating an aviation system that maximizes security AND passenger convenience.
In so doing, we will ensure that Delta is the airline customers prefer over all others.
We must find innovative ways to win the competitive battle on many fronts, including strategies to meet the growing strength of low cost carriers such as Southwest Airlines, AirTran, and JetBlue – airlines I’ve previously noted as our most serious competitors.
We must extend our network further into important international markets, including especially Asia, where we have no ready answer as of yet.
We must maintain and build the employee compact so that we attract, reward and retain a highly motivated workforce so engaged in Delta’s success that they resemble a team of volunteers.
Yet we must build the employee compact at a time when cost issues are as challenging as they have ever been.
We must move more money to the bottom line, restoring Delta’s record of superior financial returns and creating growth in shareholder value.
And finally, we must work with governments at every level to ensure that, when the 1 billion passengers who are expected in 2013 arrive, we have the air traffic control and airport infrastructure capacity required to offer them the level of service they deserve.
These are significant and demanding goals, and attainment of each of them is essential.
Still, I remain confident.
Since September 11:
We have proven the strength of the foundation we worked together to build.
We have seen the Delta team unified and in action, successfully overcoming challenges previously unknown in our industry.
We have shown our ability to keep a steady eye on long-term goals despite short-term distractions.
And -- finally and most importantly -- in the coming months, we stand ready to prove that our confidence in this airline and the people who will make it the world’s greatest airline is well deserved.
Thank you.
I. At this point in the meeting, I would like to make a few remarks regarding the current and future direction for Delta, in the context of today’s airline industry environment.

- That environment, as is widely known, may well be the most difficult in airline history.
- As such, it now presents Delta with a task that would have seemed unimaginable just two years ago, which is to restructure our company, remain solvent, and form the basis for sustained success in the future.
- And we must accomplish this task in the midst of significant macro-economic and competitive changes that, given the recent experiences of our competitors, suggest the odds may be against us.
- Yet I hope to convey to you today my strong belief that, despite the current difficult circumstances, Delta can emerge from this crisis capable of achieving the long-term sustainable success which will benefit us all.

II. There is much to cover regarding these subjects

- But before I begin, I want to speak directly to the subject of executive compensation, and to express my personal regret for what has happened in that regard.
- The situation, as has been described in the proxy statement, had its origins in the September 11 crisis.
- In the immediate period that followed, everyone associated with the industry, including Delta, was affected, including customers, shareowners, governmental authorities, aviation suppliers, and -- most especially -- employees.
- Delta took fast action in the last quarter of 2001 as demand and revenue plummeted, making significant cuts in capacity -- and, unfortunately, the related reductions in staffing.
- By far, of all that has been required from that initial response to 9/11 and since, the most difficult action, however necessary, was reducing Delta’s valued workforce by approximately 16,000.
- Despite Delta’s quick response, however, it was obvious by early 2002 that the airline crisis would not be short lived.
- As the situation unfolded, and as is generally the case in any extended span of business-related duress, it also became clear that the continuity of Delta’s management team was in the company’s best interest -- and, hence, needed also
to become a key priority.

- Responding to that situation, we took the steps outlined in the proxy statement.
  - Agreements and programs related to retention were established.
  - The incentive compensation program was focused on the goals crucial to Delta’s survival, which were to maintain a strong and liquid balance sheet, and to minimize cash burn -- issues which I will discuss in more detail later this morning.
  - And, by coincidence, because 2002 also marked the expiration of the initial five-year term of my employment agreement with Delta, that agreement was renewed in November.

- In short, in the context of the unfolding crises which riddled 2002, each of these decisions had merit, given progress made against crucial goals as well as the tasks still ahead.

- Yet, in the current timeframe, with new and different challenges, these actions, when considered cumulatively, no longer appear appropriate.

- It is part of my job to be sensitive to the implications of all decisions made at Delta.

- In this instance, I did not meet that obligation.

Therefore, I would like to offer my sincere apology for this, especially to the employees of Delta Air Lines.

- As I indicated earlier this month, I have taken corresponding actions which encompass:
  - A 25% reduction in my salary rate
  - A commitment to take no incentive compensation in 2003, should such be earned
  - The rescission of my retention agreement
  - And also the rescission of equity awards associated with my five-year contract.

- My purpose in taking these steps was both to recognize and respond concretely to the issues that had been raised, and also to provide a basis for moving forward and resuming our focus on the crucial business issues still before us.

- Essential to this effort will be my continuing responsibility to sustain at every level the strong Delta team required to enable our company’s recovery ---

- For surely, Delta’s future success is the outcome that will best ensure improved opportunities for all constituencies – employees, customers, and shareholders.

- I will close this portion of my remarks by simply stating once more that I consider my stewardship of this proud company a privilege, and that my most heartfelt desire --- and that of the entire executive team — is to leave Delta an even better airline for the generations that follow.
III. Turning now to a discussion of the business issues we face and how those issues have
developed over the past year, let me use as reference the remarks I made at Delta’s
previous Annual Meeting for Shareowners, on April 26, 2002, in Washington, D.C.

- We knew even then that, in the wake of September 11, everything -- including
  aviation -- had changed.
- However, as I reviewed last year’s speech, it was clear that none of us at that time
  yet knew the degree of profound, fundamental change which still lay ahead.
- For example, I observed in last year’s speech that, in the seven months that had
  passed since 9/11, U.S. airlines had recovered from the initial blows of that event,
  making bankruptcy unlikely for any of the carriers.
- I noted, too, that with passenger demand slowly returning, the primary problem for
  our industry and the aviation system would be profit levels which were still
  insufficient to allow for adequate investment in the future.
- In retrospect, that portrayal, which I thought was quite bleak at the time, now looks
  incredibly optimistic, given the reality of the past year.
- Regarding my observation last year that passenger demand and revenue were
  slowly returning to normal levels, that trend ended abruptly.
- This was well ahead of the additional fall-off at the end of 2002, when the Middle
  East grew increasingly unstable, and certainly long before the oncoming impact of
  SARS.
- And as to my point that low profit levels would likely be the industry’s primary
  problem in 2002, that issue has been fully displaced by the urgent issues of day-to-
  day airline survival and the related concerns of maintaining an effective, efficient
  national aviation system.

So, where does Delta stand in relation to this much grimmer picture?

- The essential point I would make in response to this question is that Delta can
  survive, and can remain solvent throughout this incredibly challenging period.
- And if we succeed, then Delta will have the best chance of any airline for long-term
  success.
- We have been putting the underpinnings for this success in place – but success is
  anything but assured.
- Huge challenges must be met if we are to achieve safe passage to, first, sustained
  solvency and, then, sustained profitability.
- The underpinnings of successful passage include the following:

  ⇒ First, an unwavering focus on our fundamental customer service obligation,
     which has as its most basic element an absolute commitment to safety.
  ⇒ Second, a balance sheet with strong enough liquidity to provide the staying
     power required to weather a sustained financial crisis.
  ⇒ Third, the ability to maintain this staying power by minimizing the cash
     required for daily operating expenses, otherwise known as cash burn.
Fourth, a cost structure that, in the immediate term, enables survival and, in the period thereafter, would be competitive with all other carriers, and responsive to the continued growth of low-cost airlines.

And finally, despite the surrounding crisis, steady movement towards our longer-term strategic objectives.

- My confidence in Delta’s ability to meet the challenges ahead is based on our progress in almost all these areas.

IV. First, of course, is Delta’s commitment to customer service – and, as noted, the most fundamental aspect of that obligation is ensuring the safety of our passengers.

- I would like to pay tribute at this point to the continued dedication to excellence on the part of employees throughout the organization who have made Delta’s safety programs and performance top-of-the-line by any and all measures.

- In addition to safety, so basic to the equation, excellent customer service entails performing well all the day-to-day activities that ensure a highly satisfactory travel experience.

- The upheavals associated especially with employee reductions have obviously challenged all of us to maintain and exceed the customer service standards for which Delta has long been known.

- For the most part, we have done well.

- Yet, as change sweeps over us internally, we must focus even more sharply on the customer – our reason for being.

- To this end, Delta will continue to invest in improving the customer experience, despite current financial difficulties.

- The planned initiatives cover a wide range of enhancements.

- One example is the planned transformation of 81 of Delta’s airport lobbies through the use of technology tools, including 400 additional kiosks.

- The redesigned lobbies and the new, even more customer-focused roles of our agents are in place at LaGuardia and, as of yesterday, in Cincinnati.

- These transformed lobbies and those at seven more cities slated for completion next week are part of the effort to create line-free service for Delta’s customers.

- Second in the list of underpinnings for success, Delta has established a balance sheet which, while weak relative to other industries, provides continued staying power relative to the current crisis.

- As noted in our financial report last week, we ended the quarter with $2.5 billion in cash and short-term liquidity, in addition to $3.1 billion in unencumbered aircraft.

- As was also indicated in our report, Delta early this month completed a series of financial transactions that fortify our ability to meet debt
obligations through 2003 under all but the most unlikely and unforeseen circumstances.

Moreover, Delta expects to receive during the June quarter its estimated $400 million share of the federal reimbursement for aviation security costs.

And finally, relative to the pending sale of Worldspan, our cash position will be further enhanced when that transaction is complete.

All these together constitute a notable accomplishment in the current environment.

- Moving to Delta’s progress on the third point, our airline has minimized cash burn by reducing costs, with many of those actions involving substantial hardship.
  - Due to falling demand, we’ve cut mainline capacity by 15% since 9/11.
  - Sadly, that has resulted in the elimination of the 16,000 jobs referred to earlier.
  - We’ve also reduced costs by successfully pursuing a long litany of opportunities, including lowering distribution expenses, optimizing the network, simplifying the fleet, investing in technology that improves and streamlines processes, and changing some employee benefit programs.
  - Based on these and many other steps, our mainline operating costs at the end of 2002 were down by approximately $1 billion year-over-year.
  - As a result, Delta succeeded in reducing cash burn for 2002 to only $124 million – another excellent accomplishment in a tumultuous year.

- Turning next to the fourth underpinning for Delta’s success, however -- which is the establishment of a competitive cost structure – our progress is less complete.
  - The revenue picture continues to be bleak.
  - Thus, even in light of the significant cost reductions I have already outlined, the losses continue.
  - The unfortunate reality is that we do not yet have an appropriate revenue-to-cost relationship, despite the sacrifice and hard work that have occurred already.
  - Until this situation is remedied, Delta cannot be assured of solvency, followed by profitability.

IV. So, what must be done to fix the revenue-cost relationship?

- It should be noted that Delta’s first target in its cost reduction program has always been non-employee costs – and these efforts, already underway, will continue.
- But employee costs, which represent the largest portion of any airline’s cost structure, must inevitably come into play.
- Obviously, some important savings have already been realized through reductions in staffing, as well as benefit changes.
The ongoing challenge, however, will be to ensure that Delta’s cost structure meets the competitive pressures emanating from low-cost carriers, as well as the hub-and-spoke airlines which are restructuring within or outside of bankruptcy.

Accomplishing this essential task will require the active involvement of all Delta employees, with each workgroup fully understanding the cost challenges, and fully prepared to take the steps necessary to achieve a competitive position.

Now, it is not our intent today to single out any specific work group for attention in this regard.

It is, however, widely acknowledged that the greatest potential for improving Delta’s cost structure lies with our pilots.

Delta’s pilot unit costs – reflecting the combination of pay rates, benefits and productivity --- are the highest in the industry.

This situation is the result of a fully appropriate collective bargaining process which was completed in June 2001; clearly, there is no blame associated with the outcome.

However, as I have described today, the competitive situation has changed so dramatically since the signing of the agreement that its provisions are not sustainable in the current environment.

In line with these concerns, we are pleased that the elected representatives of the Air Line Pilots Association, which represents Delta pilots, have been open to meeting with us for discussions about the challenges we face.

ALPA financial analysts are currently reviewing Delta’s financial information, according to ALPA’s procedures, and will submit their report to the ALPA Master Executive Council shortly.

As the process proceeds, I want to acknowledge the support ALPA has already demonstrated for our recovery efforts, including approval for the Delta/Northwest/Continental marketing agreement.

We look forward to continued partnership with our pilots and all Delta employee groups in ensuring Delta’s ability to compete effectively.

At the same time that these and other employee cost issues are being pursued, Delta will continue forward with a program of profit improvement initiatives which is intended to provide a cash savings of $1.5 to $2.0 billion by 2005.

V. As I turn now to my fifth and final point regarding Delta’s underpinnings for success, which relates to longer-term future initiatives, I’d like to first set the stage with a brief look backward.

In the most difficult year our company has so far encountered, not only did we survive, we also posted a considerable number of achievements.

For example, including some of the items I noted earlier:

> Delta’s reached its liquidity and cash burn targets for 2002, providing the staying power needed to weather the current crisis.
We succeeded in minimizing the number of furloughs through the use of innovative voluntary programs – an option that was possible in large part by our relatively strong financial position.

We gained antitrust immunity with transatlantic and transpacific members of SkyTeam, the global alliance founded by Delta and Air France only three years ago, which is now substantially enhancing Delta’s revenue base.

We continued to expand our role as the world leader in the use of regional jets, which provide $2 billion in revenue each year.

We continued to strengthen our presence in the Southeast, adding flights at Delta’s No.1 hub – Hartsfield Atlanta international Airport -- and ushering through the startup of construction on Atlanta’s fifth runway, a project vital to our future growth in the region.

We also extended our presence in the Northeast, including the beginning of construction for our new Boston terminal.

- By independent measures, including Wall Street analysts, Delta’s performance was consistently noted as the best of the network carriers.
- I would like to express again my appreciation to the entire Delta team for their willingness to stay the course, overcome countless obstacles, and never, never give up -- as these results so clearly show.
- Building on this base, let me resume, now, the discussion of that fifth and final point which underpins Delta’s potential to succeed, and that is our continued focus on longer-term strategies.

- Our commitment in this area is evident in the progress which has been made towards three of these forward-looking initiatives in just the past few weeks.
- First, Delta has addressed the growing competitive threat of low-fare, point-to-point carriers – a concern which I have noted repeatedly to you in previous annual meeting remarks – with the launch of Song.
  - Earlier this month, Song inaugurated service between New York-JFK and West Palm Beach.
  - By this fall, Song plans to have introduced an additional 144 daily flights serving Atlanta, Boston, Dulles, Ft. Myers, Hartford, LaGuardia, Las Vegas, Newark, Orlando, Tampa, and -- as we announced just yesterday – San Juan.
  - With the launch of Song, this important initiative is well on its way to full implementation.
- Secondly, as I noted earlier, Delta’s nearly year-long effort to obtain reimbursement for post-9/11 aviation security costs has finally come to fruition.
  - You may recall that in May 2002, Delta began pushing an industry effort to convince the government of its responsibility for those
aviation security costs which are, in fact, part of the national security responsibility.

- Through frequent trips to Washington D.C., testimony before Congress on behalf of the industry, and the grass roots efforts of many Delta employees, our airline played a pivotal role in the development and passage of the airline components of the Emergency Wartime Supplemental Appropriations Act.

- Delta’s portion of the $2.9 billion allotted to airlines as part of this act, which was signed on April 16, will total about $400 million.

- And in a third area of positive development, the Department of Transportation gave final approval at the end of March to the Delta-Northwest-Continental alliance.

- Delta is immensely pleased that the final DOT guidelines will allow us to provide customers with access to the full range of benefits that alliances can offer to consumers.

- We expect the alliance, when fully mature, to generate passenger revenue gains of $150 million to $200 million per year.

VI. As I near the end of my remarks today, let me state once more my strong belief that Delta can succeed in meeting the challenges ahead.

- Clearly, the tasks still before us are enormous – and success is far from certain.

- But Delta enters the fray armed with many significant advantages.

  - Our commitment to customer service remains strong, and is being further revitalized.
  - Our liquidity is adequate to the near term need.
  - Our cost reduction efforts are well underway.
  - We continue to make progress on important strategic fronts.
  - And the Delta team is, at every level, experienced, committed, and focused.

- At this point, the battle is ours to lose – or to win.

- Based on the foundation we have built and – most importantly -- the capabilities and the fierce spirit of Delta people, which I have come to know and cherish during the past five and a half years, I am confident that the outcome can and will be not a battle lost, but a battle won.

Thank you.
Appendix C

Frontier Airlines
Frontier Airlines’ 2001 Annual Meeting

Statements contained in this presentation, which are not historical facts, are forward-looking statements as that item is defined in the Private Securities Litigation Reform Act of 1995. This presentation contains forward-looking statements and certain information contained in this presentation involves risks and uncertainties that could result in actual results differing materially from expected results. Forward-looking statements represent the Company’s expectations and beliefs concerning future events, based on information available to the Company as of the date of this presentation. The Company undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this presentation. Additional information regarding these and other factors may be contained in the Company’s SEC filings, including without limitation, the Company’s Form 10-K for its fiscal year ended March 31, 2001; the Company’s Form 10-Q for the quarter ended June 30, 2001; the Company’s Form 8-K filed May 7, 2001 and the Company’s Form 8-K filed January 22, 2001, as amended by the Company’s Form 8-K/A filed July 11, 2001.
Frontier Route Map and Snapshot

Fiscal Year 2001 Operating Highlights

<table>
<thead>
<tr>
<th></th>
<th>FY 2001</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enplanements</td>
<td>3,017,418</td>
<td>32.1%</td>
</tr>
<tr>
<td>ASMs (000)</td>
<td>4,260,461</td>
<td>19.7%</td>
</tr>
<tr>
<td>RPMs (000)</td>
<td>2,773,833</td>
<td>31.8%</td>
</tr>
<tr>
<td>Load Factor</td>
<td>65.1%</td>
<td>6.0 pts.</td>
</tr>
<tr>
<td>Yield</td>
<td>17.05</td>
<td>8.8%</td>
</tr>
<tr>
<td>Unit Revenue (RASM)</td>
<td>11.10</td>
<td>19.7%</td>
</tr>
<tr>
<td>Unit Cost (CASM)</td>
<td>9.20</td>
<td>12.7%</td>
</tr>
<tr>
<td>GAP</td>
<td>1.90</td>
<td>0.79</td>
</tr>
</tbody>
</table>
Fiscal Year 2001 Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>FY 2001</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$472,876,427</td>
<td>43.4%</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$392,155,107</td>
<td>35.0%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$80,721,320</td>
<td>105.3%</td>
</tr>
<tr>
<td>Net Income before Taxes</td>
<td>$88,332,438</td>
<td>103.5%</td>
</tr>
<tr>
<td>Net Income</td>
<td>$54,867,773</td>
<td>103.1%</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$1.90</td>
<td>100.0%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>17.1%</td>
<td>5.2 pts.</td>
</tr>
<tr>
<td>Pre-Tax Margin</td>
<td>18.7%</td>
<td>5.5 pts.</td>
</tr>
<tr>
<td>Net Margin</td>
<td>11.6%</td>
<td>3.4 pts.</td>
</tr>
</tbody>
</table>

FY 2001 Accomplishments

Shared Results
- Completed a stock dividend of one common share for each two shares outstanding
- Distributed profit sharing checks for the third consecutive year

New Initiatives
- Introduced a frequent flyer program, EarlyReturns
- Opened a new reservations call center in Las Cruces, NM.
- Increased corporate accounts to over 6,000

Streamlined Distribution
- Positioned our lowest available fares on our Web site
- Increased the percentage of Internet-related booked and flown revenue to 30.9 percent of total revenue
- Increased the amount of e-tickets as a percentage of total revenue to 74.0 percent

Growth
- Added service to Kansas City International Airport and Ronald Reagan Washington National Airport
- Increased passenger connection opportunities to 7.5
Recent Company Developments

- Airbus
- Service to Houston, Reno & Austin
- Great Lakes Codeshare
- Mesa Codeshare

Industry Overview

Softening Economy

- June quarter was only the third time in 30 years that the industry has posted an operating loss.
- Industry is expected to lose $2.0 billion during calendar 2001.
- July industry unit revenue down 12.3%.
- Year over year fuel prices down but trending up.
- Aggressive industry fare sales implemented.

“None of us has ever seen this kind of collapse in business travel”
CFO for a major airline, WSJ, 8/28/01
Impact of Economic Downturn on Frontier

Annual impact if we experience a…

... 1 percent variance in yield = $4.7 million
... 1 point variance in load factor = $7.3 million
... 1 percent variance in unit cost = $3.9 million
... 1 cent variance in fuel price = $667,000

FY 2002 First Quarter Operating Highlights

<table>
<thead>
<tr>
<th></th>
<th>Q1 FY02</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enplanements</td>
<td>846,115</td>
<td>18.8%</td>
</tr>
<tr>
<td>ASMs (000)</td>
<td>1,148,546</td>
<td>12.9%</td>
</tr>
<tr>
<td>RPMs (000)</td>
<td>776,764</td>
<td>16.5%</td>
</tr>
<tr>
<td>Load Factor</td>
<td>67.6%</td>
<td>2.1 pts.</td>
</tr>
<tr>
<td>Yield</td>
<td>15.88</td>
<td>(6.2%)</td>
</tr>
<tr>
<td>Unit Revenue (RASM)</td>
<td>10.74</td>
<td>(3.2%)</td>
</tr>
<tr>
<td>Unit Cost (CASM)</td>
<td>9.75</td>
<td>13.5%</td>
</tr>
<tr>
<td>GAP</td>
<td>0.99</td>
<td>(1.51)</td>
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</table>
Fiscal Year 2002 First Quarter
Financial Highlights

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<thead>
<tr>
<th></th>
<th>Q1 FY02</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$123,316,357</td>
<td>9.3%</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$112,010,797</td>
<td>28.1%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$11,305,560</td>
<td>(55.4%)</td>
</tr>
<tr>
<td>Net Income before Taxes</td>
<td>$12,533,761</td>
<td>(53.5%)</td>
</tr>
<tr>
<td>Net Income</td>
<td>$7,739,597</td>
<td>(53.0%)</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$0.26</td>
<td>(54.4%)</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>9.2%</td>
<td>(13.3 pts.)</td>
</tr>
<tr>
<td>Pre-Tax Margin</td>
<td>10.2%</td>
<td>(13.7 pts.)</td>
</tr>
<tr>
<td>Net Margin</td>
<td>6.3%</td>
<td>(8.3 pts.)</td>
</tr>
</tbody>
</table>

Industry June Quarter Results

<table>
<thead>
<tr>
<th></th>
<th>Operating Margin</th>
<th>Pre Tax Net Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>AirTran</td>
<td>19.7%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Southwest</td>
<td>18.7%</td>
<td>18.5%</td>
</tr>
<tr>
<td>Frontier</td>
<td>9.2%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Continental</td>
<td>5.4%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Alaska</td>
<td>2.0%</td>
<td>1.4%</td>
</tr>
<tr>
<td>USAir</td>
<td>0.8%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Northwest</td>
<td>-1.3%</td>
<td>-3.4%</td>
</tr>
<tr>
<td>Delta</td>
<td>-3.0%</td>
<td>-4.2%</td>
</tr>
<tr>
<td>United</td>
<td>-7.6%</td>
<td>-9.6%</td>
</tr>
<tr>
<td>America West</td>
<td>-9.3%</td>
<td>-9.4%</td>
</tr>
<tr>
<td>American</td>
<td>-13.6%</td>
<td>-14.2%</td>
</tr>
</tbody>
</table>
Airbus Integration

- 737-200
- 737-300
- A319
- A318

Manage Through Slowing Economy

Revenue Enhancements
- Manage inventory through economic downturn
- Codeshare agreements
- EarlyReturns

Cost Control
- Fuel conservation program
- Internal focus on low cost culture
- Push Internet distribution channels
Strategic Plan

• 15% annual capacity growth
• Expand Denver hub
• Serve major metropolitan markets
• Maintain low cost structure
• Ride out the current economic environment
• Provide value to our employees, customers and shareholders
Slide 3
27 aircraft (24 Boeing jets after the early return of a Boeing 737-300 in Sept. 01 and 3 Airbus aircraft).
- Soon to be 29 aircraft due to the addition of two more Airbus aircraft during Sept.
- Current route map serving 22 cities out of Denver, adding Reno/Tahoe NV and Austin TX on October 1. (24 counting Reno and Austin)

Slide 4
Next two slides show Frontier’s fiscal year ended March 31, 2001.
- Not much to say except what a year it was.
- In addition to a thriving economy, Frontier experienced some positive traffic and revenue gains from United’s operational difficulties experienced during the summer of 2000.
- As you see on Slide 6, operating income, net income before taxes and net income all more than doubled over the prior year.

Slide 6
- In addition to posting outstanding performance numbers, we accomplished a great deal during the year.
- In March, we completed a 3-for-2 stock split which was distributed in the form of a stock dividend.
- In June, we distributed profit sharing check to employees for the third year in a row (totally 6% of the company’s pre-tax net profit or $7.0 million)
- In January, we introduced EarlyReturns, which today has over 150,000 members.
- In August, we opened a new call center in Las Cruces, New Mexico, which allowed us to discontinue outsourcing from a secondary call overflow center.
- Currently have over 6,000 corporate accounts, with more corporations opening their doors to us in light of their desire to reduce travel expenditures.
- In January, we began offering our lowest fares, previously available only through consolidators, over our internet site.
- This action, along with other marketing of the site, increased the percentage of flown revenue generated by both our site and other internet travel sites to over 30% at the end of March 2001.
- E-tickets are now 74 percent of total revenue.
- New service initiated during 2001 included Kansas City and Washington National; additionally, in May 2002, we inaugurated service to Houston, and we look forward to opening Austin and Reno in October.
- The new markets and additional frequencies that we implemented during the year meant that at the end of the year, passengers had an average of 7.5 connection choices on Frontier when flying through our Denver hub.
Slide 7
- Houston started in May with 3 daily flights
- Reno and Austin begin October 1 with 2 flights
- Great Lakes codeshare began in July and includes 7 markets.
- Mesa codeshare, announced Wednesday, calls for 5 CRJs to operate as Frontier JetExpress sometime in the early part of calendar 2002.
- We are pleased because the agreement will allow us to supplement existing cities as well as reach new markets that likely wouldn’t support our larger jet operation.

Slide 8
Sept quarter estimate EPS range of $0.18 - $0.28 versus consensus of $0.37

Slide 13
The Airbus integration remains our highest priority and we plan to have 29 aircraft by Fiscal Year End 2002 (23 Boeing 737s; 6 Airbus A319s) (this includes 270 which we’re hoping to return early in December but that we have not announced as well as the sixth Airbus we’ll take delivery of in Feb.02).
- Purchase/Lease order for up to 45 aircraft by March 2005
- During the transition, we’ll operate Boeing and Airbus but upon conclusion of the transition, Frontier’s all Airbus fleet will be more fuel efficient, operate with lower maintenance costs than our current older, leased Boeing fleet and we’ll realize the benefits of accelerated depreciation for tax purposes vs. life of the asset.
- Financed the first three aircraft at approximately 6.54%

Slide 14
- Market Cap: $354 million (9/4/01)
- Cash, cash equivalents & short-term investments (6/30/01) $102.1 million
- Strong balance sheet
- 32.5 percent revenue growth over the last 12 months (6/30/01)
Fiscal Year 2002 Annual Shareholders Meeting

Notice on Forward Looking Statements

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**Current Route Map and Snapshot**

**FY 2002 Accomplishments**

- **4th Year of Profitability**
  - Net income of $12.7 million, or $0.43 per diluted common share, excluding unusual items and the $7.7 million (net of tax) government grant monies

- **Fleet Enhancements**
  - Added six new Airbus A319

- **Scope of Service Expansion**
  - Introduced F9 service to six new cities
  - Increased capacity 7.8%, on a year-over-year basis, including 9/11 reductions
  - Entered into a code share agreement with Mesa Airlines
  - Expanded code share agreement with Great Lakes Aviation
Post September 11 Environment

Scaled Back…
- Reduced capacity by 20%
- Reduced all capital and other non-essential spending
- Implemented pay reductions ranging from 3% to 40%
- Furloughed approximately 400 Frontier employees

…But Maintained Our Ability to Plan for the Future
- Increased productivity
- Retained Airbus delivery schedule
- Implemented “Seats for Sharing”
- Encouraged “Friends and Family Flying” through an employee grassroots program

Recent Company Developments

- LiveTV
- Corporate Branding
  - Build loyalty through EarlyReturns; membership at the end of June 2002 over 300,000
  - Improve consistency of product
- Continued Focus on Distribution Improvements
  - Over 26% of flown revenue generated via www.frontierairlines.com during the June 2002 quarter
- Reduce Unit Costs
  - Controlled indirect cost growth
  - Brought revenue accounting function in-house
- Cultivate Frontier’s Culture
  - Unique employee benefits remain intact, including 401(k) match, ESOP, tuition reimbursement
  - Recent maintenance contract negotiated and ratified in under one year
  - Most employee groups remain non-unionized
Business Strategy – Steady Conservative Growth

- Frontier expects to have a single fleet type of 45-50 Airbus A318/A319 by May 2006, assuming conversion of 18 option aircraft to firm deliveries.

![Fleet Projection](image)

**Fleet Projection**

* Frontier expects to retire its last Boeing 737-300 in May 2006 (at which time Frontier will be in fiscal 2007).
** Frontier has only firm-ordered 32 Airbus aircraft as of August 2002.

Frontier fiscal year ends March 31

Current Industry Environment

- Business Travelers Have Not Returned to the Skies
  - July 2002 industry unit revenue declined 6.9%
  - June 2002 industry unit revenue declined 7.1%
- Industry Has Not Weathered the Storm Sufficiently
  - US Airways Chapter 11
  - United Airlines in 30-Day countdown to Chapter 11
  - American “restructuring” its hub system
  - Industry consolidation posed as solution via code share relationships
- Economy Has Not Rebounded
  - August 2002 manufacturing activity unchanged from July 2002
  - Waning consumer confidence
  - July 2002 unemployment levels flat for the third consecutive month
  - August 2002 crude oil prices up 7.3% above July-end levels
Flashback: Summer 2001 Industry Overview

Softening Economy

- June quarter was only the third time in 30 years that the industry has posted an operating loss
- Industry is expected to lose $2.0 billion during calendar 2001
- July industry unit revenue down 12.3%
- Year over year fuel prices down but trending up
- Aggressive industry fare sales implemented

- “None of us has ever seen this kind of collapse in business travel”
  CFO for a major airline, WSJ, 8/28/01

Events of 9-11 Affected Four Consecutive Years of Net Income

→ Frontier recorded its first quarterly loss in four years in June 2002.
1Q FY03 Operating Statistics

<table>
<thead>
<tr>
<th></th>
<th>3 Mos Ended 6/30/02</th>
<th>Yr over Yr Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enplanements</td>
<td>928,000</td>
<td>9.7%</td>
</tr>
<tr>
<td>ASMs (000)</td>
<td>1,369,000</td>
<td>19.2%</td>
</tr>
<tr>
<td>RPMs (000)</td>
<td>860,000</td>
<td>10.7%</td>
</tr>
<tr>
<td>Load Factor</td>
<td>62.8%</td>
<td>(4.8 Points)</td>
</tr>
<tr>
<td>Yield</td>
<td>12.71</td>
<td>-18.2%</td>
</tr>
<tr>
<td>Unit Revenue (RASM)</td>
<td>7.98</td>
<td>-24.1%</td>
</tr>
<tr>
<td>Unit Cost (CASM)</td>
<td>8.44</td>
<td>-13.4%</td>
</tr>
</tbody>
</table>

Low Operating Costs

Frontier’s lower cost per ASM allows it to provide passengers a low fare alternative to United out of Denver.

Operating Cost per ASM of Selected Airlines
(Three months ending June 30, 2002)

Source: Company Press Releases
Low Operating Costs

→ Frontier has reduced its costs more than its peers over the last year.

Year-Over-Year CASM Excluding Fuel
(Quarter Ended June 30, 2002)

Breakeven Load Factor Results Quarter Ended June ‘02

Source: Company Press Releases
* Breakeven load factor derived from reported data.
### Balance Sheet Highlights

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2002</th>
<th>March 31, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, Cash Equivalents &amp; Short-Term Investments</td>
<td>$ 79,050</td>
<td>$ 89,555</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>104,221</td>
<td>102,493</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>183,271</td>
<td>192,048</td>
</tr>
<tr>
<td>Property and Equipment, net</td>
<td>204,069</td>
<td>142,862</td>
</tr>
<tr>
<td>Other Assets</td>
<td>70,462</td>
<td>76,775</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$ 466,802</td>
<td>$ 413,685</td>
</tr>
<tr>
<td><strong>Liabilities and Stockholders’ Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$ 13,978</td>
<td>$ 20,153</td>
</tr>
<tr>
<td>Air Traffic Liability</td>
<td>60,011</td>
<td>64,123</td>
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<tr>
<td>Other Current Liabilities</td>
<td>71,941</td>
<td>67,788</td>
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<tr>
<td>Total Current Liabilities</td>
<td>155,930</td>
<td>152,064</td>
</tr>
<tr>
<td>Long Term Debt</td>
<td>112,854</td>
<td>66,832</td>
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<tr>
<td>Deferred Tax Liabilities</td>
<td>9,546</td>
<td>6,717</td>
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<tr>
<td>Other Long Term Liabilities</td>
<td>21,996</td>
<td>18,939</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>246,306</td>
<td>244,552</td>
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<tr>
<td>Stockholders’ Equity</td>
<td>167,876</td>
<td>169,133</td>
</tr>
<tr>
<td>Total Liabilities &amp; Stockholders’ Equity</td>
<td>$ 466,802</td>
<td>$ 413,685</td>
</tr>
</tbody>
</table>

### Impact of Economic Downturn on Frontier

- **Annual impact, based on year-end March 31, 2002 results, if Frontier experiences a…**
  - …1% variance in yield = $4.4 million
  - …1 point variance in load factor = $6.8 million
  - …1% variance in unit cost = $4.1 million
  - …1 cent variance in fuel price = $0.71 million
Industry Reaction

- Capacity Reductions October/November 2002
  - United
  - American
  - US Airways
  - Continental

- Labor Issues at Major Competitor(s) Remain Largely Unresolved

- Service Levels Decreasing
  - Larger carriers imposing more stringent restrictions on non-refundable tickets, change fees
  - Larger carriers considering a system where air travelers purchase amenities in an ala carte fashion (for example, extra fees attached to assigned seats)

- Consolidation Proposals
  - United Airlines and US Airways code share
  - Delta, Northwest and Continental code share

Frontier’s Focus

- Revenue
  - Reallocation of capacity
    - October 2002 Schedule Change
    - Mexico Service
  - Corporate branding initiative
  - LiveTV

- Costs
  - Expect further CASM reductions from June 2002 level
  - B737-200’s retirement by Q403 should result in an estimated .25 cent reduction in CASM
  - Airbus transition will contribute to lower CASM
    - Increased fleet utilization
    - Lower operating/ownership costs
    - More fuel efficient
    - Lower maintenance expense
Frontier’s Focus (cont.)

Airline Transportation Stabilization Board (ATSB)

- Frontier is applying for a government loan guarantee to support a revolving credit facility in order to strengthen its liquidity position in a difficult competitive environment
- Seeking a $70 million line of credit, of which 85% would be backed by the Federal government’s loan program
- Frontier would pledge certain collateral to the Lender and Guarantor to secure the repayment of the facility

Corporate Governance

- Financial Certification
- Disclosure/Transparency

Awards and Recognitions

- In August 2002, Frontier Chairman Sam Addoms was awarded the 11th annual Daniel L. Ritchie Award by The Colorado Ethics in Business Awards Selection Committee. The award is given to an individual, or individuals, who exemplify and promote ethical conduct in their business and professional careers. Addoms received the award for his leadership and dedication at Frontier Airlines.

- For the third consecutive year, Frontier’s maintenance department received the Federal Aviation Administration (FAA) Diamond Award (Oct. 1999, Feb. 2001 and Feb. 2002). The award is the highest given by the FAA and recognizes advanced training for aircraft maintenance professionals throughout the industry. To receive the award, 25% of a company’s aircraft maintenance technicians must complete certified training requirements beyond the technician’s initial licensing. Frontier is the first airline to have 100% of eligible employees complete the aviation maintenance training program, as it has for the past three years.

- Entrepreneur Magazine named Frontier to its “2002 Best Low-Fare Airlines” list in the publications ninth annual Business Travel Awards. (April 2002)
Strategic Plan

- Expand Denver hub
  - Frontier has increased connection opportunities through its Denver hub from 4.7 per arrival in March 1999, to 9.4 per arrival in June 2002
  - Frontier and Frontier JetExpress combined marketshare (based on pax enplanements) at DIA during July 2002 was over 11%

- Serve major metropolitan markets
  - Frontier serves 34 cities and 309 city pairs (June 2002)
  - Serves 19 of the top 25 cities in the United States
  - Frontier has a 20% or greater market share in its top 10 markets, excluding DIA

- Maintain and improve low cost structure
  - Frontier offers affordable day-to-day fares to passengers, and provides fare competition to larger airlines

- Provide value to our employees, customers and shareholders

Questions
Fiscal year 2003 marked another turbulent year in the airline industry. Continued threats of terrorism, the war with Iraq, and several significant Chapter 11 bankruptcy filings were just some of the many obstacles Frontier faced in fiscal year 2003. Despite these obstacles and a very challenging economy, Frontier’s 3,200 aviation professionals worked harder than ever to achieve significant improvements in our overall cost structure. While I am disappointed that our employees’ efforts did not return Frontier to profitability in fiscal year 2003, I believe those efforts resulted in Frontier reporting significantly lower losses than those suffered by the majority of airlines over the last year. I am proud of the fact that in spite of the external challenges, we continued our transition to an all Airbus fleet and brought Frontier’s affordable fares and outstanding service to nearly four million passengers.

During fiscal year 2003, Frontier achieved a number of milestones:

1. We continued our transition to an all Airbus fleet by adding 11 new Airbus A319 aircraft and retiring five Boeing 737 aircraft. Our fleet at the end of fiscal year 2003 consisted of 17 Airbus A319 aircraft and 19 Boeing 737 aircraft.

2. Compared to fiscal year 2002, we reduced our unit costs for fiscal year 2003 by nearly 11 percent, and on a fuel exclusive basis, by nearly 14 percent.

3. Our liquidity improved by closing a $70 million commercial loan facility guaranteed by the Air Transportation Stabilization Board that netted $68.2 million, and by completing two sale lease-back transactions that netted $12.3 million.

4. The Company implemented its first fuel hedging program that reduced fuel expenses in fiscal year 2003 by over $725,000, on a pre-tax basis.

5. Frontier introduced service to 11 new markets and entered our first international markets with flights to two Mexico destinations.

6. We completed the installation of DIRECTV service on all of the Company’s Airbus aircraft.

7. We unveiled our simplified domestic pricing structure that reduced business and leisure fares and capped unrestricted fares at $499 one-way.

8. Our maintenance and engineering team received the Federal Aviation Administration’s Diamond Award for the fourth consecutive year, recognizing their continued, advanced maintenance education and training efforts. We have always managed our airline by focusing on factors we can control, as opposed to engaging in excessive hand-wringing over those that we cannot, and looking for opportunities in the challenges that face us.
For example, when our principal competitor in Denver, United Airlines, declared bankruptcy in December 2002, we were initially presented with an increasingly competitive pricing environment as United struggled to maintain market share. By simplifying our domestic pricing structure, as mentioned above, we were able to compete in this environment and continue to build loyalty among our customers. In spite of the many challenges we faced in fiscal year 2003, we focused on programs that reduced overall costs, improved our liquidity, and advanced our revenue opportunities to position Frontier for the future and allowed us to end our fiscal year with $104.9 million in cash, cash equivalents and short-term investments.

At press time, the positive results of our continued focus to return Frontier to profitability were seen in our June 2003 traffic numbers, including a load factor of 75.6 percent, the highest Frontier has ever achieved in one month since its inception in 1994. With traffic increasing 30.9 percent during our fiscal first quarter 2004, and outpacing our capacity growth of 22.3 percent for the same period, we anticipate reporting a small profit for our fiscal first quarter 2004. If successful, this will mark our first profitable quarter since the quarter ended March 31, 2002.

Although our summer traffic appears positive, we realize the airline industry is facing unprecedented challenges unlike any the industry has ever faced before. National unemployment, including long-term unemployment, is at its highest level since Frontier’s inception in 1994, business travel expenditures have not returned to pre-9/11 levels and we are not certain it will ever return to those levels, and security threats against our nation and our industry continue to deter people from traveling. These realities make it more important than ever to remain focused on our core mission, which includes conservative growth achieved by avoiding complexity, improving productivity, and approaching business challenges in unique ways.

This past spring, that message was delivered when we unveiled our “Whole Different Animal” branding campaign. Through this innovative positioning, we stand firmly on four cornerstones: affordability, flexibility, accommodating, and comfort. By focusing on the little things that make a difference to travelers, we believe Frontier will continue to be different from other airlines. In fact, our “whole different animal” message is delivered by the very creatures that distinguish the appearance of Frontier’s aircraft: the wildlife animals that grace our planes tails. By bringing these characters to life, we successfully created a communication platform that achieves two goals: First, capture the consumer’s attention, and secondly, deliver a key message about our service, including destinations served, DIRECTV, and our brand-new Airbus fleet. When asked if our commercials have achieved what we had hoped they would, I simply tell people that the proof is all around us, especially when employees are stopped in grocery check-out lines by patrons who feel compelled to break into Larry the Lynx’s voice, repeating our commercials line for line keeping our business model simple, our operation safe and our employees and customers secure provides a firm foundation as we enter fiscal year 2004. We will continue our fleet transition during fiscal year 2004 and are proud to be the launch customer for the new Airbus A318 aircraft, which we will bring into our fleet in July 2003. During fiscal year 2004, we plan to bring in 10 additional Airbus aircraft and retire eight Boeing aircraft,
resulting in two net additional aircraft to our fleet by end of fiscal year 2004.

At the end of fiscal year 2004, we plan to operate a fleet of 38 aircraft (14 owned and 24 leased), including 27 Airbus aircraft and 11 Boeing 737-300 aircraft. During fiscal year 2004, Frontier will expand its service to more Mexico destinations, and inaugurate service to several new cities, including John Wayne Airport in Orange County, California, and Milwaukee, Wisconsin. We believe we are on track to weather the current storm and position Frontier for a bright future. As a valued shareholder, you contribute to that future and we appreciate that support immensely. As always, we thank you for flying Frontier whenever possible and look forward to serving you soon on a Frontier flight.
About The Author

Gary W. Carson has an undergraduate degree in Chemistry from Alderson Broaddus College, a Masters of Divinity from Pittsburgh Theological Seminary and, with this dissertation, his Doctorate from the University of South Florida. An ordained Presbyterian minister, he has served three churches, one each in Pennsylvania, the Bahamas and Florida. He is assistant Professor of Communication at Coastal Carolina University in Myrtle Beach SC.

With a long time interest in crisis management and crisis communication and a love for travel, an investigation of the airline industry seemed a fitting choice for this work. Having dealt with churches in crisis and the six children he and Susan have raised, the need for organization and crisis management skills have personal as well as academic applications

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