

Case studies

Learning excellence: Southwest Airlines' approach

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Abstract

In an era in which adapting to change means survival, it is important to study what successful organizations have done. While the airline industry in the USA has not made thriving financial headlines, one small company has been able to satisfy its customers completely and achieve a place among the Fortune 500 in a relatively short period of time. In three steps, this article examines what Southwest Airlines has done to reach this level of achievement and maintain its excellent employee and customer relations. First, the company is defined as "excellent" according to the criteria established by Peters and Waterman. Second, management-employee relations, organizational training and strong leadership are identified as the sources of employee motivation. Third, loss of strong leadership and organizational structure are discussed as possible future problems influencing motivation and service. The article closes by pointing to Southwest Airline's concept of service as the true source of motivation and excellence.

Introduction

With the airline industry in the USA hardly making financial records, how has it been possible for a small company such as Southwest Airlines to completely satisfy their customers since 1971? (Bovier, 1993). What lessons has the management of Southwest Airlines learned in such a relatively short time period? How have these lessons enabled the company to capture such a portion of the market? (Bovier, 1993; George and Jones, 1996)

Southwest Airlines began its service in 1971. Since then the killer-whale painted planes have become familiar to their customers and to corporate America. Besides being profitable, expanding constantly and defending its high place on the *Fortune 500* list, Southwest has a very special trait: attitude (Bovier, 1993). The Southwest perspective stems from CEO Herb Kelleher and Southwest's employee motivation.

The purpose of this article is to discover the sources of success of Southwest Airlines as a company with high employee motivation.

Three factors will be addressed:

- (1) Southwest as an "excellent" company;
- (2) the source of employee motivation in this "excellent" company; and
- (3) whether lessons learned can adequately address potential future problems for Southwest.

Southwest – the "excellent" company

In Peters and Waterman's *In Search of Excellence* (1982), the authors summarize the results of their study of "excellent" companies. Forty-three US companies, taken from the *Fortune 500* list "had to be of above-average growth and financial return over a 20-year period, plus have a reputation in their business sector for continuous innovation in response to changing markets" (Pugh and Hickson, 1997, p. 99). The authors then applied the McKinsey 7-s framework to the selected companies. The 7-s framework describes the seven variables "that any intelligent approach to organizing had to encompass" (Peters and Waterman, 1982, pp. 9-10): structure, strategy, systems, style skills, shared values, and staff. Peters and Waterman expanded this list of excellence to include eight attributes:

- (1) a bias for action;
- (2) close to the customer;
- (3) autonomy and entrepreneurship;
- (4) productivity through people;
- (5) hands-on, value-driven;
- (6) stick to the knitting;
- (7) simple form, lean staff; and
- (8) simultaneous loose-tight properties.

Since in 1982 Southwest Airlines had only been operating for 11 years, it was not included in Peters and Waterman's study. Yet, if carefully examined, Southwest can be labeled a successful learning organization in the light of Peters and Waterman's 1982 criteria.

A bias for action

A company showing a bias for action favors experimentation. Management encourages "can do" and "let's try" problem solutions (Pugh and Hickson, 1997, p. 100). Open-door policies and short deadlines are also typical. In general, companies with a bias for action are open for change and new innovations.

At Southwest, open-door policies and "let's try" approaches are part of the special Southwest perspective. Kelleher has been classified as the sort of manager who will "stay out with a mechanic in some bar until four o'clock in the morning to find out what is going on. Then he will fix whatever is wrong" (Labich, 1994, p. 46). Employees are encouraged to generate ideas and then try them. "Southwest workers often go out of their way to amuse, surprise, or somehow entertain passengers" (Labich, 1994, p. 50). For example, employees may explain the usual safety regulations through rap-singing (compare Chakravarty, 1991, p. 50 and McNerney, 1996, p. 5). Employees often generate and implement solutions to problems on the spot instead of waiting for time-consuming top management decisions.

Close to the customer

Closeness to the customer implies communicating and treating them as valued clients, not as a valued wallet. Southwest maintains very close ties to the customer. Suggestions are taken seriously. Even letters to the company are answered personally, not according to a standardized formula. Kelleher believes that taking customers' letters seriously helps Southwest in two ways. First, the letters help Kelleher as CEO to monitor employee perfor-

mance. Second, input from the customers reveals areas in which Southwest can improve (Bovier, 1993).

Typically, the company receives approximately 1,000 letters weekly. Each customer who writes gets a personal response – not a form letter – within four weeks. Explaining why a plane was late can require rattling on for seven pages. While this is time-consuming, requiring more than 1,500 labor hours per week from 45 employees in two departments, Kelleher believes that the letters are the best system he has found to monitor airline performance (Teitelbaum, 1992, p. 115).

Southwest's personal interest in the customer even goes so far as to reschedule commuter flights if the flight schedules interfere with the schedules of frequent fliers.

Autonomy and entrepreneurship

Companies encouraging autonomy and entrepreneurship are characterized by innovators and risk takers on all levels. Internal competition is encouraged, not suppressed, and management fosters leaders on all levels (compare Pugh and Hickson, 1997, p. 101).

"Southwest is a company that encourages its people to express their individuality. . . Southwest's culture also de-emphasizes hierarchy" (McNerney, 1996, p. 5). At Southwest, every employee can express opinions freely and make suggestions. For example, Southwest encourages leadership. As Jaffe explains: "We want everyone to be a leader in his job; you're a leader not just in what you say, but in the way you listen and respond to others, in what you do, and most importantly, how you do it" (Jaffe, 1991, p. 59). Internal competition at Southwest exists in a friendly and motivating way. "Departments shower one another with free ice cream, pizza, or other goodies as tokens of customer devotion – or simple in appreciation of a job well done" (Teitelbaum, 1992, p. 116).

Southwest also accepts failure as a natural and forgivable occurrence. "A special attribute of the success-oriented, positive, and innovating environment is a substantial tolerance for failure" (Peters and Waterman, 1982, p. 223). Anne Bruce, manager of Southwest Airlines' University for People employee learning and development division, explains Southwest's rules for successful corporations. Among these rules (Bruce, 1997, p. 11) are: walk a mile in someone else's shoes; take

accountability and ownership, and celebrate your mistakes as well as your triumphs.

Productivity through people

“Excellent” companies are people oriented, and productivity through people underlines this notion. Companies recognize “ordinary members of the organization as the basic source of quality and productivity gains. . . and they treat workers as people” (Pugh and Hickson, 1997, p. 101).

Southwest employees share similar personality characteristics, such as a sense of humor and an outgoing attitude. In contrast to other major companies, “Southwest...doesn't use personality tests” (Sunoo, 1995, p. 68). Nevertheless, the company hires on the basis of attitude. “If you don't have a good attitude, we don't want you, no matter how skilled you are. We can change skill level through training. We can't change attitude” (Chakravarty, 1991, p. 51).

This policy exists for a reason. Kelleher believes that it is easier to treat customers with respect when treating one another the same way (compare Teitelbaum, 1992, p. 115). “If you don't treat your own people well, they won't treat other people well” (Teitelbaum, 1992, p. 116). Vice president Colleen Barrett states: “We will never jump on employees for leaning too far toward the customer, but we come down on them hard for not using common sense” (Teitelbaum, 1992, p. 115). In treating its employees well, Southwest expects the same behavior towards the customer. As proof of its success, Southwest has earned a reputation as one of the friendliest airlines (Bovier, 1993).

Hands-on, value driven

The hands-on approach describes companies in which management becomes actively involved. In addition to directing work, representatives of upper management participate in lower level work because of a belief of equality and to “publicly demonstrate their commitment to high standards” (Pugh and Hickson, 1997, p. 102) through their own work.

Southwest's upper management perform one day each quarter as reservation agents, ticket agents, baggage handlers, etc., in order to “maintain a feel for what's going on in the field and understand the difficulty of these jobs” (Bovier, 1993, p. 58). Even pilots sometimes help check in customers or clean airplanes to shorten turn-around times.

Stick to the knitting

“Stick to the knitting” is a metaphor that implies keeping focused on well-performed tasks and keeping off over-hastened expansion. Many companies expand too fast and then cannot deal with upcoming problems such as insufficient funds or lack of specialized expertise.

Southwest's CEO Kelleher is cautious about expansion. Even though he has added many national flights, Southwest is not planning to compete with international airlines. “We don't intend to fly transcon” (Velocci, 1995, p. 41). Since most companies try to increase profit through expansion, keeping a company small and focused can be a new concept. Or, as Kelleher says, “You can innovate by not doing anything, if it's a conscious decision” (Jaffe, 1991, p. 58).

Simple form, lean staff

Keeping an organizational staff lean simplifies channels of communication in an organization. The more layers of hierarchy that exist, the longer it takes to make a decision, and the less familiar management is with daily occurrences. Since its establishment, Southwest has been leanly staffed (Chakravarty, 1991). For example, in order to save time and money, flight attendants clean the planes themselves instead of ordering in a cleaning crew.

Southwest constantly hires and rarely lays off new people (McNerney, 1996), so the term “lean staff” has to be defined in a relative sense. While other airlines hire in prosperous times and fire in more difficult times, the number of Southwest Airlines' employees continues to grow but only to meet their needs. In this way, the company preserves its simple form with limited staff, even when growing from 198 to over 11,000 people between 1971 and 1993 (Bovier, 1993, p. 58).

Simultaneous loose-tight properties

Simultaneous loose-tight properties can be achieved through a company “both centralized and de-centralized. . . They are fanatical centralists around the few core values they see as key to the enterprise: quality, reliability, action, regular informal communication, and quick feedback” (Pugh and Hickson, 1997, p. 103). Southwest can be described by all these characteristics.

The organization as a whole is democratic. Individual input is encouraged and hierarchy in general is de-emphasized (McNerney,

1996). At the same time, Kelleher remains the unchallenged leader of Southwest. Kelleher personally approves every expenditure over \$1,000 (Labich, 1994) and considers having financial aspects under control as very important. "No matter how good things may look, you should not let your spending get out of control" (Chakravarty, 1991, p. 48). Despite his tight reign on financial aspects, "Uncle Herb" or "Herbie," as he is called by most employees (Kelly, 1989, p. 55), is highly respected and liked among Southwest employees.

"Excellent" companies are motivating

As the preceding discussion shows, Southwest fulfills all eight attributes of an "excellent" company as defined by Peters and Waterman. Most "excellent" companies also have a strong leader. In Southwest's case, this is Herb Kelleher. Therefore, Southwest Airlines can be classified as an "excellent" company.

Being employed by Southwest alone is motivating. "Southwest Airlines. . . puts a high priority on selecting motivated people to begin with" (McNerney, 1996, p. 4). Yet, there are other factors especially motivating at Southwest. Three of these factors will be discussed here: management-employee relations, training at the University for People, and Kelleher as a strong leader.

Management-employee relations

First, Southwest's organizational culture is characterized by good employee-management relations. "The old-fashioned bond of loyalty between employees and company may have vanished elsewhere in corporate America, but it is stronger than ever at Southwest" (Labich, 1994, p. 46). Southwest employees on all levels think of the company as a family (Labich, 1994). They feel personally involved, responsible, and motivated. David Ridley, director of marketing and sales at Southwest, commented that he had come to appreciate "a place where kindness and human spirit are nurtured" (Labich, 1994, p. 50). Alan Boyd, retired chairman of Airbus North America, observed, "At other places, managers say that people are their most important resource, but nobody acts on it. At Southwest, they have never lost sight of the fact" (Labich, 1994, p. 50). Almost 30 years ago Herzberg already concluded that "the only way to motivate the employee is to give

him challenging work in which he can assume responsibility" (Herzberg, 1968, p. 53).

Training at the University for People

A second means that Southwest uses to motivate employees is the company's University of the People. "The airline's corporate university trains 25,000 people per year" (Bruce, 1997, p. 11). Every new employee undergoes a standardized training session. In addition, every year supervisors, managers and executives have to undergo a two-day training at the company's headquarters in Dallas. This training curriculum includes the Frontline Leadership program for all employees in supervisory positions. The Leading with Integrity Program trains first-time managers; the Customer-Care Training Program instructs flight attendants, pilots and others as to the company's most current performance standards (Sunoo, 1995).

Southwest uses training as an important motivation tool. Employees are re-familiarized with the company's culture, mission statement, and corporate identity. Regular training prevents mistakes on the job, and new contacts are made. Because employees perceive that they are respected, valued, and informed at all times, they tend to be more involved in the company and are more highly motivated. This, in turn, usually leads to higher performance.

Additionally, regular training for all employees tends to decrease hierarchical thinking. Consequently, when space shuttle pilot Gibson transferred to Southwest Airlines, he took "Southwest's six-week pilot course and may [have ended] up doing the scut work that low-cost-airline pilots occasionally must, such as loading bags and cleaning out cabins" (Graham, 1996, p. 8)

Strong leader Kelleher

A third motivator at Southwest is CEO Kelleher himself. He is respected by his employees and knows several thousand of them by name. In addition, Kelleher's direct involvement has resulted in many of the company's successes. "None of the airline's achievements would be possible without its unusually good labor-management relations, a direct result of Kelleher's hands-on efforts" (Labich, 1994, p. 47).

Humor comes naturally to Kelleher, and he is responsible for bringing it into the workplace at Southwest (Chakravarty, 1991).

Occasionally, he dresses up in costumes and serves peanuts with the flight-attendants. He encourages fun because he believes that it stimulates productivity.

Kelleher denies that his existence is a vital part of Southwest Airlines. Others disagree. "Nobody inside the company, or outside for that matter, could likely fill the many roles he plays for his employees – inspirational leader, kindly uncle, cheerleader, clown." (Labich, 1994, p. 52).

In conclusion, while "no single theory adequately explains all human motivation" (McNerney, 1996, p. 1), the factors used by Southwest Airlines discussed above certainly heighten the chances of having motivated employees. Instead of demanding that they do something for the company, Southwest Airlines seems to be concerned with what the company can do for them and for its customers. With Southwest, it is almost as if the mission statement reads, "Ask not what your employees can do for you, but what you can do for your employees".

Possible future problems at Southwest

Southwest is praised for its good management. Despite excellent management, the company still is vulnerable to organizational problems. Two possible sources of motivational problems could be the loss of strong leadership and organizational structure.

Loss of the strong leader

While Kelleher was one of Southwest Airlines' founders, it was not until 1978 that he was named chairman. In 1981 he took over the CEO's job (Kelly, 1989). Kelleher can be characterized as a charismatic leader (Weber, 1947). Half a century ago Weber identified potential problems of companies evolving around charismatic leaders. One of the foremost problems involves the leader's successor (Pugh and Hickson, 1997).

There will be a point at which Kelleher has to resign due to declining health. Company observers do not believe that a second Kelleher can be found (Labich, 1994). Nonetheless, Kelleher himself is convinced that the company will thrive without him. Clearly, he is not concerned so much with a replacement, but with a footstep follower:

I've been through this myself. When Lamar [Muse, Southwest's chief executive from 1971 to 1978] left, a lot of people said Southwest

Airlines is over, its kaput, because Lamar Muse is Southwest Airlines. Well, Lamar left in 1978 and Southwest is still here in 1991 [and 1997], and doing very well. Right now we have three or four people at a level where they could be chief executive of Southwest very successfully, and we've got others below them (Chakravarty, 1991, p. 51).

However, Kelleher might oversee an important aspect. Even though some other managers might be able to run the company effectively, Kelleher as a person will be impossible to replace. Southwest's employee motivation, to a large degree, derives from his personality and motivating behavior (Labich, 1994, p. 47). Having fun at Southwest might not be so exciting when it becomes a motivation strategy instead of radiating naturally from the most important man in the company. While Southwest Airlines as an organization might at first continue to thrive, employee motivation may decrease after Kelleher's departure.

In the long term, Southwest might encounter similar performance-reducing motivation problems as most other aircraft carriers. "Leaders play a key role in maintaining and transmitting the culture. . . The key to leadership is managing cultural change" (Pugh and Hickson, 1997, p. 151). After leaving the company, the leader Kelleher will no longer be able to transmit culture and manage cultural change. He will have become the cultural change.

Organizational structure

During the discussion of Peters' and Waterman's eight "excellent" attributes, Southwest Airlines was described as a de-centralized company with simultaneous loose-tight properties and a strong leader. Southwest also is an example of Handy's federal organization, resulting from the shamrock organization shown in Figure 1. There are certain problems that could result from this structure.

Handy characterizes the ways in which people are linked to modern organizations by using the Irish national emblem, the shamrock. "The shamrock organization has three parts, comparable to the three leaves the clover-like shamrock has on each stem" (Pugh and Hickson, 1997, p. 36). These three parts include: the professional core with a few, well trained employees situated in the democratic Athena task culture; the contractual fringe that describes how parts of the work are done by contractors, with employees being paid for

the output, not for the input; and the flexible labor force that is situated in a structured role culture with a strong leader.

The federal organization that results from the shamrock organization is more than decentralized. It has a small center and is guided by two key principles. The first is subsidiarity, the principle that the larger and higher body should not exercise functions that can be carried out efficiently by smaller and less bodies" (Pugh and Hickson, 1997, pp. 37-38). Self-responsibility and leadership on all levels are key characteristics of Southwest's culture.

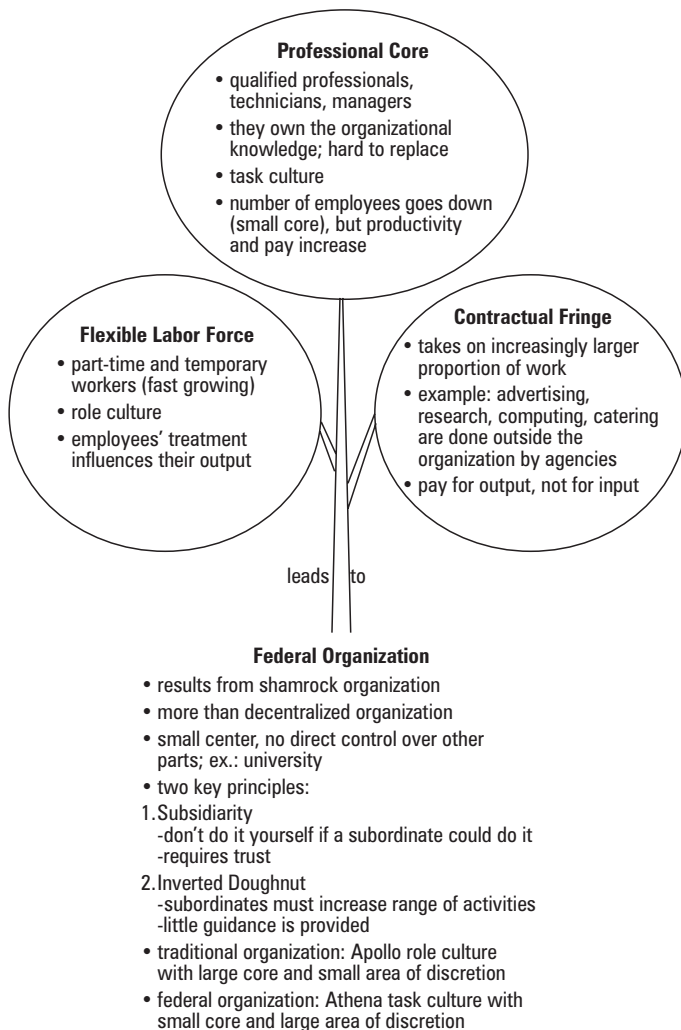
The second principle refers to organizational members' desire to increase the scope of activities of their roles in the subsidiaries. Handy uses the analogy of the inverted

doughnut to focus on the changing nature of organizational roles (Pugh and Hickson, 1997). Southwest employees and managers take over new roles and tasks whenever needed.

The primary motivational problem likely resulting from this organizational structure is internal competition. Other possible organizational problems include chaos, lengthy decision making, and loss of a sense of reality.

Internal competition may appear at first to be very motivating. Handy notes that it requires managers' trust to let the subordinates act independently. At Southwest, departments and employees monitor each other's performance and even reward quality performance (Teitelbaum, 1992). As an organization becomes larger, it becomes more difficult to achieve both excellent performance and innovation. Kelleher is aware of this problem and tries to counteract, "The bigger we get, the smaller I want our employees to think and act" (Teitelbaum, 1992, p. 115). Nevertheless, an organization with over 11,000 employees (Bovier, 1993) is no longer a small organization. Friendly competition can easily turn into rivalry. At that point, the company will suffer, because performance increases only a certain point from increased conflict (George and Jones, 1996).

Figure 1 The shamrock organization describes the way people are linked to modern organizations. Information from Pugh and Hickson (1997). Graphical arrangement by Ulla K. Bunz



Conclusion: application of lessons learned?

The preceding pages have discussed Southwest Airlines. First, the company was analyzed according to the eight attributes of "excellent" companies, as defined by Peters and Waterman (1982). Southwest represents all eight attributes and, therefore, can be called an "excellent" company.

Second, this article discussed management-employee relations, corporate training and charismatic leadership as motivation sources at Southwest. Third, two possible future problems influencing employee motivation were anticipated for Southwest. Loss of the strong leader and the organizational structure could both lead to motivation and performance decline, especially when occurring concurrently with other, externally originating problems.

Throughout this article, the discussion has focused on attitude at Southwest and how attitude has made a difference in creating motivation and attaining excellence. The

Source: Pugh and Hickson, 1997
 Graphics: Ulla K. Bunz

literature is not unanimous about the origin of this attitude, or about what characteristic specifically makes Southwest special. Kelleher thinks Southwest's being special stems from the employees' approach toward the company and the resulting organizational metaphor, "The people who work here don't think of Southwest as a business. They think of it as a crusade" (Teitelbaum, 1992, p. 116). Others credit the corporate culture (Sunoo, 1995), Kelleher's personality and motivation to leadership (Jaffe, 1991), corporate training and vision (Bruce, 1997), or "Strong company culture, job stability, opportunities for growth, incentives, compensation" (McNerney, 1996, p. 5).

Perhaps the most important lesson that the organization has learned pertains to creating and maintaining a more relaxed working environment in which workers enjoy performing their jobs. While the concept of service has become very sterile in the USA, Southwest employees take their performance seriously and are dedicated to service. They allow themselves and others to make mistakes, to be creative, humorous, empathetic and involved. Southwest employees bring service back to where it originated, from the human level. If they can remember this important lesson, Southwest Airlines should be able to successfully confront future problems.

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