**Case Study: Southwest Airlines’ Organizational Culture**

The airline industry has been one of the most saturated and unprofitable businesses for at least the past three decades. It is a business where profit margins of 3 percent aren’t uncommon and where customer satisfaction hovers around 60 percent. Seats are getting smaller, delays longer, and prices higher despite fuel prices being 30 percent lower.

The list of would-be competitors to Southwest Airlines and imitators is lengthy, all with plenty of money and plenty of brand recognition. What they all lacked was Southwest’s intense focus on organizational culture. In an industry where profits are shrinking, Southwest Airlines stands as an example of a company that is finding opportunities where others are not with profit margins consistently around 10 percent. Southwest stands out in a well-saturated industry thanks to its organizational culture of putting employees before profits and before customers.

Southwest Airlines was founded in 1967 by Herb Kelleher and Rollin King, serving just three cities in Texas. By 1998 they had built Southwest Airlines to be the fifth largest US air carrier, serving over 50 million passengers a year. It only took until 1980 to be recognized as number one in customer service, a list that they consistently top to this day. Today Southwest has the mission of “dedication to the highest quality of customer service delivered with a sense of warmth, friendliness, individual pride, and company spirit.”

What makes Southwest Airlines consistently stand out begins with the way that they look for employees and the manner in which they treat them. Southwest Airlines founder Herb Kelleher has long kept the recruitment motto at Southwest, “Hire for attitude and train for skill.” When searching for employees, Southwest is not looking for the perfect résumé or the perfect work experience. Instead, Southwest is looking for someone whose devotion [Page 4]to the company and to its customers brings them to “a sense of mission, a sense that ‘the cause comes before their own needs.’”

Southwest instills three main things into the hearts of its employees: a warrior spirit, a servant’s heart, and a “fun-luving” (sic) attitude. These are far different directives than the typical “take the initiative” or “care about your customers” and that is why Southwest can bring in the kind of people that fits their mold for a trainable employee. In the past year, the company had openings for roughly 4,500 new employees and received more than 150,000 applications.

What motivates the employees at Southwest is something much greater than a paycheck; instead, they share a common purpose. The paycheck can get people to work on time consistently, but it takes something more inspirational to get employees to go the extra mile. Southwest CEO Gary Kelly says, “Southwest is a great place to work and brings the greatest joy because we have such meaningful purpose.” The Southwest vision that guides its employees is “to connect people to what’s important in their lives through friendly, reliable, and low-cost air travel.” This vision guides Southwest’s growth as well as the motivation of its employees to go the extra mile and serve the customers for a broader purpose than a paycheck.

To enforce this purpose to which all Southwest employees aspire to, Gary Kelly gives “shout outs” to employees who have gone above and beyond each month to show great customer service. The culture at Southwest Airlines is one that nurtures employees that go above and beyond and incentivizes them to show great customer service.

Despite Southwest’s excellent reputation for customer service, like any large organization, it’s experienced a few bumps in the road, largely related to technology problems. In July 2016, Southwest was forced to cancel thousands of flights following a technical failure, and in early 2017, a series of computer outages left hundreds of thousands of customers stranded.

President of Southwest Airlines, Tom Nealon, realizes the necessity of efficient technology for improving the customer experience, and for Southwest employees to adopt the technical skills needed to provide a higher level of service, but not at the sacrifice of the personal touch for which the airline is so well known.

“We need to be digital,” he says. “We need to strengthen our customer experience. But our customer experience is always going to be centered with our people.”

Indeed it is Southwest’s “people” who went the extra mile and provided sleeping bags and pizzas to a girls’ lacrosse team which had been stranded because of an outage. By going above and beyond the call of duty, Southwest’s employees had saved the airline from a potential customer services disaster.

Another part of its technology program involves connecting with international customers. Since its 2010 purchase of AirTran Airways, trade on the international routes (gained by Southwest because of the acquisition) was not as good as it should be. Southwest is investing in technology to attract its international customers by building a new reservations system which includes foreign currency exchanges and point-of-sale programs.

Not only will the new system give Southwest better control over its flight fares, but it also provides the airline with the option to add ancillary charges, which is something that most [Page 5]of its competitors do. But despite the changes ahead, Nealon says that Southwest will still keep its policy to allow passengers to check in their first two bags for free.

“It’s part of our brand,” Nealon says. “It’s part of our promise to our customers, and we’re not going to change it.”

However, a recent tragic event has forced Southwest to look beyond its technology inefficiencies to address a much more serious situation. In April 2018, a Southwest Airlines plane was forced to make an emergency landing due to an engine explosion which killed one passenger and injured seven more. The CEO of Southwest Airlines, Grace C. Kelly, has called for “enhanced inspection procedures” on its entire fleet of aircraft to ensure a terrible tragedy like this never happens again.

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