

THE SOUTHWEST AIRLINES WAY

Using the Power of Relationships
to Achieve High Performance

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MAIN IDEA

By any measure, Southwest Airlines has been the standout success story of the U.S. airline industry. Among its accomplishments:

- In a highly volatile industry, Southwest has been profitable every year except for the year in which it was established. That means by 2003, Southwest has been profitable for 31 years.
- For most of 2002, Southwest's \$9 billion market capitalization has exceeded the combined market capitalization of every other U.S. airline.
- Southwest rates consistently high in *Fortune* Magazine's "100 Best Companies to Work For in America" and from 1992 to 1996 also won the airline industry's "Triple Crown" – the fewest delays, complaints and mishandled bags.

Clearly, Southwest is doing something right. Most attempts to copy Southwest have focused solely on operational issues:

- Flying just one aircraft type – to cut down on training and maintenance costs.
- Using smaller, less congested airports – to avoid schedule disruptions caused by multiple aircraft demands.
- Eliminating meal service and seating assignments – to allow aircraft to be turned around more rapidly.

Despite following these same strategies, however, no other airline has yet been able to successfully clone Southwest's success. What's missing is the "secret sauce" Southwest uses to make all these operational factors come together effectively and efficiently.

Lying at the heart of the Southwest success story are three elements:

1. 10 organizational practices which build relationships between managers and frontline employees and among employees.
2. An environment which emphasizes shared goals, shared knowledge and mutual respect.
3. Sound communication techniques which are frequent, timely and focused on solving problems.



Note especially the fact all ten of these organizational relationships are highly complementary. They only generate benefits when all ten are present and well implemented. They work in unison rather than in isolation. It is not until all ten are present that substantial benefits can be realized. This, in turn, generates both good news and bad news. The good news is any company which follows the lead of Southwest and builds strong organizational relationships can achieve great success. The bad news is this isn't easy – it will require making changes on multiple fronts simultaneously to achieve it. The results, however, as in the case of Southwest Airlines, can be impressive and long-lasting.

"Far from being a pie-in-the-sky, soft approach to management, attention to relationships is simply good management practice. The 'Southwest Airlines Way' involves more than pursuing a particular product marketing strategy. For Southwest's leaders, taking care of business literally means taking care of relationships. They see these relationships – with their employees, among their employees, and with outside parties – as the foundation of competitive advantage, through good times and bad. They see the quality of these relationships not as a success factor, but as the most essential success factor. They believe that to develop the company, they must continually invest in these relationships."

– Jody Gittel

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2. The Southwest Business Environment Page 7

3. The Southwest Business Techniques. Page 8

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