

Investing in Relationships

by Jody Hoffer Gittel



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roundtable

Investing in Relationships

A discussion with Southwest Airlines' top management team reveals an overlooked source of the company's success.

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The Executives

Colleen Barrett

Executive Vice President,
Customers (President and
COO effective June 19, 2001)

Donna Conover

Vice President, In-Flight
Service (Executive Vice
President, Customers
effective June 19, 2001)

John Denison

Executive Vice President,
Corporate Services

Jim Parker

Vice President and General
Counsel (CEO and Vice
Chair of the Board effective
June 19, 2001)

Ron Ricks

Vice President, Government
Affairs

Libby Sartain

Vice President, People

Jim Wimberly

Executive Vice President,
Operations

Since capturing the national limelight in 1994, Southwest Airlines has become a model for providing reliable service in a difficult operating environment—and for making money doing it. The company's success has been attributed to its intense focus on operations, customers, and frontline employees. Other sources of success, however, have received less attention. A five-hour interview with members of the company's top management team (including the two executives who will become CEO and president later this month) revealed some of these overlooked reasons for Southwest's remarkable performance. For example, investing in relationships—not only with its frontline employees but also with its unions and supervisors—may be more important to Southwest's success than the operational focus for which it is so well known.

Everybody thinks they understand the Southwest model but few airlines, if any, have been able to replicate it. How do you account for your success?

Colleen Barrett: There have been a lot of Southwest wanna-bes, but they have not succeeded. I don't say it with pride because I don't like to see them fail. They have not religiously stuck to what they say they are going to be. People Express forgot who it was going to be and destroyed itself. We don't forget, and we don't let our people forget. You have to talk and talk and talk to your people all the time.

John Denison: Also, those companies don't understand the distinction between controlling costs and being cheap. There is a need to invest.

Ron Ricks: We invest in our people. We have competitive, if not superior, wage and benefits packages. That looks like it may pose a high cost up front, but it is cost-effective in the long run, with good people.

Libby Sartain: We spend more money to recruit and train than any other airline. We take time to find the right people to hire, at all levels within our organization, and we spend time training them. We really believe in the notion of "one bad apple." It's like a religion here. As a result, our turnover is far lower than at other airlines. We want people who are not looking for a job, but rather who are looking for a cause. If we are evenly matched with our competitors on everything else, we will win on customer service.

Barrett: For example, United Shuttle took on Southwest; it out-advertised us. Then a year later, United withdrew from Oakland and gave [that territory] back to us. They had a better frequent-flier program, but Herb [Kelleher, Southwest's founder and CEO] had 1,400 letters from people who said they had tried United but preferred Southwest's friendliness and service. It all comes back to our people and our delivery of the product.

Observers talk a lot about leadership at Southwest. What has been the role of leadership?

Jim Wimberly: Organizations take on their leaders' personalities, and there is no other air carrier that has had the same continuity of leadership as Southwest has [led by Kelleher since 1971]. That has shaped this culture, and we are blessed with it.

Conover: But the most influential leaders in our company—aside from Herb—are the frontline supervisors.

Sartain: We are putting even more time and effort now into internal recruitment and training for our frontline supervisors. We bring them in centrally for three months of training. We're only as strong as they are. That's where most organizations break down.

Conover: With family structures as they are these days, we often help our young employees grow up. While other airlines are cutting supervisors, we have a large number of supervisors to encourage, guide, and give structure to employees. It lends to the family atmosphere here. We have a ten-to-one employee-to-supervisor ratio.

How can you afford this kind of ratio, which other companies would consider quite extravagant?

Barrett: It helps that all of our supervisors are working supervisors—they can do the work of frontline employees, side by side with them.

Observers often wonder how Southwest has been so consistently profitable and operationally effective when its workforce is more unionized than almost any other U.S. airline.

Jim Parker: We have been successful in negotiations when we go in asking how much we can pay employees rather than how little we can pay. We have been able to reach resolution without work stoppages. We had a landmark ten-year contract in 1994, in which we offered stock options to compensate for a five-year pay freeze for pilots. Union leaders didn't think they could sell it to the members, but the members readily agreed to it.

Then our negotiations focused on how to allocate stock options. The stock-option program has been highly successful. Most labor disputes are not really about money. There is something else at stake—respect. It comes down to personal contact between the company and its employees.

Conover: This is one reason our supervisors are so important. It is easier to walk out on people who do not give you respect than to walk out on a friend. And you cannot make up for longstanding problems in the two months before a negotiation. It needs to be consistent.

Barrett: We've had one strike—a six-day strike with the mechanics in 1980. We got them temporary jobs with the census during the strike. We are very proud of our employee relationships. We treat people with respect. But we would take a strike if it got down to it—especially if it was about money and we simply couldn't concede without hurting all employees by the decision. We are loving but very realistic and very pragmatic.

Does the respect you give your employees have other benefits besides engendering employee loyalty?


Wimberly: I think the respect ripples through our entire business. For example, we have good relations with air-traffic controllers, which is crucial to our reputation for reliability. We make routine visits to control towers in all the airports we serve. We bring the controllers hamburgers. They appreciate our flexibility and our willingness to work with them.

Barrett: Most pilots are egomaniacs. We turn pilots and air-traffic-control people into partners. Herb is always told about the civility of Southwest pilots when he makes tower visits, and it pays handsome dividends. The people in the tower are amazed at the civility of our pilots. We practice the golden rule with them just as we do with everyone else.



Can you retain this culture as you continue to expand?

Barrett: The naysayers said we could never fly to the Northeast because we wouldn't find employees there who were nice. But we can do it, and we do. Someday, we may go international. And even internationally, we can maintain our culture if we go after people's hearts and grow the Southwest community.

Sartain: People are basically good wherever you go. I hate to hear the stereotypes. We do not have a problem with people. We can work with people anywhere. 

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