Organizational Behavior Evaluation of Southwest Airlines

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Abstract

The airline industry has been in the forefront of the economic and ecologic turmoil in which the United States and the world have been involved. This paper directs its concerns to the organizational behavior strategy practices of Southwest Airlines. Through an assessment of Southwest’s overall design approach (mission, strategic overview of the leadership, glance at the organizational structure, corporate culture and people systems), this paper will provide an evaluation of the short and long-term effectiveness of the strategy, and the impact on environmental, political, sociological, psychological and fiscal arenas on behavior. The ways in which Southwest illustrates theories of organizational design and behavior will be explored. This paper also explores how behavior will influence Southwest Airlines’ future.
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The ability to fly has been one of man’s greatest achievements. From Leonardo De Vinci to the Wright brothers, from Lindbergh to John Glenn’s orbit around the earth, flight has fascinated and riddled humans. This paper explores the organizational design behavior that has allowed for the success of Southwest Airlines. According to Jones (2007) organizational behavior is a product of organizational design. “Organizational design is the process by which managers select and manage aspects of structure and culture so that an organization can control the activities necessary to achieve its goals. Organizational structure and culture are the means the organization uses to achieve its goals; organizational design is about how and why various means are chosen.” (Jones, p. 9). How have the design components of mission, leadership, structure, culture and job design been a driving force in the behavior of Southwest Airlines with respect to external and internal influences? What does this author think of Southwest’s ability to stay competitive and what recommendations can he offer to better the organizational design that may provide for future success to Southwest Airlines? Through an analysis of design theories this author will evaluate if Southwest Airlines conducted research to develop its organizational behavior strategy. These are questions that will be answered in the forthcoming paper.

Design Strategy

“An organization’s behavior is the result of its design and the principles behind its operation. It is a task that requires managers to strike a balance between external pressures from the organization’s environment and internal pressures from, for example, its choice of technology. Looking outward, the design can cause organizational members
to view and respond to the environment in different ways. Looking inward, an organization’s design puts pressure on work groups and individuals to behave in certain ways” (Jones, p. 9). The environmental, political, sociological, psychological and fiscal elements of behavior are influenced by the success of the organizational design. When discussing the organizational design of Southwest Airlines, this author has chosen to focus on mission, leadership, structure, culture and job design as these elements have direct impact on organizational behavior.

Mission

An organization’s mission has a direct impact on organizational behavior. Southwest has divided their mission into two categories; that of what the customer can expect, and that of what the employee should expect. For the consumer, the mission statement is short and states “The mission of Southwest Airlines is dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit” (Southwest Mission, ¶ 1). In addition, the leadership added a mission statement for employees of the airline that states “We are committed to provide our Employees a stable work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of Southwest Airlines. Above all, Employees will be provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest Customer” (Southwest mission, ¶ 2). These statements were written in 1988 and still hold true today.
Strategic Leadership and Theories

Leadership plays a key role in deciding what behaviors it wants the organization to reflect. Over the past 3 decades Southwest has been in an expansion mode, growing from a small business that served only three airports to the fourth largest airline in the United States serving 64 cities. The current president is Colleen Barrett and the Chairman of the Board and Chief Executive Officer is Gary Kelly. The decision making leadership force is the Board of Directors. “The Vice President of the People & Leadership Development Department is responsible for establishing and monitoring the personnel procedures to guide our Goals for Success. All Southwest Airlines Officers, Managers, and Supervisory Personnel shall be responsible for affirmative action implementation related to their individual departments. Providing Equal Employment Opportunity is an important part of effectively managing people and successfully fulfilling our Leadership obligations to our Employees, current and future, and the Company as a whole” (Southwest Goals, ¶ 1).

The leadership structure is rational. Scott (2003) tells the reader rationality resides in the structure itself, not in the individual participants—“in rules that assure participants will behave in ways calculated to achieve desired objectives, in cognitive decision-premises that guide individual decision making, in control arrangements that evaluate performance and detect deviance, in reward systems that motivate participants to carry out prescribed tasks, and in the set of criteria by which participants are selected, replaced, and promoted” (p. 54).
The leadership follows the theory of administration by Henri Fayol which he developed in 1916 from his own experiences working in an industrial setting. The leadership values its employees as the organization is in a customer service industry as well as the airline industry and has developed a leadership structure that reflects its ethics and concerns. When defining Fayol’s Administrative theory Hahn (2007) said administrative theory focuses on the total organization and attempts to develop principles that will direct managers to more efficient activities” (¶ 3). Wren (2002) defined the attributes of administration by saying that:

[The administration] is specifically responsible for; ensuring that unity of action, discipline, anticipation, activity, order, etc., exist in all parts of the enterprise; recruiting, organizing and directing the workforce; ensuring good relations between the various departments and with the outside world; coordination of all efforts towards the overall goal; and satisfying shareholders and employees; labor and management. (p. 911)

Organizational Structure and Theories

The complex organizational structure of Southwest Airlines is a determining factor in its organizational behavior. Organizational structure is comprised of several areas. Among the areas of structural concern are issues of authority and control, communication, product division, team, geographic and market structure. Southwest Airlines has defined all these areas and shows a strong capability in all issues. Jones (2007) reminds the reader that all organizations start out as functional structures. (p. 145) As Southwest Airlines expanded, so did its structure. The organization has a complex, hybrid, multi-divisional structure that is based on increasing horizontal and vertical
differentiation, but also concerned with customer relations as a service-driven business. (Jones, 2007) Southwest must contend with a number of factors that influence its design: different airports, consumer relations, different divisions (such as maintenance of aircraft). One challenge Southwest faces in its structural design is taking into account that airlines are a consumer-driven industry. As Southwest operates in 64 different locations, each location operates both as a business and as part of the corporate structure. Jones (2007) affirms that each division is run separately and may use a product division structure, while reporting to a corporate headquarters that uses a more diverse, multidivisional structure. “Each division in a multidivisional structure is essentially a different business. Moreover, the responsibility of each divisional manager is to design the divisional structure that best meets the needs of the products and customers of that division” (Jones, p. 155). The positive aspects of multidivisional structure include increased organizational effectiveness, increased control, profitable growth and an internal labor market. In this structural theory, behavior is controlled through internal upward mobility. This means that divisional managers are often groomed to enter the Southwest Airlines corporate world. “Divisional managers have an incentive to perform well because superior performance results in promotion to high office. A large divisional company possesses an internal labor market, which increases managers’ motivation to work to increase organizational effectiveness (Jones, p. 157). An additional challenge that a business dominated by consumer demands is how to keep the customer’s happiness at the forefront so revenue keeps flowing. One way to structure such an organization is to put customers first and make decisions based on consumer reaction and satisfaction. A structure that is consumer-focused is unique in that the leadership makes many of its
decisions based on the reactions of the customers. Many airlines use this type of structure as part of their design. (DDC-1, 2008)

**Corporate Culture and Theories**

Southwest is proud of the culture it has developed over the last 37 years. Culture is a reflection of past behavior. It has a history of innovation and growth. In 1987 the Department of Transportation started a program tracking and rating customer satisfaction as more people flew the different airlines. Southwest consistently led the industry with “the lowest ratio of complaints per passengers boarded” (Southwest, History).

Many airlines have tried to copy Southwest’s business model, and the Culture of Southwest is admired and emulated by corporations and organizations in all walks of life. Always the innovator, Southwest pioneered Senior Fares, a same-day air freight delivery service, and Ticketless Travel. Southwest led the way with the first airline web page—southwest.com, DING! the first-ever direct link to Customer’s computer desktops that delivers live updates on the hottest deals, and the first airline corporate blog, Nuts About Southwest. Our Share the Spirit community programs make Southwest the hometown airline of every city we serve. (Southwest, ¶ 4)

Southwest has succinctly defined their organizational culture. “The Culture of Southwest Airlines Co. (“Southwest”) is often the yardstick for many American corporations.

Our Culture is unique because of the SOUTHWEST SPIRIT of our Employees. Defining SOUTHWEST SPIRIT is difficult, but one of the important components is an altruistic nature that places others before self. Our Employees are famous for their warm hearts and giving nature, which is what makes Southwest a Company
with a conscience. The Employees of Southwest are committed to “doing the right thing,” which is why giving back to the communities we serve and contributing positively to our environment is simply the way we do business” (Southwest Cares, ¶ 1).

One could theorize that the culture very strongly linked to the missions that the leadership has determined. To work for Southwest one must follow a vision that is customer service oriented and therefore, pleasant in demeanor and family friendly. The leadership of Southwest has a special loyalty and commitment to its employees recognizing the importance of a competent staff when in a public service-driven business. “Since beginning business in 1971, Southwest has thrived on a Culture which encourages an entrepreneurial SPIRIT in its Employees, and has emphasized personal responsibility, initiative, and the use of independent, good judgment. The Golden Rule is one of our core values, and we have had a “top-down” insistence on the highest ethical standards at all times (Southwest Issues, ¶ 2).

**Job Design**

How an organization defines job design from the individual employee to a broader cultural aspect can have a large impact on how the individual divisions relate with each other and the organization. Southwest has shown an unusual ability to accept diversity and promote creativity within its job design. “Job design involves envisioning and defining specification of work system related to a particular job. It addresses issues like the methodology of doing the job, the person responsible for doing the job, and the place of accomplishing the job. The activity of job design helps in making the prevailing jobs and work systems more challenging and exciting for the employees” (U. of
Wisconsin, 2003). Job design includes many elements. Southwest Airlines is very involved with employees and sees employees as key to the organization. “We are committed to provide our Employees a stable work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of Southwest Airlines. Above all, Employees will be provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest Customer (Southwest Cares, ¶ 2). Southwest describes its programs to enhance employee satisfaction. “At Southwest Airlines, we have created a Diversity Council whose purpose is to meet bi-monthly and support the Company’s efforts to:

- Improve the recruitment and advancement of women and minorities
- Increase supplier diversity e.g. MWBE (Minority Women owned Business Enterprises)
- Educate/train “Respecting Differences” consistent with meeting our Company’s business objectives; i.e. continue a successful Company providing job security and a Fun-LUVing Culture
- Create awareness and show appreciation of cultural, lifestyle differences within our diverse workforce
- Organize and amplify issues that improve inclusiveness and diversity
- The council will serve as a conduit and resource, and may direct issues raised to appropriate Departments for follow-up and or action (Southwest Cares, ¶ 3)

Environmental Factors Affecting Organizational Behavior of Southwest Airlines
The way in which the airlines has interacted and been influenced by external environmental factors is very important when studying Southwest’s behavior. Southwest Airlines was started in 1971 by Rollin King and Herb Kelleher. (Southwest History, ¶ 1) The original name was Air Southwest Co., but when the company incorporated in 1971, it formally changed its name to Southwest Airlines. Southwest began as a small service in Texas flying between Houston, Dallas and San Antonio. When the airline industry was deregulated by the FAA in 1978, it allowed Southwest to expand its service to include California. Southwest kept expanding from there. Now the Airline is the fourth largest airline in the United States with over 500 aircraft serving 64 airports with over 104 million passengers a year. Southwest Airlines celebrated 37 years of service on June 18, 2008. In 2007 Southwest had a net income of $101.9 million with a total operating revenue $9.9 billion, so this expansion was not only geographical but financial, too.

“Southwest became a major airline in 1989 when it exceeded the billion-dollar revenue mark. Southwest is the United States’ most successful low-fare, high frequency, point-to-point carrier. Southwest operates more than 3,400 flights a day coast to coast, making it the largest U.S. carrier based on domestic departures” (Southwest Facts, About the Company). When the stock market closed on June 20th, a share of Southwest Airline stock (LUV) was selling for $14.11 with over 14 million shares on the market. (NYSE, LUV).

Southwest must also contend with public opinion and preferences as the company is a consumer driven business. The events of September, 11, 2001 are still affecting how the public feels about the safety and security of air travel. The current rise in fuel prices is having an added negative affect on the airlines industry as a whole. As fuel prices rise the
consequence is inevitable that customer fare will have to be increased. This puts pressure to find alternative places where services can be curtailed so as not to lose business.

**Evaluation of Effectiveness of Southwest Airlines Design**

This author has analyzed the design structure of Southwest Airlines and has assessed that because of the willingness of the leadership to accept and listen to the creative solutions and innovation proposed by employees, Southwest has been able to stay successful and competitive. Leadership performed adequate research in developing its organizational behavior strategies. Imaginative administration and staff have created many programs that have given Southwest a pricing edge over its competition and led to a unique system of organizational behavior. When analyzing environmental impacts, Southwest Airlines favorably listened to the demands of the FAA and its customers. As an example of how Southwest incorporated external influences into the design of its aircraft, Southwest chose the colors of the aircraft (Apache Blue) because the colors are representative of its western spirit and attract the eye of the consumer. Organizational theories were properly incorporated and as a result innovative programs were created. The programs offered included: frequent flyer programs (Rapid Rewards); purchase and confirm flight online; removing first class seating and giving all flyers an equal chance to sit in the front of the aircraft; and innovative ways to check baggage all offer the customer an easier flying experience.
Summary and Recommendations

Since the first flight of the Wright brothers in 1903 people have pursued and reached for the skies. Indeed, flying has become so accessible that the public takes it for granted, that they can fly virtually anywhere at anytime for an economically reasonable price. Southwest Airlines was started in 1971 and filled a need in the southern plains of Texas. Because of deregulation by the FAA it was able to expand dramatically its market. But Southwest retained the ideals of a smaller organization and valued the input of its employees, never taking for granted that it was a service driven company offering quality care to the public. These small town ideals kept the organizational behavior one that stayed in tune with both customers and employees, continuing to innovate and create as it continued to grow and become financially successful. The leadership of Southwest has been very successful attending to the environmental, political, sociological, psychological and fiscal areas of an organization that is heavily influenced by external conditions such as paradigm shifts, inflation and fuel issues. The organizational design of Southwest has been able to preserve the company’s original mission. This author recommends that Southwest Airlines continue to stay focused on that mission and dedication “to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit” (Southwest Mission, ¶ 1), as this type of spirit will persevere in these tumultuous economic times.
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