Mission of southwest airlines

Business, Company

Case 3, Southwest Airlines

Mission can be thought of as a task to be pursued, or as a set of objectives. Vision is an image of the future, or a set ofgoals. The mission of Southwest Airlines is to provide better value in over-priced and under-served markets. Southwest's vision is to increase service to those markets without increasing the cost of service. Thiscase studyis important because it shows how potential risks accompanied by a well defined vision and and properly executed mission can turn into an actual reward.

The first, and perhaps longest lasting, risk to both vision and mission is resistence from competition. Southwest entered the market with the intent to do things very different from the rest of the airline industry. From the inception competitors fought, in court, to stop the formation of Southwest. When the company began to do well in the market, competitor's such as American Airlines questioned Southwest's commitment to the industry standard of quality stating " Value isn't quality; it's getting what you pay for." (p 493) This put Southwest in a position to define " getting what you pay for" as " frequent, reliable, on-time flights and very low prices... and no lost baggage." (p 491) Providing these benefits and value to customers became the working strategy to achieve Southwest's mission. The result is that the airline enjoyed an increase in every aspect of operations over the 20 years of operations that are presented in this case study.

Herb Kelleher played a unique and important role in the success of Southwest. The first role he played was legal and financial consultant. In this capacity he helped to eliminate the primary barriers to the company's formation - start up capital and license to enter the market. For the first 10

years of it's existence Southwest was a client of Kelleher's. As such, Southwest was a primary stakeholder in Kelleher's business as legal and financial consultant. At stake was Southwest's existence. This relationship translated directly into his job as CEO of Southwest Airlines.

Upon becoming CEO he redefined his personal clients as the employees of Southwest Airlines. This was an important to the company's success because he operated from the position that the company's success was a direct result of the relationship between employee and company, and then between company and customer. His flamboyantpersonalityand his willingness and ability to interact with employees and customers at every level gave Southwest a competitive edge that other company's could not duplicate. But perhaps the most important influence from Kelleher was his well defined and focused goal to " increase the number of seats by 15 percent each year and keep costs down." (p 496)

In making operating decisions, this goal was the first influence on Kelleher's decisions. When Southwest purchased Muse Airlines (later to be TransStar) in 1985, there was an opportunity to translate the original vision and mission into the market served by that airline. However, with step competition from Continental it was quicky understand that this market was neither under-served or over-priced, nor was their adequate opportunity or resource to achieve the 15% seat increase. Kelleher evaluated loss in terms of opportunity, not in profits. Otherwise years like 1991 when Southwest saw a dramatic decrease in profits could have meant shutting down the airline. However, loss in profit at that time did not accompany a loss in market opportunity and Southwest was able to rebound immediately in profit.

The reason that Southwest was able to rebound is because of the activities of its stakeholders. In this case, the most important stakeholders are the passengers and the employees. Passengers, as stakeholders, simply vote confidence or no confidence in the airline by purchasing (or not purchasing) tickets. Southwest illuminated the importance and position of passenger stakeholders by involving them directly in company activities, particularly in dialogue and selection of employees. The company took the greater risk in expanding the role of passengers beyond that of simple paying customers, particularly in the area of influencing employee selection.

This risk paid off because the employees turned out to be another group of important stakeholders. First, because employees owned 11% of the company, which rendered them as

investors, who are another group of stakeholders. Also, because employees provide the services that supply the customers' needs. The major risk employees took was the pay cut at the time that fuel prices were dipping into company profits. As investors, this was an investment in the profitability of the company and in the security of their future jobs.