

Herb Kelleher, Southwest Airlines

Herb Kelleher chain-smokes, loves Wild Turkey whiskey and is often seen dressing up as Elvis.

In an industry that's roundly hated by customers, Southwest Airlines largely stands alone. Thanks to the extremely effective leadership of Kelleher, Southwest has outlasted competitors big and small to become bigger than all of them combined.

Since 1971, Kelleher has built Dallas-based Southwest Airlines into a responsive army of 30,000 passionate, dedicated employees. Southwest is often number one on Fortune's list of best American companies to work for.

If you look at the numbers, Southwest is doing things right, customer-wise: The company does \$5.7 billion per year in business. Its market capitalization of \$14 billion is bigger than United's, American's and Continental's combined. It has been profitable every quarter and every year since 1973.

What are the secrets of Kelleher's evangelistic success for Southwest?

Constantly talk to customers.

Kelleher is well known for constantly flying on Southwest's planes, just to talk to customers and employees. One frequent flyer in Texas we know has sat next to Kelleher three times in the past 10 years. Each time, Kelleher asked him and others nearby how well Southwest was doing in a number of areas, looking for trends, spotting inconsistencies.

This strategy comes from a customer-focused belief: "We tell our people, 'Don't worry about profit. Think about customer service.' Profit is a by-product of customer service. It's not an end in and of itself," he told the Chief Executive Group in an interview.

Make your company extremely open.

Kelleher has never been afraid to talk about the ingredients of the company's success to magazines, college students or customers. Remarkably, there is only one book (1996's "Nuts") that documents Southwest's success. Consistently plain spoken with a self-deprecating wit, Kelleher is a consummate storyteller, according to a May 2001 Fortune magazine cover story. About the only secret Southwest keeps is where it will launch new services.

One of Kelleher's secret weapons is favoring an integrated, customer-focused plan that focuses on two things: what are the societal trends and where do they want Southwest to be within that society? Many people outside Southwest's executive circle are involved in this process.

Make it easy for people to like you.

Kelleher's laughter and fun is part of Southwest's culture. Prospective employees are asked how humor helped them out of a difficult situation. Prospective pilots are sometimes asked to wear Southwest shorts; the ones who see the request as fun and a joke pass the interview. Kelleher once settled a legal dispute with another company over a trademarked slogan by publicly arm-wrestling the other company's CEO. Kelleher won. Kelleher is always ready to play the fool, whether it's dressing up as Elvis for Halloween or driving a Harley to a company picnic.

Create a cause.

"I was talking at the Yale Graduate School of Business some years ago," Kelleher told the Chief Executive Group in an interview. "In the Q&A session, one of the students stood up and said, 'It seems to me you're talking more about a religion than a business.' And I said, 'If you feel that way about your business, I think that's good. That's a plus.'"

The evidence for the clarity of this strategy abounds: In the first half of 2001, while other airlines struggle with huge losses, strike threats and growing concern over customer dissatisfaction, Southwest continues to remain profitable (and incident-free). Since its first flight in 1971, Southwest has only had one work stoppage.

Kelleher never got a business degree. He was trained as a lawyer. He says his success is due to avoiding the MBA patina that slows so many other companies. Kelleher once told the story of how a Southwest vice president complained several years ago that customers, gate agents, pilots and baggage handlers had more access to Kelleher than the vice president did. Kelleher's response was, "Let me explain this: they're more important than you are."