

WHEN CRISIS HITS, IS CULTURE A "MAKER" OR A "BREAKER?":
THE CASE OF SOUTHWEST AIRLINES

Prepared by Ken Makovsky

Based on Interviews with Linda Rutherford, SVP and CCO of Southwest Airlines

For decades it has been recognized that cohesive cultures, ones where there is general harmony among values, goals, and business practices throughout the organization, are generally more resilient to market challenges. Building strong cultures isn't easy, and maintaining them during periods of extreme economic disruption is especially tough. The Covid-19 pandemic posed a dramatic, almost existential test to the cultures of many organizations. For airlines, the challenges were (and remain) particularly great, given the collapse in air traffic, and a business model that required keeping many employees in place at physical locations.

Southwest Airlines has had a solid and noteworthy culture for 50 years. It prided itself on being a people-centered organization, in the sense that a business that valued mutual respect among employees and management would create a positive and service oriented environment for its passengers. Three values were foundational at Southwest: to have a "servant's heart," which entailed being of service to each other and to the customer; to have a "warrior spirit," which entailed employees at every level taking the initiative to improve the company's business; and a "fun loving attitude," which encompassed nurturing a cheerful, mutually encouraging, and playful attitude among employees, that radiated into a warm environment for Southwest customers. These values would be essential to creating an effective response to the challenges posed by the pandemic.

Southwest's Challenges

First and foremost, Southwest was truly worried about its employees: whether its best people would leave, and how they would cope with the variety of managerial and emotional issues for those that stayed. The company would need to address a potentially reduced workforce and come up with a strategy regarding such reduction: who would take temporary leaves, who would work at home (if they could) and who would consider an early-out package? Moreover, as a company that stressed interpersonal, high touch engagement, there was no external communications system to allow for a large-scale work-from-home posture during the pandemic. Meanwhile, what was to be done to reassure and motivate operations staff, such as ground crews, who needed to continue their frontline work serving the flying public?

The company also was concerned about sustaining customer loyalty during a period of potentially prolonged customer separation. To encourage those customers willing or required to travel, it was essential to maintain- at high cost- all the CDC requirements (not selling the middle seat, handing out masks and hand sanitizing wipe, increased cleaning protocols, etc.).

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Southwest would need to park hundreds of airplanes due to the significant drop in travel demand. The financial risks to the health of the company and the inability to perform everyday jobs would distress and depress employees. Financial problems were serious: the company was losing \$14 to \$17million a day during 2020. The pandemic created psychological, mental and resource challenges. And at the very root of all this rested Communications and the "global" challenges on its plate because of every critical audience target and department it needed to address.

Southwest's hands were full. But did the company have to establish a whole new culture or could it build upon the one it already had? To answer that question, one needs to look at the foundation of the culture that was built 50 years ago; it was found that Communications was central to nurturing an engaged employee culture, and that was a key to the company's success.

Southwest Culture

From its founding as a small, entrepreneurial budget airline, Southwest believed that the happiness of its people and the mutual supportiveness of its culture, would create not only a very efficient business; it would also distinguish it as an airline that passengers would be happy to fly. In the view of Herb Kelleher, the founder of Southwest Airlines, one did not have to sacrifice a positive customer experience in order to operate a budget airline. His low cost and high service business model was one he felt would differentiate Southwest from other airlines; it would also create a virtuous circle: engaged employees would make for customer loyalty and repeat business; good business would then reward shareholders and allow reinvestment into the people that made Southwest successful.

Kelleher set the tone early on that he would be operating a culture that put people first. Whatever your job, whatever your level on the organizational map, you would be judged by whether you lived the company's three values. As a leader, he knew that it was up to him to motivate and inspire the troops. And this knowledge was built into his business strategy, the cultivation of his management team, and the employee body as a whole. He made sure to be personally visible, communicative and engaged with the workforce and expected the same from his management.

One important example that illustrates the endurance of Southwest's people-focused culture is the way that its values are translated into operational KPIs that apply to employees at all levels. What is known as the SWAG (Southwest Airlines Gratitude program) applies a rewards points system to three criteria. The "Me" goal focuses on individual contributions, such as consistent attendance, or in 2021, celebrating Southwest's 50th Anniversary. The "We" goal is meant to bring to life the servant's heart value. It is all about mutual, peer-to-peer, recognition of team members. Finally, there is a "Southwest" goal that connects personal and team initiative to help achieve operational KPIs.

- Among these KPIs are: achieving (or given the downturn, returning to) profitability (typically a Return on Invested Capital or ROIC goal); achieving high levels of on time performance; and how the airline ranks in the monthly Department of Transportation Air Travel Consumer report statistics in terms of fewest customer complaints versus the competition. There are additional non-monetary recognition SWAG elements in the form of "On the Spot" points. These are awarded when a leader observes a team member doing something over and above normal duties. Milestone service anniversaries are acknowledged in the SWAG system; and
- x Southwest's CEO does weekly shout-outs to individual Employees who have done something amazing in service to customers during a weekly podcast.

Communications remains critical to sustaining this culture. The communications function has been, from Southwest's early days, a partner to the CEO, his leadership team, and the generations of leaders that have followed, in proactively promoting Southwest values. "At Southwest Airlines, communication has been central in how our brand is activated inside and outside the walls of the company," noted Linda Rutherford, CCO. "Kelleher put employees first and customers second."

Of course, the company has grown significantly in scale since its founding. Ms. Rutherford, who has been with Southwest for nearly 30 years, noted that they continuously adapted the number and types of communications channels used, given that "we were communicating with 56,000 employees vs. a few when the airline first took flight!" Yet the people-focus remained, and was reflected in the organization of the culture and communications functions. Its main departments were "Culture and Engagement" centered around employees, and "External Communications," focused on media relations.

Rutherford noted, "today, we have a (large) number of (communications) channels at our disposal. It depends on whether we're communicating to one department or an entire group of frontline employees. They (these channels) could look like: a department memo; a weekly email update; messages distributed in crews' electronic flight bags—if we're looking to be surgical."

In communicating widely throughout the company, for example, "we have 500+ Digital signs called SWATv, our intranet called SWALife, our CEO's weekly newsline message/podcast, a monthly "Ask Gary" CEO video series, and specific "Read Before Lead" communications to executives, via targeted online emails."

Communication and Culture Sustainment Through The Pandemic

At the start of the pandemic, the "Culture and Engagement Team" would be on the frontline in coping with the psychological and interpersonal stresses posed by the pandemic through a series of roundtables, focus groups and pulse surveys of employees and leaders.

Depending on the course of the pandemic, Rutherford anticipated a range of communications issues that the pandemic could engender: living concerns, technology, helping others, medical (physical and mental) matters, daytime eating (from home), reduced workdays, loneliness, need for fun and humor, feedback from various target audiences, what leadership was thinking, policies and values. Moreover, additional consideration needed to be given to those workers still on the frontline and their needs for a safe work environment during a global pandemic.

The firm's cultural values became a pillar to lean on. How could we keep a Servant's Heart, possess a Warrior Spirit, and sustain a Fun Loving Attitude in such extremely pressured circumstances. How did each of these work and why was this heritage so relevant now? Where did communications and culture play a role? As Rutherford said "The aim was to make everyone feel as positive as possible. They (our values) relate to how we behave as a company; they have helped Southwest stay together as a company in the past, and our communications team optimistically believed they (these values) would do so again."

Here are how the original cultural values framed the pandemic response:

—Servant'sHeart: Here the central belief was to quickly stress in the communications that Southwest was a mutually supportive family. They also used surveys to obtain feedback on what the company could do to help maintain "our great attitude" even in troubled times. We stressed that everyone had to sustain others on their team. In some cases, that might entail some sacrifices. The company therefore promoted a voluntary separation program. Interestingly, the company had already set up in previous crisis times a plan called the Disaster Response Plan, which has Code Yellow, Orange and Red phases to help guide Employees on whether company facilities are open or whether remote work would be required. The plan delineated who the essential personnel for the office were, and who was to work at home.

People offered to take time off without pay, and others asked for the company to consider an early out package. The company also had to consider painful furloughs and noncontract pay reductions, but thankfully those were avoided. In general, the mutual support of operating with a servant's heart created a favorable environment of mutual support.

—Warrior Spirit: Having a warrior spirit in communications meant moving fast to adapt technology to the needs of our population. At the outset of the pandemic, Southwest did not have the technology to support high levels of communication among those working at home.

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Within three weeks the company distributed 2,500 laptops. They adapted their IT systems to support multiple communications platforms including Zoom and Microsoft Teams to allow employees and their teams to use whatever method served them best. "We (communications) were teaching people how to use the technology (chat, screen share, etc.). This deployment and training in these virtual technologies sparked many employee-driven initiatives to maintain morale and keep the organization cohesive. For example, sewing circles were organized by employees to make and distribute masks. The communications department helped to circulate information on food education, and provide healthy recipes, since people were eating at home during the day for the first time. There was education on how to keep home and work issues separated and avoid burnout. Communications offered resources on how to most effectively work at home.

Another reflection of warrior spirit was the readiness of the CEO, as well as senior management, to travel to key spots in the U.S. "to visit our employees who are running the operation, to demonstrate our concern and our commitment to their safety."

-Fun Loving Attitude: With Microsoft Teams, team members could reconnect with each other and come up with their own methods to maintain morale and a fun loving spirit. For example, some teams organized online virtual scavenger hunts. People came up with games they could play virtually. For example, one was "crazy hats" where the funniest hat was voted on and won a prize. The communications department produced a video of all these initiatives for circulation among the wider universe of employees. One of the biggest surprises was that people were willing to talk about mental health and express challenges with isolation.

The Role of Research

Obtaining feedback from employees and customers through regular surveys was already a feature of Southwest's culture and communications approach before the pandemic. This work was intensified to understand how employees, customers, and our leadership were impacted both with regard to the practical and emotional dimensions of the pandemic. The responses from the surveys helped the firm better shape the message to each target. For example, during the pandemic the company was able to sharpen its communication around health, safety, and the financial resilience of Southwest. Employee response rates were significant and the company did six different employee surveys over the past 15 months, and one significant question that was asked in each survey was to describe how they felt about the state of the company:

- Anxious
- Frustrated
- Realistic
- Optimistic
- Skeptical

Over the period of the year, "optimistic" went up by 19 % as "anxious" and "frustrated" went down.

Moreover, in the latest employee survey, it showed that a staggering 82% of employees felt engaged. This demonstrated the benefits of a strong foundational culture and the importance of an infrastructure of values that dilute the impact and shock effect of the crisis. "We also periodically survey senior management on their needs, so we can be responsive to them," noted Rutherford.

This research also helped us to focus on the right tools and methods to carry our messages in order "to win the hearts and minds" of the employees. Communications during the pandemic to employees included: a CEO video talking about the company and its direction, safety issues, the company's financial situation, and a video on the changes we made to the flying experience to help flyers feel more comfortable.

Research led to a campaign to sustain our heritage of employee and customer engagement, called the Southwest Promise. "This is a commitment to the employee and customer to create a safe environment during the pandemic, and continually update the Promise so that it is based on current needs and guided by science. Part of our research told us that we needed to utilize trusted voices and that led us to work with an outside virologist and an epidemiologist to support our messaging efforts. We had a team devoted to vaccine communications and all the relevant facts about vaccines when vaccines became available," Rutherford emphasized.

Current Communications

Meanwhile, Southwest continues to survey almost 10,000 customers daily as part of its normal Net Promoter Score research effort. The aim in the customer survey is to look at every aspect of the customer experience from boarding to the inflight experience to post-trip. For example, the company was able to identify the customers' main concern was transparency with flexibility e.g., booking and ticketing policies. "Along those lines," Rutherford said, "we need to know whether passengers thought we are living up to the Southwest Promise (explained above) and that our policies leaned toward the Customer during the pandemic and continued to follow our commitment to not nickel and dime customers (such as with separate charges for baggage, aisle seats, soft drinks etc.)."

To expand customer reach as "things were getting better with the advent of vaccines," the company made considerable use of influencers, employing Facebook, Twitter and Instagram. "We utilized our cadre of online storytellers with the purpose of simply rebuilding momentum for travel. For example, if Southwest was going to a new destination, we could have the influencer go there first and write about it and post it. If the company made a change to our pet policy, an influencer would write about his or her experience with that policy," advised Rutherford.

Meanwhile internally, Southwest is continuing its CEO messaging with monthly videos and the weekly podcast.

Conclusion

When asked what the biggest communications lessons learned were that came from things done during the pandemic, Rutherford said:

- Admitting being vulnerable is the key to creating an open and sympathetic connection to employees.
- We are more explicit and honest about explaining difficult situations to employees than we used to be. We are open about what we don't know.
- I try to meet more frequently with my department heads than I ever did before and convey perspectives and insights that they would otherwise not have.
- We will try to be more of a force for health and hope."

Based on the Southwest case, one can clearly see that a strong culture, based on clear foundational values, is a "maker" of success. Indeed, culture is a support system for protecting a company from collapse. The same strong culture that propelled Southwest to being a premier, low cost/ high service airline, helped to sustain the company during the darkest days of the pandemic. To quote Rutherford "our current values, the foundation of our culture, really work....and have worked." They also have served as a basis for setting up a culture and communications function that is forward looking, flexible, and puts people at the center of focus. If one is looking for the elements of a playbook on business culture and communications resilience, one can readily point to Southwest as a model.