

# HERB KELLEHER BUSINESS PLAN FOR SOUTHWEST

*Herbert David Kelleher (March 12, 1926–January 3, 2014) was an American billionaire airline executive and lawyer. He was the co-founder, later CEO, and chairman emeritus of Southwest Airlines. An often retold founding myth claimed the business plan was written out on a cocktail napkin in a San Antonio restaurant, though.*

The strategy saved the company hundreds of millions of dollars in energy costs. When the airline began service in 1971, it had four Boeing 727s in its fleet. And if you treat your employees right, guess what? We were going to enable more people to fly. It was interesting because 15 or 20 years ago there was the assumption that Southwest Airlines could succeed with things in the United States that Europeans would not accept in Europe. His wife, three of their children and many grandchildren survive, Southwest said. That cannot be duplicated. Your customers come back, and that makes your shareholders happy. Start with employees and the rest follows from that. This became known as the Southwest Effect. He is currently writing a book and consulting on strategy and knowledge issues with selected clients. An often retold founding myth claimed the business plan was written out on a cocktail napkin in a San Antonio restaurant, [11] though Kelleher and King have both stated that there was no literal cocktail napkin. Our people fully understand it. Kelleher stuck to the low-fare concept, believing that lower prices did not mean lower profits. As you get bigger and things get more complex, I think there is more of a tendency to get mired in the details, to get mired in the bureaucratic aspects of things and the hierarchical aspects of things. Basically what we said 35 years ago was that Texas was captive: Braniff had a monopoly among the larger cities; Trans Texas had a monopoly among the smaller cities. Now, you have to do well to produce that. Planes were profitable only when they were flying, Mr. Mann said. It may take you a little more time. We were much larger. Herwald relented and let Southwest keep the tagline. After a morning of tedious three-ring-binder presentations from executives, and stuffy lectures by professors, it was time for the keynote speaker. It did not say where he died or give a cause. Your people are not special. Everybody at Southwest is a freedom fighter. They were a Salt Lake City carrier with only about 14 or 16 airplanes. Be results- and mission-oriented. Does that come solely from putting your employees first? The bigger airlines created expectations they could never meet. Southwest was able to reduce fares by flying only within Texas, avoiding prices that would have otherwise been mandated by the Civil Aeronautics Board. Mann said. To support the strategy, the company determined to fly only one type of airplane, the Boeing 737, and to substitute linear flying for the hub-and-spoke model that has prevailed in the industry. How much do you think it will change in the future? Photograph courtesy of Southwest Airlines The airline industry is a tough place to make a buck: too many competitors, price-sensitive customers, high capital intensity, boom-or-bust cyclicalities, powerful suppliers, and often intransigent unions. The focus of Southwest Airlines has always been on its people, regardless of how large we grew. Competitors like Texas International, Braniff and Continental waged four years of litigation before Southwest Airlines could make its first flight.