Strategic Management

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Southwest Airlines has created a low-cost business by having small strategies aimed at one very large goal, to expand into a low-cost international airline.  At this time, most of their business is regional flights that are fairly short distances into an airport that does not have a hub and spoke system.  This is an airport type that would allow them to land, fuel the aircraft, disembark the passengers, get turned around, load up with passengers and take-off faster.  This equals more revenue, the airline isn't making money if it is not making flights, the more flights mean more money.

Management has taken the attitude to make the employees as happy as they can by letting the company be employee-driven.  This allows the success be because the employee has done a great job, not because the managers know what they are doing.  Southwest has only Boeing aircraft, mostly 737 models, which allows the employees to understand and know their jobs faster and better than trying to learn multiple aircraft and different tasks that go with those aircraft.  Many times managers notice employees doing other employees jobs, just to get the aircraft turned around faster, a flying aircraft is making money and they know this.  Some of their aircraft are on the ground waiting for only 18 minutes getting prepared for another flight, other airlines take around 45 minutes.  Huge difference, between Southwest's turn-around time and other airlines.  Again, the idea is, an aircraft on the ground is not making money.

This is unusual attitude in a union-driven aviation field.  People generally say something about it not being their job when asked to do something that isn't their normal duties.  Employees are self-driven to do more for the company because of the work atmosphere, there is no telling how much money value this adds to their business.  This is an invaluable asset, and it has become a strategic advantage against all airlines trying to compete against them as new entrants into their arena of business.

While many other airlines are scratching their heads to find ways to cut costs, Southwest went to their employees and told them they do not want to cut a job, but they must cut their wage a little.  The employees got together and decided that this was alright with them, for a time, they would rather earn less than for anyone lose their job.  Southwest retention rate is around 92%, no airline is even close.  With this comes the continual gain and retention of employee workforce, and gratitude for their jobs.  Incredible.

Flights on Southwest are bare minimum, no snacks, no drinks, less flight attendants are some of the things different about flying these skies.  Southwest does not try to nickel and dime you either though, baggage is free, not very often does that happen in today's air-travel.  This alone is good advertising for those just wanting to get somewhere cheap.

"One of their key differentiation strategies is their Rapid Rewards frequent flyer program. According to their financial statements, Southwest has revamped their system so “...members are able to redeem their points for every available seat, every day, on every flight, with no blackout dates; and... points do not expire so long as the Rapid Rewards Member has points-earning activity during a 24-month time.” (TeamSpark. 2012).

With this kind of way to save on flights, many other airlines are trying the same methods, but add to that their other ways to save on costs customers are seeing the advantage to continue flying with Southwest.

There are so many other ways Southwest has been managing their internal strategies and external strategies, we could go on and on. Their continued success and their leading the aviation field in America has every other company studying them. In fact, companies around the world are studying their methods and using their ideas to come up with their own. A CEO of a European airline came to America to study Southwest, he went back and revamped his whole airline to fly the same type of aircraft on their regional flights and even ordered all their seats so they were stationary, no reclining type. This cut down on repairs and saved several hundred thousand per aircraft his company purchased.

Southwest has had an external strategy goal to grow their business into the international market. While other companies are struggling and some going out of business, Southwest has been positioning themselves to buy some of their competitors outright. In 2010, Southwest purchased AirTran Airways, officially making them an international air-travel company. Now they have routes to Mexico and the Caribbean islands. These are short regional flights as well, but they are purchasing a larger type of Boeing aircraft to be able to carry more passengers from longer distances soon.

Southwest's plans are to update their fleet with Boeing 737-800s to increase cost savings and increase passenger capacity. This is part of their strategy and will be a part of future flights to newer and different sites they are wanting to get into in the future. 737-800 aircraft can carry more passengers, more passengers mean more weigh, so the cost will increase in their flights. This has been analyzed as well, 737-800 aircraft are more fuel efficient and can fly further than the previous models. This will reduce their unit cost overall. Southwest can add seats, because the aircraft is bigger, which will increase the passenger capacity.

These decisions to get newer more efficient aircraft with larger capacity will allow the company to continue to propel them into their future. Along with their strategies and their employee strengths their future looks good. Good luck to their competition.

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