

## Herb Kelleher Has One Main Strategy: Treat Employees Well

**H**ERB KELLEHER has a formula for career success: Formulate no formulas. To say that the 68-year-old chairman, president and CEO of Southwest Airlines is a maverick among senior executives is an understatement of Herculean proportions. He holds no advanced business degree (he's a lawyer by training), didn't work his way up any corporate ladders and manages by the simple rule that there should be as few rules as possible.

Meanwhile, he has built a reputation as the clown prince of CEOs for his pranks (he once arm-wrestled a fellow CEO for the use of a disputed slogan) and bellicose good humor. Yet, who wouldn't want his track record? As a co-founder of Dallas-based Southwest and chief executive since 1978, he has been the principal character in the story of the little airline that challenged the giants and, after 26 straight years of profitability, became one itself.

Mr. Kelleher, who recently announced he is being treated for prostate cancer, started an interview with a few obligatory jokes and railed against the antismoking cartel for five minutes. Then he lit up another cigarette, announced that it was time to put on his "somber, CEO face" and chatted about his leadership philosophy—or the lack thereof.

**Q:** Southwest has a very tight-knit, family culture. As a manager, how do you build and sustain it?

**A:** I've tried to create a culture of caring for people in the totality of their lives, not just at work. There's no magic formula. It's like building a giant mosaic—it takes thousands of little pieces.

**Q:** You've often said that culture is your biggest competitive advantage. What do you mean?

**A:** The intangibles are more important than the tangibles. Someone can go out and buy airplanes from Boeing and ticket counters, but they can't buy our culture, our esprit de corps.

**Q:** How do you instill this attitude?

**A:** We structure training exercises so that everyone has to contribute to complete it successfully. Then we point out how each contributed in their own way.

**T**HE QUIET GUY came up with the solution; the noisy one helped execute it. It's also instructive for our people to see us honor their fellow employees. Often, it's for things that don't have anything to do with Southwest Airlines.

**Q:** So what are you looking for when you're interviewing?

**A:** We want people with positive attitudes, who enjoy helping others. We don't give the standard interview. Mike Van De Ven, our director of financial planning, says that he and I talked for two hours, but he didn't know he was being interviewed. We talked about his personal life. You get a better insight into the person.

**Q:** You're always being praised as a motivator. How do you motivate?

**A:** I don't think I'm the primary motivator. I give people license to be themselves and motivate others in that way. We give people the opportunity to be a maverick. You don't have to fit into a constraining mold at work—you can have a good time. People respond to that.

We also try to show that what they do matters. That's why we share with employees the letters we get from passengers. We got one from a divorced dad who said that if it wasn't for our low fares, he wouldn't be able to visit his son as often as he does.

**Q:** You're devoted to high pro-

ductivity and customer service, yet you don't hear about quality initiatives or black belts at Southwest, as you do at so many companies. Why?

**A:** We don't label things. When you label, you constrain. We don't use things like TQM [total quality management]. It's just a lot of people taking pride in what they're doing.

**W**E'VE HAD people come in to see how we turn around planes. [Southwest's time to get planes in and out of gates is about half the industry average.] They keep looking for gimmicks, special equipment. It's just a bunch of people knocking themselves out.

**Q:** Have the requirements for being a successful corporate leader changed much in your 30-plus years here?

**A:** When I started out, it was knowing people. It was being connected, like to the New York financial community. Anyone who wants to be successful these days can't afford to hire by the old school tie. The world is too competitive. One of the absolute keys to success these days is quickness. We've always had a flat structure so we could have a quick response capability. Take planning, for instance. We do it by scenario planning. Here are the five things that could happen. If No. 1 happens, we do this; if No. 2 happens, we do this; and so on. Then we go. Planning is necessary, but it can be done quickly.

**Q:** But hasn't it been difficult to maintain the culture and the quick response time as the company has grown larger?

**A:** As you get larger, you have to get more systematized. But we fight bureaucracy and hierarchy all the time. People revile bureaucracy, because the process becomes the end.

**Q:** What's the secret to your success?

**A:** You have to recognize that people are still most important. How you treat them determines how they treat people on the outside. We have people going around the company all the time doing other people's jobs, but not for cross-utilization. We just want everybody to understand what everybody else's problems are.

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