

Leadership Analysis

Name

Course

Instructor

Date

Introduction

Leadership plays a critical role in achieving the goals and objectives of an organization. Different leadership styles have varying impacts on the employees and the overall performance of the organization. Leadership is affected upon the employees in order to make them committed towards the organizational goals. The top leadership is expected not only to provide direction, but also to motivate employees. The top leadership communicates the vision of the organization to all the employees. In order for employees to commit towards achieving the goals of the organization, the top leadership must influence them positively to garner their support. This paper will focus on Southwest Airline's leadership model and suggest the best leadership style that can be employed to the modern organization.

Gary C. Kelly is the current chairman, President and CEO of Southwest Airlines, a low cost carrier in the United States.

As a Chief Executive Officer, Gary C. Kelly's responsibilities include overseeing the running and operational performance of the company. This is the oversight authority bestowed upon him. He is responsible for establishing proper policies and regulations in order to generate revenues and minimize costs. Generally under this responsibility, he is supposed to ensure the company gives good returns for the benefit of all the stakeholders. The other responsibility is to implement short-run and long-run company plans and programs and ensure all the objectives are achieved. Kelly also represents the company to its external constituencies. He is also charged with engaging in contract negotiations to obtain the best price and value for the benefit of Southwest. His other important role is to motivate employees, a crucial role shared by all

organizational leaders. Lastly, Kelly is mandated to perform other duties as outlined by the Board of Directors from time to time (Southwest, 2015).

Southwest Airlines Co. is headquartered in Dallas, Texas. The company operates as a low-cost carrier in the region, and mainly concentrates its operations in the domestic market. The company is renowned for its continued streak of profitability since it commenced operations in 1973 (Southwest, 2014). This can be attributed to a number of effective strategies the leadership of the company has maintained over the years. For instance, the company provides its flight operations in point-to-point service, a break from the traditional “hub-and-spoke” model of operation provided by majority of the other airlines. The point-to-point service allows for direct nonstop flights compared to the hub-and-spoke model. The point-to-point service allows Southwest Airlines to charge lower fares compared to other airlines which operate on a hub-and-spoke system. In addition, it is able to provide convenient and frequent flights. This reduces the need for some in-flight services such as provision of meals to customers.

Southwest Airlines Co. has a distinct organizational culture that also contributes to its success in the industry. The vision of the company is “to become the World’s Most loved, Most flown, and Most Profitable Airline” (Southwest, 2015). Southwest maintains a set of values in order to attain the aforementioned vision. Some of the values embraced by all the employees include hard work, perseverance, putting others first, adherence to The Golden Rule, a work environment of fun, friendly customer service and ultimately low costs to customers. The company puts its employees at the forefront, giving them a flexible work environment that is fun and also providing them with opportunities for growth. The employees are supposed to extend the same sense of warmth and friendliness to customers. About 83 percent of its employees are

unionized. Since its commencement, the company has not had any incidences of employee retrenchment. This makes employees of the company feel secure in terms of job security.

Gary C. Kelly was appointed the chairman and CEO of the company in 2008. He first joined Southwest Airlines in 1986 whereby he worked as a controller. In 1989, he became the Chief Financial Officer. In 2001, he received a promotion to the position of an Executive Vice President. In 2004, Kelly received a promotion to the position of Chief Executive Officer and the vice chairman of Southwest. This came only after serving three years as an Executive Vice President. In 2008, Kelly received another promotion as the chairman of the board of directors, president and CEO of the company, positions he holds currently in the company. Kelly is a Certified Public Accountant, and holds a Bachelor of Business Administration Degree majoring in accounting from University of Texas, Austin. Kelly had earlier worked for Arthur Young & Company as a Certified Public Accountant and Controller for Systems before joining Southwest in 1986 (Southwest, 2015b).

Gary C. Kelly's leadership style can be termed as transformative leadership. According to Hughes, Ginnett & Curphy (2015), the most distinguished character among transformative leaders is being future-oriented. In transformational leadership, the leader inspires the workers to work towards reaching high level organizational goals (Burns, 2012). In this way, the leader identifies a clear vision for the organization to guide employees. This can be seen in the company's vision statement which aims at making Southwest "the World's Most loved, Most flown, and Most Profitable Airline" (Southwest, 2015). Southwest Airlines aims at delivering quality customer service to its customers by investing in staff. Kelly leadership places a great emphasis on the well being of employees who he refers to as "family." Employees are

encouraged to work hard through recognizing, rewarding, and celebrating their achievements. The employees are also encouraged to enjoy work, and regard it as fun.

Transformational leadership inspires subordinate staff to do their best for the benefit of the entire organization. It enables employees to develop innovative ways to solve problems and effect change in the organization. In Southwest Airlines, employees are at the helm of decision making. According to Kelly, the more than 35,000 employees of the company are responsible for developing innovative programs that that can help improve productivity. Transformative leaders inspire subordinates and aim at achieving intellectual stimulation of the staff. At Southwest, Kelly offers employees not only the chance to train for their jobs, but also training meant to grow their career. Employees are also encouraged to participate in programs such as “Manager-in-Training Program” which provides employees with knowledge on strategic leadership (“Southwest Report,” 2010). Transformational leadership is closely connected to transactional leadership, the main difference being the use of incentives to encourage employees to work towards the organizational goals in the latter (Diab, 2014).

Leaders are often confronted with complex situations for which they have to make a decision. One of the most significant challenges Kelly has faced in the leadership position is to counter increased competition from other airlines which have copied Southwest’s model of operation. Over the years, Southwest Airlines was the leading domestic carrier in the U.S. The airline was known as the low-cost carrier and the choice of many. However over the last few years, more airlines have adopted the low-cost model in an attempt to increase their market share. Some of these airlines include Jet Blue, Delta, United and American airlines. With increased competition, Southwest Airlines may lose its share of the market leading to loss of

revenue. Gary C. Kelly has tirelessly worked to ensure that customers opt for Southwest even when other airlines charge less fare for the same route.

Fuel costs have also been a major challenge for Gary C. Kelly. Fuel costs directly determine the profitability of the company, and make up a large segment of the company's cost structure (Southwest, 2014). Since 2005, the price of fuel has been increasing. However, unfavorable economic conditions such as the 2008/2009 recession have prevented the airline from marginally increasing its fares to cover the additional fuel costs. Volatile fuel prices significantly impact profitability of airlines. In 2014, fuel and oil costs represented a 32 percent of the total operational costs. A small change in the price of fuel and oil can have significant impact on the profitability of the company. Fluctuation in oil prices may be brought about by macroeconomic factors such as conflicts in countries that supply oil, small pipeline capacity or refinery capacity, world demand for fuel, and other factors.

Gary C. Kelly has also faced labor strife from employees who are among the heavily unionized in the industry. Over the years, employees have been pushing for signing of new labor contracts between the company and their labor unions. The labor unions have continually cited low morale among employees and the need to sign new contracts in order to restore their morale. According to Kelly, employee morale is still good within the company and hence no need for new contracts. The strife between the employees and the management continued to this year, and things may not get better until a permanent solution is sought. With the introduction of international flights in 2012, more issues emerged with the labor unions. The company pays international flight-crew just slightly above the normal rates, something which have come as a major concern among the employees who expect higher pay as per industry standards (Carey, 2014).

Gary C. Kelly's greatest achievement is the pioneering of the airline's international flights program which was successfully launched in 2014. In over 40 years of operation, Southwest concentrated its operations in the domestic market. However, the management realized there were no more opportunities for growth in the domestic market as the airline had already reached maturity stage. This prompted Gary C. Kelly to come up with a new strategy in order to obtain growth. In 2012, Southwest Airlines acquired AirTran Airlines as part of its strategy to expand operations into the international market. AirTran was already offering an international service, and hence it would provide the platform needed to expand into the international market. Currently, the company offers flights to international destinations such as The Bahamas, Mexico, Aruba, Dominican Republic and Jamaica. The launch of international destinations will allow the airline to expand and increase its revenue base further.

Gary C. Kelly has received numerous awards due to his unique leadership skills as a CEO. Southwest Airlines celebrated 43 year period of existence without ever having laid off any staff. This is due to the fact that the company has been able to profitably operate for over 42 consecutive years. This is a great achievement considering that over the same period, a great number of airlines have gone bankrupt or laid off workers to avoid bankruptcy. Even during the 2008/2009, the company still managed to make profits at a time when other airlines were struggling to stay afloat. The strategies employed by Gary C. Kelly have enabled the airline to tremendously reduce operational costs and pass the benefits to customers. For instance, the airline operates only a single model of carrier – the Boeing 707 ("Southwest," 2014). This has kept the maintenance costs and operational costs minimal, because there is no need to train employees on how to operate multiple carrier models.

The interaction model of leadership is important in Gary C. Kelly's roles and responsibilities within the organization, especially in defining the relationships with subordinates. The interaction model of leadership is hinged on the premise that leadership is not only a function of the inherent characteristics and qualities of a leader, but also a function of some multiple external factors. According to Hughes, Ginnett & Curphy (2012, p. 5), leadership is "the process of influencing an organized group towards accomplishing its goals." The interaction model identifies three key elements in leadership; a leader, the situation/context, and followers. The interactions of the three elements determine a multiplicity of results in leadership. For instance, some followers may have a positive attitude towards the leader due to his charisma. This group of followers will likely be loyal to the leader. On the other hand, another group of followers may harbor a negative attitude towards the leader and hence show distrust and lack of loyalty.

The organizational dynamics highlighted by the interaction model reflect the leadership situation in Southwest Airlines. Gary C. Kelly is the leader while the followers are the staff. Majority of employees in Southwest Airlines view Kelly as a charismatic leader. As such, the employees show loyalty, trust and commitment towards achieving the goals of the organization. In Southwest, employees are expected to develop innovative solutions to challenges they may be having. Southwest's leadership places employees as their primary stakeholders. By taking care of their employees, the top management expects the employees to accord quality customer service to the customers and to show loyalty towards the company.

The Path-Goal theory also gives insights regarding the concept of leaders, followers and situation in an organization. According to the theory, leaders are first supposed to analyze the situation in the organization before selecting a leadership style. The theory identifies four

categories of leadership exhibited by leaders. These include: supportive leadership, achievement-oriented leadership, directive leadership, and participative leadership. The theory asserts that the leadership style adapted by a leader should depend on the situation (Hughes, Ginnett & Curphy, 2015). The theory also posits that followers have their own locus of control – meaning they can either attribute the organization’s failure or success as part of their efforts or other individuals’ efforts. Individuals who attribute the organization’s success as part of their effort prefer participative leadership, while those who attribute it to the efforts of others prefer directive leadership.

In an organization such as Southwest, the employees attribute the success of the organization to their individual efforts. Employees are supposed to develop innovative programs to the challenges they encounter at work. They are also supposed to develop programs that can make their work easier, and take time to celebrate their achievements. Employees in such organizations prefer participative leadership rather than directive leadership.

The A-O-R model also provides important concepts about leadership. According to the model, leadership development in an individual can be achieved when one undergoes through three processes which include Action, Observation and Reflection. The model identifies a method of learning that can be applied to both leaders and employees in an organizational situation. The model asserts that learning can best take place through reflection of one’s actions as well as experience (Hughes, Ginnett & Curphy, 2015). In general, the model details ways employees and leaders can learn to acquire knowledge and skills. In an organization such as Southwest, the A-O-R model can be effectively applied in management. Action is often initiated by managers. For instance, Kelly is tasked with oversight roles where he is responsible for

ensuring things are running on smoothly. He can call an employee to 'action' or to analyze his actions. The employee makes observations of the situation and then reflects upon the experience.

Gary C. Kelly's leadership style can be termed as participative leadership. In this leadership style, the employees significantly contribute to decision making in the organization. The employees are well aware of pertinent issues affecting the organization. A participative leader is able to share decision making and some level of authority with employees. A participative leader may choose the level of authority given to subordinates. Participative leadership style has been effective in Southwest Airlines Co. The leadership style increases job satisfaction level among employees. Participative leadership improves employee retention in Southwest. When employees are allowed to make their own decisions, they are likely to stay in the company so as to see their plans succeed. Participative leadership encourages creativity since employees are able to come up with unique ideas and implement them. Lastly, the style improves employees' morale.

From the research, it is possible to derive a number of key lessons. Of great significance, leadership determines the success or failure of a business organization. The success of a business organization is mainly determined by the kind of decisions leaders make, and the way in which decisions are implemented. The top leadership in an organization must be able to motivate employees and decide on the direction the organization will take. The direction can be determined by setting the vision of the organization. Leaders must also be able to influence the entire organization to move towards set goals and objectives. It was also possible to see that leadership styles which grant employees a higher level of autonomy are more effective in helping achieve the goals of the organization. In Southwest Airlines, employees make their own decisions. This improves their morale and productivity in the work place. Thus, the best

leadership style of my choice would be participative leadership where all employees are involved in decision making.

In conclusion, leadership is of great significant to the success of an organization. Leadership influences employees' productivity and thus the profitability of the entire organization. Leadership involves a mastery of negotiation skills, communication skills and critical thinking. Southwest Airline's participative leadership style has greatly contributed to the continuous profitability streak the airline has enjoyed since inception. Leadership styles which allow employees some level of autonomy are the best in modern organizations.

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