ECONOMICS 620

Allegheny College
Meadville, Pennsylvania
16335

The Role of Efficient Human Resource Management in the Airline Industry: A Case Study of Southwest Airlines and American Airlines



Theresa K.N. Austin
3 April 2013

The Role of Efficient Human Resource Management in the Airline Industry: A Case Study of Southwest Airlines and American Airlines

by

Theresa K.N. Austin

Submitted to The Department of Economics

Project Advisor: Steven Onyeiwu

Second Reader: Russell Ormiston

3 April 2013

Cover image source: Robert and Mihaela Vicol, *Airplane Wing over Clouds at Sunrise, Blue Horizon*. http://publicphoto.org/travel/airplane-wing-over-clouds-at-sunrise-blue-horizon/

I hereby recognize and pledge to fulfill my responsibilities as defined in the Honor Code and to maintain the integrity of both myself and the College as a whole.

Theresa K.N. Austin

ACKNOWLEDGMENTS

I would first like to thank the Allegheny Economics Department. When I came to Allegheny as a freshman, I had no idea I would major in Economics. Four years later, I know I made the right decision—I truly feel as though I grew as a person and as a student with every Economics course I took. The knowledge I attained over the years will benefit me wherever I go in the years to come. I would especially like to thank Professor Onyeiwu for being my advisor on this project; every piece of advice you gave me was beneficial and insightful. Thank you for your patience along with all your support and encouragement. I would also like to thank Professor Ormiston for being my second reader on this project. Your knowledge of human resource management was very beneficial to me and I appreciate your guidance. Additionally, I would like to thank all the professors in the Economics Department who have challenged me to meet my potential while at Allegheny.

Secondly, I would like to thank my family for all the love and support you have given me over the years. I am truly blessed to be a part of such a wonderful, caring family, and I would not be the person I am today without you. Thank you for providing me with endless opportunities and for always believing in me. I would especially like to thank my mom for her unconditional love and for always being there for me no matter what. Words cannot express how lucky I am to have such a loving, supportive family. Thank you for allowing me to pursue my dreams. I love you all.

Lastly, I would like to thank all my friends who have pushed me and encouraged me throughout this whole process. I would especially like to thank my roommates for being the best friends I could have asked for and for making sure I graduated. I am so lucky to have spent the past four years with you guys.

TABLE OF CONTENTS

Acknowledgements ii

Abstract v

Chapter 1: Introduction 1

Chapter 2: Literature Review 3

Chapter 3: Empirical Analysis 13
- I. Performance Indicators 14
- II. Brief Firm Backgrounds 15
- III. Analysis of Company Cultures 16
- IV. Analysis of Strategic Focus 20
  - A. HRM in the Airline Industry 20
  - B. HRM Practices at Southwest Airlines 21
  - C. HRM Practices at American Airlines 23
- V. Performance and Ratings 25

Chapter 4: Conclusion 32

References 34

LIST OF TABLES

Table 3.1: Airline Quality Rating Scores (2005-2011).....26
Table 3.2: AQR Annual Individual Category Scores (2011).....27
Table 3.3: 2010 Productivity per Employee 28
Table 3.4: Overall Evaluation of Southwest and American's Strategic Actions.....31

LIST OF FIGURES

Figure 3.1: Net Income for Southwest and American Airlines in millions (2003-2012) 28
Figure 3.2: Revenue Passenger Miles in millions (2008-2012).....30

ABSTRACT

Since its creation in 1967, Southwest Airlines has managed to become the largest low-cost carrier in the United States, as well as one of the leading airlines in the nation. Many studies have been done on the culture and human resource management (HRM) practices at Southwest. However, the cultures of many other airlines have not been examined thus far. The goal of this paper was to determine whether efficient human resource management practices enhanced company strategy and contributed to sustained competitive advantage in the airline industry. In a case study analysis, the cultures and human resource management practices at Southwest and American Airlines were juxtaposed in order to identify the similarities and differences in their strategies. The sources used to analyze the airlines' strategies included annual reports, financial data, and airline ratings. Once analyzed, financial performance indicators—net income, net operating income, available seat miles, and revenue passenger miles—were used to asses the success of each airlines' strategies.

Analysis indicated that there is no direct correlation between efficient human resource management practices and competitive advantage in the airline industry. Findings indicated that Southwest performed better than American financially, but both airlines had similar HRM practices with very different cultures. Further research could include a more in-depth analysis on the cultures at the two airlines, which may reveal a more direct correlation between competitive advantage and culture.

CHAPTER 1: INTRODUCTION

The goal of this project is to understand the role efficient human resource management plays in a company's competitive advantage and performance. The airline industry has always been highly competitive – many companies have entered and were eventually forced to exit or merge with other carriers. Today, the airline industry can be seen as an oligopoly, dominated by a few firms. Even so, these incumbent firms are having difficulty maintaining the market power and market shares they once possessed. In 2008, Delta Air Lines merged with Northwest Airlines; Continental Airlines merged with United Airlines in 2010, and after American Airlines filed for bankruptcy in 2011, company officials have been discussing a potential merger with US Airways as a way to exit bankruptcy by 2013. With all these recent setbacks in the airline industry, it is interesting to see that Southwest Airlines, the largest low-cost carrier in the United States, was able to enter the market in 1967, successfully maintain a competitive advantage, and gain market shares from the well-established airlines ever since. In order to understand the competitive nature of the airline industry, it is important to comprehend if and how efficient human resource management influences airlines and their employees' satisfaction, and therefore, how it affects productivity, performance, and overall customer satisfaction. It will be argued in this project that efficient human resource management practices enhance company strategy and contribute to sustained competitive advantage in the airline industry.

To analyze human resource management, this study will focus on the airline industry, with an emphasis on Southwest and American Airlines. American Airlines, one of the largest airline operators in the nation, was established in 1934. By the end of 2013, American Airlines will have merged with US Airways in an effort to exit bankruptcy. Southwest has never filed for bankruptcy and continues to see positive net incomes. While there may be many factors for these

outcomes, this study focuses on the human resources aspect and how it has affected the employees and influenced these airlines' performance. In a few recent surveys, Southwest has often been regarded as having the most satisfied employees and lowest complaints, while American's employees are "OK" and have a much higher rate of consumer complaints. Several studies have looked into the culture at Southwest to see if this has anything to do with their success, but not many studies have focused on human resource management in the airline industry because there are so many other factors that have been researched, such as deregulation and mergers in the industry.

In an effort to understand the role human resource management plays in the performance of these two companies, this project will discuss the connections between human resources, competitive advantage, company culture, employee satisfaction, productivity, performance, and customer satisfaction. In looking at these factors, it will be possible to conclude whether or not human resource management plays a role in attaining competitive success for these two airlines. Furthermore, it will explore if airlines can use efficient human resource management to create sustained competitive advantage, or if they simply need to maintain operational effectiveness—performing similar activities better than rivals. This project will do a case analysis of Southwest and American Airlines. First, it will compare and contrast their respective human resource practices, culture, and employee satisfaction. Next, it will focus on their company details, financials, and reports and try to find a correlation between performance and human resource management. Does Southwest's culture created by their human resources play a significant role in their success, or is it their low-cost efficiency that has allowed them to enter and remain in the market successfully?

CHAPTER 2: LITERATURE REVIEW

In the contemporary travel industry, there are so many options to select from when it comes to choosing an airline to fly with. Some people are loyal to a specific airline carrier while some fly with the best deal they can find. The airline industry, as a whole, has been making changes over the years with increased checked baggage limitations as well as more food, beverage, and on-flight entertainment fees. Southwest, on the other hand, keeps to a simple "bags fly free," no extra amenities model. However, is that all that makes them different from the other companies? Southwest is also known for being a friendly airline where the employees work hard but play harder. In this changing and competitive industry, it is important for companies to differentiate themselves in some way. Many other low-cost airlines have tried to model Southwest's strategy, but it may be more than just their strategy that has led them to success. This literature review will discuss how human resource management may play an important role in a company's strategy and competitive advantage. The topics that will be explored include Porter's notion of strategy, how human resource management affects competitive advantage, and the link between employee satisfaction and better customer management.

Companies need two things to achieve a sustainable competitive advantage: operational effectiveness and strategic positioning. Porter (1996) argues that companies cannot rely solely on one method. Operational effectiveness, performing similar activities better than rivals, allows a company to better utilize its inputs and operate more efficiently, but does not let them sustain performance. In order to be sustainable, a company has to be unique. Porter (1996) discusses different positioning techniques, trade-offs, and types of fit that are essential to a company's success in the long run.

There are three types of strategic positioning discussed in Porter's (1996) article. Variety-based positioning focuses on a subset of consumer needs; needs-based positioning focuses on serving all the needs of a particular group, and access-based positioning focuses on serving customers who are accessible in different ways. Porter (1996) argues that a company must keep to a solid strategic position and not lose their core identity or strategy. In order to have a sustainable strategic position, companies must engage in trade-offs. To have a trade-off, a company must give up one thing in order to have more of another. If Southwest started charging for extra amenities and raising prices, it could no longer maintain the low-cost image that they market to their customers. A competitive firm should make trade-offs so they can sustain a consistent reputation and image (Porter, 1996).

Finally, a strategy must be combined with different levels of fit. The strategic positioning and trade-offs made by a company must fit together to reinforce activity, create consistency between activities, and optimize effort (Porter, 1996). With fit, the whole of a company matters more than any individual part. Porter (1996) notes that the different activities of a company need to fit together to create optimal value for the customers. A successful strategy does many things well and integrates successfully amongst them. Strategic fit within many activities is necessary for competitive advantage and its sustainability – the more integrated the activities, the more a firm can operate efficiently and the harder it is for rival companies to imitate strategy.

Pfeffer (1994) suggests that sustainable competitive advantage is achieved when a company has something that can "distinguish them from their competitors, provide positive economic benefits, and is not readily duplicated" (pg.3). A company should have something that is unique and inimitable. Pfeffer (1994) notes that the sources of competitive advantage have shifted over time. He references Porter's five fundamental competitive forces that determine a

firm's performance: barriers to entry, low supplier and buyer bargaining power, few substitutes, and low threat of new entry. While this may have been important for top-performing firms in the past, it is not the only strategic framework that should be analyzed. Pfeffer (1994) argues that "the workforce, and how it is organized and managed, is an increasingly important source of competitive advantage" because other sources of competitive advantage, such as economies of scale and process technology, are less influential than they once were (pg.4).

While other sources of competitive advantage are becoming less important, employees and how they are managed are becoming more essential, differentiating factors in organizational strategy (Pfeffer, 1994). Pfeffer (1994) believes that competitive success can be achieved through people because "managing people effectively is often not as visible or transparent as to its source" and because it is "hard to comprehend the dynamics of a particular company and how it operates because the way people are managed often fits together in a system" (pg.15). Cultures and practices that enable a company to achieve success are less obvious than physical capital or computerized systems, and even so, are often difficult to really understand. Furthermore, the way a firm's practices fit together in a system follows Porter's (1996) notion of fit and how it is much more difficult to copy numerous things than it is to copy one thing.

Drucker (1998) also places a great importance on the way people are managed. Management is always subject to constant change because it deals with the behavior of people and human institutions (Drucker, 1998). Many assumptions and principles that once held true to management are no longer valid. One of these outdated assumptions is that there is only one right way to manage people (Drucker, 1998). However, Drucker (1998) argues that this assumption, along with several others, is false. Management is different within every organization, but the differences lie "in the application rather than the principles" (Drucker,

1998, pg.4). Different organizations all deal with similar problems, especially when it comes to people. The difference is how these problems are managed. Drucker (1998) claims that the difference in management can only be applied to about 10% of the work, which is determined by the mission, culture, and history that is specific to each organization. These organizations are responsible for making people productive in working together.

Additionally, Drucker (1998) notes that big organizations usually have more than one organizational structure. Although he explains earlier that assumptions and principles about management go out of date, Drucker (1998) states that there are some universal principles of organizations that should constantly hold true. One is that the organization must be transparent. Employees need to know and understand the structure of the company they work in. Another is that in all organizations, each member should only have one director; otherwise there could be a conflict of loyalties. This is important for Drucker's (1998) argument that there is more than one right way to manage people. Organizations are comprised of many different teams that each requires different management. The advantage of this is that each member can be trained in a particular strength. Different people need to be managed differently.

Finally, Drucker (1998) argues that more and more people should be treated as "associates" rather than "subordinates." When trained, each employee becomes a "knowledge worker" who knows more about his or her own job than anyone else in the organization. Because each employee has a special skill set, Drucker (1998) argues that employees must be managed as though they are volunteers instead of paid workers—they need to receive satisfaction from their work. Drucker (1998) states that to treat an employee as a volunteer, the employees "need to know the organization's mission and to believe in it. They need continuous training. They need

to see results" (pg.13). The employees need to be challenged. Overall, the employees need to be led, not "managed."

Many strategy researchers have tried to understand the sources of competitive advantage. Until the 1990s, much of the attention had been focused on the external environment approach – industry environment and positioning of the organization. Human resource management was merely viewed as a strengthening factor to the overall organizational strategy (Kazlauskaite & Buciuniene, 2008). In the 1990s, the resource-based view of the firm was developed because firms were beginning to realize that "traditional" resources, such as natural resources and technology, were becoming easier to imitate (Kazlauskaite & Buciuniene, 2008, pg.79). The resource-based view of the firm looks at a firm's assets and analyzes how they can be sources of competitive advantage. These resources include physical capital such as buildings and equipment, organizational capital such as firm structure and planning, and human capital such as skills and intelligence of employees. Thus, focus shifted to acquiring, developing, and retaining internal resources and capabilities of the organization, such as human resources and intellectual capital (Kazlauskaite & Buciuniene, 2008).

Although there are now many studies that attribute human resources and their management to organizational competitive advantage, Kazlauskaite and Buciuniene (2008) note that "there is no consensus in scientific literature as to what in particular serves as a source of competitive advantage – the possession of unique and valuable human resources, or their effective management" (Kazlauskaite & Buciuniene, 2008, pg.78). Human resources can be divided into two separate threads: generalist and distinctive. The general category is comprised of all people under employment, while the distinct category emphasizes employees' abilities, knowledge, attitudes, and experience (Kazlauskaite & Buciuniene, 2008). Through the resource-

based view of the firm, it can be concluded that human resources is critical in establishing a sustained competitive advantage.

As said earlier, there is much debate as to whether sustained competitive advantage lies in human resources or in their effective management. Through an analysis of scientific literature on strategic management and human resource management, Kazlauskaite and Buciuniene (2008) conclude that both human resources and their management, especially when in combination, add value to the organization. When using the resource-based view of the firm, human resources play a critical role in creating and sustaining competitive advantage and thus must be managed effectively (Kazlauskaite & Buciuniene, 2008).

Collins and Clark (2003) look further into human resources and management. While there are many studies that support the notion that systems of human resource practices lead to higher firm performance and are sources of competitive advantage, Collins and Clark (2003) argue that human resource practices "can only be a source of sustained competitive advantage when they support resources or competencies that provide value to a firm" (pg.740). In their study, Collins and Clark (2003) analyze the links between top management team (TMT) social networks and specific network-building human resource practices to find if this creates competitive advantage in high-technology firms. These social networks of top managers are the relationships top managers have internally with employees, and externally with important players outside the organization. This allows these managers and employees to access and manage information, which reduces uncertainty and increases performance (Collins & Clark, 2003).

Collins and Clark (2003) found that human resource practices lead to higher performance "through developing and reinforcing employee-based resources that are valuable in a particular competitive environment" (pg.747). A specific set of network-building human resource practices

were significantly related to TMT social networks. These practices also led to higher firm performance in sales growth and stock performance through their effect on the external and internal social networks of top management teams (Collins & Clark, 2003). However, this study only examined human resource practices for a particular set of organizational employees. There may be multiple methods by which firms can develop and manage top manager networks.

Managers must look more into human resources, which can enhance a strategic position and affect competitive advantage. Barney and Wright (1997) argue that "managers cite human resources as a firm's most important asset" but do not frequently reflect this in their organizational decisions (Barney & Wright, 1997, pg.2). Many corporate reports have stated that employees are an essential asset, yet when it comes to cost-cutting, human resource investments such as training and wages are the first to go (Barney & Wright, 1997). This study analyzes why employees are often the most overlooked but essential assets.

Barney and Wright (1997) use the resource-based view of the firm to examine competitive advantage. Because the resource-based view of the firm recognizes human capital, they use a VRIO framework to analyze the value of human resources to an organization. VRIO stands for Value, Rareness, Inimitability, and Organization. If a resource is valuable, rare, difficult to imitate, and supported by the organization, it will attain sustained competitive advantage. One reason for this is that specific skills are possessed by only one firm and only provide value to that firm, while general skills can be transferred across firms. The VRIO framework implies that managing human resources – such as human capital skills and culture – can provide sustained competitive advantage to a company (Barney & Wright, 1997). By using this framework, human resources can evaluate all of the activities of the firm and develop more coherent systems of human resource practices.

Youndt, et al. (1996) agree that human capital may be an important source of sustainable competitive advantage and "the ultimate determinant of organizational performance" (Youndt, et al., 1996, pg.836). This article discusses effective human resources management in the manufacturing industry, which they also applied to practices at Southwest Airlines. Youndt, et al. (1996) use two approaches to link human resource management and firm performance – the universal and contingency approach.

The universal approach implies that there is a direct relationship between specific human resource practices and performance, while the contingency approach suggests that an organization's strategic framework either adds to or diminishes the influence of human resource practices on performance. Although these approaches are not entirely conflicting, the study found that there was more support for the contingency approach in the manufacturing sector (Youndt, et al., 1996). Youndt, et al. (1996) argue that human resource systems strategically designed to enhance human capital and "develop talented and team-oriented workers [will] improve employee productivity, machine efficiency, and customer satisfaction" (pg.858). A systematic effort to enhance these skills is especially important to a firm that is competing on quality.

Human capital is important for strategy and competitive advantage. This reflects the many studies that have argued that employee satisfaction is positively correlated with customer satisfaction and firm productivity. Best (2008) examines self-reported employee satisfaction and explores whether or not it is associated with higher firm productivity. He used companies from *Fortune* magazine's "100 Best Companies to Work For," to identify a sample of firms to analyze. He noticed that the firms in the sample "exhibit greater levels of productivity and efficiency" (Best, 2008, pg.1). These companies had stock market values significantly higher

than the industry median and greater levels of productivity and efficiency as exhibited by profit margins and return on assets (Best, 2008). He also found that companies that were dropped from the *Fortune* list often experienced the opposite effects of those on the list during the year they were dropped, such as lower levels of productivity. The problem with this study is that employee satisfaction may not be the only factor that contributes to corporate performance. However, *Fortune* is a good preliminary resource for finding a list of firms that have high employee satisfaction.

Simon and DeVaro (2006) analyzed the relationship between making *Fortune* magazine's list of Best Companies and customer satisfaction. They found that "firms on the list earn higher customer ratings than firms not on the list" (Simon & DeVaro, 2006, pg.667). Firms on the list often have employees with better attitudes and interrelationships, which can lead to attracting and retaining employees (Simon & DeVaro, 2006). In a longitudinal study over nine years, Simon and DeVaro (2006) took samples from the American Customer Satisfaction Index (ACSI) and *Fortune's* list of "Best Companies to Work For" and merged the two samples together. This generated their subsample, which they then analyzed. They conclude that "only a modest" number of the 'Best 100' firms appeared in the ACSI in a given year and were usually the largest firms on the list (Simon & DeVaro, 2006, pg.671).

While there are limitations to this study, such as considering only a subsample of the Best 100 firms and the narrow time span of samples, Simon and DeVaro (2006) found results supporting their hypothesis that the Best Companies provide better customer service. From this they concluded that these "happier and more motivated" employees were able to "provide higher quality products and offer customers better service" (Simon & DeVaro, 2006, pg.681). This emphasizes the importance of human capital and the need for efficient management of this

capital. This suggests that although firms must allocate substantial resources to attain efficient HRM practices, there will be benefits that can improve efficiency and quality.

A study by Ibhar Technologies (2004) found that customer satisfaction is one of the most important elements of success. They were able to link employee satisfaction to better customer management through reviewing literature on customer retention and employee satisfaction. The benefits of retaining customers are numerous, e.g. "acquiring a new customer costs more than retaining an existing one" (Ibhar, 2004, pg.2). Long-term relationships can lead to increased profitability, decreased costs, and increased difficultly for market entry. In the service industry, long-term relationships with customers can be more expensive to establish (Ibhar, 2004). Employees are very important for establishing relationships and retaining customers. The study by Ibhar (2004) suggests that a "high retention rate of the right caliber of employees creates a stable and experienced labor force" (Ibhar, 2004, pg.4). Creating a solid workforce will lower costs and employee turnover rate, and therefore, employees can create relationships with customers that will lead to a higher customer retention rate.

The next chapter will take into account the previous literature on strategy, employee satisfaction, and competitive advantage. The empirical chapter will look into the organizational structures of Southwest and American and analyze their human resource management practices. The goal will be to explore whether or not the two companies have effective human resource management strategies and develop a universal framework for measuring efficient human resource management systems. Finally, the empirical chapter will discuss whether these frameworks affect performance and add to sustained competitive advantage while also considering how each company utilizes operational effectiveness.

CHAPTER 3: EMPIRICAL ANALYSIS

Previous literature argues that a successful human resource management strategy may enable a firm to be more productive, focused, and inimitable in order to achieve and sustain a competitive advantage. To quantitatively measure a firm's success, it is important to rely on performance indicators. The goal of this chapter is to analyze the various cultures and human resource strategies of two of the most dominant companies in the airline industry. The use of various performance indicators will be applied to Southwest and American Airline's competitive practices.

This chapter begins with an overview of the performance indicators that will be used to quantitatively measure performance (net/operating income, available seat miles, and revenue passenger miles). A brief background on Southwest and American will then be provided. A thorough analysis of the two airline's cultures will follow as well as specific human resource strategies employed by each airline. Finally, this empirical analysis will conclude with the ratings received by each airline as well as their respected performances using the indicators discussed in the first section.

Data supporting this empirical analysis comes from Mergent Online, The Airline Quality Rating for 2012, financial data provided by the United States Department of Transportation, the American Transport Association, and Southwest and American Airline's annual reports for fiscal years 2010-2012. The annual report provides a good foundation to characterize what each airline values and invests in. Various consumer reports and reviews will also be used to evaluate the preferences and opinions of each airline, such as rankings of customer complaints and mishandled baggage. An analysis of performance indicators and firm performance will help to better understand the success of each airline's human resource management strategies.

I. Performance Indicators

Net Income (NI): NI is a company's total earnings or profit. NI is calculated by subtracting a company's total expenses (cost of sales, depreciation, taxes, and other expenses) from the total revenue. This number is a good measure of how profitable a company is over a period of time.

Net Operating Income (NOI): NOI measures a company's income after operating expenses are deducted, but before income taxes and interest are deducted. In the airline industry, operating expenses can include fuel and oil, maintenance materials and repair, aircraft rentals, landing fees, etc. The NOI is a good measure of how well a company is performing over a period of time.

Available Seat Miles (ASM): ASM is a measure of an airline's carrying capacity that can be used to generate revenue. ASM refers to how many seat miles are available for purchase on an airline. Seat miles are calculated by multiplying the number of seats available on a plane by the amount of miles that plane will be flying. Available seat miles are a good indicator of which airlines are the best at generating revenue from the available seats onboard an aircraft. If all the seats are not sold, the ASM of the airline is below capacity.

Revenue Passenger Miles (RPM): RPM measures the number of miles travelled by paying passengers. It is calculated by multiplying the number of paying passengers by the distance travelled. RPM is often compared to ASM to determine performance. ASM shows the maximum amount of potential revenue that can be generated with passenger miles, while RPM shows the amount that was actually sold.

II. Brief Firm Backgrounds

Southwest Airlines was established in 1967 by Rollin King and Herb Kelleher as Air Southwest Co. and adopted its current name in 1971. Southwest, based out of Love Field Airport in Dallas, Texas, began service on June 18, 1971 to San Antonio and Houston, Texas after three years of legal battle with rival airlines to get the company off the ground. In 1977, Southwest stock was listed on the New York Stock Exchange under the ticker symbol LUV. Since then, it has expanded nationwide and grown into the largest low-fare carrier in the United States. In May 2011, Southwest acquired Orland-based AirTran Airways. Today, Southwest, along with the new wholly owned subsidiary, operates internationally, with flights to six nearby countries and Puerto Rico ("About Southwest," 2013).

The United States Postal Department began operating national airmail service in 1918. On April 15, 1926, Charles A. Lindbergh flew a plane transporting mail from Chicago to St. Louis and back. Lindbergh was the chief pilot of the second aviation company ever, after United Airlines, to hold a U.S. airmail contract. This company, the Robertson Aircraft Corporation of Missouri, later became a part of the conglomerate that would form into the present American Airlines. In 1929, The Aviation Corporation was formed to consolidate young aviation companies. In 1930, these subsidiaries were incorporated into American Airways, Inc., which later became American Airlines, Inc. in 1934("History of amr," 2011). American Airlines was listed on the New York Stock Exchange in 1939 but was removed in 2012 with "NYSE regulators deeming it 'no longer suitable for listing'" (as cited in Russolillo, 2011). Today, American Airlines is owned by AMR Corporation, headquartered in Fort Worth, Texas.

III. Analysis of Company Cultures

The airline industry is a particularly competitive one with many internal and external factors affecting companies' success. After the 1978 Airline Deregulation Act, which restricted government regulation in areas such as fares, routes, and market entry, surviving in this competitive industry became a concern. Many prominent airlines went bankrupt and liquidated. However, some airlines, such as American and Southwest grew stronger. Both these airlines endured the deregulation era and survived. What attributed to their success? Focus of Southwest and American Airlines' human resource management practices and performance will come in subsequent parts of this chapter; the goal of this section is to comment on the cultural philosophy in both companies. Culture begins with the values and belief systems held by people. Do these companies have well-defined cultures founded on a set of core values and basic assumptions? What are the shared values and practices of each company and their employees? Do the companies have adaptive cultures that align with their business goals? What are the companies' desired company cultures and is this reflected in their performance reviews?

Over the years, Southwest has not only been profitable, but has also earned much recognition for superior service quality. Southwest prides itself on "low fares and a fun, maverick spirit" (Kelley, 2013). Some say that this fun attitude can be attributed to the colorful personality of co-founder and former CEO, Herb Kelleher. Quick (1992) argues "founders are key figures both in the formation of the culture and in its integration throughout the organization over time" (p.45). Company cultures do not come immediately, rather, they begin with the values and visions of the founder and become embedded in the company's foundation and practices. Corporate values and qualities begin at the top and trickle downward.

This is true for Southwest, whose three core values are “humor, altruism, and ‘luv’” (Quick, 1992, pg.46). Southwest’s three values are reflected in their company, which boast the best labor relations in the industry despite being a unionized airline. Kelleher, who is widely known for his humor, was quoted saying “I charged our personnel department, as it was called then (now called the people department), with the responsibility of hiring people with a sense of humor” (as cited in Quick, 1992, pg.48). Humor is an important value to Southwest, where employees take themselves lightly but their work seriously. Unlike most companies, who regard skills and impressive credentials as major hiring criteria, Southwest Airlines values a certain approach to life and a sense of humor as important qualifications for potential employees. People can always be trained, but attitudes cannot be changed.

The second core value of Southwest’s policy—altruism—is the importance of caring for and giving to others. This is a value that is emulated in Kelleher who notes that Southwest is “interested in people who externalize, who focus on other people, who are really motivated to help other people” (as cited in Quick, 1992, pg.49). Altruism is at the core that guides the actions of Southwest and its employees. Southwest Airlines chose the Ronald McDonald House Charities as their primary corporate charity and has been a generous partner to RMHC for over 28 years. Every year, Southwest holds the LUV Classic Golf Tournament and Party. All proceeds go to Ronald McDonald Houses in the cities that Southwest Airlines serves. Individually, about 25% of employees have volunteered some of their time to the Ronald McDonald Houses, either through cooking, playing, or helping in some other way. In the 1980s, Southwest was recognized in the as one of the top contributors to the RMHC program (Quick, 1992). Additionally, Southwest employees also do not hesitate to help other employees in need. When the son of a Texas agent was dying of leukemia, over 3,000 employees sent cards to the

family at a time in the company history when there were only 5,000 people employed (Quick, 1992). Southwest employees really embody the core values set forth by Kelleher. These values—humor and altruism—shape who they are as a company and who they are as people. This brings about the culture that defines how employees face and solve problems and challenges. Culture is not a goal for Southwest, but rather a means of addressing and defining certain events and situations within the company.

Unlike Southwest that strives to keep things low-cost and fun, American focuses on "building and sustaining the leadership of American Airlines and American Eagle in the global airline industry," (Kemp & Dwyer, 2003). The culture is driven by ratings and performance—American striving to be the best airline company in the world. Because American competes worldwide in passenger transportation, they are able to cater to both business and pleasure travelers by providing extra in-flight services and amenities on both domestic and international flights. American Airlines represents the "traditional big player" in the US airline industry who caters more to the corporate fliers who will pay more for premium-class seats (Mayle, 2006, pg.222). American's mission statement brings attention to "safety, service, product, network, technology and culture" (as cited in Kemp & Dwyer, 2003). These are six areas that American strives to excel in for their customers, employees and shareholders, all of which focus on ratings and reputation. The company's shared goals include on-time performance, accurate baggage handling, and satisfied customers.

As argued by Quick (1992) earlier in this analysis, founders and corporate decisions have a huge impact on the values and qualities of all employees. Former CEO of American Airlines, Robert Crandall is given credit to having helped shape the culture at American into what it is today. Crandall is known for his temperament, aggression, and obsession to detail, which was

reflected in the American Airline's culture—"always one of the more analytical companies in the industry [...] absolutely obsessed with numbers and studies" (Reed, 1993, pg.16). Crandall's vision, financial insight, and management through intimidation may have played an important role in American's success during trying times such as the deregulation period. Like Crandall, American became very confident and "began acquiring a reputation for managerial excellence and arrogance" (Reed, 1993, pg.17). This also had an effect on the hiring process and employee selection. As stated earlier, Southwest places a large value on employee character that is inclined towards teamwork and helping others. American is driven by performance, and therefore hires employees with strong technical and interpersonal skills. The best people may not have the best attitudes, but that is not what is important for the culture at American. For example, an employee relations manager stated, "[When hiring pilots] we look for command presence, the most self-assured arrogant people we can possibly find" (as cited in Gittell, 2000, pg.263). This adds to American's reputation and may create issues and tensions within the company as these pilots may be more inclined to demean and disrespect employees in other functions.

American and Southwest are both leaders in the airline industry, but have different cultures and corporate goals. Southwest emerged as a distinctively different low-cost airline as opposed to the large traditional full-service carriers such as American. While American is driven by performance factors such as more on-time arrivals and fewer unnecessary hassles for customers, a "luv" for the company and for others drives Southwest. However, Southwest has managed to be the first and only airline to win the Triple Crown of airlines: simultaneously receiving the highest customer satisfaction ratings for best on-time record, best baggage handling, and fewest customer complaints (Mayle, 2006). The following section continues to

examine American and Southwest practices and offers a more in-depth approach to exploring each firm's human resource strategy.

IV. Analysis of Strategic Focus

A. HRM in the Airline Industry

Human resource management may be one of the most important focuses in the airline industry. Sir Colin Marshall, ex-chairman of British Airways, is quoted in the *Financial Times*, 1984:

> In an industry like ours, where there are no production lines, people are our most important asset and everything depends on how they work as part of a team. This means that, to get the best results, managers have to care about how they (the employees) live and function, not just about how they work and produce (as cited in Boyd, 2001, pg.438).

Employees play a large role in the success of the airline industry. Many corporate policies claim to care about their employees, however, in reality, this may not always be the case. For example, United Continental Holdings (2010) claims to focus on being "the airline employees want to work for," but has had a long known history of unhappy workers, based on multiple employee reviews ("Travelers Take Note," 2011). This raises the question of where HRM actually stands in a company's agenda. Do these airlines have specific guidelines to follow when it comes to human resource management? The following subsections will review human resource management practices for American and Southwest such employment packages, benefits, on-site training, and health and wellness resources. It will also cover how American used human resource practices successfully over the periods in their history of trial and tribulation, and how Southwest's culture is reflected in their daily human resource practices.

B. HRM Practices at Southwest Airlines

US News (2011) ranked Southwest Airlines as the top travel company to work for and the 17th out of 25 top companies with the best work-life balance. American Airlines did not make it onto either list, although American's subsidiary, American Eagle, ranked last on the best travel companies to work for. *CareerBliss* (2011) ranked Southwest as the happiest airline with a overall score of 4.04 out of 5 while American was ranked 5th with a score of 3.56. Both companies are considered great places to be employed, however, Southwest manages to be on top in every category.

Southwest employs a number of human resource strategies that place the "warrior spirit, a servant's heart, and a fun-luving attitude" as the top priorities. Former employee, Grubbs-West (2005) outlines these practices in a book as nine guidelines used by Southwest:

1) Hire Attitude – Train Skills
2) Immerse Everyone in the Culture Immediately
3) Keep 'Em Learning
4) People Give as Good as They Get
5) Find the Kid in Everyone
6) Do More with Less
7) Luv 'Em in Tough Times
8) Do What's Right
9) Nurture the Corporate Family

Southwest believes in making new hires feel welcome before they even start. It is common to encounter numerous welcome parties and celebrations at Southwest. New hires are matched with a "'co-heart' who welcomes them and takes them under their wing for 6 months or

longer" (D'Aurizio, 2008, pg.391). This person helps the new-hire adjust to the culture and spends time with her. The co-heart not only becomes the new-hire's mentor, but also her friend.

Additionally, Southwest emphasizes opportunities for growth within the company and makes training fun. For example, the training department is called the "University for People," and employees are often encouraged to buy copies of good management books they have read or bring elements from a seminar they have attended for everyone at Southwest's expense. When an older experienced staff member leaves, Southwest holds "'Rocking Chair Sessions' where soon-to-be retired employees are invited to sit in rocking chairs at department meetings and share the history and the culture of the company from their perspective" (D'Aurizio, 2008, pg.391). This is a good way to help transfer the knowledge and culture of the older employee to the new-hires. By doing this, the newer members may be transitioned to the company and grow as employees without losing the old culture.

The vision and culture created by Herb Kelleher still continues with the new leaders at Southwest today. Southwest hires very few M.B.A.s, pays executives modestly, and gives raises according to seniority. According to Mergent Online, Gary Kelly, the current CEO, received an annual salary of $648,750 in 2012 with a total compensation of $3.5 million. Typically, airline executives receive much more, such as United CEO Jeffrey Smisek, who received an annual salary of $975,000 and total compensation of $14.7 million. An engaging culture is an important part of the leadership department at Southwest who encourages leaders to "GETOYO (Get the Heck Out of Your Office)" (D'Aurizio, 2008, pg.392). It is important for the new leaders to know their staff before they know their jobs. Through these practices, Southwest Airlines has become one large family that values each other and looks out for one another.

C. HRM Practices at American Airlines

President and CEO, Thomas Horton claims "as a company that bears the name American – much is expected of us and we hold ourselves to a high standard" ("AA Careers"). This high standard has been with American for a long time, beginning with Crandall, "the toughest executive in corporate America" (Reed, 1993, pg.18). American has gone through tough times and managed to pull through, such as the deregulation period in 1978 and the attacks of September 11. During the deregulation period, American negotiated with its unions for a lower labor cost structure for new hires, which allowed American to have more flexibility in its operations. They also offered lifetime employment security in return for a two-tiered wage schedule—where one group of employees receives lower wages and/or employee benefits than another. This allows a company to reward employees based on seniority and/or performance, and allows employers to reduce wage costs when hiring new employees. During this time, American experienced a dramatic increase in market share, stable labor costs and labor-management relations, exceptional service quality, and maintained status as one of the most profitable airlines in the industry (Kochan & McKersie, 1990, pg.16).

Immediately following the attacks of September 11, 2001, transparent communications within the company took precedence over all other actions. American was affected more personally than any other airline because their jets, along with their employees, had been destroyed in the attack. Employee morale needed rebuilt, customers needed served, and investors needed reassured. In the month that followed, American used different strategies to communicate with employees. With this crisis personally affecting their own organization, employees had to manage their own emotional stress while executives were faced with challenges regarding legal restrictions on communications right after a crash. American's Systems Operational Control

immediately sent 350 Customer Assistance Relief Effort (CARE) volunteers to the two crash sites to assist victim's families, while an additional 300 were available by phone to help families and airline employees cope (Downing, 2003, pg.43). The CARE team supported employees emotionally, while corporate communications kept employees informed through updating communication channels. All the individual departments were vital to the stabilization of American Airlines following these devastating attacks. However, the CARE volunteers were essential to the rebuilding of employee and company morale.

Today, American Airlines proudly boasts a competitive employment package that includes health and life benefits, travel privileges, job training, career development programs, work and life support, health and wellness resources, and opportunities for community involvement. In 1957, American Airlines opened one of the first facilities in the airline industry for the centralized training of flight attendants: The American Airlines Training and Conference Center. The Center is still used today as American's base for training airline cabin attendants. It was designed to "encourage learning and professional growth without distraction for companies and organizations of all kinds" ("Property History," 2013). When flight attendants graduate from training, they receive silver wings from the Director of the College.

Southwest and American have very similar human resource strategies. As seen in the example from September 11, American cares for the safety and well-being of their employees, just like Southwest. American and Southwest both offer unique training facilities for newly hired employees with unique perks, such as attending the "University of People" or earning "silver wings." Executives at American even make modest salaries, with Horton's annual salary being $618,135 this past year according to Mergent Online (about $31,000 less than Kelly's salary) and total compensation equaling $3.6 million. If both these companies have similar human resource

management practices, what makes them different? The answer must lie in their culture and foundations. Both companies have similar practices, but Southwest approaches them with a more "fun-luving" attitude while American takes a more calculated, analytical approach. The next section will offer a more in-depth discussion of the performance and ratings of each company.

V. Performance and Ratings

American and Southwest are in an industry that is evaluated by the flight departure process. A departure is deemed successful if the customer and his baggage arrive on time with unnecessary hassles, and if this is done in an efficient manner without excess staffing or gate time for the airplane. American has always been driven by this performance. One field manager noted, "It helps a lot just to keep score. People are naturally competitive. They absolutely need to know the score. Once they know, they will do something about it. Every delay comes to my attention and gets a full investigation" (as quoted in Gittell, 2000, pg.259). With so much focus placed on performance, attention may be taken away from the customer. When something goes wrong, the customers may be the last concern on employees' minds, with their first concern being themselves and evading recrimination, as well as spending a great deal of time trying to sort out the problem. Southwest also tries to determine the causes of delays, however, they implemented the notion of a "team delay" in the early 1990s. This practice diffuses blame and encourages learning, by allowing a less precise reporting of the causes of delays with less delay categories (Gittell, 2000). The team delay looks at the cause of a delay as an overall team problem, as opposed to the fault of an individual person or group. With these two attitudes in mind, it is important to note that Southwest won the US Department of Transportation's Triple Crown Award for being number 1 in on-time arrivals, fewest mishandled bags, and fewest customer complaints for five years in a row.

The Airline Quality Rating (AQR) was developed in 1991 as a method of assessing airline quality based on multiple performance criteria. It is the leading statistical analysis of all major airline performance in the United States. The AQR for 2012 is a summary of the month-to-month performance data that are published and publicly available as reported by individual US airline carriers and the United States Department of Transportation. The airlines report comparative performance in the following areas: "on-time arrivals, involuntary denied boardings, mishandled baggage, and a combination of 12 customer complaint categories" such as problems related to the flight, fares, refunds, customer service and advertising (Bowen & Headley, 2012). These reports are then aggregated into an overall and individual category score for each airline, which is then ranked. The AQR is a consistent method for monitoring the quality of airlines and is used to determine many different airline and travel ratings. The final score is a weighted average of all the criteria, with on-time departures adding to the score and denied boardings, mishandled baggage, and customer complaints subtracting from the score. The closer a score is to a positive number, the better.

Table 3.1 AQR Scores (2005-2011)

	2011 Score	AQR Rank	2010 Score	AQR Rank	2009 Score	AQR Rank	2008 Score	AQR Rank	2007 Score	AQR Rank	2006 Score	AQR Rank	2005 Score	AQR Rank
Air Tran	**-0.48**	**1**	-0.48	1	-0.49	2	-0.84	2	-1.03	1	-1.13	3	-0.99	2
American	**-1.24**	**10**	-1.28	11	-1.25	9	-1.71	9	-2.19	9	-1.83	10	-1.66	10
American Eagle	**-2.51**	**15**	-2.82	16	-2.83	18	-3.12	16	-3.80	15	-3.97	17	-2.66	14
Southwest	**-0.93**	**7**	-1.01	5	-1.00	5	-1.23	6	-1.59	3	-1.38	6	-1.06	4
Industry	**-1.08**		**-1.20**		**-1.27**		**-1.63**		**-2.16**		**-1.87**		**-1.73**	

Source: Airline Quality Rating Scores (2005-2011)

In 2011, 15 carriers were rated, including American Airlines and its subsidiary, American Eagle, and Southwest Airlines and its subsidiary, Air Tran Airways. Table 3.1 shows the Airline Quality Rating Scores for these four airlines and the industry average from 2005-2011. Air Tran was consistently ranked in the top three US Airline carriers for the past seven years, securing the

first spot for three of those years. Southwest has also consistently ranked in the top half over these past several years. Although it dropped in ranking from 2010 to 2011, Southwest improved its overall score from –1.01 to –0.93 during those years. American Airlines and American Eagle have been consistently ranked in the lower half of all 15 airlines, with American Eagle receiving the lowest score out of all the carriers every year.

Table 3.2: AQR Annual Individual Category Scores (2011)

	On-Time Arrival (%)	**Denied Boarding** (per 10,000 passengers)	**Mishandled Baggage** (per 1,000 passengers)	**Total Complaints** (per 100,000 passengers)
Air Tran	0.844	0.57	1.63	0.72
American	0.778	0.92	3.55	1.46
American Eagle	0.763	2.24	7.32	1.45
Southwest	0.813	0.65	3.65	0.32
Industry	**0.800**	**0.78**	**3.35**	**1.19**

Source: Airline Quality Rating Scores (2011)

Continuing analysis of these four airlines, Table 3.2 breaks down the overall score for 2011. Each airline received a score every month in each category. These scores were then averaged into the annual score, which is shown above in Table 3.1. Air Tran Airways and Southwest Airlines maintained an on-time arrival percentage above the industry average throughout the year. Additionally, of these four carriers, Air Tran had the fewest mishandled bags and denied boardings while Southwest received the fewest customer complaints. While the scores from this study do not speak for the management at these airlines, they suggest the quality of the carriers on a comparable basis.

Table 3.3: 2010 Productivity per Employee

	Southwest	American	U.S. Industry
Net income (loss)/employee	$13,152	($714)	$713
Operating income (loss)/employee	$28,309	$2,298	$20,451
Passengers per employee	3,043	1,311	1,401
Available seat miles/employee	2,819,484	2,331,811	1,891,408
Revenue passenger miles/employee	2,234,957	1,908,676	1,551,941
Wages, salaries, benefits/employee	$136,075	$95,008	—

In addition to looking at weighted averages, it is helpful to analyze productivity per employee to determine performance. Table 3.3 demonstrates the work performance at Southwest and American as compared to the industry average reported at the end of 2010. Based on data from the American Transport Association, Southwest made more net and operating profits per employee than American and the industry average combined. Figure 3.1 shows the net incomes/losses of Southwest and American Airlines (in millions) over a span of ten years. American has suffered net losses for eight out the past ten years while Southwest has experienced stable net profits.

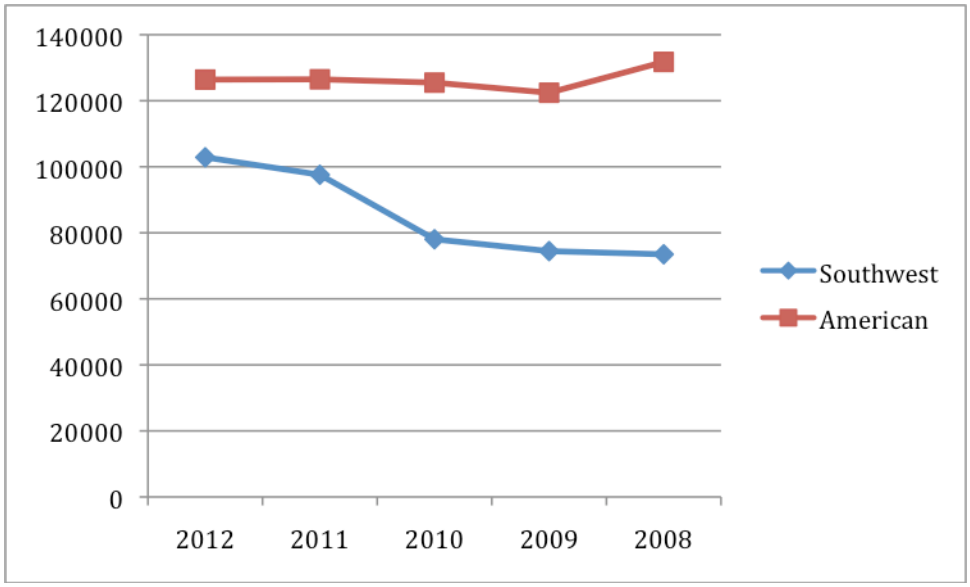
Figure 3.1: Net Income for Southwest and American Airlines in millions (2003-2012)



Additionally, in looking at the productivity per employee, each employee was able to contribute roughly $13,152 to Southwest while each employee at American cost the company around $714. Table 3.3 also shows that Southwest invested more in wages, salaries, and benefits per employee than American on average. Southwest places more importance on their employees by spending more on them, however, their employees are able to turn over a net income for the company more than the industry average and American combined. This spending demonstrates a larger investment in human resources at Southwest. Additionally, Southwest employees serve more passengers on average, which means Southwest employees are able to perform more with less.

ASM and RPM for Southwest reveal that the airline did not make $584,527 of its total potential seat carrying capacity per employee. However, for American, this difference was only $423,135 per employee and the industry average was only a difference of $339,467. American was able to perform more closely to its overall capacity than Southwest. Figure 3.2 shows the annual revenue passenger miles for the past five years. Although American has suffered net losses, they have been able to maintain a solid passenger base over the years. Their high revenue passenger miles show that they fly more passengers on average than Southwest, but this could be attributed to the fact that their airline has more flights and destinations than Southwest.

Figure 3.2: Revenue Passenger Miles in millions (2008-2012)



In 1971, Southwest began service with just over 100,000 passengers and now serves over 106 million travelers. Southwest has grown to a business with billions of dollars in revenue every year, a fleet exceeding 600 aircraft, and over 34,000 employees. American, who has always been a large contender in the airline industry, boats a fleet near 900 aircraft and growing, billions of dollars in revenue, and over 65,000 people employed. Both companies are largely successful; however, Southwest, who started as a low-cost, regional underdog, is able to compete and surpass airlines in the big, international league.

The following table summarizes this chapter's characterization of Southwest and American Airlines strategies and performance. Its content is based on the cultural, strategic, and financial performance indicators in this chapter.

Table 3.4: Overall Evaluation of Southwest and American's Strategic Actions

	Southwest	American
Culture	Fun-"luving," Attitude most important	Analytical, Intimidating
HRM strategy	Very distinct strategy	Somewhat distinct strategy
Investment in employees	High	Moderate
Net income (loss)	Strong, well above industry average	Poor, below industry average
Net operating income (loss)	Strong	Below industry average
ASM	Good, more potential for revenue than industry average	Good, more potential for revenue than industry average
RPM	Total RPM higher than industry average, but sold less available seats than industry average	Higher RPM than industry average, sold less available seats than industry but more than Southwest

CHAPTER 4: CONCLUSION

The purpose of this study was to identify the role human resource management has on competitive advantage in the airline industry. Based on their strong market presence, Southwest and American Airlines were chosen as key factors in this analysis. Southwest is widely regarded throughout literature as having one of the best cultures and top human resource management practices in the airline industry. Although American Airlines is not known for its poor work environment, or for having unhappy employees, it is not as highly acclaimed as Southwest. American is also nearing the end of its bankruptcy and will soon merge with US Airways while Southwest has never experienced bankruptcy in its over 42-year history. Cultural and strategic analyses were used to identify any differentials in the strategies and practices of Southwest and American. Annual reports, financial statements, and airline rankings were used as quantitative performance indicators to evaluate the success of each airline's strategies.

This study suggests that the key difference between Southwest and American is not the strategic human resource practices, but the cultures associated with each airline. Southwest invests more money in their employees on average than American, but both airlines boast competitive employee packages. Both airlines offer benefits, travel privileges, job-based and personal enrichment, and employee/family relief programs. Both airlines have somewhat distinct strategies with Southwest's University of People, American's Training and Conference Center.

With similar human resource practices, the distinct difference falls in the culture. American and Southwest are very open about their completely different cultures. American is heavily driven by performance, recruiting the best talent, and intimidating competitors. Southwest has a more open, loving, fun relationship with their employees and nurtures them like family. Southwest would rather hire someone with the right attitude, who will fully embrace the

culture and family at Southwest, than someone who is arrogant but highly qualified. Through their culture, Southwest demonstrates the amount of love and care they place on their employees.

Are cultures enough to have an effect performance? Southwest outperformed American on many levels but there is not enough evidence to support whether or not this is a direct effect of culture. Southwest Airlines is a leader in the industry for net and net operating income. Southwest had lower operating expenses and a higher operating revenue than American, but this could be an outcome of having a significantly smaller fleet. Additionally, American outperformed Southwest on revenue passenger miles—they were able to sell more available seats than Southwest on average.

What can be proven from this study is that Southwest needs much less than major airlines to compete. Although they have far fewer employees staffed per aircraft than the industry average, they boast the lowest number of customer complaints compared to all other airlines. Southwest has efficient, hard-working employees who know how to have fun. Anyone who has ever been on a Southwest flight can attest to this. Southwest may not have the largest fleet, or the most destinations, but they have the largest hearts. The Southwest culture and success can be best reflected in a quote from their founder, Herb Kelleher: “The core of our success. That’s the most difficult thing for a competitor to imitate. They can buy all the physical things. The things you can’t buy are dedication, devotion, loyalty—the feeling that you are participating in a crusade...A company is stronger if it is bound by love rather than by fear.”

REFERENCES

AA careers. (n.d.). Retrieved from http://www.aacareers.com

About southwest. (2013). Retrieved from http://www.southwest.com

About united continental holdings. (2010). Retrieved from http://www.unitedcontinentalholdings.com/index.php?

Barney, J. B., & Wright, P. M. (1997). On becoming a strategic partner: The role of human resources in gaining competitive advantage. (CAHRS Working Paper #97-09). Ithaca, NY: Cornell University, School of Industrial and Labor Relations, Center for Advanced Human Resource Studies.

Best, R. J. (2008). Employee Satisfaction, Firm Value and Firm productivity. *University of Central Missouri,*

Bowen, B. D., & Headley, D. E. (2012). *Airline quality rating 2012*. (Wichita State University). Retrieved from http://www.airlinequalityrating.com/

Boyd, C. (2001). Hrm in the airline industry: strategies and outcomes. *Personnel Review*, *30*(4), 438-453. Retrieved from http://www.emerald-library.com/ft

CareerBliss Team. (2011, November 8). *Careerbliss' top 10 happiest airlines*. Retrieved from http://www.careerbliss.com

Collins, C., & Clark, K. (2003). Strategic human resource practices, top management team social networks, and firm performance: The role of human resource practices in creating organizational competitive advantage. *The Academy of Management Journal*, *46*(6), 740-751.

D'Aurizio, P. (2008). Southwest airlines: Lessons in loyalty. *Nursing Economics*, *26*(6), 389-392.

Downing, J. R. (2003). American airlines' use of mediated employee channels after the 9/11

attacks. *Public Relations Review*, *30*(2004), 37-48. doi: 10.1016/j.pubrev.2003.11.004

Drucker, P. F. (1998, October 05). Management's new paradigms. *Forbes*, Retrieved from http://www.forbes.com/forbes/1998/1005/6207152a.html

Gittell, J. H. (2000). Paradox of coordination and control. In D. Mayle (Ed.), *Managing innovation and change* (3rd ed., pp. 258-273). London, England: Sage Publications.

Grubbs-West, L. (2005). *Lessons in loyalty: how southwest airlines does it*. Dallas, TX: CornerStone Leadership Institute.

Grant, A. (2011, May 11). *Top 25 companies for work-life balance*. Retrieved from http://money.usnews.com

Grant, A. (2011, June 1). *Best travel companies to work for*. Retrieved from http://money.usnews.com

History of amr and american airlines. (2011, November). Retrieved from http://www.aa.com/i18n/amrcorp/corporateInformation/facts/history.jsp

Ibhar Technologies. (2004). Employee Satisfaction Lead to Better Customer Management. *Ibhar Business Partner Resource Kit,*

Kazlauskaite, R., & Buciuniene, I. (2008). The role of human resources and their management in the establishment of sustainable competitive advantage. *Engineering economics*, *5*(60), 78-83.

Kelly, G. (2012, March). Our proud home: Dallas love field. *Spirit*, 10. Retrieved from http://www.spiritmag.com/gary_kelly

Kemp, S., & Dwyer, L. (2003). Mission statements of international airlines: A content analysis. *Tourism Management*, *24*(6), 635–653. doi: http://dx.doi.org/10.1016/S0261-5177(03)00049-9

Kochan, T. A., & McKersie, R. B. (1990). Human resources, organizational governance and public policy: Lessons from a decade of experimentation.

Mayle, D. (2006). *Managing innovation and change*. (Third ed.). London, England: Sage Publications.

Pfeffer, J. (1994). *Competitive advantage through people*. (pp. 3-65). Boston, Massachusetts: Harvard Business School Press.

Porter, Michael. (1996). What is strategy? *Harvard Business Review*.

Property history. (2013). Retrieved from http://www.aaconferencecenter.com

Quick, J. C. (1992). Crafting an organizational culture: Herb's hand at southwest airlines. *Organizational Dynamics*, *21*(2), 45-56.

Reed, D. (1993). *The american eagle*. (1st ed.). New York, NY: St. Martin's Press.

Russolillo, S. (2011, December 29). [Web log message]. Retrieved from http://blogs.wsj.com

Simon, D. H., & DeVaro, J. (2006). Do the best companies to work for provide better customer service?. *Managerial and Decision Economics*, *27*(8), 667-683.

Travelers take note: Unsatisfied employees could impact your vacation; travel sector unemployment grade. (2011, May 27). Retrieved from http://www.glassdoor.com

Youndt, M. A., Snell, S. A., Dean, J. W., & Lepak, D. P. (1996). Human resource management, manufacturing strategy, and firm performance. *The Academy of Management Journal*, *39*(4), 836-866.