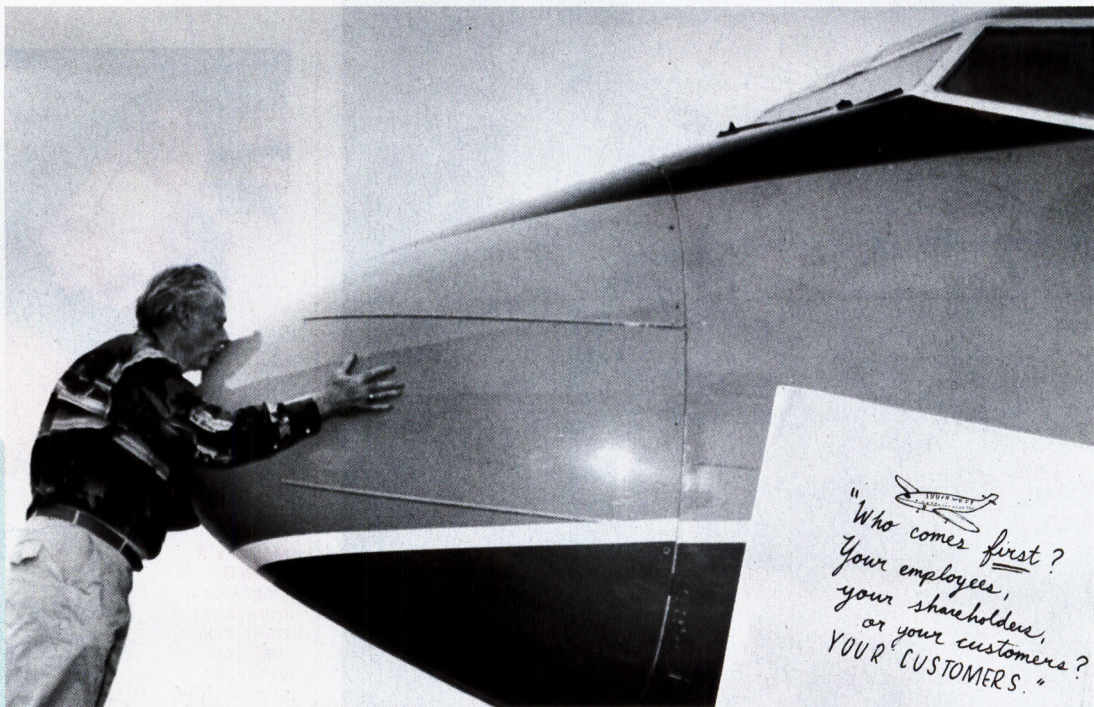
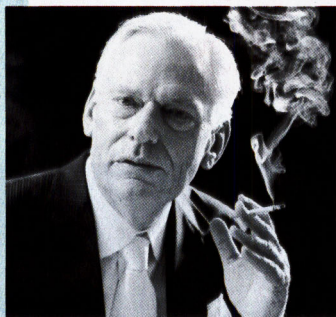


**FLY HERB:** Clockwise from top, Kelleher with friend at Love Field in Dallas in 1994; Southwest flight attendants circa 1971; posing for a *Fortune* photographer in 2001

99



*"Who comes first?  
Your employees,  
your shareholders,  
or your customers?  
YOUR CUSTOMERS."*



**HERB KELLEHER**

**COMPANY:**  
Southwest Airlines

**SALES:**  
\$15.6 billion

**MARKET VALUE:**  
\$6.4 billion

**EMPLOYEES:**  
45,392

**ADVICE:**  
Make your customers No. 1.

WHEN HERB KELLEHER took an aptitude test at Wesleyan University, where he majored in English, he was told that there were three things he was best suited for: working as a journalist, an editor, or a lawyer. Kelleher chose law, and it was a good thing. It would take five long years of often tortuous litigation by competitors to get Southwest Airlines out of court and into the air in June 1971.

In an industry plagued by vast amounts of red ink, Southwest marked its 39th consecutive year of profitability in 2011, a feat unmatched in U.S. aviation history. What's more, Kelleher, 81, proved that you could still charge low fares and be nicely profitable. Southwest is not only the largest U.S. domestic

airline but also responsible, as one economist noted, for 90% of the low-fare airline business that exists in America.

How did Kelleher do it? He kept costs extraordinarily low and customer service high—and he did both by creating a culture that respected the people he carefully hired. Like Sam Walton, he understood that front-line personnel can either make you or break you. And Kelleher got his people to sign on to the program through profit-sharing plans and stock options that made employees

feel and act like owners. It separated Southwest from the pack.

"Years ago," he once told an interviewer, "the business schools used to pose it as a conundrum. They would say, 'Well, who comes first? Your employees, your shareholders, or your customers?' But it's not a conundrum. Your customers come first. And if you treat your employees right, guess what? Your customers come back, and that makes your shareholders happy. Start with employees and the rest follows from that."