



CRISIS PROGRAM PLAN CLASS PROJECT

FAITH JOHNSON | PREL350





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ORGANIZATIONAL BACKGROUND



Southwest Airlines began with the March 15, 1967, incorporation of Air Southwest Co. in San Antonio by Rollin King and Herb Kelleher as a Texas intrastate airline.¹ First taking flight in 1971 from Dallas (Love Field), with goals to democratize the sky through friendly, reliable, and low-cost air travel. As Bob Jordan, the Chief Executive Officer of Southwest Airlines says, "The biggest thing that makes us 'us' is our People, and the unique and unrivaled Hospitality they deliver. No one has a Heart for service like the People of Southwest Airlines. No one."² With an emphasis on customer service, affordable flight services, and excellent care, Southwest has been a favored airline for years. In fact, in 2021, they were listed as America's third most popular airline (after American Airlines and Delta Airlines).³

Southwest Airlines is a public company headquartered in Texas with an estimated 74,806 employees.⁴ With a purpose statement centered around their stakeholders, it is clear that they value those who contribute to the success of their organization. Their purpose statement is to, "Connect People to what's important in their lives through friendly, reliable, and low-cost air travel." Caring about making a difference in the lives around them, their vision statement reads, "To be the world's most loved, most efficient, and most profitable airline." The nine key values that make up this organization include pride, integrity, humility, teamwork, honesty, service with LUV, efficiency, discipline, and excellence, Southwest strives to place emphasis on individuals, team members, and the organization as a whole.

"Southwest Airlines' organizational structure (company structure) promotes centralized strategic decision-making processes."⁵ Southwest Airlines is an international organization, placing value on having corporate headquarters in a variety of places, especially in areas where there are large areas of operation. In this structural system, "Southwest possesses a rigid hierarchy that addresses strategic management concerns." Southwest has largely maintained its organizational design and its organizational structure's characteristics, and because they started out in Texas and have become an international organization, it is apparent that the company finds its business structure applicable to its operations in the transportation sector. Southwest Airlines has a U-form organizational structure. "Southwest's structure is typical in businesses that seek to maintain strong central control on all operations via top-level strategic management at the organizational headquarters."

¹ Retrieved from reference 7

² Retrieved from reference 1

³ Retrieved from reference 8

⁴ Retrieved from reference 13

⁵ Retrieved from reference 14

ORGANIZATIONAL BACKGROUND



Southwest Airlines has an incredible track record, being one of the most trusted airlines in America. In fact, FlightReport has it rated within the top 5 airlines.⁶ Known for their affordable prices, safe flights, and excellent service, Southwest Airlines has kept a stable and high rank with its customers, which is why it came to a large surprise when in December 2022, Southwest Airlines canceled over 16,900 flights, leaving 2 million passengers stranded over the holidays. This large-scale crisis affected many people, leaving loyal customers incredibly upset. While 3,000 flights were canceled on one day alone across the U.S., about 85% were Southwest's.⁷ Since then, their reputation has been damaged; their customers didn't feel as confident booking Southwest again because of the thousands of flight cancellations. Southwest isn't known to be as trustworthy as it once was.

Crisis Preparation

CRISIS ONE

When preparing for the events of a crisis, it is absolutely crucial to ensure you can identify the given situation as a crisis. Melissa Agnes defines *crisis* in her book, *Crisis Ready*. Her definition of a crisis is, "what threatens the organization's reputation and shareholders."⁸ It is absolutely critical to identify whether the situation is an issue or crisis, because identifying it will help you move forward in responding to it. While one event may be considered a crisis for one organization, the exact same event could take place at another organization and only be considered an issue. Once the scenario has been identified as a crisis, ensuring there is a crisis plan will set the organization up for success. Having a plan ready when crises hits exemplifies organization, consideration, and exceptional planning skills, however, "even the best-laid plans can be jumbled up by unexpected twists and turns."⁹ Crises are incredibly unpredictable, but having a plan shows a thought-through team ready to combat challenges and unexpected crises that occur.

Crisis plans are crucial for more reasons than just one. Plans show organizations have considered risks, threats, and factors that may cause damage to them. Beyond considering a crisis plan on an internal level, they benefit externally as well. Having a plan set in place gives the organization going through a crisis to respond in a timely way. Responding in a timely manner places value on stakeholders and eliminates false information to be spread regarding the organizations' motives. "Emotion always overpowers reason."¹⁰ The power of preparation is incredibly present, and being reminded of the reality that we are human beings brings natural grace into the crisis planning, while also showing how important it is for us to prepare for what could take place.

⁶ Retrieved from reference 12

⁷ Retrieved from reference 9

⁸ Retrieved from reference 2

⁹ Retrieved from reference 2

¹⁰ Retrieved from reference 2



Crisis Overview

While Southwest has been a beloved American airline for many years and remains in high rankings, many stakeholders are upset with how their December 2021 crisis was handled. Southwest Airlines has agreed to a record-setting \$140 million civil penalty; it includes a \$35 million cash fine and a three-year mandate that Southwest provide \$90 million in travel vouchers of \$75 or more to passengers delayed at least three hours getting to final destinations because of an airline-caused issue or cancellation. The Department of Transportation ensured Southwest paid over \$600 million back to passengers and issued a record penalty, which is 30 times larger than any in DOT history.¹¹ These incredibly large monetary impacts point to why Melissa Agnes' Crisis Response Penalty (CRP) would be the appropriate formula to use. The CRP is an equation that focuses on the immediate monetary impact of a crisis on its organization with the organization's crisis response. "There's often a link between the response strategy-- whether it be timing and / or adequacy of the response-- and the direct financial impact on the organization."¹²

Back in 2012, Southwest's flight cancellation rate was only 0.8%. After the crisis in December 2022, the rate tripled to 2.4%. As Southwest's flight cancellation rate rises, their number of passengers decrease. The first hypothetical crisis would be that Southwest would schedule too many flights than they could knowingly manage and handle well, thus leading to need to cancel many of the scheduled flights. This would negatively impact the organization and become a crisis for its large monetary impact, needing to refund each passenger in some way, according to their refund policy, "you are eligible for a method-of-payment refund-- even for non-refundable tickets."¹³ Southwest Airlines would be held to a high standard of expectation for a quick and timely response in a crisis like this, considering many rely heavily on their travel plans.

The U.S. Transportation Department said it is investigating whether Southwest Airlines deceived customers by knowingly scheduling more flights in late December than it realistically could handle. The department said that scheduling too many flights would be considered an unfair and deceptive practice under federal law. "DOT is in the initial phase of a rigorous and comprehensive investigation into Southwest Airlines' holiday debacle that stranded millions," the department said in a statement. Southwest is being investigated for *knowingly* scheduling more flights than they could realistically handle, causing their publics to wonder if they are truly living by their purpose statement, or if they care more about financial gain.

¹¹ Retrieved from reference 5

¹² Retrieved from reference 2

¹³ Retrieved from reference 1



Stakeholders

Southwest is an incredibly popular airline due to their low-fares. With the opportunity to travel internationally, their stakeholders include large populations of people. Southwest Airlines was the airline group that carried the most passengers in the United States in 2023, with 171.8 million passengers.¹⁴ Their stakeholders include their loyal passengers who are devoted to flying Southwest exclusively, along with their credit card holders and loyalty program members. As Southwest continues to carry many passengers, it is crucial they hold true to the statement made by their CEO, “The biggest thing that makes us ‘us’ is our People, and the unique and unrivaled Hospitality they deliver. No one has a Heart for service like the People of Southwest Airlines. No one.”¹⁵ In order to uphold this and care for the people who contribute to their success through hospitality, they must respond to crisis in ways that shows they are considerate, caring, and mindful of what the stakeholders are going through when there is a mass-cancellation of flights. Over the holidays especially, there are mass crowds of people with high expectations (and demands) to make it to their final destination. Bringing humanity and emotion into this area should remind Southwest of the importance of their response.

Spokesperson

In the occurrence of a crisis like this taking place, Southwest Airlines must consider who the best spokesperson would be in order to convey the organizations values, mission, and purpose to the public. In this instance, I believe the best spokesperson would be CEO. The CEO would be able to take ownership of where things went wrong, and speak on behalf of himself along with Southwest Airlines employees. Having the CEO of the organization give a formal apology, address, or statement would be incredibly beneficial, especially in a crisis that affected as many people as this one did. Considering two million passengers were stranded, emotional, lost their luggage, and did not know when they would arrive (if ever) to their desired destination, having a voice from someone from the very top of the organization to ensure staff members are being proactive on this issue and doing everything they possibly can would bring as much relief as possible to this scenario.

¹⁴ Retrieved from reference 10

¹⁵ Retrieved from reference 1



Contacting Publications

A key publication I would recommend reaching out to right away would be news outlets. It didn't take long for major news platforms to cover this story, painting Southwest Airlines in a very bad light. CNN, NBC, U.S. News, CBS, the LA Times, and many more came out with articles and statements immediately regarding this issue and all spoke to the frustration of the stranded passengers. Telling stories of a bride missing her wedding, a man missing his chemotherapy appointment, a man losing his dissertation work in his luggage and more, the audience would instantly feel bad for the passengers, and become frustrated with Southwest Airlines. While each of the stranded passengers stories are incredibly valid to be upset, by Southwest contacting news outlets with a statement letting everyone know they are doing all they can to make things right would have been incredibly beneficial. Beyond the public viewing Southwest Airlines as not caring for their passengers as well as they could have, major news outlets included headlines such as, "Southwest Airlines also did not issue refunds in a timely manner, breaking the law again."¹⁶ Agnes states that if an organization does not respond in a timely manner, the media will respond and frame the situation for them. Avoiding the media frame the situation and speak on behalf of Southwest Airlines should be something at the forefront of the minds of Southwest Airlines employees.

Organizational Response

In addition to contacting publications and considering stakeholders, Southwest Airlines must devise an opportune response to this situation. "The way you choose to look at, prepare for, and empower your teams to see and respond to negative situations directly shapes the outcome of those negative situations."¹⁷ While we may not know what crises will come up, there are always negative things taking place. The response towards hard, difficult and negative things is not wasted, especially when from an organizational response standpoint where there are many affected. Grounding ourselves in how we want to go about dealing with crises will set us up for success.

While responding in a timely manner is incredibly important, responding too quickly without preparation may end up being more harmful. "Understanding the why is where the power lies."¹⁸ When presented with a hardship or crisis, oftentimes, our instinct is to respond fast. While it is important to respond in a timely manner, if we don't do the work of preparing ourselves to respond, our response won't be effective. This is where the importance of creating a crisis preparation plan is key.

¹⁶ Retrieved from reference 15

¹⁷ Retrieved from reference 2

¹⁸ Retrieved from reference 2



Cancelled flights take place often, so having a crisis team to respond to these crises would be extremely beneficial. This crisis team should have responses prepared in advance so when mass-cancellations occur, there is a way for passengers to find answers- even without the help from someone within Southwest directly. Southwest Airlines should maximize their online social media presence to keep passengers updated in a timely manner, leveraging both X and Instagram to ensure they are letting passengers know what to expect. As the crisis slows down, it would be beneficial to have the CEO release a video statement on other social media platforms (including YouTube, Facebook, and LinkedIn) expressing what went wrong and redirecting passengers back to the heart of their vision.

Potential Faults and Their Responses

A large potential fault that would lead to a mass-cancelling of flights include weather (in this case, snowstorms). In the case of weather, something out of control of Southwest Airlines, it would be beneficial to release a widespread response reminding passengers that safety is a largely valued goal on behalf of the organization. Reminding passengers that weather is out of their control, but to keep everyone's safety a prioritization, cancelling flights became the best solution. A response along the lines of, "we apologize for the inconvenience, and take your travels seriously. Please stay tuned for updates as we find solutions to rebook your flight when weather conditions are safe to fly in" would be beneficial. This response clarifies the heart behind the issue, while giving passengers an idea of when they would be able to find a solution to their expectation.

Conclusion

All organizations should have a thought-through crisis preparation plan to combat crises in an effective, reputable way. Placing value and focus on mitigation would set the organization¹⁹ up for success amidst crisis. Looking at warning signs to "target situations that could become crises." This is incredibly important because it is a great resource and tool to be able to get *ahead* of the potential crises that may take place. When we are proactive in monitoring these, it ensures that we are doing our part to prevent crises that could be very damaging, even when they are completely out of our control. Some questions I would ask include, "On average, how many passengers fly with you annually?", "Where do you share time sensitive information with your stakeholders?", "How have passengers responded to cancellations in the past?" These questions would give insight into how many loyal passengers they have, and how they handle cancellations.

¹⁹ Retrieved from reference 3



CRISIS TWO

Crisis Overview

The second crisis to focus in on is the computer systems used by Southwest Airlines. With outdated systems, this major airline would not be able to sustain high volumes of flights, requests, and passengers in an effective way. Michael Santoro, vice president of the Southwest Airlines Pilots Assn., said Southwest has failed to invest in an updated software system used for flight routing and staffing, which is crucial to avoid continual problems. “The catalyst was the big storm,” Santoro said in an interview. “But our internal software can’t handle massive cancellations. The company hasn’t invested the money into scheduling infrastructure to support the network they have developed.”²⁰ While the winter storms were far out of Southwest’s control, there were other factors that added to the cancellations, like the software that Southwest uses. If Southwest had invested into an updated software, they would have done their part in ensuring they had done *everything* within their control to prevent a crisis like this from taking place.

In this crisis scenario, Southwest Airlines would be fully at fault for not staying up to date on new computer systems. This would come as a shock to many, “They’ve got the best reputation for customer service and management agility. They’re usually pretty good at responding to crises” said airline analyst Richard Aboulafia.²¹ Agnes makes the point that what used to be referred to as “expectations” has evolved into “demands”. “Demands that, when unmet, can result in an irreparable loss of brand equity, trust, and reputation.”²² Unfortunately, this is exactly what unfolded in front of the stakeholders eyes with Southwest Airlines. The passengers didn’t just expect to fly home to see their family, go to their own wedding, receive the chemotherapy they have been waiting for, they demanded it. When it didn’t happen and they didn’t feel cared for, Southwest Airlines lost a lot of trust, resulting in a massive negative impact.

Airlines rely heavily on updated software systems, likely more than outsiders realize. In fact, software and computer systems are known to be used in “every aspect of flight, navigation, maintenance, and aviation safety has grown exponentially in recent decades for such critical, software-based systems as autopilot, flight control systems, engine controls, fly-by-wire, auto land, and full authority engine control systems.”²³ When those computer and software systems aren’t updated, nearly everything fails.

²⁰ Retrieved from reference 1

²¹ Retrieved from reference 4

²² Retrieved from reference 2

²³ Retrieved from reference 16



“The answer involves not just aging hardware and software, but also institutional failures that have made updating the technology more challenging, according to current and former industry officials, government reports and outside analysts... it grows ever more sophisticated with far more points of failure than many consumers may realize.”²⁴ While technology is advancing incredibly quickly, it is the responsibility of the organization to do their part to ensure their systems are up-to-date to avoid large crises. “Airlines have long been criticized for their reluctance to adopt new technology. This hesitation has resulted in operational inefficiencies and significant vulnerabilities during times of crisis. Industry analysts have noted that many airlines operate on razor-thin margins, which often leads to underinvestment in technological upgrades.”²⁵ While margins may be tight, prioritizing where investing is most effective to avoid crises would likely result in a larger investment into technology systems to avoid large-scale crises.

Stakeholders

Stakeholders that would be crucial to contact would include passengers who have upcoming flights that have already been booked. These stakeholders would have already invested money for their ticket, trust in the organization, and an expectation to be brought to their destination. With failing computer systems that affect flights, it is important to consider those with upcoming flights and inform them on the challenges. This should be an immediate communication, through mediums such as personally emailing those with flights in the next week, along with social media posts informing all stakeholders on this situation. Having a notification pop up on the Southwest Airlines app and website would inform potential passengers on this situation as well, in case it affects their travel decisions.

Spokesperson

It would likely be hard to know when this situation would begin to come to an end, so it is important to recognize that with the publics and stakeholders. With this being a crisis that would affect many people, having the CEO be a spokesperson would be appropriate. The spokesperson should acknowledge those flying with their apologies and potential solutions. Letting the public know that they are doing all they can to resolve this issue would bring some clarity to the public. Having potential solutions for passengers would be what stakeholders are directly looking for, so it is incredibly important for the spokesperson to include this in a statement. Having the CEO be the spokesperson for this would show the public that it is something they are taking incredibly seriously.

²⁴ Retrieved from reference 6

²⁵ Retrieved from reference 11



Contacting Publications

Since this is another major-scale crisis, it is incredibly important for Southwest Airlines to contact news outlets. By contacting major news outlets, they would be able to shape the way this crisis is communicated to the world. It is better for them to have some statement, showing they care about their reputation and the damage that is taking place in the lives of their stakeholders, rather than remaining silent and not saying anything at all. Letting the news platforms show that the organization is doing all they can to fix this crisis and care about their publics would ensure the organizations statement is truly being lived out. News outlets have an incredibly large reach, and it would be beneficial for Southwest to have as much control over that as possible.

Organizational Response

Southwest Airlines *must* take responsibility and accountability for this major crisis. Instead of making excuses or placing the blame on others, they should completely own up to their mistakes of not investing in the necessary equipment needed for a successful operation. The communication should take place *immediately*, meaning there should have been a thought out and prepared plan for a crisis like this. Making an official statement to be posted the day of the shut down is crucial, showing they care about the ways this is affecting all of their passengers and stakeholders. Making a commitment to keep the public updated as they learn how this will affect them is incredibly important, so the organization is aware that their needs are a priority to the organization and can trust they will learn more.

Airlines can face a lot of backlash in times of crisis, because they are serving such a large variety of stakeholders. When something interrupts passengers' travel plans, they are likely to become upset very quickly. Because of this, it would be beneficial for Southwest Airlines to have an internalized team solely for the purpose of Crisis Communication. This would ensure statements would come out in a timely manner, meeting the expectations and demands of passengers. "In a crisis, people expect transparency."²⁶ There are so many organizations who try to hide and cover up when they do something wrong. When you are transparent with your stakeholders, you are honest with them and place so much value on them. Owning up to a mistake you made or taking responsibility when something goes wrong goes incredibly far in the eyes of stakeholders.

²⁶ Retrieved from reference 2



"Research suggests that people's ability to process information is reduced by up to 80% during emotionally charged situations." ²⁷ Organizations must be careful and considerate when going through crises. Stakeholders are crucial to our success, and to keep them that way, we need to be very thoughtful in how we approach the crisis. This point is important to keep in mind, because it is likely that we, ourselves are also impacted by the crisis. Being prepared in how we approach the crisis will ensure success all around. It is likely the stakeholders are incredibly emotional and frustrated in a crisis like this.

Potential Faults and Their Responses

Two potential faults in this scenario would be the fault of the organization for not investing in the necessary updated softwares. and the computer/software systems who may have an internal software issue that directly impacts their stakeholders- Southwest Airlines being one of them. In scenario one, the response of Southwest Airline should include a serious apology, action steps moving forward, and solution for passengers. In the second scenario, something outside of their control, it is important to acknowledge the issue, state what/who it is affecting, and let the public know that this is something completely out of their control. It may be beneficial to consider including a statement from the software organization in order to give the public some clarity on when they can expect this to be resolved along with what they are doing to fix this.

Conclusion

"While many organizations want to quickly forget crises, there are reasons to remember crises." ²⁸ This point is important because it brings humanity to the organization, knowing they aren't going to get it right every time. Personally, when I see an organization go through an issue or crisis and handle it really well, I have more respect for them in the end. While Southwest may have hypothetically really messed up, if they go about the crisis in an effective way that values stakeholders, they may be able to create a sense of unity and respect for those involved, even though it was still a crisis. Some questions to ask this organization would include looking at numbers of passengers on a yearly basis and comparing to see if numbers have gone up, down, or remained the same. Another important question to consider with this specific scenario would be, "what specific changes are you going to implement to ensure your computer software systems are up-to-date and something like this does not take place again?" These questions look at the ways their organization is affected while also looking at a solution and plan moving forward to avoid another crisis.

²⁷ Retrieved from reference 2

²⁸ Retrieved from reference 3

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