Southwest Airlines, a major US commercial airline company, executes several sustainable and inclusive business activities across the company. Each activity is focused on the company’s corporate citizenship motto: Performance, People, and Planet. A central tenet of inclusive business at Southwest is fuel efficiency. Fuel is the greatest driver of cost and has the largest environmental impact, so initiatives that reduce fuel consumption not only save money but also protect the environment. Thus, fuel efficiency is often perceived as a win-win strategy, driven by business decisions along the supply chain.

While Southwest does not have a specific inclusive business division, Debra Benton, Director of Community Relations at Southwest, noted a company-wide orientation toward corporate responsibility, which supports its business, reputation, and people. Like many airline companies, Southwest faces external constraints, including existing current technology and the transportation infrastructure (airports, flight paths, fuel suppliers), which define what is feasible.

COMPANY OVERVIEW
Southwest is the world’s largest low-cost airline. It currently operates more than 3,400 flights per day, services 93 destinations, and has about 46,000 employees. The airline is known for “The Southwest Effect,” a term coined in 1993 to describe the idea that travel to and from a community increases after Southwest begins servicing that community, due to improved service and affordability. Southwest achieves a competitive strategy that combines strong employee performance with high productivity, boasting the best tarmac “turnaround” time in the industry.¹

The definition of sustainability is still evolving at Southwest and there are two broad applications: environmental and long-term business. Southwest does not have a specific definition of “inclusion,” and often the term is referred to as being a part of diversity. Southwest engineered innovative business strategies and identified fuel efficiency improvements as key inclusive business activities to build stronger communities and protect the planet while maintaining a profit.

SOUTHWEST’S INCLUSIVE BUSINESS EDGE
Inclusive business activities were initially viewed narrowly by Southwest, but eventually expanded to be more inclusive, creating a common strategic vocabulary. In order to achieve a term with broader meaning, Southwest started using the phrase “corporate citizenship.” “Corporate citizenship was one of the terms that came up, in that it means that all three, the environment, the performance, and the people of corporation responsibility... [are included in] a more inclusive umbrella term, instead of just sustainability or just corporate responsibility.”⁴ Corporate citizenship has three elements: **Performance, People, and Planet.** **Performance** focuses on maintaining financial health of the company from operational efficiencies to shareholder responsibility; **People** focuses on hospitality, service, connecting people to what’s important in their lives, and extending that to communities; and **Planet** emphasizes the commitment to using natural resources efficiently while continuing to meet operational requirements.

STRUCTURE AND MEASUREMENT: Inclusive business is not housed within any specific unit and there are several company-wide employee efforts happening concurrently. Southwest’s Green Team targets areas of environmental improvement in all aspects of its business, while simultaneously remaining true to Southwest’s low-cost philosophy. The Green Team comprises cross-departmental employee volunteers, where each individual either represents a different department or has a personal environmental passion. A second corporate effort is the Outreach Team, which is focused on the environment from the perspective of sponsorship and outreach. Through
budgeted in-kind donations and financial gifts, the Outreach Team supports activities that promote conservation and preservation of natural resources. Southwest lacks a standardized measurement for inclusive business, instead determining metrics for success by project. For example, each material that Southwest recycles has its own measure of cost. As a brand, Southwest is strengthened by the “halo effect” of being associated with inclusive business activities and has received positive feedback on issues of outreach and global citizenship from customers in its biannual surveys.

**APPROACH:** Private-private partnerships are one of Southwest’s approaches to inclusive business. For example, because Southwest strictly uses Boeing 737s, it has partnered with Boeing to make the planes fuel efficient, lighter in weight, and more environmentally friendly. Further up the supply chain, Southwest works with oil and gas companies, with the understanding that Southwest is only as efficient as the energy technologies that suppliers adopt. Southwest has embarked on long-term investments into alternative fuels, recognizing the longevity of fuel use inherent to its business. Additionally, Southwest tries to ensure fuel fill-ups are scheduled in a city where fuel is more affordable to reduce bottom line costs.

As a member of Airlines for America (A4A), Southwest also supports the A4A climate change commitment and has adopted the A4A’s industry-wide goals for fuel efficiency and emissions reductions:

- Continue industry fuel efficiency improvements, resulting in an average annual CO2 efficiency improvement of 1.5% per year on a revenue ton miles (RTM) basis through 2020
- Cap industry-wide CO2 emissions from 2020 (carbon-neutral growth) subject to critical aviation infrastructure and technology advances achieved by the industry and government
- Contribute to an industry-wide goal of reducing net CO2 emissions by 50% by 2050, relative to 2005 levels

In 2014, Southwest signed an agreement with Red Rock Biofuels to purchase three million gallons of low carbon renewable jet fuel per year. This renewable fuel will be refined in Oregon from forest residues, helping to reduce the risk of destructive forest fires. The blended product of biofuel and jet fuel is expected to be used at Southwest’s San Francisco Bay area operations, with first delivery expected in 2016.

As part of its commitment to inclusive business, Southwest has published the Southwest One Report™ describing its sustainability strategies, which include efforts to reduce greenhouse gas emissions and address other environmental matters such as energy and water conservation, waste minimization, and recycling. According to Megan Lee, Senior Manager for Community Outreach, at Southwest, “Southwest... trademarked our One Report™ [to] combine sustainability and our financial reporting into one integrated report, which is now more and more the trend for other companies. We were at the forefront of that so we get questions; it’s not just related to sustainability but also to just overall community investment and outreach.”

**CHALLENGES:** Tensions surrounding inclusive business activities arise at Southwest when “going greener” costs money. In these situations, Southwest must weigh the benefits and the costs. Southwest has replaced the leather seat covers and other interior elements with lighter weight, more environmentally friendly materials, through a program titled The Evolve Project. As a result of the redesign, Southwest reduced the weight of each aircraft by more than 600 pounds, saving fuel and reducing emissions. The upgrade, however, left Southwest with 43 acres of used leather. The company identified an opportunity to do something innovative with this material rather than send it to a landfill. Through a second program called LUV Seat: Repurpose with Purpose, Southwest decided to upcycle the used leather seats from the Evolve project into new products that give back to the community while protecting the planet.

Simply disposing of the leather would have cost very little, but Southwest identified a more environmentally

"From the CEO down, there is a belief [in corporate citizenship]. It’s important for Southwest and there’s a high level buy-in that it is important. We need to do it.”

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friendly option, reusing or upcycling the material. The LUV Seat upcycling project creates new products from the used seat coverings and benefits communities by providing employment opportunities, skills training, and donated products. In July 2014, LUV Seat piloted in Nairobi, Kenya. SOS Children’s Villages Kenya, a nonprofit partner that serves orphaned children and families in need, along with Alive & Kicking, Maasai Treads, and Life Beads Kenya, received a portion of the used leather to produce goods for distribution to local community groups. To upcycle, there are additional costs such as transportation, customs fees, handling expenses, sponsorship, and administration. For Southwest, however, the costs to transport the material did not outweigh the benefits and social impact in Kenya.

THE BUSINESS CASE FOR SOUTHWEST

Southwest’s dedication to People, Performance, and the Planet has fueled many inclusive business initiatives. With an eye toward building stronger communities and protecting the planet while maintaining a profit, Southwest has engineered innovative business strategies and identified fuel efficiency improvements as key components to addressing all three areas of focus. While Southwest has been active and successful in many of its campaigns, fuel efficiency remains its inclusive business keystone. According to Debra Benton, “Fuel is our number one environmental impact and also our number one cost after people, so anything we can do to reduce fuel not only helps from a performance perspective but is certainly going to help us from a planet perspective.” Southwest has been active and successful in its campaigns, including engaging in private-private partnerships with Boeing, reporting fuel efficiency stands, and sending leather material to Nairobi for re-use.