



Lessons from the Executive Suite

If the old model is broken, Howard Putnam says rebuild it

by U. Earl Dunn

photos by Jeff Ross



Howard Putnam begins each day in the same way. By 7 a.m., the former CEO of Southwest Airlines can be found sitting at his computer in his home in the Galena Forest community of southwest Reno. He responds to e-mails from around the world, scans the online edition of the Wall Street Journal, and heads for the dining room, where he joins his wife, Krista, for breakfast.

Today his life is much simpler and less turbulent than it was years ago, when he faced a business crisis of mammoth proportions involving another airline that has long since bit the dust. The lessons Putnam learned from that crisis have sharply changed his outlook on today's corporate America and on the educational institutions that feed corporate boardrooms.

Putnam travels the globe delivering speeches to various organizations on how to maintain honesty, integrity and strong leadership in times of crises. He knows about such things. Ask him about 1981, and he'll recall the year as if it was yesterday:

"I was in my office in Dallas when the phone rang. It

was Dennis Fulton, a business writer for the Dallas Morning News. Fulton asked me the same question that scores of attorneys, creditors and investors on Wall Street were wondering: Could I guarantee that Braniff International Airlines would still be around in a year?"

Putnam had just been recruited from Southwest Airlines to serve as president and CEO of Braniff. It seemed like a wonderful opportunity. Braniff's board of directors had assured him the airline had \$175 million cash in the bank. All they needed was a steady hand to make the airline financially strong again.

It didn't take Putnam long to understand something was terribly wrong.

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“They lied to me,” says Putnam “They cooked the books real good. It was as bad as the recent Enron situation except I was left holding the bag. When I uncovered the mess in front of me, I realized we had only enough working capital to exist for about 10 days. The problem was that the bad guys were gone and we didn’t have time to chase them.”

So, the Dallas reporter’s question was a fair one.

Raised on an Iowa farm by parents whose Christian values helped establish his moral compass, Putnam acknowledges he probably did not give the answer many wanted to hear — but he did give an honest answer.

“‘Guarantee’ is a very strong word. I told Dennis that I could not guarantee Braniff’s existence into the future, so he wrote the story under a headline that read, ‘Braniff Chief Not Certain If Company Can Survive.’”

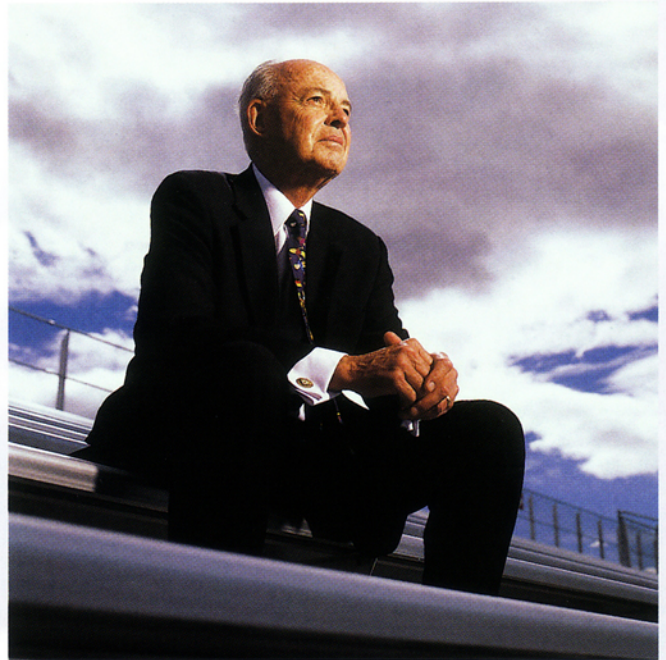
Shareholders fled for the hills. Employees were understandably nervous. Customers looked for other carriers. And creditors — well, we all get the picture.

It was a tough lesson in corporate honesty, one that is debated in university business schools today. And it is one the 65-year-old Putnam gladly shares locally, nationally and around the globe as he lectures on leadership, crisis management and ethics.

Putnam became the subject of a Harvard Business School case study titled “The Ethics of Bankruptcy.” It was written by Dr. Kenneth Goodpaster, who was stunned when business school students said they believed Putnam should have lied to the reporter. After all, they reasoned, Putnam’s first obligation was to his shareholders, not to creditors, not to customers, and certainly not to employees.

Goodpaster, who heads an endowed chair in business ethics at the University of St. Thomas in Minneapolis, says Putnam is “a straight shooter and a responsible leader, concerned about his stakeholders. ... His handling of the Braniff bankruptcy was, by most accounts, both reasonable and responsible.”

Putnam admits he took a lot of heat, both from within Braniff and from the financial community, for his candor. Still, he says he would probably respond as honestly today as he did then. “My long-time friend, Dr. Don Beck at the National Values



Center in Denton, Texas, says the safest place in any crisis is always the hard truth,” Putnam says.

One of the major reasons the Braniff board of directors hired Putnam was because he helped turn Southwest Airlines, then a tiny regional carrier, into one of the nation’s commercial air carrier powerhouses.

Putnam came to Southwest in 1978 from his Chicago post as vice president of marketing for United Airlines. The airline, he says, was “little more than a puddle jumper” upon his arrival. But bold ideas and out-of-the-box thinking from top executives helped the airline triple revenues and profitability in three short years.

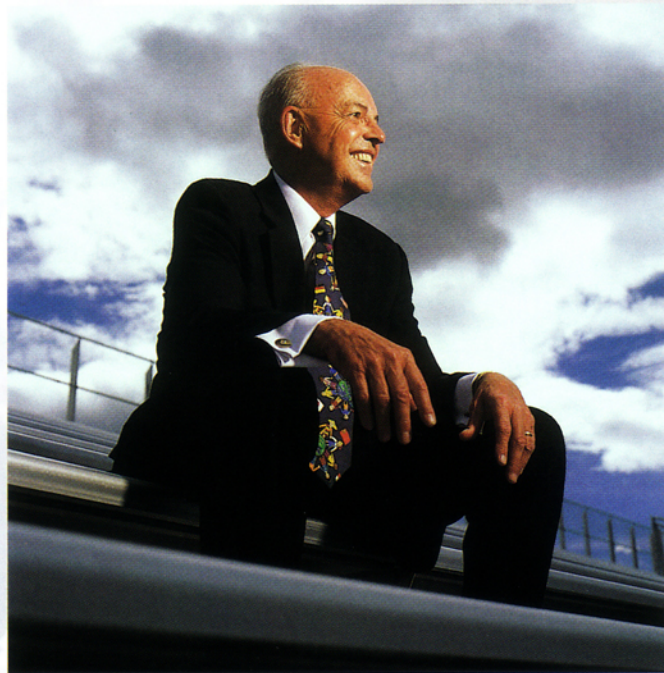
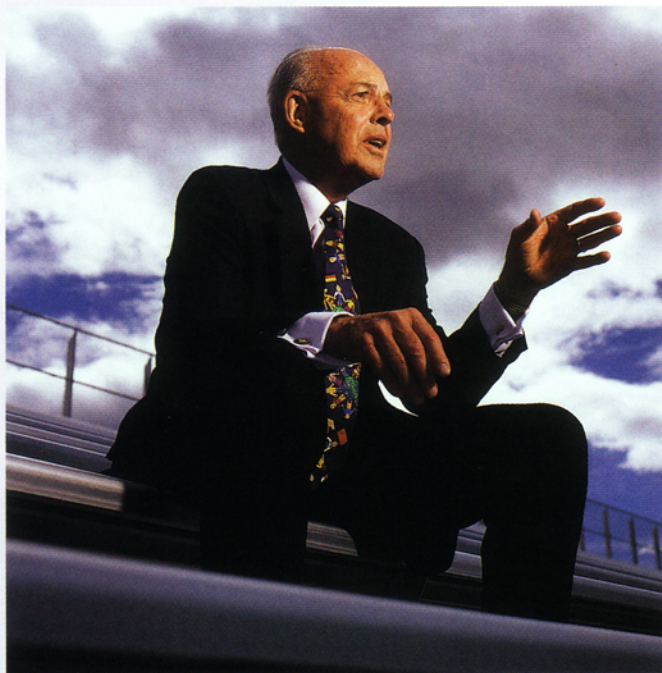
It is a subject about which Putnam speaks with great pride.

“Herb Kelleher [still Southwest’s chairman] and I met with key staff members for two days to define a vision, in 100 words or less, that we had for our airline. It was on the second day that we came to the decision that we were not in the airline business — we were in the mass-transportation business,” recalls Putnam.

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needed to create a no-frills environment that people were willing to put up with,” he says. At that time, Southwest had about 12 planes and fewer than 1,000 employees. Today, it has 380 planes and 37,000 employees and is regarded as the No. 1 success story in the air carrier industry.

Putnam and his wife had always liked the Reno/Tahoe region, so in 1994 they moved to Reno. Before long, Putnam was asked to join the board of directors of the Reno National Championship Air Races. For the last seven years he has served as chairman of the VIP committee for the annual event; he has also served as chair of the air service steering committee for the Reno/Tahoe International Airport, and for nearly five years he’s worked with Washoe County on its organizational-effectiveness committee. He has worked with Katy Singlaub, Washoe County manager, in an advisory capacity, and serves as chairman of InTech Aerospace Services, a Houston-based firm that refurbishes commercial airplane interiors.

After 9/11, Putnam says InTech “simply had a horrible time. We really struggled. The airline industry was hit so hard and so were the companies that serviced their needs. But happily, we are doing much better today.”

Just as Southwest Airlines developed a new business model that shook up the airline industry, Putnam believes colleges and universities must develop new models — especially in their business schools — to keep setting the pace in an ever-changing business world.

“I believe new education models will come forward,” he says. “Some are already in place. Take, for example, the model offered by the University of Phoenix. I think they have found a niche. Their professors come from the business community with real-world experiences. I think we’ll see vocational schools playing a bigger role in a new educational model in the future.

“With all the technology niches, specific educational avenues will become very important. The use of the Internet for online training and education is already becoming a significant force,” he says. Putnam believes that those public colleges and universities that are quick to recognize the importance of a new educational model for business schools will foster more creativity, risk taking and entrepreneurship.

“Capitalism is the success story of our country,” he says. “It’s always been about people willing to invest and take risks.” 