

" DON'T JUDGE A BOOK BY IT'S COVER "

THE HIDDEN SECRETS OF HIGH PERFORMANCE ORGANISATIONS

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Has your superannuation fund had a long-term investment in Flight Centre? No? Then you could materially benefit from being more critical of your fund manager!

This company has been averaging 25+% growth year on year for its 23-year history. It is New Zealand's and Australia's most successful independent retail travel group. It employs more than 5000 people across 1200 stores in seven countries. FY03 has been a horror year for the travel industry. Yet Flight Centre reported a record first half turnover in excess of \$2.3 billion.

Flight Centre's success has been attributed to many factors. In the face of crisis – the 91 Gulf War and September 11 – or economic downturn – FY02 and 03 – the company has steadfastly refused to retrench its employees. It has a clear set of consistently enacted values that provide it with stability in times of change. It has disarmingly simple reward and recognition systems; its highest base salary, that of its CEO, is only \$90,000. The company's business model, strategy and monthly performance are transparent to all Flight Centre staff. Meritocracy is practised consistently, not just talked about. The development of people is a consistent theme in all they say and do. They purposefully set out to have fun and celebrate.

It should be no surprise that Flight Centre has been judged "Best Employer in Australia" for the past two years in which it has entered this competition. This success has been matched offshore.

At one level the company's sustained high financial performance can be linked unequivocally to its leadership and people management practices. How long has Jeffrey Pfeffer (1994) been pointing to high performance work practices and their causal link to corporate performance? The short answer is "well over a decade!"

So if Flight Centre and a small group of other organisations are cashing in on these findings whilst other public and private sector organisations stagger along in mediocrity mode, we need to ask ourselves two questions. First, "is high performance the outcome of just a few clearly identified (yet not widely implemented) people management practices?" This question is the subject of the remainder of this article. A second and perhaps more compelling question is "if the evidence is so clear (and it is), why don't managers and HR professionals implement the obvious?" I will address this question in next month's journal. So now to the first question and the need to avoid "judging a book by its cover".

I have chosen Flight Centre as our example not just because it has a sustained record of financial and management success, but also because the company illustrates a critical pre-requisite for success that is neither readily visible nor well understood. The giveaway clue lies in how Flight Centre is structured. Each store comprises up to seven people and this autonomous unit is

referred to as “a family”. As business grows they don’t just add people, they open another store keeping the maximum size to seven people. Families in turn are organised into tribes: groups of 100 to 150 people who meet monthly at what they call “buzz” nights to check on goals and progress, to celebrate, to recognise high achievers and to have fun. Each tribe has a flag, a name and its own leader. In turn these tribes constitute the Flight Centre community.

Hidden in this structure is a crucial key to the company’s high performance, a rare insight that goes beyond the successful implementation of high performance work practices. The key lies in the balanced allocation of attention, effort and resources across three levels of leadership and management.

The first level is that of the individual member. How can we engage and get the best from each person in our organisation? This has been HR’s strength over the past 100 years of our history. Its origins have come from the dominant influence on our body of knowledge and practice of psychology and its strong emphasis on the individual. The priority that we give to selection, training and development, performance and career management and remuneration and benefits reflects our efforts to create a value proposition that attracts and retains the individual. And Flight Centre does this exceedingly well. But for them it represents only 30-40% of their focus and effort.

The second level of focus and intervention is the team or workgroup; in Flight Centre’s teams it is the family. The importance of this point is reflected in the single greatest weakness of the War for Talent argument: great organisations are not made up of great individuals. In our service and knowledge worker organisations, work and high performance are increasingly understood to be systemic. If groups of people don’t co-operate and collaborate, if they don’t share knowledge and cover seamlessly for each other, success is elusive. When you call a Flight Centre store, chances are your agent is on the phone or dealing with another client. How your agent’s colleague relates to you is a function of the well being of their family life; and it will determine your experience, satisfaction and loyalty. Focusing on collective behaviour requires different skills processes and systems. In turn we need incorporate knowledge from anthropology and sociology into the design of our practices. Both managers and HR professionals need to acknowledge that collective behaviour can be even more critical to high performance than how any individual behaves or what she/he might contribute. Sounds obvious? Probably; but next time you review your activities and priorities, check on how much time you allocate to intra and inter group behaviour and performance – contributions to cross functional team development or capability development for example. Most of us will be in for a confronting shock.

Brand and reputation are critical to Flight Centre’s business model and strategy. The company groups its families into tribes and then into the Flight Centre community. The extent to which families connect and behave in consistent ways creates consistent client experiences that develop reputation and brand. As a specific example, the international research on Best Employers reveals that leaders in these organisations communicate their corporate goals, values and current performance three times more often than leaders of much lower performing organisations that do not make it into this category. The essence of this third level of attention and intervention is that organisations are communities of people who have some goals and values in common. Failure to

attend to the needs of the community will detract from effective collective behaviour and corporate performance. Again we as practitioners need to explore beyond our traditional foundations of psychology to gain the insights into collective behaviour and performance offered by sociology and anthropology. Access to this level also assumes credibility and influence at the most senior levels of our organisation. It presumes an intimate understanding of our organisations environment, business model, strategy and performance drivers.

In summary the causal link between how an organisation manages its people and its performance is unequivocally clear. We can list a series of high performance work practices that are at the source of high performance. What has been less obvious is that managers and leaders in highly successful organisations attend to all three levels of contribution: the individual, the work group and the whole community. They also seek to maintain and develop alignment or congruence across all three levels of intervention.

Flight Centre, and other high performing organisations, are successful not only because they focus relentlessly on well documented high performance work practices, but also because they focus on what for them is obvious: the role and contribution of individual members, families, tribes and their community. So don't overlook the obvious: acknowledge that fish are usually the last to discover water. Seems all too obvious? Then run a diary check on your time allocations as an indicator of how you balance your contribution across each of the three levels of influence and impact.

Pfeffer F. (1994) Competitive Advantage Through People Boston : Harvard Business School Press