

# Cracking the culture code

Enterprise and Southwest have created cultures where the emphasis on taking care of people is substantive and universal—and remarkably successful

by Les Landes

Most companies acknowledge that a culture rooted in high-quality employee relationships is vital. But when push comes to shove, pushing and shoving can become the order of the day.

**W**hat does it really take to build a culture based on profound trust? More important, why does it matter? Any organization that hasn't grappled with those questions in recent years has been either out to lunch or under a rock. The bottom line is, without trust, every day is a struggle filled with anxiety and uncertainty. With trust, virtually any obstacle can be overcome and extraordinary things can happen.

Two companies that have cracked the code and demonstrated how a substantive, people-first strategy can affect performance are Southwest Airlines and Enterprise Rent-A-Car. Both companies had big hills to climb when they first came on the scene. Enterprise started out as a speck on a windshield compared with



Hertz and other car-rental companies, and Southwest was barely a blip on the aviation radar screen dominated by giants such as American, Delta and TWA. Today, both companies are the gold standard for performance and profitability. Not coincidentally, they also have the highest customer-satisfaction ratings in their respective industries, underscoring their core philosophy that a commitment to

people—both inside and outside the company—can produce a big bottom-line payoff.

“Southwest Airlines did not set out to become the world’s biggest airline,” says Ginger Hardage, senior vice president of culture and communications. “But by putting employees first, we have, in fact, become the largest airline, at least in terms of the number of passengers we

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carry. It means a lot to us that more people are 'free to fly about the country' because we make it affordable for them to do so." Even with its celebrated low fares, Southwest is still the most profitable company in the airline industry.

The financial performance of Enterprise Rent-A-Car is similarly impressive. "People sometimes call us the Southwest of the car-rental business," says Patrick Farrell, vice president of corporate responsibility communication. Like Southwest, Enterprise is now the king of the hill in its industry. "With the recent acquisition of Alamo and National, we now have the largest fleet owned by any single company anywhere in the world," says Farrell. How did Enterprise get there? "Take care of the customer, take care of employees, and the bottom line will take care of itself," he says, repeating the oft-heard mantra of the company's founder, Jack Taylor.

But wait a minute. Other companies claim to operate with similar philosophies. So why haven't they achieved the same results? What have Enterprise and Southwest done to create cultures where the emphasis on taking care of people is so substantive and universal? And how have they managed to sustain that focus for so long, with such success?

Countless articles and books have offered opinions about what has propelled the meteoric rise of both of these com-

panies. Many of those accounts have reported on everything but the people factor. In an article in *Fortune* titled "The Changing Art of Becoming Unbeatable," writer Geoffrey Colvin openly admits that he once tried to provoke the legendary Herb Kelleher by saying that Southwest's people culture wasn't all that important. Colvin asserted that the airline's success was instead due to flying one type of aircraft, serving no meals, transferring no luggage, giving no assigned seats, flying mostly short hauls and always charging the lowest fares on their routes.

According to Colvin, Kelleher slammed the table, declaring, "Culture has everything to do with it—because everything you said, our competitors could copy tomorrow. But they can't copy the culture, and they know it."

Most companies acknowledge the idea that a culture rooted in high-quality employee relationships is vital to success. But when push comes to shove, pushing and shoving can become the order of the day. Marketing and sales people are pushed and shoved to drive more top-line growth. Operations people are pushed and shoved into draconian measures to shore up the bottom line. "Expendable" employees are pushed and shoved out the door to make the company leaner and meaner, and the "survivors" are pushed and shoved into doing more with less.

The typical justification for all that pushing and shoving is shareholder demand for greater

profitability—an irony that is not lost on business leaders who understand how intimately profits and taking care of people go hand-in-hand. To pinpoint some of the key forces behind people-focused cultures, Hardage and Farrell describe specific ways that their companies demonstrate the traits of a trusting, transparent culture: honesty and openness, responsiveness, competence, and a capacity for apology.

### Honesty and openness

Few requirements in the Enterprise culture are more absolute than honesty at all times, at every level. "The Taylor family believes you can live through any mistake, but you can't survive a lie," says Farrell. "We can forgive mistakes around here, and that's created the most fear-free, transparent culture I've ever seen in an organization."

The emphasis on honesty was apparent in the company's recent efforts to bring the employees of Alamo and National into the family. The list of things the new employees were told they could expect from "the Taylors" included an opportunity to be part of something bigger, respect, straight talk, open dialogue, a long-term view, good stewardship and a commitment to learn from each other.

The list of what the company expected from the employees included honesty and integrity (top of the list), a relentless focus on customer satisfaction, supporting your

colleagues and helping them succeed, asking questions and sharing ideas, and always being good ambassadors of the business.

Southwest takes the position that it needs to be as open and honest as possible about the company for employees to perform like owners. "We make a strong effort to educate our employees about the business," says Hardage. "We have a program called 'Knowing the Score,' where we show employees our financials and explain what happens with our revenue pie. We use cartoon characters and other devices to break it down in simple terms that everyone can understand. I don't know of many companies that go to the lengths we do to share that kind of information with employees and make sure they understand what it means."

### Responsiveness

Employee surveys are one of the primary ways that Southwest stays responsive to what employees think and need. "It's completely anonymous, and we use an outside firm to host it for us," says Hardage. "We're very open with employees about the results, and we have a 'Best Place to Work Committee' to make sure we take action on the findings."

As part of their reporting, the company identifies the 10 areas where employees gave the highest ratings and the 10 where they gave the lowest. Where there are benchmarks with other U.S. companies,

the airline shows employees how Southwest differed. "From there, all department heads are responsible for working with their teams to develop plans for how they will maintain strong performance on the top 10 and improve on the 10 worst," says Hardage.

As an example of a system-wide action item, a recent survey indicated that Southwest got relatively low scores on the statement "My direct leader gives me regular feedback on my performance." Explains Hardage: "The score was actually consistent with the rest of corporate America, but it was lower than other scores for us. So we [worked] company-wide with leaders and managers to turn that around." The work paid off. In 2008, the survey found that the metric had improved three points over the 2006 score. The company also rolled out a new performance appraisal process and form to managers; 95 percent of them participated in the appraisal process.

When it comes to being responsive from a customer perspective, few companies can match the survey process at Enterprise. The Enterprise Service Quality Index (ESQi) is widely acclaimed as a world-class example of how a simple set of metrics can be used to drive performance and results. After years of refining the survey questions, Enterprise has narrowed down the number from 18 to only two, which the company asks of 175,000 customers every month: (1) How would you rate your overall experience?

and (2) Would you consider renting from Enterprise again?

But lots of companies survey their customers, so what's so special about the ESQi? The answer is simple but compelling: Employees get the chance to see how they're performing and to respond accordingly. But more than that, the livelihood and careers of everyone in the company depend on the metrics. "Those scores drive everything at Enterprise," Farrell explains. "It determines how much money you make and how you progress in the company. If your branch's ESQi is below the mark, no one in that branch moves forward. If it's above, everyone gets ahead. It's simple. It's equitable. And it has a big impact on teamwork."

### Competence

Even if a company and its management excel at being honest and responsive, they won't inspire trust with employees if they're not competent.

"For Enterprise, it's simple," says Farrell. "Our ESQi scores tell us everything we need to know about being competent. Those numbers are out in the open for everyone to see, and they tell us that our customers think we do our job very well." Third-party testimony supports Farrell's assertion. On 13 November 2007, J.D. Power and Associates awarded Enterprise its top ranking for customer satisfaction among airport car-rental companies for the fourth consecutive year, and

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### about the author

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for the eighth time in the last nine years.

Hardage takes a similar tack in defining competence at Southwest. “Anytime we do studies with passengers on how they feel about their travel experience and overlay that data on charts with on-time performance, there’s a direct correlation with satisfaction,” she says.

One way that Southwest’s management reinforces competence is by systematically staying in touch with what it’s like working on the front lines. “We have another program called ‘Leaders on Location’ where every manager works side-by-side for a day with employees,” says Hardage. She adds that staying in touch with the realities of day-to-day work not only keeps managers tuned in, but the employees see it as sign of respect and appreciation for what they do every day.

### Capacity for apology

Contrary to the popular bromide, industry-leading companies recognize that love is not about never having to say you’re sorry—either to customers or employees. “The people at our locations will do whatever they can to satisfy a customer, and they know they have the authority to do that,” says Farrell. “So no one has to stop and wonder if they should apologize to a customer or take charges off their bill to make things right. They just do it.”

Apologies went in both directions following a highly

publicized 2007 incident at Southwest. When a provocatively dressed young woman came on board a flight, she was asked by an employee to adjust her attire. The woman reacted by speaking out against Southwest, and then used the publicity to appear on numerous well-known radio and television talk shows. Southwest’s CEO, Gary Kelly, decided to pen a letter of profuse apology with a nice touch of humor, which talk show host Dr. Phil read on air during the young woman’s appearance on his show. He asked her if she would then stop her public appearances, and she said that she would.

“We learned at least a couple of things from that experience,” says Hardage. “First, when it comes to customers, we’re going to respond bolder and faster when an apology is warranted. Second, our employees shouldn’t have to play the role of fashion police. We not only didn’t reprimand the employee in this situation, we apologized to her for being put in that position. We feel very strongly about that kind of thing. In situations where customers treat our people badly, we apologize to the employees for the abuse they’ve endured.”

### Positive role models

So what’s the takeaway from these two success stories? You can make it big with a passion for people built on a trust-based, transparent culture as the core of your business strategy. Aside from that, the most important lesson is that it doesn’t happen

automatically. Good intentions are not enough. It has to be codified in clear and compelling principles, and hardwired in rigorous systems and processes that integrate those noble notions into the fabric of day-to-day operations.

Without evidence of success from companies such as Southwest and Enterprise, few organizations would be willing to relinquish the management methods that have driven much of the business world since the late 19th century. Those methods stem from the only models that were known back when companies started employing vast numbers of people: the military and the church. At the time, those institutions were much more interested in authority and control than caring for people in the workplace.

When asked why the authoritarian model is still so prevalent more than a hundred years later, Farrell says simply, “I really don’t know.” Hardage scratches her head too, but adds that one likely culprit is impatience. “In an environment where companies are looking for short-term results, it is difficult,” she says emphatically. “It takes a lot of discipline and courage to maintain that long-term view.”

Whatever it may take to get there, Enterprise and Southwest have proved one thing: It can be done. And when it is done well, the results are profoundly positive for employees and employers alike. •