FAMILY, VILLAGE, TRIBE

'Neanderthal' Turner out of touch with modern thinking.
Headline for letter to *Travelweek*, September 1989

Thirty-five thousand feet above sea level, Graham Turner sipped on a glass of shiraz and flicked through the magazine he'd bought to entertain himself on the flight from Brisbane to Launceston. Always a reader with eclectic tastes, ranging from astrophysics to natural history, he skimmed over a number of stories until his attention was caught by one about hunter-gatherer tribes, written by a Professor Nigel Nicholson.[34] For the next ten minutes, Skroo was riveted, his red wine forgotten.

Just as the works of Gerber and Le Boeuf had done years before, this piece heralded the beginning of another major transformation in Flight Centre's organisational structure. It provided a framework for Flight Centre to make the transition from small company to big corporation without imploding, and it helped the company set a benchmark in corporate excellence. And all this change revolved around one simple fact: that for 99.9 per cent of human history, man has been a hunter-gatherer.

In his articles and subsequent book *Executive Instinct*,[35] Nicholson explained that hunter-gatherers have existed for 4 million years, farmers for a mere 10,000. He argued that this has had a major effect on humankind. Even though people today like to pride themselves on their modern rationality, their natural inclinations actually duplicate those of their prehistoric ancestors:

> Until recently, the conventional wisdom was that humans differed
> from other animals in possessing minds like blank slates, on which
> learning and culture could write the story of human nature. It told
> us that every newborn baby has her psychology inscribed by how she
> is raised. We now know that this is profoundly wrong. Far from
> being a general-purpose computer, the brain is a heavily hard-wired
> library of programs that shape our identity.[36]

Using Darwin's theory of survival of the fittest, Nicholson argued that
this genetic programming has been passed down from our hunter-
gatherer ancestors via natural selection and reproduction. Thus we
have inherited many of the traits that were necessary for survival in
prehistoric times: we still fight furiously when threatened, use
emotion rather than reason, and seek status and adornment to
increase our chances to reproduce. Although many of these behaviours
serve no practical purpose in our modern-day society, they are effec-
tively 'hard-wired' into our mentality. Or, as the LBS professor put it,
'You can take the person out of the Stone Age . . . but you can't take
the Stone Age out of the person.'[37]

Nicholson went on to describe the significance 'evolutionary
psychology' has on the modern corporation. He believes that there's a
limit to how much a company can change a person's evolved nature –
skills can be taught and behaviours can be shaped, but the intrinsic,
hard-wired traits are ineradicable. So rather than trying to force people
to fit the company's mould, businesses should structure themselves to
suit the way people prefer to work. That is, go with the grain rather
than against it.

Skroo found this whole concept intriguing, not least because, as Le
Boeuf's *How to Motivate People* had done with Top Deck's success, the
hunter-gatherer theory reflected much of the practices that Flight
Centre already had in place. Egalitarianism, autonomy and sharing
were all typical of hunter-gatherer communities, for instance, and
were equally characteristic of Flight Centre.

The words of Robert L. Kelly, another academic in this field of
study, strike particular parallels between the company's philosophies

and early human civilisation. 'Many hunter-gatherer peoples emphasise autonomy in their everyday lives,' the anthropologist has written, with each person being 'headman over himself'.[38] And on the subject of sharing, Kelly noted, it is only the amounts that differ: in the Mamainde tribe of Brazil, meat is distributed equally among the families in a band; Yora hunters of Peru keep about 40 per cent of the game they acquire; and Australian hunters from the Gunwinggu tribe keep a third. Like Flight Centre, all members of the community get to share in what is produced by the group.

Flight Centre had also unconsciously emulated hunter-gatherer tribes when it came to leadership. Turner has been accused of being Neanderthal, and in the true definition of the word, this is not an inaccurate description – even if the comparison was intended to be unflattering at the time.[39] For according to Nigel Nicholson, prehistoric leaders were not necessarily the best hunters; rather, they were the hunters who shared the meat among their people (stewardship), who chose good sites to hunt and camp (strategic decision-making), and who could control the aggressive males and put to use the energies of the dominant women. Anyone who knows Skroo Turner would agree that he excels in all three areas.

What caught the managing director's attention during that flight in 1995, however, was the way the hunter-gatherer idea could be applied to corporate structure. When he discussed the theory with the other partners, they all realised that, according to Nicholson, the bigger Flight Centre grew, the less it would resemble a hunter-gatherer community. People would become more and more disconnected from the way they inherently preferred to work. If Flight Centre didn't make some changes to the structure now therefore, it was likely that in ten years time the whole business would suffer.

The partners could see that wherever Flight Centre had emulated the structural organisation of hunter-gatherer groups, it had been successful. Small retail shops with six or seven team members worked very well. There was a lot of individual autonomy – consultants set their own goals and targets, had their own clients, did their own local marketing, paid their own bills and received a share of the takings. But

like tribes of old, these teams also had to work together to survive. The shop responsibilities were divided equally into what Flight Centre called 'directorships', and each team tracked its own performance through daily and weekly meetings and analysis of the office's monthly profit-and-loss statement.

In contrast, the company had experienced less success when it tried to set up larger groups. A perfect example of this was the Elizabeth Street Flight Shop in Melbourne, which opened in 1986 with seven people, grew to eleven in its second year and was up to sixteen in its third. The results of this upstaffing had surprised everyone. 'The first year we made a profit of two hundred thousand dollars,' the manager at the time, Wayne Ackerfeld, remembers. 'The second year we also made this, but by the third year, when we'd doubled the staff, we effectively halved our profits to a hundred and twenty thousand.' It appeared that when Flight Centre increased team size over a certain number, productivity went down and profit suffered.

The company's state results demonstrated the same anomaly. Queensland had been Flight Centre's leader in profit growth throughout the first half of the 1990s. By 1995, however, with 50 shops reporting to a state leader, Queensland was still making profits but its annual growth was starting to fall. Flight Centre's back-end areas also lost efficiency as they added team members.

It was obvious that group size was important. But if Flight Centre wanted to make organisational change, it needed to know exactly how a hunter-gatherer community was structured. This was a difficult question. Much of the debate was conjecture, as these people had left little trace, and any modern-day examples hardly welcomed the intrusion of anthropological research teams. Nicholson, for his part, argued that our ancestral environment consisted of small family-sized teams in loose-knit tribal networks.

His theory was supported by the results of neurological experiments. Apparently decision-making performance falls off rapidly as the group size grows beyond seven. The human brain simply cannot simultaneously retain and process more than seven 'information chunks' at once. Telephone numbers were even originally set at seven

digits because of this principle. A conclusion could therefore be drawn that family-sized groups of a maximum of seven people form the most efficient work teams.

But there were some activities that were too big for single families, Nicholson realised. Large game drives – which required a number of beaters to move the animals along, as well as hunters up ahead to kill prey – required families to work together. Tribal networks were also necessary for intermarriage and religious ceremony. So a new question asserted itself: how big were these hunter-gatherer tribes?

The answer came from another British-based academic, Robin Dunbar, professor of psychology at the University of Liverpool, who demonstrated a connection between brain size and tribe size in a series of experiments. Nicholson would summarise the point in *Executive Instinct*: 'Sure enough, there is a remarkably strong and clear correlation, from the smallish packs of the not-so-bright monkeys to the large troupes of very smart baboons.'[40] Using this correlation, Dunbar worked out that the 'natural' size of the human community was about 150 members. This was the limit of the social network that the human brain could contain and navigate.

The Flight Centre partners decided to use the same figures to transform their organisational structure. In this way they hoped that as the company got bigger, it could remain adaptable and egalitarian. The partners called this operation 'Family, Village, Tribe', and from mid 1995 began restructuring the company into units as follows:

- **Families** – teams consisting of a minimum of three and a maximum of seven people
- **Villages** – three to five geographical teams that support each other
- **Tribes** – a maximum of around 25 teams with a single tribal identity that come together for celebration and interaction.

Their first step was to make small 'families' a physical reality. This was easy to do in the retail shops, where most teams were already this size. The company had learned from its experience with Elizabeth Street Flight Centre that setting up a second retail outlet nearby to deal with

over-enquiry was more successful than opening a giant shop or call centre. The small-team effect and its corresponding increase in profits outweighed the economies of scale experienced in the larger, more traditional outlets.

The company's back-end businesses required more reorganisation. Most had grown through need rather than planning and many had mushroomed well beyond the ideal family size of seven. Finance alone had 40 people, which meant that the manager had little time for emotional support and nurturing. Communication was difficult. Accountability was limited. The sense of identity of each group had become blurred and indistinct.

The partners now applied the 'family' concept to these back-end areas. Where before they had one large finance team, now they had ten teams of four people. The training area was segmented into communities of Novice Induction, Ongoing Training and a Team Leader Training Centre. Marketing, Property, Fit-out, and Technology soon followed suit. As well as improving communication and purpose, people also had more opportunity to become leaders following the change.

The physical reorganisation of these work areas involved some cost, but this was offset by the productivity gains from the more-motivated teams. There were also some logistical challenges. For example, Flight Centre hired a person in New South Wales to do its property leasing. Originally this person reported to a property leader based in Brisbane and was part of the 'family' there, but the geographic separation proved impossible when it came to emotional support, and the role was subject to high staff turnover. Skroo labelled this the 'shag on a rock' syndrome. 'We have clearly demonstrated that, unless people sit in families or teams together, they never work out,' he said at the time. 'We have to find a team for these people or we will be guaranteed constant failure.'

Villages were easier for Flight Centre to introduce because most didn't require any physical restructuring. The three to five geographical families in each village operated a 'buddy' system and conducted joint activities such as training sessions, celebration dinners and film

nights. In emergencies, the teams helped each other out by sharing people and supplies. The villages also acted as an informal emotional network. People could air their grievances and brainstorm solutions about the similar problems they faced on a day-to-day basis.

Families and villages were important, but it was the largest groups, the tribes, that would have the biggest impact on the company. Up to this point, Flight Centre had state leaders and country leaders who were overseeing an ever-growing number of shops. This system had worked well until the middle part of the 1990s but was now proving unmanageable. If Professor Nicholson's theory was right, it was really just a question of size.

Flight Centre broke the old geographic areas up into distinct tribes of a maximum of 25 teams each, which equated to approximately 150 people. Flight Centre Queensland, for instance, was now split up into four areas: one in the far north, two in Brisbane and one on the Gold Coast. New South Wales was split into four, Victoria into three, New Zealand into two, and so on.

A tribal or 'area' leader, as the state leader job title became known, was appointed to head each tribe. These area leaders effectively became the owner–operators of these businesses and were remunerated on the profit growth of their area. They could also buy into their business through the BOS system. The significance Flight Centre placed on this role is illustrated by its description in the company's systems manual, the Profit Guide:

The Role of an Area Leader

In a nutshell, you are the 'entrepreneur' who takes your FCL Business or Service Area and makes it successful. Quantitatively, you must grow your area in numbers of businesses, sales, margins and profits. Most importantly you must employ, develop and inspire the people in your area to be successful business and seat owners. Ultimately you must create the business that people never want to leave.

Ask yourself every day…

'Is what I did today, this week, this month, contributing to profitability of my business and the development of my people?'

You need to:
- Give focus/vision/direction with 100% buy-in
- Develop brightness of future for your people and a sense of community spirit
- Be motivated and be a motivator
- Have self-confidence/high self-esteem
- Lead by example
- Be a good communicator
- Be an astute business person/strict disciplinarian
- Be honest
- Have 100% ownership of your area.

How to Use Your Time

Spend 20% of your time on perspiration-type activities and 80% of your time on inspirational activities. SWOT [the global executive team] suggest the following activities should take up most of your time:
- Recruiting and retaining the right people is the number one activity
- Inspiring/motivating your people and total information-sharing with your people
- Taking care of the customer at every opportunity – use your area's six-monthly customer survey as a tool
- Communication of new company initiatives, new focuses.

Expected Outcomes

As an Area Leader, you are expected to: increase profits between 20–50% each year, increase sales between 20–100%, increase margins to 9–10%, increase staffing numbers by 15–20%, and increase business numbers between 15 and 50%, depending on how established your area is.

The new area leaders revitalised Flight Centre's community life. With the help of their own family – which included an accountant, a marketer, a recruiter and a trainer – they created elaborate tribal identities. Examples of Flight Centre tribes in 2004 included SEXtroadinaires, Gladiators, Urban Legends, Euphoria, Surf 'n' Turf,

Ab Fab Triad, Generation Next, Bottoms Up, Simpletons, The Griz-zlies, Magic Kingdom, and The Far Side. Each tribe had its own catch-phrase, such as 'Right here, right now', 'No limits, no barriers' or 'Ain't no mountain high enough'.

Like contestants on the reality TV show *Survivor*, tribes compete fiercely with each other for results and recognition. This internal competition has been found to be good for productivity. 'When people feel comfortable and not at risk they tend to be compliant,' is Turner's rationale. 'Hence you get a soft, fat company and no one does much.' The tribes are driven by their desire to outperform each other, regardless of what's happening outside the company.

Many tribes excel in ingenuity. After tiring of their treatment as a continual underdog to the Australian operation, the two areas that constituted Flight Centre New Zealand, for instance, spelled 'New Zealand is Number One' with their bodies and filmed it from a heli-copter to play at an Australian managers' conference. A NSW tribe wore white linen suits and blue gollywog wigs to let everyone know it had arrived at the 2002 International Awards in Singapore. As a way of demonstrating their distinctiveness, the women from the Flight Centre Shockwave tribe even pulled a 37-tonne Qantas 737-300 aircraft 100 metres along the runway, thus making national news and the Guinness Book of Records until a minor technicality saw them excluded.

Initiatives like these enable Flight Centre people to live and partic-ipate in a system attuned to their ancient heritage. They have lots of fun and, like their hunter-gatherer ancestors, blur the boundaries between work and non-work. Instead of having to play in a band at night to alleviate the boredom of their day-to-day life, Flight Centre people can play in their own band at Buzz Nights. Or they can run in the London Marathon with their tribal colleagues – or hot-air balloon, white-water raft, dance the flamenco or act in a play at their tribal conferences.

The tribes are also a way for Flight Centre people to get involved in their local community. Most Flight Centre shops give a substantial donation each year to the charity of their tribe's choice. Consultants

from the Toronto tribe, for instance, collected all the courtesy toiletries from the hotels they stayed in for a year and gave them to an abused women's shelter. The Shockwave tribe built a children's playground locally in Berhampore in Wellington.

By 1999, it was apparent that the Family, Village, Tribe system was working well. In Queensland, profits increased as area leaders with a vested interest in their tribes reinvigorated the small communities. Flight Centre experienced similar results across the company.

Such a result is hardly surprising – and again it pays to turn to anthropological research for the reason. This is how the Kalahari hunter-gatherers known as the San people were described by Professor Richard B. Lee some 30 years ago: 'these people still retain something that may ultimately prove to be far more valuable than physical amenities in this . . . world: *a continuing, functional community and family organization and a continuing sense of personal and social identity*.'[41] Sound familiar?

Flight Centre's Family, Village, Tribe structure gave its people this constant framework. Even though the company was doubling in size every three years at this point, within the family cells there was a rhythm and regularity to each person's life. No matter where they worked or in what capacity, there was a sense of belonging that made people feel part of something greater than themselves.

The structure also made Flight Centre more adaptable. When demand in a shop or business increased, the partners simply started a new business. Similarly, when a tribe grew greater than 150 people, it was split into two. The system was self-replicating. The partners didn't have to keep readdressing their corporate structure, and they could make big changes rapidly, without affecting their culture.

Family, Village, Tribe also aligned with Flight Centre's preference for a flat management structure. Area leaders reported to national leaders, who reported to the global executive team. There was no need

for an elaborate hierarchy. 'Hierarchies didn't exist in hunter-gatherer tribes as they weren't big enough to need them,' Skroo reasons. 'They only developed following the discovery of agriculture ten thousand years ago, when people began to congregate in cities and needed to be organised. They are a necessary evil for large companies, but it's important to remember that they aren't natural to humans and they are a cost to the business. It's the front-line salespeople who make the money.'

As a result of the company's adoption of hunter-gatherer principles, the organisation is a more expensive corporate structure than traditional business set-ups. Where most companies would have one area leader, Flight Centre has five. Where competitors would have one megastore, Flight Centre has three individual shops. Traditional accountants often question the commercial sense of these decisions; they see the increased costs, but fail to consider the growth in productivity that accompanies a corporate structure aligned with human nature. Yet this has been a key factor in the company's success.

In the last decade Flight Centre has doubled every three or four years. Without the Family, Village, Tribe concept, this level of growth would've been impossible to sustain. At the same time though, the rate of expansion has also led to some erosion of the hunter-gatherer principles, particularly in the non-retail units. 'The village system is not working well in some areas,' Skroo Turner admitted early in 2005. 'We are looking at standardising it to make it more effective. Also, in certain back-end finance, businesses and IT areas, sometimes we haven't been faithful to our philosophy in terms of numbers. We know that whenever that happens, our productivity drops.'

Flight Centre is not the only corporation to implement the principles of evolutionary psychology. Ricardo Semler, CEO of Brazilian company Semco, also went back to the drawing board in an attempt to find a 'natural' style of management, which turned out to be, in Nigel Nicholson's words, a 'highly successful self-organizing communitarian system built around small sub-units'.[42] Similarly, Virgin and Gore-tex, British and US companies respectively, achieved phenomenal success by breaking down the size of their internal communities.

But these other three companies were unaware of the evolutionary psychological perspective of what they were doing, according to the London Business School professor. They applied their policies through instinct rather than rational deliberation. Therefore, Flight Centre's Family, Village, Tribe restructure was not just the successful implementation of an abstract idea, but also a management first in corporate practice. As Nicholson told me in 2001: 'Flight Centre is the only company I know of that has *consciously* applied these types of strategies to business.'