

Charting the Course of Business with Compassion



Speech By:	Fred Taylor, Jr. Senior Manager Proactive Customer Service Communication
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Opening Remarks

Good morning – and thank you for inviting me to your Spring Meeting.

When I received Randy’s invitation to speak to you, I was both excited and honored to have this opportunity—excited because it’s always fun to speak about Southwest Airlines, and it’s an honor knowing you were interested in having me talk about the Culture that’s been espoused by our President Emeritus, Colleen Barrett.

Please know that even though Colleen was unable to attend, she sends her praise, well wishes, and LUV to each and everyone at Trilogy. And, like me, she ‘s impressed with your organization’s Core Values, Servant Leadership, and efforts to live by The Golden Rule.

Before we get started, I have to ask—by show of hands, who took a Southwest flight to get to this meeting? That’s fantastic—thanks so much! We dig your choice and truly appreciate your business!!

Now, I’ve worked for Southwest for 14 years. I started as a Customer Service Agent in Louisville (my hometown—I can’t think of a better place, by the way, to set up shop for your home office). Since then, I’ve worked in other airports across the system

before landing in my current role as the Leader of Southwest's proactive Customer Service initiatives.

Throughout my wonderful career journey, I've seen and responded to some pretty interesting Customer situations along the way. With this in mind, I'd like to share with you a few "insider" tips about air travel that I encourage all of our Customers to consider:

- The first is—don't eat a big meal before you board your flight as the changes in the cabin's pressure may cause your digestive system to revolt.
- And, the second is—if you happen to be a nervous flyer, I recommend that you don't try to calm your nerves with copious amounts of alcohol. And, whatever you do, don't mix it with prescription medication because we have found that these things have a tendency to make men mistake the seat cushion for the lavatory, and women to re-enact "Girls Gone Wild" at 35,000 feet!

(Hey, trust me—these things have happened on more than one occasion!)

Road Map

So, as most of you probably know, the book "Leading with LUV," written by Ken Blanchard is a question and answer session with Colleen or "Mom" as we company insiders more affectionately refer to her. The book really gives a conversational look at how Southwest Airlines continues, on a daily basis, to be a Company that values compassion and heart as much as it values business.

As I was preparing for our discussion today and learning about who you are as a company, I thought it was interesting (and worth noting) that Trilogy's Core Principles

and Southwest's Core Values contain functional similarities. That is to say, our goals for creating excellent environments for both Employees and Customers are, at a basic level, very much the same—that shared vision about developing a healthy organization from the inside out provides an excellent platform for today's forum.

So, as we take a look at Trilogy's infrastructure and how it's continued success will set the bar for other businesses to emulate, I'd like to direct your focus to three specific areas:

First, we'll talk about Culture, and why you and I both know that there's more to it than birthday cards and cup cakes. Culture is—in fact—the very soul of your company.

Second, we'll take a look at how you sustain Company Culture—by giving intentional *value* to the individuals whom you're counting on day-in and day-out to nurture the Company soul.

And, lastly, as we wrap up, we'll examine the ways you can actively use Trilogy's Core Principles to develop and reinforce an environment that is internally stable for your Employees and externally desirable to your Residents and the families of would-be Residents.

Culture

So, Culture—like we mentioned—is the soul of your organization. It motivates, manages, and measures the will of the People within the organization.

How does it do that? When a bond forms between Employees inside an organization, it motivates them to return to that environment because they have a sense of belonging. When you determine what type of service will be provided, your Culture

will add a flair of uniqueness to the management of those services that distinguishes you from other competitors in your market. And, **as** that unique flavor starts to take root within your company, you will be able to evaluate the effectiveness of your Employees will by way of your Customers' satisfaction. To put it another way, if your Employees are happy, then your Residents will be happy.

As Leaders (like Herb and Gary), we set good examples for our Employees to follow. What do you think will happen if didn't do that? If Employees don't have direction, then the end result could be the antithesis of a good Culture.

Companies like Trilogy and Southwest have Cultures that uphold higher beliefs, standards, and decision making processes. Our Cultures provide a greater good for the communities we serve, and they potentially become industry role models. In this regard, the Company's Culture also forms the groundwork upon which everything is cultivated and flourishes.

It's heavy stuff to think about at 8:30 in the morning; but it's true that in the long run, genuine Culture has the power to serve society.

If the Culture is the soul of an organization, then the People are the heart of it. Of course, to have a healthy heart, you have to hire the right People. At Southwest Airlines, we look for People who have the ability to demonstrate high standards of care and truly want to make a positive difference in the lives of their Fellow Teammembers, Customers, and for the Company as a whole.

Now, I'd like to show you a short clip of Colleen talking about how the People we hire make Southwest unique. Please take a look...

[Colleen Video]

So, to emphasize what Colleen said, once you've hired the right People and introduce them to the "do's and don'ts" of the organization, the next step is empowering them to solve problems; encouraging them to deliver great service; and coaching them to navigate the gray areas of daily issues in work life. As Leaders, let your Teammembers know that, unless their actions could compromise safety, security, or the integrity of their Fellow Employees, use the rules (which we at Southwest call "guidelines") as starting points to help your Residents and their Family Members.

Better yet, use the guidelines to find win/win solutions for your company and your Residents. An example from my world would be if something unexpected happens at the airport and that leads to a flight delay. We don't specifically say that our Frontline Employees should issue vouchers to ease the pain—but we don't say they can't either. If our Employees feel like the Customer should be given a voucher for a travel inconvenience, then it's better for everyone to have the Frontline Employees issue the voucher on the spot rather than make the Customer request it later from our Customer Relations Department.

To achieve this common-sense type of thinking and level of decision making, Employees have to be empowered and trusted to do the right thing. Employees have to know that their competency is appreciated and valued.

I'd like to show you another short video of Southwest's Founder and Chairman Emeritus, Herb Kelleher. Let's see what Herb has to say about People...

[Herb Video]

People

So, now that we've taken time to explore the importance of defining your Company's "soul," let's take a few minutes to look at the importance of the People who comprise that soul and represent your company to the public.

For those who have children at home, you know there's never a shortage of opportunities to reinforce positive behaviors. You might say something like: "The fact that you didn't retaliate when your sister pulled your hair is impressive." Or: "I know you worked very hard on your science project—thank you for not burning down the house while doing it." And, better yet: "Thanks for not telling your teacher that daddy said a cuss word while watching the basketball game—that's top notch!"

Don't we all enjoy receiving these kinds of kudos every now and then? And, don't we like to give them as well? So, if we know this produces a sense of pride and ownership in even the youngest members of our family, why shouldn't we extend the same courtesy to adults as well?

Your Employees need to feel valued, and I think that's one of the things that Trilogy has done particularly well with things like your ER3 program and the like. I can't emphasize enough the importance of letting your Employees know how much they are appreciated—especially when they go above and beyond to take care of a Resident. If you want more Employees to take those extra steps, you have to instill in them a sense of freedom.

A great example of this concept, playing itself out in reality, is a situation where a Customer, an elderly lady (80 years old), who had just checked her bag. She was sitting on a bench with her son before she was about to embark on her trip. One of our Customer Service Agents in New York, Yvette, noticed that the two looked worried; she

introduced herself; and provided the son with an escort pass so he could take his mother to the gate. The son, a fairly frequent business traveler on other airlines, was shocked by Yvette's perceptiveness and sent a note to our Corporate Headquarters saying: "I have never been treated in such a (kind) manner by any airline representative. That small exchange conversation has left me with an indelible impression for which I will be always grateful."

Isn't that the kind of feedback you want your Employees to receive? When we learn about these meaningful moments, our Executive Office kicks into gear and sends the respective Employee a personal commendation, along with a copy of the Customer's correspondence—all of which is also sent to the Employee's Leaders (from the top down) letting them know their Employees are doing a great job.

This type of feedback and sharing is great for the Employee, in this case, Yvette; and it's also very good, in many ways, for the Company too.

Back in Dallas, we also LUV to recognize outstanding Employees with ceremonies held in the lobby of our Headquarters. One such occasion is the "Heroes of the Heart" celebration—this is held on Valentine's Day every year to honor the contributions of a specific behind-the-scenes workgroup for the service to its peers and the Company as a whole. We'll decorate with balloons and streamers; we'll take a small break in the middle of the day; we'll call these Folks out by name and give them something special like a replica Southwest airplane; and then they get to have their picture taken with the Founders and CEO of the company.

Again, as a business, no one is expecting you to pat an Employee on the back just for doing the job that's expected; but that's what makes it special and unique, and that's how we try to create an innate sense of purpose in our People by reinforcing

behaviors that can only be genuine when they are not the result of a job expectation. **Rather**, they are the result of a lifestyle of compassion that naturally carries over into the workplace.

Your People make your Company different from others. Your People will be the reason the public trusts you and chooses to interact with you instead of “the other guys.”

This past New Year’s Day, we had a flight at Buffalo, NY that was delayed because we were waiting for the on-call contract mechanic to show up. It just so happened that a Southwest Mechanic (who was on vacation) was in the airport to take another flight; he heard about the situation; he offered his help; and he fixed the mechanical issue to get that flight on its way.

What this Mechanic did in Buffalo was great—it’s what we would hope all of our Employees would do; but I also want to point out that, we also see Employees who do the every day “stuff” really well, and they also need to be recognized. In this regard, a personal note does mean a lot—it doesn’t have to be long winded or even formal for that matter. But simply taking a few minutes to jot down a message, like: “Hey, I appreciated you for taking an extra minute to help a Resident tidy up.”

This will acknowledge that you recognize extra effort when you see it and you value the time your People spend forming positive relationships with the Residents. Your people are counting on your feedback. Be liberal with the words of support and encouragement. Likewise, when someone makes a bad decision, then you also have to be intentional with the corrective advice too. These are just good tenants of strong Leadership.

Core Principles

In my communication with Dave Hare, it was stressed that Trilogy's Leaders aim to be open-minded. They are not interested in having their own way, but in finding the best way. This a great thought to consider as we move into discussing how to best use your company's Core Principles to stabilize your People and their passion. Having fun is great but, at the end of the day, you're still running a business, and from time to time you'll find yourself facing a challenging situation.

It's my understanding that Trilogy Employees come to work each day with the Core Principles on the back of their badges. That's fantastic! But if you want to see these Principles in action...The Commitment to exceeding your Resident's expectations; the right Employees making a difference; taking the team approach, and paying attention to details...they have to be woven into the daily fabric of your organization.

Understand this process starts with each of you.

Memorize your principles, and use them to establish a "True North" for your decision making processes. When your Team Members notice a consistent, integrity-driven rhythm to your work ethic, they'll make the connection that your actions are being guided by honesty, and they'll follow suit.

It's one thing to tell your Employees how they should act. It's yet another to actually show them through Servant Leadership.

The old adage will always prove true: Your actions speak louder than your words.

On a good day, Servant Leadership rises to the top—someone needed a helping hand, and you were there to lend it. On a *normal* day, motivation comes from within to deal with those “challenging situations” that I alluded to earlier.

Therefore, a good rule of thumb and the approach that I try to encourage my own Team to take, is this:

Don't be afraid to be real and sincere. Open up. Even though vulnerability isn't a quality most of us are comfortable with (especially at work), it will serve you well in time with practice—I promise.

This is where the “real-world” application of your last Principle... *Taking what the company does very seriously, but not yourself...* really comes into play.

When resolving issues, Employees must be willing and able to see through a Customer's—or, in your world, a Resident's—frustration and get to the crux of the matter: A humble acknowledgement of a Resident's concerns is not an admission of guilt—it's simply an expression of sincerity to help the person feel better about his or her experience.

This is the way someone responds when he or she has internalized your principles and is taking ownership of Trilogy's vision.

And, we've come full circle.

The Core Principles stabilize the Company Culture. The Culture establishes a prosperous, enjoyable environment for your People.

And, your People—relying on a combination of common sense and the course laid out by the Core Principles—will foster relationships that produce a genuine community for your Residents.

So, we've tied these things together: Culture, People, and Principles.

How do feel about all of this?

Well, in the time we have remaining, I invite you to share any of your questions.

Thank you for your time and attention. I hope you enjoy the rest of this meeting, and wish y'all happy flights on the way home—don't forget my travel tips!