



Stanford eCorner

JetBlue: Establishing Organizational Structure and Culture

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JetBlue's secrets for success: Hire and train great people, develop purpose, vision and values. Establish organizational culture, listen to customers and employees. Cultivate leadership. Provide incentives to employees.



Transcript

Just briefly, we thought about how we would hire and train, how we would set expectations, and how we would monitor all of these to make sure that it was really happening because accountability is so important. So we came up with a system where we believe we know how to hire people who liked people. And then we also know if they don't like people after all. We can maybe try to fix them or we can have them go find another job. But hiring great people, training them well, spending extra money on training, giving people the right tools to work with, empowering them to do certain things so that they really like the way they're treated and the way things are. And then setting up compensation structures. I mean there's a couple of pet peeves that I have and I get asked these same questions all the time. I'm kind of getting frustrated and it drives me insane, but a lot of people say, "Look, United spends 49% of all of its labor cost on labor, and you spend 25%. Therefore you pay your people half as much as United. So that means you're going to be unionized someday." I'm like, "Wrong.

First of all, we don't pay our people half as much as United. If you took the new United wages, in almost all categories, we pay people more than United does." "Well, how is that? It doesn't make sense." Well, it makes sense because we are more efficient, because we use high tech, we use technology. We better utilize our people. We better utilize our assets. And we've taken lots of pages out of South West's book. South West is the most highly unionized carrier in the country, I don't know if anyone knows that. So we've use a lot of those techniques to become better. So we pay our people well. And a lot of pay that they receive is incentive. Pilots that fly over 70 hours a month, for the 71st hour, they receive time and a half.

For flight attendants, it's the same thing, and they're fighting for the hours. They want to fly more instead of fly less. About 20% of their compensation last year -- they get a great wage to begin with, a fair wage, one that's in the top third of what the industry gives. And then an additional 20% on top of that, based on the success of the company. Last year, 15.5% of their salary in addition was paid out of profit-sharing. In just our second full year of operation, we paid \$17 million back to our crew members, over \$17 million which was 15.5%. Then we matched 401K 100%. We allowed people to buy discounted stock in the company so that they can be payroll-deduct and buy stock at no worse than 15% return on their investment. And I tell people all the time, the frontline people that are really doing it everyday and really making it happen, and they worry about job security. And I give them a simple formula.

And I say, "OK, here is your formula. Show up to work on time sober," because sometimes, people forget about that, pilots

in particular -- no, no. At some other airlines -- with your clothes on, I should say. Take care of your co-workers or your fellow crew members, and go take care of your customers, that's what you have to do. So that expectation level. And from Day One, we go into orientation. And I'm there on the first day, and Dave Barger, our president and CEO is there on the first day. We talk about the company culture and we talk about all of the things that we do at JetBlue to make your life a lot easier. And we talk about the pay and we talk about the benefits. And we talk about -- I teach airline economics, that's my course.

And I talk to them about revenues and how we have the best load factors in the industry and why we do, and it's because we take care of our customers. It's because 60% of our new customers come to us by word of mouth. 20% come to us by advertising. We spend \$30 million a year on advertising. We get three times more by word-of-mouth. And I talk to them about cost and how we keep our costs low by better utilizing them. And I explain that it's not on their backs. We did not build this company on your backs because we value you. We can't expect to pay you less and say, "Take care of the customers, damn it, or you're going to get fired," and expect that that's really going to happen. We have to really do it through example and take care of people.

So setting those expectation levels from the very beginning. Now as far as monitoring and following up and being able to do that, we have, I think, a very important tool we have in our company. We have what we call Crew Member Speak-up that at least once a year, we do an online survey that's anonymous. It goes to Market Matrix, which is a company based here in the Bay Area where our crew members can go online and they answer 68 questions about the company. And they are anything from "Do I receive a fair wage just for my industry?", "Do I receive benefits that are fair?", "Do I like my supervisor?", "Is my CEO smoking ragweed when he tells me how great things are?" I mean all the way down, it's very specific questions about the company. We just finished one and I'm anxiously waiting for the results. And I got kind of preliminary results. 72% of all of our people filled that out. I don't know if you do much surveying. We were a bit disappointed because our goal was 80% but we only got 72%.

That's a lot in surveying, to be able to get that kind of a reaction. Now, world-class companies score about 81 on this particular survey. And we score, I think the number I heard was 79 which was just below world-class. And we now, we're going to dissect all of those by department, by location, we don't know who the people are, and take all of the comments, and then roll all those out to all the officers, that we roll down to all the directors. We come out with action plans for everybody, "OK, this is what you have to do now. You're going to be accountable for these numbers." And so we have to continually take the temperature of what's going on, because when I get up in orientation and I tell people, "You're going to love working for JetBlue. We're going to value you. We're going to respect you. Much is given and much is expected. Once we train you and tell you exactly what to expect and then we're going to hold you accountable to that.

And if you don't treat our customers well, we're going to ask you to go find another job. And if you really don't like people, like you've told us in interview, live we've tried to determine." So we set the bar and the expectations." And so if it's not really like that, once they leave that place, if they're not valued, if they're not respected then we want to know about it.