Building Great Teams

Hierarchy, self-management, scorecards, candour and coaching

A report for

By Matthew Gunningham

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Executive Summary

It has been said that the only constant in business (and life) is change – changes in rules and regulations, technology, consumer preferences, markets and even the climate. These changes are all things that farmers deal with on a day-to-day basis. The people working inside a business may well be considered by some to be another area of change to add to the list of challenges to address. However, an alternative view is that human nature is not changeable, so whilst individuals may have their own preferences, skills, strengths and weaknesses, they also have the constant need to be valued, recognised for their efforts, trusted, given the opportunity to contribute and to grow the talents and abilities in their areas of interest and to be heard and respected.

In historical production line settings, the 'command and control' approach could be a very efficient way to manage people. However, in today's increasingly competitive and changing business environment, the ability to operate profitably and to attract people who can add value through fully engaging themselves in an enterprise has become vital.

Evolving the way business is structured, how responsibilities are arranged, how results are measured, how communication takes place, and how training and skills are continually upgraded results in happier, engaged, and productive people. This enables employees to make their highest contribution to the business and this can only improve the ability of the business to deal with external forces continually challenging long-term prosperity and survival.

As part of this research, examples of these more evolved systems were seen working well in a variety of settings, sometimes individually and in other cases combined with each other. Each one is a step forwards – in combination they become a powerful force, unleashing human potential and creativity and reinforcing happy and productive workplaces.

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Foreword

As part of my Nuffield Scholarship, I left Australia seeking to understand how the best businesses in the world manage their people. I wanted to find out what they did and how they did it as well as the commonalities that these great performing businesses all shared.

I pondered whether I would be able to summarise it into a set of 'all weather' principles that would work just as well in a dairy enterprise such as ours that encompasses ownership stakes in seven different dairy farms – with operational control over six of these – as they would in a chain of McDonald's franchises.

My travels took me to New Zealand, Chile, Brazil, the United States of America (USA), Canada, The Netherlands, Italy and United Kingdom (UK). About halfway through my research journey I had formed a relatively standard thesis:

- Make expectations explicit.
- Ring fence responsibility.
- Pay a little more than the going rate.
- Treat people with respect.

During the second part of the study, I had contact with several businesses and people who changed my thoughts on this entirely! I was relieved that I had structured my travels in the way I did – which was out of necessity due to business commitments, not through any extraordinary insight – or I may have missed this new thinking entirely.

Based on my original thesis, I had my report more than half written, but having had these further insights from this later combination of visits, I deleted my report and started over.

My original report contained quite standard advice on employing and managing people, which has been gradually refined over the past 200-odd years, much of it based on the command and control of employees, management structures and organisational hierarchy.

The key insights that caused me to begin again came from four visits in the USA in June 2018.

Acknowledgments

I would like to acknowledge the strong support of my family, leaving my wife Pip at home with our five children and the business whilst I spent a considerable amount of time travelling, was a big ask, for this, I am very grateful. To my children, thank you too for being so helpful whilst I was away.

I would also like to thank everyone connected with our business, work colleagues and service providers for their support and assistance whilst I was absent.

I must also thank every one of the people with whom I spent time with on my travels - the differing perspectives, novel approaches, paradigm shifts, clarification and often seeing these people in action were all so helpful me in gaining a much deeper understanding of my subject.

Finally, I would like to thank the Australian Dairy Conference and Nuffield Australia for their investment in me.

This scholarship has been an opportunity for me to create some distance from the day-to-day busyness of our business, to exchange thoughts and ideas with some truly inspiring people, and to think and reflect on what I have seen, heard and thought which has allowed me to develop and evolve personally.

To all, thank you.

Abbreviations

CANI	Continuous and Never-ending Improvement
CPI	Consumer Price Index
KPI	Key Performance Indicator
Ha	Hectare
RRR	Results to Resources Ratios
UK	United Kingdom
USA	United States of America

Objectives

- Is the way most businesses are currently structured the only way, or the best way?
- How do the best businesses communicate results to their people?
- How do the people within high performing businesses communicate with each other?
- How do great businesses develop their people?

Chapter 1: Introduction

The forces of capitalism are unrelenting, brutal and destructive. Agriculture is not immune.

As a consequence, agricultural enterprises have become larger, more complex and often geographically spread.

The ability to attract the right people – and then get the very best results from them – is a vital skill. Businesses that do this well, grow and prosper but business that fail in this area, stagnate and ultimately disappear.

When great businesses see opportunities, they have the capacity to seize them and execute effectively and when they do face difficult times, they navigate these challenges better than their peers.

The Australian Dairy Industry has undergone massive changes over the past 39 years.

For example, in 1980, there were 21,994 dairy farm businesses in Australia, with an average 85.4 cows per farm, producing 246,976 litres per annum. In 2019, there were 5,213 dairy farm businesses in Australia, with an average 276.2 cows per farm, producing 1,687,128 litres per annum (Dairy Australia, 2020).

In summary, over the past 39 years have seen:

- 76% reduction in dairy farm business numbers.
- 69% increase in cow numbers per farm.
- 85% increase in annual farm output.

It can be argued that this is creative destruction in action.

The current set of business management 'norms' were formulated around the time of the industrial revolution and these management principles led to a massive increase in productivity which has led to increased living standards over time. However, once a set of useful management principles are ubiquitous, they no longer lend any competitive advantage to industry participants leading to the old truism – '*if you do the same as everybody else, then you'll get the same results*'.

Getting the same results as everyone else is not an option for the long-term prosperity of a business.

Business is comprised of physical assets, financial assets and people. Author Steven Covey contends that people are the most important of the three because people control the physical and financial assets, and it is the way that these assets are managed creates results.

The author believes therefore that this is why people are the key and has been the focus of this Nuffield research.

Chapter 2: Hierarchy

A 'hierarchy' business structure refers to the hierarchical or pyramidal structure that delegates business activities, processes and employees in multiple vertical and lateral levels. Here, power and authority are delegated downwards from the top, from each manager to his subordinates. Each position has a complete sphere of operation (hierarchystructure.com)

This chapter focuses on a dairy business case study from Missouri in the USA which has excellent financial business results and a flat management structure. There is no formal hierarchy, no official manager directly organising the farm staff and each person has a role to fulfil and an area that they are directly responsible for.

Case study: Emerald Dairies, Missouri

Overview

The author visited Missouri in early June 2018 to meet Niall Murphy, originally from Ireland, who had been farming in the USA for ten years. His business, Emerald Dairies, milks 1,700 cows on a seasonal calving, grass-based system across three dairies near Carthage, Missouri. One farm is owned by Emerald Dairies milking ~700 cows on 225 hectares (ha), the other two farms, milking ~500 cows each on a total of 342 ha are owned by Grasslands LLC. Two of their 14 Missouri dairy farms were also visited by the author as part of this research.

Emerald Dairies has been solidly profitable since its inception, utilising well-proven science based grazing principles. It has also adapted to the challenging local climate conditions which include freezing in winter and hot, humid weather in summer. These conditions create difficulties for the livestock. For example, at calving time in February, the freezing weather means they must provide a heated shipping container to warm newborn calves for the first 24 hours of life. The environment is also not conducive to perennial ryegrass survival and further, they suffer major loss of feed quality from mid-summer as some of the poorer species of grass begin to dominate their pastures. An extensive search for suitable grass species has so far yielded one variety of perennial ryegrass from France that will survive. The other adaptation that has occurred is a shift to white clover dominated pastures, which not only survive and produce well in the local conditions but has helped to overcome feed quality issues, with the added benefit of fixing large amounts of atmospheric nitrogen.

It should also be noted that the seasonal calving, grass-based system is not the norm in this region. Much of the learnings at Emerald Dairies has been through testing, trial and error which is arguably the slowest, most costly, and personally painful method of learning. Yet there had been some solid lessons learned in the early years by adapting to local conditions and still sticking to the principles of a grass-based system to generate acceptable returns.

Business results

Physical results from the three dairies were at least comparable to, if not better than many dairies in south eastern Australia. Financial results are extremely impressive, generating

returns on capital of 15% on owned land and 25% on the sharemilking operations. In addition, Emerald Dairies has generated a compound annual growth rate of 36% over the ten-year period of operations. Other results include:

- Cows / person ratio was ~200 cows per FTE.
- Nitrogen use is ~100kg/ha, half of which comes from chicken litter.
- Purchased feed averages 700kg per cow but has varied from 300kg/cow to 1,500kg/cow, i.e. during severe drought, prior to investment in irrigation.
- Contractors utilised for silage, hay, cropping.
- The business owns minimal plant and machinery.

With these impressive results, the author wanted to explore further to discover what factors led to this sustained performance. It became clear that Niall could not be on every farm every day directly supervising every detail of operations. Therefore, systems are simple, clearly defined and replicated across the business and they work.

Other factors of business success include the use of agricultural science students from University College, Dublin, which have been a great source extra seasonal labour. More than 25 individual students have now completed placements at Emerald Dairies, three of whom have returned to work full-time.

Profitability per ha is a definitive focus, as Niall stated:

> *'Our production per cow has varied from 340 to 370kg milk solids per cow and we haven't seen any effect on profit. Its grass utilised per ha that drives profit. In short, we farm hectares, not cows.'*

Flat management structure

Most of these factors fit in any high-performing dairy business but it was not until the author queried the way in which the workload on each farm was divided, did a clear difference from 'the norm'' emerge. On each farm there is no formal hierarchy, no official manager directly organising the other farm staff. Each person has a role to fulfil, and an area that they are directly responsible for. The roles on each farm are broadly broken down into cows, calves and grass.

When queried on the reason for this structure Niall said:

> *'I did not like the usual hierarchy in the dairy industry, just think how demotivating it is for, say, the sixth person on a farm'.*

Niall believes that the flat structure works well as each person had a very clear understanding of what was expected of them. Each have their own contribution to make to the enterprise

which is liberating for that person to be entrusted with a position of responsibility sooner than they may have achieved in a traditional hierarchical system.

After spending time with over half of the Emerald Dairies staff, it became clear that this responsibility was extremely motivating. The staff had clearly been selected carefully and based on ambition and aptitude and were the types of people to rise to a challenge. The author was impressed with their passion for their roles and hunger to learn more.

The reward structure is relatively straightforward and based on each staff member becoming more experienced and valuable over time, allowing them to increase their salary by a flat rate per year over a five-year period which represents an increase of 20% of their salary in year one, and closer to 10% in year five.

Niall had a firm conviction around spending time with his staff and coaching and mentoring them. This manifested itself in several ways:

1. Niall walks the farm weekly or fortnightly with his staff. He finds this a great way to stay in contact with them, as well as a forum to ask questions and deliver feedback.

2. Two longer-term employees have invested in livestock to build equity to invest in a farming venture of their own. This involves having access to purchase surplus stock. Niall spends time with them, mentoring them to ensure they stay on track with their plans. He stated that it is a good opportunity to teach them how to think.

3. Niall hosts staff for informal barbeques to expose them to visitors they can learn from and ensure they know he is thinking about them and their development.

4. Appreciation is also demonstrated by taking staff away for short breaks after calving, covering the accommodation and meals.

5. Financial information such as monthly profit and loss accounts is shared with staff who assist to generate annual farm budgets. This is important for keeping staff involved in the business and for helping them to develop their financial skills.

In summary, the visit to Emerald Dairies gave the author an insight into an alternative way of structuring a dairy business that bore many resemblances to his own. There were initial questions as to how the farm activities be coordinated when there is no one person organising them. Yet it became clear that because each person had a different role, they all contributed, based on the ground level knowledge of the area in which they were responsible. Further to this, often the diversity of opinion helped to generate better decisions, and this appeared to be working well. Each farm is staffed by three to five people, and so they can coordinate themselves effectively, with some guidance from Niall Murphy. Whether this type of business structure could work in larger businesses was unclear to the author at the time of the visit.

Chapter 3: Self-Management

This chapter focuses on self-management and a case study taken from a visit to the Morning Star Company in California, which promotes a flat structure and no hierarchy in its workforce. There are no organisational titles, and all employees refer to themselves as 'Colleagues' and consider themselves as professionals in their respective roles.

Case study: Morning Star Company, California

Overview

The Morning Star Company was established in 1970 by Chris J. Rufer, originally as an owner-operated trucking company. In 1990, the first tomato processing plant was constructed at Los Banos in California, producing tomato paste. In 1995, a second plant was constructed at Williams in California, also producing tomato paste. In 2002, an existing bulk diced tomato plant was purchased and completely revamped.

Today, Morning Star accounts for over 25% of the California processing tomato production, supplying 40% of the USA ingredient tomato paste and diced tomato markets, with industrial sales of approximately $350 million. The company also operates California Sun Harvesting Company, which handles the agriculturally related activities of the company. Together they represent the largest tomato processing company in the world (company website).

The author visited the Williams plant in June 2018. The site was a hive of activity gearing up for the upcoming tomato harvesting season.

The company has approximately 400 full-time employees, and during the tomato harvesting and processing season – which lasts 65-75 days each year – an additional 2,300 seasonal people are employed. It has a self-managed organisational philosophy, based on two foundational principles:

1. Individuals should not exercise the use of force or coercion against other people (or the property of other people), and
2. Individuals should honour their commitments to others.

There are nine other behavioural principles:

1. Humility
2. Integrity
3. Value creation
4. Personal responsibility and initiative
5. Human respect and information exchange
6. Tolerance
7. Doing what is right
8. Gaining agreement with direct communication
9. Involve Colleagues in decisions and coordination

The Morning Star Company is large and diverse, focusing on biotechnology, plant genetics, food science, thermodynamics, microbiology, agronomy and logistics. It has a flat structure and no hierarchy. In place of directive management or bosses is the company mission statement:

> *'Our mission is to produce tomato products and services which consistently achieve the quality and service expectations of our customers in a cost-effective, environmentally responsible manner. We will provide bulk packaged products to food processors and customer branded, finished products to the food-service and retail trade'.*

There are no organisational titles. All employees refer to themselves as Colleagues and consider themselves as professionals in their respective roles. As Chris Rufer says:

> *'I go to the people who have knowledge and ability to solve problems. If you break your leg you don't go to a machinist, you go to a doctor. If you have an issue with legal things you go to a lawyer. You go to those people who can help you, and that's recognised in the enterprise very quickly. Yes, there are no titles, but it gets to be well-known who knows what about what, so those people have influence because they deserve it. So true leaders will appear because they have the knowledge, competency, integrity to get things done and to help you and they will gain influence because of that'.*

Colleague letter of understanding (CLOU)

Each Morning Star colleague executes a 'Colleague letter of understanding' also known as a CLOU. A CLOU is an accountability agreement between Colleagues declaring each individual personal commercial mission, business process responsibilities, scope of decision authority and performance measures. This should all be congruent with the business mission. Every Colleague has created a 'personal commercial mission', which is agreed with their Colleagues and it guides their work and activities.

Joe Alonzo of the Morning Star Company defined the important characteristics of a personal commercial mission as memorable purposeful and focused. His personal commercial mission is '*to partner with colleagues in their self-directed pursuit to develop and enhance their skills within the principles of self-management'*. Joe was hired to help to reinforce the principles of self-management to Colleagues within the company. There are some principles that all must agree to adhere to:

- Embrace the mission.
- Commit to individual goals (as per CLOU) and teamwork, requiring communication.
- Accept personal responsibility and take initiative.
- Tolerate non work-related differences in the interest of teamwork.

Due to the lack of hierarchy, differences must be resolved directly. There is a formal process for gaining agreement. These include:

1. Address the issue, privately one on one.
2. If the issue remains unresolved, bring in a third-party mediator.
3. If the issue remains unresolved, assemble a panel of Colleagues to examine the issue.

At no stage does anyone have the positional power to force an outcome on either party - it should be done by reasoned argument and finally agreement between the parties.

The ability to progress within the organisation is through influence and persuasion, rather than outright direction and this usually takes longer than issuing commands. However, it does ensure consultation with all stakeholders in a decision. It also ensures sharing of information and usually results in better decisions. As Chris Rufer says, *'Resolution is a little messier because there is no direct boss'.*

The lack of positional power creates an environment where respect and credibility must be earned. This point was underlined by Niraj Raj a highly engaged and ambitious Morning Star Colleague, whose role has evolved over the past three years as he has sought different and greater responsibilities, well beyond the bounds of his original personal commercial mission. Niraj said *'It has been challenging to expand my responsibilities. It has been humbling to get into areas that I initially had little expertise and more than once I have ended up on my ass. I have come to see that progression is more like a jungle Jim than a ladder'.*

Problem solving is achieved effectively through Colleagues with knowledge and experience in a particular area, coming together in a loosely organised group to resolve an issue and then dispersing back to their respective roles. A different problem will attract a different group of Colleagues, that naturally form and disperse.

It is incumbent on Colleagues to share information with each other. Indeed, the Morning Star Company ensures there are no barriers to sharing information within the company. This principle of sharing goes further with Colleagues encouraged to learn from each other within their area, as well as from others at other Morning Star plants, as well as externally. Information is also shared at all Colleague meetings held periodically on at each plant. Joe Alonzo found his first meeting 'confronting' as many were vocal and were prepared to challenge each other in an extremely direct way, yet agreement was reached on each issue and a positive way forward agreed.

Performance reviews are conducted annually by a panel of CLOU Colleagues (the people with whom the original CLOU agreement was signed with at the start of the year). The employee must elicit 360-degree feedback from two to ten Colleagues and combine this with details of activities and achievements over the past year, including measurements and specific Key performance indicators (KPI's). At this time the committee will consider a request for a pay adjustment above the Consumer Price Index (CPI) based on the results of the Colleague. One of the key functions of the committee is validation of the information presented.

In summary, the Morning Star Company is an impressive business, focused, competitive and profitable. Self-management is practiced within the business since the inception of tomato processing, and this has coincided with the rapid growth of the company to becoming the largest processor of tomatoes in the world.

Conventional wisdom would say that turning the control of this business over to 'employees' is an extremely risky move. How could a group of employees possibly understand the big picture of where the business is going and further actually coordinate their efforts to achieve results? Yet the evidence strongly suggests that the opposite is true. As the business mission is so clearly articulated and every Morning Star Colleague has a personal commercial mission that is aligned to the business mission, every Colleague understands the big picture and how they fit into it. So instead of just a few brains in upper management being engaged in marshalling the business through a period of extreme growth, every person in the company is engaged in this process. Further to this, many Colleagues are people with deeper knowledge in their area than upper management, ensuring decisions being made with far better information which resulted in less risk and better results.

An organisational chart of the Morning Star Company would be flat and look like a spider's web, denoting the many connections between Colleagues. This structure appears to be very robust and flexible when compared to the traditional hierarchical structure. This is concisely summed up by a quote from founder Chris Rufer:

> *'Positional power is meaningless as it's all about knowledge power and personal power'.*

The Morningstar Company was a clear demonstration that a flat organisational structure with responsibility held directly by the person actually doing the work per the example seen at Emerald Dairies in Missouri was just as applicable in a large business such as this.

Chapter 4: Performance Scorecards

This chapter focuses on scorecards, which are used in many industries throughout the private and public sector and is a representation of the progress over time. The case study used is based on a visit to Chuck Coondraadt Park City, Utah, USA.

Case Study: The Game of Work Inc. Utah, USA

Overview

Chuck Coonradt is founder and Chairman of The Game of Work Inc. based in Park City, Utah. Chuck has consulted to some of the world's largest and most admired companies such as A T & T, Coca Cola Bottling Company, L3 Communications, Molina Healthcare, Pepsi Bottling Group and General Electric Capital as well as large numbers of smaller businesses too. In Chuck's words:

> *'Imagine a game of soccer where the goal posts were removed, and the teams were sent out to run around for 90 minutes kicking the ball up and down the pitch with the result to be announced in a month after a ruling from a panel of judges. Same amount of activity, but how quickly would the sport lose popularity? Or how many people would turn up to run the New York Marathon if no-one bothered to time it? Not many, is my guess. This is because every day, everybody needs to know if they are winning or losing'.*

This is the great insight that Chuck Coonradt had in 1973. Since then, he has been helping companies to introduce this insight into their business to lift employee engagement, productivity and happiness through the introduction of scorecards and scoring performance.

Key principles

He identified a number of key principles in recreation applicable to scorekeeping:

- Goals a clearly defined.
- Scorekeeping is better because it is:
    - more objective
    - self-administered
    - peer audited
    - dynamic
    - allows a player to compare current personal performance with past personal performance as well as with an accepted standard.
- Feedback is more frequent.
- Participants feel that they have a higher degree of choice.
- The rules do not change in the middle of the game.

Chuck believes that scorekeeping basics must be:

- Simple and objective.

- Self-administered.
- Offer a comparison between current personal performance, past personal performance and an accepted standard.
- Must be dynamic.

  Additionally:
  - Increasing the frequency of feedback improves the quality and quantity of performance.
  - Feedback tied closely in time to the event being measured is more meaningful.
  - When feedback is illustrated by charts and graphs, the impact is even greater.

When considering what should be measured, this will vary between industries and businesses but when prompted about measuring performance in the dairy sector, Chuck suggests that measures will fall into these broad categories:

- Productivity.
- Quality.
- Profitability.
- Safety.

He also suggests that from a standstill a dairy business will need to be prepared to evolve scorecards to hone them to suit the particular business. This may involve cycling through several iterations of the scorecard, improving it each time. However, simplicity is very important.

Case Study: Coexca S.A, Chile

The author saw a very simple and visible 'scorekeeping' system at Coexca S.A. an abattoir at Talca in Chile (Figure 1). The business processes pigs, staff are paid a flat hourly rate but can earn more as a team if they process more than 1,050 pigs in one day, at an acceptable level of quality. The daily count and estimated time that they will reach their target was clearly displayed on an LED readout on the wall, so all the abattoir workers are very clear what was expected of them and whether they were winning or losing. They were all paid more for winning.

More complex scorecards are suited to other businesses and circumstances such as those that combine productivity measures with resources. Chuck Coonradt calls these Results to Resources Ratios (RRR). Examples of this in the dairy sector may include:

- Production per cow.
- Feed consumption per hectare.
- Milk solids per man hour.
- Hours per cow.

None of these are complex measures to be incorporated into a scorecard of a dairy industry staff member, they all point to physical results from physical resources. The key is that these measures are meaningful to the people performing the tasks and that they are in alignment with the results the business is trying to achieve, and they can be reported regularly, preferably by the people actually performing the work.

Figure 1: Example of a 'Live Scorecard' at Coexca S.A. at their abattoir near Talca in Chile. Source: Author

Chuck generally does not advocate using financial measures in scorecards. Not only are they subject to variation –the Australian milk price can vary 20-30% in a year – and money suffers from inflation, meaning it is not very meaningful to compare over time. Good physical performance leads to good financial performance, provided the correct things are being measured and reported.

It is also important to consider that teamwork is based on individual execution, so to do well as a team, each member must be producing good results. This means that there could be scorecards for overall enterprise results and also very likely for each team member to guide and inform them.

Chuck highlighted how turning results into images, such as graphs or line charts has a positive impact on how well the information is received and understood. Further, when current

performance is compared to prior performance, even when prior performance is substandard, this creates a strong incentive to beat previous results.

The author and Chuck discussed the idea of staff updating their own scorecards and whether that has merit in a farm business. Firstly, to update it, they must understand the scorecard formula and the drivers behind it, particularly if it will form part of their work assessment. Secondly, the impact of the scorecard will be greater if it is generated by the person producing the results, instead of being created elsewhere and then imposed upon them.

In summary, scorecards can be used in the dairy sector to measure a number of business KPIs including production performance, feed consumption per hectare, measures of milk quality, death and loss rates, submission rates at mating time and milk solids produced per paid hour. Simple scorecards can lift employee engagement, productivity and happiness: in Chuck's words: '*everybody needs to know if they are winning or losing'*

Chapter 5: Candour

> *'In business we often try to mask the truth with words. We have to have the courage to communicate accurately to get to the bottom line'* (Coonradt, 2018).

The author was struck by this line from Chuck Coonradt as it is the essence of dealing and communicating with others. Kim Scott, a former executive at Google and Apple and founder of Candor Inc. put it this way in an interview with the author:

> *'It's your job and responsibility as a leader to make things explicit'.*
>
> *'It's brutally hard to tell people when they are screwing up. You don't want to hurt anyone's feelings; that's because you're not a sadist. You don't want that person or the rest of the team to think you're a jerk. Plus, you've been told since you learned to talk, "If you don't have anything nice to say, don't say anything at all" and now all of a sudden, it's your job to say it. You've got to undo a lifetime of training. Management is hard'.*

When work tasks are not to an acceptable level, or if an employee is persistently late or miss deadlines and these things go unaddressed, it creates resentment between the manager and staff member. At the very least it sets the expectation within the team that these behaviours and results are acceptable, thus reducing the effectiveness of the entire team. An ineffective team member is bad enough, but 'training' an entire team to be ineffective through an inability to address a situation is even worse.

Kim Scott says *'You can draw a straight line from lack of guidance to a dysfunctional team that gets poor results'.*

Care Personally, Challenge Directly

Kim Scott created a framework to assist understanding effective communication, highlighting that in order to be effective with others, it is important to operate from a position of Radical Candour, showing the other person that you care personally for them, whilst at the same time being prepared to challenge them directly. Operating in any one of the other three quadrants is ineffective (Figure 2).

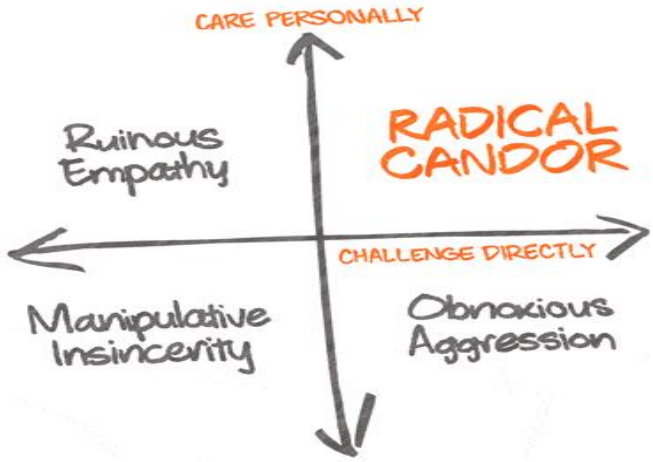

Figure 2: Candour Matrix developed by Kim Scott at Radical Candor. Source: Author

Both care personally and challenge directly factors need to be present in the correct measure to be truly effective. Too little personal care and the result is obnoxious aggression. Too little direct challenge results in ruinous empathy and acting in a manipulatively insincere fashion is just a dishonest way of achieving a short-term outcome but storing up trouble in the relationship in the long term (Scott, 2018).

- **Caring personally** comes from getting to know work colleagues on a sincere human level, learning about their interests to build a relationship based on a genuine interest for the wellbeing of the other person.
- **Challenging directly** is two-way, challenging others directly whilst asking others to challenge you, acknowledging that you may be wrong. This embraces conflict whilst building a relationship by showing you care enough to point out what is going well and what needs to be improved, and that being able to admit you may be wrong and that you are committed to rectifying your own mistakes.

The principle of Caring Personally and Challenging Directly is not easy but gives a clear framework to deliver feedback effectively and in a way that is received positively.

The author found this a credible approach and one backed up by comments made by Michael Murphy in Cork, Ireland:

> *'It is your responsibility to consistently deliver feedback to your team, good and bad. If you fail to do this then you are failing them and you are failing as a leader.'*

Put more succinctly by Chuck Coonradt:

> *'Feedback is the breakfast of champions. One of the biggest problems in business today, is that people are not being told what is expected of them'.*

Feedback is an important way of making expectations clear. Positive feedback should be used to highlight what is going well and that more of these behaviours and outcomes are required to achieve excellent outcomes.

Being humble is very important to ensure that the feedback does not come off as arrogant and one sided. If this is expressed up front, for example '*Please tell me if you think I am wrong'* or '*I may have misinterpreted this….*' invites the person being addressed to say if they think you are or have.

Situation Behaviour Impact

Situation Behaviour Impact is a model created by the Centre for Creative Leadership, that assists in being more precise in giving feedback by describing:

1. The situation.
2. The behaviour (good or bad).
3. The impact observed.

This greatly improves the accuracy of the feedback and avoids making personal judgements about the other person. Frequent feedback is also a very important factor for several reasons:

- Frequent feedback creates a culture of improvement.
- People get better at giving and receiving feedback when it is done regularly.
- Immediate addressing issues is the most effective way resolving them.
- Continual small course corrections work better.
- Consistently staying 'in synch' with colleagues limits the chance of large unpleasant surprises for everyone involved.

Candour and feedback are not just appropriate for the traditional supervisor / subordinate relationship. Businesses that encourage a culture in which work colleagues are prepared to challenge each other (whilst displaying caring for each other as people) and foster the notion that getting it right (whatever the 'it' may be in the context of business improvement) is more important than being right personally. It does not matter where the idea comes from, a free flow of ideas between everyone engaged in the enterprise is encouraged as way to get to the best answer. This was observed at the Morning Star Company where employees were prepared to provide feedback to their work colleagues (openly criticise each other) to lift performance and attempt to modify or influence and improve plans.

Behavioural Scientist and author Annie Duke (https://www.annieduke.com/) suggests creating a charter between people seeking to help each other to learn:

- Focus on accuracy, not on trying to be right (they are not the same thing).
- Hold each other accountable.
- Be able to disagree without being disagreeable and getting defensive.

There are circumstances where feedback does not lift performance. In this case, the clear consensus was that once a non-performing staff member had been identified and made aware of performance issues and been given time, resources and support to improve, and were still failing to reach required standards and therefore needed to be moved. The move could be to a more suitable role within the business or terminated. This is universally seen as important as it is fair to the employee in question and fairer to the team they were working with. Failure of management to deal with these issues both fairly and promptly are very demotivating to others within the business.

In summary, having the courage to display candour in dealings with work colleagues and subordinates is an efficient way illicit performance improvement, garner better ideas and invite feedback on your own performance as a manager. It may not come naturally and therefore can be difficult. One way to make this easier on everyone is to address it directly at the outset. By explaining the reason for it '*to improve, by highlighting what we want more of (good) and where we can get better at (bad)*' and to agree that whilst it can be emotionally difficult to deliver and hear, it is intellectually desirable and an effective way to improve performance.

The overarching idea of displaying candour is to help each other to get better, which is best demonstrated by an approach that displays personal caring for each other and an agreement up front to be candid. This will avoid the shock of a sudden commencement of feedback with no prior warning and should assist in achieving more positive outcomes for all those in the business.

Chapter 6: Coaching

'All coaching is, is taking a player where he can't take himself' – Bill McCartney, Head Football Coach University of Colorado, Boulder 1982-1994.

The author visited a number of high performing business who all invested considerable time in their people. The best description for this time spent training, mentoring, watching, showing and encouraging is 'coaching' as this relationship is very similar to that of a coach and player in a sports team. Coaching is a very interactive way of bringing employees up to speed.

Coaching is generally delivered by someone more experienced in that particular area of a business, often by the business owner themselves, as opposed to being outsourced to a training provider. This usually took the form of working together on a task, where the coach could use the time to teach and assess the understanding and performance of the 'player' as well as to stay in sync ensuring performance expectations were explicit.

The advantage of coaching is that there is a direct relationship between the person teaching and the person learning. Done well it is a very effective method of developing an employee's skills and understanding. The downside of coaching is that it requires a significant time commitment up front.

Some examples of very effective coaching seen firsthand by the author were:

1) **Donald Anderson, Rahotu, New Zealand**

Donald spending large amounts of his time with new farm managers within his business, right through their first dairy season to ensure they gain a deep understanding of the principles upon which the business is founded.

2) **Sarah Crews and Pete Atkins, Grasslands, Missouri USA**

Sarah spends time every month running through the profit and loss report for each farm with every farm manager. She also coaches them with their own personal financial management. Pete investing large amounts of time with each manager, to improve their understanding of the farming system and execution of company policy.

3) **Leonie and Kieran Guiney, Fairlie, New Zealand**

Leonie and Kieran meet with their farm managers on a regular basis to discuss farm events, upcoming plans, and any other relevant issues. These meetings coincide with the weekly farm walk (Figure 3), which the Guiney's join the farm manager assessing pasture covers, growth rates and cow feeding levels. It is a great example of the team checking that everyone agrees what is going on out in the paddock as well as inside a meeting room.

Figure 3: Leonie and Kieran Guiney coaching farm manager Liam Guiney on a regular farm walk (Source: Author)

4) Colin Armer, Tihoi, New Zealand

Colin spends time with the farm managers in the business, giving them the opportunity to check themselves with him (Figure 4). Was what they were seeing the same as what Colin was seeing? Themes included managing pastures, assessing cow condition and drying off decisions. This created opportunities to learn by staying in synch with each other. The author saw Colin leverage technology to 'coach' his staff by taking photos of a positive example of pasture management on one farm and circulating it to all his farm managers.

Figure 4: Colin Armer in a hands-on coaching session on grazing residuals with farm manager Alex van Muren (Source: Author)

Due to the time spent together, a coach can initially provide intensive oversight, but as time goes on and the player makes progress, coaching can become less frequent and less time consuming, but may evolve to being coached on another skill set.

Coaching is not always a case of prescriptively telling a 'player' what to do. Sometimes it involves encouraging them to try something new and see what happens. This approach is very effective way to help employees learn and instils confidence in their abilities by showing them that the 'coach' has faith in them.

The other area where trialling different approaches and methods can be particularly effective is in allowing employees to make mistakes. An expectation placed upon employees that they must get good results every time tends to encourage safer and less innovative decisions. John Maynard Keynes once said: "*Worldly wisdom teaches that it is better for reputation to fail conventionally than to succeed unconventionally*." Yet when a coach endorses a plan to try something new, it creates the freedom to do just this, without the burden of expectation to get immediate results and so can lead to more innovative behaviour.

Case Study: Michael Murphy, Dairy Farmer, Cork, Ireland

In Ireland, Michael Murphy provided some excellent insights with some great coaching questions. He also always walked his farm fortnightly with any new farm manager, looking at:

1. **What has happened on the farm recently?**
    - Evaluate the quality of decisions we have taken in past few weeks.
        - Did we get it right?
        - If not, why not?
        - What happened, and why?
        - How well did it work?
        - In the light of experience, would we change anything, and why?
        - What went right?
        - What went wrong?
        - What are the costs of getting it wrong?
        - What would we do in future?
        - What have we learned?
        - How can we ensure that we will never make a particular mistake again?

2. **What is happening on the farm now?**
    - Looking at the farm now will let us know of the quality of decisions we have taken in past few weeks. Did we get it right?

3. **Anticipating what is going to happen?**
    - What do we need to get right over the next (say) six weeks?
    - How do we shape the future with current decisions?

Michael encourages people to try things but always evaluates the outcomes, since there is a cost to every mistake. There should also always be a learning benefit. He does not believe in 'scapegoating' people and will freely admit to having made similar mistakes himself. To ensure it is clearly understood that there is no problem making mistakes but there is a big problem if someone unthinkingly continues to make the same mistakes again and again.

Michael also tries to create a state of CANI (Continuous and Never-ending Improvement) where people are constantly thinking, trying things, evaluating results, learning from results, using their own initiative and striving to be excellent. He also says it is vital to always be honest about evaluating results.

Michael also discussed non-negotiables within his farming system, such as achieving a pasture cover by a certain date, but then allowing a large freedom of enquiry as to how to achieve this outcome. In Michael's words: '*As long as the cat is very well skinned, I'm quite happy about route to that outcome*.'

In summary, coaching is a very personal way of developing people. It involves a considerable investment of time from a coach, and it involves regular face-to-face contact between coach and player which builds a relationship. When done well, this relationship can build trust, commitment and loyalty. As Chuck Coondradt states:

> '*Managers need to get out from behind their desks and get onto the playing field where the action is happening. Ask yourself, where am I most effective, writing reports, fiddling with spreadsheets or spending time down with my players coaching them and building strong relationships with them'.*

Good coaching keeps people on the same page, through quality, honest communication. Whilst time commitment appears to be the major disincentive to using coaching as a method of developing employees, the time and costs involved of having less capable people who are not as connected or engaged with the business – far outweighs the upfront commitment of great coaching relationships.

Conclusion

The purpose of this study was to discover how high performing businesses are structured, how they communicate their results, how the people in these businesses communicate with each other and how great businesses develop their people.

Business structures

The most common business structure today in any organisation is the hierarchy model, which was established at the outset of the industrial revolution. There was also a definite hierarchy in society at the time, which was reflected in the relationships between employees and management. Employees were seen as an expendable resource often only told what they needed to know serving the narrow interests of the managers of the businesses. Society has since evolved, and people are now more educated and have access to more information. Business is also more competitive and fast moving.

To make a 'self-management model' work effectively – as in the Morning Star Company case study in Chapter 3 – a willingness to embrace this model by management is a first step to adoption. Managers like having positional power and as such, tend to make self-interested decisions justified by reasons that are often invalid. The self-management model works because rather than just a few brains in upper management being engaged in marshalling a business through a period of extreme growth, every person in the company is engaged in this process.

Communicating business results

The best businesses measure and communicate their results, ensuring that these results are conveyed in a meaningful format. The author found varying opinions on the value of detailed financial reports, particularly by employees '*at the coalface'*. The author found a compelling case for creating scorecards (Chapter 4) that are tailored to specific people with certain responsibilities within the business and then having the employees themselves track these vital physical measures a very effective way to convey business performance. This works well because if the correct performance measures are tracked, then the employee has lots of feedback and ideally this feedback is tied closely in time to the decisions and actions that created the feedback - this promotes a great atmosphere for learning.

Communication with one another

Communication is a vital component of high performing businesses. Transactional communication has become simpler due to technology for example instant messaging. However deeper, quality communication, a framework for honest conversations, the ability to disagree without being disagreeable and searching for the best answer in an open and honest fashion are all vitally important ways to continually improve communication within teams. Whilst honest communication is understood intellectually, it can be emotionally difficult to be challenged and criticised

Developing people

Many high performing businesses visited as part of this research invested considerable time in their people. The best description for this time spent training, mentoring, watching, showing and encouraging is 'coaching' as this relationship is very similar to that of a coach and player in a sports team. The advantage of coaching is that there is a direct relationship between the person teaching and the person learning. Done well it is a very effective method of developing an employee's skills and understanding. The downside of coaching is that it requires a significant time commitment up front. Yet, the author was persuaded that despite the time investment, businesses should not outsource their people development because coaching under the direct tutelage of someone within the business can tailor that persons development to the needs of the business.

Dairy businesses in Australia are becoming larger and under constant profit margin pressure. Many factors make the ability to attract and retain the right people a vital skill. Initially as part of this research, it was felt that making expectations explicit, ring fencing responsibility, paying higher wages and treating people with respect were the main factors to maintaining positive teams in good businesses. These are all still vital. Yet, some significant visits during the travel gave deeper insights into more evolved management systems taking great teams to the next level. These included moving towards flat management structures, self-management, personally tailored and maintained performance scorecards, candid, honest two-way communication and the use of coaching to build trust, increase skills and stay in sync with each other.

Recommendations

- Sweep away the traditional hierarchy in businesses and replace it with a flat management structure, thereby exchanging positional power for knowledge and personal power within teams.
- Consider whether the team members have – or can develop – the professional skills to manage their own areas of responsibility as part of a flat, self-managed structure. Critically question and analyse how much value managers actually create. Work to establish responsibilities for each team member so they are fully engaged and contributing to the success of the business.
- Help employees to create live scorecards that track their performance in key areas of importance to the business and have them maintain and manage these. Increasing the frequency of feedback and tied closely in time to the event being measured also improves performance, and when feedback is illustrated by charts and graphs, the impact is even greater.
- Honesty is efficient but can be emotionally difficult to deliver and hear, so to be effective candid feedback must be delivered in a way that reinforces good behaviours and corrects bad behaviour – the goal is improvement, not resentment. Create an agreement with work colleagues to help each other to improve through honest conversations that are designed to help.
- Utilise coaching as a better way to develop skills and abilities and as a way of creating more meaningful relationships with the people within the business.

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Plain English Compendium Summary

Project Title:	**Building Great Teams. Hierarchy, self-management, scorecards, candour and coaching**
Nuffield Australia Project No.:	1713
Scholar:	Gunningham, Matthew. John.
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Objectives	• Is the way most businesses are currently structured the only way, or the best way? • How do the best businesses communicate results to their people? • How do the people within high performing businesses communicate with each other? • How do great businesses develop their people?
Background	Agricultural enterprises are becoming larger, often geographically spread, more complex and under constant profit margin pressure. The combination of these factors has made the ability to attract the right type of people and then get the very best results from them, a vital skill. For this scholarship, the author was seeking to understand how the best businesses in the world manage their people. What they did and how they did it as well as the commonalities that these great performing businesses all shared.
Research	Visited New Zealand, Chile, Brazil, the United States of America (USA), Canada, The Netherlands, Italy and United Kingdom (UK). Initially as part of this research, it was felt that making expectations explicit, ring fencing responsibility, paying higher wages and treating people with respect were the main factors to maintaining positive teams in good businesses. Yet, some significant visits during the travel changed the overall thinking.
Outcomes	The secrets of success to building great teams include moving towards flat management structures, self-management where the employees are measuring themselves, performance scorecards, candour and coaching. This builds great teams where there is a lift in productivity, creativity and happiness.
Implications	Implementation of these changes within a business create the opportunity for off-the-chart returns, because there is a very low cost involved in their introduction. Additionally, these returns compound over time as this way of operating becomes part of the business culture, leading to greater improvements business productivity, the retention of great people and recruitment of other high potential individuals.
Publications	Nuffield Australia National Conference, September 2018. Melbourne, Victoria