The Future of Work podcast is a weekly show where Jacob has in-depth conversations with senior level executives, business leaders, and bestselling authors around the world on the future of work and the future in general. Topics cover everything from AI and automation to the gig economy to big data to the future of learning and everything in between. Each episode explores a new topic and features a special guest.

You can listen to past episodes at www.TheFutureOrganization.com/future-work-podcast/. To learn more about Jacob and the work he is doing please visit www.TheFutureOrganization.com. You can also subscribe to Jacob's YouTube channel, follow him on Twitter, or visit him on Facebook.

Jacob Morgan 02:08
Hello, everyone, and welcome to another episode of the future work with Jacob Morgan. My guest today is Erin Meyer. She is the co author of No Rules Rules: Netflix and the Culture of Reinvention, which she co authored with Reed Hastings. She's also the author of The Culture Map, and a professor at INSEAD. Erin, thank you for joining me today.

Erin Meyer 02:30
So nice to be here with you, Jacob.

Jacob 02:32
So lots of questions for you today about the book. As I was talking before I hit the record button. I mentioned I interviewed Marc Randolph who was the first CEO of Netflix, I interviewed Patti McCord, who helped create that famous Netflix culture deck. So I feel like I know so much about the company and about Netflix. So I'm really, really excited to talk to you to kind of like completes the Netflix puzzle, the the trifecta? Why don't we start with a little bit of background information just about you? And how did you even get involved with the work that you're doing? And how did you get connected with Netflix to write this book?

Erin 03:05
Oh, yeah, well, that's actually kind of an interesting story. So my first book, the culture map was all about national cultural differences around the world. And I had this book, the culture map that came out in 2014. And it's kind of a slow starter. So later on, it turned into we got a lot of readers but not at the beginning. And one day I woke up, and actually, I checked my email. And there was an email that said, the subject line said Peace Corps, and the email then said, Hi, Erin, and I was a Peace Corps volunteer, like you were near the place where you are. My name is Reed, I'm the CEO of Netflix. And he went on to then say that he'd read the book, he was excited to start using it at Netflix. And we started collaborating together around national cultural differences.

Erin 03:51
And that was before so that was before the Netflix international expansion, which happened in 2016. So then as we were, they were getting ready for this international expansion. I was working with them a lot. And eventually, because their corporate culture is so strange, and really just totally unusual. I became really interested in studying that also. And finally, I did that, and I wrote a book with Reed Hastings with the founder and CEO about that.

Jacob 04:18
This was almost a decade ago, but literally, you just woke up and you see an email in your inbox from Reed who's like, Hey, I'm the CEO of Netflix. Let's talk.

Erin 04:30
Yeah, well, no it wasn't a decade ago, just six years ago. Right. And, yeah, I have to tell you, because, well, the way he wrote the email, I almost felt it wasn't real. Like I said to my husband, do you think this is actually him? But it was him and I went on. Then I conducted a big research project, I interviewed about 200 employees at Netflix, and I spent a lot of time with Reed himself, trying to understand what it was about this organizational culture that was breeding so much innovation and flexibility in the company. And then what it was that other business leaders around the world or even just team leaders could learn from this company about how to be more innovative and flexible themselves. And that's what we wrote the book about.

Jacob 05:16
So when you first got into Netflix, and you got exposure to the culture and the people there, what were some of your first impressions when you started working with the Netflix team?

Erin 05:28
Yeah, well, actually, even before I started working with the Netflix team, I was quite startled by their corporate culture. So many of your listeners may be familiar with the Netflix culture deck, which is this set of slides that was released onto the internet has 2009, I think has now been downloaded over 20 million times and Sheryl Sandberg claimed that this was perhaps the most important document to ever come out of Silicon Valley. And I also, you know, had seen this had seen this slide deck. And there are some things in it that I was really taken aback by.

Erin 06:05
So one of the slides, for example, says, you know, at Netflix, adequate performance gets a generous severance. And that that concerned me. It concerned me because at at INSEAD where I teach, there were had been, there was so much talk. And still today, of course, about the idea of of focusing exclusively on psychological safety in a workplace. I just didn't understand how how an organization today could be running around, not make your employees feel safe. But tell your employees if they're not excellent, they're out.

Jacob 06:40
Yeah. It's intimidating, right? Because it sort of makes it sound like I mean, I don't know any other company that that says that. But it really does make it sound like unless you are amazing, you're gonna get kicked out. And the first thing that comes to mind is okay, I'm going to over I'm going to be overworked, I'm going to get burned out. I'm going to like have to play office politics. I'm gonna have to backstab people like I'm gonna have to do whatever I can to like, claw my way to the top is like the first. The first thing I think that pops in a lot of people's minds.

Erin 07:09

Yeah, it sounds it sounds pretty startling, I think to have a company speak without that level of bluntness. That's actually one of the things that I loved about it, I was so tired, just so sick of looking at corporate cultures, what bigger companies said their corporate corporate cultures were and then say, Oh, it's about integrity and respect and excellence. You know, there's nothing wrong with saying that your organization values respect, it's just that there's no good credible option to respect right? No company would run around saying they value disrespect, or that they valued corruption. And I think that was actually one of my really, overall overarching learnings to this, this research was that if you really want to articulate a corporate culture, that means something that takes a root and and impacts the way your employees are behaving that you really want to avoid speaking in absolute positives, like integrity or respect, that have no good, good opposite option. And instead, focus on the tensions or the dilemmas that your employees are facing on a day to day basis.

Erin 08:18

And here we can clearly see we can talk about this more later. But that what Netflix calls talent density. So talent density is about having really the best employees and a small workforce, that talent density is in tension, with security, right with employees feeling secure. But I love a company that dares to make a choice. And I think that when a company dares to make a choice with these tensions or dilemmas, that's when we really can see the corporate, the corporate culture, impacting the behavior of everybody.

Jacob 08:51

Yeah, the other annoying thing that I found that a lot of companies make, and I'm sure you've seen this as well, is that sometimes they have these values, but they're just words, you know, treat the customer you know, put the customer first treat people fairly integrity collaboration. Yet somehow these organizations have the most disengaged employees, their productivity is down their revenues down like the reviews are terrible on Glassdoor, and you're thinking, Wait a minute, but your values are totally like against. So I find that a lot of organizations they have these just these things, just as words on paper, but they don't actually live them. And that's perhaps the most annoying thing, right is it's sort of like on paper everyone always wants to seem amazing. But then when you actually get involved in that, you know, the relationship so to speak, you really get the truth that it's really not what what the company says it is.

Erin 09:40

Yeah, and they think this is where we can really see the value of speaking and tensions or dilemmas when you're defining your corporate culture. Let me give you a dilemma like here's one that I've been asking my my students a lot Imagine that you are leading a team of eight marketing specialists and you have got like you have a great team really good collaboration everything's going well. But you are in discussions, the only thing that's worrisome is that you are in discussions with your own boss about a possible organizational restructuring. And if that happens, right, if this takes place, it's going to have a big impact on your team, right? People are going to lose their lose their positions, they'll go to other departments, they'll have new new bosses, they might even lose their jobs right?

Erin 10:24
Now you don't know if it's going to happen. If it's going to happen, it'll be let's say, in six in four months, maybe 60% chance likely to happen. So the question I asked my students then is, are you going to tell your your employees now? Are you going to tell your team now that this might happen? And of course, people have a lot of differing views about this, right? Some people say, Well, no, I'm not going to tell them because they'll get unsettled. And people will start panicking. And some people will say, Well, of course, I'm going to tell them, because I want them to know, they can always trust me to be transparent with them, right. And of course, either of those options, what we will call organizational transparency, here is intention with workplace stability. And either of those options are fine.

Erin 11:14
The problem is, when an organization says here in this company, we value transparency, but then the managers in the organization choose No, I'm not going to tell my staff because I don't want to upset them, right. And there, we can really see that a word like transparency is not an absolute positive. But often we have to make tough choices. But if you say you value transparency, your managers, better be ready to take bold steps in order to make that transparency happen. And that's what really makes the culture come alive.

Jacob 11:49
Yeah, that's actually another buzzword, right? People say transparency, but then it's like, how transparent are we talking like, are you really transparent. And I think a lot of leaders out there are not comfortable with the level of transparency that you're talking about. The other thing that I was thinking of is, and I always use this example, when I'm giving talks to organizations is that Netflix is one of the few organizations that's honest about what it's like to work there. You know, all these other companies are just, you know, it's bs left and right. Oh, yeah, managers love you get workplace flexibility, great tools, and then you show up and you're like, what the hell is going on here? Like I blatantly lied to. But Netflix is honest, right? You're going to work hard, you need to be amazing, we're going to pay you really well, we're going to take care of you. But you know, this is not the type of organization where you're just going to show up and be average, like, we want amazing people. And if you are an amazing person, you'll be set here, but but Netflix is honest about that. They're upfront about that, which I really like.

Erin 12:47
Yeah, they're not afraid to say really bold things. But that then just lives in the organization. I think one of the things we need to think about as we're getting into kind of this, this crazy methodology that they're using there, but is this image of We are a team, not a family, right? And what kind of team are we? Well, we're an Olympic team. And of course, on an Olympic team, we fight to have, you know, cohesion and teamwork, but there's no job security. I mean, you're excited when you get that spot, and you know that you're going to have that spot just as long as you are the best person for it. And as soon as you are not, then you're going to be swapped in for someone else who's now the best person for that team.

Erin 13:28

And I think that's actually such a key, a key image as we're moving away from the industrial era, and trying to figure out how to how to work better in the creative era. Because in the industrial era, often it was employment for life, right? We were a family. But today with COVID, you know, things changing constantly. We can't we can't have teams, where we can't easily move people on and off. And you're right here is one company that was ready to be honest about that. But then people opt in, right? They know, okay, I want to I want to work for an Olympic team. Or you know what, there's no way I want the stress of working on an Olympic team. I think I'll go over here, I'd work for a family, which is fine, too.

Jacob 14:14

I like it analogy of an Olympic team, like not just a team, but an Olympic team, like the very best. And that's a very, very good visual. So I mentioned that as I was going through the book, I took a ton of notes. But there is a framework, the of how the book was constructed. And so before I jump into the specific questions, I thought we could take a step back, and you can give us an explanation of what these three pillars are of the Netflix culture. And then we can dive into into each one of those in more detail.

Erin 14:45

Yeah, so the first time that I interviewed Reed Hastings, he told me a story about his first company, which was a company called pure software. And when he opened pure software at the beginning, it was just a small entrepreneurial group of people who were operating, let's say fast and loose, right. And what I mean by that is that there were no processes or policies, telling people what they could or couldn't do. They were all just using their best judgment to make good decisions for the benefit of the company, right. And there's a lot of creativity, everyone loved working there. But then the organization started to grow. It grew to a couple of 100 people, to a couple of 1000s of people. And as it grew, some people did stupid stuff. And some people took advantage of the freedom that was allotted to them.

Erin 15:34

So for example, there was this one guy named Jim, who used to fly every week from San Francisco to LA. Well, there was no travel policy telling him how he could fly. So he started flying first class. And there was this woman named Charlotte, and she had this big dog. And there was no policy saying that she couldn't have a dog at work. So she brought the dog to work every day. And one day, he chewed a big hole in the conference room carpet. Now, as these things happened, Reed was got frustrated because his company didn't have much money. So he sat down with human resources, right. And together, they created this employee handbook. And in the handbook were lots of rules and guidelines, like no dogs at work, detailed travel policies.

Erin 16:22

Now, as those, those rules and procedures started to take root, something else happened, which is that the more let's say, creative, kind of Maverick thinkers in the organization, they started to leave. Because those people like the really creative, the most creative people, they don't like generally to work in places where they can't run free, right? Um, so as that happened, the pure software stopped innovating. And in fact, it got so bad that Reed eventually had to sell the company. Right. So when he opened up Netflix, which was his next company, he had these two kind of guiding principles. And the

first was employee freedom breeds innovation. And the second was process kills organizational flexibility. Right? Maybe I didn't tell that part of the story. But the other the other issue in in pure software was that when the company needed to change direction, the employees were so good at following the process and rules, that they just weren't flexible enough to kind of like drop what they were doing and go off in another direction. Right. So that was his those were his overriding premise with Netflix. But he also had some concerns, as I guess your listeners do, which is that he worried that as the company grew large if he didn't put processes in place, that the organization would descend into chaos.

Erin 17:52
So he finally came up with some ideas. And the first was, you know what, in most organizations, the most of the the procedures and process are put in the control mechanisms are put in place to deal with those employees who are kind of medium, or maybe not poor, right. But the best employees, they don't need to be controlled. And in addition, you know, if we could get a, so what if we could get a culture that was made up only of top employees, then I could give them a lot more freedom. And that would breed a lot more innovation. But I might still have employees who try to take advantage of the freedom that's allotted to them. So what if I tried to create a culture where everyone was giving one another, a lot of candid feedback, and we became accountable to one another? And then someone would say, hey, Jim, I don't think it's okay to fly first class every week.

Erin 18:50
So if I those two things in place, perhaps I could offer an unprecedented amount of freedom to my employees. And that was kind of the the framework so increase talent density, that means less employees, but more talent, increase candor, get everyone giving a lot of candid feedback to one another, and then remove management controls, and give your employees more more freedom.

Jacob 19:17
So, so Okay, so that's the first I guess, pillar or framework, right, talent density.

Erin 19:22
Oh, yeah. So talent density is number one. Should we start there?

Jacob 19:25
Yeah, well, why don't we do an overview of what the three are and then we'll jump back to the town densities. One, what was the second one?

Erin 19:32
Okay, so talent density is one and talent density basically means we hire less employees, but we pay them more. So for your listeners, practically, that means let's say I have five open positions on my sales team. And I can hire five pretty good people. But I could also pool all of that money together and hire one rock star, right. The rock star hiring Principle. So the idea is hire the rockstars. And then you will have more talent density in your organization, but less employees. So that's one.

Erin 20:10
And then number two is getting lots of candid feedback, going back and forth between employees and up to the boss. And number three is then removing those management controls, such as no KPIs, no approvals necessary. No vacation policy, no travel policy, all of those things that most companies use to really, you know, tell their employees what they are and are not allowed to do.

Jacob 20:38
Okay. So the entire basically, Netflix culture was built on those three pillars of the of talent density, freedom. And what was the third one? No, no controls?

Erin 20:50
Yep. Okay. Yeah. So talent density, candor, freedom.

Jacob 20:55
So some specific questions that popped into my mind as I was going through the book, I think it was near the very beginning of the book, you had this really interesting framework. And I think it was the the keeper test that managers use in Netflix, and I guess this would fall into the talent density bucket of it. But can you go over what that question is? Because I think a lot of leaders out there, this is an important question for them to ask of their teams. But I also think it is, it's important if you're not a leader, to get into the mindset of how your leader would answer this question about you.

Erin 21:31
Yeah, so this is, you know, this is quite provocative. It goes along with the adequate performance gets a generous severance. But basically, the deal is that if your goal is to create a high performing team, then you can't let kind of middle performers hang around, right? Because if you do, it just tells your high performers that you're not really serious about about creating that kind of that kind of top work environment. And of course, you can't give that level of freedom to your or to your your employees, if you don't have top people on the team. So the keeper test is a simple mechanism that your I or any manager can use. And that's that you may be out every six months or every 12 months, as a manager, you ask yourself a question, you imagine that each person on your team is coming to meet with you.

Erin 22:22
So here comes Stan, for example. And Stan comes into your office and Stan says, you know, boss, I'm sorry, I have to tell you, I'm leaving the company. I have another job somewhere else. And the question that you ask yourself is, how will you feel when Stan tells you that he's leaving? Will you be devastated? You say, Oh, my gosh, stay on? Don't leave me. Anything? Will you fight hard to keep Stan? And if you'll fight hard to keep them that's clear, he's the right person for that team? Or maybe would you feel a little bit relieved thinking about the fact that now you could focus your attention on your high performers, and stop wasting so much time on one individual? And if so, well, it's really clear that you need to make a tough decision.

Erin 23:13
So that's the keeper test, you do that about each of your employees. And they also do something that at Netflix that I think is kind of crazy, but also is quite interesting, which is you might do a keeper test

prompt, which is that you might go to your boss, like if you're my boss, Jacob. And I might say, you know, Jacob, I just really want to know if I were told you I relieving the company, would you fight to keep me? Right? And then you'll know, right? You'll know, if you are the best person for that Olympic team.

Jacob 23:42
That's a tough question to go ask your leader. Because if they say no, you're probably going to be I could see there too. You know, some people would be motivated to be like, Oh, no, okay. But I, you know, I better try harder, and other people are just gonna be like, totally crushed. And just oh, my god hanging their head down. I shouldn't be here. And, yeah, it's a tough question to ask.

Erin 24:01
That's right. And I did interview, you know, a lot of employees who did ask those questions, and I can tell you, they didn't sleep very well, the night before, right? Because you're thinking, Oh, my gosh, what's my boss gonna say? But I had one person who said, you know, no matter what the outcome is positive, because if your boss says to you, of course, Jacob, of course, I would fight to keep you, well, then, you know, you have nothing to be worried about. And if your boss says, I think so. But you know, I also had a couple of doubts. And then he tells you those doubts. Well, that's great that you know, now. And if your boss says, You know what, I gotta tell you, honestly, I wouldn't fight to keep you. It's also I think, really important that we have that information. Well, what can I do to improve that? Or maybe I'm not in the right role, maybe we can find a better job, what's a better fit, right. So it really encourages, I think those those courageous conversations that so so seldomly happen in organizations.

Jacob 24:58
How do you keep employees from being burned out in that kind of environment, because as we know, I mean for Olympic athletes for superstars on an any particular team, you know, eventually they get to a point where, you know, maybe they get injured and they can't play anymore, or their performance drops, and they get, like, keeping up at that kind of level for a long period of time is, is really, really hard. And I can imagine, you know, probably creates, I don't know, you tell me if this creates an environment where maybe a lot of employees are working 60-70 hours a week instead of 40. They're not sleeping as much, maybe you like I could see a lot of the potential negative impacts that an environment like this would create. Did you see that?

Erin 25:41
Well, I would say it's an intense work culture. I mean, just like being on Olympic team is intense. But people, people love their jobs, because they're doing work that they choose to do without having to get approval from those around them. And we'll come to that later. But I think the other key point here, and this is, I think the most interesting thing about talent density is that performance is contagious. So when you have a team where all of the employees are top performers, and they're all passing the keeper test, generally, they're all delighted to be surrounded by stunning colleagues.

Erin 26:23
There's actually this, this interesting piece of research that was conducted by a colleague of mine, at another business school, this guy named Professor William Phelps. And what he did was he invited

four MBA students into his lab at a time, he gave them a 45 minute task, and he rewarded them financially based on how well they behaved. Now, unbeknownst to them, on 50% of the teams, there was an interloper. And that interloper was this actor named Nick and Nick had been hired to, to act just like a regular MBA student, but to do things that were not so great. Like, sometimes he would put his feet up on the desk and act kind of bored and text his girlfriend. And sometimes he would say things that were a little bit jerky, like he might say, Hey, have you attended a business school class before? Right. And what was so interesting was that Professor Phelps showed, first of all, in study after study after study that the teams that had Nick on them performed at a 45% worse rate, even when the other three MBA students were top of their class.

Erin 27:37
But more interesting than that, was that Nick's behavior just seemed to like bleed all over, the teams and the other people started acting quickly like him. So when he was playing a depressive pessimist, the other people on the team would start to act, act bored or put their heads down on the table. And when he was playing a jerk, it's not just that people would start being jerky back to him, but they'd also start being jerky to one another. So I think that's quite interesting. When you ask the question, like, you know, and it is a question that we should all ask, like, do I want to work in an environment that's like, that's like an Olympic team? Right? Okay, well, it's gonna be tiring, I'm gonna have to work hard. And it's going to be intense, right? So a lot of us are going to say, No, thanks. I think I'll do some work in the garden every morning. But then, you know, you have the the, the the fact that you are surrounded by these stunning colleagues, and you don't have those people kind of pulling you down, which we've seen happens, because performance is contagious.

Jacob 28:50
Yeah, even in, in my book that I wrote called the future leader, I was doing some research on just like a toxic, a toxic leader. And it was similar similar impacts, right? I mean, if you have a toxic leader, their toxicity, their behaviors bleed into other team members. And similarly, if you have a leader who's very positive and optimistic and treats people well, and is engaging and motivating that too spreads, so you can basically think about it like either a good virus or a bad virus, and which one do you want to have inside of your organization? So I love Yeah, so I think it's very, very consistent for that study, and also the same things that I found as well.

Erin 29:29
That's right. I think people often think, you know, an individual performance problem is an individual problem, like between me and that employee. But we know from so much research that an individual performance problem is a systemic problem that impacts the entire team. Perhaps the entire organization.

Jacob 29:48
Yep, couldn't agree more. You mentioned earlier, this phrase, and this phrase is also throughout the book as well. And that is exclusively stunning colleagues, which, I mean, that phrase itself is like, so intimidating and daunting. How do you? How does Netflix identify exclusively stunning colleagues? So like, Is it something during the interview process? Are there specific qualities or traits that make up this

kind of a colleague? Like how do you identify this if you're a leader in someone? And also, if you're not a leader? How do you identify this in yourself? If you are that kind of a stunning colleague,

Erin 30:43
I don't think I have actually an answer to this. I mean, I wouldn't want to minimize what it means to be amazing. Because that would really I mean an organization like Netflix, who's like, you know, super creative, what they need are all sorts of people, right? People from all walks of life with all different kinds of personalities, there's not like one kind of person. What it means is that you pass the keeper test, Hey, your boss would fight to keep you right. And if your boss would fight to keep you because you are your your wacky and make everybody smile all day. And every day, you come in with a crazy idea, you're totally disorganized. But you know, your boss will fight for those other reasons. Well, that makes you stunning of your boss and fight to keep you because you are the most organized person on the team. And you keep everybody in line every morning, right. And maybe you are not particularly creative, but you're providing such an essential role to the team or organization. You're a stunning colleague.

Erin 31:42
So I wouldn't, I wouldn't want to try to narrow it down beyond that. But I do think when it comes to and I didn't learn any innovations when I was doing this research with regards to enter to interviewing techniques. And I would say Netflix is doing the same thing that they're doing at Google or Facebook, or all the things that they're doing at the the big companies. But the one thing that they are doing is is this rock rock star pay. I'll just maybe explain that a little bit more.

Erin 32:11
So, so Reed is a software engineer, and I guess some of your listeners are probably software engineers also. And apparently software engineers know something that the rest of us don't know, which is something that about the study that was conducted in the 60s, which led to something that is now referred to on the internet as the rock star principle. And that principle basically, was that if you take 10, software engineers, and all of them are at least adequate, right? At least fine. And you give them a task, right that, on average, the very best will perform at least at a 10 times higher rate than the worst of the 10. Right. And sometimes more than 10 times more. So that's a big gap, right? Having one person who could do 10 times what another does. So that's where they, we get to this idea that if you can hire 10 employees, right, you could also hire one employee and just pay them the very best so that that's the whole methodology behind hiring. No other innovations there.

Jacob 33:17
Okay. Um, it sounds like for the the stunning colleague processes, it's also very subjective, right? So if there are a bunch of different leaders in Netflix, what I would identify as a stunning colleague might not be the same thing that my counterpart on another team identifies as a stunning colleague, meaning that it's not like a performance review process. It's not a series of characteristics, or checkmarks, that everybody at the company has to follow. It's very individual to each leader and each team.

Erin 33:48
Yeah, and remember, what we're going for here is an environmen that's like a lot of little tiny entrepreneurial companies operating together, right? So the goal is to avoid all kinds of, of control mechanisms. And of course, one type of control mechanism that are used is used that most big companies are like these nine box methods, where you have to rate people in a certain way, then you kind of calculate a score, and then you determine if they're a high performer or not, or these horrible systems to say, that were used at Microsoft and GE, the rank and yank system. Yeah, there were other other methods that were used to create high talent density. But with those methods, you had to every manager had to say, Okay, this is the best of the 10. And this is the worst of the 10. And that really creates internal competition, right? No one should be doing that.

Erin 34:44
Because I, if I think I'm towards the bottom of the 10, well, I'm likely to think, Oh, it's either me or Jacob who's going to lose our job. So I'm going to try and make you look bad or not share information with you, right? So we don't want that. What we want is an environment, where we know that the entire team, all of us are the best person for the spot. And then if at some point someone becomes not the best person that that person needs to be swapped in and out.

Jacob 35:11
So does Netflix, do performance reviews? Do they do annual engagement surveys? Because I would imagine, uh, you know, a lot of people who are listening to this are thinking, Okay, well, we, you know, we do our annual performance reviews, we do our engagement surveys, we get a pulse of what's going on in the company, we see who's a high performer who's not. So if Netflix is operating as a bunch of little companies, and being a stunning calling is very colleague is very subjective to each leader. Yeah, how do those types of standardized processes that so many companies are used to get done if they get done at all?

Erin 35:45
Okay, I'm gonna answer your question. But let me first clarify, when I said they're operating like a lot of little entrepreneurial companies, I didn't mean that the organization is not like highly aligned mean, Netflix, they have only one product. So it's not like they are like, divided up into lots of different areas. So what they say is we are highly aligned, but loosely coupled. And that means that, that we all are collaborating together across areas, but that we don't have have processes at the top of the organization that are controlling the various areas that that's really pushed down. Yes. To the end of it to the individual leader.

Jacob 36:26
Okay, got it. That makes sense. So are there some standardized processes that all the leaders need to follow? Like engagement surveys, performance reviews, regular check ins with teams, benchmarks to know if somebody is doing well or not?

Erin 36:42
Well, most of the most of the processes that we have at most companies are not at Netflix. And I think I'll kind of give you a list of those a little bit later. But I think that the one the one exception to that

maybe the fact that they give each other so much feedback, and that brings us to the second bucket, right? And that they have, they have these 360, these 360 feedback, moments that come up every year. They're non anonymous, right. But they are giving one another feedback in writing at a certain moment every year, they're not rating people with that. But that is you could say a process, right? That's maybe one of the only processes that I've found.

Jacob 37:27
It's interesting, because there there's been a lot obviously written about 360. You know, reviews where some people say they're amazing. Other people say that they're terrible, and they hurt the company. They don't do anything. But it sounds like Netflix believes in this full circle feedback process.

Erin 37:44
Yeah, so let's transition then from the idea of talent density on to candor. So let me just kind of take a stop and say, okay, so if you as an, and we don't have to think about an entire company. I mean, this can be practical for your listener, like maybe I just have a team of 10, maybe have a team of 10. And I'd really like to give my employees more freedom, I don't want them to have to come to me and get sign off on everything and have me be the one who could tells them what they can and can't do, I really want to give them more freedom. And I know if I do that, that's going to create a much more creative environment, and we're going to just be happier. And we're going to be more innovative, right.

Erin 38:23
So what's the first thing that you need to do, the first thing that you need to do is make sure that you've got the right person in every spot. And that sounds so obvious, but you have to ask the keeper test. And if you don't have the right person in one of the spots, you have to move them out, right. But now, once you've got that high performing team, you can give a lot more freedom, right. And that moves us on to the second step now, which is candid feedback. Because even if you have a top performing team, you still might have people who take advantage of the fact that your vacation policy is take some or that your your travel or expense policy is act in the company's best interest. And that's where this whole idea of creating an environment where each employee sees it as their responsibility to give their colleagues lots of honest, thoughtful feedback about what they can do in order to do their job better. And so that that's Yeah, that's this the second bucket the candor bucket,

Jacob 39:31
Okay, Patti McCord was telling me this story. I don't remember exactly when this happened. But she was telling me this story that when she was responsible for HR, there was a situation where one employee basically came into her office and they were just complaining about somebody else. So you know, this person's not doing their job. They're not that great. Why is that? You know, why are they working here? And Patti basically says, okay, hang on a second, I'll be right back. And then she she goes in the other room, and she brings that other person, to the office and then she turns to the first individual. And then she says, Okay, now tell them everything that you told me. And like I couldn't. I mean, does that stuff happen? Like, is that a real thing?

Erin 40:15
All the time, Oh, no, it happens all the time. And actually, maybe I'll tell you a personal story. I also found people giving candid feedback to me. And let me say, before I start this, that there are some clear guidelines. I call them the four A's, the four A's of feedback. The first one is that all feedback should aim to assist, right? So you shouldn't give someone feedback just because you, you're frustrated, and you want to get stuff off your chest. Or just because you want to get that person in trouble. You need to think, Oh, you know, I think I have some information that if I gave to Jacob, that could really help him do a better job, right? Okay, aim to assist.

Erin 40:56
The second is that your feedback has to be actionable, right? So like, I can't complain about something that you can't, I shouldn't tell give you feedback about something that you can't do anything about, right. And then the third is that when you get the feedback, you should say thank you, you should show appreciation. That's the third a, and the fourth is accept or decline. That's the fourth they accept or decline. So you don't have to act on the feedback that's given to you.

Erin 41:26
But I will tell you a story. I have a whole bunch of these, the first time that I was doing work at Netflix way before I started working on this book, I gave a presentation at their leadership conference in Cuba. And there were I don't know, maybe 500 people in the audience. And I was talking about national cultural differences, which is my first love. And at one point, I came down from the stage and I was walking around. And I think I'll add that I had been a little nervous getting ready for this presentation, it was new material. And I really wanted to do a good job, you know, I could like feel my heart and my throat during the whole thing, right. But I felt it was going really well. So I came down from the stage and I was walking around. While these The audience was having little bit little discussions. And one woman saw me and she she gestured me over, right. And I came over, she's talking to her team, right? And she says, Erin, I want to tell you, the way you are facilitating the discussion from the stage is totally undermining, you're totally undermining your point.

Erin 42:34
And then she went on to explain that I was talking about cultural differences. But I was asking for volunteers, and only the Americans were volunteering. So that was, you know, gonna ruin my presentation from her perspective. And I remember when she told me that I was like, Oh, my gosh, you're telling me that now, right in the middle of my keynote, in front of your colleagues. But after I got the feedback, like, you know, instantly, I shifted from being like panic to being like, Okay, I have three minutes before I have to get on stage again. And I better fix this, right. And I came up with a new method for how to organize the discussions differently. I came back on stage, and I started with Brazil, and then Japan. And you know, I got to tell you, that woman, she saved my presentation. So I just love that example. Because here, we really have something totally unusual, right? And how many organizations which have someone who would dare to give feedback in that kind of situation. But when you do dare, if you aim to assist, it can really help a lot.

Jacob 43:39
Yeah, that's a great story. But I would imagine there's also borderline between, like candid feedback versus just being rude. Because I could see certain situations where you know, you're giving feedback with positive intent, so the other person can improve. It's actually you know, it meets all those things. But it doesn't come across in a nice way. So how do you balance being candid while also not? I don't wanna say not hurting somebody's feelings, but really, that's what I'm trying to say? How do you balance being candid, without attacking without hurting somebody's feelings or without the other person taking it personally?

Erin 44:19
Yeah, and this is where we really have to put mechanisms in place in our organization for the feedback to get out there in a non hurtful way. Right? I mean, okay, this woman, she was like, on the edge. And those things do happen at Netflix. I don't know if I recommend that for kind of the, the masses, but they are, what I do recommend for any organization that wants to get more candid feedback going on, is that you all start putting feedback on the agenda, right? So like, let's say that you and I go to a client meeting together every Monday, well, at least one Monday a month, we should meet after the meetings in order to give one another feedback as to what we could do differently. And if we know We have that feedback meeting, then it'll encourage me to have the courage to speak up, right? And you're not likely to get upset because, you know, we set up that meeting so we could help one another, right? The crazy thing that they do at Netflix is these live 360 feedback dinners, right, which is that they, they all get together maybe once a year, and they take turns, right. So like over a meal, maybe at a restaurant, right. And if I'm up for

Jacob 45:27
I like it-- public place, you can't make a scene and freak out--smart people

Erin 45:31
Well, public enough, you've got your team there, right? And your boss, and you go around, right? And each person gives like me if I'm at first feedback about what they think I could do in order to do better in my job, when I first and then we move on to the next person. When I first heard that I thought it was crazy. I thought, well, what's the point? Like, why do you have to drag my weaknesses through the group. But I saw it created a very interesting moment, actually a very important moment, because it moves us away from all those one on one feedback, which may be awkward and are uncomfortable, and I don't really know, is it because you don't like me? Or is it more about you than it is about me, to really these kind of situations where I can see, well, one person thinks I talk too loud. And another person thinks I talk too softly, and another person and everybody on the group thinks this is something I need to work on. Right? So I think actually, those are some of the greatest developed mental types of situations that I saw when I was there.

Jacob 46:32
Well, so that brings up an interesting point, what if you are getting different types of candid feedback from different people, and it's not aligned. So somebody says, like you said, You're a great communicator, and somebody else says, You're not a good communicator, or you know, or they criticize something else, you know, you're a great communicator, but you're not great project manager,

and somebody says, you know, what, you're a great project manager, not a great communicator. How do you balance all that?

Erin 46:58
Yeah, well, that's, that's why we have the fourth a of feedback, right, which was the accept or decline. Because if you are in an environment like that, you are going to hear from a lot of people on an ongoing basis about what they think that you could do to improve, but only it's up to you to choose, you know, maybe you're not going to do 80% of what the people tell you, right, and what people suggest. But, but at least if you have that information, then you can make a very an informed choice, right? And that's where now once we have that talent density, and we have that candor in the organization, now you're in a position that you can eat your cake.

Erin 47:38
What I mean by that is that, I think when we talked about talent density, I'm sure some of your listeners loved it. And some of your listeners thought, Oh, my gosh, I do not want to work in a place like that. Right? That's the spinach. Some people love it. And some people hate it. And same thing with candor, right? When we're talking about giving all this candid feedback, I'm sure some of your listeners are thinking I'd love to work in a place that I got so much candid feedback. And other people, I think you No way, do I want to work in a place like that. Right? That's your mushrooms. The deal is that if you eat your spinach, and you eat your mushrooms, then you get to eat your cake. Right, and everybody loves the cake. And what I mean by that is that once you have your talent density in place, and you have your candor in place, then you're at a space that you can really move, remove all of these control mechanisms that we have in most companies, and let our employees just run a lot freer. Right. And that's what we really see the joy, the joy of this type of environment.

Jacob 48:42
Okay, so one, one last question for you about candor, before we switch to the last one. And that is, how much candor are we talking about? I mean, like totally honest, and blunt, and in how often so for example, let's say you're, you're walking down the hall, and I say, you know what, Erin, I don't like your hair today. Or something like, you know, you know, because candor and being critical. I think, you know, they can be very close. So that's, you know, because you don't want to make sure, or you do want to make sure that it's not just kind of critical feedback, like everybody nitpicking every single thing that you do. And if you push background, and they just say, Hey, I'm just being candid. I'm just giving you the candor that, you know, is part of the culture. Is that a problem?

Erin 49:32
Well, I would say, I mean, I certainly did come across situations even where people did not pass the keeper test, because they were not able to give that feedback in a way that was that was showing appreciation and that was actionable. And they took the candor as a card to behave obnoxious to one another

Jacob 49:52
Okay and those people are gone.

Erin 49:53
that is not what were those people were gone, yeah, I mean, actually, I did the research over a year and a half, and I have to say, I know More than one person who lost their job because of that, they also say at Netflix, no brilliant jerks. And I remember one woman coming into my my office for the interviews, and she actually really liked this woman, she flopped down in the chair. And she said, Oh my gosh, it turns out, I'm a brilliant jerk. And she had just received feedback from her boss a couple of days ago, that the way she had been giving feedback was not appreciated by those around her. It didn't feel like a gift. It didn't feel like she was aiming to assist. And she worked hard. I remember she worked hard with a lot of coaching from her boss. But I, about a year later, I came back and I was like, Oh, where is she? Where's Caitlin? Caitlin wasn't there anymore? So um, so yeah, that did happen. But I think I'll say one thing, I mean, when it comes to feedback, because of course, I, my main expertise is National cultural differences. And what's considered an appropriate way to give feedback in one culture is totally inappropriate.

Jacob 50:33
Like Japan cersus China versus the United States. I mean, it's…

Erin 51:09
So that the guideline that I always give is that, and then, when you give feedback, you have to think about two parts of your brain. The first is your frontal cortex, and your frontal cortex that loves honest feedback. So your frontal cortex is the most logical part of your brain. And the frontal cortex would like to, I'd like to tell you, Jacob, what you could do differently. And I'd like to hear from you what you think I should do differently. That's my frontal cortex. Okay. One research project showed that 72% of employees said that they would like to receive more direct feedback from their bosses, right? That's the frontal cortex responding to that question, because the issue is that we also have the amygdala.

Erin 51:49
And the amygdala is the most primitive part of your brain, the amygdala is very concerned with finding safety in the numbers, right. So the amygdala does not want you to get kicked out of the group. because historically, if you got kicked out of the group, of course, that would lead to death. So if I give you feedback in a way, that's, that seems to direct for your culture, or give feedback in a way that feels too blunt, to be, let's say, appropriate, then my amygdala starts sending off a siren. And that that siren physically throws your body into fight or flight, right? Fight. I deny it, it's not true. You're the problem, or flight, I see. Thank you so much, Jacob, thank you so much for that feedback. And then I hope I never see you again. Or if you're my boss, I say thank you so much for that feedback. And then I start looking for another job.

Erin 52:46
So of course, the goal is to give feedback in a way that nourishes the frontal cortex, but keeps the amygdala calm. And that's why we're having these kind of structured feedback moments, where we all know we're gonna sit down, and I'm going to tell you three things you can do differently. And you're going to tell me three things I can do differently, right? And then we move on. So my amygdala doesn't have to start screaming about losing its place on the tribe. I know, we're all doing this together, right?

Jacob 53:15
It seems like there's a lot of emotional intelligence that's required here. I mean, you need some self awareness, you need empathy, you need to kind of understand yourself a little bit and understand how you come off how other people perceive you. Because if you don't have those things, I would imagine this would be a complete disaster for you, you wouldn't be able to succeed in this kind of a company.

Erin 53:34
Yeah, and I think that was actually the most surprising thing for me was that when I read the Netflix culture deck, it sounded really like a bunch of engineers who were totally lacking emotional skills. But when I started working there, I saw actually the managers there were spending a lot more time focusing on on people management and on how to get those that, you know, that feedback out there and how to inspire without giving directions and very difficult management skills. And, you know, if they weren't able to deliver that, then they weren't, they weren't right for that environment.

Jacob 54:06
Ok, Makes sense. Okay, so let's move on to the last pillar, we only have a couple of minutes left. And this is the best part, right? This is the cake the freedom. So let's give a little bit of background info on this and how, how does this actually manifest inside of Netflix? I know, for example, there's no vacation policies, you don't need to get approvals for things. So it really is kind of, I don't wanna say Pinocchio's Island, but it's it's very free.

Erin 54:48
Pinocchio's Island never heard that before. That's right. Oh my gosh. Okay. Yeah. So there's three kind of categories of processes or control mechanisms that most companies that you won't find in our In this type of environment, so the first is an as you said, it was we said earlier, the vacation policy is take some, so every employee decides how much they want to take. But beyond that, the, the expense policy is act in the company's best interest. So anybody at any level can purchase a new computer or sign off on a million dollar and whatever sales deal, whatever they whatever they need to do, to get things done without getting sign offs from other people in the organization.

Erin 55:30
So that's the first category, but I would say those are symbols, those policies, those are just symbols that say, dear, dear employees, we trust that you will behave like adults. And in doing so then they start behaving more like adults. The cycle of what we call freedom and responsibility. But then moving on, I think more interestingly, is that at Netflix, there are no KPIs. There are no management by objectives, and there is no pay per performance bonuses. So probably most people in your audience don't think of those as control mechanisms. But they are right KPIs

Jacob 56:07
Well right away, I was like, What no KPIs? Its standard for so many organizations around the world is everybody says, you know, what are your key performance indicators? What are your metrics? How are you going to be measured, like so I'm very, very interested in how the company operates without having KPIs.

Erin 56:28
But KPIs are horrible for organizational flexibility, right. I mean, the thing is that, like in today's world, where the environment shifts so quickly, KPIs are, are the worst, and they are a clear remnant of the industrial era, right? In the industrial era, we could set our goals in January, right. And we'd work all year long in the same goals. And when the next January came around, those goals were still irrelevant. But the problem in today's organizations is if you do an annual KPI, I mean, things change so much. And it forces your employees to keep moving in the same direction. Instead of changing direction with the environment around them. The images like it's like a, it's like a ship in the sea.

Erin 57:17
An organization is like a ship in the sea that builds up barnacles over time. And those barnacles are the processes that tell your employees, you know, what they should do and when they should do them by people get really good at following those I know, I'm going to be measured in eight months in this way. And I know that I have to do this, and then I'll get rewarded in this way. But then as the, as the the ship needs to change direction, those barnacles make it much slower to move. So an organization that doesn't have KPIs or pay per performance bonuses, which are even worse, right, as far as, as organizational flexibility goes, is an organization that's much more agile, it's much more able to change direction as things change around them.

Jacob 58:03
I love that analogy the ship and the barnacles.

Erin 58:07
And then I think, I think we but the good the good stuff when it comes to the freedom is that the decision making approval, should we move on to that?

Jacob 58:16
Yes, please.

Erin 58:17
Okay, so um, cuz I know, you said we only have a few minutes left, and I don't, I don't want to not have time for the tree, Jacob. So I think the most, the most intriguing thing that I came across during the This work was to see to recognize that at most organizations, the decision making model is is a pyramid, right? So you have the chairman who's like at the top of that pyramid, who's saying, who's making the big decisions, and then you have the low level employees at the bottom. And they can make small, inexpensive decisions. But for anything important or expensive, it has to be pushed up the pyramid, right for approval, right? But, and that's, of course, the pyramid comes from the industrial era, right?

Erin 59:12
But at Netflix, they have an image of a decision making tree. And with the decision making tree, you have the chairman, who is down there in the dirt, right? She's there like watering the roots, right, setting the direction for the company, saying this is our North Star. These are all of the things we need to be keeping in mind as we're making decisions in the organization, the principles we need to be aware of, and then we have the top executives there, they're at the big trunks of the tree, right, setting more

direction and context, helping their employees make decisions. But then you have the lower level employees like those mid level or low level managers who are up there in the little branches at the top, the top believes and those They're the people who are making the sometimes multimillion dollar decisions on a daily basis. Those are the decision makers, right? Keeping in mind all of the the context that's been set for them. So there's two, like, just sayings that will kind of wrap up with one is, don't seek to please your boss seek to do what's best for the company. Right? And the other is lead with context, not control. And that's, I think that image that we can have for organizations of the future, not the bottleneck of the pyramid, but that that open and more creative growth of a tree.

Jacob 1:00:39
I love that. And oh, man, so many questions, I could keep asking you on this. But I guess people are just gonna have to grab the book to learn more. I mean, I took tons of notes, I'm looking, I have like an entire word doc, filled with questions just so people can get a sense of like how much really interesting stuff there is in this book. But maybe we can wrap up on one. And that is for people who are watching and listening to this, if they want to start to create, I don't even want to say a similar culture, because I honestly don't think that a lot of companies would be able to create a Netflix culture, nor should they necessarily I don't. I feel like it's so unique to Netflix. That it would be hard for another company like GM or Pepsi to say, Oh, we want the Netflix culture. And let's embrace it. Is that the case? Like do you get people coming to you saying we want to be like Netflix help us?

Erin 1:01:35
Yeah, so I want to make two statements. The first, but I'll start by saying, Oh, my gosh, yes Jacob. I mean, this is like taking over the world. And I don't mean people are trying to be like Netflix. But what I mean is that people are recognizing, oh, you know, we're still stuck. And before I move on answer the question, I want to kind of wrap up with that, which is that, okay, I said earlier, most organizations today are operating with this industrial era hangover, right. And what I mean by that is that during the industrial era, we were all obsessed with error prevention, and replicability. And of course, if you are leading a manufacturing plant today, those are still your primary goals. And if those are your primary goals, please do not do anything we talked about today. But in a growing number of teams and organizations, the primary goal, the primary risk, is no longer making a mistake, the primary risk is not innovating fast enough, or not having a flexible enough environment to react when something like COVID hits us out of the blue, right. And if you are on a team or organization, where your primary goal is innovation and creativity and flexibility, then these principles are very relevant not just to Netflix, but to you.

Erin 1:02:58
And so I will get to the actual answer the question in a moment, but I'll also say that I think a lot of companies may find that they have some pockets that have each that have both of those in the organization. So for example, Johnson and Johnson with the the vaccine, the Johnson and Johnson vaccine that came out of Janssen pharmaceutical, they have parts of that company where they really need that fast innovation when COVID hit, right. And if you need fast innovation, no rules, rules. But they have other parts of that company that are doing the production of that vaccine. And you better well hope they've got a lot of control mechanisms and processes in place in those parts of the organization. Right. So we can actually think about our culture in different ways like that.

Erin 1:03:49
Now I'll come now I'll come to your question. Okay. So your question was, you know, does this apply to our listeners. And what I can tell you is that I don't think that anyone needs to try to do to be Netflix, and of course, every company will be their own company. But I think that any team leader, or department manager, or entrepreneur, who is interested in really creating an innovative and creative and flexible work environment, can just follow these three principles, right, number one, what's one thing that I could do in order to increase talent density in the company, maybe I'm not ready to implement the keeper test, maybe I don't want to do that. But I do think that I could hire one new person instead of three, and pay them a lot more and get somebody better.

Erin 1:04:40
And then what's one thing I could do to get a little bit more candor on my team to get to get that that benefit that comes from are us telling one another what we really think, and maybe I'm not ready for the live 360 feedback dinners, but maybe I am ready to start putting feedback The agenda.

Erin 1:05:01
Okay, now I've got those two things. And now what's one thing I can do in order to give my employees a little bit more freedom? Maybe I can't get rid of the vacation policy because the whole company is using that. But maybe in my department, I can start giving my employees a little bit more responsibility and saying, you know what, you don't have to come to me to get my sign off on these things. Right? You decide, right? And in doing so, little by little, we can all start having more creative and agile organizations, which we need in the future.

Jacob 1:05:33
I love it. I think that's a perfect, perfect way to wrap up. Erin, where can people go to learn more about you your book, anything that you want to mention for people to check out?

Erin 1:05:45
Yeah, please join me on LinkedIn or at my website, which is erinmeyer.com. It will be a pleasure to have all of you.

Jacob 1:05:52
Very cool, well Erin thank you so much for taking time out of your day to share your insights and ideas from your brand new book. I really appreciate it.

Erin 1:06:01
It's such a pleasure to be here with you, Jacob, and with all of your listeners. Hope to see you again soon.

Jacob 1:06:06
Yeah, likewise, and thanks, everyone for tuning in. Again. My guest has been Erin Meyer, and make sure to check out her brand new book, no rules, rules, and I'll see all of you next time.