

## Powerful: Building a Culture of Freedom and Responsibility – Patty McCord

### A new way of working

Yes, engaged employees probably deliver higher-quality performance, but too often engagement is treated as the endgame, rather than serving customers and getting results. And the standard beliefs about how and why people are engaged in their work miss the true drivers of work passion. As for empowerment, I simply hate that word. The idea is well intentioned, but the truth is that there is so much concern about empowering people only because the prevailing way of managing them takes their power away. We didn't set out to take it away; we just overprocessed everything. We've hamstrung people.

A company's job isn't to empower people; it's to remind people that they walk in the door with power and to create the conditions for them to exercise it. Do that, and you will be astonished by the great work they will do for you.

There is my radical proposition: a business leader's job is to create great teams that do amazing work on time. That's it. That's the job of management.

The most important thing to understand about transforming a culture. Whether that of a team or a whole company, is that it isn't a matter of simply professing a set of values and operating principles. It's a matter of identifying the behaviors that you would like to see become consistent practices and then instilling the discipline of actually doing them.

The greatest motivation is contributing to success

Great teams are made when every single member knows where they're going and will do anything to get there. Great teams are not created with incentives, procedures, and perks. They are created by hiring talented people who are adults and want nothing more than to tackle a challenge, and then communicating to them, clearly and continuously, about what the challenge is.

They're facing really tough challenges; it's tackling those that makes truly great teams. Great teams are made when things are hard. Great teams are made when you have to dig deep. When I'm hiring, I look for someone who gets really excited about the problems we have to solve. You want them to wake up in the morning thinking, *God, this is hard. I want to do this!* Being given a great problem to tackle and the right colleagues to tackle it with is the best incentive of all. One of my mantras is "Problem finders, they're cheap!" Most people think that a really important role in the company: *I'm the only one who found the problem!* Okay, good for you, but did you solve it? You want people who absolutely love problem solving.

"I feel sometimes like I'm going to lose a limb doing this, but it will be worth it because I'm doing something important and adding something to the world, and that is what drives people." – Tom Willer, the former VP of product innovation at Netflix

"If we did that, how would you know it's great?", I asked him.

He said, "Oh, I'd want to come to work every day and solve *these* problems with *these* people."

I loved the spirit of that. I think Reed expressed in that statement exactly what people most want from work; to be able to come in and work with the right team of people—colleagues they trust and admire—and to focus like crazy on doing a great job together.

In retrospect, that was the moment I left behind traditional HR and took on a new role as the COO of culture and the chief product manager of people.

Ted says that his core approach has been asking his team to focus on finding the best creative talent with the skills to execute, and then giving those creators the freedom to realize their vision. That has been the greatest differentiator between Netflix and Hollywood studios, he says, allowing his team to compete so effectively for top creative talent and to launch such breakthrough shows. Creatives love that his team doesn't micromanage the production process,

barraging them with notes. Ted's group also doesn't use the traditional pilot system, instead green-lighting creators to produce a full season of episodes. They put their confidence in people who've proven they can produce and hand-in-hand with the freedom those people are given is the understanding that it's they who are accountable for the quality of the shows. They have risen to the occasion. By contrast, the traditional Hollywood way has been creation by committee, with accountability spread too thin.

### Every Single Employee Should Understand the Business

When I was at Sun we had 370 people in HR. 370 people! And virtually all of them were divorced from the business; they couldn't tell you what we made.

The World Cup fell later in the season, and I had the kids over to watch. When they saw the view of the game from the blimp, they realized, *Oh! That's what a pass looks like!* Business is no different.

The irony is that companies have invested so much in training programs of all sorts and spent so much time and effort to incentivize and measure performance, but they've failed to actually explain to all of their employees how their business runs.

Over time, we developed "new employee college." For one whole day each quarter, every head of department would make an hourlong presentation on the important issues and developments in their business. The idea for the college actually came from Cindy Holland, who is now VP of content acquisition/original series. She and I were backstage watching a set of management presentation the executive team was giving to a group of investors. She realized she was learning a great deal and she turned to me and asked, "Why do we do all of this hard work for a bunch of strangers but don't do it for ourselves?" So we rolled it out for everybody.

At new employee college, as we started out with the proceedings, we'd say to participants, "You will take out this day what you put into it. If you don't ask questions, you won't get answers." I look back now and realize this was crucial early-stage-setting for the success of the company. It gave people at all levels license to freely ask for clarification, whether about something they were expected to do or about a decisions made by management. Not only did this mean they were better informed, but over time it instilled throughout the company a culture of curiosity.

If your people aren't informed by you, there's a good chance they'll be misinformed by others.

So many companies spend so much money on—and ask employees to devote so much time away from their jobs for—formal training classes. Much of this time, money, and effort is misplaced. As sports coaches will tell you, there's no better way to learn how to perform than to be in the game.

A little while back I was consulting to a young company I love, and the learning and development head told me that their younger p[people needed to learn to be better managers. I asked, "What do they need to know how to do?" She answered, "Well, they need to be better managers." I said, "Specifically doing what?" And she said "Management." I pressed, "But what part?" She responded "Well, we're going to have to have a full curriculum with conflict management and interpersonal communication."

This is the information people most want, because they know they can take it and run with it. Courses on conflict resolution they generally roll their eyes about, not to mention resenting the time away from their work.

What about so-called Millennials? I get asked all the time in my consulting, "You know we have to treat millennials differently. What is your advice?" People have gotten the impression that millennials require perks and all sort of lifelong learning programs, because surveys show that what they want most from their work is to keep learning. I think it's totally false that we have to treat them differently. I can't stand the term "millennials" and the ones I know hate the name too. We should simply think of them as people early in their careers. Yes, we should team them more, but we should teach them more about how business works. It's great that they want to learning. How could they not. They're just out of school. They're in that spongy, want-to-learn-everything phase of life. They're going to eat up whatever you feed them. If it's just snacks, that's all they're going to eat. But you start feeding their brains the real meat of business, you'll be amazed by how engaged they are and by how much they contribute. They

are not some sort of alien being. They are young workers bursting with potential. If we teach young employees how to read a P&L instead of how to tap a beer keg, or give them an honest-to-God project why have to collaborate on rather than doing an online training about collaboration, we're giving them a skill they will apply for the rest of their lives. They understand what constitutes true lifelong learning.

How do you know when people are well enough informed? Here's my measure. If you stop any employees, at any level in the company, in the break room or in the elevator and ask what are the five most important things the company is working on for the next six months, that person should be able to tell you, rapid fire, one, two, three, four five, ideally using the same words you've used in your communications to the staff and, if they're really good, in the same order. If not, the heartbeat isn't strong enough yet.

### Humans Hate Being Lied To and Being Spun

The other vital point about honesty concerning business issues is that it's got to go both ways. Employees should be told never to withhold questions or information from you or their direct supervisors. As a leader, you should model this, showing, not just telling, that you want people to speak up and that you can be told bad news directly and disagreed with. Otherwise most people will never be truly open with you. A study by Deloitte showed that 70% of employees in a wide range of sectors "admit to remaining silent about issues that might compromise performance."

That is exactly the kind of honest debate and disagreement from below that is smothered at so many companies. This may be why a study by the Corporate Executive Board found that companies that actively fostered honest feedback and had more open communication produced a return over a ten-year period that was an astonishing 270% higher than that of companies that didn't

Perhaps the worst problem with anonymous surveys, though, is that they send the message that it's best to be most honest when people don't know who you are.

### Debate Vigorously

"How do you know that's true?" Or my favorite variant, "Can you help me understand what leads you to believe that's true?"

Note that I saw "fact driven" not data driven". There's been something of a deification of data in recent years, as though data itself is the answer, the ultimate truth. There's a dangerous fallacy that data constitutes the facts you need to know to run your business. Hard data is absolutely vital, of course, but you also need qualitative insight and well-formulated opinions, and you need your team to debate those insights and opinions openly with gusto.

### Orchestrate the Debates you want

At one point a big disagreement arose between Netflix's head of marketing and head of content concerning how we thought about our customers. It was developing into a real tussle, because both executives were very strong-minded, and both had good reasons for their views. Reed did a beautiful thing. HE arranged a debate between the two, onstage, in chairs facing each other, in front of the rest of the executive team. And the really brilliant twist was that each one argued the other's side. To prep for that, they really had to get into the other person's skin.

I cautioned earlier about the limited value of formal employee-development practices such as conflict resolution and management classes. There is simply no comparison between the learning employees may take away from such courses and what they'll gain from participating in debates about business decisions. Ask anyone at your company to be able to ask-with impunity- a tough but fair question of a high-level manager at a big company meeting or engage in a serious debate with their managers about the problem they're being asked to solve. I promise you, nobody but nobody is going to choose the seminar.

What problem is your team working on, or what decisions do you have coming up, that you could stage a formal debate over?

## Build the Company Now That you Want to Be Then

Discussing the military's performance during the Iraq war, Donald Rumsfeld, the defense secretary at the time, famously said, "You go to war with the army you have, not the army you might want or wish to have at a later time." When I talk to managers about creating great teams, I tell them to approach the process in exactly the opposite way. You've got to hire *now* the team you wish you have in the future.

In my experience, one of the most important questions business leaders must regularly ask is "Are we limited by the team we have not being the team we *should* have?"

Over time I developed the following method for addressing this challenge, which I share with every company I consult with. Imagine six months from now, you have the most amazing team you ever assembled and you're saying to yourself, *Wow, those guys are awesome! I can't believe what they're accomplishing.* (I saw six months from now because that's about as far ahead as anyone can imagine in any business these days.)

Now, more important, think about how things are being done differently from the way they are currently done. Are people have more meetings or fewer?

Then I say, "Okay in order for those different things to be happening, what would people need to know how to do?"

This exercise often exposes problems in readiness regarding multiple changes to come, often changes that are rapidly closing in. Your team might lack the right hard skills. Or you might lack people with the soft skills or the right experience to be great managers. An essential question is; do you have enough capacity builders? By which I mean people who know how to build a great team. Bringing in great capacity builders was one of my main missions at Netflix. If you do that, they will tell you what teams you need and build them for you when you need them.

Giving people promotions and coaching them in new roles can be both enormously satisfying for team leaders and great for performance. But promoting and development people are also often simply not the best things for team performance. Managers should not be expected to be career planners. In today's fast-moving business environment, trying to play that role can be dangerous.

At Netflix, when we were interviewing people, we told them straight out that we were not a career-management company, that we believed people's careers were theirs to manage., and that while there might be lots of opportunity for them to advance at the company, we wouldn't be designing opportunities for them.

I believe the best advice for all working people today is to stay limber, to keep learning new skills and considering new opportunities, regularly taking on new challenges so that work stays fresh and stretches them. At Netflix we encourage people to take charge of their own growth, availing themselves of the opportunities we afforded them to learn from stellar colleagues and managers and making their own way, whether that meant rising within the company or seizing a great opportunity elsewhere.

Someone really smart in every job

Article in *First Round Review* - "This is How Coursera Competes Against Google and Facebook for the Best Talent"

The most competitive companies are able to stay limber, always innovating and growing, largely because they are always proactively bringing in new talent they need. The best employees are always looking for challenging new opportunities, and though they are usually intensely loyal, many of them will eventually seek those opportunities elsewhere. You can never know when they might decide to make a move, and often there is nothing you'll be able to do to stop them.

Stitch Fix – company

This is why I say that retention is not a good metric by which to evaluate your team-building success or whether you've created a great culture. The measure should be not simply how many people you are keeping but how many great people you have with the skills and experience you need. How many of *them* are you keeping? How many new people with the skills and experience you need are you hiring? You also want to closely monitor how rigorously you are evaluating whom you need to replace and how efficiently you're acting on that determination.

During the Q&A after my talk, one of the employees raised his hand and said, "I have a very important question to ask you: how do you feel about departmental managers versus a company manager?" At the time, this company had swings and hammock strewn around its office. To this audience member, I responded: "What kind of questions is that? You know how business works, right?" He said, "I don't understand what you're asking." And I told him, "Well, you make a service available to customers and they give you money for it. That money pays for the costs of operating, and what's left over is profit. That is the essence of business. It has nothing to do with managers. Companies don't exist to make happy employees!" I looked around the room and people were clearly shocked. I then explained that it's absolutely great for their employees to be happy, but that it's best for both them and the company if the reason they're happy is that they're doing great work with great people.

Making great hires is about making great matches. One company's A player may be a B player for another firm, and vice versa.

I asked one very senior HR executive from a Fortune 100 company that I consulted to, "Can you tell me what business metric is affected by the completion of your annual performance review?" He said, "I don't understand the questions, Patty." I repeated, "What business metric is directly affected by the completion of the annual performance review?" He said, "Again, I'm not sure what you're asking." So I said, "Might it be growth, revenue, profit? You know, the metrics that we measure our business with." Then I asked him how much of his staff's time was consumed by the process, and he said, "I really have no idea, but it's worth it!" Nowhere else in our companies are we allowed to justify something that takes such incredible effort with merely a feeling that "it's worth it."

How creative are you in looking for candidates? Have you devoted time to cultivating lead generators among your professional network? Do you consider finding candidates to be primarily your responsibility, or do you wait for recruiters to find them?

### Pay People What They're Worth *to You*

An interesting study done by Bain and described in a *Harvard Business Review* article provides strong support for the value of this strategy. This study analyzes the distribution of talent in 25 global companies and found that on average, only 15% of employees were performance "stars".

### The Art of Good Good-byes

It is also very time-consuming and costly. And despite the devotion of so much time and resources, it generally doesn't even do a good job of giving people the feedback and coaching they need. Too many managers rely too heavily on that once-a-year formal review to tell employees how they're performing and set goals for them.

Do you have any proof of the value of the annual review process to your business?

If you can't find good, solid data showing that the process is contributing to some important business metric, then I strongly advise you to lobby for doing away with it.

In my experience, high performers are, in fact, often somewhat frustrated with how their teams are performing rather than satisfied that everything is going swimmingly and life is all good. They are pushing for great results, and achieving those after requires some pain and a degree of discontent.