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Robert Glazer: Welcome to Elevate, a podcast about achievement, personal growth, and pushing limits in leadership in life. I'm Robert Glazer and I chat with world-class performers who have committed to elevating their own life, pushing the limits of their capacity and helping others to do the same.

Robert Glazer: Welcome to the Elevate Podcast. The quote for today is from Dan Pfeiffer and it is, "If the person at the top of any organization does not reflect the values you want in the culture of that organization, it won't work." Our first guest today is someone I've wanted to talk to for years and who served as a virtual mentor for me through some of her groundbreaking ideas. Patty McCord is one of the world's leading experts on company culture.

Robert Glazer: She was the chief talent officer at Netflix where she developed a company culture that inspired many companies to adapt similar principles, including our company, Acceleration Partners. She also authored the now famous Netflix culture deck, which has been seen by millions, and which Sheryl Sandberg called the most important document to ever come out of Silicon Valley, which is saying a lot. Patty is also a sought-after speaker and the author of *Powerful: Building A Culture of Freedom And Responsibility*. Patty, welcome. I'm really excited to be speaking with you today.

Patty McCord: Me too. Thanks for having me.

Robert Glazer: I also want to welcome Acceleration Partners' own head of culture, Emily Tetto, who's going to join our discussion in the second half of the podcast as we go into some of the how of culture. So welcome, Emily.

Emily Tetto: Thank you so much.

Robert Glazer: All right. Patty, you're known for this innovative culture work that you did at Netflix, but I'm curious, what happened before Netflix? And did that contribute to your philosophies at Netflix or was it just sort of the perfect mix of your beliefs and Reed's beliefs and what the company wanted to do?

Patty McCord: There's two important pre-Netflix parts that matter. One of them is my career in HR started ... I started as a recruiter. And when you're a recruiter, then you don't really worry about a lot of things that a lot of HR people worry about, like you don't worry about retention. You actually like when somebody leaves because that gives you a new job to hire for, right? And you also find that there's always somebody else out there and there's always somebody better. So that's kind of how you think about work. The second thing is, I was very, very traditional, and Reed and I worked together at another startup before Netflix where we grew through merger and acquisition.

Patty McCord: And what we did was we would take their employee handbook and our employee handbook and we would smash them together and just have more policies every time we did an acquisition. And by the time that company was over, and by the time that company was over, you know, I've got 20 something years under my belt, probably, and I just was tired of it.

Patty McCord: I was just tired of doing things that way. I just wasn't sure anything worked anymore, to be honest with you. And I worked a lot with engineers, and at that point I had stopped speaking HR speak because I had to speak plainly to engineers or they wouldn't listen to me.

Robert Glazer: Was there sort of a formative experience in Netflix where you said, "Hey, we got to do this differently or?"

Patty McCord: Well we did. The story in my book of how Reed talked me into coming to Netflix, so he called me up in the middle of the night and I said, "No, I don't want to do another startup with you. I'm consulting, my kids know my name. Life is good. And I think DVDs in the mail is the dumbest idea anybody's ever had. And I know what you're asking me to do. Go call somebody that doesn't know what you're talking about."

Patty McCord: And he said, "Here's the opportunity." I said, "Talk to me and tell me why I should do this." And he said, "Let's make the company we always dreamed of. What if we're successful? And let's make a place where if we're successful, we would still want to work there." And so I said, "Really? Well, how would you know if we did that?" And he said, "I want to walk in the door every day and solve these problems with these people." And he said, "How about you?" And I said, "Wouldn't it be cool if we were a great place to be from?" You know, like if you're having Netflix on your resume was like a cool thing.

Patty McCord: And I didn't know at the time how profound my answer was, because when I realized that if you create a company that's a great place to be from and that's your deep guiding principle, then everything falls away. Now you can talk about really being on great teams, now you can talk about the work in increments and not in a forever relationship. So, that's part A.

Patty McCord: The part B is the way we decided to do it. So I said yes, right? And what we decided to do was to write things down. So there's a couple of things, introduction, that are a little misleading, that everybody introduces me as. One of them is that I'm the author of the Netflix's culture deck. I'm not.

Robert Glazer: Co-author, right?

Patty McCord: Well, I have said to Reed one time and I'm like, "How many hours do you think you and I have put into this document?" And he goes, "You and me, I mean, think about every manager, every director, every VP, every employee who's

ever commented on us. I mean it's hundreds of thousands of hours." So the Netflix culture deck took 10 years to write.

Robert Glazer: I don't think many people knew that, yeah.

Patty McCord: Nobody knows it. It took 10 years to write. There are certain chapters, when you go back and reread it, every chapter is built on the chapter before. So we couldn't have freedom and responsibility unless we hired adults. And when we have freedom and responsibility when ... and we said people need to use good judgment, then they have context, not control, right? So then people had to really understand what they were doing, so the freedom to make the right judgment calls and do the right thing.

Patty McCord: So what we wrote it as was an internal onboarding document. What we used the Netflix culture deck for was when 10 people got hired, Reed and I would meet in a room with them and we would go through that PowerPoint deck and say, "Here's what you can expect from working." We didn't write it to be a guideline. We didn't write it to tell everybody else what to do. We wrote it to say, "Here's what you can expect when you work here." And the leaker of the Netflix culture deck was Reed.

Robert Glazer: I was going to ask that, yeah. Well, I assumed-

Patty McCord: We were driving to work one day. We used to, true story. We used to carpool and he says, "You know what? I met this, last night at this dinner who has this really cool new company? It's called SlideShare." I'm like, "Yeah, what do they do?" He goes, "You know, they put PowerPoint slides online." I'm like, "Oh, that is a great idea. I wonder what people are going to put out there." He goes, "Oh, I published the deck this morning." I'm like, "You did what?" And then he goes, "Well, what's wrong with that?"

Patty McCord: I'm like, "Oh, God, Reed, it's the ugliest document known to humankind. I mean, it's just horrible. I don't even think the fonts are the same chapter to chapter." He goes, "You never told me it was ugly." I'm like, "Yeah, I didn't want to hurt your feelings." I said, "And then, going to scare away all our candidates." And he said, "Only the ones we don't want." That's a true story.

Robert Glazer: That sounds like a very typical interaction between a founder and a head of culture or HR.

Patty McCord: Isn't it right? I was like, "Oh, God, well it's the internet, so we can't take it back." But it changed our interviews like the next day. Now we were interviewing people about, "How do you like to work?" Or they would say, "What's with this no vacation? Like does that mean we don't get vacation?"

Robert Glazer: Well, that's what I was going to ask you, because you're doing this in the onboarding, right? And what if someone's in the onboarding and they're like, "I don't want to sign up for this." So it made-

Patty McCord: It was really ... Honestly, I could look around the room and I would, like when we got to the part where, you know, how to the great performance gets us generous severance packages and I would see people I'm like, "Oh, shit, she's not going to last." So it actually turned out to be a great thing. And the other thing was, if you would come in for an interview and I'd say, "So what part of the Netflix deck was interesting to you?" And you'd say, "Oh, I didn't get time to read it." I would just say, "Thanks for coming. Bye." So it was a very, very useful tool.

Patty McCord: But we change portions of that. It was PowerPoint, so if we came up with a better way to say it or we wanted to redo something, we could do it. It was just PowerPoint. So it was a living, breathing document. It wasn't a treatise. People could send me an email and go, "You know, I think there's a better way to say slide 72." I'm like, "God, you're right, that's better. I'll change it." And I would.

Robert Glazer: But what version did the world see? Did they just see 1.0 or would you subsequently release the updates?

Patty McCord: I think we released the updates for a while. If you look on the Netflix website now, Reed has rewritten it completely in kind of a booklet form. They added a big piece about diversity and diversity of opinion and globalization because the company is now all over the world. And he condensed and edited a lot, and they did it in the same way we did it when I was there, which was at a company offsite.

Patty McCord: So, so our rhythm was that at our leadership off-sites or at leadership meetings, from the very beginning, we would take time to say, "How is it we want to work together? What kind of company do we want to be?" And we would write it down. And that's the culture part that I had never done in any other company I'd ever worked with. And at that point we had come through another cycle in the Silicon Valley where engineers were God and we had to make them happy all the time, and I was just sick and tired of it.

Patty McCord: The first dot-com boom I'm like, "I really, seriously, I cannot work with these children anymore. Let's not hire anybody who's not an adult."

Robert Glazer: Do you think though, that there's something in this that I've come to realize, which is that it was just so authentic about who you were and who you weren't. What is it about CEOs or company leaders where they're just afraid to say who they are and what they value? They steal all this Dilbert stuff and they put it on their wall from other companies, and it's not actually what they think or how they behave, but there's some pressure to do that. Versus you guys said the famous line, and I'm going screw it up. You'll correct it. What was it? Average

performance gets a generous severance. And it just was honest. And I just think that's so rare, but it could be much easier for the employees and the company if everyone just said what they valued and actually behaved that way.

Patty McCord: You know, I've been gone seven years and I travel all over the world and I met huge companies and tiny little startups. And so in the tiny little startup, part of the reason, I think, it's so hard is that people just don't know any better. And so in the tiny, tiny little startup, you really don't pay much of an attention to culture because you're so busy working. And that whole comradery and esprit de corps and all that stuff happens because you're solving problems of difficulty, and mostly what you're doing in a very early stage startup is making mistakes.

Patty McCord: And then when you get a little bigger and you start to get more organized and you get departments and then it starts to smell like a grownup company, then people reach for the traditional handbook and start doing all those things. And in the early stage companies that I work with, the gap for the CEOs when I talk to them almost always is they think it's important to write down these glowing aspirational values. But they totally forget that they have to live it. And sometimes the CEO can do it, and then I'm like, "Okay, you seem to be a really great guy and you seem to be at least straight forward and honest and give people good feedback. But your head of sales is a slimeball."

Patty McCord: So you can't be the only. The whole leadership team has to be able to embody it. And if you want to have an efficient company then show up on time. Do you show up on time? I mean it's the simple things like that. And then the other end of the spectrum is the huge 150000-person global corporation, and they don't know who they are anymore. They talk about their corporate culture, and it's different in every country, and it's different in every department, and they're not willing to ... So they have told themselves the lie of who they are for so long.

Robert Glazer: Yeah. And you said the key word there, "aspirational." People can't separate between who they are and aspirational. So here's the full quote for everyone to listen to, and see how many companies you know are this honest. So, "Sustained "B" level performance despite "A" for effort, generates a generous severance package, with respect. Sustained "A" level performance despite minimal effort is rewarded with more responsibility and great pay." Pretty clear about what you value.

Patty McCord: Yeah, but looking back on it, here's the other thing that I've come to realize, and it's back to me telling you that I started out as a recruiter. And we can talk about this later when we have your HR person on the call, but I tell people, "You know how we hire somebody to do something sometimes and then they do it and then they're done? And then we find something else for them to do that wasn't what we hired them to do that they're not very good at doing and they don't really want to do, but we're keeping them? We're retaining them, and then we wonder why everybody's unhappy?"

Patty McCord: The important part of that particular part of the culture deck is that it may be that you're now B level performance is because you're finished with your A-performing job. So my experience is really that, so number one, sometimes you just hire the wrong person. You just don't know what the job is and you're not very good at, you hire the wrong person. Especially when you're inventing stuff, especially in an innovation company. You're like, "Well, you're breathing, and you seem to like the product and you have some skills, so let's give it a go." And what we don't do with those people very well is because you know, you know in the first six months [inaudible 00:14:20] if you hire the wrong person. Like, "Oh, shit. We did a bad thing here."

Patty McCord: And you can tell them. You can tell them, "Look, I'm hiring you because I think you can, but I don't really know." And then you hire somebody to do something, spend years on it and then they're done and there's not that other opportunity anywhere in the company. And at Netflix that was particularly astute because we only had one product. At Google, if you get done or you get bored, you can go to one of the other Google alphabet companies. It's a whole suite of products, suite of problems. It's a very different organization.

Patty McCord: And then the third part is, sometimes life changes for you outside of work, your circumstances change and the way you work and what you want to do takes on a different meaning. And so sometimes, like I remember hiring somebody, interviewing somebody from Apple. And he said, "Yeah, you know, I just got married and I have a baby." I'm like, "Wow, congratulations." He said, "Yeah, so like if I don't have restrictions on my time off, I'm worried." That you won't be a good parent? Like, "Okay, I get it. You might need more structure, and Apple's a terrific company. You should probably stay until you feel better about that." That's the other important part was, it's not every company is for everybody. And for sure, not every company is for everybody forever. And that's absolutely true.

Robert Glazer: Yeah. There's a sports' analogy that I use a lot in that people on sports teams are on contracts, and so there's just this natural process every couple of years to have a reevaluation of your role and the team's plan and their salary. And sometimes it goes up, and sometimes it goes down.

Patty McCord: You know, I get to be on stage with them, right? I get to meet these professional sports coaches now, and I mean, forget all these management books. So I'm in Texas and I'm [inaudible 00:16:19] a diversity and inclusion conference, D&I. I hate when we have to make up fancy little management terms. I just talked to this diversity ... I'm like, "D&I? You guys, it sounds like linens and things. Can we just call it diversity? I don't know."

Patty McCord: So I'm at this conference and the coach of the San Antonio Spurs is on stage and there's very sensitive people in the audience. This person raises her hand and she says, "Look, I just can't imagine what it's like to be you. You spend all your time scouting for all this incredible talent and these young men join the team

and they play their hearts out and they fight for every win and every point. Doesn't that just break your heart?"

Patty McCord: And he looks at her, total straight face, he goes, "It's professional basketball. No it doesn't break anybody's heart, right? They got to play for the Spurs." And I'm in the audience thinking, "Why can't we just say that to people?" Right? "Thanks. Well, that sure was fun. You're done."

Robert Glazer: I mean, right. You used a vernacular word, team, not a family. Is that where you got that from or did you hear that afterwards?

Patty McCord: That's exactly where I got it from. For me personally, it was just this endless series of like, is what's going to come out of my mouth next true?

Robert Glazer: Whether people want to hear the truth is a different discussion, I guess, right?

Patty McCord: Yeah. My experience is that humans can hear anything if it's true. They may not like it, but it's much, much better to have an honest conversation with somebody about what's going on than to spin stuff up so that people are confused. People hate to spin. And the other thing I wanted to say is so far we've been talking a lot about saying goodbye and negative experiences, and this is the stuff that people always want to talk to me about. But there's a part that I really want to say in podcasts now, which is the reason why this kind of honesty works is that when you have a great team of amazing people accomplishing stuff, it's so joyful. It's so fun, right?

Patty McCord: If you've been on a great team it, and when you start talking about it, you light up, right? And so that's why I wrote my book. I mean, I wrote my book so that I could explain how the Netflix culture, how we actually did it. And I wanted to counteract what I was seeing after I left Netflix, which was this whole shift in corporate culture means having happy employees because happy employees do better work and so if craft beer makes them happy, then by God, you got to have craft beer. And my experience told me, look, most of the people I know when you ask them, tell me about a time at work where you were really proud, or you accomplished something, or you went home and said to your pet, "God, it was a great day at work."

Patty McCord: Always the story is something hard. Always, right? That's when you're like, "Yeah, we did it. We did it." So you can't make people happy with beer. I mean you can, but if you want them to be truly happy at work, it's about accomplishing stuff, that you can only do at work. That's the reason why you go to work with other people and get stuff done.

Robert Glazer: Yeah. There were a couple of thinkers, authors who are formative in how we built our culture, and we'll get into some of your material that was really helpful for me. The other was Dan Pink in his book, Drive, where he really talked about intrinsic motivation and doing great stuff. He had this whole notion in Silicon

Valley, that culture is beer pong and foosball tables and yoga and free lunch and free coffee. Those are perks. That's not culture.

Patty McCord: That's right. And those things are nice, and who doesn't love nice things? I mean, I walk into companies and I'm like, "Wow, I could live here." You get inspiration for furniture and stuff. I mean, who doesn't love nice things? And people enjoy that and people enjoy beautiful environments and all that stuff, but it's not what culture is. I'm very anthropological about culture. It's the stories you tell, it's what you reward, it's what you punish, it's how you behave, it's how you consistently behave across the company in a couple of handful of ways that matter a lot. And really that's it, right?

Patty McCord: It's the legends of your company that create culture and not the beer, because you got to keep buying new beer, because new beer changes all the time.

Robert Glazer: Yeah. And that's an arms race. I mean, I've been to some of these companies. It's an arms race you don't want to try to win because it's-

Patty McCord: Oh, man. You and me both. You know, I've sat down and said, "Tell me what it is you do." I mean, they're like the chief happiness officer. I'm like, "Are you like in charge of ordering hoodies? When you come in and you sit at your table, what do you do?" "I make people happy so they won't leave." I'm like, "Okay."

Robert Glazer: Well, I know you want to talk about leaving, but I think there is something to this and this is just the reality of people coming and going, but there's a struggle to have these conversations. So we're trying to build this world-class culture, and a few years ago we had some people give two weeks notice and I was sitting there, I was like, "This just feels incongruous to what we're trying to build. How do other people handle this? How do we manage this?" And I started looking a round and googling and finding some articles. And in that process I came across a quote that you said, which really changed my entire perspective and on our team.

Robert Glazer: And it was, "I could have told the employee, here's what I'm going to need six months from now and here's the talent and skills I need. Then you tell her, "It's not you. I don't want to fail. I don't want to publicly humiliate you." And those difficult conversations are handles with respect and often the employee get paid time to find a new job. When or how did you come up with that approach to leaving and again to be from Netflix? And what kind of impact did that have? I mean, it was new, right? I think it's hard for people to get used to something like that, but when you started having those conversations, what were the reactions?

Patty McCord: Really, the catalyst was that layoff that I just told you about. And in that layoff, I say goodbye to anybody who isn't working directly on DVD-by-mail, I say goodbye to all of middle management because I couldn't have people whose job it was to approve or tell somebody else what to do, because just they weren't

doing anything. They were just managing other people's work. And I say goodbye to anybody who wasn't technically talented or wasn't really into the mission. And about a year after that, we went public and I looked around the company and I looked at my finance organization and I realized I had 25 people in that organization and two of them had worked at a public company, right?

Patty McCord: We were going to IPO, right? Like, "Oh, this is the wrong talent, this is the wrong team. And these are wonderful people and I love them to death, but this is the wrong team." And I'm like, "We can't be, so do I hire another 20 people who have the skills that we need and keep them?" And then I realized what I'm going to end up doing, here's what in a traditional company I would do. I would say, "Okay, Miss accounts payable, Mr. accounts payable clerk, you can't actually do the receivables senior level job that I need. So I'm going to take your job and I'm going to divide it in half and so you can do what you're good at and I'll hire somebody else to do the other half of your job." Now if I do this across the organization, then I'm going to have to hire supervisors that tell some what to do because they don't know what to do, right? And then that supervisor's job isn't just to tell them what to do, so that supervisor's going to need a manager director to tell them directly where to go.

Patty McCord: And I, all of a sudden, I could imagine the org chart. That giant triangle that just gets bigger and bigger and bigger at the bottom. And I realize, and then I'm building a whole organization where most of the people have to be told what to do. And what I could do instead was just say, "I love you," kiss you on the cheek and go, "Love you, love you, love you. And I know that you want to be a CFO someday, but you're an accounts payable clerk. So that's going to take a while, and we're not kind of have time."

Patty McCord: And so the thing that you mentioned that is my methodology about thinking about where people are going to go and what they're going to do is the thing do very well with a timeline. That's why I use six months. In six months what's it going to look like? You can kind of see your way six months up. You cannot see your way 10 years up. And what we tend to do with people that we say, "You know, some day you could do this." Right? You have the conversation with an employee, "Yeah, some day you could do that," and in my mind I'm thinking five years and your mind is like, "Maybe next month." We don't ever do that.

Patty McCord: And when you have those conversations with people then you can say, "So, here's the deal. In six months we're going to need a whole different team, and it's not that you're not good at what you do. It's actually, we're not going to need anybody to do what you do anymore. So let's talk about how we're going to work that out." And then instead of the ridiculous horrible, meaningless, evil performance improvement plan-

Robert Glazer: How do you really feel about this?

Patty McCord: Which, let's take this situation. You know, you build something, you're done with it, you're a great guy. I don't really need you to build it anymore, I need you

to maintain it. You don't want to maintain it. So put you on a performance improvement plan. Your issue is not performance. Doesn't have anything to do with performing. You're performing, you're an A player, you're just in the wrong job, right?

Patty McCord: So what I did was I said, instead of doing that, instead of putting you on a 90-day performance improvement plan, why don't I tell you six months before so that we can figure out what we're going to do. Or as soon as I know that you're not going to work out, and then I'm just going to, instead of putting you on a 90-day plan, I'll just pay you three months pay. And that's how I came up with the amount for my severance. It was like, "Well, let's see. Why don't we just not do that? Why don't we just not have that in-writing conversation weekly where I basically humiliate you and try and prove that you're incompetent on paper because I'm worried that you're going to sue me?"

Patty McCord: And this is the conversation I have with people all the time. "You know who sues [inaudible 00:26:48]. People who hate you. You know why they hate you? Because you put them on a performance improvement plan and tortured them for 90 days."

Robert Glazer: I have said this a lot and I've gotten into arguments with people, that HR and legal people have sort of trained people to do a performance improvement plan for CYA. How do we change the way that both employees and companies talk about transitions that can make this idea of employment is not for life more understood?

Patty McCord: Well, first of all, we need to be honest that it hasn't been true for decades, right? I mean, I do 1500 CEOs in the room and I say, "Raise your hand if you're in the job that you had when you graduated from college." Like zero hands go up. I'm like, "Raise your hand if you measure retention." 1500 hands go up. I'm like, "That doesn't seem weird to you?" Let's talk about the basic premise of work that is a total lie, right? So there's not only that, but there's also the fact we're living longer, we're going to work longer. There's so many different ways to work now.

Patty McCord: So the idea of, "I'm going to join a firm and it's going to take care of my career for the next 30 years," is like not only not going to happen, period, end of story. But it's also not how you have to work, right? I am loving my life. I have tons of control over what I want to do. If I had known that I could have this life, I might've done it a long time ago. So we've first got to just all of us say to ourselves, honestly, "Okay, this is not only kind of not the way things are working. It's a lie."

Robert Glazer: Yeah.

Patty McCord: So careers are journeys, and the more we can both, as employees, as employers talk about that, then don't stay and work at a place that you're miserable at.

That's your job. And I can't tell you how many times I sat down and talked to an unhappy person that said, "I think you should work somewhere else, don't you? You don't like your new boss. You don't like the work that you're doing. This is kind of silly. You're a smart person, you're really capable. Sure, I'm going to miss you, but this is dumb. And you don't get to stay and make everybody else unhappy." I'm from Texas. My momma says, "Honey, misery loves company."

Robert Glazer: Herb Kelleher, there's a famous story. This woman used to write him every week and complain about their plastic tickets and complain about waiting in line and complain ... And he wrote her a note back, he said, "It just seems like we're not the right airline for you. You should fly in a different airline."

Patty McCord: Yeah, yeah. You know, at Netflix we would hire people, when we got big enough so that we could hire very senior people from other companies, it was really frustrating for me to have to like reprogram them. The person would come in and go, "Hey, I've been here for a couple of months. My team morale is kind of low. I need you guys to figure out some team-building for us." I'm like, "Right, that's what we hired you to do. Go build a team. The people that are working for you are unhappy because they're the wrong team. You need to hire a new team."

Patty McCord: He's like, "I was thinking kind of a ropes course." I'm like, "Wait a minute. No, no, no. It's your job to build a great team. It's not mine. Then when you're that team member, it's also your job to be pretty self reflective and say, "Am I still enjoyed in this? Am I still doing the work I love to do? Does it still matter?"

Robert Glazer: I mean, all are good questions. Something you and I talked about before the call, and this is where we want to really kind of get some dialogue. I know you maybe even had some questions for Emily. In thinking about small and midsize companies, I know you get frustrated. People read your stuff and say, "Well, we can't do that. Only companies like Netflix can do that." Or, "We're not Netflix," and they just use that as an excuse. One of the things we were trying to come up with our transition program, which we ended up calling Mindful Transition, and we said, "Well, we can't afford six months of severance."

Robert Glazer: Now I actually understand that it was really kind of three and three and three, but what could we do? How could we help people? How could we do this period? Why is it a mistake when smaller companies just think that this is all about budget and resources? What can they do rather than just say, "Well, we didn't have that deck. We don't have the resources in Netflix so we can't do these same things."

Patty McCord: Yeah, well, let me take in a couple of parts. In terms of being straightforward with people about what you're going to do in your firm, anybody can do that. So start with the business first, right? Why do you make money? Why are you in business? Who are your clients? Who are your customers? Who do you serve, and how do you serve them well? So for example, Emily, I used to say to my HR team, "Yes we are a service organization. It's not spelled S-E-R-V-A-N-T-S. The

people that we serve don't work here. The people that we serve are your mom or your mail carrier or the person at [inaudible 00:31:43] who watches Netflix. So we, our job is to make sure that we do everything we can within our area of expertise to make sure that those teams create terrific products that serve the customer.

Patty McCord: So the first thing to do is pay tons of attention to the business. And the most important training I would do for any company, no matter how small or how large, is teach everybody in the company how to read a P&L. All right, here's how our business works, here's what your part of it is, here's how that happens. Because when you know that, when you know the operations of the organization, that can lead you to really straight forward conversations. So, that's one.

Patty McCord: Thing two is every time you do something that you feel like you have to do because everybody else does it or it's best practices, all I ask you to do is say why. We do an annual performance review. Why? What are we trying to accomplish there? Is it a feedback mechanism? Because if it's a feedback mechanism, one a year is really stupid. This I learned from engineers. An engineer never says, "Oh, let's take this thing that's kind of funky and make it a little less funky and customers will love it." No. They're like, "Let's make this amazing thing that nobody has ever seen." So I just learned to be a product manager.

Patty McCord: I used to describe myself as the COO of the culture, or a product manager for the people stuff. So is that product okay? Well, it's a terrible feedback mechanism. So is it a compensation mechanism? Right? So that's the third point I wanted to get to, which is money, which is compensation. There's a whole bunch of different ways to count people. There's headcount, which is often butt count. How many cares do you need? How many computers do you need? How big a facility do you need? Then there's the number of open positions that you want to fill, and usually you do that bottoms up by saying, "In six months we're going to need this many people to do this kind of stuff."

Patty McCord: And then there's the salary, right? What your salary pool is when you roll it all up together, that's how much money you're going to pay for comp. But you know, you can afford a lot of things by not having some things. So if you keep the person who's okay, but they don't really like it but you don't want them to go because you don't want to have a lot of turnover in there, and you like them as a person, and they're fine, right? So it's all a finite pool of money. And so I used to tell people, I'm like, "I'm not going to go to the money tree and get some more because you need some more. We're going to move it around from some other part of the organization." So what we tried to value in terms of compensation was predictability.

Patty McCord: Did we accurately estimate what we would be spending, and then allow tons of flexibility. So you can hire the person at 300K by either, A, saying goodbye to two 150s, or not hiring four 150s. You know what I'm saying? You just have to

apply the math. And the problem with traditional compensation is that it doesn't reflect what the real dynamics are of hiring people in the workforce, which is market based. You're worth what somebody else will pay you. That's what you're worth. If you look at compensation, just like you would look at any other part of your budgeting process. You know, CapEx, or depreciation or facilities cost, then you're going to move that money around as necessary. And you can do the same thing with compensation.

Patty McCord: So the part about you can't afford six months severance, well that depends on what you're trying to accomplish with that severance, right?

Robert Glazer: Right. A lot of people pay severance for people to go away rather than to pay them to continue working, but agree to a timeline, as you said, about when that switch is going to be made. So there's a difference between paying someone to do some work and paying them to do nothing in terms of what the company [crosstalk 00:35:44]-

Patty McCord: Totally. Totally, totally, totally. And what usually happens is we do like bad breakup stuff. Like, "Yeah, I want them to leave at the end of the month, but actually I don't want to tell them. So while I'm busy recruiting for somebody, I want them to stay, but I want to tell them that I want them to go, but I want to have a four month transition." And I'm like, "Okay, we're transitioning this person for four months who's unreliable, and it makes you crazy because they never do anything on time. What makes you think they're going to suddenly be reliable for the next four months? Really?" So yeah, I mean it's about applying clean logic to situations that aren't often very logical because we're talking about people here.

Robert Glazer: All right, everyone, we're going to take a quick break for a word from our sponsors and we'll be right back.

Robert Glazer: When you started your business, I'm sure you didn't dream about all those admin tasks, like drafting proposals and contracts and tracking down payments. Of course, you didn't, and that's why you need HoneyBook. HoneyBook's an innovative online management tool that organizes your client communications, booking, contracts and invoices all in one place. It makes it really easy to run your business better. Professional templates, e-signatures and built in automation keep everything on track and make you look good.

Robert Glazer: It can even consolidate services you already use, such as QuickBooks, Google Suite, Excel and MailChimp, and that's why it's the number one choice for client in business management, for freelancers and business owners. And right now HoneyBook is offering our listeners 50% off when you visit honeybook.com/elevate. Payment is flexible and this promotion applies whether you pay monthly or annually. So go to honeybook.com/elevate for 50% off your first year. That's honeybook.com/elevate.

Robert Glazer: Emily, what's your ... I know you must have a list of good points, but what is your-

Patty McCord: Emily, let's go. Let's go. Let's get in here.

Emily Tetto: I know, I know. Honestly, I'm just listening and fascinated by the conversation right now, because so many things I see them align with what we do here. But again, just on a smaller scale, really. So I see so many of the philosophies that are aligned in having conversations with our managers here about having just honest conversations with employees, and that that affects a lot.

Patty McCord: Yeah, you know, and I would say this, people worry about, especially when you're small, you kind of have this fear of policy and bureaucracy creep, so you have healthy skepticism about it. But I think what's really important for you to remember is that discipline is beautiful and that organizations, even the word organization means you have parameters around the way you operate with each other so it'll be more efficient. So let's take the thing you just mentioned, which is we really want to encourage people to make sure that they have honest conversations with people.

Patty McCord: You might want to have some discipline around that. You might want to say, "Huh, what we're going to mandate, we're going to make a rule around here that everybody has a one-on-one with somebody that they work for every two weeks. You've got to do it." And you, Robert, you're going to skip level and go, "Hey, tell me about your one-on-one with Emily." And she's like, "Well, she's been busy and I've been busy. I actually haven't had one in six months." That needs to be punishable, right? So let's say you have the discipline that says you're going to have a one-on-one every two weeks. Well then make every third or fourth one-on-one be about performance. Formalize it, right?

Patty McCord: And so you can do that by saying, sending you an email, "Hey, Emily, we're going to do our performance one-on-one next week. Here's the five topics that I think we should talk about. And oh, by the way, don't forget to prepare feedback for me too." Then I can say, "You know, we've talked about this before, why does this thing keep happening?" And you can say, "Because you said you were going to help me out and you never get time." And then I'm like, "Oh, God, you're right. Okay, how are we going to fix that?" And it's not this big end of the year trauma drama, because we've talked about it the whole time.

Patty McCord: The other thing about my advice for you about making sure that managers do this stuff, is that, you know this, and I know this, the way you get better at giving feedback is you practice. Just do it. That's what makes managers good at doing it. So I found that structure helps on some of these things. I did compensation review once a year because I wanted to do a point-in-time analysis of where we were. And then over time I actually ended up doing a comp review of any department where I hired a lot of people because I wanted to see if my market data was still fresh.

Emily Tetto: So I just wanted to get your opinion on something that we do here. Talking a little bit about the balance between when a performance improvement plan or a formal performance warning is appropriate and when you really just need to have an honest conversation that something's not going to work out. The employee is just not the right fit for the position, just not the right person in the right seat at the right time.

Patty McCord: In my view, there's no difference to me. Answer number two is always the right answer. You're going to give them an informal, have an info ... "Hey, just wanted to shoot the shit here, and I'm thinking that maybe we don't need you anymore. Hey, how's your new dog?"

Emily Tetto: No. No, no, no. So sometimes when we're having conversations with people, there are situations when 100% it is not the right person at the right time and we're having these conversations with them about how we can either move them into another seat, or if they're just not right for AP right now, we talk about our Mindful Transition option and you try to make good transition for them. And then there are other times when we have employees that really the skills, it's really performance, and sometimes it's, they can get better. They have the capability to get better. It's just a matter of, do they want to?

Patty McCord: Yeah, and time too.

Emily Tetto: Yeah. Do we have the time? Do they want to? Do they get it? Like, do they really want to, right? So we give them the opportunity to get better, but we say, "You know, you're going to need 110% of your effort on this, or-"

Patty McCord: Okay, so that's when the manager of the organization whose job it is to build a great team, sits down with the person, looks them in the eye and says, "As you know, it's my job to build a great team, and you're not on it anymore. Now I got to tell you, if you walked into the door today knowing what we both know, I don't think I'd hire you. So that means it's over." So the first part of the conversation is, thank you. "Thank you for the work that you've done. Thank you for everything. We wouldn't be here today without you," because those things are true. And when you don't feel like saying thank you, it's because you should have had this conversation a long time ago, back when you still like them.

Emily Tetto: So I guess I'm trying to go like earlier. Exactly what you're saying, like we should have this conversation earlier, so early. We're having the conversation earlier, not getting to that point where you're actually giving the person, like you do have some time. Like, "There is some time, there is a window, we want to see some improvement. You can possibly do this, but if you don't want to do that, that is cool too. We are good with that, we respect you as a person, and we also want to give you this option to transition. So you can either put 110% into over the next 60 days, go and getting better, or we can do 110% and we're going to go help you look for something else."

Emily Tetto: And we can have conversations along the way. It's not an absolute, but really just giving people options so that when they get to that point of, "Oh, gosh, this is bad," they don't feel like they're stuck in a hole. That they actually have an option.

Patty McCord: That makes a ton of sense to me if it's true. That sounds terrific. That sounds like exactly what you should be doing as you know not the right person anymore. That's the part, is you and the hiring manager have to sit down with each other and [inaudible 00:43:55], "Do you really mean if they give 110 [inaudible 00:43:58] be successful? Are you sure? Because you have to decide, manager. It's your team." So the problem for me with doing that particular conversation when you already know that the answer is, it's not going to work out, is it feels really disingenuous, and it feels like you're just not taking the responsibility to go, "This isn't going to work."

Patty McCord: So I mean, if you truly believe it, then that's a perfectly wonderful thing to do, and then everybody gets a chance to try it out, right? And the other thing is, if you say, "We're going to give it a couple of months to do this 110%," you can do a transition in three weeks from now like, "This, no." And the other thing I would say to you is you're going to want to learn from who does it well and who doesn't do it well. So here was my secret for passing along the Netflix culture. This is my HR secret, I'll tell you.

Patty McCord: When I would work through with the hiring manager finally saying goodbye to somebody that we knew, blah, blah, blah, and we go through all of that and the person gets better at it over time. When I would get a new manager, they would come in and say, "There's somebody on my team that I'm concerned about and I'm not sure if they're going to work out." I would say, "Go talk to Kevin, and have them learn from each other," because I don't need to be the answer of all of these questions. And so what you want is you want your management team as you grow to collectively create the muscle around having good conversations with people, and to see it.

Patty McCord: This is like the top of the management team should be able to demonstrate this kind of behavior all the time. And so that's for you, Emily, it's about making sure that you coach them and making sure that they have the right scripts and the right dialogues and that when the hiring manager and the manager comes in and says, "Oh yeah, I had this conversation. Everything went great," that you follow up with the employee and go, "Tell me about the conversation you just had. You didn't have it. Okay."

Robert Glazer: Yeah. And Patty, new managers, it's one thing for season managers, but when you're growing quickly, this is not something that probably new managers are used to. How do you accelerate that process and get them to trust their gut? Because I think new managers give people a lot of chances.

Patty McCord: Yeah. I'll give a couple of my secrets. I say, "So have you figured out how this conversation is going to go?" "Yep. I have it written down right here." And I'm

like, "Okay, well, there's 27 bullet points, and that's too many. You don't need to break up with this person by telling them every personal flaw they've had since childhood. We don't have to hate them to break up." So I would coach them and say, "How about this? How about this?" And I usually would say to people, "The conversation that you have, you want to be able to have that person have that conversation with their grandmother." "Well, my boss called me in today and they don't need me anymore. Here's the reason why." And it has to make sense. So that's thing one.

Patty McCord: Thing two is, you know how we imagine those conversations in our head and we sound so good. Like when you're laying in bed at 2:00 in the morning you're like, "Oh man, I'm going to be so good this." So here's my really, really true secret, very special hint. Write down what you're going to say, call your cell phone, call you're answering ... record it and say what you're going to say to your phone. Just say it. And most of the time just having the words come out of your mouth is like, "Oh man, that sounds really stupid." You know how it is when you do public speaking, for example, you think you're practicing in your head and you don't need to practice out loud until you practice and it didn't go well. Okay, so record it, and then I say cure it for a couple of hours and then go back and listen to the conversation as if you're the person you're talking to.

Patty McCord: And that little hint really helps people, because new managers are afraid of even starting the conversation. So part of it is to have other people around them say, "Here's how I would normally do it. Here's the words that I would typically use," because people don't know what to say because they literally don't know what to say. It's not because they're new managers and they don't know any better. It's exactly because they're new managers and they don't know any better, so you have to teach them.

Patty McCord: And the other part is the best time to teach people about these kind of conversations is when one of those conversations is going to come up. I don't think effective communication classes about delivering difficult messages are effective any other times than when you need to deliver a difficult message.

Emily Tetto: I 100% [inaudible 00:48:46].

Patty McCord: So, I mean, I do a lot of role play stuff, but the recording yourself is probably the best tip I would give you, because it just happens between you and yourself and you can listen to yourself and go, "Oh man, I could do better than that." I mean, I've done it myself. I've recorded myself five times until I got it right. And even then, you know, and when you're expecting the person to burst into tears and then they look at you and go, "Oh, thank God. I've been waiting for you to tell me this."

Robert Glazer: That is true a lot of the time. You know, one thing we have not talked about is why don't people have the difficult conversations? Is it just that they're afraid to? If they had better [crosstalk 00:49:26]

Patty McCord: I think we just don't know how. If it's early in your career and you haven't had those kind of conversations, you need to practice it with somebody. Say the words out loud so that you can do that. And again, I'm very prescriptive about it. If you're going to have a difficult conversation with somebody, you start with thank you. "Thank you for the work you've done. Thank you for all your contribution. We're going to have a somewhat difficult conversation here because I'm not sure how things are going to turn out." And then you need to deliver your message pretty succinctly.

Patty McCord: And the other thing for you, Emily, is you'll learn a ton from having a manager have a conversation then following up with the employee. So then you can go back and go, "Well, I know what you told me you said. Let me tell you what she heard."

Emily Tetto: I've had to [crosstalk 00:50:15]

Patty McCord: Because as soon as somebody sit ... Of course you have, right?

Emily Tetto: Yeah, yeah, yeah.

Patty McCord: And because the person meanders and meanders and meanders and meanders and you're like, "Are you going to fire me or not? I mean, what?" "I sat him down and I told him at our last one-on-one if this happens again, he is out of here." I'm like, "Great. Why don't you wait here and let me go ask him how he's doing." "Well ... " I'm like, "Now when was that one-on-one that you had that conversation with him?" "Well, it was at the end of the year." I'm like, "It's May."

Patty McCord: So when I go ask him how he's doing, they're going to say ... You know this, right? When you go ask a person how they're doing, they're like, "I don't know. You know, I had this conversation with my boss, God, I don't know, six months ago, and he was all upset about something. He was yelling and screaming and I felt like crying." "So what did you do after that?" "Oh, I avoided them," because [crosstalk 00:51:08] something. So, that's just practice. That's just practice. And getting managers together in a group.

Patty McCord: I mean, the other thing I found super effective is that people learn from each other.

Emily Tetto: [inaudible 00:51:25]

Patty McCord: Because when I coach somebody ... Yeah, that's super helpful because somebody else can go, "You know, that sounds more like something I would say." And the other thing I sell people is, no one ever, you know, "I should have waited a year before I said goodbye to that person," said no one ever. That, "I should have given them another year." No. But, on the other hand I have also,

I'm sure as you have seen somebody in the wrong job with the wrong boss and I've switched it up and they've done incredibly well somewhere else.

Emily Tetto: Absolutely, 100%.

Robert Glazer: All right, so last question. This will be a quick one. Patty, how do people get ahold of you?

Patty McCord: You can go to my website, pattymccord.com, and that's the best way to reach me.

Robert Glazer: All right. That's easy. So, Patty, thank you so much for joining us. Your work's had an enormous impact on the way we've built our culture at Acceleration Partners, and I'm grateful to you and your vision and for a lot of that virtual mentorship over the years.

Patty McCord: Let's keep it up, okay?

Robert Glazer: All right, to our listeners, thanks for tuning in to the Elevate Podcast. Until next time, keep elevating.