

Announcer:

Welcome to The Carey Nieuwhof Leadership Podcast, a podcast all about leadership, change, and personal growth. The goal? To help you lead like never before, in your church or in your business. And now, your host, Carey Nieuwhof.

Carey Nieuwhof:

Well hey, everybody, and welcome to episode 443 of the podcast. It's Carey here, and I hope our time together today helps you thrive in life and leadership. I'm very excited about today's guest. We have Erin Meyer, who wrote a fantastic book with Netflix CEO, Reed Hastings, and well, it's about No Rules Rules: Netflix and the Culture of Reinvention. This will be fascinating for anybody who leads anything and are trying to motivate teams. If that is you, you're going to love this one. Today's episode is brought to you by World Vision and Remodel Health. You can sign up for World Vision's free web series, Right Side Up Soul Care, with Danielle Strickland at worldvision.org/carey. And Remodel Health, you can get some significant savings by going to remodelhealth.com/analysis. Use the code CAREY50 for 50% off.

Carey Nieuwhof:

Well, Erin Meyer has studied cultures around the world and corporate cultures throughout her career, and she connected, will tell the story in this episode with Reed Hastings of Netflix. He actually reached out to her after reading her book, after deciding that Netflix should go global, and they ended up writing this book on the culture at Netflix.

Carey Nieuwhof:

Now you probably, if you've been around the internet for a while, have seen the slide deck which has been viewed a ridiculous amount of times that Reed Hastings put together on the culture at Netflix. Famously, no limits on vacation, no expense approval needed, all that kind of stuff that really created a buzz. They put a book together.

Carey Nieuwhof:

I listened to the audio version of this book back in the spring for the first time, came out last year. I was fascinated by it. Reached out to Erin to see if she could come on the podcast, she said yes, and now we're studying this as a team and everything. I think you're going to be fascinated. Whether you're an employee or an employer, this is really good.

Carey Nieuwhof:

Erin is the co-author along with Reed Hastings of the Financial Times-nominated best business book of 2020 New York Times bestselling book, No Rules Rules: Netflix and the Culture Of Reinvention. She's also the author of The Culture Map and a professor at INSEAD in Paris. Her work has appeared in the Harvard Business Review, the New York Times and Forbes.com. In 2019, Erin was selected by the Thinkers 50 as one of the 50 most influential business thinkers in the world. We talk about everything. Why adequate performance gets you a generous severance package; what talent density means, and I am very fascinated in that as we move forward here; and how an unlimited vacation policy actually works.

Carey Nieuwhof:

Thanks to our partners for this podcast. World Vision really has your back. We know this has been a very difficult time for a lot of leaders and if your soul needs some care — and when does it not need care —

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Carey Nieuwhof:

What are you doing about healthcare for 2022? You're probably putting together your budget. Whether you are a not-for-profit, whether you're a church, whether ... well, whatever you've got going on, check out what they have at Remodel Health. To date, customers of this podcast have saved more than \$2.1 million on healthcare premiums. You know how expensive it can be. What if you could get a cheaper plan with better benefits for your team?

Carey Nieuwhof:

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Carey Nieuwhof:

Also have a What I'm Thinking About segment. We're going to talk about Ian. He is young, he's getting married, and he's overwhelmed. What do you do about that? That's celebrating the launch of my book, *At Your Best*, which just released a couple of days ago. Hey, just so you know, if you're listening to this, if you haven't signed up yet, you can go to atyourbesttoday.com, get the masterclass video companion to my brand new book for free, but that is going away within hours of launching this podcast. So if you're listening within the first day or two, head on over, you can get it for free. Otherwise, well, hey, thanks to everybody who got in early. Meanwhile, check out my brand new book, *At Your Best*. It's all about getting time, energy, and priorities working in your favor. We'll do an Ask Me Anything About Productivity toward the end of this podcast. In the meantime, let's jump into a fascinating dialogue with Erin Meyer. Erin, welcome to the podcast.

Erin Meyer:

It's so nice to be here with you, Carey.

Carey Nieuwhof:

Yeah, I read your book and it was just fascinating. I Googled you and found you and you graciously agreed to come on the show, which I so appreciate.

Carey Nieuwhof:

You've had a whole career studying culture, culture mapping, and you did a lot of national cultures, which is really cool. Like if you're going to Japan, how does that culture behave? If you're going to Canada, you even got one on Canada, which is interesting. I was tempted to buy it just to see how weird we are. But anyway, but then you wrote a book with Reed Hastings, the founder of Netflix on Netflix's culture. So let's start here. How did you and Reed meet?

Erin Meyer:

Yeah, so actually that's quite an interesting story. My first book, as you said, is The Culture Map. That's all about national cultural differences. That book came out in 2014. When it came out, it was kind of a slow starter. I mean, eventually people started reading it, but not right at the beginning. So because of that, perhaps, I was quite surprised when one morning I woke up and I picked up my phone. I know you're not supposed to do that, but I picked up my phone, I checked my email first thing, and I remember there was this email in my inbox and the subject line said Peace Corps. When I read it, it said, "Hi Erin, I've just read your book. I was in the Peace Corps like you were, near where you are. I'm trying to have everyone read the book in my organization. My name is Reed and I'm the CEO of Netflix." I remember I sat up really straight when I got to the end of the email.

Erin Meyer:

In any case, that's how I met Reed, this kind of like cold email out of nowhere. I started working with Netflix on their international expansion. Then I was just so interested in this just crazy and provocatively strange corporate culture that they had at Netflix that I guess I just kept at him until he agreed to work on a book with me on it.

Carey Nieuwhof:

That's fantastic. What struck you as weird when you first started working with Netflix?

Erin Meyer:

Yeah. Well, so like many of your listeners, I first came across the Netflix culture even before Reed had contacted me when I read the Netflix culture deck, which is the set of slides that's been read like 20 million times. If you've seen that, there are some things in it that I found quite startling. For example, one of the slides says, "At Netflix, adequate performance gets a generous severance. When I saw that slide, it really struck me because we've been spending so much time at INSEAD, at the business school that I teach at, we'd been spending so much time researching and talking about the idea of psychological safety, and here was an organization that wasn't talking about that. Instead, they were saying, "If your employees don't perform at the highest level, go ahead and kick them out." There were other things in there, like there was a slide that said, "At Netflix, our vacation policy is, 'Take some.'" And something about their expense policy is, "Act in Netflix's best interest." I thought those ideas were interesting, but I just couldn't figure out how a real company could actually operate under those guidelines. So yeah, so those are some of the strange and provocative things that I came across and I guess many of your listeners may have heard about also.

Carey Nieuwhof:

Yeah, I had heard about the no vacation policy or, "Take as much as you want," or, you know, we'll drill down on that because I think that sort of the hook that gets everyone. It's like, "Wait, my team can take as many vacation days or weeks as they want? Are you kidding me? Aren't people going to go crazy? Is this going to be like spring break and they'll never come back?" We'll get to that. But you know what's fun, you mentioned psychological safety. Amy Edmondson has been a guest on this podcast and we talked for an hour and a bit all about psychological safety. One of the fun things about doing this show is, you know, pretty, open-minded. Not all my guests agree with each other because we are trying to create psychological safety, but we're going to talk about radical candor, we're going to talk about all these things that Netflix does. You were just shocked by that, right? By this idea that yeah, people could just say what they wanted ... yeah, say that principle again. I want to go there because ... "Adequate performance gets you a generous severance package."

Erin Meyer:

That's right. I mean, that's I think the most provocative statement that's in the book. I have to say that although I was taken aback by it, I also, I loved something about it, and what I loved was the honesty. I'm so used to looking at these organizations who show me what their culture is about. I put it in quotes, "about," right? They're taught, "Oh, we're all about integrity and respect," but of course, what they're saying is not what's actually happening in the organization. And here was a company who was actually not just speaking and let's say kind of like fluffy, overall positive words, but we're really daring to say, "These are the dilemmas that our employees are facing on a daily basis." You know what, when you come across a tough dilemma, like you can say, "Here we value security," or "Here we value talent density or high performance. Remember, here, we value high performance even over security," right? So that was a company that was really daring to make a choice. It's been one of my favorite learnings from this as I'm working with other organizations. Dare to make a choice. Look at the tough dilemmas and tell your workforce which way to move. Don't soften around with the respect. No organization would say they value disrespect, right? So dare to go a little bit further.

Carey Nieuwhof:

We're going to get into the cultural values. We'll spend the bulk of our time together on that today. But for people who are listening, I would encourage you, and please correct me if I'm wrong, Erin. Listen to the entire thing and the sequence. You say several times in the book with Reed, don't just half-listen to the podcast, show up tomorrow and go, "Hey guys, there's no limits on vacation," and you're going to have an amazing culture, because it doesn't work that way. Can you explain how these are either stacked or sequential or pieces of a puzzle that has to fit together to be able to work?

Erin Meyer:

Yeah, and I think in to start that, I actually have to tell a story.

Carey Nieuwhof:

Yeah, please do.

Erin Meyer:

The first time that I interviewed Reed, he told me about his first company. So Reed Hastings, right? The founder and CEO of Netflix, who I wrote this book with, his first company was an organization called Peer Software. When he opened up Peer Soft, at the beginning, it was just a small group of passionate people who were operating, let's say, kind of fast and loose. What I mean by that was that they had no bureaucracy or procedures or rules that were telling them what they could and couldn't do. They were just using their best judgment to make decisions for the good of the company.

Erin Meyer:

But then the organization started to grow. It grew to a couple of dozen people and a couple of hundred people, eventually a couple thousand people. And as it grew, some people did stupid stuff and some people took advantage of the freedom that had been given to them. There was the story about this guy, Jim, and he used to fly every week from San Francisco to LA, and because there was no travel policy, he started flying first class. There was this woman named Charlotte and she had this big dog. Because there were no rules telling her she couldn't, she started bringing the dog to work every day. One day, that dog chewed a big hole in the conference room carpet. So Reed responded by doing what most chairmans or

organizations do in these moments of chaos, which is that he put in rules and policies and procedures telling people what they could and couldn't do.

Erin Meyer:

But then something else happened as those control processes started to take root in the organization. What happened was two things. First, that the most creative, mavericky employees, they started to leave the company because they wanted to work at a place that they could run free. And as Reed sometimes says, he realized that if you dummy proof the system only dummies want to work there.

Erin Meyer:

The other thing that happened was that the people who were really good at following the rules and processes were promoted into senior management positions, but these weren't the most flexible or innovative people in the company. The company stopped innovating, and then when the environment shifted, the organization was unable to shift with the change in environment and he had to sell the company.

Erin Meyer:

So his big learning from that was freedom. Employee freedom breeds innovation, and process kills flexibility. Those were his two kind of overriding ideas as he opened up Netflix.

Erin Meyer:

But I didn't answer your question.

Carey Nieuwhof:

No, no, no, it's a great question, and I want to drill down on that before we get to the original question. Some CEOs love process, a lot of entrepreneurs don't. So we have been talking, we're a small company, we're like eight people, and I was getting just some internal stuff. You know, my team going, "We really need an HR handbook here," and we're onboarding new people on a semi-regular basis and it's really hard to onboard people. I mean, we're not even talking to 80 or 8,000. I mean, it's just eight. But you got to replicate yourself, particularly in a remote organization like we have. My joke was, "Well, you can write an employee handbook as long as it's no more than five pages and has pictures. All right?" I don't want a whole bunch of rules. I just don't want a whole bunch of rules. I'd heard about your book, it came out ... when did No Rules Rules come out? Was that 2019?

Erin Meyer:

Sept 2020, yeah.

Carey Nieuwhof:

Oh, it was 2020. Okay, so I'd heard about it, heard the buzz about the book. Then maybe in the early summer of 2021, I downloaded the audio book, started listening to it and I went, "This is what has been in my heart. Not nearly as brilliantly or well articulated, but this is the siren song of what I want corporate culture to be like." Because it's not about this sort of Bohemian, do what you want when you want, you get like talent density and high performing teams and freedom and responsibility and autonomy and all of those things together. Is that something that Reed always craved? Because you mentioned he started with no rules and then it kind of went very bad. He became this bureaucracy,

which I think a lot of entrepreneurs just dread. He was very open in the book about just, "Yeah, how that one really didn't work out so we had a chance to do it again with Netflix." Right?

Erin Meyer:

Yeah. Well, I think that he is, like many, many entrepreneurs and people who start organizations, which is both they love working in a place that is buzzing with creativity, but like the rest of us, he was under the spell of the industrial era. I think my biggest kind of overarching lesson from all of this was to just start to recognize how the vast majority of organizations today are still obsessed with this focus on error prevention and replicability, which is an industrial era hangover. Of course... I mean the industrial era powered our economy for hundreds of years. Right? So of course we learn all of these methods for maximizing efficiency, reducing error as much as we could. Of course, we still do need those things to some degree. If you are running a manufacturing plant or you're working in a safety critical environment, by all means, follow the methods of the industrial era.

Carey Nieuwhof:

Yeah, if you're making pharmaceuticals, you probably want some error prevention, right?

Erin Meyer:

That's right. Oh, we hope so, right?

Carey Nieuwhof:

Yeah, yeah.

Erin Meyer:

But I think we all can see that in a growing number of teams and organizations today, the biggest risk is no longer making a mistake. The biggest risk is not being innovative enough, not being fresh thinking so that we become irrelevant. That's why we really need to even fight off, I think, these tendencies that are in us, which is when someone makes a mistake, we put a process in place to make sure it doesn't happen again. Instead say, "Okay, one mistake happened. Let's deal with that mistake," but not take away the freedom of the rest of the workforce at the same time.

Carey Nieuwhof:

Has the culture been key to scale for Netflix? Because they brought you in at a time they weren't American company, and then they picked a couple of countries. I think Canada was early on the list, but then all of a sudden they went global. So they brought you in around that. Can you talk about how important culture has been to scale for them? Then with your culture mapping background, with all these global cultures, you got to then figure out, well, how do you be Netflix in Japan? How do you be Netflix in Indonesia, in Africa, in Europe? Where the languages are different and the practices are different. How does culture impact scalability?

Erin Meyer:

Yeah, well I think, of course, when you know all of your employee's names, it's still pretty easy to have a culture that's flexible and where your employees have freedom because you can kind of keep an eye on everything. But once you get to the level that you don't know all of your employees anymore, that's when our kind of, let's say human instinct kicks in for the leader to want to want to put in more controls.

You feel uncomfortable. You don't want things to happen if you don't have your hands controlling those things. But we really do, I believe, at that moment, if we want innovation, we need to think, "Okay, I have to just fight against the process, the goals, the drive for process that's in me and think instead about ways to give my employees more higher levels of freedom." I think we should, Carey, talk a little bit later in the podcast about this strange culture at Netflix and what happened when they tried to take it into other countries, because that is also another story, but we probably need to look at the principles first.

Carey Nieuwhof:

Yeah, we'll look at the principles, and this is good because we do have the majority of people who listen to this statistically would be people who run small organizations. But we also have some very, very large, like leaders who lead some very large causes, large companies, sports teams, and many who have international distribution as well. So I think this is going to be helpful. But basically this is a sequence. I'm just saying don't pick and choose and say, "Oh, we're going to have no expense policy." Why is that a trap? Why is that a danger? Why does this need to go together?

Erin Meyer:

Yeah, thank you. So that was the question you asked me so long ago, but I didn't get to, but let me try to do it now. Okay, so when Reed opened up Netflix, he had this goal of creating this free work environment and an environment where people were not run by management controls. But he also was concerned. He was concerned that at some point, if he didn't put in control mechanisms, that the organization was likely to descend into chaos. He thought a lot about it, and he came up with what I'll call The Netflix Experiment. That experiment had three parts to it. The first was okay, in most organizations, most of the processes and rules that we put in place are there in order to deal with the less amazing employees. Kind of the medium ones, right? Our top performers, they don't really need to be controlled. So what if I were going to try to create an organization that was made up only of top performers?

Erin Meyer:

You brought up the word talent density earlier. Of course, I know as your listeners hear this, they think, "Well, that's fine for Netflix. They have a lot of money," but at that time, that wasn't the case. The choice that he made was to hire a lot less people, but to pay them more. That's where you get the talent density. Less employees, but better employees. The thought was, "If I have less employees, but better employees, then I can give them a lot more freedom. But I might still have some employees who really try to take advantage of the freedom that I'm giving them." Even if they're really high performing, they might not be honest. Right?

Carey Nieuwhof:

Right.

Erin Meyer:

So what if I then try to create an environment where all my employees are giving one another a lot of really candid, open feedback on an ongoing basis. That way, when Jim tries to fly first class, Carey will say, "Hey, Jim, I don't think that's a good use of our money." We'll become accountable to one another. Then if we had that high talent density and we had that culture of candid feedback, then perhaps we could have an organization where we really had very low levels of rules and process controlling our

employees behavior, and that's where we'll get all of that innovation and flexibility going. That's why we have to do it in that order, Carey. Because when we started talking about the freedom but you don't have the top performers or the candor, well, things probably aren't going to go very well.

Carey Nieuwhof:

No, that's so helpful. I would encourage people to get the book. It is a fantastic book. The audio book was great, but the way you lay it out, I've also got the hard copy of the book, the way you lay it out, it makes it really easy to follow along. There are charts and graphs, it's just beautifully laid out. It's a fairly ... it's thick book, but it's a fairly easy read that way. I would encourage you, be careful when you try this at home, do a little more homework, but you're going to get the overview in this interview. It is fascinating because so much of it as you've hinted, Erin, is counterintuitive.

Carey Nieuwhof:

Let's start with talent density. Let's start with people. Talk about the culture of getting the very top talent, paying them well, adequate performance gets you a generous severance package. Those principles, that really did ... I mean, I remember listening to the audio book. I think I was washing my car when I heard about, "Adequate performance gets you a generous severance package." I stopped what I was doing and I'm like, "Holy crap." There was a whole lot of other ideas in there, like even how low performers bring the entire team down and how one ... you know, they use a lot of engineers and engineers are expensive, but one excellent engineer is better than, what was it, 10 or a hundred average engineers? There's so much in there. Let's start to unpack it just so that people can understand it. Because I don't think there's a single person who leads an organization, leads a team or started something that doesn't want high quality talent and want talent density. We all want it, but this is a very unique path to it.

Erin Meyer:

We all want it.

Carey Nieuwhof:

Can you start unpacking that?

Erin Meyer:

Yeah, and I'll start with the least provocative. Okay? The least provocative.

Carey Nieuwhof:

Great, great. We'll work our way up.

Erin Meyer:

We'll work our way up. All right?

Carey Nieuwhof:

Okay.

Erin Meyer:

The least provocative is the part that you said a moment ago about what they call The Rock Star Principle. If you have any software engineers who are listeners, perhaps they're familiar with this. I guess most software engineers know about it, but I didn't. The Rock Star Principle is something that is known in the software business. Basically it's based on this research that was conducted where engineers were given a task and asked to complete it in a certain amount of time. They all at least were adequate engineers. What they showed in that research was that the top of those engineers performed at 10 or more times better than another medium or adequate one.

PART 1 OF 4 ENDS [00:26:04]

Erin Meyer:

So what came out of that was just simply, therefore, if you are running an organization of engineers, you have a choice. Either you can hire 10 kind of adequate engineers or you can hire one rockstar and you can pay that person as much as 10 times as what you would pay the others. That's where that whole idea came from. That was known in the software industry. Reed's innovation was taking that and saying that that should apply to any creative role, not to an operational role where we're scooping ice cream but any creative role where I'm working with someone, I'm trying to get them to come up with brilliant ideas or to imagine a better way of doing things. That the top performer can deliver at least 10 times, maybe even a 100 times more than an adequate one would. That's the first one. And I think that one's not very provocative but perhaps useful for us to think about as we're getting ready to hire people and thinking about how to use our money.

Carey Nieuwhof:

I think we all know that intuitively, there's someone we've worked with, someone we hired or someone that's on our team now that we're like, "Wow, if they left today, I'd be replacing them with three people, five people," or I don't even know. There's so much, they just produce, they get it done. They push me on ideas. They're just so great. And yet the math associated with it, I have a son who is an engineer but I didn't know that principle that that's actually quantifiable, 10X or more is what a rockstar performer will bring to the team over what an average or a good performer will bring to the team because you think it's double but it's actually exponential.

Erin Meyer:

That's right. And that's why it's actually so interesting that you said it that way because that's why and then the question is, "Okay well, should I hire 10 or should I hire one?" But if, of course we're going for this kind of innovative environment, we want to hire that one rockstar because we can offer more freedom. But also because of something that you said a few minutes ago, which is performance is contagious. And I think before I get into that, I'll kind of put your listeners in situation.

Erin Meyer:

Imagine that you are leading a team of eight marketing managers. And when you opened up that team, when you started that team a year ago, you were really focused on developing a high performing team so you used the rockstar principle to get the best, to hire less and pay them more. And then after you'd found who you thought would really be the best people, you invested a lot of time and in coaching them and preparing them, giving them a lot of feedback. And now a year in, seven of your eight employees are amazing. These seven, they are exactly who you hoped they would turn into. They are rockstars.

These people, you think every day, "Thankfully, thankfully I have her on the team." And then there's Fritz.

Carey Nieuwhof:

Fritz is a nice person. Fritz is nice.

Erin Meyer:

Fritz is a nice guy. You know what, Carey? Fritz is a nice guy. He's a sweet person and he works hard. That's the thing about Fritz. But Fritz is not a high performer. Now Fritz is not a low performer. He's not a horrible performer. If he was, you would have gotten rid of him. He's just kind of medium. And the thing is, you've given him a lot of feedback and a lot of coaching and you really see now he's never going to turn into that high performer you thought he would be when you hired him. The question for your audience is, what are you going to do? What are you going to do about Fritz? Are you going to keep Fritz on the team? Or are you to find a way to move Fritz on to his next job?

Carey Nieuwhof:

Because there's not. Okay, I want to just pause for a moment because we have a lot of not for profit and church leaders listening, as well as a lot of for profit and business leaders listening, just a little pet peeve here, Erin. Church leaders are notorious for hiring out a charity. In other words, Fritz is a really nice person, can't find a job somewhere else so we keep low performers on and what you're saying is no, Fritz is actually good at his job. Am I right to say, there's nothing wrong with Fritz?

Erin Meyer:

He's not good at his job, he's just medium, Carey.

Carey Nieuwhof:

He's okay. He's fine.

Erin Meyer:

He gets stuff done. He's okay. He's fine.

Carey Nieuwhof:

He's adequate. Which most people would say, "Well, then you have to keep him on." And Netflix says, "No, you don't." I just wanted to underscore that and let's continue with Fritz because this is so counterintuitive to so many listeners and it is the problem in so many organizations.

Erin Meyer:

Yeah. And so I've asked this question to lots of people and I would say about, well at least 60% say, "I will keep Fritz on the team." And they'll say things like, "Well if I have seven high performing employees, that's enough." And of course I want to show my employees that I'm loyal to them so that they will be loyal to me. But actually what we've seen through a good deal of research is that if you let one performer on your team who's kind of lower middle, that that person will pull down the performance of the rest of the team. There's this one piece of research that was conducted by a colleague of mine at another business school, William Phelps was his name.

Erin Meyer:

And William did this project where he invited four MBA students into a lab at a time and he gave them a 45 minute task and he rewarded them financially based on how well they performed. Now, unbeknownst to them, on 50% of the groups of the teams, there was an interloper. And that interloper was an actor named Nick. And Nick had been hired to behave just like the other MBA students but to do some things that were a little undesirable. Sometimes he would act a little bit bored. He might put his feet up on the desk and text his girlfriend. Sometimes he would act a little bit obnoxious. He might say things like, "Have you attended a business school class before?" And what's so interesting is that William Phelps showed on team after team, after team, that those teams that had Nick on them performed at a 45% worse rate. And more interestingly than that was that the other people on the team started to take on his behaviors.

Erin Meyer:

For example, I've watched these videos and there's one where he comes in, he's with the MBA students and they think he's one of them. And they're really energized. They are ready to conquer this task. They want to get that reward money. They sit down, they're sitting up straight, ready to go, but Nick is playing a depressive pessimist. And he's kind of low energy. He doesn't think it's going to work out. And it's just incredible because you can see on this video over about a 20 minute period that the three MBA students gradually become absolutely deflated just like him. At one point, one of the women puts her head down on the table and says, "Oh my gosh, when is this going to be over?" And not only that but when he acts a little bit jerky, they start acting jerky too but not just to him, to one another.

Erin Meyer:

I think that most people think, most managers and leaders think an individual performance problem is an individual problem. That issue with Fritz, well, that's an issue between me the boss and Fritz. But we know from a lot of research that an individual performance problem is a systemic problem that impacts the entire team sometimes even the entire organization. And we can see that really to get a really high performing team we need to encourage our Fritzes to move on to other pastures so that then we can have performance still being contagious. But that meaning that the performance is spiraling up as our employees are so delighted to be surrounded by stunning colleagues.

Carey Nieuwhof:

And average performers spiral you down or they just, they're like gravity. They just keep you glued below the level where you can perform. And when I thought about different teams over the years that I've led, I've seen that, where average performers are on the team. It's almost like group work at school if you remember that. You get a group of, "Oh, I got the best students in my group. This is going to be a great project." Or sometimes you get into a group and there's that one deadbeat who just doesn't quite get it or isn't going to do the homework or missed the deadlines. And you're like, "Oh." And so that actually plays out in real life. Generous severance, so what you do is you tell the person, "I don't think your time is here at Netflix," or whatever your company is, "And here's whatever generous severance would be for that position months in advance and you're done here." Is that how it works?

Erin Meyer:

Yeah, that's right. And I do think, I have to say that because Netflix is so public about this, people really opt in to the system. And I mentioned earlier that high performance is intention with security. If you are trying to create a work culture that is, people feel deeply secure then that's not likely to lead to top

performance. And I know that's quite provocative because we want to have both. We want to have a work environment where everyone feels deeply secure and we have performance spiraling up.

Erin Meyer:

But at Netflix, what they've said is, "Okay look, our goal here is to have an environment where people know that they will be surrounded by the best. And for those of you who want to be on a team where you are surrounded by the best, please come join us. And those of you who would prefer to work at a company that you may not be surrounded by the best but you have a lot of job security, then this is probably not the best work environment for you." People opt in but there's a lot of positive energy with that excitement of working in those high performing environments.

Carey Nieuwhof:

You mentioned security and so I think you raised this in the book and it's certainly been a critique of Netflix over the years that sometimes employees feel threatened because, "Am I going to get fired? Am I going to get fired? Is my performance adequate?" How do you address that? Or do you just end up where you're Jack Welch and the bottom 10% get fired every month? Where does that show up in Netflix? How do I know I'm secure? How do I know I'm a rockstar, not the guy who's when you call me into your office next time, Erin, I'm gone?

Erin Meyer:

Yeah. I'll answer that question in three parts and let me say that what I'm going to suggest it's crazy, but you could do it. It's crazy because it's so different than the way we normally do things. Let me do say that I am 100% against the methods that were used at Microsoft and GE, which are stack ranking, sometimes called rank and yank. And those have been proven to be detrimental methods in organizations.

Carey Nieuwhof:

Where you fire your bottom performers every month or every year.

Erin Meyer:

That's right. Nothing worse for team spirit than to say, "Look, every year you have to fire 10%." Because then it's going to be like, "Oh Carey, I know either you're going to get fired or I'm going to get fired so let me do everything to make sure it's you."

Carey Nieuwhof:

Yeah, exactly. And you raise that. It can create competitiveness within the company where you're not competing against Hulu, you're competing against each other.

Erin Meyer:

That's right. That's horrible. I think that's the last thing that we want to do. And I kind of like this image that they use at Netflix, which is to think about the organization as an Olympic team instead of as a family. An Olympic team of course, we try to hire the best and then once we get the best, when we get the right person in every spot, we work hard on making sure that we are collaborative and we've got great team spirit and we're close to one another. Teamwork is everything but we also know on an ongoing basis that if ever anybody is not the best person for that team, then we, the coach, I the coach

owe it to the team that I then find the best person to replace them with. And that brings me to the other points.

Erin Meyer:

At Netflix, they use something that's called the keeper test, which I know sounds super provocative but whether your listeners like love it or hate it, I do actually think it's a very useful mechanism for leaders to at least evaluate what's going on around them. And this method is simply that if you are, let's say you are leading a team of eight people and you maybe every six months or so, you just do a little mental exercise. And you imagine that, for example, I know Stanley on your team comes into your office and he says, "Carey, boss," he says, "I'm sorry. I found another job. I'm leaving the company." And the question that you then ask yourself is if Stanley told me that he were leaving my team, how would I feel? Would I be devastated? Would I say, "Oh my gosh, Stanley, don't leave me. What can I do want to keep you on the team? Anything."

Erin Meyer:

And if you would fight to keep Stanley, then it's clear, Stanley is the right person for that spot. You don't need to check boxes or add up numbers. If you'd fight to keep Stanley, you know he's the right person. But would you perhaps feel relieved when Stanley told you that? Would you think, "Oh good. Now, instead of focusing 80% of my energy on helping Stanley, I can put my energy where I want to, on helping my top performers be even better." Or would you maybe even feel a little bit excited, thinking about who you could get in that spot?

Erin Meyer:

And that's where I think if your honest answer is, "I think I would either feel relieved or excited if someone on my team told me they were leaving," then you really owe it to yourself and the team to ask yourself another question, which is, "Have I given Stanley the coaching and feedback he needs in order to be his best self? And if I have and I still see he's not turned into the performer I would fight to keep then clearly he's not the best person for that job and I need to find another solution. And if I haven't, if I haven't given that feedback, boy, I better go do it right now."

Carey Nieuwhof:

Okay. Clarify this or correct me if I'm wrong, you wrote the book, I only read it. But I believe you even suggest that people can go into their boss and ask the keeper test. If you're my boss, Erin, I can go in once a year or so and say, "Erin, I'm not leaving but if I told you I was leaving today, how hard would you fight to keep me?" Is that right?

Erin Meyer:

Yeah, this is the crazy part, Carey. That's why you said earlier, "What do you do if you feel afraid?" And I did see that actually often. I would have, some managers I found were really good at being candid with their employees on an ongoing basis. "I would totally fight to keep you." And some employees said to me, "Well, I just didn't know. I thought it was a high performer but would my boss fight to keep me?" And this is where you can see that the responsibility is not just towards the manager but also towards the employee. If my boss hasn't told me and I'm feeling uncertain and that's making me feel uncomfortable, then I use the keeper test prompt. And that's just what you said. I should probably give you a little warning.

Erin Meyer:

I'll set up a meeting and I put on the agenda, keeper test. You know, Carey my boss, you would know that when I meet with you on Wednesday that I'm going to ask you if you would fight to keep me and you better be ready then to give me a really honest answer. And I know people feel often terrified when they think about asking the question but I found that it was such an interesting again, mechanism because once an employee gets the answer, then I learn, "Okay, my boss would fight to keep me. I have nothing to worry about." Or, "My boss wasn't sure but now he told me clearly what I need to do in order to up my performance so I have got clear feedback and I'm ready to act on it, hopefully to turn myself into the high performer that my manager is looking for."

Carey Nieuwhof:

Yeah. That is really, really good to think about. And I've mostly been a boss but when I've had a boss, I was always asking that question in different forms. I always wanted to know how I was doing and I would ask for feedback. I want to know, am I hitting the target? Am I doing what's right? Okay, that's helpful. Let's move into another counterintuitive area, Erin. Let's talk about compensation because that's another thing that I find generally there's a lot of business leaders, entrepreneurs listening. Some of them pay very large salaries. Others are in startup mode and they're bootstrapping or they got a massive line of credit. A lot of people run charities, churches who listen to this podcast.

Carey Nieuwhof:

I find generally in the church, people are underpaid or overpaid, that there's almost no middle. And overpaid without merit. I'm not talking about, it's just like, "Oh yeah, we just write checks around here," that kind of thing. And there's no happy middle. What did you learn? Because it is a generous culture. If you're creative and you're part of that talent density, Reed even came out against paying performance bonuses and percentages. If the stock goes up, you get X. It's just like, no, you get a flat salary, no incentive bonusing but a very generous salary that is what? Bigger than the market will bear? Or what is it? In the top 30% or 30% more than the average? Or how does that work?

Erin Meyer:

Well, it's just supposed to be top of market.

Carey Nieuwhof:

Top of market.

Erin Meyer:

The idea is that you should imagine at any moment that the employees on your team are being headhunted by someone else.

Carey Nieuwhof:

Because they will be. If they're that good, they'll be head hunted.

Erin Meyer:

Right. Right. And you should imagine that at any moment, they're being offered a higher salary from someone else. Now, if you would fight to keep them, then you want to know what their top market rate is and you want to pay them just a little bit above that so they'll never come to you and say, "I'm leaving

the company because I got more somewhere else." And if they do, then that means that you didn't know what their market rate was ahead of time. The idea is that you always kind of try to, there's actually one crazy thing they do at Netflix, another one, but they encourage their employees to speak to recruiters and even go on interviews at other companies in order to find out what their market rate is and then come back and tell Netflix so that Netflix knows that it's always paying that top of market rate.

Erin Meyer:

But I don't want to be too discouraging to those of you who are running nonprofit organizations or who are working in church environments. I do think that this isn't just about money if you're in a kind of a heart work like that, if you're in a work environment where you find people who maybe you have employees who just want to make a big impact. But that still brings us back to the same principle, which is that if you're not paying your employees a lot of money, if you're a nonprofit and you don't have a lot and they could make a lot more money at a for profit, don't you think that those top performers want to be surrounded by other top performers so they can see, "Wow, my organization is really making an impact." And I think that's where you see that of course money is not the only thing but high performers want to make a difference.

Carey Nieuwhof:

Yep. And at a certain level, I would just say, because I've lived in the church space for a long time, if you are underpaying your employees, you're making it really hard for them to stay employed or even to stay in the industry. And any tips? Reed's running a for profit company. He has a board of directors but they're not micromanaging by any stretch. Any tips on how you would sell that to a board, if you're running a not for profit? I went through that and I used the term living wage. I just said, "Guys, we have to start paying a living wage to our team."

Carey Nieuwhof:

And so we did comparables. What does a teacher make? Teachers are well paid in Canada. What does a firefighter make? A school principal? We looked at some market indicators and we don't pay crazy but we pay well and I don't want to make it so that someone says, "Well, we have to be a two income house." Or, "I've got to get a side hustle to be able to even make rent or pay the mortgage or buy groceries or put gas in my car." Any thoughts on that that you could offer for leaders who have to make that case to a board?

Erin Meyer:

Yeah, but I really want to go back to what I was saying earlier, which is that your board may feel, "Oh well, we can't pay a lot because you've got so many people in your organization." What if you go back to your board and you say, "You know what? I have six positions open and I really believe that if I get one rockstar in this position that that's just going to lift up this whole department so let me put together all of that money and go out and hire the best." And if you do that in every area, you're not costing the company more money, you're just hiring less, you're getting more talent and then that talent is spiraling up. Maybe that's not the kind of argument that you're looking for but I do think that that what we need to go to.

Carey Nieuwhof:

No, that's actually a really good argument. No, that's a really good argument because churches are notorious for keeping on poor talent, to adequate talent. And many companies are. Many companies

are too. Many businesses are as well. I think that's brilliant. Okay, why no bonuses? Why no bonuses? Why just a flat salary?

Erin Meyer:

Yeah. These are actually forms of control processes that we use in most companies. KPIs, key performance indicators, management by objective and pay per performance bonuses, those are all control mechanisms that we use in order to kind of keep our hands firmly on our employees shoulders and say, "We'll only give you your money if you perform." Okay, there's those mechanisms were developed for the industrial era when things were changing less frequently. But what I've seen is that there is nothing worse than saying in January, "These are your specific goals and if you've met these goals in December, then you'll get a big payout," because that keeps us from being flexible as an organization.

Erin Meyer:

During the year, so many things change and we want our leaders constantly focused on, "How do we need to adjust the organization direction to the right or the left based on the tensions of the moment?" Not focused on, "What do I need to do in order to get my bonus?" I do believe that that idea of bonuses is totally outdated. Plus, since people don't know if they're going to get the money or not, it makes them less motivated than if you actually just give them the money upfront, assuming that they will perform well. And then if they don't, of course, adequate performance gets a generous severance. If they've shown poor judgment over time, well then obviously that's not the right person for that spot.

Carey Nieuwhof:

Yeah. And if they fail the keep test then you've got another issue. I see how this is all pulling together. And then can you say something about just competition and bonuses, performance incentives and that kind of thing, because I thought that was a perhaps in my mind, that was the most compelling argument against bonusing and performance incentive. Why does having performance incentives create competition among staff members?

Erin Meyer:

Yeah. Oh well, if for example, you have a bonus pool, that's very common.

PART 2 OF 4 ENDS [00:52:04]

Erin Meyer:

Very common would be that, "I have a certain amount of money and I can give that to some or to others, so either I can pool it together and give it to one employee, or I can give a certain amount to each employee." But again, these are processes that lead our employees to recognize that they are in competition with one another. On an Olympic team, we want our employees to all feel like, "You know what? Our goal is that each of us will be performing at maximum potential. And my goal is to make sure that I do everything I can to help you perform and help her perform, and that will also increase my own performance. So you don't want to divide up your bonus pool or have anyone feel that they're being compensated based on how well one person does in comparison to another.

Carey Nieuwhof:

Right. Okay. Super helpful. Let's talk about candor as well. This is a challenge in so many organizations, because there's what you say to your boss, there's what you say at the dinner table when you're debriefing at home. "What I really wanted to say was, or what I really think of him is," and people have a hard time telling the truth at work, don't they?

Erin Meyer:

Oh, we do have a hard time telling the truth. I think it's important because so many companies these days, organizations today are talking about the importance of feedback. I do believe that there's been a growing awareness that giving a lot of candid feedback to one another is really a free way to boost the performance and success in your organization. But the problem, Carey, is the amygdala.

Carey Nieuwhof:

Okay. Tell us about that.

Erin Meyer:

What I mean by that is that, okay, of course, we have different parts of our brain, right, and one part of your brain is the frontal cortex. The frontal cortex is the most logical part of your brain. The frontal cortex loves feedback, right? "The more direct, the better," says the frontal cortex, right? The frontal cortex understands the benefit of feedback. It recognizes that in a high-performing organization, we all will benefit if we tell one another, honestly, what we think that each of our colleagues could do to do a better job. And especially our frontal cortex recognizes, "I should give my boss clear and direct feedback to help him or her perform better," right? If I'm the leader, my frontal cortex says, "Please, employees give me direct feedback so I can perform better." That's great.

Erin Meyer:

The reason that this never happens in organizations or so rarely happens is the amygdala. The amygdala is the most primitive part of your brain, the most reptilian part. The amygdala is very concerned with finding safety in numbers. Of course, historically, if you got kicked out of the tribe, that would lead to death, right?

Carey Nieuwhof:

Yeah. That's correct.

Erin Meyer:

So Carey, if you come to me and you say to me, "Erin, when we were in that meeting yesterday, I really felt you spoke with such intensity and that it just squashed out all of the other ideas in the room. I think you'd be more successful in the next meeting if blah blah blah." Right. If you give me that feedback, my amygdala is likely to start setting off an alarm, right, and that alarm is saying, "Oh my gosh, oh my gosh, I'm going to get kicked off of this team," right? And that, of course, physically throws your body into fight or flight, right? So fight, you deny it, right? I become defensive. "It's not true. You're the problem," right?

Carey Nieuwhof:

Yeah. Right. Right. Yeah. Welcome to every marriage and every... Yeah. Yeah. Yeah. I

Erin Meyer:

I look at the old amygdala. The other problem... Or flight, right, flight is that, say, I say, "Oh, thank you so much. Thank you for telling me that." But then I try to never speak to you again, right?

Carey Nieuwhof:

I'm just going to go into the corner and cry for an hour. Okay? Leave me alone.

Erin Meyer:

Or if I'm your boss, you give me that feedback, and I say, yeah, if I'm your boss and you give me that feedback, I say, "Well, thank you very much." But then I kind of put a black check next to your name. "Oh, well, this person is not loyal to me as a leader."

Carey Nieuwhof:

No promotion.

Erin Meyer:

Yeah. Right. What we need to do in organizations in order to take advantage of what the frontal cortex knows, but the amygdala is afraid of, what we need to do is put structured feedback moments into our collaboration on an ongoing basis.

Carey Nieuwhof:

This is not an annual 360. This is a daily thing.

Erin Meyer:

Well, let's say at least monthly, right, or weekly. For example, Carey, let's say, you and I are colleagues, and every week, we meet with a supplier or a client, right? Well, maybe we decide that twice a month, we're going to meet, or at least once a month, we're going to meet just to give one another feedback, right? In that meeting, I know that you're going to tell me what you think... You're not there to tell me what you love about me. In that meeting, you're going to tell me what I can do in order to do a better job in my next meeting, and I'm going to tell you what I think you could do to do a better job. Now, we know, "Okay, that meeting's going to happen, and I expect to receive clear feedback, and I'm just going to tell my amygdala, this isn't something to freak out about," right?

Erin Meyer:

I mean, they do something that I did think was crazy at Netflix when I first heard about it. They do these 360 degree feedback dinners.

Carey Nieuwhof:

Okay. I was going to ask you about that. Talk about the dinners-

Erin Meyer:

Oh, so strange.

Carey Nieuwhof:

... yeah, because there's a story in the book, I think toward the end, that's just insane.

Erin Meyer:

Well, what they do is they go out maybe once a year or so, right? I mean, it's not a process. It's not mandatory, but most managers do it. About once year, they would go out with their team over a meal usually, but lately, they do it over Zoom, right, and they take turns. I'm up first, right? We're all around the table. I'm up first. And we go around, and each person at the table gives me some feedback about what she thinks that I... what Susan thinks that I could do in order to improve my performance, right? I say, "Thank you very much." And then we move on to David, right? Each person gives me feedback.

Erin Meyer:

Now, when I first heard about that, I just thought, "Well, what's the point, right? Why do you have to drag my weaknesses through the group. Can't you come-"

Carey Nieuwhof:

In front of everybody. "Give it to me one-on-one in my office. Okay?"

Erin Meyer:

Right. "Can you tell me that in private?" But I saw it created such an interesting opportunity, because when people give feedback one-on-one, well, first of all, my amygdala is likely to feel something like, "Wait, maybe this was about you, not about me," right? Second of all, I never really know whether or not you're right or not, right? Maybe you give me feedback and I think, well, "Okay, but do other people think that?" Right. But when we go into a group setting like that, I may hear, "Oh, well, Suzanne thinks that I'm too intense, but everybody else in the team disagreed with that and said, my energy level was my greatest asset, whereas there was something else that everyone on the team said I need to work on. So now I really know where my focus is."

Carey Nieuwhof:

You're getting like a group consensus.

Erin Meyer:

Yeah. What I heard from people time and again was it's kind of hard to go into the meeting, right? You feel a little bit uncomfortable going in, but once you get started, you see it'll be fine because everyone is there to be kind and generous. No one wants to hurt you or attack you, and everyone gets a lot of tough advice. Often, I heard people say, "You know what, Erin, that was the greatest developmental moment of my life." Right.

Carey Nieuwhof:

Wow. Wow. Okay.

Erin Meyer:

So I actually started doing those on my own team, Carey, despite my initial skepticism. Even for your listeners who think it's absolutely wild, right, don't underestimate it, especially if you have high talent density. If you have a lot of Fritzes and Nicks on your team, you might not be ready. Yeah.

Carey Nieuwhof:

Okay. What difference has it made on your team, Erin?

Erin Meyer:

Well, what I saw was that instead of it being like always me, the manager, who had to tell each person what to do and then I'm creating issues between me and that person, that this became something where we were all accountable to one another, right? Sometimes the group would start joking about it or pointing it out in a lovable, joking way, right? Since we all had things we were working on, it just became like, "Okay, this is our improvement project," right. As opposed to, "Well, that guy said something to me and I don't think that was very nice." Right?

Carey Nieuwhof:

Right. Well, and this really, I've seen leaders use power where they basically put a little feedback society together either on their board or in their top leaders, and it's all their fan club, and even though they have challenges, and that really impacts scale, that really impacts talent density, all of those things. So if you're really serious about your mission, take notes. Okay. So you got radical candor. I want to go back to the two most famous and contentious issues. Let's talk about no vacation policy or "take what you want." What is the official Netflix policy on vacations?

Erin Meyer:

Yeah. It's two words, take some.

Carey Nieuwhof:

Fantastic.

Erin Meyer:

Yeah. That's it.

Carey Nieuwhof:

It sits on my five pages. It's good.

Erin Meyer:

Yeah. The policy is that vacation policy is there is no vacation policy. Of course, I mean, I had the same concerns when I heard this, that your listeners did, one of two concerns, right? The first concern is you think... The first one everyone thinks, "Oh my gosh, that's horrible," right? "Oh, that's horrible because no one will take any vacation at all," right? That's the first one that people worry about. The second one that people think is, "Oh my gosh, that's horrible for my organization because people will go on vacation all the time," right?

Carey Nieuwhof:

Yeah. Right. Right. "I'm going to be in Europe in the summer, and South America in the fall. I think I'll hit Australia in the spring, and please keep the paychecks coming," right?

Erin Meyer:

That's right. I mean, that's the entrepreneur's worry, right, the worry that if I don't control my employees, that they'll start behaving irresponsibly. But that really brings us to this idea of what I think is kind of the most interesting sayings that we can take from this, which is lead with context not controls. What I mean by that is that if your employees, if you have a group of high performing employees that have good judgment and are really committed to the success of the team and the organization, then they don't need rules telling them what they can and can't do. In fact, if you give them rules, it's likely to make them behave less responsibly, almost feel like, "Okay, you treat me like a child, I'll act like a child," right?

Carey Nieuwhof:

Right. Right.

Erin Meyer:

But instead, we can engage in thoughtful conversation on an ongoing basis with each employee about the needs of the organization and the desires of that employee in order to give employees freedom, but also help them understand the realm of okay around here, right? I found all sorts of things. I found some employees who worked a 90-hour week and then took every three weeks off, right? I found other employees who worked in the morning and after midnight, but never in the afternoon. I think that that's one of the beauties of having these kind of free work environments is that, of course every employee has different passions and a different personality and different things they want to accomplish.

Erin Meyer:

In an organization with a lot of rules, those rules really squash out the individual's needs, right? Here we can have adult discussions and get to the same point where people are taking a reasonable and healthy amount of vacation, but also we don't have this kind of one rule fits all sort of thing that we have in most organizations.

Carey Nieuwhof:

Reed did something when he implemented this. I don't think it was right away. It was maybe after a year or two where he decided he needed to draw a line in the sand about what the expectation was, and he ended up taking six weeks off, was it? Can you explain the thinking behind his decision?

Erin Meyer:

Yeah. Okay. If you were going to have a low rule or a low control work environment, then you need two things, right? You can't just remove the controls and hope that everything will go okay. Even if you have high talent density and you have candor, you still need lead with context, not control, which is what we just spoke about and we'll talk more about later, but you also need of course, great modeling from leadership. I mean, how I behave as a leader becomes so important. If I tell you, "Oh, please, take a good amount of vacation because I really believe it's important for your health," but then I never take any vacation myself, I mean, you're not going to take a vacation, right? It doesn't take you long to figure out I don't mean it, right?

Erin Meyer:

So instead, modeling becomes everything. Reed does take, I mean, consistently six weeks of vacation every year, which is of course, a lot for an American CEO. I think more interestingly than that, he's

always talking about his vacations. It seems like every time I saw him during this research project, he would be on stage talking to his team, and he'd start out by showing slides from his last vacation, right? Of course, he does that for a reason. He does that to say, "Look, to be successful in this company, you're expected to take vacation also," right? Trickle that.

Carey Nieuwhof:

I was so surprised, again, working through the book and then trying to implement the principles. We didn't have a vacation policy. We pay for people's vacation, etc., etc., not for their vacation, but just you're paid when you're not working kind of thing, whether you're sick or whatever. I just said, I brought it to the team and I said, "Look, you need to take some time off." They're like, "Well, we got lots of podcasts that have to ship and we have this." They're all telling me why they can't take time off. I'm like, "Guys, I am taking July off." Like, "The entire month?" I'm like, "No. July. Okay. I'm going to start with four weeks. I'm gone. You run the company, and your homework," after further discussion, I'm summarizing a half hour in one minute, I said, "Okay. Guys, you're struggling with this. Here's your..."

Carey Nieuwhof:

Well, you see, we got to do this. We got to do the daily email. Okay. Your assignment is you have to give me all of your vacation days for 2021 next week, and we're putting them on the company calendar and you have to take them. It was so counterintuitive, because you're afraid everyone's going to go to Hawaii and never come off the hammock, right? In the meantime, they're just concerned because you have high talent density, you have people who really want to make a difference.

Erin Meyer:

That's it.

Carey Nieuwhof:

And so what happens if you have an abuser? What happens if you have somebody who does go to Hawaii for three months? Does radical candor take care of that?

Erin Meyer:

Well, I actually think if you have a system of high performance in your organization and freedom, the people are so passionate about what they're doing, that unless, okay, maybe if I've just accomplished something really important, right? Like I just had this huge project and I just poured my soul into it and it was a great success. Now I'm going to take two months off. Great. Do it. Do it. Right? But I don't think that you're at much risk of that, of people just disengaging when they have the freedom to choose their own projects and work on things that are really important to them, right, and that's what we'll talk about in a moment.

Erin Meyer:

I think a much bigger risk, as you said, is people not taking vacation. That's why like your action, Carey, it's so important, because when you take a month off like that, all of July, and you say, "This is what leaders do in our organization." Then people think, "Oh, really, I could do that?" Right. Maybe they don't dare a whole month at once, but maybe they'll dare three weeks.

Carey Nieuwhof:

They're going to work their way up to it, and they're going to build teams, and they're going to take responsibility, and they're going to lead, and it's exciting. If you're worried about, "What if everyone takes time off at once?" Just read the book because I want to move on to other things. You deal with that in the book.

Erin Meyer:

That's right.

Carey Nieuwhof:

But you can see it's so memorable, because I read it once, and yet, I remember all of these things, so well written. Let's talk about travel approval and expense approvals and decision-making. That was radical in the book. I remember when Netflix expanded internationally, there was a multi-million dollar decision about a documentary, and man, the push down level of decision-making is astonishing. Let's start with expense and travel. There's no expense policy, is that right, same thing with vacation?

Erin Meyer:

It's just the same thing as the vacation, which is that spend money in Netflix's best interest, spend money in your organization's best interest. I think we couldn't really see here the weight of responsibility that employees feel when they see that their organization and their boss trusts them enough to sign off on a big purchase or on a new deal without needing to get approval from someone above them, right? So that's really this kind of, "Dear employees, we trust you to behave like adults," and therefore, they behave like adults. Right?

Erin Meyer:

But I think what's so critical, Carey, that you said a moment ago is that those policies like the vacation policy or the expense policy, I think those are really just symbols of freedom, right? I mean, Netflix has not been a massive success because of their vacation policy.

Carey Nieuwhof:

Right. It's not like, "Well, we got rid of vacation rules and all of a sudden we're all over the planet." That's not it.

Erin Meyer:

That's right. Those are symbols of something that's happening at a much deeper level in the organization. That's where you brought up this whole thing about decision-making, which is that the boss' job is not to approve or disapprove a decision, but that's something that's pushed down, all the way down to what they call the informed captain, which is someone who may be many, many levels below in the organization.

Carey Nieuwhof:

Yeah. On that note again, after I read the book, we had a six-figure contract, might have been a multi six-figure contract, which in our case is still a very big contract in our company. I thought about it, "Okay, put your money where your mouth is," because in the past, I would have read it, I would have signed off on it. Was a 24-year-old who was responsible. I said, "You decide. And if you think it's a good deal, you sign the contract." Pretty sure he read every clause and signed the contract.

Erin Meyer:

You know what, I bet he was working harder the next day.

Carey Nieuwhof:

Oh yeah, yeah. Exactly.

Erin Meyer:

That really instigates these feelings of ownership, right? Employees start to feel so invested when they see, "Well, gosh, it's my judgment that will impact the company." They use this great image. It's my favorite image. I've been talking about it all the time, this decision-making image. I think in the vast majority of teams and organizations today, we still find a decision-making pyramid. What I mean by that is that the leader or the chairman is at the top of the pyramid, and the lower-level employees are at the bottom. Of course a lower-level employee can make an inexpensive or unimportant decision, but for anything expensive or important, it has to be pushed up the pyramid for approval.

Carey Nieuwhof:

Yeah.

Erin Meyer:

But if we think, "Okay, lead with context, not control," and something even more radical, "Don't seek to please your boss, seek to do what's best for the organization." If we have those things in mind, then we can move to an image of a decision-making tree. With the decision-making tree, we have the leader or the chairman who's down there in the dirt, right, who's at the... Sorry to put you at the dirt, Carey? Who's down there at the roots-

Carey Nieuwhof:

Just fine.

Erin Meyer:

... of the tree, you'll find down there. That leader is setting the direction for the company, right? Okay. This is our north star. These are the key dilemmas and tensions that we need to keep in mind, and remembering which ways to turn when we come across them. These are all the things we have to keep in mind when we make decisions in the organization. And then we have the next level of leaders, maybe the executive leadership team, and they're there at those big, lower trunks setting more direction for their teams and departments. But then you have the lower-level managers who are up there at the tiny branches, up at the end leaves of the tree. Those are the ones like that 24-year-old person on your staff. Those are the people who are signing off on those big decisions, or, I mean, at least on some of the big decisions keeping in mind all of the context that's been set for them for the organization. That's where we really find that we can empower our employees beyond what we had ever imagined.

Erin Meyer:

What I love about this is that, if you're leading an organization that you hope will grow, I mean, if you think about a pyramid, it can only grow so fast, right? There's a pretty clear bottleneck right there at the top, and the bottleneck is the leader, right? But with a tree, we can see what's happened at Netflix, which is that your growth possibilities are endless depending on the context that's being set by the

trunk, right? And you can grow as fast, or as wildly, or as in many directions as that tree may choose, because there's no bottleneck.

Carey Nieuwhof:

Well, it's really interesting, because if you think about even a church, you can think about that in terms of staff, and it's like, "Well, we only have five staff," which would be big for a lot of churches. But if you actually think about the people who attend your church and the members, then you're into hundreds or thousands of people, or in some cases, tens of thousands. If you think of them as engaged and you start to percolate this through your whole culture, you will get a rapidly growing organization as opposed to bottle-necking decisions. We've seen this with online movements and online companies. If your customers become raving fans, they almost become the enthusiasts and the decision makers for you. So I think that is so worth exploring.

Carey Nieuwhof:

The other fringe benefit for a lot... I talk to overwhelmed, overburdened leaders every single day. You were shocked when you met with Reed Hastings, because okay, I think you know where I'm going. Do you want to tell us when you met with Reed and say, "How are you going to write this book? You're the CEO of Netflix. How are you going to have time to actually write a book?" What did he tell you? What was that meeting like?

Erin Meyer:

Yeah. I remember that meeting so well. I didn't know him that well at the time. When we agreed to meet... I live in Paris. We'd met at a very early morning. We were in a coffee shop in Paris. I remember that the coffee shop hadn't really opened yet. The chairs were still up on the table. This was really concerning me. I just didn't understand how he could run this company and write a book at the same time. So I said, "Reed, how much time are you going to be able to devote to this?" And he said, "Oh, I can give you as much time as you need, Erin. I'm not very busy right now."

Erin Meyer:

I remember I was like, "What? You're not busy right now." But I came to see later that actually that's his fundamental goal is to not be the chief decision-making officer, right? Of course, if you are the top of the pyramid, then you are always too busy to invest in something like some kind of passion project or whatever it may be.

Erin Meyer:

But Reed told another story to me about how Sheryl Sandberg of Facebook came one day in order to, I guess they swap, sometimes these leaders go in, observe one another, right, and she shadowed him for a day, and went to all of his meetings. She said afterwards, "Wow, that was really weird, Reed. I was with you all day long and you didn't make one decision." He said, he just felt great. He just felt great because that was his absolute goal was to make as little decisions as possible, right?

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Erin Meyer:

And the fewer decisions he made, the more that he was really living by this idea of putting the CEO down there in the dirt, right?

Carey Nieuwhof:

So I have to ask the question, what does he do all day?

Erin Meyer:

Well, so how he spends his time, it's actually quite remarkable. He does huge numbers of one-on-ones with people throughout the organization. So he spends hours and hours having 30-minute meetings with people at various levels in the company. And he's there not in order to tell them what they can or cannot do but in order to both hear what they're thinking so he knows how to adjust, how he's setting the context for the company. Right? And also, so that he can give them context as he hears the maybe misunderstanding some of the key principles. So he's in this constant contact and then they have these quarterly meetings where they bring together all of their leaders. And that's the time to focus on making sure that the context is set as effectively as possible.

Carey Nieuwhof:

And was he accessible when you were writing the book? I mean, I imagine it was a year-long process or longer to write this book.

Erin Meyer:

Well, I mean, I wouldn't say that he had nothing else to do, but every Sunday morning we spoke.

Carey Nieuwhof:

Wow. And he wrote half the book, you wrote half the book, the whole deal. It's pretty cool.

Erin Meyer:

He was half involved. I wouldn't say he did half of the writing, but we talked every Sunday and every Sunday we worked on it together.

Carey Nieuwhof:

Great. Great. That's amazing because so many leaders are they're like, "I just don't have the time. I don't have the time." And now you can begin to see when you really empower your team. You give them that culture of freedom, responsibility, autonomy. That's when great things happen. Okay. So anything we haven't covered? You wanted to talk, I know you want to talk about Netflix expanding globally because they went from this American company that worked in America, kind of took over from Blockbuster, the whole deal, and just took us all into the digital age and led the way and now they're global. So go where you wanted to go with that.

Erin Meyer:

Yeah, well that was because of my first book, The Culture Map is all about national cultural differences. When I first started working with Netflix, that was my big concern. They were getting ready for this big international expansion. And I was particularly concerned at the time about what was going to happen with this idea of candid feedback around the world. And I do remember one story from one of the American managers who had moved to Japan and she was trying to get her employees to give her

candid feedback. And one of her one-on-ones, she asked, she said to her, one of her Japanese employees, "Please give me feedback, what can I do in order to be a better manager to you?" And the woman started crying.

Erin Meyer:

And she said, "Josephine, I really want to be Netflix but I just need to be clear, I've never given anybody candid or open feedback before let alone my boss, right?" And what I saw was quite interesting, which is that many of the behaviors that were working in California like anytime feedback, meaning I can give you feedback at anywhere, anytime it didn't work so well in places like Brazil or Singapore or Tokyo. But when they said, for example, in Sao Paulo, "Dear Brazilian team, right? Please work together to figure out what methods you'll be using here in Brazil in order to make candor come alive in a way that works in your culture."

Erin Meyer:

Then each country was able to come up with their own methods for making sure that that candor and that feedback was getting out there, but in a way that was culturally appropriate. Right? So I think that's the message that we can take away from this is that if we are a global organization, we can keep the same principles around the world, but we can't assume that the techniques we use locally will work in other countries. Those things we need to allow to encourage to grow around the world in each country.

Carey Nieuwhof:

So have they been able to keep the principles like you would say in Japan or Singapore, there is radical candor, there is that kind of openness, it just happened in a slightly different way than it would have in the US?

Erin Meyer:

What was fascinating in Japan the most surprising thing happen I never would have thought that which is that they really responded well to the 360 feedback dinners. So spontaneous feedback, it really was not working culturally for them but perhaps because it's quite a group-oriented society and because they had a clear kind of instructions for how the feedback was going to be given to be helpful to one another, and they all knew what the expectations were and how they should prepare. I actually found the Japanese to be better at it than the Americans were. And so they started doing those 360 dinners every quarter instead of every year. And that way they were getting the feedback out there, even though it wasn't maybe happening spontaneously in the hallway. So yeah, they found their ways.

Carey Nieuwhof:

Well, that's so great to know. I got to ask you while I got you because you're the culture mapper, what are the differences with Canada? Got to ask as a Canadian.

Erin Meyer:

Well, in terms of candor. So I have a feedback scale, right? It looks when I have to give someone negative or critical feedback, how direct we are with that feedback, right? And what I see on that is that countries like the Netherlands and Israel, two of the most direct cultures in the world, right? Okay, so the amygdala is not very likely to go off a little bit of feedback over there. You kind of [crosstalk 01:23:59]

Carey Nieuwhof:

I have a Dutch background so yeah, we are good at blunt.

Erin Meyer:

That's right. And then the US is towards the middle of the scale. So although on the one hand, we are focused on, let's say verbalizing feedback in the US we also do a lot of positive wrapping. So when we give feedback this whole three positives with every negative and catching people doing things right, which is not so common in most European countries. Where we in Europe, we may be more, a little bit more blunt than in the US. And then if we move over to Latin America a little bit less direct than the US and then you go over to countries like Japan or Thailand, even less direct. Canada is a little bit less direct than the US so also towards the middle but a little bit less direct than the US. And of course, in the US we have strong regional differences. So as you know, the New Yorkers are much more direct. You Canadians a little bit more like us Minnesotans, right?

Carey Nieuwhof:

Right. And we can be passive-aggressive sometimes too. "Oh, that was great. It was terrible." We can do that sometimes as Canadians. Any final words, Erin, this has been so, so helpful.

Erin Meyer:

Yeah. Well, I just want to say that I think often when people hear this, they think, "Well, that works for Netflix but there's no way that we could do this here. I mean, we already have a culture. It just seems like too much." And I just want to encourage you, all of your listeners. If you want more innovation, if you want more flexibility, if you want your employees to feel more autonomy and more responsibility, and to get those benefits that come from freedom and responsibility, then you don't have to do this all at once. And it didn't happen like that at Netflix. It's not like they woke up one day and boom. Instead, you can take it just small step by small step. Maybe you can do one thing in your organization to increase talent density. Maybe you're not ready to fire Fritz, but maybe you are ready to hire one person instead of four in order to get somebody who's better, right?

Erin Meyer:

Who's a higher performer. Whatever thing you're ready to do one step to increase talent density, then one step to increase candor. Maybe you think that those 360 feedback dinners are not for your team but maybe you are ready to start putting a feedback meeting on the agenda every month or any other way to get that a little bit more candor out there. Take that one step, whatever door opens for you. And then after you've taken one step towards candor and sorry, one step towards talent density, and one step towards candor. Now, one step towards freedom. Maybe the vacation policy you're not ready to let go of, but maybe just like you said a moment ago, Carey, maybe you have one employee and you're really going to let them make a decision instead of making them come through you for sign-off. And then little by little by little, month after month, year after year, we can work towards a culture where we empower our employees more. And then we reap the benefits with innovation, speed, and flexibility.

Carey Nieuwhof:

Well, the book is called No Rules Rules: Netflix and the Culture of Reinvention. It's by Reed Hastings, the founder and CEO of Netflix, and Erin Meyer. Erin, it's been great to be with you today. If people want to

know more about you, they can find the book obviously everywhere, but tell us where people can connect with you online because you're a fascinating follow.

Erin Meyer:

Thank you, Carey. Such a pleasure to be with you. My website is erinmeyer.com and please join me on LinkedIn. I'd be very happy to be in touch with all of you.

Carey Nieuwhof:

Awesome. Thank you so much, Erin.

Erin Meyer:

Thanks a lot. Take care.

Carey Nieuwhof:

Well, you can see why that was a New York Times bestselling book that she wrote with Reed Hastings and man, that was a fascinating conversation and I continue to be intrigued and it felt like free consulting again. So thank you Erin for that. Erin Meyer, you can find out more about her over at the show notes. We got all of that at careynieuwhof.com/episode443. And that's free for you. We include transcripts and links to everything that we talked about there, as well as some things you can share on social.

Carey Nieuwhof:

Thank you for everybody who shares, who subscribes, who lets the world know that this podcast is making a difference. We continue to be amazed at the response that we're getting and your support helps us get some of the very finest guests in the world. Speaking of which, we have Chris McChesney from *The 4 Disciplines of Execution*. Another book I picked up a couple of years ago and then reached out to Chris, or he reached out to me and we're able to, well, bring you a fascinating conversation but how to get more from your team and to deepen employee engagement. Here's an excerpt.

Chris McChesney:

San Francisco earthquake, I think it was 1906. Ambiguity goes through the roof. In other words, the amount of uncertainty that a human being has to deal with. Everybody's homes are destroyed. Divorce rates skyrocket, and marriage rates skyrocket. And sociologists argue, "Did the disaster bring them together or did it move them apart?" And what they started to realize was, "Wait a minute, it was neither," had nothing to do with bringing people together. There is a limit, a human limit for ambiguity, and there's a point where I cannot handle any more unanswered questions. But the number of new goals that are getting launched right now is huge. And we're having to launch those goals with people who've had about all the ambiguity they can physically handle. So you got the situation right now and what we're saying is, "Okay, if you're into four disciplines, think of the disciplines as a way to lower the ambiguity on the new thing."

Carey Nieuwhof:

Okay. That's next time on the podcast. Also coming up, Juliet Funt, Amy Porterfield, Charles Duhigg, talking about *The Power of Habit* and Mike Todd, Jacqueline Novogratz, one of the hundred brightest people on the planet according to many folks. Also have Dave Hollis, Erwin McManus, Jordan Raynor,

and a whole lot more coming up. Subscribers get that all for free and thank you to everyone who's subscribed to everybody who shares the good news, hopefully about the show. We really appreciate it and if you haven't left a rating and review, would love for you to do that. Well, now it's time to Ask Me Anything About Productivity. You can leave me your questions by going to careynieuwhof.com/podcast. Click on, leave me a voicemail, and let me know what you're struggling with productivity.

Carey Nieuwhof:

Today we're going to take Ian's question and first just want to thank our sponsors Remodel Health. If you haven't yet got their health benefits analysis for your organization, use the code CAREY50 for 50% off when you go to remodelhealth.com/analysis. And Right Side Up Soul Care with Danielle Strickland is available for free at worldvision.org/carey. Okay, let's get into Ian's question and see what he'd like some coaching on.

Ian:

Hi, I'm a young leader working through my ministerial degree towards pastorship, and recently have a fiancée with two kids that life has just started to get really busy, really fast. And I've noticed that while trying to juggle transition from my old job to new ministerial jobs and on top of that, giving my fiancée and her kids of the time required. And then on top of that finishing my last year in my pastor's degree, that at every point there's always something being neglected, whether it's my spiritual journey with God, giving God the time he needs, or whether it's giving my family the time that they need or giving my job the attention that it requires in order for me to provide for all of those things. So I'm just curious on how you see and your opinion on juggling life when it comes to family, calling to pastoralship, and then equally making sure not to neglect God above all things while you are trying to prioritize family and work and provisions.

Carey Nieuwhof:

Well, thank you so much for that question. You are going through a lot right now. I know there's a lot of young leaders listening to this, so I just want to empathize. I get it. I mean, I was there. I was working and going through seminary at the same time and a new parent and yeah, we got married at the end of the law school too, before I even went to seminary. So I have been in that season of life and I just want you to know that yeah, that is a really big challenge. You've got a new job. You've got a fiancée. You are becoming a stepdad to her children and you got your final year at school. That's a lot. So your change index your stress level is high. Here's where I want to start. I want to give you five things to think about.

Carey Nieuwhof:

Number one, ask yourself, is this a season? All right, because you're probably living at an unsustainable pace. You can do that. You can sprint for a season but in order to make sure that's a season and it doesn't become your life because it becomes your life. You're probably heading toward burnout and you definitely don't want to go in that direction. Here's what I would encourage you to do. Can you put a date or two on the calendar? So obviously, you're going to be finished school at some point. When is that? Is that six months from now? Is that a year from now? Is that 18 months from now? And you're engaged, do you have a date for your wedding? Weddings can be very busy. Having been married myself, I remember it gets very busy ahead of a wedding. What I would encourage you to do is put a date or two on the calendar.

Carey Nieuwhof:

And hopefully, you can measure that in months, not a year or more, and say, "Okay, I have a very high pace until November, until January, until May." Whatever that happens to be, write it down on the calendar. If you can't get to that, then something's probably going to have to go because that is not a very sustainable pace. Okay? So that's the first thing. Try to put some dates on the calendar because you can sprint for a while. You can do a hundred-meter sprint, but you can't do a 50 kilometers sprint. Just can't do it. Okay. Next piece of advice, even if you do have a date on the calendar, you have to ask yourself, "What can you cut?" You've got to probably pair some stuff back and maybe lower your expectations. I'm in a very different season of life than when I was doing school and getting married and becoming a parent and all those things.

Carey Nieuwhof:

And I wasn't trying to write books. I wasn't trying to do a podcast six times a month. I wasn't trying to do all the things I'm doing now, but I'm at a very different stage. We have an empty nest. My kids are in their twenties. They're independent and I have more time. I don't have more time, I can just use my time differently. But you probably have to pare back your expectations, where to start? And this seems a little silly, but look for something bad or unnecessary that you can just easily say no to. Think about it. This is a very different metaphor. But think about when you're going through photos on your phone. Now, when I go through photos on my phone sometimes I'll take eight shots or 18 shots of the same scene. I mean, we never used to do that but now that it's free and it's on your phone, that's what we do.

Carey Nieuwhof:

And then you're like, "Well, which is the best shot?" You know where I often start? I'm just like, "Okay, I don't know which is the best shot but I know that's not a great shot." She's got her eyes closed or the sun isn't quite right or the exposure's wrong. And I get rid of all the bad shots and then I'm left with two or three and I can make a better decision. So is there anything bad or unnecessary in your life? Cut it for season, permanently, whatever just like, "Okay, we're just not going to do that until next year or the year." Or maybe if it's really bad, just get rid of it. It's like get rid of that low stuff. So that's easy. Now I'm going to give you a more difficult thing to do. I want you to look at the things that you accept because Greg McKeown has this great line.

Carey Nieuwhof:

He says, "If it's not a nine, it's a zero. If it's not a nine out of 10, it's a zero." And where a lot of us get stuck is that six, sevens, and eights. So if you get some sixes and sevens in your life, yeah, when you have a little more margin in your life, you can say yes to a seven. But maybe you need a ruthless standard at this point. So you've gotten rid of the bad and now you're taking a look at saying, "Okay, if it's not absolutely essential necessary, if it's not a nine if I'm not super excited, it's not really important then it's a zero and it's not going to fit into my calendar." So that's the second thing. Third thing, you probably want to get some outside help because your judgment is likely a little bit clouded. My judgment is always clouded.

Carey Nieuwhof:

What are you not seeing? So I would try to sit down with a friend with a mentor with someone you trust, who knows you well, who knows your situation, maybe they can give you some clarity. A fourth thing and I've talked about it a lot in these segments. It's written all over At Your Best. Think about your green zone. Those are the three to five best hours of your day, every day. And what you want to do is your most important work. So that could be 15 minutes with God or five minutes with God. That could

be a few minutes with your fiancée and her kids. It could be, "Okay, I got to get that term paper written." Or, "I've got this really important project for work." Not a good idea to stuff your green zone on a regular basis. But if you're in this season, you can use it to get those most important things done.

Carey Nieuwhof:

I say a lot more about this in *At Your Best* and I've also done a lot of coaching around it so I'll just leave it there. But I would really, really focus on your best three to five hours and do your most important things there. Even on a rotating basis if you can't touch each every day, just say, "Okay, Mondays, I'm going to work on school. Tuesdays, I'm going to work on my job. Wednesdays, I'm going to work on relationships. Thursdays, I'm going to spend some extra time with God." And then you raised it a couple of times and this is my fifth point. You've got to set your expectations for your time with God according to seasons as well. So when my kids were young and it was crazy like it was in your life. My time with God was five to 10 minutes.

Carey Nieuwhof:

Now, you could argue, "Well, you should be a monk and live in the desert and spend an hour a day or 10 hours a day." It was a busy season. Five to 10 minutes was better than zero minutes. Now I'm in a different season. My time in the morning is closer to an hour, but I have that kind of rhythm in my life. So what I would do is, and you can multitask. I mean, you can pray while you're in the car or listen to an audio translation of the Bible while you're in your car or whatever. But I would try to find five to 10 minutes at your optimal time where you can just pause and start that time with God. And I think you can probably carve that out. Listen, it's a complicated season. I hope that helps. If you've got a question about productivity, leave it for me.

Carey Nieuwhof:

I would love to take your question and you can do that over at careynieuwhof.com/podcast. In the meantime, if you haven't yet picked up my brand new book, *At Your Best*, I would love for you to do that. We are so excited. It's been number one in its categories for a long time. It's been endorsed by Seth Godin, Adam Grant, Patrick Lencioni, Cal Newport, Greg McKeown, Nona Jones, Annie F. Downs, Craig Groeschel, Andy Stanley, and so many others. You can still, if you're listening to this in real-time, get a few bonuses, including the video masterclass at atyourbesttoday.com that goes away very, very soon.

Carey Nieuwhof:

I'd love to see you break out of the stress spiral so many leaders find themselves in. Inside the book, you'll find some deep productivity, the strategies that I've used over the last 15 years and coached thousands of leaders on to help them live in a way today that helps them thrive tomorrow. So thank you so much for listening everybody. Thanks for making this a great launch season. We're back with a fresh episode next week, and I hope our time together today has helped you thrive in life and leadership.

Announcer:

You've been listening to The Carey Nieuwhof Leadership podcast. Join us next time for more insights on leadership, change and personal growth to help you lead like never before.

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