

Disrupt Yourself Podcast

Episode 47: Patty McCord

Welcome to the Disrupt Yourself Podcast. I'm Whitney Johnson. I think, write, speak, and (live) all things disruption. Today's guest is Patty McCord, former Chief Human Resources Officer of Netflix, a rocket ship of a disruptor, and author of the well-written, straightforward and unabashedly bold -- Powerful.

Patty: Hi. I'm [Patty McCord](#). I'm a consultant now to, uh, consultant and a speaker, and I'm an author. I just wrote a book called, "[Powerful](#)."

Whitney: When did you decide to actually write a book? At what point over the last year or so?

Patty: You know, when I, uh, left [Netflix](#) and I started consulting, uh, with other companies and then I started ... I wrote a couple of articles and then I started speaking, I realized that a lot of the things that I had done at Netflix that seemed to be like logical and sensible were kind of foreign to a lot of other people. And I would go meet with CEOs, and I'd go meet with start-up leaders, and they'd throw the Netflix culture da ... deck down the desk and they'd say, "I wanna do this." And I would say, "Okay, well that took 10 years." So, (laughter) do you wanna get started? And then I realized that the culture deck sort of espoused, uh, set of ideas, but the how to do it was missing.

Whitney: Hmm.

Patty: And so that ... So there was that part about the, the stories I had to tell about how I came to look at managing people sort of an in, an innovative way. And the second thing I found that I was honestly quite disappointed at was I thought, "Wow, I've been under a rock for so long working at this company. Now, I'm gonna see all the other great stuff people have done," and honestly I couldn't find much.

Whitney: Hmm.

Patty: And I couldn't find a very thoughtful exploration into the function that I had been part of. And you know, the whole HR language always irritated me anyway, because some of the words we use especially around a lot of management stuff seems silly, but I couldn't believe we're still speaking the same stupid language all these years later.

Whitney: Okay, you just said that and now I, I've got to find this part in the book and I hope I can find it. It's when Reed hired you.

Patty: Yeah.

Whitney: [Reed Hastings](#) hired you. Do you remember the conversation that you had?

Patty: Yes. Yes.

Whitney: Will you share it with our listeners.

Patty: Reed and I had done another company together. It was a software tools company. I went public with him with that company and we grew through merger and acquisition. We're together for about four years. And every time we acquired another company, uh, we ... I would take their employee handbook and our employee handbook and I'd mush them together and create the new employee handbook, but honestly, I didn't do anything new at all. And, uh, eventually we sold the company to another competitor and we went off to do our separate things.

And I was consulting and Reed was on the board of directors at Netflix and a number of other companies he had invested in. He called me up in the middle of the night and said ... middle of the night like 2:00 in the morning, "Are you sleeping?" And I said, "Yes, I am normal. What do you want?" (Laughter) And he said, "I'm gonna go run Netflix. Uh, you know I'm gonna go be part of the management team at Netflix and I'd like you to come too." And I said, "No. (Laughs) No, I don't, I don't want to do that, because A, um, I think DVDs in the mail is kind of the dumbest idea I've ever heard. B, I already did a start-up with you, so why don't you call somebody that doesn't know what you're talking about? And C, give me a compelling reason why I should give up this happy consulting life to come to a crazy start-up with you?"

And he said, "I want to make a company that if we were successful, we'd still wanna work there." I'm like, "Oh, hmm. And if we did that, how would you know?" And he said, "I'd wanna walk in the door every day and do great work. This ... solve these problems with these people." I'm like, "Wow. That's, that's compelling." And he said, "How about you?" And I said, "Wouldn't it be cool if we were a great company to be from?"

Whitney: Hah.

Patty: And I didn't realize at that moment and I didn't actually start doing it until many years later, but if you think about that as your goal rather than, "My job is to make people happy and retain them," eh, instead of like, "I want your time here to be something that goes on your resume, that you are proud of."

Whitney: Mm-hmm (affirmative)

Patty: Right? A great place to be from. Then you can ... Then you let go of a lot of conventions about what it's like to work somewhere. So the [Netflix Culture Deck](#) was a collaborative process between him and me, and dozens and hundreds of other people on the leadership team over a period of 10 years.

When I did that start-up with Reed, I realized I had found my sweet spot. And I am kind of a serial entrepreneur.

And so, the thing about Netflix was I got to be in three distinctly different companies without leaving home. So the first one that started with 40 people was, could we come up with an idea around DVDs, some kinda entertainment model that might make money before we ran out of money. And that took a number of years.

Whitney: Mm-hmm (affirmative)

Patty: The next start-up I worked at was DVD by mail. Could we make that work? Could we create a brand? Would people actually do it? Was it a good thing? Could we compete with Blockbuster? And then towards the end like God forbid, could we beat them? Because when I started at Netflix with 40 people, oh God at Netflix when, when we actually rolled out the DVD by mail subscription service, Blockbuster was over a hundred times larger than we were.

Whitney: Wow.

Patty: You know it seemed insane.

Whitney: Wow, so it really was David versus Goliath.

Patty: Oh yeah. God, no, we didn't ... We didn't want them to know anything we were doing, because we knew they'd squash us like a bug.

Whitney: Mm-hmm (affirmative)

Patty: It was totally lay-low strategy. And then, uh, the third start-up I got to be part of was figuring out the technology of digital streaming and beginning to explore, um, think, thinking around original content. And I left as the company split up the DVD by mail business and the streaming business. And now Netflix is a global original content company, which is significantly different than the one I left.

Whitney: One of the things that really caught my attention as I was reading through your book, which I highly recommend. It's just, eh, it's a powerful, it's called, "[Powerful](#)," but it's also packs a punch in terms of giving people great advice of how to build a really robust company. And one of the things you, you've talked about is the, when people call you to come consult with their company and they're trying to grow really quickly, you give them some advice on, "Okay, what do you want to look like six months from now?"

Can you talk us through, um, your checklist of what you say to people, because I think there are ... I know there are a lot of entrepreneurs who listen to this and I think they would find it very helpful.

Patty: One of the things that's really hard about start-ups is to create a sense of predictability, because the nature of a start-up is a dumb idea, right? If it was an obvious thing to do, somebody else would already obviously be doing it. So, uh, you know, when you're starting from scratch and you're making things up, it's very difficult to say, "I know what I'm gonna do, right?"

Whitney: Mm-hmm (affirmative)

Patty: But if you ... And even larger companies, it's something that managers often don't do very well, which is think through what the business is gonna look like, what their team is

gonna look like, eh, at a finite time in the future. So, you know, it's when someone comes to you and says, "Hey, by the way I wanna be a CFO." And you say, "You know, that's a great goal." Um, but since you're an accounts payable clerk, that's probably not gonna happen next Thursday.

Whitney: (Laughs)

Patty: Right? Um, but we can map out what that path would be and wh-, what place we play in that path as you move along. So here's my six-month out scenario. I say, you're managing a team and in six months your team is amazing. I mean, everybody is admiring you, you're getting an incredible amount work done, everybody is really into it, you know, it's like it's, you imagine what's occurring then, that's not occurring now. And the first thing you do is you give me all your numerals, give me all your metrics, it's faster. It's, it's, uh, more accurate, it's whatever, whatever your team measures, tell me in six months if it was amazing, not a little bit better, amazing, what would be occurring? Simultaneously, I say make a movie of it.

Whitney: Hmm.

Patty: If I walk around and my team is doing all these incredible things, what's happening differently than is happening now? Are people heads down, they're working really hard, amazing amount quantities of work we're getting done? Or is somebody saying, "You know, I think we should find out what they are thinking in marketing, because it sounds ridiculous to me. Let me go ask." (Laughs) Or is somebody saying, "We really need to find out whether the technology is ca- ... is able to do this, right?" Are there more meetings or are there less meetings? Like, what's the behavior look like?

Now, you drop down and say, "Okay, I gotta picture that in my mind. What would people need to know how to do that's different than we know how to do now, right?" Well, you might be some, you, you know, now you're talking about behaviors, right? Well, we might need some people who really just kinda shut up and work more or maybe we need some people who have experience working with external customers, right?

Now, I dropdown and say, "What kind of skills and experience would it take to know how to do that in order to accomplish that?" And then and only then, who do you got? So now when I'm building my team, I'm looking at the deltas between you know, who I have and what we need to be. And I'm also able to describe to my partners in the recruiting team, "Here's the problems we need to solve in the next six months. We need people who are capable of solving these kinds of problems." And also I'm able to explain to my team, "Hey, the world that's six months out, looks significantly different than the world we have now." And I gotta think about, if I started over, you know, would I hire all you guys?"

Or, "Hey, by the way in six months we actually are gonna need a CFO. (Laughter) And you're gonna still be a senior accounts payable clerk, because you're learning really rapidly and you're really smart, but that time difference may, may challenge us, right?"

Whitney: Mm-hmm (affirmative)

Patty: And what's hard for start-up people to do sometimes is put time on it. So I recommend to managers, I say, "The, the sole job of management is to create great teams that build fabulous stuff on-time with quality that serves customers." Really, it's that simple.

Patty: And the coaching, and the staffing, and the communications that derive from that all come from this methodology. And then I also say to individual contributor, to, to, um, employees, "Look, you know, you need to be, have conversations with your management about what the world looks like in the future so that you can either adjust what you do, what you like to do, um, what you're learning, or you can realize, I'm not sure if where this place is going is where I wanna be."

Whitney: Mm-hmm (affirmative)

Patty: Because it's, it's your career.

Whitney: Right.

Patty: Right?

So typically, what we do is we'd start with the person and their aspirations and build the organization around them. And I, I just got out of a talk where I said, "You know, I have a shocking ne, news to tell you. Companies don't exist to create happy employees."

That's the constituent we're serving. You know, nature of people say, "Well, you know ma, eh, employees are my internal customers." I'm like, "The customers don't work here." (Laughs) Employees are employees, right? So ...

Whitney: So, that's an interesting, I mean, you say a lot of really, um, unconventional probably lightning rod types of things, how do HR professionals in general respond to your ideas? Do they love them? Do they hate them? Are they indifferent? What ... Or, or, or do you meet other HR professionals?

Patty: Uh, a lot of them, I do a lot of speaking at HR conferences now. And, um, when I first left Netflix, the audience would respond about 50/50 to my message. About 50% of them would cross their arms, set their jaws, and glare at me, you know?

Whitney: Mm-hmm (affirmative)

Patty: Who invited you?

Whitney: Hmm.

Patty: You know, this is, you're talking heresy, it's probably illegal. (Laughter) That, that's not how we've always done it, you know. I follow best practices. I don't listen to a crazy

Silicon Valley woman like you. And that's nice that you got to do that at Netflix, but nowhere else in the world is capable of doing any of that.

Whitney: Hmm.

Patty: And the other 50% would say, "Oh, you know, she might be right, but I can't." And so now, it's about a third, a third, a third. And I still have that third that you know, crosses their arms and juts out their jaw. But the middle third kinda says, "She is right. You know, she's right. We could do this better." And the other third is like, "Let me go." (Laughter)

Whitney: So that's impressive. Just six years.

Patty: Yeah, and that third that's like, "Let's, let's do this ..." is combined, is a combination of people early in their career who are like, "I don't wanna be everybody's mom and I don't wanna be the police. And I wanna be part of a business. This is the, the world I want." And honestly, it's a lot of people like me who've been in the function for a long time that are finally going, "This just, this doesn't work."

Whitney: Mm-hmm (affirmative)

Patty: "We gotta stop this stuff." I mean it's not ... So, so when you talk about my ideas of, as hard-hitting, and provocative, and shocking, they're really not. It's just the truth. It's just that nobody says it very well.

Patty: Right? Nothing is ... It's all very logical, that's why engineers love me.

Whitney: Yeah, I thought that was really interesting in your book where you talked about how engineers really liked working with you. Can you give an example of when you found that like, "Okay this ... What I'm saying is working and it makes sense," because of a conversation or interaction that you had with a group of engineers?

Patty: Sure. Uh, here's one, here's a classic. "Well, I don't think management realizes that everything's changed and we're losing the company we all, we used to have, and nobody knows each other's names anymore, and communication's really hard, and we're not totally aligned, and the culture isn't what it used to be, and everything's different." And I would say, "Well, I'm a vice president reporting to the CEO, so I'm thinking I fall into the management category, right?"

Whitney: Mm-hmm (affirmative)

Patty: So part A of your statement, management doesn't understand is false. I understand. You've told me this seven times.

Whitney: Mm-hmm (affirmative)

Patty: I've discussed it with Reed. We're management, we know. Okay, second of all, do you know why things are changing? Do you know why it's different? You know what's, what's different about how it used to be? "Yeah, I don't know management ... " I'm like, "Wait a minute. What's different? Here's what's different, we're successful. (Laughs) We've gotten bigger. We have more customers. Things are different." And I said to him, "Do you know what we wanna be when we grow up?" And he says, "What?" And I said, "A global corporation, but you're a start-up guy and you like 50 to 100 person companies. That's where you thrive. That's what you love, and we're not gonna be that. We don't want to be that. So the choice about where to work isn't ours, it's yours."

Whitney: Did you have that conversation a lot with people?

Patty: I have it more now. Um, I've sort of changed the way I frame it now.

Whitney: Mm-hmm (affirmative)

Patty: So, uh, when I'm working with start-up CEOs in particular, I say to them, "Watch for this sign of trouble called nostalgia."

Whitney: Interesting.

Patty: Right?

Whitney: Mm-hmm (affirmative)

Patty: And nostalgia means, and wor ... and listen for words like, "We've gotta keep our culture," because you can't do it.

Patty: It's not possible, right? We evolve and we change. And why engineers like me is they don't necessarily like what I say, but they can understand it and it makes sense.

Whitney: So, it's logical?

Patty: It's logical. So you know, I named my book, uh, "[Powerful](#)" because I hate the word "Empowerment," because I don't think ...

Whitney: Say more about that. You said you hate the word "empowerment" and there's another E word that you hate. Tell us about that?

Patty: (Laughs), the E word, empowerment I hate, because it like assumes that we, we have a magic wand. You're empowered. (Laughter) Like we ... And I get that, it's like you know, the reason why I have to go around empowering people is because we took it all away from them. You have power. We walk in the door with power. We walk in the door as powerful adults who wanna do a great job and then we get you know, stabbed with a tiny little, you know, where you have to get that approved by finance. No, we have to run that up through management. There's an idea, can you put together a proposal and we'll put it on the docket to review sometime during the year, right? By lunch, I'm

thinking, "Ugh," (laughs) you know, if I could only do what I need to do, if I only had the tools, if I only you know, I know what to do, it just takes so long to get it done. So if you really wanna empower people, get out of their way.

Whitney: Mm-hmm (affirmative)

Patty: And have them own and be responsible for results and deliverables. And if they're not then, then have a conversation set-up before. And I think you're referring to engagement? Is that right?

Whitney: Yeah, that's the other E word.

Patty: Yeah.

Whitney: Uh, but before you go to engagement, I, I thought it was interesting, so I, I know it's been six years since you've been at Netflix, so let's talk about now what you advise people to do, um, and building on that, because I'm sure your thinking has probably evolved over the last six years is, you say it's really important for everybody to understand the business and maybe that goes to this word "engagement," which you don't necessarily like, but talk a little bit about when you're working with a CEO and you say, "All right, everybody needs to understand the business." How do you help them operationalize that idea?

Patty: Well, an example is sometimes I say, "One of your best communicators and someone that everybody should be hearing on a relative frequency is your CFO," because teaching people how to read a profit and loss statement is really teachable, right? And what we tend to think of as the dashboard of executive metrics, there's no reason why everybody else can't see them. Because when you understand how the machine works, you understand what your part is in it. So, an example is, I think instead of giving customer service reps, you know stuff (chuckles), you know, well maybe in addition to giving them T-shirts and snacks.

Whitney: Cause we like T-shirts.

Patty: Cause we like T-shirts. Um, the better gift would be how to read a [P&L](#). So if you understood how the business worked, then you would know for example that every time you hang-up the phone and a customer tells somebody else, "You should try their service. Their, their, their customer service is incredible and it's really terrific." Uh, you love this and they get a new, acquire a new customer for you for free. You may have just put \$15 on the bottom line, because it's a marketing expense, so you don't have to spend.

Whitney: Mm-hmm (affirmative)

Patty: Right? So instead of saying, "No one loves me, everybody hates me. There is no future in this job," which oh by the way for most co, customer service reps is true. It is usually the first job people have or a job-

Whitney: But it doesn't have to be true, is what you're saying?

Patty: It's most often not true.

Whitney: Mm-hmm (affirmative)

Patty: The percentage of people who start as a customer service rep who find a lifelong career in customer service is in my experience probably bigger than one in a hundred.

Whitney: Mm-hmm (affirmative)

Patty: Right? And the people who move from customer service to other parts of the organization grow up to be VPs, can happen, but it very rarely happens with the same organization.

We did it at Netflix just because we felt like we'd get better input if we had everybody know what everybody knows.

Whitney: Mm-hmm (affirmative)

Patty: So, there were so many moving parts of the business that, um, you know, the executive team didn't have the answer and we were all customers. So that's the other thing about work these days. Most of us are customers to the product or service we provide. And so you have ... Once you really understand how the business works, then you could say, "Hey, I got this idea. I think it would be a lot better if we focus on this thing over here, because I think that's got a better return in terms of for us like retention, keeping customers." And we could say, "God, that's a great idea." In the finite world of budgeting, that means that's money we didn't plan for.

Whitney: Mm-hmm (affirmative)

Patty: But it's a great idea. So where should we take it from? And that simple example of teaching people that there's not a money tree, many employees don't learn until they're you know, 10 years into their career.

The other thing about teaching people how the business works is a really important thing to learn early in your business or early in your career is what not to do. So, I, that's another thing I, I, see, uh, a lot.

Whitney: What's an example?

Patty: You know they like, "Well, uh, you know, I wanna be more strategic." And I said, "Well, you know what? You just describe to me is an exactly strategic it sounds like planning." That's a good thing too, but that's not strategy-

Whitney: Ah-huh.

Patty: ... that's like having a plan. Strategy is as much what you don't do as what you do do.

Whitney: Can you give us an example?

Patty: Yeah, it's, um, you know how companies all go through and you talk to start-ups, right? Uh, well, we could do this, and we could do this, and we could do this, uh, at Netflix in the early, early days, we were gonna be Yahoo for movies. We're gonna be a portal. And we were gonna have chat with movie stars and they were gonna sell movie posters and possibly movie tickets. And then we'd have the DVDs and oh by the way, we have this whole staff of people that came from, uh, you know, Variety and People magazine and they wrote, um, professional reviews on the website for movies. Then we ran out of money. (Laughter) And we could only pick one business. It was not to do anything but rent DVDs in the mail and acquire as many customers as we could in the subscription service and make the service so great that you would tell someone else for free, because we were broke. So you know, did I have to say goodbye to all those great writers and, um, people, eh, eh, you know, that came from Variety and who were wonderful people and they're really fun to be around? Yeah, because our customers could write reviews for free.

Whitney: You know, it's interesting that you raised this. So, what is it? I mean, your back was against the wall. What is it about constraints, about limited resources and short timelines and rapid evolution that improves people's performance so dramatically?

Patty: Yeah, because then you can focus on what moves you furthest fastest. So the idea of prioritizing allows you to then put the important things in first so that they get done, so that you know they're done and they're the building blocks of what you do next. The other thing about those kind of priorities is sometimes you go through the whole year and something that is on the end of the list never gets done and you realize, "Oh well maybe it wasn't as important as I thought it was gonna be."

Whitney: Right. Right.

The, the thing that I thought was so interesting when you were talking is just this idea of, eh, here you, you have this whole plan and then you run out of money. And it's when you run out of money that you figured out what your business model at least the first iteration of your business model was going to be. And it's just fascinating to me how constraints often are what force us into profitability and to an actual business model that works.

Patty: Yeah, it's one of the things that's been frustrating for me since I left, because I left Netflix in another dot com boom and ended up consulting people for whom the checks seemed to endlessly roll in.

Whitney: Hmm.

Patty: Um, and, and I felt like, um, you get lazy and you get sloppy, eh, eh, you know, if you can do everything. You think that's the way you want your company to be.

Whitney: You do.

Patty: But, but then you can't undo anything and you don't get any practice on doing anything.

Whitney: So are y-, do you have any practices with your, um, clients to impose or create synthetic constraints so that they are forced to make decisions?

Patty: Well, I just gave you an example of the one of working backwards with the six-month out goal.

Whitney: Right.

Patty: I find that chaotic start-ups, the missing, uh, piece is often time. You know?

Whitney: Mm-hmm (affirmative)

Patty: We're gonna do every ... Yeah, we're gonna be everything to everybody and it's gonna be awesome someday.

Whitney: (Laughs)

Patty: Like, oh, okay, well, that's not a goal. (Laughter) And it's not a strategy and it's not a plan. So, that's just a statement.

Whitney: Hmm.

Patty: Right?

Whitney: Mm-hmm (affirmative)

Patty: By when? What's awesome? For who? How? Right? So, it's about that you know, if you ... Uh, very often, I say, if you could only do two things, what would they be? And, uh, you know, I have lived through here in San Francisco people going, "I can do 200 if I want."

Whitney: Hmm.

Patty: So, part of it is, eh, uh, you know, when you're exploring in the beginning, it's like, uh, that what do we do, what do we do today that takes us furthest fastest? And, and in order to do that, you gotta know where you're going.

Whitney: Right.

Patty: So, I mean I think they're ... that's why I advocate things like understanding the P&L, right? Understanding the drivers of your business. So pro- sometimes people hear me or have heard about me, and they think that what I say is I hate policies and procedures. And that in fact is true. I do. I hate policies and procedures, but I don't hate discipline

and I don't hate structure. I think, you know, especially because I've learned this from engineers, they hate stupid process and senseless bureaucracy, but they don't hate discipline.

Whitney: No.

Patty: Writing code is a very disciplined act, right? So, it's a matter of people, you know, choose, not having a policy or procedure that restricts them from doing what they know is the right thing to do.

Whitney: Yeah, so well-said. You used the word limber, um, limber individuals. Uh, what helps us be limber as individuals?

Patty: (Chuckles) Yoga. No. (Laughter)

Whitney: Besides yoga.

Patty: Um, I, so if I had my dream company, uh, if I walked into my dream company today, it would be that I could stand in front of them and go, "Everything we've been doing and saying, all that's rough. Got a new thing we're, we're go- we're going 800-miles an hour down the road to the right, we're gonna hang a left." And everybody said, "Yes!"

Whitney: Hmm.

Patty: (Laughs) You know, okay. Let's go. Why are we going left. What happened to going right? How did you make that decision? What information do you have that you didn't have before? What do we get at the end of the road when we hang a left, right? I'm on board, let's go do that. Instead of like, "We went so far down the road to the right."

Right? So, especially in early stage companies, you learn from, you learn as much from doing the wrong thing or hitting a wall as you do from having the right idea. And so, well, well you and I talked earlier in this conversation about nostalgia and about clinging to the way things were. And so being agile like, "Oop, wrong, wrong move. What do we learn? Okay let's, let's try something different."

Somewhat of that is just like creating in yourself this willingness to take a risk and maybe be wrong in order to learn something so the next time you're closer to being right.

Whitney: Got it. So are there any companies out there right now that you're working with, that you're aware that you think, "These are really limber businesses."

Patty: You know, I see them all the time. Uh, what's interesting right now since I've written the book and I've done so much speaking, I was just telling someone this morning, I'm like, "Guess who calls me now. It's not the limber start-up, it's the corporation."

Whitney: Mm-hmm (affirmative)

Patty: It's a bank.

Whitney: Mm-hmm (affirmative)

Patty: You know? It's the big, uh, established, uh, and I told somebody today, I'm like, you know how people go, "Well, we can't change it, because we'd lose our institutional knowledge." And I say, "You know I was thinking institutional knowledge might be helpful in an institution." (Laughter) But I'm not sure to move your company into the future that that's really necessary. Are you sure? So you know, the big established, um, ways of doing business folks, they know it's changing and they don't know how. And they don't know how to undo it. You know, the spirit of the start-up is already kind of agile. You know, their, the, the bigger start-up constraint is usually, and this is where, um, I like to work is in the step functional growth phase.

Whitney: Say more about that. What do you mean when you're saying the step functional growth phase for people?

Patty: It's kinda when, um, so I'm here, I'm doing this podcast from [Stitch Fix](#). I have a good friend who I worked with at Netflix who is the head of data science here and their head of HR and I are buddies and we get together all the time.

Right? So, I, uh, met all of them and have been following them as they've gone from talk about a quirky idea ...

Whitney: Mm-hmm (affirmative)

Patty: (Laughs) ... to a public company.

Whitney: Mm-hmm (affirmative)

Patty: And so, what's really interesting and the reason we get together is how was the [IPO](#)? How did people take it? What's different about the company? What are people's expectations? Did you set them up, feel like you set them up well? For the fact, that the day you rang the bell with the NASDAQ, not everybody's gonna be a millionaire. Did you tell them about the employee lockout. Did you tell them stock goes up and goes down? (Laughter) You know, um, ...

Whitney: Uh.

Patty: All of these important things. And you know, we haven't had a lot of IPOs. I mean, I've been in the Silicon Valley for 30 years. I mean there were years where every day you woke up and somebody else is ringing the bell.

Whitney: Yes.

Patty: And so, it's been a different kind of climate recently. And so, it's interesting to watch as some of the, you know this generation's companies become public companies and how

that changes and what changes, and what challenges people have with scale. I mean, riding in this morning, listening to you know, senators or ha- asking requests from [Facebook](#) and [Twitter](#), right? It wasn't that long ago they were just goofy ideas.

Whitney: Right. Right. Right.

Patty: Right? So, uh, you know, every generation has com, uh, companies that move to huge scale rapidly and then more often companies that go at a slower but step functional pace towards scale.

Whitney: Got it. Okay.

Patty: I think, I think that's really interesting and I think we should all watch each other as this generation of companies goes through this, because it'll be different.

Whitney: What are your top three tips that you give to, and let's not do entrepreneurs now. Let's do, you go into large institutions, what are your top three tips that you give them, um, as you walk in the door and they say, "I need help."

Patty: The first tip is ask why. The annual performance review. Why? What's it for, right? Uh, it's feedback mechanism, okay? If you were starting from scratch, eh, the ... and I agree with you, I think feedback's a very powerful tool. I think it can really help people do their best work. Uh, if you were designing a tool for feedback, would you say once a year we're gonna look back at the entire year and say a bunch of words nobody understands and we're gonna pay you on what you did last year going forward. It's like, the, really?

Whitney: Hmm.

Patty: And then people would say, "You know, it's really hard to give, um, negative feedback." And I'm like, "Yeah, because you know how ... What else do you do once a year that you get better at?"

Whitney: (Laughs)

Patty: And third of all, (chuckles) like, you know, I'm really good at it, but I do it all the time and I practice and it's not that big a deal. Third of all, how come feedback means constructive criticism means telling you what you did wrong? Because if you really want a system that gave feedback for performance, you would encourage people to go, "That thing, that, Whitney, oh my God. That's it. That's what I'm talking about. That was amazing. You'll go do that tomorrow afternoon."

Whitney: That's right. Hmm, that's great advice. Great advice.

Patty: You know, humans ... You know, eh, it's like so feedback also means, "Oh hell yeah." (Chuckles) Okay, that's thing one.

Whitney: Right. Do more of that please. Yeah.

Patty: Yeah, okay. Um, thing two, so, so the, the point of thing one was ask why.

Whitney: Mm-hmm (affirmative)

Patty: We have this system. We've always done it this way. Everybody else does it. It's best practices. Why do we do it? Thing two. If it's not fulfilling, the function you ... The reason why you're doing it, consider stopping.

Throw it away. You...sacrilege.

Whitney: (Laughs) That's why I'm laughing, because everything you're saying is just so logical and yet we don't do it anyway.

Patty: Seriously. (Laughter) You know, I, I remember one time, we were all going out for something and somebody on my team, it was like 7:30 at night or something and she's still working. I'm like, "Could ya get off the computer and come with us. We're gonna play." And then she goes, "I can't. It's headcount night, headcount report night and I've got to do it. You know, it's my responsibility and I know you believe in deliverables and I got to deliver this." And I said, "Why is it taking so long?"

"Well, I gotta wait for payroll to get it, because then I extrapolate the data and blah, blah, blah. Look over your shoulder and it's this spreadsheet." I'm like, "Holy, how many tabs are on this thing now?" She's like, "I think it's up to 40. The two lists is 57 people."

And I look at the two lists and I expand it, I'm like, "Well, four of them don't even work here anymore." (Laughter) Two of... I'm like, "Do you just keep adding to this list?" She goes, "Patty, will you ... I'll, I'll be there. I'll meet you there, but if you don't go away and stop staring at this, then I won't get it done." And, and I said, "Uh, uh, it's done."

Whitney: (Laughs)

Patty: She says, "What do you mean it's done?" I'm like, "Don't send it." She goes, "Oh, heads are gonna roll. Are you kidding? I'm gonna get fired." I'm like, "It would be me firing you and I'm telling you not to do it." So, she goes, "Oh, people are gonna go, you wait. You ... Okay, I'm going to tell them you told me." So the next day, three people came down and said, "Where's the headcount report? It's late. I can't believe it. This has been your responsibility. The entire time you've been here, blah, blah, blah, blah, blah." And I said, "Um, I'm so sorry. Now, what is it that you use it for?" They tell me what they use it for. They're all in finance. We get the data from payroll.

Whitney: (Laughs)

Patty: And I, I'm like, "What do you do with it?" They're like, "Oh, I cut and paste it and put it into my own spreadsheet."

Whitney: (Laughs)

Patty: I'm like, "What? What?" Okay? 40 people never said anything.

Whitney: Wow. Wow. That's great.

Patty: I'm like, "This is a good tool." (Laughter) And when I got to the 11 people for whom it was a really critical, um, piece of information for them to do their jobs, I could get them all in the room and go, "How do we do this in a way that's really efficient and effective? And how do we get you this data directly without having to have it filtered through two entire departments ...

Whitney: Right.

Patty: ... to make one decision you make based on it. Eh, you know, is ... Are there alternative methodologies? So like the crazy innovative work that I did in HR was often to just stop doing stuff that was stupid.

Whitney: Hmm.

Patty: So that's, that's the thing two.

Whitney: All right. (Chuckles)

Patty: And thing, thing three is, I think you asked me for three.

Whitney: Yup, I did.

Patty: And the third, and the third one is learn from the other parts of your organization how they approach work. So, most of what I, I didn't make up any of my methodologies. I'm not that clever. I just copied everybody else. I hung around with innovators all the time.

And so when I started looking into the work I said, "You know, we've been doing it this way for 40 ... We ... " And it's not even the way we do things. We've been telling people that if you join our firm, your life and your career will be taken care of. That's just lying.

Whitney: Mm-hmm (affirmative)

Whitney: What kind of company, so you're enjoying your consulting life. You're enjoying, um, your life at the moment. What kind of company ...

Whitney: ... would you be willing to go work for?

Patty: You know, I always told people that I worked backwards like I started at very, very large companies. And I kinda went you know, smaller, smaller, smaller, smaller.

Whitney: Okay.

Patty: And I'm like, "Boy, next time, it's gonna be just me." And so now, it's just me and I'm loving it.

Whitney: So there's no offer someone could make you that you would be like, "Oh, I'll do that."

Patty: You know, and, um, you know, the other thing is the ... At this point in your career and you'll be lucky when you get here, um, I don't have to plan for the future when I get that next great job, because I've had it.

Whitney: Hmm.

Patty: And so, and I have it, right? So now I can say like, uh, my friend here was saying, "So what's the future look like for you?" I'm like, "Well, this year I'm gonna do book."

Cause I finished that, because that was last year was write book. (Laughs) And this year was talk about book, and then we'll see. I mean, maybe I'll take some time and, and I'm able to, to integrate a lot of travel into what I do and I get to talk to lots of different kinds of people and companies. And so you know, what's 2019 bring? I don't know, I'll see at the end of 2018.

But I'm able to do that now, because I have a lot of choices. And so I, I like that unknown part of my career. It's been really great to get.

Whitney: So you talk, um, in the book about the art of good goodbyes. Can you air how that works and, um, possibly give some examples of what that can look like including when you left Netflix and what, what did, what did a good goodbye look like for you?

Patty: I was interviewed by this reporter from New Zealand a couple of years ago. And in the interview he says, "Sack me Patty McCord!" (Laughter) And I said, "You, you mean now?" And he goes, "Yeah, yeah, fire me! You know, sack me!"

Whitney: And you fired him? (Laughs)

Patty: And so I said to him, (laughs) and I'm like, "Okay, um, hey by the way, you know you're a terrific guy. You're a terrific journalist. Um, you're really good radio personality. Um, actually, we're going to sell off that part of the business. We're gonna try print again. Uh, thank you for everything that you've done. We actually think that the, the, you know the company's more viable because of the work that you've done. But you know, how do we figure out a way for you to go do what you love now and take all the skills that you had that you earned here and find a place where you can continue to grow this thing that you know how to do? But, but most importantly, thanks a lot man." He says, um, "Can I record that? You know for when it really happens?" (Laughter) Six months later, six months later he sent me an email. He said, "I want you to know, I left that job."

Whitney: Aah, really?

Patty: Yeah. He's like, "Because talking to you I realized I was just doing it, because I could and they kept saying I was good at it, but it didn't ... I felt like I could do better." And he said, "You know what? I really wanted to write. And so that's what I've been ... " I mean, uh, I was so shocked by that. So, the good goodbye, uh, has two important elements to it. One is you can't surprise and the second is you keep your dignity.

The thing about, oh, I wish I could rewrite the terminology, but I haven't figured out what to say instead. Like I wish we could stop saying "firing people."

Whitney: Hmm.

Patty: And there's no guns, there's no blood. You know, why do we have to use military metaphors for everything?

Whitney: Hmm.

Patty: And the thing about being fired, so the emotion that's attached to being fired is shame.

Whitney: Absolutely.

Patty: And why would we make people feel that way? Right? I mean, if, if you turn out to be a dastardly person and you've done an evil thing and I am mad, (chuckles) I don't want you to feel ashamed. I want you to feel bad and sorry. (Laughs) We should do a better job at not hiring people like you if that's who you are, right?

Whitney: Mm-hmm (affirmative)

Patty: But that's a whole different thing. Then what usually happens? And what usually happens is the company changes, your life changes, or the situation around us in the competitive environment changes and it doesn't work out anymore.

Whitney: I think the reason I wanted to ask about the goodbyes is that, um, so many people every single year are either laid off, lose their job in some form or another, they might be fired. Um, and, and-

Patty: Or they move on.

Whitney: Or they move on and then the question, uh, the, in my parlance I say, "It's time to jump to a new learning curve." And, um, and so-

Patty: Love it! Feeling it!

Whitney: (Laughs) Good. Um, and so I think, but what you've said I think is the most powerful thing is, um, the art of a good goodbye is a way that pulls the shame out of it and just lets people know it's, it's, it's time. It's time for us to do something new.

Patty: I remember doing an exit interview with somebody who is you know, her manager said, "Oh, she's, she's upset. She's really mad." Uh, I'm like how did it go? "Not well." You know, and I come in and I said, uh, she's like, "I can't believe you did this to me." I'm like, "Are you kidding? This is a surprise?" "A complete and total surprise." I look her in the eye I'm like, "Hmm, really?" She was, "No, I'm mad." I'm like, "That's legit. (Laughter) But no, and I'm here for you to get mad at if that's what you need to do ...

Whitney: Right.

Patty: ... um, because people do and I'm here and your manager doesn't know how to handle it, so I'm gonna handle it for you, and I'm gonna go teach him how to do it when we're done. But you know, I'm honestly surprised that you're surprised." And she looks down, she looks up and she says, "I was at dinner with my boyfriend on Friday and I told him that I was gonna lose my job on Monday." And I said, "Really?" (Chuckles) And, and, uh, she said, "And he said, are you kidding me? They're gonna fire you? That company is so unfair. What the hell reason do they have for that?" And she said, she looked at him and said, "My time's up."

Whitney: Hmm.

Patty: "You know, I'm a, I'm a, I'm a small company person and it's not a small company anymore."

Whitney: I love that.

Patty: You know.

Whitney: My time's up. She knew.

Patty: My time's up, yeah.

Whitney: So we're still ... We're still upset when we get pushed off the cliff. It's still not very fun, right?

Patty: Sure. Of course, we are, but you know, life has its disappointments and then we carry on.

Patty: So last you know, here's a story. And I'm interviewed last week by this, uh, reporter. He decides he's gonna get all Fox News on me.

Whitney: (Laughs)

Patty: "You're talking about an environment where people are nothing but cogs in a wheel and you're just gonna hire them and throw them out. And people live in fear of the evil company that you're describing." And he rants. You know, he goes off on this rant. And I'm waiting for him to be done. And I said, "Are you still on the job you had when you

graduated from college?" He goes, you know, crickets, he goes, "Uh, no, because I moved upward and onward." I'm like, "Because we all do."

I always get up on stage in front of 1500 people and say, "Raise your hand if you're in the job that you got, that was ... If you're in the first job you ever had when you got out of school," and literally and unless they're an intern, no hands go up.

Whitney: Of course, not.

Patty: And when I do it with the HR people, I'm like, "Aah, they couldn't retain?" (Laughter)

Whitney: And that probably has the crowd erupts.

Patty: Yeah, or they're like you know, "I wanna ask you about poaching." I'm like, "Don't you love that term poaching?" Right. So like when somebody comes to get one of your employees to work for them, those suckers are poaching your people, but when you go take their employee to work for you, you're recruiting.

Whitney: (Laughter) Oh, that's fantastic.

Patty: You know, we move around. That's what people do. (Laughter) And, and I want, and I want this generation of workers to realize - they're gonna work a long time.

Whitney: Right. That's right.

Patty: It's gonna be a really interesting journey. And there's gonna be so many great opportunities. And if you start out by saying, "Hoo! I'm getting started on this journey that is the rest of my life. Let's make the most of it," then you're gonna be less inclined to be disappointed.

Whitney: What's your hope for this book? What do you hope it will accomplish?

Patty: I kinda already accomplished it.

I, I got a [LinkedIn](#) message a couple of days ago from a woman who's the VP of HR at her company.

Whitney: Mm-hmm (affirmative)

Patty: And she said, you know, "I've heard you in a couple of things. I've heard people talk about you, but I got the book and I read it last night. And I was actually just glancing over something," because at the end of every chapter, I have some questions you ask.

And, um, and I was looking at the part about performance reviews and she said, "And literally my CEO burst in the door and said, okay I guess it's time to get started on that damn annual performance review. I better go tell the troops to get ready and start moaning, right?" And she said, "I looked at him and said, not this year. This time we're

not gonna do it." She said, "I thought he was gonna faint." (Laughter) He just looked at me like, "What?" She said, "I just ... You gave me permission."

Whitney: Hmm.

Patty: And so I was reading that, I'm like, "One. (Laughs) One victory."

Whitney: Yay.

Patty: Yay.

Whitney: Oh, that's wonderful.

Patty: Yay. Because that's Because that's why I wrote the book. I didn't write the book to have it be a best-seller. I wrote it to say, "Do something different. Matter."

Whitney: Mm-hmm (affirmative). Hmm.

Patty: Right? It's, it's, it, it'll ... You'll have a better life than career and if you're in the, if you're in the, the part of the company that creates careers, then let's be honest and let's be efficient. Let's be innovative about it and matter, because it matters.

Whitney: Hmm. Oh, I love how you said that. You're in the part of the company that creates careers. That's such a great way to describe human resources and so much more noble and, and describing what it actually is. [Patty McCord](#), thank you so much for spending this time with us. I, I think your ideas and your work are just so impressive and interesting. And I think people are going to find you fascinating. So, thank you.

Patty: Thank you. Thank you for your time and having me.

It's a little hard to believe isn't it that this powerhouse of a company was about to go bankrupt? But it was only when they were OUT OF MONEY that they finally landed on their business model. You may be thinking - I need more time, I need more money, more expertise, more buy-in. When what you really need is less time, less money, expertise and buy-in. What you really need are more constraints. Constraints provide friction, forcing you to make decisions, that allow you to climb your learning curve.

And this isn't just about building a business or product, this applies to people. As Patty says, give people hard things and let them do it. Also, make sure you understand, they understand, your business. How do you make money? What does each person on your team do to help you make that money? And how much does that person cost? If you are a publicly-traded company, have them listen to earnings calls. Having been a sell-side equity analyst and investor, I've participated in a LOT of earnings calls. There's a bit of theatre, but it's instructive, all the same. One question I'm having around all this is that for people like me who work with a lot of contractors, how much of this information do you share? I'm not quite sure how much is too much and how much is not enough. If you have thoughts, I'd love to hear.

I also really liked how she talked about saying good-bye. Sometimes it is time to move on. And, unfortunately, the word we use to describe this -- fire -- connotes images of blood and guts. She liked, and naturally I'm partial to, this image of jumping to a new curve. The problem is for the moment that this would be a euphemism. We need a word that feels different deep in our souls. There's no easy answer. But as I've shared with you before. More often than not when we lose a job, we knew it was time to jump to a new curve, and we wouldn't, so the universe gave us a nudge.

Practical tip: Right now, do a quick audit of everyone who works for you. Are you giving them hard things to do, and then, not micro-managing, and just letting them do those hard things?

For those of you that would like to read Patty's book, I'm giving away three signed copies. If you leave a review on iTunes between now and March 31, and let me know that you did, you will be eligible for one of these copies.

We continue to hear from you via e-mail and social media, and we LOVE it. Catherine O'Connell wrote in and said, "I enjoy listening to you interview others, but your solo podcast it also works to mix it up; I liked your format of answering questions people had submitted." And Traca Savadago (I hope I'm pronouncing your name correctly!) said, "Thanks for the interview with Patrick Pichette. There was so much good stuff to unpack there. I've listened to it several times." Traca also asked if we might interview Carla Harris. Great idea Traca, we don't know her, but we'll try to track her down, and if one of you know her, and want to make an introduction, let's make this happen.

Thank you again to [Patty McCord](#) for being our guest. To sound engineer Whitney Jobe, manager / editor Macy Robison, content contributor Libby Newman, and art director Brandon Jameson.

I'm Whitney Johnson
And this is Disrupt Yourself.