**RedZone Podcast Episode #64: Joy, Inc. - The Courage and Vulnerability Needed to Change the Culture of Your Company - with Richard Sheridan**

Bill Murphy: It's interesting, because you have this real vision for delighting and having people marvel. It seems you have a real visceral tangible vision of how you want people to experience what you and your teams are creating.

Rich Sheridan:

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[00:01:00] Yeah, let me speak directly to your audience about this, because I think this is really important. I think we trade away that thing you just described from all of this other stuff because [inaudible 00:00:25] denied it. We need something from work. If an engineer, which I am, is truly honest about why they love engineering it is not just the technical work. We love doing hard stuff. We're puzzle solvers. I once was with an engineer once and he said, "Oh, yeah Rich. I love to do puzzles." He says, "But what I do if I turn the picture face down. I solve the puzzle with the picture down to the table." I said, "Why do you do that?" He says, "It's harder that way." We like working on hard stuff but at the end of the day if it doesn't get out into the world, if it doesn't delight the people, if people don't come back to us and say, I love that software. You guys got to work on that? That must have been so cool. That's what really drives us.

[00:01:30] The delight we create in other people who don't know what we know. I just want to remind your audience that that's why we got into this profession in the first place. We didn't get into it just because it was hard, we didn't get into it just because we had to be smart, I mean those are important, but at the end of the day we do it to serve other people.

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Bill Murphy : Rich, I want to welcome you to the show today.

Rich Sheridan: Thanks for having me, it's a pleasure to be here.

Bill Murphy: Well, your book begins with this interesting foreword by Terry Patterson.

[00:07:30]  
Rich Sheridan:  
Actually Terry is a guy, just to be clear.

Bill Murphy: Oh okay.

Rich Sheridan: Yep, he's one of the founders of Idle Smarts, but it's one of those androgynous names, for sure.

Bill Murphy:

[00:08:00] Oh, excellent, I just put that together now, because you spoke at a Vital Smarts thing I watched on Youtube. Great, that makes a lot of sense. What was really interesting about one of his comments, was Rich, your ... This is in quotes by him. "Rich, your book needs to have one message." I guess you were, at the time, trying to decide on the title of the book, so it's interesting. "If you're going to call the book Joy, Inc. It can't be a book that says you can create whatever corporate culture you want, and here's how, because everyone promises to help you change your culture. I personally want the joy you elude to in the title, and saw firsthand."

[00:08:30] He proceeds on to say, "Your voice is the voice of hope, followed by the voice of practical wisdom. For the love of [inaudible 00:08:19], don't stop short of telling people to seek a culture of joy, you're being far too modest by hinting they can choose whatever. Someone needs to stand up for joy, please consider it your calling. Don't equivocate your way into another book on culture change. Anything that steps off the stance joy is the purpose, and here's how to get it lessens your message, and raises doubt in the reader, and throws the title into question."

I just love that. Maybe we can use that as a launching point.

Rich Sheridan:

[00:09:00] You bet, absolutely. Terry is a good friend. When I was writing the book I had this brief exchange with him, and he poked me, and poked me hard in a way that I really needed to be poked. I will tell you that when you write a business book, and it has the words 'joy' and 'love' on the cover, that's kind of vulnerable. I didn't know how the world would receive the message. I was probably a little afraid that it wouldn't be taken seriously, and quite frankly the opposite has happened.

Bill Murphy:

[00:09:30] I'd love to start at the beginning, but I'd like to cover this from both the CEO, owner-operator point of view, but then also from some of the questions are going to be framed around the business information leader, business IT leader in an organization. Where do you develop this courage when you are vulnerable? Where is the genesis of the courage to be vulnerable for you?

Rich Sheridan:

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[00:10:30] I fell in love with this profession when I was just a little kid. I took a computer science class at my high school. First time they ever offered it in 1971, and quite frankly I was hooked, and I knew what I wanted to do the rest of my days. I actually got a job programming before I could drive, and I thought, "This is awesome." This was a calling for me. I eventually came up to the University of Michigan, got a couple of degrees in computer science and computer engineering, and quite frankly I thought I had the world by the tail, and the way the world measures success I did. The trouble was I very quickly fell out of love with the profession that I was inside of. It was betraying me. I was taking the longest possible drives to work at a certain point because I was living in a land of chaos, or bureaucracy, or some mixture of the two, and there was no joy in my profession in my mid-30s, and quite frankly I will tell you, I was scared. I didn't know what I was going to do the rest of my days.

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[00:11:30] I was 35 years old, I'm looking ahead, and I'm like, "I know I can't do this for the next 30 years." I was a bit backed into a corner. Sheridan is an Irish name and there's a family coat of arms, many of the Irish have that, there's a Latin phrase underneath it that translated to the [inaudible 00:10:58] becomes a lion. I was that stag. The idea's a cornered rat fights. You back me into a corner and I fought my way out. The courage for me was born out of fear. It's interesting, I just saw a quote the other day I thought was awesome. It said that the opposite of courage is not cowardice, it's conformity. That's where the courage came from, for me, was I realized if I was going to keep doing this profession for the next 30 years, I couldn't do it the same. I had to be different, I had to change and the world around me had to change.

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[00:12:30] That really was a crystallizing moment for me. It still took me another ten years from that personal conviction, but my journey out lead me to author some books. Not books on technology, because quite frankly writing software is trivial compared to organizing human teams. That was the part I was fascinated with. We needed a different kind of organizational structure. A different kind of organizational design. The books I was drawn to were by organization design [inaudible 00:12:14], Peter Senge's book, The Fifth Discipline. Peter Drucker's books on management. Tom Peters' book In Search of Excellence. All of these books were informing, there was a better way of doing things than was customary, didn't necessarily tell you how to get there, but they at least gave me the picture of a shining city and feeling I wanted to get there.

Bill Murphy: When you had this vision that, this crucible moment. You were employed at that time, correct?

Rich Sheridan:

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[00:13:30] Yes, I was. I was kind of in the middle of an organization, I was a mid-level manager leading a team. I was on my way, I mean in the next few years I would go from that mid-level manager to VP of R&D for what would become one of the highest flying companies based on stock growth in Michigan. We were named the number one public company in Michigan based on stock growth. It was internet bubble times, and we were at the heart of it, it wasn't real, but it was heady. I was inside of this tired, old public company, and I was getting promoted, I was getting rewarded, I was being honored in so many different ways. I was being given office, and authority, and privilege, and benefits, and stock options. The world was telling me I was successful, I just knew I wasn't. Quite frankly it was the distance between what the world thought I was doing and what I knew I was doing, the delta between those two data points that was driving me insane. Quite frankly I felt like I was living a lie.

Bill Murphy: Maybe for our listeners we can give them some context. You have literally been from the beginning in the early 70s a part of the internet. You were one of the first groups of people on the internet early on, correct?

Rich Sheridan:  
[00:14:00] Yeah, I mean back in 1971 we were just dialing up into computers that were in faraway places doing programming over 110 [inaudible 00:14:02] dial-up modems, with phones that would cradle into suction cups and hear all those screechy tones that we got used to when we all learned how to use AOL. We were doing that back in the early 70s. I was probably doing the exact same kind of thing in 1971 that Bill Gates was doing where he lived. There were only a few high schools in the nation quite frankly, three that I was aware of at the time, that were teaching computer science in high school in 1971.

[00:14:30]  
Bill Murphy:  
When you graduated from college you had this double major, and did you always know early on, and I think it was engineering and computer science, correct?

Rich Sheridan: Yep.

Bill Murphy: When you came out, did you know that you wanted to found your own company at some point?

Rich Sheridan:

[00:15:00] I think I knew that by the time I was 14 years old. I was drawing logos for an imagined future company as early as 14. For some reason I knew in my heart I would start my own company one day. I quite frankly am astounded it took me til I was 43 years old to do it.

Bill Murphy:

[00:15:30] What's interesting to me, Rich, is that I'm drawn to your message as an owner. As someone who really is responsible for culture, and the impact your book has had on myself, but then as I read the book though, there's really interesting stories that impact the CIO. One of them was on accountability. Are you finding that you're pulling equally from the owner-operator side of the fence, and then also within organizations themselves?

Rich Sheridan:

[00:16:00]

[00:16:30] Oh yes. I think I spend far more time inside the organizations, particularly the large ones. As i know you know we bring visitors to see our company. We've had almost 4000 visitors come from all over the world last year alone. We do one to three tours a days of Menlo now. Most of the people who come are coming from those large organizations and they're looking for something. They're looking for those lessons around what it takes to build an intentionally joyful culture. We get the c-levels, we get the mid-level managers, we get the front-line workers, and they're all kind of looking for the same thing. They want it. Whatever it is, whatever they think it is when they walk in a room, but they can feel it here, and they want it. They're trying to figure out what it is, and how they get to it, and they know they can't have exactly what we're having, and that's not the point. I don't think everybody should make their organization look like mine, but on the other hand they want to get started. They want to get started on a journey, and they're trying to figure out how to do that.

Bill Murphy:

[00:17:00] Okay, so I want to get into the joy piece, and the word joy in a second, but to come out with something that's so profoundly the opposite of ... To have the book Joy, you'd have to have a experience of profoundly the opposite. Maybe you can paint for the listeners, who are primarily business information technology leaders of all types and titles, what is the opposite of Joy, Inc. Then, we can get into what it means to have a company that's based on the principals that you set in the book.

Rich Sheridan:

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[00:18:00] Sure, I think the easiest, if I was to write the antithesis of book, it would be called 'Fear, Inc.' Right, and I was managed with fear in my early career. I learned to manage with fear. Creating artificial fear, trying to get people motivated by making them afraid. That was a good portion of my early career. Then, there was the fear that was generated just by the processes and the environment we were living in. The world I was living in, the one I wanted to escape was one of chaos at one end, and chaos in the software industry is easy to imagine. I tell the story of Night Capital Group, or this tired programmer makes a pretty straightforward error on a server update, and Night Capital Group trade seven billion dollars worth of securities they weren't supposed to in 45 minutes, costing Night Capital Group 400 million dollars. That's chaos in our industry.

[00:18:30] Our industry regularly fails. You barely can get by the first page of the Wall Street Journal and not read about IP failure. Just look at the airlines, Southwest Airlines, and Delta Airlines, and United Airlines canceling thousands of flights, stranding hundreds of thousands of passengers and losing hundreds of millions of dollars in a short period of time, not because their pilots were on strike, not because their equipment wasn't working, not because there was some kind of terrorist threat, because their software wasn't working right. Chaos in the software industry is pretty easy to imagine, I will tell you that my life felt like our processes were the equivalent of flicking lit cigarette butts everywhere while carrying sloshing gas cans, and we were wondering why there were fires everywhere. It's because we were setting most of them.

[00:19:00] Usually the response when something really bad happens is bureaucracy. It's a big, thick binder filled with stage[inaudible 00:19:07] and committees and standing meetings, and approvals and sign-offs, and yet you still have to get stuff done, so people start working around the system, they placate the system, and now you're operating in chaos and bureaucracy simultaneously. That was life I was living in.

Bill Murphy:  
[00:19:30] The chaos is this living hell you were in, and I'm assuming that you were using some of the traditional models at that point, like SDLC, and Waterfall Techniques for Software Development, is that correct?

Rich Sheridan:

[00:20:00] Yeah, you know it's funny. I hear people describe that, and I probably would describe that, but let's be honest, most of that stuff isn't really designed. It just sort of evolves if it evolves at all. It's more just that leading culture where were going to have Monday morning status meetings, we're going to assign people work 25% on this and 50% on that, but there's really at the end of the day, there's no real structure to it. We might have forms, we might have the documents, we might have the committees and the review [inaudible 00:20:15], but quite frankly if you're honest with yourself and your organization as I had to eventually be. You find out that most of the real work gets done by working around whatever system you have in place.

Bill Murphy: Sure.

[00:20:30]  
Rich Sheridan:

[00:21:00]  
I will often say that if you want to test a process, test it under fire. If you've process that's in place and it's cooking along, and [inaudible 00:20:36] yeah, process works great. Now, all of a sudden something happens. Some heightened priority arrives, you tell me, do people flee towards the process, or do they flee away from it? Does the company come together and say, "You know what? We don't have time for all that process stuff, we just got to go get stuff done." That's your process. Then that's where the chaos is bred from. If you have a good process, if you have ... My favorite saying is, "Culture without process produces chaos, but process without culture produces bureaucracy." You have to have a culture, a process that's feeds that culture, and the way you know it's working is when times gets tough you flee towards your process, not away from it.

Bill Murphy:  
[00:21:30] You had a story in the book that was super interesting with the CEO of a company came in and was talking to you, maybe you remember this story from the book, sometimes I ask that question, and I don't want to put you on the spot with it, but just to prime you, the CEO came in, said, and then you had the idea, "Oh, let's test something within the software."

Rich Sheridan:

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[00:22:30] Yeah, no what happened was, one of our fondest customers, and at the time one of our largest customers came in to visit. CEO, her name is [inaudible 00:21:53], really good friend of mine. I said, "Hey, Jen, let's just have some fun. Test our process." We have a very strong process, it's very rigorous, but it's simple. I wanted to see how it worked. We have this habit here. We will not work on anything unless it's first handwritten on an index card, estimated in hours, planned in our planning game, which is a weekly event, and then put up in a wallboard display under specific people's names so they know it's their job to work on it. I went up to Kiwi and Ted who were paired together, and Jen was with me. They were working on Jen's project, she's the one paying us to do the work.

[00:23:00] We've got two CEOs, effectively their boss, Kiwi and Ted's, I'm the CEO of the company they work for, and then our customer's right there with me with all the authority that a CEO would have. We walk up and we say, "Hey guys, I was just talking with Jen, want to add this new feature to the project. We'd like you to stop what you're working on and could you hop on this feature." They looked up at me and they said, "Sure, let's write a story card for it, let's get it estimated, we'll see if we can fit it in the plan." I said, "Guys we don't have the time for that." I said, "Jen's right here, she [inaudible 00:23:07]" She looked at me, she said, "Yep, let's get moving on it."

[00:23:30] They're like, "No, it's really simple, we'll just write the card, we'll get it estimated, [inaudible 00:23:13], get it on our board." We could not get them to divert from the structure that produces a great deal of safety for them. They were very pleasant. They weren't saying no. They were doing the improv theater, "Yes, and what we're going to do is we're going to write a story card, we're going to estimate it, we can do that right now. In five minutes, Rich, you have it up on that wallboard display." Here's the important implication of what Kiwi and Ted were saying. "And when you put it up on the wallboard display, Rich, somethings going to come off. You're making a trade here, you're inserting this into our work [inaudible 00:23:45], so something else of lower priority is going to fall off the list."

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[00:24:30] That right there is a crucible moment, or a vital behavior, as Vital Smarts like to talk about, like what do you do when that happens in your process, because I will tell you, my old managerial life was, I'd present a plan, and not two minutes out of the room when I was a VP, somebody would say, "Hey, great plan, Rich! Awesome job, but just one more thing." Of course, just one more thing is the beginning of the entire plan just crumbling to bits, because one more thing, one more thing, one more thing, one more thing, five times that day, ten times the next, 20 times next week, and suddenly I come back to the next quarterly meeting and I'm presenting what I actually got versus the plan, and there the [inaudible 00:24:28] meet. Then, I get the crap beat out of me every three months because I wasn't working on the plan.

Bill Murphy: You had this hell experience before you started Menlo, and then you read these two books. One wasn't a book, one was a-

Rich Sheridan:

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[00:25:30] Yeah, so I read the book by [Kentback 00:24:45] on something called extreme programming, and that was around 1999, 2000 time period when the book came out. I will tell you it spoke to me. I read that book and I'm like, "This guy has lived my life and he's got this awesome framework to think about how to get out of the [inaudible 00:25:02]." It was very understandable to me because Kent's experiences and mine were quite parallel to one another. I saw what Kent was describing, I'm like, "Yeah that was my life!" What Kent said was, it was kind of simple in his book, what he said was, "Look back in your career, like I did, and think about the times you were most effective. It wasn't chaos every minute of everyday, you'd go insane if it was, but think when you were the most effective."

Bill Murphy: Mm-hmm (affirmative).

Rich Sheridan:

[00:26:00] He says, "For me." He says, "When I worked really closely on something important with another person. When there was an emergency or there was something we had to deliver on, I went and grabbed Bill and said, 'Hey Bill sit here with me, I need you to watch what I'm doing because if I make a mistake it could be catastrophe tomorrow. Please, question me on everything I'm doing." He says, "if that worked during an emergency, why [inaudible 00:25:59] work all the time?" That's what peer-programming was born out of. Kent said, "We worked on little projects, it went better than when we worked on big projects." He says, "Why don't we take big projects and break them down into smaller ones." That's where story-card driven development came from.

[00:26:30] Then I saw a video on an industrial design firm in California called Ideo. Nightline had done an episode on them called the Deep Dive. They just watched them redesign the shopping cart. Fictitious project, but they watched the process of design. That was the other part that was disturbing to me, it wasn't just the chaos. It wasn't just the technical faults of the systems. It was that when we finally delivered stuff to the world the users hated it, or didn't need it, or didn't need business [inaudible 00:26:39]. I just didn't want to do that. I wanted to delight people. I wanted people to marvel at the work of my hands and my mind, and they weren't, and they were frustrated, and I thought, "There's got to be a better way around design." Ideo really had a great, they planted a great mental image in my head, which eventually we called high-tech anthropology.

[00:27:00] Going out into the world and study people in their native environment, learn their work flow, their habits, their goals as human beings, and inject what you learn about them into the design process so that by the time you deliver the software, and hopefully because of the Kent-Beck approach, it works incredibly well, and it does. It will be something actually useful and usable by the people who are intended to use it, not just the engineers who designed it.

Bill Murphy:  
[00:27:30] It's interesting because you have this real vision for delighting and having people marvel. It seems like a real visceral, tangible vision of how you want people to experience what you and your teams are creating.

Rich Sheridan:

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[00:28:30] Yeah, let me speak directly to your audience about this, because I think this is really important. I think we trade away that thing you just described from all of this other stuff because [inaudible 00:00:25] denied it. We need something from work. If an engineer, which I am, is truly honest about why they love engineering it is not just the technical work. We love doing hard stuff. We're puzzle solvers. I once was with an engineer once and he said, "Oh, yeah Rich. I love to do puzzles." He says, "But what I do is I turn the picture face down. I solve the puzzle with the picture down to the table." I said, "Why do you do that?" He says, "It's harder that way." We like working on hard stuff but at the end of the day if it doesn't get out into the world, if it doesn't delight the people, if people don't come back to us and say, I love that software. You guys got to work on that? That must have been so cool. That's what really drives us.

[00:29:00] The delight we create in other people who don't know what we know. I just want to remind your audience that that's why we got into this profession in the first place. We didn't get into it just because it was hard, we didn't get into it just because we had to be smart, I mean those are important, but at the end of the day we do it to serve other people, and we serve people in a way that delights, we enjoy.

Bill Murphy:

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[00:30:00] I think that that's a huge message, and it just reminds me of, there's a woman, Karen Sorenson, and she used to be the CIO of Johnson & Johnson, I think I've mentioned this story on my show before, but she was the CIO of all the CIOs. There was 100 CIOs of 100 sub-companies to Johnson & Johnson. She was the CIO of the CIOs. She told me once, she says, "You know, we make bandages for people, burn victims." She would envision the impact of her work. All the way down to the care of the patient, and the systems and the processes in the output that was actually soothing and taking care of that particular. That always has struck me. She subsequently left there and has gone on to massive success elsewhere. Maybe there's a clue there in what you're just articulating of really tapping into the why we're doing what we're doing.

Rich Sheridan:

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[00:31:00] You bet, and here's the interesting thing. Again, I'm just sort of picturing your audience and what they need to be thinking about. I've talked to people about thinking hard about who they serve. That is a different equation for most people in business. From who are your customers. Because in fact, it's like a memo. Jim Bayer was our customer for a flow cyclometer, okay and that's a scientific instrument that helps cancer researchers, or now it's moved into an FDA medical device territory where it is now used to monitor the treatment of people who have AIDs, and cancer, and lymphomas, and leukemias. I could think about serving Jen, because she's the one writing checks to us, but our team, first and foremost, thinks about the cancer researcher first, that's somebody who will never meet us, who probably, other than a few sample people in that category so we can do the [inaudible 00:31:08] anthropology piece. People, they don't even buy the product from Jen's company.

[00:31:30] They don't buy our services, they don't even buy Jen's product, because somebody purchasing at the University of Michigan bought this product and put it on a lab researcher's desk. The people we think of first are the people who are going to touch our work every single day. People we will never meet, people who will never write us a check. That's who we serve. To use a tangible example, let's say you own a life insurance company. If I asked you who you serve, you'd say the policy holders. My answer is not really. If I buy a life insurance from some big life insurance company, the moment I get the greatest value out of the product I bought, I'm no longer here.

Bill Murphy: Absolutely.

Rich Sheridan:

[00:32:00] Somebody will pick up that phone who doesn't know who that life insurance company is, they don't know my agent, they've never built a relationship, but in that moment, when you answer that phone call, you better deliver a 55 gallon drum full of compassion, you better be incredibly organized with crisp answers to a person who's mind is swimming having just lost someone who is near and dear to them. That person is not your customer.

Bill Murphy:  
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[00:33:00] It's very interesting, this conversation, because the audience really, with technology, and with business now, there's more and more being placed on the shoulders of the business IT leader, the CTO, the CIO, whoever that may be. At the same time, they're taking care of maybe 1000 users who are using the computing equipment. Recently, a couple clients of ours have lost their jobs indirectly because they weren't taking care and serving effectively the 1000 users. However, what we're also talking about, what we just had a conversation on is, externally focusing, the CIO being externally focused, which is really the strategic focus a lot of CIOs are having to grow into now. Which, whether they like it or not they are having to move into that direction thinking outside of where they're going to serve, and who they're serving. How would you council someone in balancing both from our conversation?

Rich Sheridan:  
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[00:34:30] Probably I'm expressing my deep founded beliefs, not only about why do we go to work everyday, as human beings why are driven to work, and then how do we lead. I'll share with you my personal beliefs about this. The reason when I talk about joy I talk about service to others. It's this externally focused attention on producing the light on the world is I believe that we as human beings are fundamentally wired to work on something that's bigger than ourselves. That purpose driven component is what brings us to work everyday engaged, and most people don't. This is a fundamental act of leadership to remind everybody who's on your team, why are we here. What do we believe about ourselves? Who do we serve, and what do we want to do for them? We can put up with a lot. We're in the windowless basement of a parking structure in downtown Ann Arbor, Michigan. People are like, "Wow your team seems so happy, and there's no sunlight in here!" I'm like, "Yeah, because the focus of attention is on who we serve." You can put up with a lot in that environment. I want to distinguish, I do in the book, between joy and happiness. We're not happy every minute of every day.

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[00:35:30] That's not the point. We are happy, there's definitely laughter in the room, there's palpable human energy, that's a fundamental part of the team, but with that external focus, being reminded about it every single day, now we can start to ask ourselves about the inside stuff. Why do we do what we do? Why are we having this meeting? Why do we have this form? Why do we have this process and procedure? Why are doing things the way we do them? If the answer isn't related to who do we serve, then maybe we should stop doing it. Maybe we should change. When people come through here on the tour, I tell them the joy story, I tell them why we exist, what we believe, and then I tell them, "I'm going to take you on a tour and show you how we do what we do, and I can tell you, you can stop me at any point and say, 'Rich, that thing right there, what does that have to do with the joy you're describing?' And I can draw a short, straight line back to the people we serve."

[00:36:00] If I can't, we don't do it. We jettison it. This is just really fundamentally important for leaders to think about. How do we influence our teams, because now we have an opportunity as leaders to do something that every company on the planet's looking for right now. How do we capture that 60 to 70 to 80% of our people's energy where they're disengaged at work? That number is so big, so massive, and it relates to the people who all ready work for us, who are all ready carrying a paycheck out the door. We don't have to go hire them, we don't have to go find them. They're right around us every day. As leaders, if we can reach into that percentage, holy cow can we make a difference in our teams, and in our industries, and in the world.

Bill Murphy:  
[00:36:30] You're tapping that 60 to 70% of really what you think unharnessed energy, who are basically, potentially capped by fear. It seems like fear is a big piece of this, or it's like you've de-coupled some of the institutional norms that people have ... You've let the fire out of the bottle, let the genie out of the bottle, or I'm not sure what the right analogy-

Rich Sheridan:

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[00:37:30] I will say what I think we've managed to do, and it's delightful for me, because I think we all have good memories about that time of our lives when we were in kindergarten. We have captured a kindergarten spirit and energy here. We talk about the fact that when we look for people we look for good kindergarten skills. Do you play well with others? This is a one-room schoolhouse for innovation, and we have captured that. I'd be honest with you, this is a very selfish journey for me at the outset, because I wanted to create the environment I wanted to come to everyday. I can tell you for the last 17 years, the two years at Interface Systems, where I was the VP of R&D, and now the 15 years at Menlo the joy is back for me. Often the last thought just before my head hits the pillow is, "I can't wait to get up and go back to work the next day."

Bill Murphy: Well, it's interesting because I want to make sure are clear that you actually implemented this before you founded Menlo. I think that's important for people who say, "Oh I can't do this because I don't have the right culture or the right whatever." Maybe you can answer ... In what I'm saying, because I want you to, and I just want you to explain that micro-experiment, and having the courage to experiment on something, and maybe you can build on that.

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Rich Sheridan:

[00:38:30]

[00:39:00]  
Yeah, you bet. It is an important part of the story, because I can tell you, a lot of people come to Menlo, they see it and they're like, "Oh, Rich, you're so lucky, you got to start from scratch, you got to build your culture from scratch." I look at them and I say, "Oh, you didn't hear me describe the earlier part of my story, where over a two year period as a VP, I wasn't even the CIO, I was the VP of R&D, which is, I will tell you, and even in a technical firm it's often the low man on the totem pole behind sales and marketing and customer service and administration and executive team. You're kind of a lead programmer in some ways when you're a VP of R&D. Often a smartest guy in the room kind of thing, but smart about one particular thing, not about all the other stuff that runs the business. I, from that perch, transformed that company over a two year period. Bob Nero, who was the CEO, i just saw him the other day, will credit me for having changed that firm dramatically, as it ultimately led to a ten-x valuation increase when they sold the company.

[00:39:30] It is possible to do this in any environment. You don't have to start a company from scratch, and I would encourage your listeners, while I have enjoyed my entrepreneurial journey, there's nothing easy about it. Yes, starting a business from scratch you can build a culture from scratch, that's great. You got to find customers, you got to pay the bills, you got to make payroll. All the kinds of stuff you got to do for business, but I did it inside that tired, old public company, and quite frankly there was resistance everywhere. The first time I suggested this kind of approach to my technical team, they wouldn't even make eye contact with me. They just went dead silent. They wanted me to move on to the next subject in the conversation, and I said, "No guys, this is important to me. Here's what I'm thinking of doing." I was describing a bit of the Kent-Beck world, and the ideal world, and I said, "This is where I want to go."

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[00:40:30] Finally, one of the guys on my team raises his hand, he says, "Rich, blood, mayhem, murder. Don't do it. Don't pull me out of my office, don't put me on big, open environment, don't make me share a computer with another human being, and for god sakes don't make me share my code." What's interesting is that same meeting, a couple of the other guys who didn't say anything came up to me afterwards, and they said, "We want to try this. We want to run the experiment." Two guys, Claire and Bob, using the Kent-Beckian methods of story cards and iterative and incremental approach and [inaudible 00:40:33] all day long. Three weeks into that experiment, one of the two guys, Claire caught me in the parking lot, and this is a guy who weeks before had sat down with me and said he was leaving.

[00:41:00] He was putting his resume together, would I be a reference for him. He was so despondent, like I was, and he wanted to get out. He wanted to go work somewhere else. He thought that would be a solution. Now, this guy, who about to quit on me, but decided to run this experiment, stops me in the parking lot, and he says, "Rich, are you still going to pay me to work here?" I'm like, "What do you mean?" He says, "Well this is so much fun, and I'm getting so much done, and I feel good about it, I'm not sure you should pay me anymore. It doesn't feel right."

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[00:42:00] He was kind of serious, I mean not like dead serious, I wasn't going to usher him down and sign him up for the volunteer program down in HR or anything, but think about that. Blood, mayhem, murder at one end, I will work for you for free at the other end. I was not getting lukewarm responses, and I will suggest to your audience that when you're making an important change, the energy is not going to come from the middle, it's going to come from the edges. Pay attention to both. Six months in it was rocking and rolling. I mean really transformational. One of my older programmers came to me, David was his name, and he said, "Rich, I don't get it." He says, "You had everything, and you put it all on the line for this experiment that you did not know would succeed. There was no way you knew it would go this well when you started. Why were you willing to take this risk? Where did that courage come from?" Sort of like your question earlier.

Bill Murphy: Yeah, yeah.

Rich Sheridan:

[00:42:30]

[00:43:00] I looked at him, I said, "David, it was easy." He goes, "Really? How's that possible? You had title, you had authority, you had paycheck, you had stock options. You put it all on the line. You bet this entire thing on 33 black. Why?" I said, "You don't understand, David. That stuff wasn't at risk for me. What was at risk for me was my flame was going out. I'm only 35 years old, David. That flame goes out, I never get it back. What was at risk was me, what I decided was that the risk of change was far less than the risk of staying the same. The risk of staying the same was far greater than the risk of change." Once I made that decision in my head I started racing towards change. I wasn't running towards risk, I was running away from risk. What was at risk was me. I didn't know what I was going to do the rest of my days. This is what I trained for, I have a wife and three children, a house, two cars. I was scared. I just decided at that point I got to change.

Bill Murphy:

[00:43:30] Well, that's why I asked the question earlier, and I'm so glad you brought that quote too. That was the quote I was going to ask you about, that's another crucible moment as an employee, I often hear that from my good friends that are CIOs and there's usually, because there's a different level of maturity in each organization, is where this metaphor, I'm using the CIO, CTO, CSO, I'm using that metaphorical IT leader, there's, not culturally, every company has a different perspective of the value and role of the CIO. What you're saying is you had an internal compass first that reached a boiling point of which then you used to launch the change within the organization.

[00:44:00]  
Rich Sheridan:  
Yeah, and it was a dramatic moment for me, where I just, I said, "No." This is back to that Sheridan family coat of arms. You know, beware the stag at bay becomes a lion. I was cornered. I was cornered in my career. I just fought my way out.

Bill Murphy:

[00:44:30] You also had that, you went down, and of the chapters is about accountability, and I think this is one of the interesting, because now, as an owner, people have to be, there's accountability for revenue and profits and such for sustainability in your company, but then as the CIO you had this story of being called to this insurance company, and if you could share that story, and maybe then we can weave it through to company, I'm super curious of how you could take the software code world, and your communication with some of the business folks, but then you also have this need for accountability in your own organization for sustainability. Maybe we can start with the CIO at the insurance company, and just explain that story first.

[00:45:00]  
Rich Sheridan:

[00:45:30]  
Yeah, so I get invited into a lot of companies now to carry this message in. One of the things we decided as Menlo from day one is we think we discovered something important, and we literally decided to share it with the world. Nothing we do here we keep trade secret. We share all of our approaches, our practices, our methods, people come here by the thousands. They take pictures, they learn from us. Some people spend two hours, some people spend five days. Everybody says the same thing no matter how long they're here, "I wish we had more time." This rabbit hole goes very deep here at Menlo. I got invited to this company down in Atlanta, and I was describing Menlo as an all day class. I'm with the CEO, and the CIO, and VP of Marketing, and head of HR, and the technical team, I had them all there. Fairly significant brand, everybody would know the brand.

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[00:47:00] There I am, I'm talking to this team, and somewhere along the way, somebody asked me about accountability around estimates. We have this practice here where we estimate our work every single day. We know, we each do these story cards as estimated in hours, we put the hours up on the wallboard display, and so on. It's kind of a fundamental building block component of all the planning process, all the reporting, and so on, and everything. All the work process here is, the atomic element of Menlo is the estimated story card, in hours. Somebody asked me, "You know well, how do you hold people accountable." I thought, "Oh boy, this is going to be an interesting discussion, because it's not going to go the direction they're thinking it is." There's a lot of paradoxes [inaudible 00:46:38], and I said, "Well, let me tell you how this works here." Because I think accountability is one of the most dangerous words in management, and the reason I think that is this, the way I see it used it's always a fear-based where, "Bill I need you to be accountable for this." As soon as I say that I'm generating fear right off the bat. What I told this group was, I said, "Well let me tell you how accountability works at Menlo." I said, "Number one is my accountability as the CEO, co-founder of the company, visionary leader. The accountability I first deliver to my team."

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[00:48:00] Of course they're all looking at me like, "Well no, that's not how accountability works, Rich, leaders ask for accountability, they don't deliver it." I'm like, "No, no. Just hang on a second here, because this is the system, remember? In order, in my view, for a system to work there has to be inputs and outputs. My input into the system is my accountability to my team, and here's what I tell them. I say, "Guys, you will never ever be punished here, or [inaudible 00:47:48], or intimidated for missing an estimate." Of course, now I'm looking in the crowd, and they're all like, "Well this isn't going how we had hoped." I said, "You won't be pushed to lower your estimates, you won't be intimidated when you blow one, it's just what happens." I said, "Now I can ask for something in return. As soon as you know, as soon as you think, you're on a 16 hour card and suddenly you're four hours in, and you think it's going to take 32 hours, just raise your hand.

[00:48:30]

[00:49:00] Tell a project manager, say hey, Lisa, looks like, we thought it was 16, looks like it's 32." We had to actually teach our project managers, this is one of these vital behaviors, to smile and say, "Thank you for sharing that information, now let's talk about what you've learned." If need be we might have to even call the customer, and say, "Hey guys, we're four hours into this card we thought was going to take 16, looks like it's going to take 32, what would you like us to do?" At this point, I could see it in their eyes. I've lost them all. They're like, "This is not going where I thought it was going to be going. There was one guy, the VP of marketing, he stands up and he thrusts his finger out, and I hope your audience can handle the language, because I'm just quoting, he says, "This is bullshit!" The whole room goes silent, because he yelled it out.

[00:49:30]

[00:50:00] He was standing, and he was pointing his finger at me, and he says, "Let me tell you how accountability works at our company!" He says, "You tell me you're going to do something by Friday, you're going to be done, or else!" I said, "Or else what?" He says, "Or else you're staying the weekend. I don't care if it's your kid's birthday, I don't care if it's Christmas morning, you're going to be here!" I said, "Oh, interesting." He said, "That's the way accountability works here!" Now, he was pretty fired up, I was pretty calm. Of course, I was going to be gone the next day, so what'd I care? They had to live with him, right? I looked it him, and I said, "You know, Joe, let's say I go back to Menlo tomorrow, and I institute your version of accountability, what do you think might happen?" Boy oh boy I'll tell you, it was literally like I watched every cell in his body change from head to toe as he contemplated my question and what he said next was just as funny.

[00:50:30] He looks at me, he says, "Well let me tell you what would happen, Rich. People would start to lie to you about being done. They would cut quality corners. They would say they'd say they're done when they're not. They would deliver substandard work to the market. Your customers would begin to notice, and they'd start to call in and complain, and you'd start to lose some customers to your competitors, because their products worked better than yours did, and so as you start to lose market share, and then you went from number one in the business to number three in the business almost over night." He says, "What would happen Rich, is exactly what has happened here at our company." Just stunning to me he got it.

[00:51:00] He understood that he was actually at the heart of what was going on inside of his organization. I checked in with that team a couple of years later, and they told me he was never the same guy after that moment. He had fundamentally changed, because he realized for change to really take effect that he had to begin with him, and he was never the same since then. Fear doesn't make bad news going away, fear makes bad news go into hiding. When it goes into hiding it becomes those lumps in the carpet that the organization trips over all the time and they don't know why. It diminishes everything we're doing, it creates chaos, and now we're in fire-fighting mode all the time and just on and on and on it goes.

Bill Murphy:  
[00:51:30] You used the analogy in one of your videos I watched, your goal was to create an HVAC that circulates, I guess pulls the air out, and then pushes air in.

Rich Sheridan:

[00:52:00] Yep, I talk about it, just from a metaphorical standpoint, by analogy I point up to the HVAC system up in our ceiling and say, "Look, what does it do? Pumps cold air out, filters out dust, warms the temperature up, pumps warm air back in." I said, "Imagine your culture works like that. Pump fear out of the room, filter out ambiguity, warm it up to a nice safe temperature, pump safety back in." If we have a place where people feel safe when they're working they will actually begin to trust one another. If they trust one another enough, they'll begin to collaborate. You get collaboration, teamwork eventually forms. I think you get to what every company on the planet wants. You get the creativity, energy, imagination, invention, innovation. It's what everybody needs these days. Quite frankly, in your audience the technical team members, the CIOs and the IT areas of the company, there isn't a company today without their technology.

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[00:53:00] Starbucks can't sell coffee without their software. United can't schedule their airplanes without software. We can't drive our cars without software. We can't make a phone call without software. It's just everywhere nowadays. This is the key differentiator in businesses, and it's the place maybe we wish we didn't get to, but it's true. It is where we are as a society, and if our software isn't working well, our company is going to suffer. It is such a big deal now, and a cultural aspect, what I find, and you probably have seen this yourself. You go to these companies that are like the Forbes 100 best and brightest places to work, or you know just pick your favorite best places to work on [inaudible 00:53:14]. You go inside that organization, you go find their IT team, it is not the company that is described in those articles.

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[00:54:00] Maybe all the business people and everybody else, but the IT team is working like the [Morlocks 00:53:24] down under the ground in the time machine, they're working 24/7. Think about Healthcare-dot-gov. When that didn't launch right, when the President of the United States came before the nation on September 28th, and said, "Team says we're on target, it's going to launch on October 1st." By October 4th they're scheduling congressional hearings because of all the problems, and the President of the United States has to come before the nation and apologize for bugs and glitches, and then he says what every CIO knows exactly what this means when I heard it, he said, "But don't worry. We have people working 24/7 to get this thing done." We know what that means [inaudible 00:54:03], because we don't work IT in shifts, those were the same people. Tired programmers make bad software.

Bill Murphy:

[00:54:30] It sticks with me though, that how you're tapping unused talent and resources by flushing out the fear. I just started taking this course called the Flow Genome Project, and it's basically a deep dive into really finding out how you best can get yourself into flow for peak performance states. Not just for athletics, but how you could with yourself, and how you best can get into flow. It seems to me, on the one hand I was reading about how you use space at Menlo, and how to use team, and a part of me was sort of uncomfortable with that.

Rich Sheridan: Yes, and there's psychologists with data that proves Menlo doesn't work, it's amazing.

Bill Murphy:  
[00:55:00] On the other hand I can see the real synergy that you can get, and everybody's experienced that. Maybe you have a much more deeper understanding now after, but what are your-

Rich Sheridan:

[00:55:30] I got to watch this now, this experiment for 17 years. While I am no expert in cognitive psychology, or flow, or anything like that, here's what I think we've achieved. We have team flow. This is like a rowing team. You talk about individual performance, and you're running a marathon, and you got to get in the flow and all that kind of stuff, yeah that's neat. Nowadays, and everyone of your listeners know this is leading a technical effort. Soccer is no longer an individual sport. It's not about individual [inaudible 00:55:35]. It is about assembling teams of human beings to do really complex things. Now what we need more than anything is a team flow. I think we have achieved that. I know we have achieved that because I get to watch it every single day.

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[00:56:30] It conflicts with a lot of the standard wisdom that you read about. I will tell you when those articles come out, because F Company Magazine calls our kind of environment, one of their articles was, "This is an idea born in the mind of Satan in the deepest caverns of Hell." They've got psychologists with data that proves it doesn't work. An article a month comes out that says this is the stupidest idea ever, and everybody sends it to me and they say, "Rich, why does this work for Menlo? It doesn't work anywhere else." There's open office environment, people working shoulder to shoulder, we don't have ear buds and it's noisy, it's not library quiet, and everybody believes that you can't do software in that environment, yet they see what we do. I tell them, I say, "It's very simple. We didn't build an open and collaborative office. We built an open and collaborative culture." Our space is a reflection of our culture, not the other way around.

Bill Murphy: You're not just creating some tool, you've reinvigorated the whole DNA operating system. Not just something shiny on the edge.

Rich Sheridan:

[00:57:00]

[00:57:30] We gave them permission to collaborate. You have to understand that's really fundamentally important. In the earliest part of my managerial career, when I had a boss one time who said, "Hey Rich, when you're leading your team, if you see a couple of people chatting in the hallway, just go up and stand there. Look at them and say, 'How's it going? What you working on?' And they'll get back to work." As if two people talking to one another isn't work. I sort of understood his motivation, right? You know they're probably just chatting about a football game, get back in your cube, get back to work, put your earbuds in. Here what's funny, if we see somebody working alone we'll go, "Hey, what you working on?" Here we all work in pairs all day long. You have to think out loud, so it's a noisy environment. I literally [inaudible 00:57:31] out of the room I'm in, I'm in a little glass-wall conference room, so you wouldn't hear the background noise. You would hear the noise of Menlo. There is a cacophony here all day long, but it is the noise of work.

Bill Murphy: Right, that stuck out for me too as I was reading it. Its the noise of work, it's not the noise of someone, like a water cooler conversation.

Rich Sheridan:

[00:58:00]

[00:58:30] Yeah it's not chit-chatty. You know what's funny? The thing that will stop Menlo dead in it's tracks, I just did this the other day because I was talking to somebody about it, just giving them a personal tool, and I said, "Watch this." We walked into the middle of the room, and I started whispering to them, and the whole team stopped. They're like, "What are you guys talking about?" I'm like, "See, it's so weird, right? Because whispering says oh, there's something secret being shared, and we want to know what it is." When it's a noise of work, when it's a consistent noise, when it's not the chit-chatty, "What was the football game score last weekend, or what are you doing this weekend?" Or anything like that, but it's actually the noise of work, it's such a consistent noise that's it's reinforcing to the culture.

Bill Murphy: What if you had to talk about the finances, or what if you had to talk about an HR issue? Like what-

Rich Sheridan: Like I said, this rabbit hole goes pretty deep, Bill.

Bill Murphy: I want to wrap the interview up, because we've been an hour.

Rich Sheridan:

[00:59:00]

[00:59:30] I can outlast you, I can assure you. All of our numbers are posted on a wallboard display for all to see, including work. If you came in here on a tour, we'll show you our numbers. They're on a wallboard display. Our team practices open-book financing, meet once a week to go over the numbers. I'm almost never there, the team's running the company. They see all the numbers, and so it's completely open and transparent when it comes to the numbers. We don't have an official accounting department. We have several team members who've taken a deep interest in that, and they cycle through the accounting system. Our CFO, who was just engaged recently, was freaking out a little bit, he said, "You can't do this!" I was like, "I don't know, we're going to!" When we give people their evaluation, which is all coming from the team, I'm CEO, co-founder, 50% owner, I don't decide who gets hired, I don't decide who gets promoted, and I don't decide who gets fired here. The team makes all the decisions.

[01:00:00]

[01:00:30] You want to move up here you do it in a feedback lunch. The lunch is held out in the middle of the room, and anybody can join, although the person who's getting the evaluation has a say in who is officially invited, and those people officially invited actually food, but if you wanted to say something you just go up and sit down at the table and offer some feedback, but it's happening out in the middle of the room. Again, this gets weird enough, and what I'm about to describe was all done with the permission of the people who were getting feedback, just so it doesn't sound like were totally crazy here, but when Eric Shrepler had his feedback lunch, [Ali Sue 01:00:18] from National Public Radio, for all things considered, came in and stuck a boom mic in the middle of Eric Shrepler's feedback lunch. Unscripted, unfettered, and now Eric said it was okay. Cory invited tour guests into his feedback lunch. He came up to me, says, "Hey, Rich, by the way I'm having a feedback lunch today. If anybody on the tour wants to sit in and listen in [inaudible 01:00:41], they're welcome to."

Bill Murphy:

[01:01:00] We're going to have to have a round two of this, because like you said it's a rabbit hole, it's endless, but what's really sticking out for me is the massive amount of courage it takes to be vulnerable and to take these steps, both as an owner-founder, but as the employee in the organization that you transformed prior to doing Menlo, and it's just, gosh, it's just such a big deal. Two things I'd like to end with is, I've listened to you talk, and saying people come back with great ideas after listening to you or reading a book, and they come back with tons of ideas that they want to implement. What are the most common negative feedback people are going to give, and then what would you recommend the leader to say as a response?

Rich Sheridan:  
[01:01:30]

[01:02:00] Yeah, so you know how this happens. You go to a conference, you read a book, you get inspired, you go back to work the next day, and you grab the first person you can find, you're like, "I have this great idea, Frank! Plastic viking helmets [inaudible 01:01:37] meetings or something!" That person looks at you, and goes, "Oh that won't work here. That's not us. That's against policy. HR wouldn't allow that." Something like that. The idea dies right in the moment, we've all experienced that. All I want to say is to arm you with one simple phrase, all of you leaders out there, or even if you're not leaders, or you're just a budding leader, or you're in an organization. Look them in the eyes and say, "Yeah I know, let's run the experiment. Let's not defeat something before we even try it. Let's try something and see what happens. If it works, awesome. If it doesn't, well we'll adjust, but let's run the experiment."

Bill Murphy: Let's run the experiment.

Rich Sheridan:

[01:02:30] I'll tell you, that simple phrase has dramatically changed big companies. The amount of people who come back and say, "Rich! That was the most freeing thing you said, because when you called it an experiment, it's almost declaring, 'Yeah, we're not sure it will work, but we got to try it. We got to see.' If it doesn't work, no harm no foul. It isn't like, oh my gosh I can't believe we tried something that didn't work. It was an experiment!" We've run some crazy ones I'm sure you read about in the book.

Bill Murphy:  
[01:03:00] For the budding leaders, the tried and true leaders that just want change, the people who have reached their crucible moments, where do you recommend people A, read and learn about some of these philosophies, and what are the top one, or two, or three things that they can do, as to read, books to read, things to listen to, that would be a good starting point for people.

Rich Sheridan: Well, Joy, Inc. Of course.

Bill Murphy: I'm going to make a point. I'm going to put on the show notes links to the book, Menlo, your LinkedIn, are you active on Twitter?

Rich Sheridan: Oh yes, menloprez.

Bill Murphy: I'll put a link so people can reach out to you on Twitter as well. Would you prefer Twitter?

Rich Sheridan: Yep.

[01:03:30]  
Bill Murphy:  
Okay, perfect.

Rich Sheridan:

[01:04:00] Yeah, they all work. You can put my email address RSheridan@menloinnovations.com, that works for me too. All routes to me a ALKM, I'm a nut about email, so if you write me an email I will respond typically within 24 hours. I think by the time I was done checking my inbox this morning there were five messages, so I really work hard at that. As a leader I keep track of my email. Yeah, I mean if you're really interested you can come and visit us. 4000 people a year do, you probably have a sense of why that happens now, based on that conversation. In the back of my book, I call this section recommended teachers, and I outline probably 100 books that have greatly influenced our thinking. They come from all walks.

[01:04:30]

[01:05:00] I would certainly recommend books like Patrick Lencioni books on the five dysfunctions of a team and getting naked. I would recommend the books from Vital Smarts on crucial conversations and influencer. The books from Arbinger Institute, Leadership and Self Deception, and The Anatomy of Peace. Any book that [inaudible 01:04:39] they talk about lots of books. Ari is an incredibly prolific writer, so any books that he's read will be just filled with wisdom along these lines. Maybe my grandest encouragement to your audience is that if you are not a reader today, become one. Those people, those authors became my teachers in my deepest and darkest days.

Bill Murphy: That's just invaluable. I really recommend people get the book. I didn't get to the recommendations section, so I'm going to go cycle back to that myself. That's perfect, I think we do become what we read about, and we listen, and we consume. Thank you for this, and thank you for your contributions to leadership and to business, and giving people hope in today's day and age, especially for our digital transformation leaders that are listening to this.

[01:05:30]  
Rich Sheridan:  
No question, they need it, I know they do. If they're suffering I know exactly what it feels like, because I was there for over a decade.

Bill Murphy: Well, I'm super excited that we got a chance to talk, Rich, and I hope we can do a round two in the future.

Rich Sheridan: I would be delighted to do that, Bill. Thanks so much for inviting me into your world.

[01:06:30] Thank you, sir. Until next time, we'll talk to you soon.