No Rules Rules (2 min for my learnings; 10 min for the full summary)

Much of what Reed Hastings writes in No Rules Rules matches my philosophy already shared in Mochary Method Curriculum. But several things have pushed forward my thinking, which I will now shamelessly adopt.

Talent Density.

- This applies to creative roles, not operational roles …

- Don't just let go of non-performers. Also, let go of adequate performers. Keep only great performers. Why? Because density of talent creates geometric gains in productivity.
    - A smaller team of top performers will always outperform a larger team that includes adequate performers.
        - Proof of this is seen 60 days after almost every layoff that has occurred in any company.
        - *It also opens up the budget to pay people at the top of the market, which you will need to attract and keep the very best.*

- Apply The Keeper Test: "Which members of my team, if they told me they were leaving for a similar job at a peer company, **would I fight hard to keep**?"
    - A keeper is someone who is both talented and collaborative.
        - A talented jerk is not a keeper.
        - Neither is a talentless sweetheart.
    - Keep the keepers by paying them more than they could get anywhere else.
    - Next, let the others go, with a very generous severance package, and actively help them find a great role at another company.

Candor … with purpose.

- Of course, ask for feedback regularly and massively appreciate it when you receive it. Then ask your team members to do the same for each other. We all knew this already. Here's the new addition:
    - *When giving feedback, never do it as a way to vent your frustration (i.e., "I feel anger, my thought is …"). Instead, always describe why the action you are suggesting will create value for the company and the person, not how it will create value for you by making you no longer feel anger.*

- Do live 360 feedback sessions at least once per year for each team member.

No decision-making controls

- Each decision is made by the person who will implement it. The steps to do so are:
    - If it's still an idea, write it up and ask plenty of team members for written advice.
    - If it's a decision, write it up and ask plenty of team members for written dissent.

- o If it's a big decision, find a way to test it before implementing it.

If you want a fuller summary of the book, here it is ...

Talent Density: increase

1. A great workplace is stunning colleagues
2. Pay top of the market
3. The Keeper Test

Candor: increase

1. **Say what you really think (with positive intent)**
2. Open the books
3. Circle of feedback

Controls: remove

1. No vacation policy, nor travel and expense approvals
2. No decision-making approvals
3. Lead with context, not control

In his excellent book No Rules Rules, Reed Hastings explains the success of Netflix by stating that they have done three things differently than other companies:

- They have created **Talent Density.** All companies let go of non-performers. But Netflix goes a giant step further. They let go of good performers as well. They strive only to keep great performers. Why? Because they believe that each human requires overhead (communication to create alignment, buy-in, motivation, accountability, etc.). All of this overhead creates drag on the company. Most people do not produce enough positive gain to overcome this overhead. Star performers freed of this overhead will create far more in a smaller team of only star performers than in a larger team filled with good performers.

- They have **Radical Candor**. They say what they think, but with positive intent. This means that they share their views to help their colleagues and the company succeed, not vent their frustration. They also share the numbers transparently and give regular non-anonymized peer feedback.

- They have **Removed Controls**. Decision-making controls slow big companies and allows small startups to create new products far more quickly. Netflix has removed those decision-making controls. Individuals can make each decision they need to perform, as long as they solicit feedback from others before they decide.

These three things sound easy. But Reed warns that if you don't have them in your company now, don't jump straight to full implementation. The shock will be too much for your culture. Instead, move there in stages.

Stage 1

- **Talent Density.**
    - A star performer is someone who is both talented and collaborative.
        - Highly talented jerks are actually toxic. So are non-talented sweethearts.
    - Simply recognize that star performers want to be surrounded by other star performers. Performance -- both good and bad -- is infectious.
    - Therefore seek to hire the highest-performing, most collaborative employees on the market.

- **Radical Candor.**
    - Give and receive candid feedback often. Make it an agenda item in each meeting. At Netflix, you are disloyal to the company if you fail to speak up when you disagree with a colleague or have feedback that could be helpful.
        - Start with feedback to the boss. Show your team that you view this feedback as critical to your success and the company's success. Treat it as a gift. Reward those who are willing to be most candid.
            - Once you have modeled this behavior, your team will likely ask you to give them feedback.
            - Once you have modeled both receiving and giving feedback positively, you can then create an agenda item for peers to provide feedback to each other.
        - When you do eventually give feedback, follow these guidelines, the 4 A's:
            - Giving Feedback
                - **Assist. Give feedback with positive intent. Giving feedback to vent your frustration is not tolerated. Explain how a specific behavior change will help the person or the company, not how it will help you.**
                - **Actionable. State what a person can do (positive action) to improve, rather than just telling them what they should stop doing. (Stopping to do something is not an action.)**
            - Receiving Feedback
                - **Appreciate. Your brain (amygdala) will trick you and feel defensive. Know that this is coming, and don't give a defense or explanation. Instead, simply thank the person for being willing to share with you so candidly.**
                - **Accept (or not). You are required to listen to feedback and say "thank you." That is all. You only accept if it**

resonates with you.

- No jerks allowed. Some will give clear feedback but not follow the guidelines above. Instead, they will provide the feedback cuttingly. This step is toxic behavior and should not be tolerated, no matter how talented the feedback-giver is. Many star performers will leave when faced with this behavior, even if it's not directed at them.

- No gossip. Giving feedback means giving it straight to the person, not venting it to others behind their back. Only say about someone what you will say (or even better have said) to their face. If someone shares observations with you about someone else, simply ask them, "What did that person say when you spoke to them about this directly?"

- **Removed Controls.**
    - Remove vacation policy. Allow team members to take the time they need to restore as long as they give notice, designate someone to cover their roles and responsibilities, and don't leave at a critical time. Model this behavior by taking restoration time yourself and announcing it to the company. The goal is overall increased productivity and contribution.

    - Remove travel and expense controls. Simply ask people to spend company money as if it were your own, and act in the company's best interest. Give all employees context: "Before you spend any money, imagine me asking you to stand up in front of me and explain why you chose to spend it that way. If you can comfortably explain, go ahead. If you can't, don't."
        - While some will cheat, the gains achieved by allowing them to move fast will outweigh the cheating.

Stage 2

- **Talent Density. Pay top of the market.**
    - Do you want rock stars? Offer rock star pay. Don't let anyone ever leave because another company was willing to pay more. In the end, you'll have to pay this amount anyway to recruit a new person, so why not stay ahead of it? Always know the current market and pay new and existing team members top of the market.
        - Encourage team members to take recruiter calls and ask, "How much does it pay?" This action is the easiest way to know what the market is.

    - In creative roles (like engineering), the most talented create 100x more value (not 10x) than the average person. Therefore don't mess with pay. Simply pay top of the market (just beyond what any other company will).
        - Create enough budget for this by letting go of all but your best people.

    - No bonuses. They stifle creativity.

- **Radical Candor. Open the books.**

    - Share all information you see (financials, operating reports, security breach debriefs, strategy documents) with the company.
        - Train every team member to read financial statements so that they understand what they are seeing.
        - Even share the things that you wouldn't want competitors to see (strategy documents). Your team will reward you by acting with greater understanding, and therefore greater effectiveness.
            - If someone abuses your trust, deal with that person individually, and continue to share openly with everyone. Don't punish the majority for the behavior of the few.

    - If you have already shown yourself to be competent, then when you do make a mistake, widely advertise it and the lessons you've learned. This will build even further trust. And will role-model it to the team.

    - When you let someone go, explain the reasons clearly to the rest of the team. This will end the gossip and theorizing.

- **Removed Controls. No decision-making approvals are needed. Instead, it is Individual decision-making with input.**

    - Encourage your team members to experiment by making bets. They will be judged by the overall outcome of their portfolio of bets, not any single bet.
        - Before they make a bet, ask them to follow the decision-making checklist.

    - Decision-making checklist

        - Farm for dissent, or socialize the idea.
            - Farm for dissent: For a decision that you are about to make, write it up. Share it with team members asking them to rate -10 to +10, explaining their rating.
            - Socialize: For an idea that isn't yet fully baked, write it up. Ask team members to give their advice.

        - For a big idea, test it out.

        - You are the Informed Captain. You make the bet.
            - Every decision has a clear and stated Informed Captain. That person has complete decision-making freedom.
            - For example, whoever has to live and breathe the contract should be the one to sign the contract. If you're the Informed Captain, you sign the contract.
            - This optimizes for speed and learning, not getting it perfect the first time. That is what you want.

        - If it succeeds, celebrate. If it fails, "sunshine" it by sharing exactly how and why it didn't work with the company.
            - To encourage a team member to sunshine a failure:
                - Ask what learning came from the project?

            - Don't make a big deal out of it.
            - Ask her to "sunshine" by sharing the results and learnings with the company.
        - Let your team know that mistakes will be forgiven if they lean into sunshining (the first few times). If they try to deny the mistake, there will be no next time.

Stage 3

- **Talent Density.**
    - Now it's time to let go of all but the best performers. You've been giving clear feedback, so there should be no surprises.
    - Think of this as a professional sports team, not a family. Everyone knows that to win a championship, you need the best players on the field.
    - Use The Keeper Test to determine who to keep.
        - "Which members of my team, if they told me they were leaving for a similar job at a peer company, **would I fight hard to keep**?"
    - Adequate performance gets a generous severance.
        - PIPs rarely help a team member improve (especially if you have already been giving regular and clear feedback), and they delay the firing by many weeks.
        - To receive the severance, the employee must agree not to sue the company.
    - This is not stack-ranking and forced dismissals of the bottom X %. That fosters internal competition, which is toxic. The Keeper Test, by contrast, achieves both talent density and strong collaboration.
    - If any team member is feeling anxious, encourage them to ask you the Keeper Question.
        - "If I were thinking of leaving, how hard would you work to change my mind?"
    - To abate fear of job loss for the team, do a "post-exit Q&A" after each member's departure so that each remaining team member can understand why the person was asked to leave and confirm that the person got plenty of feedback beforehand. Shine a bright light on it. It is the best way to wash away people's fear for their position.
- **Radical Candor.**
    - No gossip allowed. "Only say about someone what you will say to their face."
    - Collect regular 360 feedback on every person in the company to help each person get better (Don't tie this feedback to raises, promotions, or firings).

        - Each author is named.
        - Schedule time for the recipient to talk to each author and more fully understand the feedback.
        - Encourage every recipient to make their feedback public to the company.

    - Conduct live 360s. These are the most valuable.
        - Length and location:
            - Keep the group small (8 or less)
            - Do it over a meal
            - Plan on 20 minutes per person
        - Method:
            - Phrase all feedback as actions.
            - Start with the positives. This should be about 25% of the time allotted. "Please continue to …."
            - The rest should be
                - "Please stop doing …", or
                - "Please start doing …."
            - The team leader receives first.

- **Removed Controls. Lead with context, not controls**

    - If your goal is innovation, then context is best.
        - If your goal is error prevention (i.e., preventing workplace deaths), then controls are best.

    - Talent density must first be high.

    - Create a loosely-coupled system, i.e., each function has little dependency on another function. As Amazon does it, this can be achieved with a small team that has all the functions on that team that it needs to create and launch a product.
    - Create alignment throughout the team on what the North Star is.
        - Write out your vision for where the company is headed (i.e., where it will be in 10 years, one year, three months) and how it will likely get there.
        - Share this with all in many different ways (writing, video, audio) and locations (1-1s, team meetings, messages).
        - Do many skip-level meetings to ensure that all are aware of the necessary context.
    - When a team member doesn't perform, first ask, "What context did I fail to set?"
    - Once you have set the context, release controls. Common controls that most companies have but Netflix doesn't are:
        - Vacation policies
        - Decision-making approvals
        - Expense policies
        - PIPs (Performance Improvement Plans)
        - Approval processes
        - Raise pools
        - Key Performance Indicators
        - Management by objectives
        - Travel policies
        - Decision-making by committee
        - Contract sign-offs

- Salary bands
- Pay grades
- Pay-per-performance bonuses
    - These things squash innovation, slow the business, or prevent the organization from changing quickly when the environment shifts.