

# *Business901* Podcast Transcription

*Implementing Lean Marketing Systems*



## Foundations of the Menlo Culture

Guest was Rich Sheridan

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*Note: This is a transcription of the podcast. It has not gone through a professional editing process and may contain grammatical errors or incorrect formatting.*

## **Transcription of the Podcast**

**Joe Dager:** *Welcome, everyone. This is Joe Dager, the host of the Business901 podcast. With me, today is Rich Sheridan. Rich was a kid programmer in 1971 and ended up on the Forbes cover story in 2003. Rich is a software designer and developer and that turned Menlo Innovations into successful business that has been recognized with five Inc. magazine revenue growth awards, invites to the White House, speaking engagements, numerous articles and culture awards all centering on his popular goal: The Business Value of Joy.*

*Rich is spreading his message of joy around these days. One of the ways is with the upcoming workshop hosted by Lean Frontiers in Indianapolis on August 26.*

*I want to jump back to the very beginning because you say you did not create anything new but copied an old one. That is since Menlo Park New Jersey lab.*

**Rich Sheridan:** Yes.

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**Joe:** *You said you were going to Greenfield Village, which I've walked around and is a recreation of the Menlo Park Lab. What was that childhood inspiration? What did you take, I assume, was numerous trips?*

**Rich:** Yeah, I grew up just north of Detroit, Joe. When you're a kid in southeast Michigan, you pretty much go and visit Greenfield Village every single summer, which I did. Of all the buildings that Henry Ford collected there and all the artifacts, for some reason, I got goose bumps going into that lab. I'm sure when I was young; I didn't know why but I could just feel the energy in the space. As I got older, and I realize what happened in that little open room, I think I was drawn to it. I've always been a builder; an engineering kind of mindset. I love to create things.

Here's a guy who changed the world inside of a little room with a team of energized inventors all working shoulder to shoulder, counting on the serendipity of overhearing the ideas of others. For some reason, my mind could just reinvigorate that whole space and realize how cool it would be to have a wide open office environment where smart people, working shoulder to shoulder, could potentially change the world with the work of their hearts, their hands and their minds.

**Joe:** *In your information about pair programming (the different processes and some of the principles they're based on extreme programming) that I think you rely on, how much of a culture of a company is influenced by the processes that they create? Is that a big part of it? Developing that culture?*

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**Rich:** For me, a culture boils down to what is the shared belief system of a team? What is it that, everyone who walks through our door every day, what do they believe about each other, about themselves, about the way they work and what they're trying to accomplish? I think you have to start with that shared belief system.

You have to start with why you do what you do. People don't but what you do but why you do it. So our "why" is essentially to end human suffering in the world as it relates to technology. That's our tagline. We're going to do that by creating, re-creating perhaps the joy of the software industry that, quite frankly, has been lost for a long time now. Software industry regularly fails. We didn't want that. We didn't want that for us. We have this essential shared belief system that is, in fact, possible to create great software. Our processes, methodology, everything we do feed into that.

I don't think you start with the process. I think you start with what you believe, and you start figuring out what are the pieces and parts that get you to what you believe.

**Joe:** *You took different attributes of lean, agile and extreme and molded them into something of your own, correct?*

**Rich:** Yes. We call it the Menlo Way. We're not trying to be something in the sense that we're trying to be lean or be agile or be extreme programming or any of those things. What we're trying to do is we're trying to create great software, so we end up reaching out to all these different communities. Sometimes the communities find us and they look at us

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and the lean thing kind of happened this way. The lean community found us, and they said, for example, they would look around, and they would say, "Oh my gosh. You've got this amazing visual management system here."

We do. It's all paper-based. It's yarn, push pins, sticky dots bulletin board material on the wall. They would come in, and they would say, "Oh you learned this from Toyota."

"Well, no. We've never been to Toyota."

"No, no. This is the Toyota way."

We're like, "Awesome. That's great."

They're like, "But you learned it from them."

I'm like, "No, we didn't. But we'd love to get to know them, for sure."

Interestingly enough, there's a woman in San Diego (Karen Martin) who's also an author. She heard me speak at the ASQ Conference on Lean in Six Sigma several years ago in Phoenix. She heard me tell that Toyota story. I've never been to Toyota. I don't know anything about them, and she wrote and said, "Rich, you have to meet Jeffrey Liker."

"Who's he?"

She said, "Really? You don't know who he is?"

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I said, "I have no idea."

She said, "He wrote all the books on Toyota."

I said, "Oh my gosh. Please tell Jeffrey if he's ever Indiana Harbor, he should come visit us."

Of course, you know the rest of the story. Jeffrey is a famous professor here at the University of Michigan. He's, quite frankly, become a great friend of Menlo since then. He started getting articles written where he referred to us and compared us to Toyota. I can tell you when Jeff Liker says something about Menlo and Toyota, Toyota pays attention. The two CIOs of Toyota North America showed up within a week of the first article being written that included Jeff's reference to us and then the Toyota guys became good friends of ours.

**Joe:** *I have to chime in with my own story. I had a great mentor in my early years in manufacturing. The guy's name was Wayne Boyd. I ran a small manufacturing company. When I started, later on, as I developed and left there, things happened. I got into lean, became a lean six sigma black belt and went into lean. But when I really dove into lean, it was like, "Well this was the stuff I was always taught. This is what I did."*

**Rich:** Yeah.

**Joe:** *It was a natural fit.*

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**Rich:** Exactly.

**Joe:** *Because Wayne had followed very similar principles and taught me very similar things. It was a natural extension. It was great to see that and reinforce those and be able to adapt to some of that lean information that was out there; knowledge to apply. It was a natural fit.*

**Rich:** I think anybody who applies any of these principles, in a way that it actually works, has found a way to breathe life into these principles. Not just go through the motions. I think that's so important whenever you're embracing any kind of tools, methodology or process or belief system. This cannot be a go through the motion approach. It has to be something in your hearts and in your gut that this is the right way to do things. I think, probably many of us who have been doing for a long time, have a similar story to what you just described. You just look and say, "Well, it was the right thing to do. It was common sense. It worked. It didn't burn the team of bureaucracy. It eliminated chaos. It got us to a simple, repeatable, measurable structure. I think that's what teams are looking for. That's what companies are looking for.

**Joe:** *I think you expounded on a great thought that I always thought that successful lean companies don't call themselves lean. They call it their own.*

**Rich:** Yup.

**Joe:** *That's how I look at it.*

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**Rich:** It has to fit you, your people, your business, your business process, and the leadership vision for the company. This can't be a cookie cutter approach.

**Joe:** *I want to jump back real quick here. I have a question that I want to make sure I get in. We talk about lean, agile and extreme programming but then, weaved into your information, I see the project management body of knowledge in there.*

**Rich:** Yes.

**Joe:** *That seems kind of weighty for the type of company that we're talking about here. Can you explain that connection to me?*

**Rich:** Sure. I think you've probably seen this in the lean world. Certainly, we've seen this in the ISO world. Anybody tried to implement that is, you can take any one of these methodologies and make them very weighty, can't you? You can make procedure manuals, PMOs, committees, stage gates, three ring binders that just describe the process and prescribe meetings and committees and sign-offs. You can do all that kind of stuff with any of these things.

But we didn't. We didn't start with PMI. What we've figured out was all the fundamental principles of PMI are there. Work breakdown structures, work packages, scope authorization, work authorization, schedule performance; all those things are inherent in our process. We can look at everything we do, and it fits beautifully into the standard way PMI would describe project management.

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It just doesn't look like what most people would expect from a PMI project management system. Everybody believes you have to have this complicated software tools. We use paper. Here we are, this software company, and we're using folded pieces of paper to manage our projects. We have this whole visual project management system that's incredibly simple. I literally teach people how to use our project management system in about thirty seconds. It's that easy.

**Joe:** *When I heard you talking before, and you're sitting there talking about the year and thumb tacks and things like that, I was smiling on the other end because I can only imagine a swim lane by you probably have a couple angles, bends and curves that goes down the board. Is that true?*

**Rich:** They're all straight lines.

**Joe:** *Are they?*

**Rich:** Yup. Nice little swim lane with sticky dots that indicate the status. You'll probably appreciate this, given what part of the country you're in. People often refer to us as the Amish of software development.

**Joe:** *First thing I ever talk about with companies and work with companies is making work visual. Amazing how much clarity is there if it's just visual.*

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**Rich:** Again, it goes all the way back to Edison. I think, a lot of people describe to Edison as a lone genius. Clearly, he was a smart guy but what he was really good at was creating effective development teams. I think anything we do as leaders has to focus on creating and sustaining human energy of our teams. Visual management systems do that because nobody's walking around going, "Where are we at? What are we working on? How are we doing? Are we ahead or behind? Am I in trouble?"

If we can put this out, transparently, on the wall near where the work is being done, then everybody's up to date all the time. You don't have that annoying management by walking around and annoying people characters going, "Hey Joe, how's it going? What are you working on? Are you almost done? Can you start working on this instead?"

That just diminished the energy of the team when you have somebody that has to be the process police walking around doing things.

**Joe:** *When did you know that you were onto something? When did something click and say this is working, this is fun, this is the way it should be done or was it all retrospective?*

**Rich:** There was a good portion of my career, Joe, where I was in a personal prop of disillusionment, and I wanted out of the industry entirely. That period lasted well over a dozen years. I'm just a patient, persistent guy. I started reading lots of books. I was looking for something. I didn't know what it was. I didn't know exactly what I was looking for. I just knew I would know it when I saw it.

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The click moment for me happened when I was a Vice President for Product Development for a high-flying tech firm here in the harbor called Interface Systems. In 1999, Interface was on its way to becoming the number one public company in Michigan. While it all looked successful on the outside, the guy who was in charge of the technical team on the inside was despondent. I was unhappy with everything.

Then I read this book by Kent Beck, *Extreme Programming Explained*, and I saw a video on an industrial design firm in California that Nightline did a piece on. The company is Ideo. He did this; let's watch Ideo redesign the shopping cart in just five days. It was a fictional project but great for filming. Between reading Kent Beck's book and seeing that video, this moment happened for me where suddenly the future was perfectly clear. I dramatically changed the team I was leading over the next six months. I can tell you, by six months in, I knew we had something really significant.

It took six months of really hard work to change the human behaviors in my team. But after six months, it was rocking and rolling. I can tell you; that was 1999, and I've never looked back since. The joy is back for me personally.

**Joe:** *Why have you decided to spread that message out and make the things that you're doing at Menlo Innovation a big part of your life now? I mean the facilitating, the workshops, and the books. It consumes a large portion of your time; I assume.*

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**Rich:** It does. We do one to three tours a day of Menlo. We did three hundred and forty tours last year for over twenty-five hundred people. People come from all over the world to visit this basement of a parking structure in Downtown over in Michigan. I lead, still, most of those tours personally. I love it. It's fun for me. It is time-consuming. There's no question. But we have always carried this abundance mentality. It says, "We think we've discovered something very important. If you want to come see it, come see it. We'll teach anybody what we do. It doesn't matter to us. We're not worried about competitors coming in and discovering our secret sauce or anything like that. Our secret sauce is right out in the open for all to see. We just intend to be the best in the world in applying our secret sauce. So, come to our restaurant. Taste our secret sauce if you want to build a great piece of software. But in the other hand, if you have your own team and you just want to make it better, come learn from us."

The beautiful thing is, in an abundance level mentality, the world gives back to you in incredible ways. In fact, I'm talking with you today because of that and this podcast will get out to one hundred and sixty countries because of our abundance mentality of sharing what we do with the world. That will pay back to us in non-linear ways. We don't know what the benefits are; we don't plan on that. All I know is, the more of this stuff that we do, the better things go.

Quite frankly, we get better through the interactions because people ask us great questions, and we have to think about those questions. We have to think, "Yeah, that's a

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great question. We haven't thought about that before." We just get better with sharing this message with the world.

**Joe:** *Well, you kind of stole my next question but I'm going to ask you anyway. What have you learned from others as a result of this sharing?*

**Rich:** I think the first thing we learn is, in some ways (and it's kind of scary), how desperate the world is for what we've learned. There's an energy crisis in the workplace; a human energy crisis in the workplace. The first thing we notice is, what we've learned, how hungry people are for a better way of doing things. Like everybody else, people are afraid of change. They believe that everybody else should change but them. They come in here, and they get excited. They see, maybe for the first time, a working system and energy. Just that inquisitiveness and curiosity is part of what we've taken away from all of this.

**Joe:** *Can you give me a visualization of what I would see on a tour? I'm picturing two geeks there at a desk, programming, and I'm walking around and seeing all these pods. But what would I see?*

**Rich:** The first thing you would notice, when you walk in our front door (or what you don't see), is that there are no cubes, offices, walls, and gifted individuals. Everybody's out in one of those vilified open office environments. The ones that fast companies tell us are an idea born in the mind of Satan in the deepest caverns of hell. They tell us it doesn't work

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and it, particularly, doesn't work for introverts even though Menlo is filled with introverts as you might imagine.

People ask me, why is it that this open office environment works for Menlo and doesn't seem to work for anywhere else. I say, "Well, it's pretty simple. We didn't create an open office environment. We created an open culture and then we fit our environment to our culture." I think that's a key part of this. The next thing you notice is the aural part of it. I mean the A-U-R-A-L, aural part of it. It's noisy. This is like a noisy restaurant. People are sitting shoulder to shoulder. The team is in charge of the space. They fit it however they want. They can slide these lightweight aluminum tables around. They have pull downs from the ceiling. So, they can put the tables wherever they choose, and the team chooses and has chosen for our history. We've been in business for thirteen years now; to push the tables side to side and front to front. They want to be close to one another. They literally sit shoulder to shoulder in their pairs. Two people, one computer, working on the same task all day long together, talking with one another. Those pairs are energized. They're communicating. They're sharing. They're challenging each other. They're pushing each other along. So, you have this wide open, high-energy, high noise environment; very visual as you can imagine. We pretty much have stuff on the walls everywhere. We ran out of wall space. We're in the basement of a parking structure. We have all these huge pillars, cylinders and we started wrapping those with corks so we could put pushpin artifacts on the pillars as well.

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It's bright. It's airy. It has a very high ceiling. There's just a lot of human energy in the room.

**Joe:** *You can't be, I don't want to say "not be an individual" because you certainly still can be that... It creates a team environment.*

**Rich:** Yeah, this is not a lone genius environment. This is not a tower of knowledge environment. This is a team. You are expected to pull your part of the sled every day. You don't jump on the sled, look at your pair partner and say, "Hey you're pulling me today." No, no. We're both pulling the sled together.

There are high expectations of each individual on the team. They have to pull their own weight as they come in. But if you get stuck, if you get wound down a little alleyway, which can happen all the time in software... You have somebody cranking up code going in the wrong direction. That's not helpful. They get stuck. They're just looking for an idea. They don't know how to solve a problem. Their pair partner's right there to unstick them. If the pair gets stuck, their team is right around them. They can tell if you got stuck because you went quiet. The team looks up and says, "Hey, what's going on? You guys seem really quiet."

**Joe:** *Tell me about the upcoming workshop. Who is it for and who will get the most out of it?*

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**Rich:** We've been offering workshops for years; pretty much since our inception. It's always been our intention to have education as part of our offerings. I've gotten to know Jim Huntzinger's team down at Lean Frontiers in Indianapolis. "Jim, why don't we bring our intro to the Menlo way on the road and bring it down to your crowd in Indianapolis?" So, Jim was gracious enough to offer his space to bring this message on the road.

What it is, is a daylong exploration of the culture we've created and the processes that support that culture. What you'll learn about in this *Intro to the Menlo way* is a bit of my history, how did I get here, why is this important (not just to Menlo but to the industry), and what challenges the industry is facing. There's a bit of introductory material. Then we start walking through our process. How do we do planning? How do we do estimation? How do we do work authorization? How do we measure ourselves?

Our simple, repeatable, measurable structure here works on these five-day gears that turn (if you will) on the plan, execute, and measure cycle which probably sounds a lot like PDCA for the Lean folks. We just walk through all these pieces and parts. Quite frankly, a lot of the day, I will be leading this session. A lot of the day is people just peppering me with questions because there's so much that we do that's paradoxical that people just want to start digging in. They're like, "Really? Two people on one computer? How is that more productive than two people working individually? What do you do when two people don't get along and how do you find people who like to work like this? How do you interview and hire them?" What I say about each one of these sessions is that it's very unique because

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it's driven by the questions. I got way more than eight hours worth of material to share. The only way I can pair that down is to chase down the questions that people are asking me as I walk them through the structure of the day.

**Joe:** *I think that's a great way to put on a presentation. Interactivity instead of looking at a bunch of PowerPoints and being taught is the participation.*

**Rich:** There is no workbook. There is no PowerPoint. It's very visual. I'll probably show a few pictures because it's on the road. I'll probably have a projector with some pictures of our space so people can actually visualize it because we're not going to be in the room.

**Joe:** *I think what happens when you do something like that people have the ability to – as we've talked about before – make it their own and take it home with them and actually make it implementable instead of going home and a week later, not using any of it.*

**Rich:** Yeah. There are simple takeaways, simple things we do. Like how to run a standup meeting, for example. We've very careful to say we don't believe our way of doing things is the right way for everyone. We're going to spend times on principles as well.

What I think the world loves though about these seminars is it is a tour through a practical example. It's not just theory. It's not just talking about these principles without anything to back it up. We've been doing this for thirteen years. The conversation is very real. We've had to deal with real world problems and projects and challenges and people want to hear about that.

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**Joe:** *I think it's very exciting. I'm thrilled that I had the opportunity to interview you. Where can someone learn more about Menlo Innovations?*

**Rich:** We have all the standard social media things. We have a website [menloinnovations.com](http://menloinnovations.com). We have a book, obviously, *Joy Inc: How we built the workplace people love*. That's available wherever books are sold online. It's available in hardcover, in Kindle form, in audiobook, soon to be translated into Chinese, Korean, Russian and Romanian, as far as I know. Those are translations on their way.

Then we have a Facebook page, Menlo Prez. M-E-N-L-O P-R-EZ. You can get me on every version of social media. You can find whether it's Twitter, LinkedIn, Facebook, my daughters are pushing me to do Instagram stuff. I'm not very good at that part. Menlo Innovations is the tagline in the company stuff for Twittering.

**Joe:** *I hope to meet you soon. Is there anything else upcoming outside of the Lean Frontiers that you're going to be speaking at or is that updated on the Menlo Innovations site?*

**Rich:** We have a monthly newsletter that goes out. It's called the *Menlo Bits* that people can sign up for on our website that talks about all these speaking engagements. I can tell you the book has got me traveling soon all over the world.

**Joe:** *You got a great voice for speaking. You should be a radio announcer. You missed your calling as a disc jockey, Rich. I can tell you that.*

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**Rich:** Awesome.

**Joe:** *I would like to thank you very much, Rich. This podcast will be available at the Business901 blog site and the Business901 iTunes store. Thank you very much, Rich*

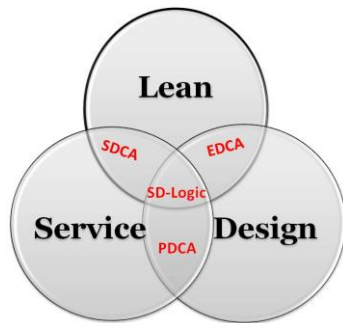
**Rich:** Thanks, Joe. Great being with you.

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Joe Dager is president of Business901, a firm specializing in bringing the continuous improvement process to the sales and marketing arena. He takes his process thinking of over thirty years in marketing within a wide variety of industries and applies it through Lean Marketing and Lean Service Design.

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