

## Menlo Innovations – 2027 Company Vision

It's February 11th, 2027 at about 8 in the evening, and the Menlo celebration of Edison's 180th birthday is well underway. This is probably the most anticipated day in Menlo's history as the planning for this day started way back in 2016. We had selected this party as the pivotal day in our ten-year vision. Of course, our vision didn't turn exactly as we had thought it would, but when you squint your eyes and fuzz your vision you see the Menlo we had dreamed of so many years ago.

Over the years, we crafted many different versions of the vision to make it meaningful and approachable to everyone on the team. We finished off the screenplay version, created a fun picture book which gave us some iconic fonts, symbols and images we use to this day, and crafted some aspects of the vision into video vignettes that have turned out to be very useful in our marketing efforts. The vision, once completed, drove the website redesign and actually led to the inspiration for a very different marketing effort and focus for the company. We are still first and foremost a software design and engineering firm. Our "how" (practices, principles, culture) and our team are recognized globally for producing some of the best "what" (software) in the industry based on human-centered design and highly respected engineering practices. Our "why", the belief that software teams and results can be joyful, is leading companies large and small to learn from us, be taught by us, work shoulder-to-shoulder with us and in general strive to transform their own cultures based on their interactions with us. Our books, classes (on-line and in person), seminars, consulting, and public talks are a draw the world over.

While we've changed and grown, we have remained true to our original mission to "end human suffering in the world as it relates to technology." Our vehicle for

doing this continues to be our joyfully focused culture. Our message finally hit home with the world as so many ill-suited uses of technology, failed projects, and severe outages culminated in a series of scathing articles about the technology industry in The Wall Street Journal. The famous story of a national best brand taken down and put out of business by poor IT execution put the world on notice that appropriate use of technology matters like never before. The Journal chose to highlight the pillars of our philosophy around quality as a means to prevent emergency, design as a means to honor users, and culture focused on the idea that the ends and the means are equally important. Our industry's practices are finally catching up to the heavy responsibility. Even universities are paying attention, as they improve their methods for teaching software engineers. Our leadership in higher education circles has helped make this newfound commitment a reality. Team members regularly guest lecture to engineering students around the country.

Those gathered for our big party include current Menlonians, now numbering well over 200, and their families as well. There are so many friends from times past including community members who have cheered us on over the years, former Menlonians who wouldn't dream of missing this party, customers past and present, and the two still very active founders, Rich and James. Also attending are over three-dozen entrepreneurs who can trace their beginning directly to the Menlo effect. Some were coached by Rich and/or James, some came to us to be their design and development team, some camped in our Ann Arbor Startup Garage and assimilated their favorite aspects of our culture. What is most delightful for us is that the sum total of their revenues and employees collectively exceeds Menlo's \$36M in annual revenues and 200+ staff. Some wondered back in 2016 if the goal of this vision was simply numeric growth in employees and revenue. James and I were consistent in our response: **we never stopped believing in the impact our crazy experiment could deliver to the world. We even gave this impact a name: The Menlo Effect.** This somewhat nebulous term gained traction with those who were transformed by our work, our methods, and our teachings. Some companies changed in small ways, others embraced wholesale change. Many can trace their

own change history back to a piece of Menlo that touched them: a book, a tour, a talk, or a project and suddenly they saw the world differently than they ever had before. Organizations who embraced *The Menlo Effect* changed from a fear-based culture, embraced collaboration, open space, pairing, High-tech Anthropology, joy or some other cultural piece of Menlo that spoke to them and their hearts for their own mission.

Our broader impact in organizations we've helped gave us the privilege of alleviating more suffering on a grander scale than we could in our early days. We could work on bigger, more visible projects than ever before. No longer were people tempted to say that our small team size was the reason it all worked. They began to believe that what we had created is truly scalable and the size issue just stopped coming up in conversations. James and Rich had to grow, too. They needed to become different kind of leaders to foster the overall leadership growth required in all Menlonians. Our desire was to grow without becoming bureaucratic. True to our history and values, Rich and James still sit out in the open space and freely interact with team members every day.

Menlo has grown steadily over the years; some years were stronger than others, and there were even some down years. We continually adjusted to the changing market needs. However, we never stopped experimenting. This single factor is likely the greatest contributor to the adaptation we needed over the many years of our steady progress. These last ten years have not been without their struggles and failures. These mistakes remain true to our core-learning proposition of *Make Mistakes Faster*. We are human, and would prefer to be perfectly successful in everything we do, but we know that this side of heaven, that just ain't gonna happen. We regularly conduct learning sessions to ask the basic question: what did we learn from that painful mistake? These sessions keep us humble, vulnerable and bring us back as close as we can get to beginner's mind. We knew some things would have to change as we grew; there was never any doubt about that. To help us on our growth journey, we sought out large organizations that seemingly

retained the essence of their joyful culture at scale. We visited them, we studied them, we brought them to Menlo to visit with us. We never copied, as we saw our unique culture as our strength, but as we had over all of our years, we borrowed and adapted and experimented our way to scale. There are still rough spots and room for growth. We saw this, too, in all the organizations we studied. We came to terms with the fact that you are never done. We are at peace with the problems that come with success.

There have been some easy inflection points to identify along the way that contributed to our growth and continued success:

## Software Design & Development Expands, Remains the Anchor to “The Menlo Way™”

The software design and development aspect of Menlo continues to be our strongest offering and remains at the heart of an organization that fundamentally believes that delivering joyfully designed and solidly engineered software is still our greatest accomplishment. It represents almost 60% of our revenues at almost \$22M per year. This requires a software factory staff of nearly 140 people. We are still one of the most desirable workplaces for those who aspire to design and create meaningful software for the world. The team delights in the variety of projects that find us. James and Rich have instilled the team with a paradoxical combination of optimism and skepticism when it comes to the “advances” of our industry. Our passion for learning fuels our optimism and curiosity about the latest gadgets and widgets, while our skepticism refuses to blindly accept the notion that “latest” and “greatest” always go together. We still have some counterintuitive and weirdly effective old-fashioned practices such as paper-based planning and work authorization systems. We still work in pairs across all roles. Pairing allows us to develop our team’s leadership skills and in turn, provide mentorship for those who desire to be great team members. We work with cutting edge technologies (and still bleed every now and then!) in fascinating new markets to create services and

products that change lives. Maintaining this level of business required some serious reinvention of our sales management process. It also required specific training of each team member in account management strategies to ensure we were discovering new opportunities as they arose, and sensing trouble in existing projects before it became a real problem. What is most delightful is the hum of the software factory as the human energy of the team is always at a high level each and every day.

## All of the Practices of The Menlo Software Factory are Revered and Regularly Taught by Team Members to Each Other and the World

Our software developers have opened up a series of classes on all of their practices and regularly teach the practices that make their work so fruitful, effective and sustaining. In addition, by pairing a student with a Menlonian, teaching can occur while doing real work. *Software Development: The Menlo Way™* is a very popular book in the development community. The foreword from Kent Beck is especially gratifying.

*The Menlo Path to Quality* and the Menlo Quality Sherpas who guide us on this path are the envy of the quality community and are regularly invited to attend ASQ, Six Sigma, and Deming Conferences to share everything we've learned. We have successfully broken the fever of our industry by demonstrating that more testers do not prevent software crisis and emergency. Rather, the answer is an overarching vision of end-to-end quality process and systems thinking. Our Sherpa's spend at least a quarter of their efforts experimenting with new processes and practices, and fueling that kind of process curiosity in the rest of the team.

The *Menlo Way of Project Management* has infected the thinking of several leading authors of project management books and articles. We are still humorously called

the Amish of the software industry due to our continuing belief in visual and tactile artifacts for keeping projects on track. New ways to picture progress, goals and tie those to daily activities that drive the work of the team keep energy high and bureaucracy low. We listen hard to what works best for our clients while still playing the role of advocate for *The Menlo Way™*. It is often the case that our best project managers rise into a transformational consulting role.

High-tech Anthropology® remains our most joyful offering to the world for creating great user experiences. The Menlo High-tech Anthropologists® continue to find themselves at the leading edge of our wildest experiments. They are instrumental in our traditional Menlo Software Factory efforts, they are present in virtually every transformation engagement, and they fuel the design of our own product development efforts. In fact, designing new products is a bit like shooting ducks on a pond as our whole team is now tuned to find some terrible product experience in the world. We first approach the companies that make the hard-to-use product to offer our services, and if they turn us down, we just go out and build the better version. The companies we had originally approached have acquired two of those products. Their product management team lamented that the terms for the acquisition dwarfed the original proposal we offered them. Joy. Articles in business magazine have highlighted this unique approach to design. *Inc.* magazine dubbed it “The Joy Lemonade Factory that turns the sour taste of poorly designed products into something delightful to consume.” We saw a spike in Joy Lemonade sales just after that article came out!

## Growth of the Team

Our internal focus of growing leaders instead of bosses (reinforced by Rich’s second book *Chief Joy Officer –How Great Leaders Elevate Human Energy and Eliminate Fear*), maintained our highly energized culture and got us a ton of press attention as we did it our way, like so many other elements of our unique organization. Of course, we borrowed heavily from Zingerman's, Patrick Lencioni's lessons, VitalSmarts and

Arbinger. We never gave up on our people. This was not an easy journey, as we had to teach each other the most fundamental aspects of leadership, teamwork and organizational design that would allow us to continue in this trailblazing endeavor.

Rich and James never wavered, even though it would have been easy to create a hierarchy. It was tiring at times, continually reinforcing the lessons of leadership that were most dear to us. Even today, it's not perfect, and it's not for everyone. We lost some of our most long time and loyal team members as we turned up the dial on Lencioni's concepts of "hungry, humble and smart" from his book [\*The Ideal Team Player\*](#). Of course, as has been our longstanding *boomerang* tradition, some were welcomed back later and thrived. Others were able to bring much of what they learned from us into their next job and they thrived there. They remained friends, and sometimes became clients. In a hierarchy, you move up by becoming a manager; here, there is no hierarchy. We hire and promote people based on two things: whether they can help others succeed, and whether they can help grow the business.

## Connecting the Work of Menlo to The Business of Menlo

Open Book Finance invades every element of the business. We explicitly teach business fundamentals to everyone on the team. There is no one at Menlo who can't put their finger exactly on the business heartbeat of the company and know what the numbers mean, and how they can affect them. This level of transparency has fueled entrepreneurial thinking amongst all team members. We began including interview candidates in our Open Book activities. Some were frightened away by this involvement, others convinced this was the place they've always wanted to work. Transparency is funny that way.

We are now convinced that all of this attention on Menlo's business makes us so much more present and able to contribute to business conversations with our clients. In short, it has made us better Menlonians, and better consultants.

*There were three areas of growth that were only nascent in 2016 (at least by comparison to today).*

## Growth of the Experience Stream

We really broke free in the growth of the Experience portion of the company in early 2019. We are now hosting 5 to 10 tours a day and we are teaching 2 to 3 classes per day in our process, our philosophy and our leadership model. The classes are related to everything Menlo: non-traditional HR practices, leadership, software development, design, testing, entrepreneurship, interviewing, observations, accounting, open book finance, visioning, feedback, compensation systems, culture, getting to joy, pairing, resource planning, project management, experiments, storytelling, brainstorming, storycard writing, planning, show & tell, estimation, project sizing, time tracking, and so many others. We now exceed 10,000 visitors/students per year.

The teaching and experience portion of Menlo regularly earns between \$3M and \$4M per year now. All the classes are taught by Menlo practitioners. We now have some good formulas for what makes a great class, and we are continually running experiments with new ideas. Several of the classes are quite roadworthy so we take them to conferences and also teach them on site to large corporations

## Growth of the Menlo Store

The Menlo Store, now called *The Joy Lemonade Stand*, eclipsed \$500K in sales in 2026 and takes up more space than our original office at 212 N. Fourth. In it's earliest versions, the store seemed like the type of Menlo experiment that would blossom and fade like a dandelion in spring. We found that while this was an unexpected turn for the company, it began to pay for itself. The store offered employees yet a different perspective on Open Book accounting, became a fertile

training ground for teaching financial fundamentals, was fun and creative, and helped promote the business via t-shirts, books, and various other fun merchandise. We continued our strong partnership with local schools to give them experience in marketing and sales, so most of the staff for the Lemonade Stand are high school students who have learned to manage the store itself with open book finance. They also design and oversee production of the fun artifacts that people who visit love taking home with them. Mail order is almost 60% of Lemonade Stand Sales. Our bottler of *Joy Lemonade - When Life Gives you Lemons, Make Joy* is reporting the 4th year of double digit sales growth. Some of our visitors wonder what the heck lemonade has to do with software! James and Rich were filled with delight when they heard of this experiment by the store staff. The creative *Lemonade Stand* entrepreneurs, inspired by playful Menlonians the company over, remind the world of our whimsical irreverence while cleverly marketing Menlo through various items we sell at a profit. It also gave us fascinating business insights by working with physical products, manufacturers, shipping, pricing, tax law, and how great software can bring joy even to retail. James and Rich never wanted the Menlo world to end at software, as software alone wouldn't have impact without the business systems, entrepreneurial insights, and culture focus that surround the technical inventions. The store also provides an avenue for team members to explore different aspects of their own work-life aspirations.

## Growth of Our Transformation Consulting

The transformation consulting practice of Menlo continues to be a great partner of both the software factory and the experience team. This is the practice that ties together all the best that Menlo has to offer. It has become a fertile ground for leadership development as consulting skills are finely honed in these frontline on-site engagements. This is the cultural export office of *The Menlo Effect*. Our Principal Consultants work side by side with the rest of the team to craft wonderful, customized engagements for each of our clients. The powerful combination of consulting, teaching, and side-by-side work on-site and in the factory has

revolutionized the practices of companies large and small. This is perhaps our most unique and powerful offering and the one that generates the highest profits. Revenues from this practice exceed \$5M of direct contribution, comprising over 20,000 hours of effort and it also drives revenue in all other parts of the company.

## Entry into the World of Product Design and Angel Investing

In the last 6 years, the most exciting development at Menlo is how we uniquely crafted product design and development within the organization. This area of the company was always speculated to be a possibility, but the breakthrough idea was that we would need to become our own angel investment arm. Ideas are vetted with our investment team ... they can come from anywhere inside or outside the company. If they are deemed worthy, Menlo will choose to invest both directly with cash, and indirectly through our classic leveraged play model. We provide space for the earliest stage, but our expectation is that each company will one day have to locate their own space, if they are growing. Our classes are also “leveraged” in our investment strategy. There is even a class now ... “So you want to be a Menlo entrepreneur?” which outlines our expectations for garnering an investment. Our goal for these companies is growth rather than exit. We won’t resist exit, but we don’t specifically encourage it. We capture return on our investment either through royalty or dividend. This part of the business has risen to 10% of overall revenues in leveraged return alone, amounting to over \$3M in annual income. This in combination with our regular leveraged return of nearly \$4M/year creates a very stable and diversified profit stream for the company.

## Scaling and Refinement of our Business Model

Financially, we generate consistently 20% profit margins across the business. In 2026 profits exceeded \$7M. We choose to return 20% of these profits to the staff each year. Annual profit share checks range from \$7,000 to \$10,000 per year per person. 10% of profit is set aside for the angel investment fund. In our good years,

we also match \$2 for every dollar every employee put aside in their 401K. Most staff members are seeing their retirement accounts grow rapidly with contributions exceeding 20% of the annual incomes between their own contribution and Menlo's match. Money is also set aside for community investments and sponsorships of non-profits and schools. Menlo is seen as a company that makes great contributions to the health of the local community.

There are a few aspects of the business we had to formalize past where we were in 2016. We actually implemented our own CRM system to manage our sales pipeline. This electronic system is supported by an easy-to-oversee paper-based visual management system. We created our own version of an HR department, but of course, it has a very different twist. We added an official schoolkid space so kids continued to be welcomed as they always have. Babies in the office are still a strong tradition. Older children stop by for afternoon homework mentoring, and programming, design and entrepreneurship classes taught by Menlonians.

## A New Building to Match the Growth of the Company

Of course, all of this required a very different building than we ever had before. We custom built our next office and it is nearly three times the size of the 505 E. Liberty space at 75,000SF. Intriguingly, it costs us less than our old space, as we have our own parking, it is on an easy to use AAATA bus line, and it is a straight shot from the DTW airport, which makes it very convenient for our visitors. It is still wide open and airy with high ceilings, tough and cleanable industrial strength wood floors, bright lighting and plentiful sunlight. We partnered with Zingerman's to craft our own 5,000SF coffee shop and restaurant (*JoyZing!*). It runs as its own separate business within Menlo and is open to the public. 10,000SF of the space encompasses the startup garage, while another 10,000SF include areas for training and events. The Lemonade Stand has 2,000SF, the schoolkid space 5,000SF and the other 43,000SF consist of conference rooms and the Menlo Software Factory. Our partnership with Steelcase gave us some compelling table designs that continue the tradition of easy

reconfiguration, but also help tremendously with cable management.

As the evening festivities continue, Rich and James stop the celebration for a few minutes to thank everyone for coming, and for each person's contribution to the success of the joyful experiment that is Menlo. After a few minutes of thanking everyone for coming, James and Rich manage to break away for one of their famous walks. They reflected with each other about the joy, the hard work, the accomplishment, the dream, and the friendship. They spoke of the lives impacted, the companies changed, and the recognition that they were able to do all of this and remain true to their own deepest held beliefs and convictions that launched the company in 2001. They believed then as they do now, that there is always a better way and our job is to work long and hard to find it. Rich will turn 70 this year and looks forward to seeing what the next 10 years bring. The 2037 vision, competed two years ago, says he is no longer the CEO, and that the company has transitioned to full employee ownership by then. James finally took back the CEO role he handed Rich on the deck in 2001. Rich plans to stay healthy so he can enjoy the 200<sup>th</sup> Edison birthday celebration in 2047. James continues to chuckle at Rich's optimism. He and Rich are looking forward to this year's City Golf tournament at Leslie. Rich is trying to break James' streak of four consecutive personal victories over Rich. James reminds Rich the much bigger challenge is trying to beat Elliot who actually won the tournament last year.