

TOM MENDOZA

ORAL HISTORY

COMPUTERWORLD HONORS PROGRAM
INTERNATIONAL ARCHIVES

Transcript of a Video History Interview with
Tom Mendoza
Vice Chairman
NetApp

Co- Recipient of the 2009 Morgan Stanley Leadership
Award for Global Commerce

Interviewer: Ron Milton (RM)
Chairman, Board of Trustees,
Computerworld Information Technology
Awards Foundation

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Today is Tuesday, April 28, 2009 and we're interviewing Tom Mendoza, Vice Chairman of NetApp.

Tom is the 2009 co-recipient of the Morgan Stanley Leadership Award for Global Commerce

The interview is taking place at the Phoenix Biltmore, and is made possible by Morgan Stanley and the Computerworld Honors Program.

The interviewer is Ron Milton, Chairman of the Board of Trustees for the Computerworld Information Technology Awards Foundation.

The Honors program was established in 1988 to seek out, honor, and preserve the history of the global information technology revolution. It was founded by Patrick McGovern of International Data Group, and Roger Kennedy of the Smithsonian Institution's National Museum of American History. It is now the world's largest IT awards program.

This oral history is being recorded for distribution to more than 350 national archives, museums, universities and research institutions in more than fifty countries on six continents around the world, and program's archives on-line.

Without objection, the complete video, audio and transcripts of this interview will become part of these international scholarly research collections and made available to the public on the web.

This discussion, however, is private and should any participant wish to withhold from the public record any part of these sessions, this request will be honored. All present here are honor-bound to respect this, and by remaining here, they accept the personal, professional and legal responsibility to abide by this agreement.

With no objections being heard, we will proceed.

Ron Milton: Let's start with your early years Tom, how did your family influence you?

Tom Mendoza: I come from a modest family. My grandparents were immigrants. My father's father was from Spain. My father's mother was from Ireland. My mother's parents were from Czechoslovakia. My parents didn't have any real education. They didn't get past sixth grade. So we had a family with normal American values; do well, make people proud, hopefully get a job and get out of the house. That was the family influence when I was a kid.

RM: Who were other early positive influences or mentors?

TM: My dad. I was smaller than the other kids and yet he made me believe I could do almost anything. He showed up for every one of my Little League games – every single one. He was a traveling salesman, and the car would be screeching, and he'd be driving up at the last second, but he made every game. I didn't realize the influence of that until I got to college and I realized he was just there.

We had a mountain climber named ((Jamie Clark)) speak to us last year and he said his father had mental disabilities which coincided with his adolescence. I went through that. My father got dumb when I was around 12, and he got smart around 20, but I thought back to so many times the things he'd told me – and lessons in sports that he told me.

I think sports had the biggest impact on me. We didn't have much money but you could play baseball and stickball and do those things. I think he was definitely the biggest influence in my life.

RM: Talk a little bit about your years at Notre Dame, and how that affected you.

TM: Notre Dame was a bit of a shock to my system. I'm not Catholic. I went there because of wrestling. I had to get a scholarship to go to college – that was clear to me growing up, and when I got there, it was intimidating to tell you the truth. These kids had mostly come up through private school. I had gone to public school. They'd taken classes I never knew existed, and they were extraordinarily determined about academics and excelling at it.

I just got through without having to work that hard. It was my junior year when I got challenged by an upper classman who said, 'You're better than you're showing.' I got really mad at him. I was on the wrestling team so I was going to hurt him; but I determined that wasn't the route I'd take; but at the end of the day, he challenged me and made me commit to see if I would excel. I'd never really been in that environment and I excelled my last two years. That more than anything made me determined that I would never be outworked again.

Notre Dame is a school where only three percent of the alumni are from the state it's in, so there are very few people from Indiana. I'm from New York, so like all New Yorkers never in doubt, right? You show up at school never in doubt. I found out when you're around a bunch of smart people that have their own opinion, it's probably good to listen to them. I was arguing with a guy one time and someone said, 'Do you think you won that argument?' I said, 'Yeah.' He said, 'Why? 'Cause the guy stopped talking? What was his point?' And I had no idea what his point was. I just thought if you can talk faster or louder, you win. Well, I left there a much better listener, much more determined to give people their due than just 'Here's what I have to say...'

Like most Notre Dame people, it meant more to me in the years gone by than it did when I was there. When I was there, there used to be a saying 'The best thing about Notre Dame is seeing it in your rear view mirror' because it was bad weather and all guys when I was there – but I look back at that experience, and it definitely shaped my life forever.

The final thing that I'd say about Notre Dame is that if anyone knows anything about the school, values are a big deal; treating people right, doing things for the underprivileged. They have more people working summer jobs to help other people than any other school.

I have to say one thing my dad taught me was treat people well, regardless of their position, regardless of station. I don't have any friends who treat others poorly. I don't have any friends who treat waiters poorly. I believe you should treat everyone with respect until they prove to you they don't earn it, and then they don't have to. I don't care how much money they have. They can prove they earn respect in different ways, but the one thing I demand out of anybody I'm going to be around is that they treat people well. That comes from my father. I believe Notre Dame had a big influence on that.

RM: So your education at Notre Dame was about people?

TM: Absolutely. I thought Notre Dame was an extraordinary social environment to prosper and you have to live on campus. They look for a rounded education so you get to take a lot of different courses. I took a lot of theology. I'm not Catholic. I took a lot of theology because they teach theology of all religions better than anywhere I think in the world. I want to understand why people think the way they are.

Now, as things have developed in the world, I think it's pretty useful thing to know. I studied Buddhist, Muslim religions – why do they care and feel the way they do? I didn't find they were trying to convince me of a position. It was more, 'Let's go interrogate the facts.' It taught me to think for myself and come up with my own reasons for my arguments and I think that's a lesson that'll be with me for the rest of my life.

RM: Later on, you went to Stanford, talk about that.

TM: I went through the Stanford Executive Program, which is an interesting experience because you're pulled out of your job. First of all, I think it has to be a \$100 million company and above, and your position has to be Vice President of the company and above. There were 50 percent international, 50 percent US; it was my first exposure to international people's thinking.

In the evening, you'd get together to work business problems. In the beginning, I was thinking, 'How easy is this? Here's the answer.' And then when they started talking about how it would work in South Africa, how it would work in Singapore, how it would work in Korea, I thought 'Boy, I really hadn't thought about that.' So number one, it allows you a time to think. When you're in your job, you have very little time to think about extraneous things. I had a little time.

Number two, I got influenced by the international culture of it, and it struck me how different I would think if I never traveled; how different I would think if I didn't know people around the world. You know, I've averaged about 250,000 miles a year for the last 13 years, and I know that experience is one of the reasons I wanted to do that.

When I show up, I try to make sure I show respect for their culture, I try to understand their way, and then I try to bring something to the equation myself. That Stanford experience has stayed with me for a long time – again on the people level. I think you can learn things your whole life, but the people lessons are, I think, what separate us.

RM: In your earlier years, did you ever envision going into technology?

TM: I never thought I'd be in technology. I didn't grow up with a technical mind or any of that. I got into technology in 1974 and what greater field to be in. I say that because you have so much lateral movement. I was at the beginning of the industry for so many things, and I thought I'd just hit a gold mine. It's a rich field. You can bring a lot to your life and do so many things.

RM: So a little quote from Dave Hitz' book, 'The best decision I ever made was to start my career in sales. Nothing starts in a company until something is sold.' Does that sound familiar?

TM: Yes, I think having started in sales was a monster advantage to me. First of all, if you've never sold something, you think it's much easier than it is. For instance, in the computer field, you have people who are technical folks who say, 'I don't get why the salesman makes all the money? I'm the one who made it happen.' Really? Here's a phone; go find somebody to sell it to and make things happen.

There are a lot of things that happen before you come in and do the magical technical presentation. I have tremendous respect for salespeople. I've learned to live with rejection. People say, 'Never take no for an answer.' If you can't ever take no for an answer and you're in sales, you're going to have a short career. If you're out trying to sell something, you're going to hear a lot of no's. The real thing that separates people is their ability to empathize with the other person, understand what their real issues are, and then find a way to solve them with what you're selling. There's long-term value then. It's not just get that sale and leave. I realized early on that this is something I can bring real value to.

RM: Your first job at Net App, I understand was starting with direct sales organization – because it was indirect before. Tell me about that.

TM: When I first got to Net App, I was asked to take a look at their business model..

Their distribution model, in my opinion, was a going-out-of-business sale being executed perfectly because with that indirect model, the end user paid \$50,000; they got 12 of it. The middle guy could stuff whatever he wanted and he took most of the profit. Not only that, the quality of the product was non-existent because you stuff whatever you want. Keep in mind we're selling something that's going to store information for people. They want it to work, number one thing. So I said, number two at a young company, there is no pull for the product. I don't care what you're selling. If it's at all a technical product, someone has to explain to you the value and the purpose of it if you're going to go out and buy it. Well the sales force had to do that. Young companies need to create their own pull, however you do that. So we created an end-user model up front, not thinking that would be their long-term model and today we're more than 55 percent indirect. I said, 'We have to go convince people they should dream with us.' I've done three start-ups and the reason I love them is you're not going to believe me when I come in and tell you what I'm going to tell you because I can't prove it. I've got to hire other people who make people dream with them, and I've got to find customers who are willing to bet on me and the company I'm representing. To me that is absolutely a tremendous opportunity, and it all starts with sales. If you can't sell it, it doesn't matter what else happens.

RM: So your direct sales strategy was what allowed you then to get credibility with larger companies, then?

TM: Well the direct sales strategy in the beginning allowed us to get off the ground. We said, 'What problem do we solve and who would need that solved?' That was software developers, so where did we go? Texas has a lot of software development, Austin and Dallas – mostly Austin. Then we went to Silicon Valley, of course, but we didn't just spray people everywhere.

I started to think, 'How many of these can they sell a month?' Well, four – that's \$200,000 a month. That's \$1.6 million, which I think is the minimum you can do to have an end-user model. That allowed us to get off the ground. We went from 16 million in revenue to 43 million - 93 million. We didn't get the opportunity to go toward the enterprise probably for six or seven years.

Let me define what that means. We still sold to big companies and their engineering labs – technical development. In the enterprise, which are big insurance companies, banks, whatever, if what they have works and they have all the money they want, they don't change it. So if you have a disruptive technology but there's no business problem it's aimed at, in their mind, that's not a huge benefit. Why would I do it?

When the crash came in 2000 and the whole world shook – 70 percent of our business was tech or Internet. You can imagine how we shook! But that same potential customer all of a sudden knew they had a problem. I believe if you have to prove to somebody they have a problem, that's a bad business. We find people who have problems, tell them why we have a better solution, and go from there. And the end-user model is always going to be extremely important as you move up to bigger, more complex problems.

RM: So you started before Dan did, but not a lot of time – I think less than a year. How have you two managed the company together? You complement each other, by the sound of it.

TM: I joined the company about six months before Dan. Talk about an odd way of joining the company; we had no CEO. By the way, my wife was here before me. She convinced me to do it. It's good to marry somebody smarter than you.

We had to sell enough that the next round of financing would come in from a high end VC, who would then go get your CEO. This is not a recipe for success. We did well selling quick. Don Valentine of Sequoia came in. He's one of the most famous venture capitalists. He became our chairman and then he went and got Dan.

I found out about Dan on the way in. I didn't interview him. He called me - I lived in Dallas, Texas, and he said, 'Tom, you're going to be my Emmitt Smith. I'm going to give you the ball as long as you can run with it, because we need to sell.' And as soon as he came in, we had a sales meeting with the whole company actually; it wasn't very big. He said, 'It's the year of sales. We're backing sales.'

It was the first time in my career to hear that coming from the top of the company. I typically worked for engineers at the time, so it was the first time somebody said, 'We believe in you. Take the ball and run.'

Let me tell you a funny story about that. Dan had been on board a short time and he had to do a presentation. He turned to me and said, 'Give me a 12-month forecast.' Now, keep in mind, we'd been in business eight months. I gave him my forecast. He said, 'How confident are you in this forecast?' I said, 'Well, Dan, it's based on people we haven't hired yet, selling to people we haven't met yet.' He said, 'Okay.' And then he said to me – which is a cool question – 'Is there anything you'd do different?' I said, 'Nope. We're going to make it happen.' He believed in me. To know somebody believes in you and respects what you can bring is so important.

The second thing, I was brought in here by Dave Hitz and the other founders as the only business guy, but also for culture. I've been in companies where the piece I ran seemed to go real well, but quite honestly I buffered my customers and even my own employees from my own company because they didn't really have everybody's best interest at heart. In my opinion, that was often true. Well, here I had an opportunity from day one to set up a culture where people were going to act with respect. They were going to care a lot. They were going to sacrifice for our own customers and our company. When Dan joined we were in lock-step on that. He comes from a very solid business background. He started in engineering but he's a businessman. I came from a sales background. I know business pretty well, but where we were 100 percent in agreement from day one was, we were going to build a company and be proud of it for the rest of our lives.

I often get asked, 'Did you think Net App would be this successful – meaning dollars, revenue, and awards?' I said 'No, but I always believe we'd build something we'll be proud of the rest of our lives.'

RM: What specific successes are you most happy with?

TM: Well, the biggest success is that we got off the ground after that first year. People don't understand – we're going to go to companies that let us hold their information. You need to believe us. You need to trust us; that is a hard thing to do. When I joined the company there were \$600,000 in sales – as I said, they were in deep trouble. Sixteen million was the goal. We had 10 months to get there with three sales people. We made that goal. Most of the people we hired stayed five years. I think any challenge we went through after that pales in comparison.

The second was when the dot-com bubble burst. Up to that moment people said, 'We have a great culture.' When your stock's doubling all the time – we were one of the best performing stocks in history between 1995 and 2000 – anybody can have a good culture. It's just not that hard.

You find out in business, and in life if you have a friend when you've got a problem. When I give talks, I often say, 'I'll bet in your personal life you've had an experience where you really had a trauma and people you thought would step up didn't, and people you never thought would, did, and your relationship changed forever.' That intrigues me. I wanted to be the company that when real problems happen, people believe in us.

When the crash came, I looked at our whole employee base and I very clearly said, 'This is our time to prove we have a great culture.' The fact is that we, from there, have grown four times the size, 7,000 more people, and now we're winning awards – we've been in the top 50 best places to work seven straight years, starting with the bubble burst. Getting that award in the 90's would've meant nothing.

We talk about growth at Net App a lot. We're a growth team. We're all about growth. Well it only matters if your customers, your partners, and your own people think you're as good or better than when you're on your growth path. Many companies grow themselves into a spot where nobody likes them, and their customers and their own people can tell you long before Wall Street. What I'm proudest of as we sit here today, 2009, is that our customers, everywhere I go in the world, talk to me about our people more than our products - everywhere. Number two; our own people are passionate for this company. Our turnover rate over the last five years is less than it was during the boom. And finally, we've created really strong partnerships with companies like Microsoft, Oracle, and SAP. They say to me, 'You guys are the best partnering company that we deal with.' If you control everything, that's one thing, but partnering is very difficult. I think it's a unique skill and critical to continuing the growth of our company.

RM: So in Dave Hitz' book, Dan is quoted as saying 'The culture equals values and behavior.' Can you talk about that a little bit? Behavior seems to be such a big factor in the culture of a company.

TM: You know, culture's an interesting topic and I speak on it everywhere I go in the world; the one requirement is that I speak internally to keep us on the same page. I believe the ability to keep everyone on the same page is critical. Think about the growth we've had. I get asked to speak at companies a lot. There are five things I speak about. You can even say this isn't culture, but this is the behavior that I believe separates people in Net App, and let me just tell you the five.

Number one's attitude. I tell every new-hire class, 'If you're not excited to be here at the end of this week, quit. Don't make us fire you.' I spoke to the Marine Corps at Quantico and at the end, the general jumped up and said, 'Tom, how do you motivate unmotivated people?' I said, 'I fire them.' And everybody got excited. You know what? It's not my job to motivate unmotivated people. It's my job to hire motivated people and lead them.

Number two is candor, and I think this is a tough one. Dan used to end every meeting with, 'What do you think of the pace? What do you think of the content? What do you think of the candor?' The first two are just so people will talk, but if we can't honestly say what our issues are, you can't address them, and we have to keep battling to keep candor.

The third one is one I brought to the company, which is a saying, 'Catch someone doing something right.' Every company I've been with can tell you what's wrong, and it's usually in a different group. I've always wanted someone to come forward and say, 'I just realized I'm incompetent.' That would be an interesting conversation. I don't know what I'd do with it but it would be an interesting conversation. It's always the other guy's incompetent. Rather than focusing on what was wrong, I wanted us to be a company that celebrated what was right. I have always stressed thanking people. When the company grew and I couldn't see all the good things that people were doing, I said to all the employees "if you see someone doing something extraordinary to help our customers or to help NetApp, send me an email with their cell number and I will call them that day. I have averaged about 15 calls a day for many years. There is no one that doesn't appreciate getting recognized.

Bill McDermott, the CEO at SAP, called me when he read this in a book called Contagious Success. He said, 'How do you find the time?' I said, 'How long do you think these calls take? It usually goes like this. Joe's on the firing line. He's trying to help three customers in trouble. 'Joe? Tom Mendoza.' He goes 'Ohhh...' He's not thinking 'I was looking for this call.' I say, 'Joe, we may not win, but without you we'd have no chance. People around you are proud of you.' We changed the whole dynamic now. That took about 30 seconds. My average call is under a minute. What are we doing that 10 to 15 minutes we can't take to thank people? I believe people leave companies because they don't believe they can make an impact nor do they feel appreciated. I say if they leave NetApp because of either of those, it's our fault, especially the latter.

The fourth one is leadership rather than management. I have a simple leadership belief, which is, people don't care what you know unless they know that you care. And I challenge people all the time. Tell me why people know you care. What specifically do you do to show them you care? It's the little things... I send an anniversary note to every single person 5 years and above.

I had a conversation with a Marine Corps general on leadership. He said, 'People have to buy into the mission.' What's the mission? It has to be incredibly important for you to succeed at the mission. Number two, you have to give them what they need to succeed. Number three, you have to get the clutter away that's stopping them, and number four, lead from the front.

Leadership's an earned thing. If I give you a title, it means nothing. But if I demonstrate to you that I'm going to help you at the point of attack – I care about you, I care about your family, I care about where we're going. I have earned the right to ask for your help when the company needs it.

There are many different types of leaders that are successful. When you travel the world, you see all different kinds of styles, but the fact of the matter is, every great leader accomplishes the same thing, which is people come through for him not because they're afraid, not because they're intimidated; they simply don't want to let him down. And my father gave me that. When I was growing up, the one thing that kept driving me to excel a little more is that I saw he would drive all these miles to help me. I wanted to make sure I didn't let him down.

The last one is embracing change. You're either getting better or you're getting worse. And if you're staying the same, you're getting worse. I don't believe in reunions. I always felt if I wanted to know these people, I would; but on top of that, I would never get together with old friends to talk about old times. I just don't care. I want to get together with old friends to go have new times. I find people are interesting, age well, and are vibrant, if they're talking about what's next.

Companies age well, too, if they say, 'What's next?' Everything Net App has done to date – and you people have been very nice; you've said nice things about us. It means nothing for us if we don't capitalize on it and take it to the future. It's a new game. It just gives us the right to play in a bigger game. So I don't like to look back much. Embracing change is key to what we do, and a simple way of doing that every day, we end our meetings with 'What are we going to do better?'

RM: What enabled the growth years that allowed you to go even further – looking forward?

TM: The growth years were pretty interesting, and I learned something important from Dan during that time that I never forgot, we had just gone from 43 million to 90 million and Dan wanted to do a five-year plan. Number one, create a market segment. Number two was, dominate that space. I'm thinking both sound great. I must've gone to get a coffee or something, because the next thing I know, I'm the sales guy and there's a billion dollar number on the wall. I shoot my hand up, 'Where did that come from?' Dave Hitz one of our engineers and founders says, 'Well, if you double every year it's actually \$1.18...'

We left with that plan and I'm thinking get the resume dusted up, I'll need it a couple of years. We went from 90 (million) to 150 million to 250 million. Externally people thought we were rock stars. Internally, people were thinking 'We're going to miss this plan.' We said we had to make bigger bets. We did 500 million and a billion, and I guarantee you, if we'd set that goal at 700 million, we'd have done 700 million.

What I learned, if you don't believe and you don't stretch – you've got to look at market opportunities and how you're positioned to get it – but if you don't set that target out to really aggressively bold goals, you have no chance to get them. You may not get them even if you do, but you have no chance to if you don't.

I think we're a company that constantly dreams big – that we have to win big. We're not here to do well. We're here to do something significant, that we can be proud of the rest of our lives. That's a lesson I learned from the high growth.

RM: You travel often as a motivational speaker on the topic of leadership, can you elaborate on your focus of feelings versus content?

TM: Yes. I don't speak with slides ever. Sometimes I speak before big crowds, OracleWorld is 17,000 or whatever. I came to the conclusion in 1985 that the only reason to speak is to change someone's actions, change something they're doing. I don't believe people change because of data. I don't believe people feel data.

I get asked by different groups to speak, and I ask them, 'What do you want the audience to feel?' If I'm trying to make you feel something, why would I need charts? People remember and feel a story. So I think about how I'm going to start, how I'm going to end, and what are the three stories that are '... so that happened' – the Paul Harvey thing. You listen because you want to know the end of the story.

I found back in the mid 80's and early 90's, I was fortunate enough to have the ability to make people feel something from a stage. So I've capitalized on that as much as I could in my career. I think it's been really helpful. When we've faced tough times at Net App, I think it's really helpful if people know you come from your heart. When you speak without slides, you have to be more prepared and not less prepared, because you have nothing to fall back on. But if you have a message and they leave and feel what you want them to feel, it doesn't matter how you get there.

I have a mental outline but they don't know if Mickey Mantle hit 64 or whatever home runs – or was it 54 or 55, who cares? That's what people always try to remember before they speak – to get all the data points right. The audience doesn't care.

My goal, if I'm asked to give any kind of motivational speech, is to change someone's life. Someone – one person – and I'm going for it. If you do that, you have to give of yourself from the stage. You have to expose part of yourself from the stage. If you give of yourself, people in the audience get it. Think of anybody you've been attracted to the way they speak. Often times they'll say 'I thought he was talking directly to me.' That's a huge compliment.

RM: Talk to me a little bit about the transition from being a sales champion to President in 2000, just before the Internet crash.

TM: I was the sales leader for the first six years of the company. I took over international sales in 1995, primarily because the gentleman there unfortunately got lung cancer and passed away. So Dan said, 'Would you do it?' My life dream was not to take on more travel at that point, and I had never really done international business, but I felt if I went there with passion and listened to them and treated them with respect, it would work out. And it did.

In 2000, Dan and our chairman Mr. Valentine came to me and to discuss a couple issues. Dan was the only guy who could be the face of the company for big events. They're not going to send the head of sales to speak at OracleWorld or for Veritas or whatever, so Dan was doing all the analyst work, he was doing all the things a CEO has to do, and he was doing the internal planning. So we needed to break the functions down. Dan and I are kind of an atypical team. I'm not really an operations guy. I've done it and I can do it – I think not particularly better than anybody else – but what I am really pretty good at is understanding what the customer is thinking, what my own team is thinking, what my partners are thinking, and making them want to do bigger things with Net App. So Dan said, 'Why don't you take everything facing the customer? I'll have everything else and we'll combine up here.' Having a partner, a true partner in business is rare. Nobody care whose title is what, what balls are moving around, and where you are on the org chart.

The second thing I'll bring up to you is one piece of the good news about Net App should also be the bad news; the people that started this company are all here. Well, that's great on culture, but how do you get new people to come in and be inspired if they don't think there's any way up? I'll bet companies come to mind where the top person basically kept control so nobody could move up.

Dan and I, from 2001-2002, the moment I took all that responsibility, had a conversation of 'Eventually I'd like to shed it', and give more to other people so we can bring in very, very smart people. Our goal was to be stewards of NetApp, continue to help and contribute, but it not by title, by impact and influence, – and let the other people grow. We've been extremely fortunate in the staff that's been attracted to come to Net App.

RM: How do you define innovation?

TM: I think innovation is thinking ‘I’m going to do something differently’ and having the courage to do it. How many times do you hear people say ‘I had that idea’? Maybe, but you didn’t do anything about it. ‘I could’ve joined that company’ is the way it typically comes down. Early on, I realized I wasn’t smart enough to come up with the next innovation, so I took a different path.

At a suggestion of a friend of mine who’s a top venture capitalist in Boston, I went and met the top six VC firms – made sure they knew who I was. I asked them where they were spending their money. What are you investing in? Every single one of them said sounds like networking is a big deal now and they’re going to have to store it somewhere. That’s kind of how I came to where I came to. I think if you follow the money, you’ve got a good chance.

Then I said, ‘Is there a group of people I want to be around? Is it true innovation, or are they trying to do the same things the other guys are doing at a little lower price? That’s not innovation. If it is, you better be really, really good at it. I guess Dell did it, right? But that’s not what I’m interested in.

I’m not here to tell you I can do it exactly the same as the next person. I’m here to say if you’ll allow me to look at your problems and come back with the way I want to solve it, if it’s compelling to you, then we’ll get into the how. We’re actually going to do a different way of coming at a problem; that’s innovation. Through true innovation, I can bring better value. Now that is an exciting proposition to me.

Dave (Hitz) and James (Lau) are two of the greatest innovators this industry’s had. Innovation isn’t just copying and offering it for lesser price. To me that’s nothing. I love the fact that people are constantly challenging themselves to think differently. If you’re going to be a successful company long term, it’s a culture of innovation. People say to me, ‘It’s risky to innovate. Well, it’s risky not to innovate.’ Making no decisions is a decision. Taking no risk is a risk. So the question around risk and innovation is what happens when it fails? I believe the behavior of a culture when something fails tells you everything you want to know.

I believe when someone takes a risk, that doesn’t work, if they attacked it with passion and integrity, got the most out of it – you’ve got to make sure it’s something good that happens to them. The next person says, ‘I want to take a risk’. In most companies, everybody’s for risk until it’s not paying off; then nobody can remember how it happened. And innovation stops.

People emulate the behavior you recognize. What behavior are you recognizing? Let's recognize that they took that risk. It didn't work out but we're going to give them this now. Now everybody else will want to do it. Innovation's the lifeblood of a technology company; if you can't innovate long term, you're not interesting in my opinion.

RM: And the way you define leadership, it sounds like the employees of Net App don't want to let you, the leaders, down by not innovating either.

TM: I travel 250,000 miles a year. The reason I do that is because they ask me to come help. A lot of people want to hear about leadership and culture more than technology today because they're wondering how Net App came through the things they went through or whatever. Whatever they want me to do, I'll traverse the globe to help.

When I leave, when I get on a plane and I'm tired, all I think about is, 'Did I bring value to this? If I ask them, will they come through for me?' I believe that's an earned thing. Dan has earned it, and Dave has earned it, and Rob Salmon, the guy who runs sales. If you don't earn it you can't ask back. I believe leadership is about aspiration and inspiration. What are we aspiring to do, and what are you inspiring them to do? I don't think you can inspire sitting in your office. You've got to get out and help somebody be effective.

You can talk about values, but if you don't walk the walk it, it's irrelevant. I go crazy when people talk about their values and they look at the wall and read it. I mean, wow, that's impressive. To me it should be your actions telling me what your values are; I can see it in you. If I can't see it, it's not real.

RM: So NetApp received the Fortune 500 Award this year, number one ranking, how does that make you feel?

TM: I was on a plane coming back from Tokyo when I learned that we were the number one company in this year's Fortune. My first reaction was surprise, only because I didn't see it coming. Nobody had talked to me about it. They did a pretty good job of keeping it quiet. Number two, I knew instantaneously the pride that would be felt throughout the company.

The most intriguing thing, and I guess the thing that made me feel good, were the notes I got from our customers saying 'I'm not surprised.' I can't tell you how many of those I got; and former employees saying 'I'm not surprised.'

I get irritated with some of these awards. They give them to companies who give back rubs and golf lessons – all this stupid stuff. That’s not what being a great place to work’s all about. Being a great place to work, in my opinion, is having a dream that people are buying into that we’re going somewhere great, because there has to be something here that we’re proud of. It’s about treating each other with respect. If it doesn’t work out, it won’t be because we didn’t go at it hard together. It’s not a matter of being nice to each other. It’s creating opportunities so we can all be successful, and I think that is just one step on the way.

I was on a plane going to Phoenix and I was sitting next to three young people from MySpace. I asked them about their business, their customers, and they asked me, ‘Who do you work for?’ I said, ‘Net App. I’m used to telling people what it is because in the big world not many people know what data storage companies do.

‘Oh, number one company in the world!’ They said, ‘How is it that the economy is not affecting your business?’ I said, ‘Why would you say that?’ ‘Well, you’re the number one company.’ I said, ‘Being a great place to work is much more important in a bad economy than a good one. I’m glad we got that award, but this is going to be an interesting year for all companies – markets shift, winners and losers change. We believe our culture is a weapon. We’re going to find out.’

RM: Are you managing, or leading any differently in these turbulent economic times?

TM: I think the key in turbulent economic times is to make sure you lead from the front. I think that many companies and executives make a mistake in doing is if they don’t have all the answers, they don’t want to talk. So they hide. They do it by email. They send memos. I don’t believe in that. I have meetings in every one of our offices everywhere I go. The reason is you want to have a small enough meeting so they can challenge you on things. I want the tough questions. I want them to ask me whatever’s on their minds so when I leave, they’re going to talk amongst themselves. If I say ‘I don’t know...’ They are fine with that.

I’ve been asked, “Are we going to do layoffs?” A typical reply would be I don’t know. Let me tell you what would affect that; how we come to that decision. I don’t care what they ask; just tell them the truth. In turbulent times, I think we have to constantly ask what are our employees feeling, how can we understand how our employees are feeling. Let’s be honest with them and let’s give them a plan they can believe in. Right away when the crisis started nobody knew what was going on – let’s give them something to go attack.

RM: What other leaders do you admire? Give me some examples.

TM: Dan Warmenhoven has been a great leader at NetApp. He cares deeply about the people, our customers and our business.

I admire John Morgridge a great deal. John's the chairman of the board of Cisco now. He was my boss in the 80's. I admire John for the way he treated people. I admire John for some of the stands he took outside of work. There was a high school in East Palo Alto that was murder capital of the US. He read an article that basically said black kids are not as smart as white kids. It infuriated him and this school was primarily a black school so Cisco donated a ton of gear – this was in the early 1980's – he and his wife Elaine donated a lot of their own time. Cisco people gave of their own time, and guess what? Two or three years later, this school had done monstrously better. He did it on one condition; they couldn't talk about it. He didn't want this to be a PR event. The lady who was the school principal spoke about three years ago and said, 'I can't keep it quiet because this is what America needs – more people doing it for the right reason.'

Sidney Poitier is someone I've become friends with and Sidney is, no matter where you travel anywhere in the world, someone people respect and he treats them with respect. I've learned a lot from him about staying curious and just being the type of person people admire.

I also admire Bill McDermott of SAP. I've had the great pleasure of getting to know Bill very well, and I watch how he treats people around the world. He inspires them. So that's a small set of people that I actually know. There are people I know from afar that I admire, but it comes down to are they trying to do something great? Is whatever they're trying to do not in their benefit – it's for a greater good? And lastly, how do they treat folks?

I get asked sometimes, 'What do you hope for Net App long term?' It never had anything to do with revenue. It never had to do with size, never had to do with awards. Twenty or 30 years after I'm done or however long that is, how did Net App people do what they do external to Net App? I want to read about that and be proud whatever that is.

If we've really set up a great company and put people together for good things, hopefully to do well in business, I hope it empowers them to do other great things. But the real measurement is, what are they doing with that power? What are they doing that's making this world a better place? And if we do a good job, we'll be proud for a long time.

RM: Our chairman and founder Pat McGovern has an expression; he says 'The biggest room in the world is the room for improvement.' Is there any room for improvement in Tom Mendoza's life?

TM: Yes, I think there's a lot of room for improvement in my life and in Net App's life. I'm never that satisfied about either of those two things,. I do think that it's constantly important to have something you're trying to improve upon.

I don't think you can get somewhere without a goal – something big, something written, time-bound measurable goals. I have 90-day goals. I've had them since 1989. I give myself three personal goals and three professional goals every 90 days.

On a personal basis, I say 'If I do what, will I feel good about me?' There are things everybody has. I remember one time I said to my wife, 'I feel better when I'm in shape.' She said, 'Are you working out?' I said, 'I don't have time.' I mean, stupid on the face of it, but how many times have you caught yourself saying that? Every 90 days I have three things I'm going to try to accomplish on a personal basis. I never show those to anybody. I'm trying to break through my own barriers. If you asked me how I got a little more successful than I was, on the professional side, I said, 'What am I going to do to make an impact every 90 days?' And I ask the people around me, 'Is this going to make an impact?' before I do it, and then I execute. So constant improvement to me is the essence of what makes you grow.

RM: You talked about the 250,000 miles a year traveling for customers; should leadership be any different for CIOs than the way you described it?

TM: I actually talk at a lot of CIO forums, and one of the things I talk about is 'How does a CIO get a seat at the table? How does a CIO get important enough that we want he or she at the table?' I'll give you an example of what Marina Levinson did when she came to our company as CIO. She said, 'What do you think the top three priorities are?' So I give it to her quick and I'm pretty proud of myself and she goes away.

She comes back in about a month and says, 'I'd like to review your priorities.' I thought 'Great' and she replayed them clearly. I'm thinking things are going well. Then she starts saying to me, 'Can I share with you some of the input I got from other people?' I said, 'Sure' and in my mind, I'm thinking it's not as good as mine, but go right ahead.

Then she starts talking about some situations we had in North Carolina – wow, that's important. Then we opened up India – that's important. By the time she left, I agreed with her three priorities; none of mine made the list. And I felt good about it. The story there is she went to every business leader, got their buy-in, understood what they were really trying to do, got us to energize around a few things.

The second thing she did, in every presentation she gave to us she talked about how whatever project she was working on, how whatever innovation she was trying to bring was going to – in the language we speak – help us get to our goals. She knows what our goals are. She's not a cost center. She's trying to help us accelerate growth. If we can do this, I can get you that, which will help us accelerate growth. Bingo!

My message to CIOs is, think about if you did what, would you be most valuable in helping the company achieve their goals? Are you aligned with your business units? Do they consider you an asset or do they consider you somebody you have to deal with? If you do those first two, then I'm going to want to have you in the room when we're creating the strategies as opposed to handing it to you at the end. If all I think is you're a delivery mechanism and a cost problem at the end, I don't need to involve you.

RM: What do you think the greatest obstacles in front of Net App are? Are they technical or are they social?

TM: The greatest obstacles for Net App in the future are not technical, nor is it a lack of market. Let me just make it a larger statement. If you've looked at all the great companies that came out of technology – let's use Silicon Valley – who are great or who were great, it never was an invention that stopped them. They very rarely ran out of market. They let down their customers, their partners and their own people somewhere along the way and they were dead.

I believe that we've created a great company at this point, to date, but as we go forward, we're going to be more of an acquiring company, for instance. We have quite a bit of cash, we're in good shape. A lot of people can't get cash. There are a lot of good ideas out there, there are people in trouble; they can't accelerate, they want to be acquired, so we're in a different spot than we were many years ago.

Part of the reason we have a great culture, in my opinion, is that our growth has been almost entirely organic. That's good, but it's not as hard. We're going to have to show one day that our culture can embrace other people when we do acquisitions.' We have to show the same respect and bring some of their culture with them, so it can't be just our way, we will have to adapt. That's going to be a big challenge going forward, in my opinion.

This industry is changing so rapidly – including recent acquisitions that nobody even saw coming. We shouldn't assume that because we did it before we can do it again. We have a large addressable market and great technology

As long as we make sure that we stay close to the customer – that's our primary objective, solve problems in the way they want, have them look at us and say, 'You're the company I trust to help me solve bigger problems', then I think we'll do fine.

RM: How do you want to be remembered?

TM: I was asked in the late 70's if you can believe this, I got interviewed for a management magazine and they said, 'How do you want to be remembered?' You know my long-term plan back then was what's for dinner, so that was kind of a tough question. And I said to them, 'I hope that a number of people, when you ask them who influenced their life – that I come to their mind. That I said something, did something, an action I took actually had an impact on their life that was positive.' I don't care if they ever tell me. I live every day thinking, 'I wonder if I can do that to somebody today?' However, it happens. That's why I try to give of myself when I give talks. If you give of yourself from a stage, you're vulnerable and probably exhaust yourself, but I believe it's all about giving back.

I never use the word 'lucky.' I use the word 'fortunate'. No one ever hit the lottery and said, 'I have to give something back'. We're fortunate enough to be with a good group of people that have done something the rest of the world respects and brings value. I really feel an intense interest in giving back. It could be money, it could be energy – whatever it is. I hope I'm remembered as somebody who treated people with respect, that people are happier they knew me than if they didn't, and hopefully I've added something to their lives with something I've done.

RM: You're obviously so passionate about people; any hopes for humankind you'd like to share with us?

TM: I'm actually hopeful as I travel around the world. Here we are sitting in May 2009. When the Iraqi War was going on and I traveled the world, the general reaction of the world was, 'You guys decided to do this. It's your war. I wish you well.' It wasn't particularly antagonistic in most cases, but it didn't affect their lives is what I'm saying.

The economic crisis is different. It is clear to people everywhere that it is a global issue and it can only be solved if the world acts together.

I believe the debates on the global issues of climate are going to go away. I believe we're going to have to do something different in the world long term, and I love that. I love the fact that big countries, for self-interest, are going to have to help each other. Alliances start to be built on things other than your own interests. Obviously you need extraordinary leaders, and I think the world is ready for change on this particular basis.

They want to help each other. They see it's in their best interest to help each other. That's the interesting thing. Before it wasn't necessarily in their interest, I guess is what I'm saying. So even in the last 30 days in the month of April, as I traveled the United States I saw people starting to believe things could get better. Of course, your own confidence is a big impact on how it comes out, and the sense that the rest of the world is rooting for us and would love to see us win. We have an opportunity for the first time in many, many years I believe to elevate the conversation to what can we do better as a group, and I don't think we've been there for quite a long time.

RM: Thank you.

TM: Thank you very much for your time. Appreciate it.