

Founded in 1997 as a DVD rental service, Netflix is now the world's largest subscription streaming video service with more than 5 million paid subscribers in about 50 countries. The company's mail order DVD service was a disruptor to retail video rental stores such as Blockbuster. However, the company's business model evolved in response to changing customer preferences, and they now primarily provide a video-streaming service that includes original programming, competing with major television networks. This transformation required overcoming many challenges, and some credit the company's successful shift to its organizational culture, which supports growth and innovation. Netflix's culture is rooted in the values of freedom and responsibility. The company hires smart people and gives them the freedom to do what they do best. There are no annual performance reviews or other bureaucracy to burden employees. Instead, employees are treated like adults and are given the freedom they need to do their jobs and manage their lives. For example, there is no expense policy or approval process, employees are guided only to spend money in Netflix's best interest. Employees have unlimited vacation time and spending time in the office is not a priority. Recently, the company even added up to one year of paid leave for new parents. With this freedom comes responsibility. Employees are expected to produce, and they are held accountable for results. Ideas are encouraged, and they expect people with ideas on how to improve Netflix to put together groups to "socialize" their ideas and move them forward. Good judgment is valued, and hard work is not enough; employees must also achieve results. Employees who don't meet these expectations are asked to leave. The company's approach of asking employees to move on when they aren't achieving expected results reduces the job security that most companies provide to hardworking employees. If you aren't achieving results, or if what you do isn't needed at the company any longer, the company does not hesitate to ask you to leave. Former Chief Talent Officer Patty McCord noted that she terminated the employment of hundreds of workers during her 14 years at Netflix. Most were not meeting the company's high expectations, while others had skills that were no longer needed. The company does not use performance improvement plans or written warnings about performance. If you aren't working out, you are fired. Or as McCord prefers to say, you are asked to move on. While most employees who are fired are provided a generous severance package, the reality is that hard work is not enough to promise you continued employment. So how did a growing company like Netflix manage to build and maintain such a unique culture? McCord, considered the architect of Netflix's culture, led the effort by creating a 124-slide deck called "Netflix Culture: Freedom and Responsibility." The slides outline things that the company values, what matters to them, and what they expect from their people. Instead of a typical employee policy manual, the document essentially demands self-sufficient employees. McCord notes that all of the ideas that set the foundation for the culture grew from within the company. They intentionally avoided looking at what other organizations were

doing to promote innovation and growth. However, many others have looked with interest at Netflix's approach to building an innovative culture. The company shared their slide deck on the Internet, and it has had nearly 14 million views since 2009. Interestingly, while many have viewed the slide deck, not many companies have copied the culture. While many organizations are starting to see that giving employees freedom while holding them to higher standards has some value, some suggest the culture isn't copied because it isn't that appealing. With statements such as "adequate performance gets a generous severance package," many believe that some of the messaging is harsh. Several years ago McCord became a victim of the culture she helped establish. In 2011, she backed a split between the streaming service and the DVD service. Customers had to pay more for the DVD service, and more than 800,000 customers canceled their service. McCord took a lot of the blame for that decision, and that year she was asked to move on. However, McCord still speaks fondly of her time at Netflix and now works as a consultant coaching other companies on culture and leadership.

DISCUSSION QUESTIONS

1. Would you want to work at Netflix? Why or why not?
2. Does Netflix have characteristics of an innovative culture?
3. Do you agree that Netflix's culture contributes to the organization's success? Why or why not?
4. Could another company copy Netflix's culture successfully?