

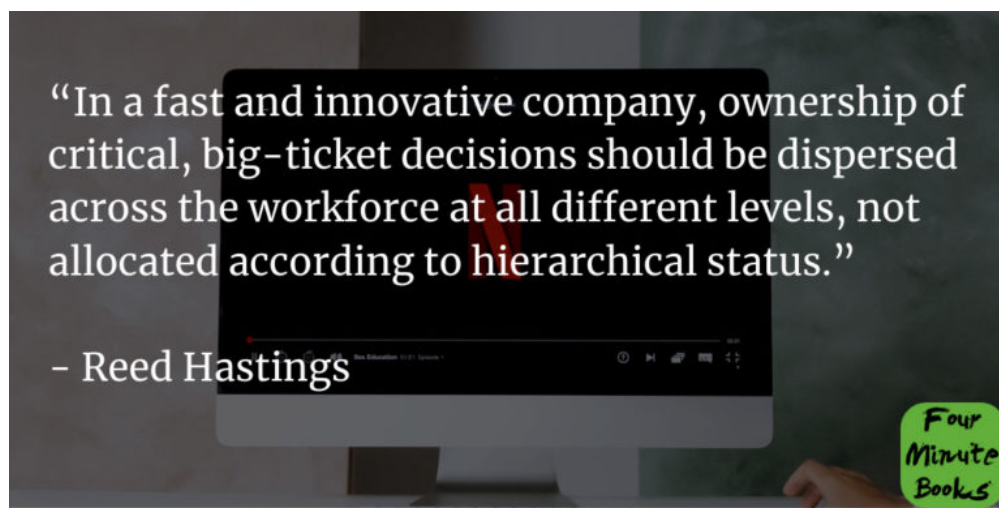
No Rules Rules Summary

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1-Sentence-Summary: *No Rules Rules explains the incredibly unique and efficient company culture of Netflix, including the amazing levels of freedom and responsibility it gives employees and how this innovative way of running the business is the very reason that Netflix is so successful.*

Read in: 4 minutes

Favorite quote from the author:



When Netflix started 20 years ago as a DVD-by-mail service, no one could have imagined it would become a streaming service with millions of worldwide subscribers. The company now even produces its own award-winning movies and television shows and is nothing short of a touchstone of modern culture.

Netflix created a revolution in the entertainment industry like never before. But to do this, the company had to reinvent itself countless times over the years. Netflix owes its success to unprecedented flexibility and radical management principles that were put in place from the very beginning.

Reed Hastings, founder of Netflix, teams up with business author Erin Meyer to give us a fascinating look into the exceptionally successful but unconventional business model of Netflix in No Rules Rules: Netflix and the Culture of Reinvention. They reveal the controversial ideologies at the company's centre that everyone can learn a thing or two from.

Let's see how much we can discover in just 3 lessons

1. Netflix is such a huge success because of its unusual company culture.

2. The keys to an exceptional company are high talent density, a lot of honesty, and not many useless policies.
3. Keeping a team talent-dense is hard work, but it allows you to have dispersed decision-making.

Let's get right to it and binge these lessons!

Lesson 1: The reason Netflix was able to excel the way it has is its unique company culture.

Remember going to Blockbuster to rent movies? In 2000, Reed Hastings met with the CEO of Blockbuster to make him an offer. At the time, Netflix was a small start-up, and Blockbuster was a huge company worth \$6 billion and 9,000 stores worldwide.

The pitch he and his partner made was for Blockbuster to buy Netflix for \$50 million and allow Hastings and his partner to run an online video rental service for Blockbuster. The CEO quickly declined the offer. **This turned out to be a huge mistake, because as we know, Blockbuster filed for bankruptcy just ten years later. After all, Netflix dominated the market.**

How did the small company adapt so much better than the rental giant Blockbuster? It all came down to the culture of Netflix. It is a company that emphasises people and innovation and isn't overly controlling. This has allowed it to grow at unprecedented rates, and a 2018 survey rated it as the best place in Silicon Valley to work.

In just 20 years, the company has maneuvered through four huge industry shifts impressively well. It was first a DVD-by-mail service, then a streaming service, then it moved on to license content from other studios, and finally, it started producing movies and TV shows of its own.

Hastings says this is because, at Netflix, his employees are allowed much more freedom than other companies. When they are given this freedom, they are inspired to work harder, be more innovative, and make better decisions.

Lesson 2: To have a successful company, have high talent density, a lot of candour, and get rid of dumb policies.

But before you just set employees loose, Hastings says that there needs to be planning. You need to do three things if you want to have this kind of freedom for employees: have high talent density, a lot of candor, and throw out pointless policies.

A company with a smaller group of great talent will always outperform a large one with so-so employees. That's because high performance is contagious. **When you have multiple high performers together, they hold themselves to a higher standard and have**

more fun. When everyone is good at their job, performance spirals upward.

So how do you attract and keep employees that have this kind of zeal? Pay a great salary. It even makes financial sense because hiring one amazing person and paying them a lot will be more worth it than paying many decent workers a normal salary.

Netflix also prioritizes what the authors call radical candor. It is perfectly normal for employees to contradict their supervisor in a meeting if they disagree directly. Telling people when you disagree with them isn't just normal; it is expected. They see it to help the business better, so not speaking up is considered disloyal.

However, you can't just vent frustrations impulsively. Feedback follows four rules: feedback should be given to help, feedback should be actionable, you should appreciate any feedback you get, and you should think carefully about if you should accept feedback or not.

Lastly, don't be afraid to throw out useless policies. Netflix doesn't track hours or days people work, and now it doesn't even have a vacation policy. The authors strongly believe this leads to greater accountability. The reason freedom leads to accountability is simple: it shows them you trust them.

Lesson 3: It can be time-consuming to keep a high density of talent, but it allows maximum efficiency.

Having a team that has a lot of talent is amazing for a company. But to keep it up, it takes work. First, you need to be able to fire people who are just okay at their jobs.

Netflix sees employees differently than a lot of other companies. Rather than view them as a family that you have for life, regardless of good and bad times, a job at Netflix is something you do only when you are the best person for the job, and it is the best position for you. **So instead of viewing employees as a family, Netflix views employees more like a sports team collectively trying to win a title.**

It might sound pretty harsh to fire people so easily. Losing a job does impact people hugely. So Netflix takes this into account and offers an impressively generous severance package to make sure people can find a good fit if they are let go.

If you can achieve this kind of talent density, it makes management much easier. Netflix doesn't do what most companies do, where they either approve or decline employees' ideas. Hastings says this only limits innovation.

Instead, the managers allow employees to use their own judgment and determine what they think is best for the company. When employees have the power to do this, senior leadership has much more time for other things.

Having a talent-dense team helps you do this because you can trust them to make innovative and smart decisions. This means a more efficient company, with no micromanagement necessary.

The No Rules Rules Review

This book blew me away. The ideas are so radical compared to everything we know and believe about business, but that makes so much sense. I think everyone can learn something in this book to help them run a better company that people actually enjoy working at.

Who would I recommend the No Rules Rules summary to?

The 56-year-old CEO looking to turn a corner on employee retention and productivity, the 33-year-old manager who wants to discover a new way of leading people, and anyone curious about how Netflix works behind the scenes.