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Review of

No Rules Rule: Netflix and the Culture of Reinvention

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Paperback, Large Print, 464 pages

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Literary Awards: Financial Times and McKinsey Business Book of the Year Nominee for Shortlist (2020)

The Netflix story is an account of one of those rare, elusive commercial entities that has reached the enviable position of a hugely successful global company in a relatively short space of time. Netflix is now firmly established and recognised as the dominating force in the entertainment streaming industry, despite having to reinvent itself over and over again throughout the past twenty years. Unlike other companies that couldn't make it through the reinvention phase, and there are many including Nokia, Motorola, Kodak and BlackBerry, Netflix grew as a company from just 100 employees to over nine thousand between 2000 and 2022. What is even more impressive is that Netflix did this while navigating the reinvention of their business model and adjusting their business strategies to adapt to the changing nature of consumers' wants. During these two decades, Netflix scaled up their business while transitioning through at least four distinct business models, which included DVD rental and sales, streaming, developing original content, and global production projects. No doubt, many companies struggling to keep up with the changing nature of consumer demands look at what Netflix has accomplished and wonder what the secret to their success is.

In this debut novel Netflix co-founder Reed Hastings, teams up with business author Erin Meyer to share for the first time the unorthodox culture behind one of the world's most successful companies. *No Rules Rules* is a deep dive into the controversial employment practices which are at the centre of the Netflix work philosophy. This philosophy and culture have ultimately advanced Netflix from a tiny start-up, with losses of \$57 million in 2000, with a business model based on ordering DVDs online and getting them delivered through the US mail, to become the giant of home entertainment and poster child as a firm that can successfully pivot their business model and rapidly transition their business.

The book states it draws its content from hundreds of interviews with the company's current and past employees, featuring many anecdotes of Netflix's successes and failures. It discusses the expectations for its employees, whilst providing an in-depth narrative of topics such as human resource management, corporate policies, communication practices and company culture.

Section one of the book introduces the reader to the Netflix psyche, whereby it values its people over process, emphasises innovation over efficiency, and has very few controls. It states that Netflix culture is famous, or infamous, or indeed weird, depending on your viewpoint, with 'millions' of people having studied the company's 'culture deck', consisting of a set of 127 slides outlining the company's guiding principles. Sheryl Sandberg has reportedly said these slides '*may well be the most important document to ever come out of Silicon Valley*'. High praise indeed! The slides feature the rules with which Netflix lives by, for example;

Netflix Vacation Policy and Tracking

'There is no policy or tracking'

There is also no clothing policy at Netflix, but no one comes to work naked.

Lesson: you don't need policies for everything

Like every company, we like to hire well.

Unlike many companies we practice:

adequate performance gets a generous severance package

While the Netflix way espouses to give employees many freedoms from controls and encourages an environment of innovation, it would seem that there may be a juxtaposition of this mindset, when considering the culture deck statement on slide 23 'adequate performance will gain you a severance package'. Many management theories espouse the notion that to drive innovation, employees need an environment of safety, of calculated risk-taking and it being ok to make mistakes. However, at Netflix this latter principle may, it seems, lead to severance. Throughout the book, Reed and Meyer go on to explain how, through a gradual evolution and over two decades of trial and error, the company found an approach which works for them. Instead of developing processes, procedures and controls which many companies tend to increase as headcount and organisation structure becomes more complex, Netflix did the opposite. It reduced controls and gave their employees the freedom to exercise their own judgment, making them accountable for their own decisions and business results. This included removing many policies surrounding work practices such as annual leave, expenses and decision-making approvals.

Reeds central argument in *No Rules Rules* is primarily based on the assumption that the more you allow your employees freedom to own their employment and make decisions like a business

owner, the nimbler the organisation will become, with a happier, more motivated workforce. He believes this approach is, however, reliant on two other factors. To develop a foundation that allows this level of freedom, Reed believes you must increase two key elements, that of firstly building up talent density and secondly, increasing candour.

According to the Reed, building up talent density means building an organisation of high performers, and the denser the talent the greater freedom you can offer. Unlike more traditional work environments, Reed believes that policies and controls are in place to deal with employees who are sloppy, unprofessional, or behave irresponsibly. Only by removing employees that exhibit these behaviours, and keeping the best performers, can talent density be built up to support greater freedoms in the workplace.

The other key factor is increasing candour. The assumption here is that normal, human politeness protocols prevent employees from giving the valuable feedback necessary to enable performance to reach a higher level. By increasing candour across all levels, from top down, bottom up, employees get better at what they do, as they become more accountable to one another, and by learning from each other. When both of these elements are in place, Reed's assumption is that you can start to reduce the traditional controls. As talent density increases, and candid feedback increases in a positive and constructive way, organisations can remove more of their approval processes. Through establishing a work environment based with these two elements as their foundation, the Netflix culture of 'Freedom and Responsibility' was created or 'F&R' as it known in Netflix. Managers are encouraged to 'lead with context, not control' and using guidelines such as 'don't seek to please your boss', whereby employees are encouraged to question their bosses' assumptions and direction, rather than merely agreeing to please.

The first nine chapters of the book focuses primarily on a *three-step* implementation approach, outlining the three cycles and what specific tactics organisations need to consider in these cycles, in order to work towards the Netflix culture of 'no rules'. The tenth chapter provides an interesting take on how the company had to adapt this approach when attempting to establish their corporate culture into a variety of national cultures.

The style of narrative in the book feels conversational with the format comprising of alternating sections which document contributions from Reed and Meyer, taking turns throughout the book to explain a situation or practice. There are also many anecdotal snippets of interviews from employees dispersed throughout the chapters, reinforcing both Reed's and Meyer's narratives. While some of these interviews discuss employees' fears and anxiety relating to when they would be fired for 'adequate performance', I would argue the balance of interviews is leaning a little to a

self-validating or self-satisfied side, and possibly not fully showing the full picture of the high level of competition between Netflix employees, or indeed discussing the levels of burnout of employees. In fact, in a 2018 *Wall Street Journal* profile, the firm was criticised for its “ruthless” approach, including the harsh firing of underperforming employees’.

‘No Rules Rules’ does however provide some thought-provoking insights, tips and guidelines across key business areas, such as giving and receiving feedback. It presents interesting and logical rationale for the high remuneration rates and the absence of bonuses at Netflix, and also discusses concepts like the “innovation cycle” and the “keeper test”. This test, in the spirit of Netflix candour, encourages employees to ask their boss: “If I were thinking of leaving, how hard would you work to change my mind?”. This level of frankness, Reed believes, gives employees the feedback and guidance they need to become the highest of performers which the company requires. It also means there are no surprises if an employee is failing to meet the high-performance bar when their employment is terminated: they did, in effect, see it coming. It is worth noting that severance pay in Netflix is significant, between 4 to 9 months income depending on your level within the organisation. Employees do however sign contracts to waive their rights to legal action if they dispute the severance.

The Netflix culture is certainly at odds with the well-established management paradigms that have emerged over the past industrial revolutions. Those are the paradigms of rules, processes and procedures. As the book concludes, Reed acknowledges that the culture for freedom and responsibility is not suitable for all business, for example, in industries where employees’ or customers’ health or safety depends on everything going consistently right and according to plan. Hence industries such as the pharmaceutical, medical device, nuclear energy to mention a few, are not the right environments for establishing a culture such as that at Netflix.

In conclusion, the *raison d’être* of Netflix is that of entertainment, with the organisation’s purpose statement declaring *‘we want to entertain the world’*, and *‘entertainment is fun, it’s about creativity, agility and responding to consumer trends’*. Therefore, creating a work culture to facilitate an agile, innovative, and creative workforce to complement your business environment makes sense on a number of levels, but not on all levels or all sectors.

Similarly, *No Rules Rules*, as a read, provides some interesting thoughts and concepts on some levels but is also a little self-indulgent and seems repetitive on other levels.

Review author: Ann Gabrielle Ryan, Inopharma Education, Dublin