NO RULES RULES
NETFLIX and the Culture of Reinvention
REED HASTINGS and ERIN MEYER

REED HASTINGS is a co-founder of Netflix in 1997, and he has served as chairman and CEO since 1999. He previously started Pure Software which launched in 1991 and was acquired in 1997. Reed Hastings is an active educational philanthropist, and has served on the California State Board of Education, and as a director of Dreambox Learning, KIPP, and Pahara. He counts serving in the Peace Corps as a hugely influential experience in his career. Reed Hastings is a graduate of Bowdoin College and Stanford University.

ERIN MEYER is a professor at INSEAD, one of Europe's leading international business schools. She is the author of *The Culture Map,* and her articles have been published in the *Harvard Business Review, The New York Times*, and *Forbes.com*. In 2019, Erin Meyer was identified as one of the fifty most influential business thinkers in the world. She is a graduate of INSEAD, and also served in the Peace Corps from 1994 to 1995.

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MAIN IDEA

Most companies tend to get more rules and processes as they grow larger. Netflix has excelled by going in the opposite direction. As the company has grown, it has built a culture of having less rules, not more.

So how does Netflix pull that off? It uses a 3-step process that gets cycled again and again. That process looks like this:

NETFLIX

The NETFLIX Cycle

1	2	3
BUILD UP **TALENT DENSITY**	*LOOK TO INCREASE* **CANDOR**	*FIND WAYS TO* **REMOVE CONTROLS**

What's most impressive about this is Netflix has used that same cycle as it has navigated four major industry transitions to stay at the top. The company has evolved from being a small DVD rental by mail operation to streaming other people's content, to creating its own content, to becoming a global company entertaining people in 190 countries.

Netflix has achieved that by becoming a different type of workplace, which promotes flexibility, employee freedom, and innovation, rather than focusing on error prevention and rule adherence.

"Through a gradual evolution, over many years of trial and error, we found an approach for making this work. If you give employees more freedom instead of developing processes to prevent them from exercising their own judgment, they will make better decisions and it's easier to hold them accountable. This also makes for a happier, more motivated workforce as well as a more nimble company. But to develop a foundation that enables this level of freedom you need to first increase two other elements: Build up talent density; and Reduce controls."

– Reed Hastings

NETFLIX

The NETFLIX Cycle

1	2	3
BUILD UP **TALENT DENSITY**	*LOOK TO INCREASE* **CANDOR**	*FIND WAYS TO* **REMOVE CONTROLS**

To start building a NETFLIX style culture, your initial actions should be:

1	2	3
BUILD A WORKPLACE OF **STUNNING COLLEAGUES**	*LET PEOPLE SAY WHAT THEY* **REALLY THINK**	*BEGIN REMOVING CONTROLS ON* **VACATIONS & EXPENSES**

To then take things to a higher level, your next actions should be:

1	2	3
MAKE SURE YOU PAY YOUR STAR PERFORMERS **TOP DOLLAR**	*OPEN THE* **BOOKS**	*MAKE IT SO* **NO APPROVALS REQUIRED**

To reinforce and stoke a culture of freedom and responsibility:

1	2	3
LIVE BY THE **KEEPER TEST**	*MAX YOUR CANDOR USING* **FEEDBACK CIRCLES**	*LEAD WITH* **CONTEXT, NOT CONTROLS**