

Book Review

No Rules Rules: Netflix & the Culture of Reinvention By Reed Hastings and Erin Meyer Penguin Random House 2020, Pages: 293, Price: Rs 799 ISBN-13: 978-0753553664

No Rules Rules: Netflix and the culture of reinvention is the story of a company that successfully faced four massive transitions in the entertainment world. Netflix was able to survive these transitions, as the authors claim, on account of it being a different type of workplace. Normal companies focus on error prevention and rule adherence. Netflix survived by promoting flexibility, freedom and innovation. Specifically, it focused on giving freedom to employees, and not making them follow processes. With freedom came accountability, and employees took the onus of their own judgment. The very rationale for Netflix was to reduce control and bureaucracy. The two basic building blocks needed for reducing control, as discussed in the book, include talent density and increase condor. The chapters in the book methodically describe how to create a culture of freedom and autonomy. In fact, each chapter in the book contains experiences of the founder in the form of a narrative. By reading the same, one can have greater insights into developing inclusive and performance-oriented culture with complete autonomy in decision-making. In a nutshell, this book is about creating a performance-driven culture, based on valued contribution from each member of the team.

The book has been divided into four sections; sections I, II and III have three chapters each, while section IV has only one chapter. Section – I of the book has been named as “First steps to a culture of freedom and responsibility.” Within this section, in Chapter 1, the authors share their experiences from the early days of Netflix, and thereby build a backdrop for the remaining chapters by explaining talent density. The authors note that the prime goal of a leader is to develop a workplace consisting of talented employees, who are creative and collaborative, and are achievers. Chapter 2 of the book has been titled as “Say what you really think.” This chapter begins with Reed sharing his experience as CEO of Pure Software; he discusses at length about his inability to confront the problem. He also mentions that this problem can be resolved by giving and receiving transparent feedback. He goes on to add that while giving feedback, ‘4A guideline’ could be followed for better results. The following chapter (i.e. Chapter 3a) is titled “Remove vacation policy.” In this chapter, the authors advocate no cap on vacation policy at Netflix; employees can take vacation whenever they want for any duration. The authors believe that vacation gives

time to think creatively, and thereby ponder about work from different perspectives; and this is not possible during normal working hours. The advantage of no vacation policy is that it attracts the best talent, apart from reducing bureaucracy and administrative costs. Chapter 3b is titled “Remove travel and expense”; herein, the authors discuss how Netflix did away with the policy of travel and expense policy. Initially, in the chapter, they discuss the disadvantages of having such a policy, followed by how to manage without it. The company has set certain guidelines on how to spend money on tours. They recommend a setting of context by managers on how to spend money. By context setting, it means, how comfortably one can defend the purchase when scrutinized by the manager. If an employee finds defending the purchase to be a daunting task, then he should look for other alternatives. In case of abuse, the manager is expected to take strict action.

“Next steps to a culture of freedom and responsibility” comprises Section two of the book. Herein, the fourth chapter, besides the first chapter of part II have been titled “Pay top of personal market.” As per the authors description, Netflix follows a very aggressive model for retaining top talent. The company divides talent into two categories: creatives and operational. It pays the creative workers more than what the market has to offer; and for this, they encourage talent even to take calls from recruiters and assess their worth. The fifth chapter of the book has been titled “Open the books.” In this chapter, the authors ad-

vocate and suggest ways to instigate a culture of transparency. They believe that it can be initiated by sending symbolic messages; one way of doing this, is by opening the accounting books to all, while teaching them to read balance sheets. Another way suggested is for leaders to publicly accept their mistakes; in turn, this would increase trust, goodwill and innovation across the length and breadth of the organisation. “No decision-making approvals needed” is the sixth and the last chapter of part II of the book. In this chapter, the authors discuss dispersed decision-making model at Netflix, and how it has become an integral part of its culture. Importantly, the authors believe that when decision-making is decentralised, it speeds up and increases innovation. Another factor which goes in favour of Netflix is the market in which it operates is not safety critical, it is inherently ‘creative’. Here, not making a mistake is a threat, as innovation will not happen. So, the ingredient required for this model are talent density and organisational transparency. In order to adopt this approach, it should be made clear to all in the organisation that their job is not to please the boss.

“Techniques to reinforce a culture of freedom and responsibility” is Section three of the book, and “The keeper test,” is the first chapter of this section. Netflix teaches its employee the keeper test, which is about encouraging managers to replace the existing employee with someone more effective. Managers are taught to continuously scan the contribution made by their subordinates by asking a question to themselves, how much hard

will I try to stop this employee from joining a similar job at another company. Authors advice using the metaphor of a professional sports team rather than a family, as tough decisions have to be made. Managers have to be taught to create strong feeling of commitment, cohesion and camaraderie, and at the same time, they should be able to take tough decision to ensure the best is manning the gates. The eighth chapter of the book, which happens to be the second chapter in part III, has been titled “A circle of feedback.” This chapter is about the performance appraisal system at Netflix. The company does not believe in the traditional way of evaluating performance, as it comes from one person and goes from top to bottom. Over the years with experience, they have developed their own system that suits their need. At Netflix it is believed that 360 written report is a better way for annual feedback. A salient feature of the feedback system is that it is not linked to pay raise or promotion, and is anonymous. The ninth chapter of the book has been titled “Lead with context, not control.” In this chapter, the authors present another best practice followed at Netflix, leading with context. Leading with context is difficult, and its advantage is it gives more freedom to employees. The job of a manager is to provide the needed information, and employees accomplish their objective without any oversight. The benefit of this is employees build decision-making ability. Talent density is a must for leading with context. The second aspect that has to be looked into while deciding on control or context is, whether striving for innovation or error

prevention. When striving for innovation error risk is not the concern, but becoming irrelevant is then leading with context will work.

‘Going global’ comprises section four of the book. This section has only one chapter, titled ‘Bring it all to the world.’ By far, this is one of the best chapters of the book, as it dwells upon issues of handling cultural differences. In this chapter, the authors candidly discuss the problem of adaptability that Netflix employees face while negotiating their way through different cultures. Further, they discuss how they were able to overcome them; the authors also present their point of view of adapting in a new culture. While giving feedback to people from the same culture 4As may be followed; these include aim to assist, actionable, appreciate, and accept or decline. When dealing with people from alien culture add one more A, represented by ‘adapting’.

Overall, this book is a good read, as it provides in-depth view of the work culture at Netflix, and how it is different from other companies. Through this book, an unconventional approach is clearly visible, and how it gets materialized into performance can be understood. The book is full of real-life examples and case studies of different executives, where they stood apart from the crowd, and went against the trend to create an environment of performance. From these examples and case studies, practitioners can learn to recreate a new pathway and approaches for their organisation. The book is also of interest to scholars and

researchers, as it provides a new perspective to ponder over. The book is not intended to provide future scope for research; but reading the book would in itself provide ideas for research in the form of research gap. In fact, the authors in one of the chapters mention that adequate is not enough. This dictum could possibly be converted to a research idea. Academicians could also use this for teach-

ing subjects like Management. As a company, Netflix appeals to the students; and when it is used as an example, students would certainly find it engrossing.

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