How Netflix Exported Its Unusual Corporate Culture Across the Globe

An interview with Erin Meyer, co-author of 'No Rules Rules,' one of Marker's '5 Best Business Books of the Year'

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In Marker*'s analysis of the "best of 2020 business books" lists, the book that appeared on most lists from the business media and booksellers was* No Rules Rules *by*

Reed Hastings and Erin Meyer. Hastings, co-founder and co-CEO of Netflix, and Meyer, a professor at the business school INSEAD and author of The Culture Map, take turns narrating this book about how Netflix's unique organizational culture evolved and how it works.

Built around maxims like "We are a team, not a family" and "Adequate performance gets a generous severance," doing away with controls like vacation limits and expense approvals, and allowing all employees to have visibility into the company's decision-making and finances, Netflix is, in many ways, a culture of extremes. This has led it to become one of the most effective workforces of any business, earning nine times more per employee than Disney.

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Marker *spoke with Meyer about her experience writing the book with Hastings, what she learned about the organization's culture as an outsider, and how Netflix scales its culture to thousands of employees in various different parts of the world.*

This interview has been edited and condensed for clarity.

***Marker*: *No Rules Rules* is an unusual book in that it's presented as a back-and-forth between you and Netflix CEO Reed Hastings. Was that always how the book was conceived?**

Erin Meyer: I struggled quite a bit at the beginning trying to figure out how to deal with the fact that Reed and I were co-writing the book but are different people—we're not a "we." There are, of course, a number of business books that were written by co-authors as "we." Other business books written by co-authors, like Sheryl Sandberg's book with Adam Grant [*Option B*]—they choose to write just in her voice. But I wanted to write a book that was about my experience researching and discovering this wacky and fascinating corporate culture at Netflix while also allowing Reed to express himself outside of my reactions to him.

That's why we came up with the two voices. A lot of people told me it would not work. But I thought it made it a little bit spicy. I also thought it gave us a way that we could express our two experiences at the same time.

How did you get involved with co-writing this book in the first place?

Reed originally approached me because he had read [my previous book] *The Culture Map* and was using that in his organization. I started doing quite a bit of work with

Netflix because, at that time, it was a national organization, more or less. It was mostly just in the United States and was getting ready for this incredible international expansion, moving into 130 countries all in one day in January 2016. I worked with Netflix to map out its corporate culture and compare it to the various countries it was moving into. It was through that where I became more and more interested to understand how the really quite surprising and sometimes startling corporate culture at Netflix actually could work in other parts of the world.

Reed and I had a little bit of an unusual connection that led to a faster trust between us than I think he would normally have with someone else, which was that we both had been Peace Corps volunteers in the same part of Africa. Only a very small percentage of the population has had that experience.

***No Rules Rules* is all about how Netflix developed a unique organizational culture. Your previous book *The Culture Map* was about business culture across international contexts. I'm curious how you brought your study of different business cultures around the world to bear on your study of Netflix's organization.**

One of the first times that I met with Reed, I did this presentation in Cuba for their leadership team. Afterwards, Reed asked me, "Okay, we have this culture here, which is the reason that we've been so successful

and you've now learned a lot about it. Do you think that this culture can be successful around the world, and what are the areas of it that you think that I really need to be thinking about?"

I gave him my honest perspective at that time, which has now changed: "I just don't see how you can take this culture of candor that you're practicing in California to places like Tokyo and Singapore and São Paulo without creating an abrasive work environment where people really don't want to be."

He thought about it for a couple of minutes and said, "I'm sorry. I can't take that. The candor is so fundamental to our success that I can't get rid of that. Do you have something else for me?" And I remember I was like, "Okay, if you think you need that, then please, at least focus on being less task-oriented." Netflix had a very task-oriented approach at the time, with meetings that were 30 minutes long so everyone's jumping right into business, and they're moving to São Paulo and to Tokyo, places that are really relationship-oriented. I told him, "Work on creating a more relationship-oriented environment because that will mitigate the abrasiveness that might come from all that candid feedback if people have really close relationships."

Reed said, "Now, that, I can do. We have no reason that we're so task-oriented." He said, "I don't even know why we do that. It just happened that way." And it was actually

quite funny because then the human resource director told me six months later, “Oh, Reed’s been talking about relationship-orientation nonstop since that meeting.”

One of the earliest incidents described in *No Rules Rules* is Reed Hastings deciding to lay off 30% of Netflix’s workforce in the wake of the 2001 crash. At that time, Netflix’s workforce goes from 120 employees down to just 80, giving rise to the culture of “high talent density.” Given that Netflix is so much larger today, with more than 8,000 employees all around the world, how has Netflix communicated and maintained its unique culture across that much larger workforce, spread across the world? Has Netflix attempted to maintain uniformity of its organizational culture or have you adapted it in different locales?

It would be incorrect to think that the culture at Netflix is somehow stagnant — that the company has grown, but the culture has stayed the same. They debate the corporate culture frequently, and some things that were going on when I was interviewing Netflix employees for the book have since totally changed. For example, one of the more controversial aspects of the corporate culture was that when a person was fired from the company, managers would send out emails to everyone who worked with them explaining why that person was fired. When I started working with Netflix, that was the practice, but now there’s been so much debate and pushback: Is that transparency worth the loss of

individual privacy or respect for the person who's left? There's been a lot of change around that.

One of the things that I found most interesting, which did not make it into the book, was a chapter about salary transparency. When I started interviewing people at Netflix, they were in the midst of a discussion about whether all employees should be able to see everybody else's salaries. That was something that Reed was really pushing for. Reed felt that all managers should be able to explain to everybody on their team why everybody is paid what they are. And if the manager, for some reason, can't explain why she pays one person less than she pays another person, that means that something's not right in the way people are being paid. He wanted that to be open to everybody, and first opened it up to all vice presidents and then to all directors. His hope was to then push it down to the next level of the organization.

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But it was creating so much emotional turmoil in the company and so much distraction. I had people telling me things like, "I walk into a meeting and all I can see are people's salaries flashing over their heads." It created so much frustration that Reed eventually put it up for a vote to the top 10% of the employees, and they voted overwhelmingly against pushing salary transparency

further down the organization, and he was very disappointed.

I say that just to show that they're constantly having these discussions about the culture and how they could push boundaries further or what's not working.

So yes, Netflix has grown. They used to be a company that was mostly in Silicon Valley and now their biggest headquarters is in L.A., as they've transitioned from being a high tech company to being more of a media company. And they found that, in general, people in the media industry are less direct and less comfortable with candor than people in tech.

What does it look like to take these systems of feedback that were developed by engineers and now apply them to people who are in the acting business, for example? They still keep all the same principles in L.A., it's just that they wrestle with them a little bit more.

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On the international level, it has been a challenge to figure how to take this culture of candor and talent density and implement that in countries like Japan, Singapore, and Brazil. It can work in those countries, it's

just that the method that you use to implement the value system has to be developed and tested locally. A culture of an ad hoc kind of candor, stopping people in the halls and saying, "Oh, I think you could have done this better in the presentation this morning" is never going to really happen in the Tokyo or São Paulo offices. But some other systems, like having feedback meetings regularly, or even doing 360 feedback dinners, those seem to work great. When people had time to prepare, they understood what was expected of them, they knew that they were supposed to give feedback with generosity to help the person that they were talking to improve.

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Are you aware of any specific adjustments that needed to be made, or misunderstandings that occurred when exporting Netflix's culture to other parts of the world?

When I was in São Paulo about two years ago, their management team and their HR was like, "We Brazilians,

we're really relationship-oriented, but it's too bad that at Netflix they say, 'We are a team, not a family.' So that means that we should not go out and have lunch together and we should not drink coffee together because we are not a family."

And I was like, "Wait, no, that's a misunderstanding of the principle because 'We are a team, not a family,' doesn't mean don't socialize. It doesn't mean don't build great relationships with one another. It means don't think about your work as a workplace for life. Instead, think about your team as a fluctuating entity, just like you would if you were on an Olympic team."

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I also know that Netflix's principle of "adequate performance gets a generous severance," is hard for the Japanese. They've had employment for life in Japan almost universally until rather recently, so people are not used to the idea of just coming in and not having someone there anymore. I found that the emotions in the Tokyo office associated with letting people go was much more painful than what I experienced in other offices. There's definitely growing pains and, again, I don't really

know if that has changed, if people have gotten more used to it, but that was a struggle.

How has Covid-19 affected the way Netflix puts its culture into practice?

There was an interview that Reed did, which was widely publicized, in which he was asked if he was finding any benefits to having Netflix employees work from home, and he said something about how he finds no advantages to it. That became the big headline, "Reed Hastings Deems Remote Work 'a Pure Negative.'"

But when I saw how people were discussing that, I was like, "Wait. No, this is a total misunderstanding." Most companies don't give their employees much freedom, so when Covid-19 came, suddenly, their employees had to work from home and, when they had the freedom to organize their time and organize their work, their workspace, their work life, the way that they wanted, there were all of these advantages that the companies hadn't expected. People were more innovative and more productive.

The reason that Reed didn't experience that is that his employees already had that freedom. At Netflix, everybody could already work on their own hours in their own place in the way that they felt was best. The only thing that they got from the shift to working from home was the constraint of not being able to build relationships

or meet face-to-face.

I'd like to step away from Netflix for a moment to get your perspective, given your expertise on international business cultures with *The Culture Map*, on some international business tensions that have been in the news lately. One of these has been the whole TikTok situation: Given the geopolitical tensions between the U.S. and China and concerns about the Chinese government's influence over its businesses, President Trump attempted to force TikTok's parent company to sell TikTok's U.S. operations. How do you see that playing out and, more generally, how should companies think about navigating geopolitical tensions when doing business across borders?

Generally, when I look at these situations playing out, I feel that there is just so little effort to understand the cultural context within which communication is happening. For example, in China, so much of the communication is implicit, so it doesn't occur to the Chinese that, when they're working with people in the U.S., Americans are not picking up their unspoken messages. Then the Americans perceive that as a lack of transparency, thinking, "They didn't tell us"; whereas the Chinese feel like, "We told you. You chose to not pay attention."

It's a very common source of mistrust between China and

the U.S. that I'm certain has played out in the TikTok negotiations, although I haven't been following them enough that I can comment on them specifically. The other element that is so critical between China and the U.S. when it comes to business is that the Chinese are very relationship-oriented and Americans just are not. What I mean by that is that the Chinese really seek to get to know one another beyond their business persona, seek to connect at a human level, and it's through that human connection that they feel trust with one another to work together.

Americans meanwhile want to work with people who they like working with, but they don't seek that deeper connection with their business colleagues or partners and, in fact, they think that that deeper connection would lead them to make bad choices, or to maybe go to a place that they feel is not ethical. At some levels, that dynamic must have played out in the mistrust that has been experienced in this very complex situation that's unfolding with TikTok and the U.S. and China.

Finally, what was your biggest takeaway from your work with Netflix?

My biggest lesson from working with Netflix was actually something that we didn't write about in the book. It's something that every company should think about when it comes to corporate culture. The vast majority of companies, when articulating their corporate culture,

speak in absolute positives. For example, “we value integrity” or “we value respect” or “we value judgment.”

Netflix has been able to grow a culture with intent by focusing on the tensions or dilemmas that impact their managers every day instead of focusing on absolute positives: What are the really critical things that our managers have to grapple with every day and which way do we want them to turn when they come across these dilemmas?

> “Netflix has been able to grow a culture with intent by focusing on the tensions or dilemmas that impact their managers every day instead of focusing on absolute positives.”

At Netflix, they’ve looked at these really big tensions. Another one is, do we value innovation or error prevention, right? A lot of companies don’t even think about that tension. They just say, “We want both. Can you please innovate and also not make mistakes?” Well, that’s not useful. At Netflix, when you come to a moment where you can either try things out and make mistakes or focus on error prevention, they say, don’t focus on error prevention. Lean towards innovation.

It’s a similar thing with how they do firings. Do I focus on creating a family environment where people feel really safe and secure and that makes them feel comfortable here or do I focus on a really high-performing team and

say that adequate performance gets a generous severance? Whatever corporate culture you want to develop, don't think in absolute positives. Because what's a good alternative to integrity? I don't think that any company would say it values corruption, so just save your breath. Instead, focus on those really tough dilemmas that your managers have to face every day and tell them which way to turn, and that's when the culture really starts to breathe and take life.