

THE NETFLIX PRESSURE-COOKER: A CULTURE THAT DRIVES PERFORMANCE

Netflix is under fire for its pressure-cooker culture. A recent *Wall Street Journal* [article](#) sliced the company open to reveal a culture that pushes extreme openness, uncomfortable feedback loops and an arguably callous firing process. To work there certainly doesn't sound easy. Maybe that's the point.

Extreme Openness And “Radical Transparency”

The philosophy of “radical transparency” bleeds through the Netflix organization. The level of openness it promotes takes on many forms. “Sunshining,” for example, is a Netflix term used to describe a company practice that encourages employees to air a mistake they might have made to colleagues in the name of transparency.

Salaries is another. Most organizations, especially those without a structured pay scale, choose to keep salaries private. It can engender grievances not only between functions and teams on where resources are spent but also between employees. At Netflix, those director-level and above have line-of-sight into the salaries of all employees. That accounts for around 500 people, as cited in the *Wall Street Journal*.

Evaluations are also public. Employees are rated annually using a “360” tool, a fairly common procedure in many organizations. Much less common is that those evaluations are accessible company-wide, from administrators all the way to the CEO.

Netflix's CEO, Reed Hastings, has implemented these practices to “involve everyone in debates about Netflix's path, from price increases to its China strategy to the look of Netflix's logo,” as mentioned in the *Wall Street Journal*. Employee feedback is welcomed, a policy that also carries over to individual employees.

The “360” is one small part of the employee evaluation process. Its continuous feedback loop is a much bigger one. The culture encourages constant feedback. “Employees are encouraged to give one another blunt feedback,” it was [reported](#). For some, especially those new to this type of culture, ongoing feedback can feel abrasive. But its purpose is to provide employees with ongoing opportunities for improvement, rather than a single, isolated annual review.

The “Keeper Test” is another cultural peculiarity managers use to assess the performance of an employee. Managers are implored to ask themselves: Would you fight for that employee? The “Keeper Test,” according to the [article](#), is not always a source of comfort. “Many employees say they see the keeper test as a guise for ordinary workplace politics while some managers say they feel pressure to fire people or risk looking soft.”

Netflix's culture, it seems, is one where the idea of getting fired is never far from your mind.

The Firing Process

Firings can often feel abrupt and can seem heartless. One such example was the termination of Neil Hunt, the chief product officer who had a hand in developing the Netflix curation algorithm. Not only was he an early employee, but he was also a friend of Hastings.

The changing of the guard, it was reported, was attributed to the need for different skills as Netflix positions itself for increased growth in Hollywood and international markets. Hunt was told he would be subsequently replaced by one of his reports, whose qualifications were better suited to the needs of the role.

Hunt's episode wasn't particularly unusual. At Netflix, it is commonplace to systematically assess and reassess employee fit, not based on yesterday's market challenges, only on those of today's and tomorrow's. This is a classic example of an up-or-out culture. To the untrained eye, the culture can appear to be excessively competitive. But few cultural approaches are more effective at ensuring high performance.

Solving The Attrition Problem

In light of the Amazon and now Netflix culture stories, it may also be easy to assume these types of cultures are new. But many of these practices predate both companies, notably espoused long ago by consulting firms.

Unceasing Feedback: In consulting, feedback is baked into every step of the process. It is unusual for a week to go by without receiving feedback on technical skills, presentation skills, teamwork, client interaction, even style of dress. Getting publicly reprimanded is not unheard of, either.

Op-Or-Out: Promotions are also debated by committee. If you aren't keeping up with the expected pace of promotion, you're let go. Bottom performers are routinely culled. And the possibility of getting fired is never far from your mind.

While not especially pleasant, this style of management is extremely effective, giving rise to an extraordinarily high standard of performance. In my own experience, I've seen consultants plow through work at 2x or 3x the pace of an average organization. This level of efficiency is rarely replicated without similar guardrails.

The atmosphere often attracts high talent but suffers from equally high attrition rates. A key feature of these types of cultures—usually, anyway—is how unsustainable they are. In consulting, the attrition rate can be [as high as](#) 50%.

By comparison, Netflix has maintained a voluntary attrition rate of 3-4% over the last two years. Even the involuntary departure rate sits at 8%, comparable to the U.S. average of 6%.

Netflix has succeeded not only in implementing a high-performing culture, but also in successfully retaining top talent. Most companies only succeed in one or the other. Rarely both. This is the real cultural achievement of Netflix.

High-Performing Cultures

To operate a successful company, you do not need a high-performing culture. There are plenty of companies today that are doing just fine with a mix of talent. But to operate an innovative company, a high-performing, talent-magnet of a culture is key.

High-performing cultures are high-pressure places. It takes a certain type of person to choose to compete in that competitive environment. It would be much easier to accept a more comfortable path as a star performer in a company with a different talent pool.

Netflix hasn't shied away from creating a competitive culture that is authentically true to itself, one that attracts the type of talent it needs for the type of ambitions it has. Netflix, [according](#) to the *Wall Street Journal*, attributes its success in part to this unique culture. "Many current and former employees credit it with keeping the company stocked with high performers capable of fast decision-making. This, they say, allows for a nimbleness that has helped it disrupt the global TV and movie industries."

All happy families are all alike—I've read—each unhappy family is unhappy in its own way. You hope to land in a happy family, a family that doesn't fire you. You hope to find comfort in your family. Netflix, though, is not your family.

The most innovative cultures are rarely comfortable. Comfort is found in complacency. Pushing boundaries breeds discomfort. It may surprise detractors that some people willingly choose to sign up for such a bumpy ride.

But Netflix never promised comfort, it only guarantees adventure.