PEOPLE HAVE POWER. DON'T TAKE IT AWAY.

Patty McCord

In an executive meeting one day at Netflix,

we suddenly realized that in nine months we would account for a third of U.S. Internet bandwidth. We had grown around 30 percent a quarter for three quarters in a row. At the time, we were still thinking that we might eventually be as big as HBO, but not for many years. Our head of product did a quick calculation of how much bandwidth we'd need in a year if we maintained our current growth rate. He then said, "You know, that would be a third of U.S. Internet bandwidth." We all just looked at him and blurted out in unison, "WHAT?" I asked him, "Does anyone at the company know how to make sure we can manage that?" He answered, with the honesty we always hoped for, "I don't know."

In my fourteen years on the executive team at Netflix, we constantly faced such daunting growth challenges. From the moment I joined, when the company had barely launched, the nature of our business and our field of competitors evolved continuously and incredibly rapidly. We had to anticipate changes and proactively strategize and prepare for them. We had to hire stellar talent in whole new areas of expertise and fluidly reconfigure our teams. We also had to be ready at any moment to cast aside our plans, admit mistakes, and embrace a new course.

Netflix may be an especially stark example, but all companies today must become great adapters. They need the ability to anticipate new market demands and to pounce on remarkable opportunities and new technologies. Otherwise, the competition will simply innovate faster. This is why, now that I am consulting, everybody wants to know the same thing: how can they create some of their own Netflix mojo? More specifically, how can they create for themselves the kind of nimble, high-performance culture that has made Netflix so successful?

The first step in culture transformation is embracing a management mind-set that overturns conventional wisdom. The fundamental lesson we learned at Netflix about success in business today is this: the elaborate, cumbersome system for managing people that was developed over the course of the twentieth century is just not up to the challenges companies face in the twenty-first.

Reed Hastings and I and the rest of the management team decided that, over time, we would explore a radical new way to manage people—a way that would allow them to exercise their full powers. We wanted all of our people to challenge us, and one another, vigorously. We wanted them to speak up about ideas and problems; to freely push back, in front of one another and in front of us. We didn't want anyone, at any level, keeping vital insights and concerns to themselves. The executive team modeled this: We made ourselves accessible, and we encouraged questions. We engaged in open, intense debate and made sure all of our managers knew we wanted them to do the same. Reed even staged debates between members of the executive team.

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We also communicated honestly and continuously about challenges the company was facing and how we were going to tackle them. We wanted everyone to understand that change would be a constant and that we would make whatever changes of plan, and of personnel, we thought necessary to forge ahead at high speed. We wanted people to embrace the need for change and be thrilled to drive it. We had come to understand that today's most successful organizations will be the ones in which everyone, on every team, understands that all bets are off and everything is changing—and thinks that's great. To build that kind of company, we were intent on creating a culture of great teamwork and innovative problem solving.

The Netflix culture wasn't built by developing an elaborate new system for managing people; we did the opposite. We kept stripping away policies and procedures. We realized that the prevailing approach to building teams and managing people is as outdated as product innovation was before the quickening pace of disruption demanded the development of agile, lean, and customer-centric methods. It's not that companies aren't trying all kinds of things to manage better; but most of what they're doing is either beside the point or counterproductive.

Most companies are clinging to the established command-and-control system of top-down decision making but trying to jazz it up by fostering "employee engagement" and by "empowering" people. Compelling but misguided ideas about "best practices" prevail: bonuses and pay tied to annual performance reviews; big HR initiatives like the recent craze for lifelong learning programs; celebrations to build camaraderie and make sure people have some fun; and, for employees who are struggling, performance improvement plans. These foster empowerment, and with that comes engagement, which leads to job satisfaction and employee happiness, and that leads to high performance, or so the thinking goes. I used to believe this too. I started my career in HR implementing the whole gamut of conventional practices. I negotiated all kinds of tantalizing bonuses, dutifully rallied my teams for the dreaded performance review season, and coached managers through the performance improvement process.

But over time I saw that all of those policies and systems were enormously costly, time-consuming, and unproductive.

Even more important, I saw that they were premised on false assumptions about human beings: that most people must be incentivized in order to really throw themselves into their work, and that they need to be told what to do. The "best practices" that have been developed on the basis of these premises are, ironically, disincentivizing and disempowering. Yes, engaged employees probably deliver higher-quality performance, but too often engagement is treated as the endgame, rather than serving customers and getting results. And the standard beliefs about how and why people are engaged in their work miss the true drivers of work passion. As for empowerment, I simply hate that word. The idea is well intentioned, but the truth is that there is so much concern about empowering people only because the prevailing way of managing them takes their power away. We didn't set out to take it away; we just over-processed every-thing. We've hamstrung people.

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What I came to understand deeply and in a new way once I made my way into the scrappier start-up world is that people have power. A company's job isn't to empower people; it's to remind people that they walk in the door with power and to create the conditions for them to exercise it. Do that, and you will be astonished by the great work they will do for you.

Business leaders today must challenge all of the basic premises of management: that it is about building loyalty and retention and career progression and implementing structures to ensure employee engagement and happiness. None of that is true. None of this is the job of management. Here is my radical proposition: a business leader's job is to create great teams that do amazing work on time. That's it. That's the job of management.

At Netflix we freed managers to do this by doing away with virtually all of the hidebound policies and procedures. We didn't do it in one fell swoop. We did it experimentally, step by step, over the course of years. We approached developing the culture in the same way we approached innovating the business. I understand that such a radical transformation is simply not feasible for some companies. And many team leaders are not free to do away with policies and procedures. But every company and every manager is free to institute the practices we used to instill the core set of behaviors that made the Netflix culture so limber.

Doing away with policies and procedures and giving people agency didn't at all mean that the culture became a free-for-all. As we stripped away bureaucracy, we coached all of our people, at all levels and on all teams, to be disciplined about a core set of behaviors that we had identified drive performance and adaptability. I've often said that while I've removed the words "policy" and "procedure" from my vocabulary, I love discipline. My whole career I have gotten along well with engineers, because engineers are very, very disciplined. When engineers start to whine about a process you're trying to implement, you want to really dig into what's bothering them, because they hate senseless bureaucracy and stupid process. But they don't mind discipline at all.

The most important thing to understand about transforming a culture, whether that of a team or a whole company, is that it isn't a matter of simply professing a set of values and operating principles. It's a matter of identifying the behaviors that you would like to see become consistent practices and then instilling the discipline of actually doing them. We fully and consistently communicated to everyone at Netflix the behaviors we expected them to be disciplined about, and that started with the executive team and every manager.

The distinctive combination of freedom and responsibility we established made our teams astonishingly energized and proactive, and such teams are the best drivers to get you where you need to go.

The most recent testament to the power of this approach is the speed with which Netflix has expanded its original programming while also achieving popular and critical success. Ted Sarandos, head of content since the earliest days, told me that freeing high performers from constraints has been vital to building up the original-content business so rapidly.

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Sarandos' team has doubled their creation of new content every year, and when we talked, they were producing thirty scripted series and had twelve feature films, fifty-five documentary projects, fifty-one stand-up comedy shows, and forty-five children's shows in production. On top of that, they had just gone global, expanding to thirteen countries at once. What's so amazing is not only the speed with which the team has created so much content but also the diversity of types of content. Ted's group has been able to cater to all sorts of tastes, with offerings ranging from highbrow series like *The Crown* to the wildly crowd-pleasing but hardly critically acclaimed *Fuller House*.

What were the core behaviors we demanded of people?

- We wanted open, clear, and constant communication about the work to be done and the challenges being faced, not only for a manager's own team but for the company as a whole.

- We wanted people to practice radical honesty: telling one another, and us, the truth in a timely fashion and ideally face to face.

- We wanted people to have strong, fact-based opinions and to debate them avidly and test them rigorously.

- We wanted people to base their actions on what was best for the customer and the company, not on attempts to prove themselves right.

- We wanted hiring managers to take the lead in preparing their teams for the future by making sure they had high performers with the right skills in every position.
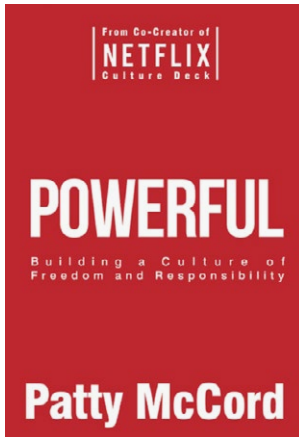
The prospect of getting teams to operate according to these requirements may seem daunting. More than a few Netflixers I talked with as I worked on my new book, *Powerful*, have commented that they were reluctant about one or another of the practices, such as giving totally honest feedback to people face to face. They have also recalled that as they forced themselves to go ahead, they saw how responsive their people were and how dramatically their team's performance improved.

The key is to proceed incrementally. You can start with small steps and then keep building. Pick a practice that you think fits your group and business issues particularly well and start there. For leadership teams, start with one department or group you think is best suited or most in need of change. Creating a culture is an evolutionary process. Think of it as an experimental journey of discovery. That was how we thought about building the culture at Netflix.

Which step you start with is no matter; what matters is starting. With the pace of change in business today, there is, as the saying goes, no time like the present. ⏎

Info

About the author

Patty McCord served as chief talent officer of Netflix for fourteen years and helped create the Netflix Culture Deck. Since it was first posted on the web, the Culture Deck has been viewed more than 15 million times, and Sheryl Sandberg has said that it "may be the most important document ever to come out of Silicon Valley." Patty participated in IPOs at Netflix and, before that, Pure Atria Software. A veteran of Sun Microsystems, Borland, and Seagate Technologies, she has also worked with small start-ups. Her background includes staffing, diversity, communications, and international human resources positions. Currently, Patty coaches and advises a small group of companies and entrepreneurs on culture and leadership. She also speaks to groups and teams around the world.