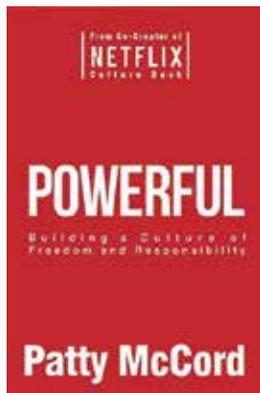


Creative Destruction: the Netflix Story



Powerful: Building a Culture of Freedom and Responsibility

Author: Patty McCord

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Patty McCord served her time in the Silicon Valley trenches as a veteran of Sun Microsystems, Borland and Seagate Technology before joining Netflix as chief talent officer shortly after the company went public. In her frank and irreverent book, *Powerful: Building a Culture of Freedom and Responsibility*, McCord documents her 14-year tenure with Netflix as a radically different path to the creation of a culture of high performance and profitability. That journey took Netflix from sending DVDs by mail to developing a streaming model that would soon account for one-third of U.S. internet bandwidth, to moving all their systems to the cloud, to the creation of original programming.

Each of those phases required the hiring of stellar talent in whole new areas of expertise while configuring existing management practices to embrace these new additions. Netflix's commitment to perpetual reinvention demanded the recognition of new business applications and technology, the anticipation of new market demands, and the development

and ongoing management of principles and policies that bore no relation to the traditional command-and-control model. Relying on the traditional tools of corporate HR — annual performance reviews, retention plans, employee empowerment and engagement programs — would have been, the author argues, “a colossal waste of time and resources.”

Whether you're fighting to maintain a leadership position in your market or struggling to embrace the latest technological advance, consistent high performance requires speed and agility. For McCord, that means no time to waste on the bureaucracy of command and control. You can try to “jazz-up” top-down mandates with employee engagement and empowerment initiatives, but they just get in the way. What's needed, she argues, is radical honesty and transparent communication. Make sure that everyone is made aware of both the successes and challenges in the company and, more specifically, the precise role each team member plays in addressing those challenges. Employees don't want to be entertained, they want to be challenged and given the opportunity to learn. Managers should spend less time on policy creation and reinforcement and more time on problem solving and team building.

As the executive team commits to new

Netflix's journey from mailing DVDs to streaming online underscores the value of speed, agility, radical honesty, and transparent communication



strategic directions in response to a constantly changing business landscape, this culture of radical honesty must be evolutionary. Some changes will be adaptive, and mistakes will be made. Some people will find those changes uncomfortable, some will push back and some may decide to leave. Some decisions may require saying goodbye to employees who no longer fit the company's emerging needs, but this should be a targeted decision rather than an across-the-board cut that is ameliorated with promises and perks.

Not surprisingly, McCord's disdain for how companies traditionally recruit, create and motivate teams is equally frank: “most companies have it all wrong.” If your assignment to a team is based on departmental representation as “the only person I can spare right now,” the initiative is doomed to fail. The author argues that the most important job of managers is to ensure that all team members are such high performers that they cannot fail to do great work and challenge one another. Make people want to sign up for a team. Give them the leanest set of policies and procedures and the freedom to creatively solve problems, and then get out of their way.

The strongest lesson in *Powerful* is that the traditional management perspective is fundamentally flawed. Your people have power, and as such, it's not your job to grant it to them through lofty titles and lengthy policy manuals. If you are truly committed to developing a high-performance culture, appreciate that power and focus on unleashing it rather than controlling it. It may take a few attempts to develop that agility, but the transparent commitment to their success will pay dividends. McCord's “warts-and-all” approach to her journey at Netflix shows great humour and humility in sharing just as many mistakes as successes, and you certainly can't argue with the results. ■