

# 6

## IMPLEMENTATION

### CASE: NETFLIX

At the American video streaming company Netflix, the only constant is change! From board members to lower-level employees, no one is sure of staying long in the job or in the company. In fact, one of the practices in the talent area is to encourage "radical transparency", including self-criticism and open feedback to colleagues, as well as conducting "tests" for leaders to decide whether they want to keep subordinates. And even proven top managers are fired if they are no longer considered fit for new requirements. On the other hand, there is a high degree of autonomy at work and the remuneration is much higher than average, which attracts many qualified candidates...<sup>1</sup>

In terms of technology, Netflix has developed the Open Connect network to interact directly with internet service providers and to use their cache systems to stream content. In parallel, with the support of the French institution CNRS, it managed to dramatically compress the video signal in high definition. And given the growing dimension of its infrastructure, Netflix decided to migrate it to the cloud data centers of the American technology firm Amazon, preserving control over its management and development.<sup>2</sup>

In terms of content, Netflix started early on to complement streaming of external movies and series with its own offer. For that purpose, it establishes partnerships with American and international producers, financing exclusive content from the beginning and, in the case of series, purchasing at least two seasons. Currently, with investments of US \$ 8 billion, Netflix manages to produce around 400 new contents per year, including movies, series, anime, documentaries, concerts and children's programs, with more than a quarter created outside the United States of America. And to enrich customer experience, the content can be classified into 75 thousand microgenres, which serve as the basis for the recommendations' personalization algorithm.<sup>3</sup>

Finally, marketing is dedicated to disseminating the brand and new contents on social networks, through press releases, articles, and advertising, as well as to attracting new subscriptions. And the analysis of the visualization data of its more than 170 million customers allows it to better adapt its offer to the distinct preferences of different markets and segments.<sup>4</sup>

So even with revenues above \$ 20 billion, Netflix continues to reinvent itself to keep on creating more sustainable value.<sup>5</sup> But those who are not up to the new challenges, have no future in the company...



**RECOMMENDATION**

Complement reading the case with online research on Netflix.

**QUESTIONS**

## Departmental Structure

1. Identify and comment on the microstructures most often adopted by Netflix. (Reference: pages 356-8)
2. Assess the appropriateness of Netflix's microstructures to its strategy. (Reference: Table 6.1 on page 358)

## Functional Management

3. Characterize and comment on the management of two Netflix functions of your choice. (Reference: pages 359-62)
4. How does the management of information systems by Netflix impact the management of its other functions? (Reference: page 362)

## Process Management

5. Identify and analyze the nature of the processes implemented at Netflix. (Reference: Table 6.8 on page 363)
6. Check if Netflix adopts incremental and/or radical process improvement methodologies. (References: Tables 6.9 and 6.10 on pages 364 and 365)

## Project Management

7. Identify and analyze the nature of the projects implemented by Netflix. (Reference: Table 6.11 on page 367)
8. Comment on project management practices at Netflix. (Reference: pages 368-70)

## Implementation Leadership

9. Place the Netflix functional areas on the EGOS Map. (References: Map A6.1 and Map A6.2 on pages 375 and 376)
10. Analyze the prevailing situational leadership style at Netflix. (References: Figure A6.2 and Map A6.5 on page 381)

<sup>1</sup> Denning, Stephanie (2018). "The Netflix Pressure-Cooker: A Culture That Drives Performance", *Forbes* (<https://www.forbes.com/sites/stephaniedenning/2018/10/26/the-netflix-pressure-cooker-a-culture-that-drives-performance/#2a4d3432151a>), Kosoff, Maya (2018). "Working at Netflix Sounds Absolutely Terrifying", *Vanity Fair* (<https://www.vanityfair.com/news/2018/10/working-at-netflix-sounds-absolutely-terrifying>) and *Glassdoor* ([https://www.glassdoor.com/Reviews/Netflix-high-turnover-Reviews-EI\\_IE11891.0,7\\_KH8,21.htm](https://www.glassdoor.com/Reviews/Netflix-high-turnover-Reviews-EI_IE11891.0,7_KH8,21.htm))

<sup>2</sup> Opheliac (2015). "Netflix - Behind the Scenes", Digital Harvard Business School (<https://digital.hbs.edu/platform-rctom/submission/netflix-behind-the-scenes/>) and Wikipedia (<https://en.wikipedia.org/wiki/Netflix>).

<sup>3</sup> Wikipedia (<https://en.wikipedia.org/wiki/Netflix>), Bridge, Gavin (2019). "Netflix Released More Originals in 2019 Than the Entire TV Industry Did in 2005", *Variety* (<https://variety.com/2019/tv/news/netflix-more-2019-originals-than-entire-tv-industry-in-2005-1203441709/>) and Opheliac (2015). "Netflix - Behind the Scenes", Digital Harvard Business School (<https://digital.hbs.edu/platform-rctom/submission/netflix-behind-the-scenes/>)

<sup>4</sup> Wikipedia (<https://en.wikipedia.org/wiki/Netflix>) and Cook, Sam (2020). "50+ Netflix statistics and facts stats that define the company's dominance", *Comparitech* (<https://www.comparitech.com/blog/vpn-privacy/netflix-statistics-facts-figures/>).

<sup>5</sup> Statista (<https://www.statista.com/statistics/272545/annual-revenue-of-netflix/>).