NETFLIX
Hopped-Up for Primetime

Abstract

Innovation simply means any change which can formulate a new dimension to the performance of something (Arthofer and Rose, 2016). In this case study, the innovative culture adopted by Netflix, Inc. has been discussed. The initial research was about the history of the company, which gave some insights into how the company transformed itself from a DVD rental to the leader of online content streamers (Keating, 2012). Further, the organizational strategies adopted by the company spotlighted them in the market owned by Blockbuster. The outstanding vision and mission of the company paved to procure a position in global entertainment distribution services. Also, the various innovative products launched by the company, its failure, and its success gave a clear idea of the various risk-driven attitudes taken by the company during its development. The freedom and responsibility-driven work culture is a crucial part of the growth of Netflix. The application of this work culture, and corporate strategies have made Netflix entertain audiences based on the trends in the market.

For millions of audiences worldwide Netflix is their cool space for TV streaming and Movies. And Netflix services alone add up to 15% of the global internet bandwidth (Shaw, 2017). For a company which started by renting DVDs, this achievement is a huge thing!

Netflix, Inc., began in the year 1997 by two young American entrepreneurs Marc Randolph and Reed Hastings. It started as a video rental and media streaming company and further modified itself by offering online subscriptions and by creating original programs. The headquarters of the company are in Los Gatos, California. It was by 1999 that the company started offering an online subscription service through the internet; wherein the subscribers can directly select television programs and movies from the company's website and the programs were emailed to the subscribers as DVDs.

In 2007, the company transformed its services by streaming some of its shows and movies directly to the home of customers using the internet. The highlight was that most of the subscription plans had unlimited streaming options. By the beginning of 2010, Netflix started to offer unlimited streaming plans without DVDs. From then onwards, Netflix started to expand its wings to other countries by streaming in Canada, the Caribbean, Latin America, Ireland, the UK, and Scandinavia. By the end of 2016, the company services were provided to more than 190 countries and territories (Halprin, 2018).

The streaming services offered by Netflix were the biggest profit maker with about 130 million global subscribers in the year 2018. But later in 2011 the

company almost died as they forgot about customers' relationships and from there on, they renewed themselves and came back to the current successful position (Picard et al., 2016). Now Netflix is a company that knows what the customers want and they strive to please the customer by giving a good piece of their requirements. Even though the model created by Netflix is not the only internet network, it is kind of a blueprint for the changing internet-television system (Netflix, 2013, Dec. 13).
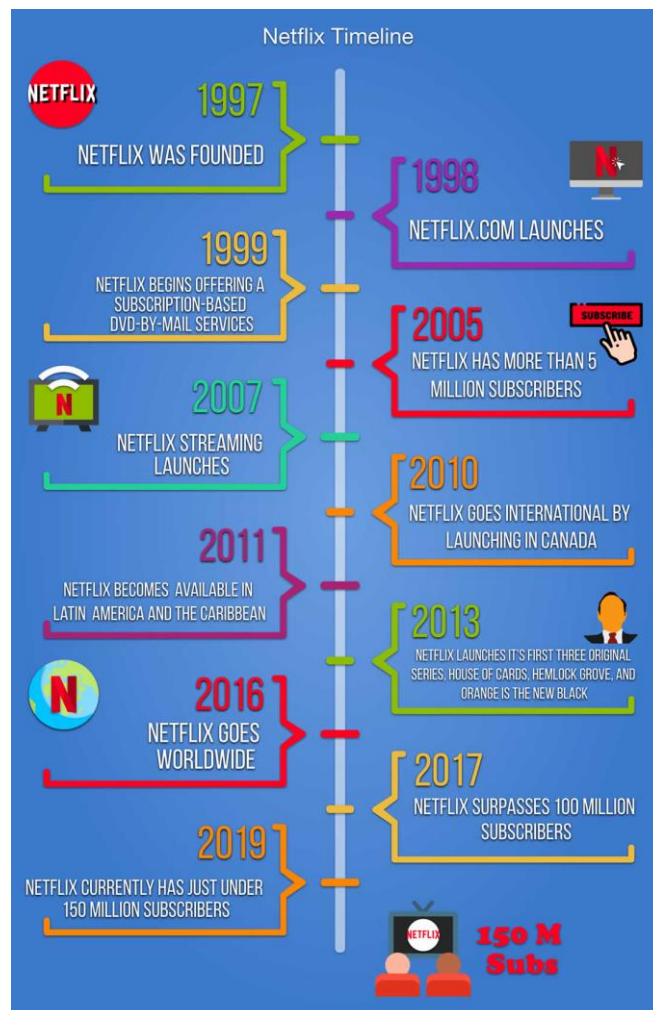

Figure 1: The timeline of Netflix (Broadband Search.net 2021)

Despite all these changes, the major issue for Netflix is the account sharing by the subscribers, which brings about 192 million dollar per month loss for the company. The company is developing a new technology to tackle this situation, the date of release is still unknown but it is for sure that the customers can no longer share their account without doing an extra payment ("Netflix". *Encyclopedia Britannica*, 9 Nov. 2020).
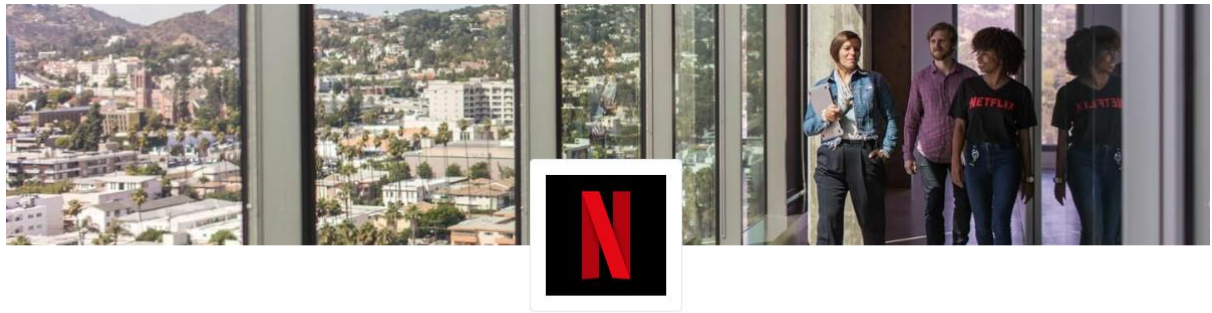
Netflix Mission, Vision & Values

The founders of Netflix have worked in other companies before they started their firm. So, they have also stated in various interviews that they were not satisfied by the way the company was and how the company treated them and that was one of the main reasons behind the origin of Netflix (Relay, 2014, April. 17). For them, it was like every other company. So, when they started their firm, they wanted to make a difference in their mission and vision statements, so Netflix made its vision by establishing 3 categories:

Netflix Values

➢ Impact
➢ Inclusion
➢ Innovation
➢ Courage
➢ Communication
➢ Integrity
➢ Judgment
➢ Selflessness
➢ Curiosity
➢ Passion

So, the three categories designed by Netflix are (Perryman, 2014):

✓ What the firm should value.
✓ What they each other valued.
✓ What they look forward to from their employees.

There wasn't any formal way to unfold these categories. By taking several risks with their business as well as the people who believed in them the founders decided not to create certain core values as attributes like all the other companies have done (Hazaray, 2011). Because of that all the vision and mission statements of the company came up as well defined. So, the major vision of the company includes:

- ✓ To become the best entertainment service distributer worldwide
- ✓ To license entertainment content around the globe
- ✓ Generating markets that can be reachable to the filmmakers
- ✓ Supporting content makers to find an intercontinental audience

The mission statement of the company promises the customer's outstanding services, the suppliers a valuable partner, profitable growth to their investors, and finally a tempting part of this huge impact to their employees. This prominent vision and mission of Netflix have benefitted the overall business development of the company as well as talent management in the company.

Culture-Driven Innovation
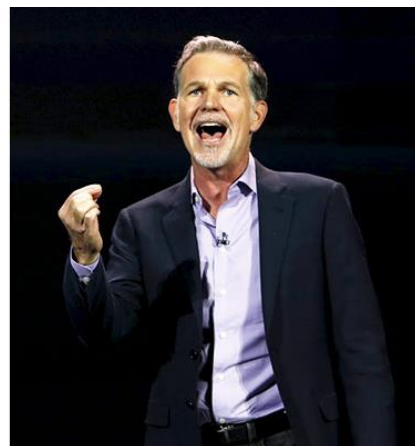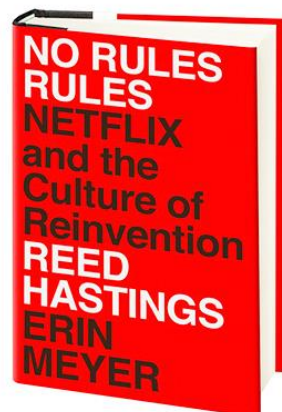
The beliefs, core values, business philosophies, and behaviour among the workforce are maintained in a single framework by Netflix by implementing corporate culture which in turn has motivated its employees to come up with innovative ideas for the growth of the business. The organizational culture

followed by Netflix has improved their strategic management approaches in their business (Rimock, 2013). The main features of Netflix corporate culture include:

- **_Independent decision making:_** Using this culture the company prefers people over the process, thereby the employee turnover can be optimized and the efficiency in manpower development can be increased. The employee is also motivated to develop personified approaches to solve problems arising in the movie streaming business as well as their jobs.

- **_Open, broad, and deliberate information sharing:_** This helps in effective communication among the workforce. Minimized communication is a challenge in any business. So this culture of Netflix facilitates optimal solutions to all the workers so that they can openly communicate all their job-related issues.

- **_Extraordinary candidness:_** The sincerity and objectivity of the employees are maintained through this culture. This will also allow the company to know about the perception of the employee o the company, on other workers as well a the worldwide industry.

- **_Focus on high effectiveness:_** This culture enhances the employees to thrive for the vision and mission of the company. Through this high job efficiency and productivity is attained through operational effectiveness and efficiency. By adapting to this culture the employees start to adopt various techniques to increase their efficiency.

- **_Rule avoidance:_** Netflix believes that rules can lead to rigidity in business and market changes so this culture allows flexibility to adapt to the trends in the market. So Netflix practices flexible strategies in business and ensures customer satisfaction.
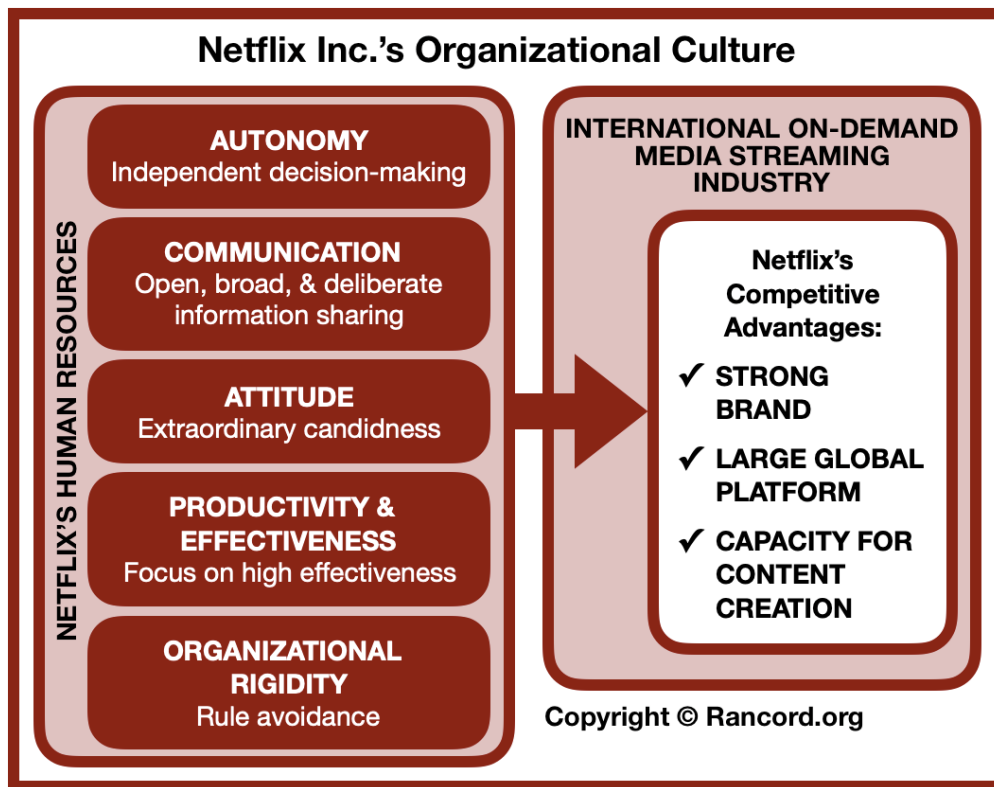
Netflix Inc.'s Organizational Culture

NETFLIX'S HUMAN RESOURCES

AUTONOMY
Independent decision-making

COMMUNICATION
Open, broad, & deliberate information sharing

ATTITUDE
Extraordinary candidness

PRODUCTIVITY & EFFECTIVENESS
Focus on high effectiveness

ORGANIZATIONAL RIGIDITY
Rule avoidance

INTERNATIONAL ON-DEMAND MEDIA STREAMING INDUSTRY

Netflix's Competitive Advantages:

✓ STRONG BRAND

✓ LARGE GLOBAL PLATFORM

✓ CAPACITY FOR CONTENT CREATION

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Figure 2: Organizational Culture of Netflix (Image: Copyright © Rancord.org)

As Netflix has major competition in the international media market, it incorporates various strategies in corporate culture to optimize its HR competencies. As per the outcomes of the corporate culture, the employees are motivated to share their thoughts and ideas related to the media streaming industry thereby supporting operational management. Through this culture, Netflix has maintained sustainable, flexible, and innovative responses to customer and market demands.
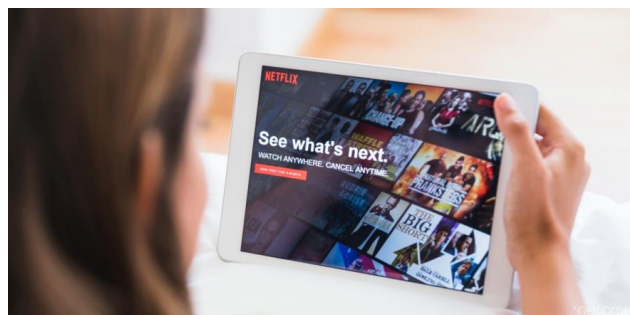
Product Development Process

For every company, there is a need for a proper product strategy for the development of a new product. So here in the case of Netflix with over 190 million subscribers, the need for a strategic process is inevitable. Even though the product vision of Netflix began with a minimum goal of getting big on DVD, later paved the company's vision to become the leader of the digital media market. Now they emphasize more on producing original content.

The company's high-level engagement metrics are done by the product team of Netflix where they give more priority to monthly retentions (Oster et al., 2012). This has focused on providing high-quality content which is irresistible to the subscribers. Other metrics like monetary benefits and growth are also taken care of by the team. The product leaders of the team strive to develop certain strategies to offer services to the customers with a wide selection and streaming at the place of their convenience. The 5 steps involved in the development of a new product are:

➢ Contriving a product or service which is outside your main product
➢ Clarifying the intention of the product through follower, innovator, or as a low-cost participant
➢ Product establishment via portfolio creation, market position, and risk tolerance
➢ Aligning the budget and product strategy towards the vision of the company

➤ Preparation of funds, governance, and processes for implementation of the new product strategy
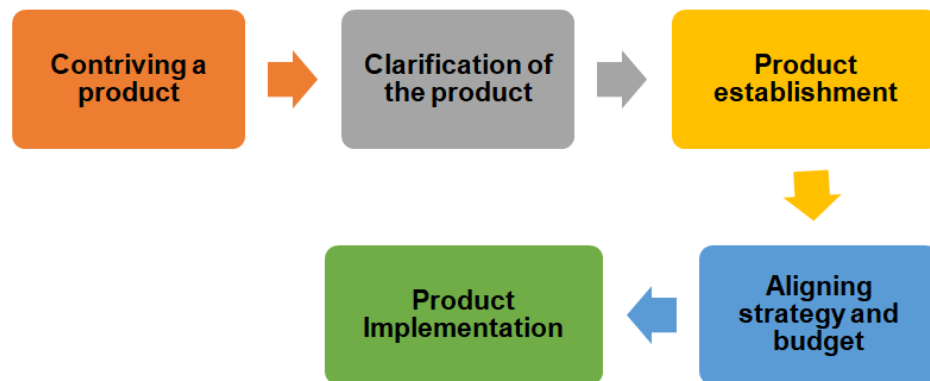

Figure 3: Diagrammatic representation of the product development process at Netflix

In the past, Netflix had launched certain products like "Friends" in 2009, "Xbox Party Mode" in 2010, and "Tell a Friend" in 2018. Unfortunately, three of these products failed in the market because of less usage by their customers. But the latest product "Netflix Party" is a hit among its subscribers (Allen et al., 2014). This product has a provision for the customer to watch the same movie at the same time. During the isolated time of the pandemic, the subscribers were able to watch movies with their long-distance family members using chrome extensions and Netflix services.
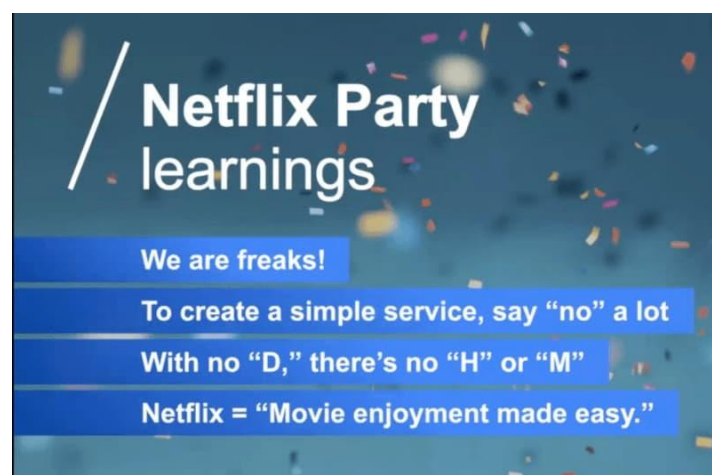

Figure 4: Learning's from Netflix Party (Product-Led. 2021)

Therefore, the new product of Netflix promises the customers a strong label of "movie enjoyment made easy" (McPherson, 2011). This trust and the personalization provided by Netflix to their customers are difficult to duplicate by their competitors.

Innovation Strategy

The principles designed by Netflix encourage companies to aspire to success through a combination of disruptive and radical innovation, and later changes its path towards the principles of sustaining innovation. Change or replacing a particularly innovative product or service which in turn creates a new market is known as disruptive innovation.

Thinking Big	Failing Quickly
From a Blockbuster store to movie streaming online the vision of the founders was growing big. In contrast, when most of the companies think small and they tend to protect their assisting business, as they saw a long-term threat from the internet or other technological usage, the Netflix founders thought bug of how the internet can transform their business.	Initially, when the streaming video business has a lot of monetary uncertainty the founders saved their money until they got a good opening. But most of the companies who initiate a business will keep playing for a long time as they are aware that they will be judged by the association based on their failure. Netflix believes in quick failures rather than indulging and losing in that failure for a longer time.

Starting Small	Scaling Fast
The founders of Netflix had bigger ideas for smaller projects. On the contrary, most of the big companies fall for huge ideas and they tend to get crushed while trying to establish them. With small projects in their success stories, Netflix was aiming for higher projects	With their quick video streaming and hard-to-build attitude over competitors, they are trying to scale up by moving away from their core business. It is said that Netflix is trying to buy rights for television programs, meaning the company has insights into the television business. Many of the companies have won the initial stages of the business battles and are sadly lost at the stage of product innovation. So Netflix belies that magically innovations can come up only if you try to move away from the core business.

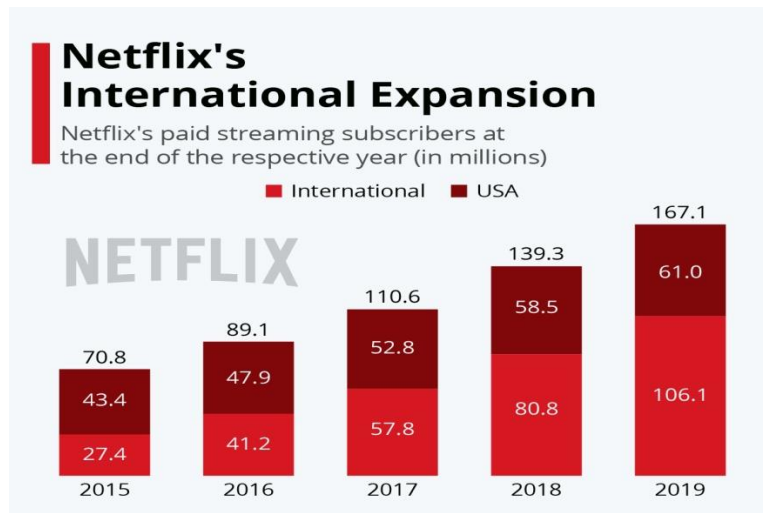Table 1: Principles that drive their innovation

Figure 5: Percentage of expansion of Netflix in the international market from 2015-19 (Statista.com, 2019)

As always, the rules of innovation behind Netflix allow it to think to start big but on small scale and from the failure, which is a possibility they will recover quickly and scale as fast as possible for a breathtaking success.

Risk-Taking Attitude

Only by taking a risk, a company can grow, and taking a risk means permitting your as well as your employees insights and finest features for the growth of

the company (Masters, 2016). The risk-taking attitude of Netflix has been the driving factor for its success.

A. In the initial phase, the founders of the company were tracking the technology. Even before the recognition of DVDs, Netflix has already planned to rent DVDs on request over the internet and delivered them through the mail. This happened in 1998, and the company decided to take a risk in the early stages of their business, but luckily, DVDs became one of the most used electronic products in history by the year 2000 (Lozic, 2021).

B. Netflix had paid great attention to the needs of the market. In the year 2006 when "crowdsourcing" was established, Netflix launched a contest of 1 million dollars to anyone in the public who can improve their running algorithm feature "cinematch" (Oster et al., 2012). By providing such huge prize money the company took a risk but it was also a realization that the market is the sole source of innovation. So Netflix never confined their innovative ideas to the four walls of their office, instead moved according to the needs of the market.

C. Utilizing the right partners was another risk attitude taken by Netflix (Bauer and Obar, 2014). Wal-Mart a former competitor of Netflix; directed their customers to Netflix in 2005 when the company came to a closure. So a partnership with a competitor was a risk, but that provided more subscribers to Netflix.

D. By outdating their old products, the company was taking a risk, but Netflix was in the lead to innovations in the movie rental practices, by quickly responding to the changes in the market. So it was important to introduce updated products to the market rather than sticking to the old products. The competition with Blockbuster was also part of the companies reaction towards the changing audiences (Okami et al., 2020)

E. As mentioned in the vision of Netflix flexibility and openness in rules are given to its employees, but more freedom can be risky because it can lead to a slip in the strategic focus, leading to chaos.

The only reason that still Netflix rules the online streaming industry is because of its innovative, fearless, and risk-taking attitude (Hilbert, 2014). The ever-changing technology and the risk-taking attitude of Netflix will surely make the company exists for decades in the business, but not in the name of the product they offered from 1997.

Recommendations

With its undeniable success rate to date in the online streaming platforms, Netflix has established itself among the audience worldwide. But with the competition from other online streaming platforms like Google, Disney, Apple, and Amazon; and also with the expensive content creation, acquisition, etc, it is high time that Netflix changes its organizational culture to grow at a faster pace. After researching the company I have come up with two recommendations.

1. If Netflix becomes a multi-sided platform, like Amazon it can grow in a different dimension by giving more services to the subscribers. The benefit of this is that Netflix can attract third parties to sell and develop content and take a part of the revenue generated as a transaction fee.

Also, the content created by the third parties can be valuable for the company's the production and content acquisition efforts.

2. Once this strategy works then Netflix can convert its services into a more planned platform with slightly tight governance rules which can be softened over time. If the rules are not tight, Netflix will have the fate of Youtube, where anyone can post anything. Here Netflix doesn't lose anything instead it can gain by converting from a single aggregator of contents to a hybrid aggregator medium.

3. As of now the subscribers of Netflix are provided with data suggestions based on views of different days, times, weeks, and devices or even the geographical location. I think if contextual data recommendations were provided, it would be more beneficial to the audience, which Netflix can implement shortly.

Reflection

Firstly I would like to thank my mentor for allowing me to research the various aspects of organizational and strategic leadership culture-driven innovations in companies. So as a person who loves to watch content through online streaming platforms, I have selected the company Netflix for my research work. It was quite interesting to learn about the company in a detailed manner. While the literature supported the history and services provided by the company and how it became a game-changer in the industry from 1997 to date, so the various strategies adopted by the company were easy to deliver. The risks undertaken by the company were difficult to analyze, so as a retrospective approach it would be better to survey Netflix users to understand more about the attitude of the public towards various cultural changes happening in the company.

In the beginning of term 2 in Coventry university the first class for me was creativity. When I stated my first class I am being considered that I am not a creative person. But going through various week lectures and seminar classes makes me to believe creativity is not a thing which has been inherited or comes

in gene. It's being there in every human being. The way in which everyone think about some is in different ways. What a person think and do by himself in his own way is the creativity of himself. This is the sentence which makes me as a creative person. So there is a creativity in every person is the one which I has been learned through this module.

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