**Netflix: Conquering the World[[1]](#endnote-1)**

Netflix was founded in 1997. The business idea of the company was to let people obtain DVDs through the US Postal Service rather than a shop. It was a great success- until the DVDs became obsolete. In 2007 Netflix switched gears and introduced another novel concept - internet streaming services, and soon thereafter in 2011 the company started to acquire (and co-produce) original content, beginning with the political drama *House of Cards* in 2013. In 2019, Netflix earned its first three Oscars and today, the company produces and distributes content not only in the US, but worldwide and is the dominant market leader in the global streaming business. With global footprint and subsidiaries in rapidly growing number of countries, Netflix had grown into the most valuable media/entertainment company in the world.

How did Netflix manage to transform itself to a world-leading company and which challenges did the company face when growing its global operations?

Netflix co-founder, co-CEO and Chairman Reed Hastings argues in the book *No Rules Rules* published together with Erin Meyer[[2]](#endnote-2) that a key factor has been Netflix’ strong “culture of reinvention”, characterized by individual *Freedom* (to make decisions, etc.) and *Responsibility* (for results). The organizational culture is accompanied with a number of people management practices: focus on having only highly talent people who are paid top of market salaries (“adequate performance gets a generous severance package”, apply “The KEEPER test: would the company be better off with somebody else in the role?); encouraging candid feedback (“honesty always”) and having a high degree of transparency; and keeping the number of corporate policies and decision-making approvals to a minimum (“no vacation policy”, ”remove travel and expense approvals”).

Netflix started international operations in 2010 when it launched streaming in Canada. In 2011 it expanded to Latin America, a year later to Europe, and by 2016 its services were available worldwide with only a few exceptions. Responsiveness was important. For example, six months after entering Poland and Turkey, Netflix had added the local languages to its user interface, subtitles, and dubbing.[[3]](#endnote-3) In parallel, Netflix began to establish operating offices and gradually also content creation units overseas. Regional hubs were opened in Tokyo, Singapore, Amsterdam, and Sao Paulo. While the process was quite swift, it was deemed important not to expand abroad *too* quickly in order to learn from the initial experiences.[[4]](#endnote-4)

Local content production not only helps to gain local customers, but, supported by superior ability to analyze customer preferences, Netflix has been able to leverage such content to attract an audience not only locally, where it is produced, but also across a range of countries. The scale and scope of its global activities is un-matched by its competitors.

The internationalization has not come without controversies and challenges. In several countries – including Singapore, Germany, Vietnam, and Saudi Arabia - Netflix has had to comply with governments requesting the firm to take down content deemed locally objectionable. In Russia, officials argued that Netflix is part of a US government plot to influence the world culture. Certain parts of the organizational culture and the people management practices proved more difficult than others to implement overseas. Some of the difficulties had to do with differences in laws and regulations, others concerned cultural differences in behaviors between countries. For instance, while frank feedback was acceptable in the Dutch culture, the generosity of severance pay due to “adequate performers” was strictly regulated by Dutch law.[[5]](#endnote-5)

The ability to balance the global with the local is likely to remain a driver of Netflix’s competitive advantage in an increasingly competitive industry. How Netflix will handle such challenges will determine its long-term success.

1. Draft, please do not cite or quote. [↑](#endnote-ref-1)
2. Hastings and Meyer, 2020. [↑](#endnote-ref-2)
3. Brennan, 2018. [↑](#endnote-ref-3)
4. Brannan, 2018. [↑](#endnote-ref-4)
5. Hastings and Meyer, 2020. [↑](#endnote-ref-5)