

# **Management Diagnostic Report**

**Netflix**

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## **Introduction**

The purpose of this report is to analyze the management practices of Netflix Inc. and provide recommendations to improve its overall effectiveness. As a consulting team, our goal is to conduct a management diagnosis based on the four main functions of management: planning, leading, organizing and controlling, to understand how Netflix operates internally and how it can strengthen its performance.

We chose Netflix as our case study because it represents one of the most remarkable examples of business transformation in recent decades. Founded in 1997 as a DVD rental service, the company successfully evolved into a global streaming leader with more than 260 million subscribers across over 190 countries. Its ability to anticipate technological change, adapt its strategy and maintain strong customer engagement makes Netflix a very interesting organization to study from a management perspective.

What makes Netflix particularly unique is its corporate culture built around the principle of “freedom and responsibility.” Unlike most large corporations, Netflix gives its employees a high level of autonomy and trusts them to make decisions that align with the company’s goals. This approach has helped the company stay creative and agile, but it also raises questions about how to maintain balance between freedom and structure, especially as Netflix continues to grow in size and complexity.

Throughout this report, we analyze Netflix’s management approach using information from company sources, business articles and academic theories. Each section examines both the strengths and weaknesses of the company’s practices and ends with specific recommendations for improvement.

The purpose is not only to evaluate how Netflix manages its people and processes but also to understand what lessons its experience can offer to other organizations and to us as future managers about leadership, innovation and organizational culture in a changing world.

## 1. Assess the Planning

### 1.1 Netflix's official purpose

- Mission: We are here to entertain the world, one fan at a time.
- Vision: Becoming the best global entertainment distribution service.

### 1.2. Analysis & recommendations

#### 1.2.1 Analysis of the current purpose

To assess purpose rigorously, we apply Cynthia Montgomery's Purpose Perspective (2012).

Montgomery explains that a purpose must clearly answer four central questions:

- **Who are we?** Netflix is a global entertainment provider, reaching audiences in 190+ countries.
- **What makes us distinctive?** The company highlights scale and diversity, but says little about *how* it is unique (e.g., personalization, original content).
- **Why do we exist?** To entertain the world, though this purpose is broad and could be more inspiring.

When we apply these questions to Netflix, we observe the following:

##### 1.2.1.1. Strengths

Netflix's mission statement, "To entertain the world, one fan at a time," demonstrates several strengths. The phrase "one fan at a time" emphasizes personalization and connection, signaling that while Netflix operates at a global scale, it values individual audience experiences. This indicates clearly who the company serves at a granular level: global audiences but treated individually. This aligns directly with the company's data driven approach to content curation, recommendation algorithms and personalized viewing, reinforcing the idea that each user's experience is unique and carefully considered and that Netflix creates value by personal relevance.

The global ambition expressed in "entertain the world" reflects Netflix's vision of being a borderless entertainment platform. Operating in over 190 countries with multi language content libraries, this statement communicates the company's expansive reach and international aspiration, positioning Netflix in the entertainment business, not limited to one market but as a global digital entertainment firm.

Finally, the mission's simplicity and memorability contribute to its effectiveness. It is concise, emotionally engaging and immediately understandable. The statement clearly communicates both what the company does (entertain) and for whom (global audiences), making it easy for employees, investors and external stakeholders to recall and align with. There is also an

implicit emotional dimension that shows that Netflix exists to bring joy and culture to people, not only to generate profit.

### **1.2.1.2. Weaknesses**

Even with these strengths, Netflix's mission statement presents several limitations. The phrase "to entertain the world" is relatively generic and does not clearly differentiate the company from competitors. Many media and entertainment companies could make a similar claim, and the statement does not specify how Netflix uniquely delivers entertainment, meaning it does not clarify its distinctive capabilities (data advantage, tech infrastructure, original production) which explain what unique value Netflix creates compared to rivals.

Additionally, the mission does not reference Netflix's core capabilities and processes, such as its recommendation algorithms, content production infrastructure, global localization strategies or data analytics expertise. These distinctive assets are central to Netflix's competitive advantage but remain unarticulated in the current mission, reducing clarity on the company's differentiation.

The statement also places little emphasis on sustainability, social impact or cultural value. In today's business environment, many leading organizations incorporate elements of societal or cultural contribution into their purpose. Netflix's mission is silent on democratizing storytelling, promoting diversity or facilitating cultural exchange, leaving a potential gap in stakeholder engagement and broader impact which weakens the response to the question "why does the company exist beyond money?"

There are also implicit assumptions and areas lacking clarity. For example, the term "world" is ambiguous, it is unclear whether it refers to every individual globally, multiple languages and cultures or the entire global audience collectively. Finally, Netflix's public facing vision remains underdeveloped. The current statement is largely functional and aspirational only in broad terms. It does not highlight future entertainment trends, such as gaming, interactive content, immersive experiences or the evolving nature of storytelling, which limits its forward looking inspiration and the clarity of what business Netflix will be in tomorrow.

Thus, while Netflix's current mission is effective in its simplicity and brand recall, it lacks depth in signaling differentiation, values, and stakeholder focus. In a rapidly evolving media landscape (gaming, AI, immersive content, creator first models), a more nuanced purpose can help guide strategic choices and internal coherence.

### **1.2.2 Recommendations for refining the purpose**

First, the revised purpose should mention how Netflix achieves its mission, not only what it aims to do, by integrating references to the company's distinctive capabilities such as advanced technology, data driven personalization, global distribution and creator empowerment. Doing so clarifies the unique value Netflix creates compared to other entertainment companies and therefore gives the statement greater substance and authenticity. This approach highlights the mechanisms through which Netflix delivers entertainment experiences and differentiates itself from competitors.

Second, the purpose should recognize Netflix's stakeholders beyond its consumers. As a global storytelling platform, Netflix connects creators, cultures and communities, not just audiences. This reinforces that Netflix does not only serve users, but a wider ecosystem of participants involved in content creation and cultural exchange. Doing so would reinforce both its social relevance and its alignment with the values of creative empowerment and diversity.

Third, an effective purpose statement should articulate not only what Netflix does and how it does it, but also why the company exists beyond financial performance. Clarifying the deeper motivation behind its mission, like inspiring imagination, promoting empathy or uniting people through stories, strengthens the organization's identity as a cultural actor and not only as a streaming platform. This "why" is what transforms a business objective into a shared organizational cause that can mobilize employees and partners.

Furthermore, the purpose could gain distinctiveness and resonance through the careful use of qualifiers that add texture and aspiration. Terms such as "accessible," "diverse," "personalized" or "immersive" could convey the nature of Netflix's experiences more vividly, while still maintaining brevity and showing the type of entertainment business that Netflix aims to be in the future.

Finally, the company should ensure its purpose projects an aspirational vision that looks ahead to the evolving frontiers of entertainment (including immersive, interactive, and community driven formats) rather than limiting its identity to that of a distribution service. This future orientation clarifies what business Netflix wants to operate in tomorrow, ensuring strategic coherence as new categories such as gaming and interactive narratives emerge.

### **1.2.3 Revised purpose statement**

**Mission:** "To power storytelling that connects people, delighting audiences everywhere through personalized entertainment."

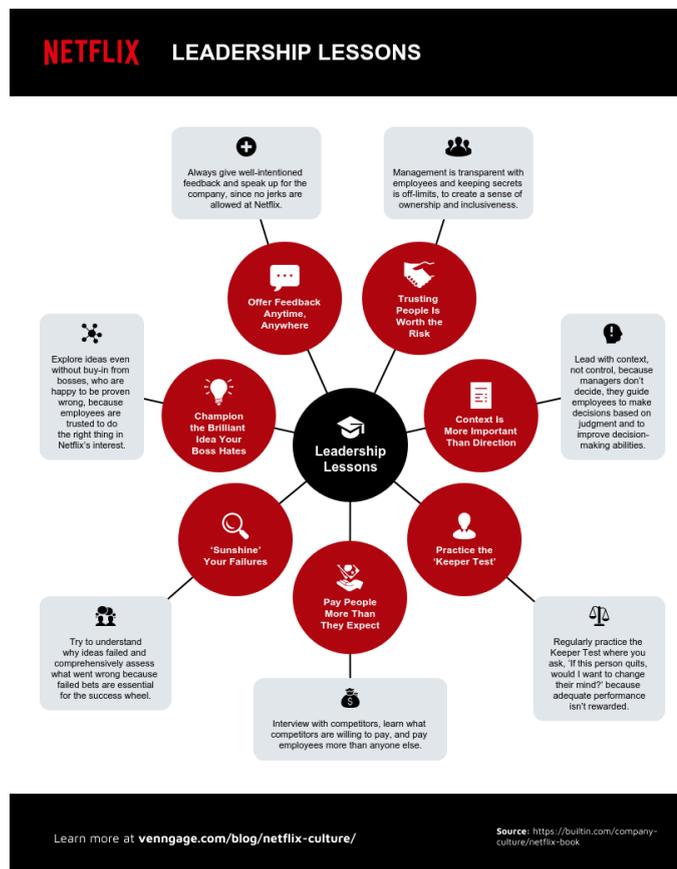
**Vision:** "To be the most inclusive and creative global entertainment platform, empowering storytellers and audiences everywhere to experience imagination without limits."

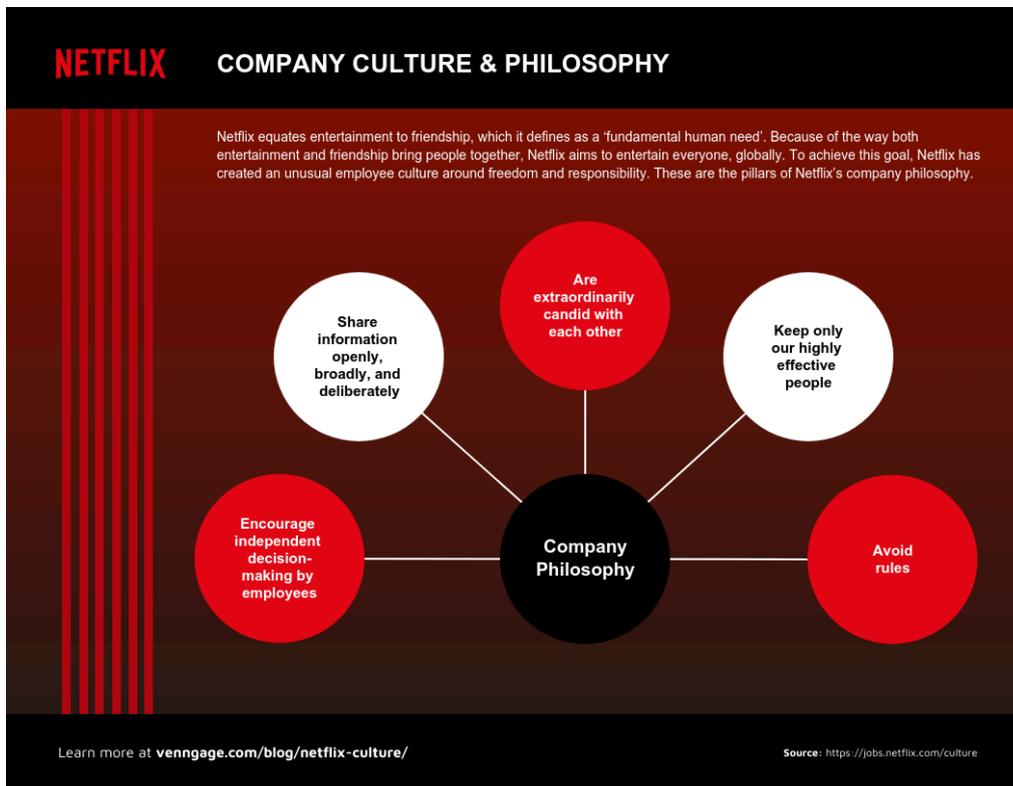
This refined purpose can strengthen Netflix by providing strategic alignment, serving as a compass for expansion into new domains such as gaming, AR/VR and creator tools. It ensures internal coherence across product, engineering, content and marketing teams under a unified vision. Moreover, it enhances Netflix's brand positioning by focusing on storytelling, inclusion, and empowering creators. It also delivers deeper meaning for stakeholders showing creators, employees, regulators and audiences that Netflix's value goes beyond streaming and inspires connection through stories.

## 2. Assess the Leading

### 2.1. Netflix's leadership and management practices

- **Freedom & responsibility:** The company describes its culture as a “high-performance culture of freedom and responsibility.” Employees are given significant autonomy to make decisions and act in the company’s best interest.
- **Context, not control:** Managers are encouraged to provide context (strategy, goals, metrics) and then let employees decide how to act, rather than controlling their methods or micromanaging.
- **Talent density and the “Keeper Test”:** Netflix emphasises hiring and retaining high performing employees, using the “keeper test” (“Would you fight to keep this person?”) as a tool to determine whether someone stays.
- **Minimal formal processes:** The company reduces formal policies (vacation, expense policy) and strives for minimal bureaucracy, trusting employees to act.
- **Radical candour and feedback:** There is an open feedback culture, employees are expected to give and receive candid feedback, and to surface mistakes.
- **Global, diverse workforce:** Netflix emphasises a diverse, inclusive workforce and aims for global representation, both in its employee base and in its content.





**Source:** Venngage (n.d.). *Leadership Lessons*. Retrieved from <https://venngage.com/blog/netflix-culture/>

### 2.1.1 How these practices leverage or limit employee empowerment

Netflix fosters employee empowerment through a combination of autonomy, clear context, high performance expectations and minimal bureaucracy, by giving employees freedom to make decisions, providing strategic clarity and metrics, setting high standards via the talent density model, keeper test and minimizing red tape.

However, Netflix's empowerment model also presents challenges. High autonomy paired with strict performance expectations, such as the "keeper test," can create pressure and reduce psychological safety. Empowerment may be uneven across geographies or experience levels, as newer or less experienced employees may lack guidance. Additionally, as the company scales, increasing formal controls like salary bands or cost policies can debilitate perceived freedom, and the strong focus on high performers may leave gaps in support for employees who need development, limiting the full potential of empowerment.

## **2.2. Analysis & recommendations**

### **2.2.1. Analysis of current leadership approach**

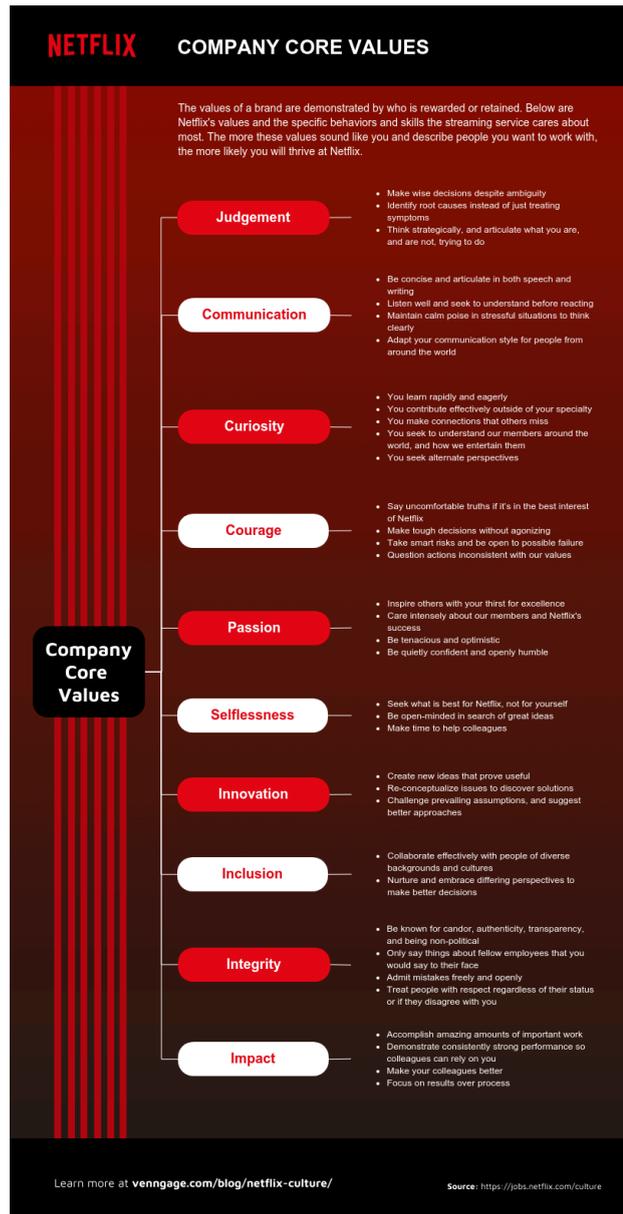
#### **2.2.1.1. Strengths of current leadership approach**

Netflix's leadership model is built on principles that strongly emphasize autonomy and decision making power. Employees are given the freedom to act independently, allowing them to take ownership of their work and be accountable for outcomes. This approach aligns with the company's philosophy of providing context, not control, where managers communicate strategy, goals and relevant metrics but allow teams to determine how to execute their responsibilities. By trusting employees to make informed decisions, Netflix fosters a culture of initiative and empowerment.

The company also sets high performance standards through mechanisms such as the keeper test and the talent density model, which ensure that teams remain composed of high performing individuals. Combined with minimal bureaucracy, where formal rules are kept intentionally low, these practices enable experimentation, rapid decision making and innovation across the organization. Together, these factors support employee empowerment by enhancing the four key dimensions identified in Spreitzer's psychological empowerment theory: meaning, competence, self-determination and impact.

Netflix's management philosophy is anchored in its core values, which guide behavior, leadership and decision making across the organization.

These values include judgment, communication, curiosity, courage, passion, selflessness, innovation, inclusion, integrity and impact.



**Source:** Venngage (n.d.). *Netflix Company Core Values*. Retrieved from <https://venngage.com/blog/netflix-culture/>

### 2.2.1.2. Weaknesses of current leadership approach

Despite these strengths, the approach presents several limitations. The combination of self direction and rigorous performance expectations can generate pressure, potentially reducing trust based environment and limiting genuine empowerment, particularly for employees who fear failure. The minimal process model assumes that all employees can manage themselves effectively, which may leave less experienced teams or new hires without support. Additionally, as Netflix continues to scale, the introduction of more formal controls like structured salary bands or cost management policies may weaken employees' perception of freedom. Finally, the strong emphasis on high performers could limit development

opportunities for employees who require additional guidance, potentially creating gaps in empowerment for certain groups.

## **2.2.2 Recommendations for the current leadership approach**

First, Netflix should reinforce a culture where thoughtful risk-taking and open discussion are normalised. Amy Edmondson (1999; 2019), who developed the concept of team learning climates, argues that employees contribute more when reflection and honest dialogue are encouraged. Leaders could implement structured “learning forums” after major decisions, where teams briefly analyse outcomes and share insights. This helps prevent autonomy from becoming pressure, without changing the freedom based philosophy.

Second, adopting a more distributed leadership model, as described by James Spillane (2006), would support the development of shared ownership. rotating leadership roles in initiatives can give less senior employees decision making exposure, strengthening collective accountability while still maintaining Netflix’s fast execution style.

Third, targeted development and mentorship should support employees who are new or transitioning into more complex roles. Spreitzer’s Psychological Empowerment Theory (1995) highlights that empowerment requires not only autonomy but also perceived competence. Providing coaching and skill building programs would help employees use freedom effectively, especially in a high performance environment.

Finally, Netflix could reinforce real time feedback using principles from Transformational Leadership (Bass, 1985; Bass & Riggio, 2006). Recognising contributions and linking decisions to outcomes (not through rigid evaluations but through continuous alignment conversations) preserves agility and maintains performance expectations while avoiding bureaucratic control systems.

## **3. Assess the Structure**

### **3.1. Netflix’s organizational structure**

#### **3.1.1. Specialization**

Specialization is the organizational element that defines the degree to which a task is divided into separate jobs. Netflix exhibits a moderately high level of specialization in its structure. It is organised into clearly defined functional departments (Content, Technology/Product, Talent, Finance, Legal, Marketing and Communications). Within content, product and technology teams are further divided, for example original programming vs licensed content, or streaming platform engineering.

This departmentalisation enables focused expertise, productivity and clarity of responsibility: specialists in content creation, data science or platform engineering can work efficiently.

However, because Netflix emphasises creativity and innovation, such specialisation can carry downside risks. The job roles can become too narrow and reduce flexibility.

### **3.1.2. Formalization**

Formalization refers to how much behaviour is ruled by explicit rules and procedures. Netflix appears to have relatively low formalization compared to more traditional firms. According to its culture and analyses, Netflix emphasises trust, autonomy and minimal bureaucracy: rules such as “take vacation when you need it,” “act in Netflix’s best interests” rather than rigid expense policies.

This low formalization fosters creativity, speed and empowerment, fitting Netflix’s innovation strategy. On the other side, less formalisation can reduce consistency and increase risk especially across a global and complex operation.

Thus, Netflix’s formalisation level is deliberately low to promote agility, but this design must be carefully managed to both maintain innovation and ensure sufficient coordination and risk mitigation.

### **3.1.3. Centralization**

Centralization refers to where decision making authority lies. Netflix’s structure presents a mixed picture. On one hand, executive and strategic decisions are highly centralized: the co-CEOs and senior executive team establish global strategy, functions like Content, Product and Technology have global oversight. On the other hand, Netflix grants substantial decision making autonomy to teams.

So, Netflix has a design where the strategic decisions stay central and the operational decisions are delegated. This balance supports empowerment while retaining coherence and scale efficiencies.

### **3.1.4. Hierarchy**

Hierarchy is the organizational element that determines the formal, position based reporting lines (who reports to whom). Netflix’s hierarchy is relatively flat. While there is a senior leadership layer (co-CEOs, global execs) and functional leads, the number of middle management layers appears limited. For example, many teams report directly to senior leaders and the chain of command is compressed.

This flatter structure supports rapid decision making and quicker response to market change, which suits Netflix’s dynamic business. The downside can be ambiguity of career pathways, heavier load on managers and potential role overload. Netflix seems to mitigate this by emphasising empowered teams and shared ownership rather than traditional hierarchical promotion ladders. Therefore, hierarchy is flat to moderate, aligned with innovation and speed.

### **3.1.5. Coordination**

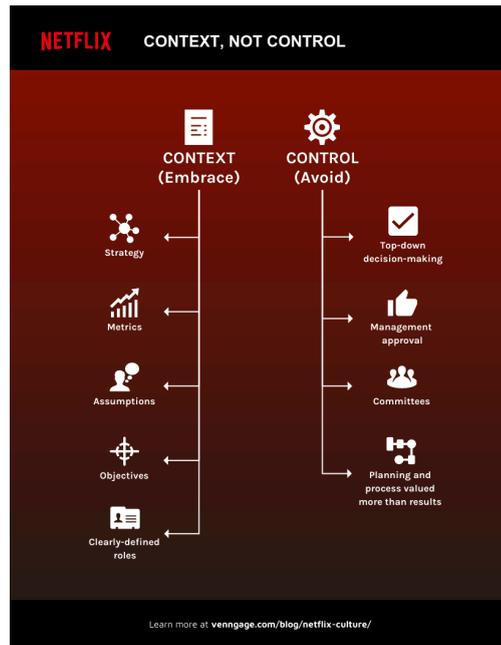
Coordination is about how tasks and units work together across an organisation. Netflix uses several coordination mechanisms like cross functional project teams for content, product and international launch. Additionally, the company emphasises sharing of information, transparency of strategy and metrics and direct communication channels that reduce siloes. Given the global and multiproduct nature of Netflix's business, effective coordination is critical. The company appears to balance formal coordination, via regional divisions, product lines and informal coordination, via empowered teams and open communication. In effect, Netflix blends formal mechanisms with agile coordination practices to synchronize tasks across its global enterprise.

## **3.2. Analysis & recommendations**

### **3.2.1 Strengths of the current structure**

Netflix's flat hierarchy and low formalization allow for exceptional agility thanks to the minimization of bureaucratic layers, teams can respond rapidly to market shifts, audience preferences and technological opportunities. The company's guiding principle "context, not control" reflects a decentralized model where managers provide strategic direction, but employees decide how to execute. This fosters ownership and accountability, aligning closely with modern organizational design theories emphasizing autonomy and intrinsic motivation (Deci & Ryan, 1985; Pink, 2009).

The high level of cross functional coordination, particularly between content creation, data analytics and engineering teams, enhances innovation and speed. This is consistent with Galbraith's Star Model (1973), which highlights the importance of flexible coordination mechanisms in complex, creative organizations. Moreover, Netflix's global integration where regional teams adapt content and marketing to local cultures while maintaining central alignment has been critical to its international success. The structure supports strategic ambidexterity, by balancing global scale with local responsiveness.



**Source:** Venngage (n.d.). *Context, not control*. Retrieved from <https://venngage.com/blog/netflix-culture/>

### 3.2.2. Weaknesses and structural risks

Despite these strengths, several structural tensions are emerging as Netflix scales. The extreme decentralization that once fueled innovation now risks inconsistency and inefficiency. With limited formalization, teams often reinvent processes independently, creating redundancies and variable quality standards. This mirrors challenges described by Henry Mintzberg (1979) in his Adhocracy configuration, where creativity thrives but coordination suffers as organizations grow.

The flat hierarchy also limits the development of middle management capabilities. Without defined career progression pathways, promising leaders may lack mentorship or exit for clearer growth opportunities elsewhere. This undermines leadership continuity and weakens internal succession pipelines. Additionally, the reliance on self management presumes universal competence and motivation, conditions that may not hold true as Netflix expands into more diverse markets and functions.

Furthermore, as the company incorporates more formal systems (e.g., cost controls, salary bands, compliance structures), there is a growing risk of structural drift. Maintaining a supportive and open team climate amid high performance expectations is increasingly challenging, especially given the “keeper test” ethos. These pressures can inadvertently narrow the space for taking a risk, particularly among less tenured or underrepresented employees.

### **3.2.3. Recommendations for structural evolution**

#### **3.2.3.1. Strengthen integrative mechanisms for global coordination**

As Netflix continues expanding into diverse markets like spanning entertainment, gaming and localized content the challenge of maintaining strategic coherence across decentralized units intensifies. Currently, teams have freedom of action, which enhances speed but risks fragmentation in brand voice, innovation priorities and operational standards. According to Lawrence and Lorsch's (1967) Contingency Theory, effective organizations balance differentiation (specialized units tailored to local needs) with integration (mechanisms that align shared goals).

To strengthen integration, Netflix could establish cross functional global councils and regional innovation hubs connecting creative, technical and analytical leaders. These councils would act as horizontal coordination platforms, ensuring strategic consistency across functions while preserving decision autonomy at the local level. For example, a "Global Storytelling Council" could align regional content decisions with Netflix's global brand identity, while a "Data Driven Innovation Hub" could harmonize engineering and analytics standards across markets.

These integrative systems would also reduce silo formation, a growing risk as Netflix scales and create a sustainable flow of best practices between regions. Drawing from Galbraith's (1973) Information Processing View, organizations facing high complexity must develop rich lateral communication networks to manage information effectively. In this context, coordination is not control but collaborative synchronization is a system that allows decentralized teams to operate interdependently toward a shared strategic vision.

#### **3.2.3.2. Reinforce leadership development and structural succession**

Netflix's minimalist hierarchy encourages empowerment and autonomy, but limits leadership development pathways. The absence of structured managerial layers reduces opportunities for mentoring and professional progression. Over time, this can lead to leadership discontinuity, knowledge loss and reduced engagement among employees seeking growth.

Drawing on Transformational Leadership Theory (Bass, 1990), sustainable empowerment depends not only on freedom but also on the presence of leaders who inspire, mentor and model adaptive behaviors. Netflix's current leadership philosophy of trusting "fully formed adults" is effective for high performers but may forsake emerging leaders who require developmental support to thrive in a decentralized environment.

To address this, Netflix should implement a formal leadership development framework focused on cultivating adaptive and culturally intelligent leaders. Structured mentorship programs, rotational leadership assignments and coaching systems could strengthen leadership capacity across global operations. Additionally, adopting Amy Edmondson's (1999) concept of culture of openness and mutual trust within leadership training would help

managers foster environments where experimentation and feedback are valued at the same time preserving Netflix's innovative culture while providing clearer career trajectories.

In essence, building leadership depth transforms empowerment from an individual privilege into an organizational capability. This ensures that the culture of "freedom and responsibility" continues to scale sustainably, rather than relying on a limited cadre of senior visionaries.

### **3.2.3.3. Embed data driven structural governance**

Netflix's culture already relies heavily on data for content strategy, audience analysis and recommendation algorithms. However, similar analytical rigor could be applied to organizational design itself. Embedding data driven structural governance would allow Netflix to monitor decision making effectiveness, innovation rates and team collaboration in real time.

This approach aligns with Teece, Pisano and Shuen's (1997) Dynamic Capabilities Framework, which emphasizes the continuous reconfiguration of organizational assets to respond to environmental change. Netflix could develop internal analytics dashboards to track metrics such as decision cycle time, cross functional project outcomes and the diffusion of innovation across regions. These insights would provide feedback to refine structure and coordination proactively rather than reactively.

Moreover, establishing AI-supported knowledge management systems could ensure that lessons from global teams, especially those in emerging markets, are captured and redistributed efficiently. This transforms Netflix's decentralized structure into an intelligent ecosystem where each local experiment contributes data that informs the company's overall strategic evolution.

Ultimately, data driven governance does not reintroduce bureaucracy; instead, it enhances strategic transparency and adaptive learning. It preserves Netflix's hallmark agility while institutionalizing mechanisms for continuous improvement, ensuring that autonomy, accountability, and alignment evolve together as the company scales.

## **4. Assess the Control Process**

### **4. Analysis of the controlling functions**

#### **4.1.1. Performance management control**

Netflix redefines performance management by rejecting traditional bureaucratic evaluation systems in favor of continuous transparent feedback. The company does not conduct formal annual reviews or use rigid performance forms. Instead, it operates through a system of ongoing dialogue and real time correction centered on the "Keeper Test."

Under this mechanism, managers regularly reflect on whether they would “fight to keep” a given team member if they received a similar job offer elsewhere. This creates a feedback control system, where variations on the performance expectations are immediately recognized and addressed. The standard of performance is excellence and any discrepancy triggers rapid action, either through developmental feedback or employee transition.

This approach sustains Netflix’s concept of talent density, which emphasizes retaining only top performers who raise the overall level of creativity, accountability and innovation. It aligns closely with the company’s belief that exceptional outcomes stem from empowered and high performing individuals rather than procedural oversight.

However, the system’s intensity can produce pressure and competition, which may undermine a sense of security and openness, a concept emphasized by Amy Edmondson (1999). Netflix attempts to mitigate this risk through radical transparency and open feedback, encouraging employees to communicate concerns and learn from mistakes. By combining accountability with trust, Netflix turns performance control into a developmental and motivational process rather than a punitive one.

#### **4.1.2. Financial Control**

Netflix’s approach to financial control mirrors its overall philosophy of freedom and responsibility. Instead of centralized approvals and strict budgeting hierarchies, the company employs financial policies that rely on employee judgment and shared values.

An example is Netflix’s expense policy, which simply states: “Act in Netflix’s best interest.” Employees can approve their own travel, entertainment and operational expenses without managerial authorization, as long as their decisions align with company goals. This represents a behavioral and concurrent control system, where financial decisions are guided by trust and cultural alignment rather than preemptive restrictions.

This structure decentralizes one of the most traditional areas of corporate control, the spending authority and pushes decision making power directly to employees. The company relies on the maturity and integrity of its workforce to manage financial resources responsibly.

The underlying principle is that self control, not external control, ensures efficiency. When employees understand the company’s strategic priorities and cost discipline, they act as stewards of the organization’s resources. While this approach reduces bureaucracy and accelerates decision making process, it depends heavily on maintaining a consistent culture and hiring individuals capable of sound financial judgment.

#### **4.1.3. Quality Control**

At Netflix, quality control is not managed through standardized checklists, formal audits or procedural compliance. Instead, quality is embedded in people, culture and selection. The company’s “Keeper Test” acts as the main effector of quality control, ensuring that only

those employees that are capable of producing innovative and exceptional work remain within the organization.

This approach translates to every area of operation: whether developing content, designing user interfaces or managing customer experience, the emphasis is on hiring and retaining individuals who maintain high creative and professional standards. The assumption is that high quality output naturally results from high quality talent.

Moreover, the cultural commitment to open feedback and transparency sustains ongoing quality improvement. By fostering an environment where employees feel comfortable discussing errors or proposing changes, Netflix maintains a system of continuous quality enhancement rather than post error correction.

This aligns with the company's belief that creative industries cannot achieve excellence through rigid controls but through empowerment, ownership and learning. While this approach sustains innovation and agility, it also requires vigilance to ensure that standards remain consistent across expanding global operations.

#### **4.1.4. Strategic Management Control**

Netflix's control system extends deeply into the domain of strategic management, ensuring that autonomy and creativity remain aligned with the company's long term goals. Control in this area is achieved not through centralized planning, but through a strong cultural framework and a shared understanding of strategic priorities.

Managers provide context, not control by communicating the company's direction, objectives and performance indicators while employees determine how best to achieve them. This ensures strategic coherence without restricting innovation. As the company evolves across new markets (e.g., gaming, live events, and advertising), this balance between decentralized execution and centralized strategic clarity becomes essential.

The company's control philosophy functions as a self regulating strategic loop:

- Freedom enables innovation and adaptability.
- Responsibility ensures that decisions support long term strategic goals.
- Transparency and feedback provide real time adjustment and learning.

The strength of Netflix's strategic control lies in its ability to align local and creative decisions with the global mission "to entertain the world, one fan at a time." Employees are not told what to do; they are told why it matters. This sense of purpose ensures that decision making across all levels supports both short term execution and long term strategy.

However, as Netflix continues to scale, maintaining this cultural alignment globally is a key challenge. The more diverse the operations become, the harder it is to ensure that decentralized decision making continues to reinforce the same strategic intent. Sustaining the clarity of mission and shared values will be crucial for an effective preservation of the strategic control.

## **4.2. Analysis & recommendations**

### **4.2.1. Analysis of the control processes**

#### **4.2.1.1. Strengths of the control processes**

Netflix's controlling processes represent a core strength of the organization, built on a philosophy of trust, autonomy and accountability. By treating employees as "fully formed adults" and granting them significant freedom in decision making processes, the company creates an environment where individuals feel ownership of their work. This fosters high engagement and intrinsic motivation, aligning closely with the company's strategic objectives.

The "Keeper Test" is a standout mechanism within performance management, ensuring that only the best employees remain in the organization. This real time evaluation replaces traditional annual reviews, allowing managers to maintain talent density and uphold a culture of excellence. It also serves as a feedback loop, continuously reinforcing performance expectations.

Behavioral and operational controls, such as unlimited vacation and decentralized expense policies, further support empowerment while maintaining accountability. By removing bureaucratic approval layers, these policies enable faster decision making and encourage employees to act responsibly in alignment with organizational goals. Together, these mechanisms strengthen agility, innovation and alignment between individual actions and company strategy.

#### **4.2.1.2. Weaknesses of the control processes**

Despite its effectiveness, Netflix's control model has several potential weaknesses that may impact long term sustainability. The emphasis on continuous high performance and the constant application of the Keeper Test can create pressure and reduce trust based environments for some employees. In such an environment, newer team members may hesitate to experiment or share ideas, potentially limiting innovation.

The decentralized approach to financial control, while efficient, lacks preventive oversight for larger or more complex projects. Without structured checks, there is a risk of resource misallocation or inefficiency, particularly as the company undertakes new initiatives or expands into unfamiliar markets.

As Netflix scales globally, maintaining a consistent interpretation of its freedom and responsibility culture becomes increasingly challenging. Different regional contexts or cultural norms may result in uneven application of control practices, potentially undermining alignment and creating operational inconsistencies. Additionally, because the model relies heavily on individual accountability, there is a risk of losing institutional knowledge when experienced employees depart, which could weaken long term organizational learning and strategic continuity.

#### **4.2.2. Recommendations**

To address these challenges while preserving the benefits of the trust control model, Netflix should implement several enhancements. First, the company could introduce structured learning reviews after major projects. These would provide a safe forum for discussing mistakes and lessons learned, reinforcing supportive and open team climate while promoting continuous improvement.

Second, implementing tiered financial oversight for high value or high risk initiatives would maintain operational speed while adding a layer of preventive control. This ensures responsible allocation of resources without undermining the culture of autonomy.

Third, as the company expands globally, a cultural calibration program should be introduced. Regional leadership training and onboarding modules could ensure consistent understanding and application of Netflix's freedom and responsibility principles, mitigating risks of misalignment across geographies.

Finally, establishing knowledge retention and sharing mechanisms, such as project debrief databases or internal learning hubs, would preserve institutional knowledge and reduce dependency on individual contributors. Collectively, these measures would strengthen the resilience of Netflix's control system by balancing autonomy with structure and maintaining strategic and operational alignment as the company grows.

### **5. Conclusion**

After analyzing Netflix's planning, leadership, structure and control processes, we can conclude that Netflix's success is strongly linked to its distinctive culture and leadership style, which emphasize trust, independence and high performance. These elements have allowed the company to innovate constantly and adapt to an industry that changes faster than others. However, this same culture also brings challenges that need to be managed carefully to ensure long term balance and sustainability.

Netflix's idea of giving employees freedom to act in the company's best interest has proven to be powerful, but it also depends heavily on each person's ability to handle responsibility and pressure. Practices like the "Keeper Test" help maintain strong performance, yet they can create stress and reduce psychological safety if not combined with support systems such as

mentoring or open dialogue. Encouraging a culture of learning, feedback and empathy could help make the environment more inclusive without losing its innovative spirit.

From an organizational perspective, Netflix's flat structure and decentralized decision making continue to be strengths, but as the company expands into areas like gaming and live events, it should focus on improving coordination and communication between teams and regions. Clearer development paths and leadership training programs would also help prepare the company for future growth.

In terms of control, Netflix's approach based on trust and transparency rather than strict rules works well, but it may need more structured processes for projects on a large scale to ensure consistency and accountability. Overall, Netflix doesn't need a complete change in its management model, but rather small adjustments that reinforce what already works. The company should keep promoting freedom and creativity while adding the right level of structure and guidance.

This balance will help it remain innovative, resilient and attractive to both employees and audiences worldwide. Studying Netflix has allowed us to see that effective management is not about controlling people, it's about creating an environment where they can make meaningful contributions with confidence and purpose. That, more than anything, is what truly drives success in today's organizations.

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