Powerful: Building a Culture of Freedom and Responsibility by Patty McCord

Executive Book Summary by Megan Kot

Summary

Leading to Succeed through a Culture of Responsibility and Freedom

In order to motivate and sustain high performing members of any team, Patty McCord, using her HR and executive team experience at Netflix, details opportunities to create an involved workplace. Disbanding formal annual reviews, monetary incentivizing, and cookie cutter policies, McCord argues for radical and responsible honesty when communicating with team members for performance success. McCord believes that aforementioned archetypes to develop team members for business growth and change do not actually develop, but rather limit people. Rather than reinventing the system, she strips it away. Business, McCord argues, is ever growing and changing to meet (always) evolving market demands; problem solving and adaptation "aren't rigid structures bound by predetermined mandates about objectives, staff or budget," (2017, p.5). To ensure growth and development, leaders must then account for change centrally, not just accommodate it using preset business structures. Rather, inspiring performance based on satisfaction from their work, not their wages; decision making that considers personal opinion on top of company stats, alongside the development of agency for team members to act, a successful leader is one who is willing to also learn and unlearn, not just enforce.

I commend McCord's radical honesty praxis; in the succeeding evaluation of my EBS, I also seek to understand how McCord encourages companies to do away with budgets, annual reviews and other metrics that guide business strategy for employee development. Here I review and comment on the possible futures for this culture of freedom and responsibility.

From Co-Creator of NETFLIX Culture Deck

POWERFUL

Building a Culture of Freedom and Responsibility

Patty McCord

Content

About the Author

A Brief History of Patty McCord

Joining Netflix in 1997, a startup DVD rental company, McCord left her HR position at Pure Software to enter unknown territory. Faced with the booms and busts of this business, it was Netflix's profound bust(s) that afforded McCord the opportunity to do away with organizational structure and design (2017). Having to lay people off when Netflix was on the brink of bankruptcy in 2001, McCord redefines the importance of manpower, power not in the volume of workers but rather in their design. Without as many "layers of opinions and approvals" following this layoff, McCord argues people then have greater mobility for innovation without having to spend the majority of their time and resources seeking approval (2017, p. 34). Henceforth, McCord argues that teams of any business must work collaboratively and organically (2017). Preconceived ideas of policy, developed in the 20th century, are too rigid to capture the dynamic needs of today's landscapes. Contextually, it is important to locate McCord's vision of this new culture. Unlearning protocol became necessary when her company was on the brink of bankruptcy; convention was no longer serving the needs of their business. Accordingly, one wonders whether it is easier to lead a business by striping policy and procedure when that business is on this brink. How can McCord's business culture apply to a business that meets its projections, and is growing stably?

Why a Culture of Freedom and Responsibility?

"What takes the place of rules, processes, approvals, bureaucracy, and permissions? The answer: Clear, continuous communication about the context of the work to be done," (McCord, 2017, p.15).

McCord argues that giving workers freedom does not mean total disbandment of direction. Rather, McCord advocates leaders are responsible to institute learning on the job, not just training. In company endeavors to incentivize and measure performance, McCord argues that they have also failed to actually communicate how their business runs (2017). Being transparent about the ins and outs of business ensures employees are not misinformed, but also feel more connected to it; they gain knowledge by asking questions, and reviewing mandates, rather than memorizing procedure (McCord, 2017). Reviewing McCord's *culture deck*, I seek to understand how this culture of freedom and responsibility assumes power for workers.

Communication and the Culture Deck

The culture deck (developed by Cindy Holland, VP of Netflix's content acquisition) is the cheat sheet of expectations given to new hires, and used by every member of the Netflix team (McCord 2017). Every quarter, departmental heads create presentations on subjects and issues central to their part of the business, using this deck (ibid).

NETFLIX CULTURE DECK

Values are what we value	**High performance**	**Freedom & responsibility**
We particularly value these 9 behaviors and skills: judgment, communication, impact, curiosity, innovation, courage, passion, honesty, selflessness,	Great workplace is stunning colleagues. We're like a pro-sports team, not a family. We do not measure people by how many hours they work or how much they are in the office.	Our model is to increase employee freedom as we grow, rather than limit it, to continue to attract and nourish innovative people, so we have better chance of sustained success. Flexibility is more important than efficiency in the long term.
Context, not control	**Highly aligned, loosely coupled**	**Pay top of market**	**Promotions & development**
The best managers figure out how to get great outcomes by setting the appropriate context, rather than by trying to control their people.	Teamwork effectiveness depends on high performance people and good context. The goal is to be big and fast and flexible.	One outstanding employee gets more done and costs less than two adequate employees. We endeavor to only have outstanding employees.	We develop people by giving them the opportunity to develop themselves, by surrounding them with stunning colleagues and giving them big challenges to work on. Career "planning" not for us.

Communication flows multi-directionally (from, amongst and between new hires and departmental heads), and therefore the values, expectations and the culture of Netflix is an acquisition held by all. Instead of explaining procedure, but rather, allowing new hires to experience it, McCord advocates these experience as the best practice(s) for learning.

In succeeding content, McCord's suggested actions for freedom and responsibility will refer back to this culture deck.

"I tried to explain it to him but he's too stupid to listen. My answer was always 'Well, then you made it too complicated to understand'," *(McCord, 2017, p.21).*

Face to Face Feedback: The Purpose of Radical Honesty in Truth and Trust

Half-truths, McCord argues, comes from a leader's distillation of company problems when communicating to their staff (2017). Essentializing information is worse than communicating what McCord calls, "Hard Truths" (2017, p. 42). Half-truths do not protect the team but rather induce anxiety or disdain because eventual surprises or uncovered knowledge from these hard truths are bound to arise. Being honest from the get-go allows team members to communicate their initial reactions, to then work together with their managers to respond in ways that would have otherwise been delayed from a distilled truth. On this note, McCord extends ideas of truth in communication to *feedback*. Feedback mechanisms have been popularly conducted through anonymous surveys with a preset of questions that rank satisfaction along a numbered continuum (McCord 2017). McCord argues that truth comes from a person, not an anonymity; how can a team member contextualize or locate the circumstance of feedback when they do not know its source? High performance and development is given through context, not control. Face to face questioning, and conversation provides feedback that is accountable and can be furthered questioned because both sender and recipient actively communicate their needs, not relying on a prescribed survey. Regular opportunities for face to face feedback will gradually take away discomfort in communicating problems in performance as well, because everyone is open to be read (McCord 2017). The question then follows... *How do we use face to face feedback to change or evolve structural understandings of our business?*

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Stats & Facts: What They Lack

"There's a dangerous fallacy that data constitutes the facts you need to know to run your business. Hard data is absolutely vital, of course, but you also need qualitative insight and well-formulated opinions, and you need your team to debate those insights and opinions openly and with gusto," (McCord, 2017, p.55).

McCord acknowledges the importance of data when developing projections and substantiating business decisions (2017). However, data she continues, does not solely constitute fact; *qualitative insight* allows for *debate* for new ideas that numerical data do not always permit (McCord, 2017, p.55). For example, Netflix debated between using the (stably sound, data proven) method of show piloting versus producing an entire series. Releasing one pilot, waiting for the green light from audiences, as well as the executive team to continue production has historically instructed how series were made (McCord, 2017, p.10-11). However, believing in their production team to create content that did not have to be first reviewed by the public, Netflix allowed entire series to be created and streamed (ibid). It was this trust and debate against piloting that decision making was made, empowering each member to warrant new ideas and be trusted to follow through on them. This is the satisfactory work McCord highlights in her text.

How to Debate: (McCord, 2017, p. 68-69)

→ *"Set terms of debate explicitly. Strong views must be backed up; arguments should be based on facts not conjectures!"*

→ *"Instruct people to ask for explanation of their views… Do not make assumptions!"*

→ *"Be selfless in debating. That means being genuinely prepared to lose your case and openly admitting when you have!"*

→ *"Actually orchestrate debates. Try having people argue the opposing side, poking holes in their own position!"*

→ *"Beware of data masquerading as facts; data is only as good as the conclusions it allows you to draw from it!"*

Incentives: Whose Money is it Anyway?

"Consider not only what you can afford given your current business but also what you will be able to afford given the additional revenue a new hire might enable you to bring in."

"Rather than paying at some percentile of top of market, consider paying top of market, if not for all roles, then for those that are most important to your growth."

"Signing bonuses can lead to the impression of a salary decrease in the year after the person joins; paying the salary you need in order to bring in a top performer is the better option." (McCord 2017, p. 122).

In a neoliberalist, capitalist society, salaries, McCord notes how compensation can be a tricky terrain to navigate. A society driven by dollar value within any market, McCord acknowledges how pay for performance can become confusing when trying to judge performance(s) (2017, p. 111). The responsible leader who enforces a culture of freedom does not compare their company's compensation to that of their competitor's: rather creating a salary based on the expected revenue of what that performer will generate for their specific company becomes central in determining wages (McCord 2017, 113). Additionally, looking to the future, identifying performances that have the greatest potential to boost company revenue means to then pay those performers top of market value. McCord is a huge advocate of performance; rather than obsessing over head counts, she believes that if a person is able to perform the tasks of two people, then there is no need to accommodate two positions for two people at two pays. Rather, acknowledging that one person's task accomplishment, paying one person more for that performance guarantees their satisfaction as a top performer, not having to compromise their pay because of head count protocol (2017, p. 118). While monetary value is inevitable, top performers, McCord argues, perform highly because the work they do is also of value to them. Monetary compensation should be secondary to work satisfaction.

The question then follows… *If pay is tied to performance and one's future contributions, no longer a formality that goes up with the number of years a team member puts into the company, how can we ensure this pay to perform culture?*
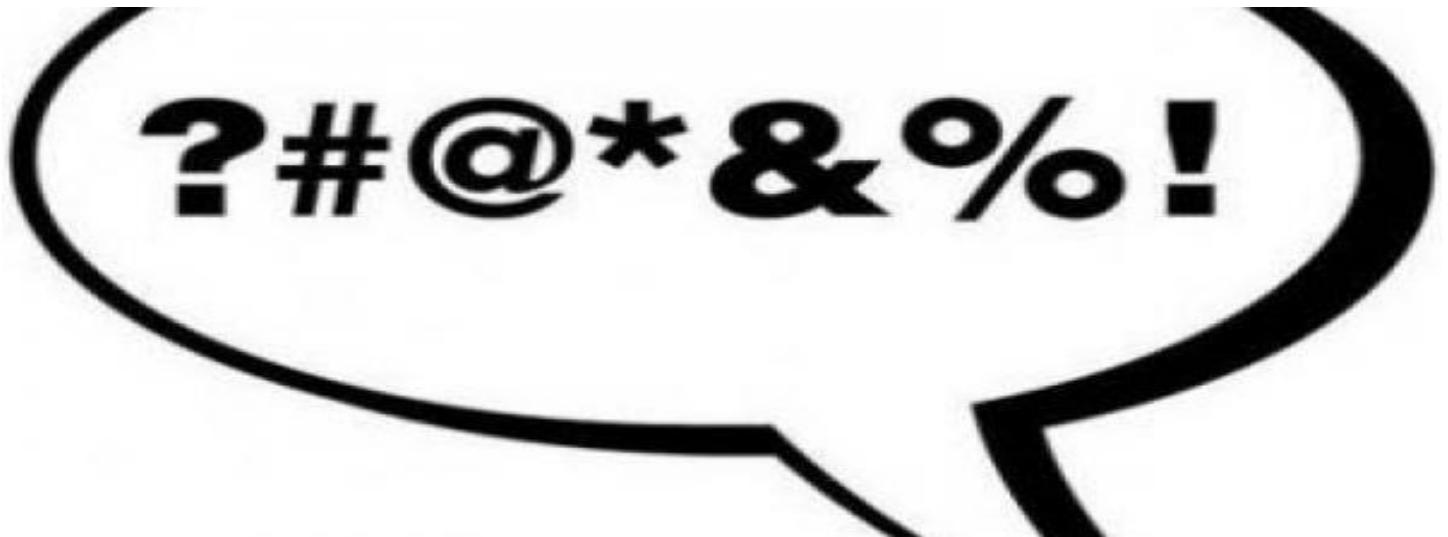
Engaging and Empowerment: How Engaging and Empowering are these Words?

Throughout the entire scope of this text, McCord pioneers an ethical workplace based on radical honestly and an open communication imperative that recognizes people's performative potential, fostering opportunities for their development reliant on this communication. By creating a new language founded on freedom and responsibility, McCord argues that popular business idioms of empowerment and engagement actually work against businesses for their long-term growth (2017). *Empowerment* semantically affords occupancy of power to folks who have been denied this enterprise to some degree. McCord urges leaders to understand that their employees were never powerless, but rather limited in their opportunities to explore their capabilities (ibid). All positions are powerful, and it is the leader's responsibility to ensure everyone's power is recognized and exercised, not taken away. Ironically, it is the metrics that define performance (anonymous feedback surveys, standardized incentives that do not recognize individual performers), that are limiting because they are not context and content specific to diverse needs of a business- business, defined as a dynamic ebb and flow of communication.

"As for empowerment, I simply hate the word. The idea is well intentioned, but the truth is that there is so much concern about empowering people only because the prevailing way of managing them takes their power away," (McCord 2017, p. xvi).

"Engagement is a term that, when used in business, I dislike about as just about as much as "empowerment." In a talk I gave at a conference to a room full of just HR people, I asked them, "How many of you have laid anybody off?" Everybody's hands went up. Then I asked, "Okay, how many of you have laid off a family member?" Zero hands. "And yet," I said, "how many of you use the word 'family' at work every day?" (McCord 2017, p. 133).

Engagement implies a level of commitment to one's work (McCord, 2017). However, sometimes poor performance is not based on the employee's commitment level, but rather their understanding and ability (ibid). Henceforth, in her argument, McCord suggests that leaders should steer clear of "empowerment" and "engagement" and how they begin to frame problems of performance. A successful business is not a family, but more like a "sports team", according to McCord (2017, p.116). I found this notion particularly insightful because she is getting at the idea of choice within community. Whereas a family reiterates the rhetoric of "you cannot pick but rather are given x number of members" with specific identities and dispositions, a sports team emphasizes a choice of people amongst that community. Much like a sports team, McCord suggests that regular reviewing, mentoring and coaching after a certain number of games is necessary to determine who is a suitable fit for the team, and whose abilities are not meeting those requirements (McCord, 2017). It is important to remember that certain people, although engaged and committed, are not always able to perform to the degree needed for the interest of the collective. Unlike annual performance reviews, the coach mentality ensures feedback is done regularly, so that any opportunities for performance are transacted before the end of year. Continuous honest and open feedback ensures that performance is based off of current dynamics of the company, so that if performance is not being met, other opportunities for that performer, either inside or outside the company are made possible. Reflexive communication about performance, rather than a performer's engagement is an important differentiation. Performance is tied to action rather than character. Correspondingly, when a person cannot contribute to the growth and development of the company, this is not only a realization made by the leader but also from one's self. The self-realization process is important when determining whether or not the performer is compatible to the company needs, and whether or not the company needs are compatible to the performer (McCord 2017). If a performer is no longer able to meet the needs of the company, termination is not stigmatized as an inability, but rather an incompatibility; McCord finds this important because termination should not disempower people, but rather help them relocate their needs and agency for future performance (2017).
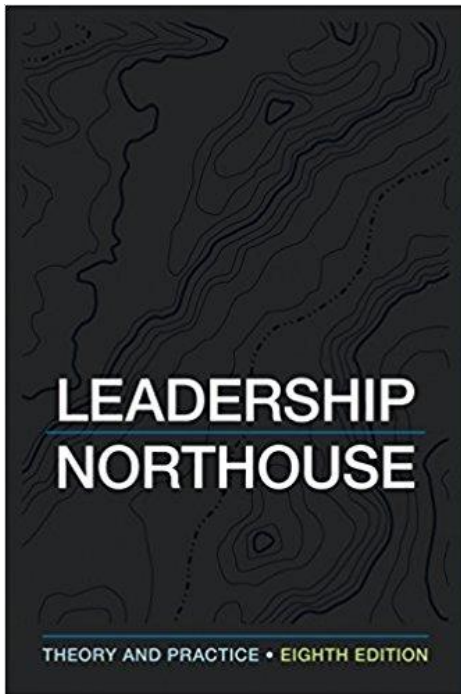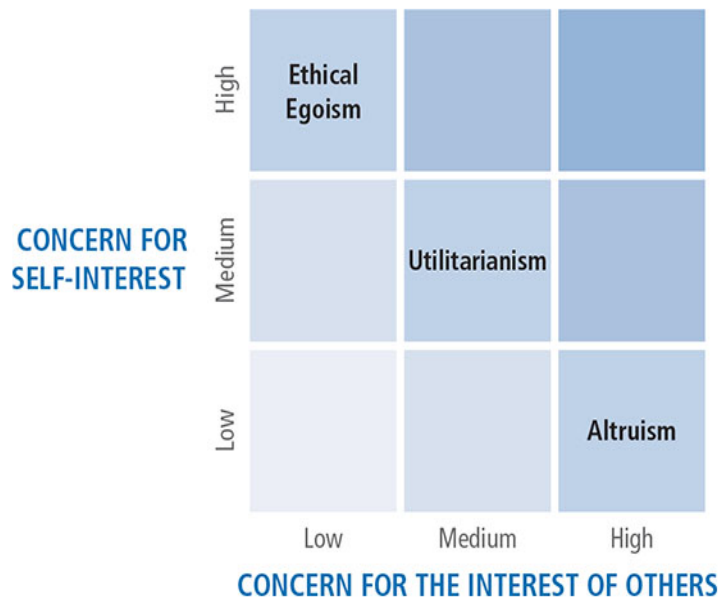
Evaluation and Connections: What Does It All Mean?

Figure 13.1 Ethical Theories Based on Self-Interest Versus Interest for Others

Northouse, 2019, p. 340

For the brevity of McCord's text, she excels at capturing the relevance of Netflix's culture deck, and how successful performance is a process, substantiated by a *culture of freedom and responsibility*; a culture necessitated by a motivational leader. Reading McCord's book, her ethical pursuits echo aspects of *utilitarianism*, contributing to her *transformational leadership* style. According to Northouse, "*utilitarianism* states that we should behave so as to create the greatest good for the greatest number. From this viewpoint, the morally correct action is the action that maximized social benefits while minimizing social costs." (2019, p. 339). McCord alludes to this moral epistemology in her institution of the sports team metaphor. A successful business does not define their team as a family, as this suggests a lack of choice in who is on the team (McCord, 2017). Rather, constructing a business team like a sports team suggests that the team is chosen based on their performance and contribution to the larger goals of the collective. Like utilitarianism, McCord emphasizes the importance of choice based on performance when assembling, changing or adding to one's current team. If a member is not benefiting the team, but rather coming at a cost (i.e., unable to deliver or enhance performance after feedback is given), it is important to then think how one must minimize that performer's cost. Given the morality behind this ethic, McCord does not insinuate immediate termination. Rather leader is encouraged to rethink how they must communicate feedback, delivering Hard Truths to performance so that the performer comes to a self-realization of their own abilities and capabilities. Given her concern for others as well one's self in business, the balance between company interest and face to face interest of her performers, McCord succeeds with a utilitarian approach (Northouse, 2019).

Burns notes, "transformational leadership is the process whereby a person engages with others and creates a connection that raises the level of motivation and morality in both the leader and follower. This type of leader is attentive to the needs and motives of followers and tries to help followers reach their fullest potential." (cited in Northouse, 2019, p. 164). Throughout the entire book, the culture of freedom and responsibility uses Hard Truths not to stress out team members but rather articulate how and what obstacles tangibly effect the initial states of performers and final goals of the company (McCord, 2017). If and when a performer is incompatible to the needs of the company, the performer is not merely terminated. Rather, termination becomes *The Art of Good Good-Byes*.

The Art of Good Good-Byes

I applaud McCord's "art of good good-byes". When a member of the team is unable to contribute to the needs of the company, or if the company does not meet the needs of its employee, McCord urges the leader to intervene. Rather than trying to make two incompatible pieces fit together through force, McCord advocates for the "art of good-bye". Rather than simply terminating the team member, if a culture of responsibility and freedom has occurred, both member and leader realize this incompatibility and work together to think of future opportunities for that member; a future not necessarily with that company (McCord, 2017). McCord discusses several cases in which she had to say good bye; good bye did not mean she let an employee go without direction, rather she used her position and resources to share future opportunities with her team member, suggesting other places of employment. This follow up and guidance further elevates McCord's transformational leadership; rather than painting a terminated team member as disengaged, unable to meet their full potential, she suggests that their potential may be better realized in other contexts. Her guidance is not simply transactional, based on concern for the company. McCord importantly demonstrates that taboo topics such as termination can be cathartic both for the company and for the team member.

Recommendations

I took great pleasure in reading McCord's "Powerful: Building a Culture of Freedom and Responsibility". Instead of opposing policy, incentives and other business strategies, McCord acknowledges their historical contingencies on today's business markets. However, she then uses these contingencies to suggest how they may actually be counterproductive to the collective interest of performance for success. While I commend McCord on her sharing of experience, using lived examples to articulate her culture deck, I found her guidance for this policy reformation a bit tenuous. While elements of the culture deck echo throughout the chapters, I wish she would have been more explicit in detailing their relevancy. While she posed important questions for leaders to think about in terms of reformation (i.e., how to incentivize team members, how to compensate workers, how to give feedback to workers, etcetera), I feel that a more detailed and direct explanation of the culture deck would have been beneficial to her cultural vision. While feedback, incentives and other mechanisms for performance are content and context specific, I think having a concept map or step by step guide would have offered better direction when offering alternative ways to think about leading in business. While I understand it was her intention to strip away structure, it is also important to offer concrete strategies to then work through them. Overall this was an excellent read.

Media Recommendations (If you Enjoyed This Text, Check Out the Following)

Netflix Culture Deck via Reed Hastings:
https://www.youtube.com/watch?v=2fuOs6nJSjY

'Reed Hastings and Netflix' by Corinne Grinapol

Debunking Netflix Culture Myths: Netflix is Cutthroat:
https://www.youtube.com/watch?v=Fq2KoJfnKKc

References

McCord, P. (2017). *Powerful: Building a Culture of Freedom and Responsibility.* United States of America: Silicon Guild.

Northouse, P. G. (2019). *Leadership: Theory and Practice* (8th ed.). Thousand Oaks, CA: Sage.

Image p. 1: https://www.amazon.ca/Powerful-Building-Culture-Freedom-Responsibility/dp/1939714095

Image p. 2: https://www.drift.com/blog/lessons-from-patty-mccord/

Image p. 3: https://www.pinterest.co.kr/pin/61080138679963956/

Image p. 4: https://www.psychologytoday.com/ca/blog/the-athletes-way/201510/face-face-social-contact-reduces-risk-depression

Image p. 4: https://www.psychologytoday.com/ca/blog/the-main-ingredient/201601/your-opinion-sucks

Image p. 5: https://meylah.com/meylah/5-ways-to-incentivize-customers-to-purchase

Image p. 6: http://www.blackstarnews.com/us-politics/policy/dirty-words.html

Image p. 7: https://byrslf.co/4-ways-you-can-empower-yourself-1228778664f6

Images p.8: https://www.amazon.com/Leadership-Practice-Peter-G-Northouse/dp/1506362311

Image p.9: https://fathomblog.com/2018/05/04/the-art-of-goodbye-in-a-culture-of-see-you-later/