

Can fear create a high-performance culture?

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Netflix's has been the subject of heated debate about its culture following the publication of a recent Wall St Journal article which shone the spotlight on the company's "Keeper Test" and raised questions about whether management by fear really works.

The "Keeper Test" at Netflix

At Netflix every manager is asked the following question:

"What would you do if this employee was thinking about leaving your team? Would you try to persuade them to stay, or would you encourage them to find a better fit somewhere else?"

If the manager would try hard to keep an employee from exiting, that employee is a keeper. If not, it's time to look for a new recruit to fill that position. Underperformers receive a generous severance package; stars continue to shine.

The “Keeper Test” at Netflix substitutes average team members for stars.

Critics have labelled the “Keeper Test” as inhumane and potentially detrimental to employee wellbeing. They argue that people do their best work when they have “psychological safety” and are not living in constant fear of losing their jobs. So let’s take a closer look at that theory and how well Netflix employees are performing.

How has Netflix performed?

Netflix has an impressive track record of high performance and recent highlights include:

- Subscribers have almost quadrupled since 2013, to a massive 137 million people.
- Revenue has grown from \$11 billion in 2017 to \$15 billion in 2018 – a whopping 27.5% increase that would delight any shareholder!
- Oh, and Netflix took home 23 awards at the 2018 Emmys, tying with longtime Emmy darling HBO.

Netflix and HBO tie for total wins at the 2018 Emmys

“What about employee engagement levels at Netflix?” the critics might ask. Actually, employees seem pretty happy and the company ranked second on Comparably’s 2017 “Happiest Employees” list. In fact, employees voluntarily leaving Netflix is at an impressive 4%, sitting below the US average of 13% – a result that would make any CHRO's day!

How can Netflix be getting these impressive results when critics claim that it lacks the "psychological safety" necessary for high performance? Let me explain what I believe is driving performance at Netflix, based on my experiences in the sporting world.

What I learned at the football (soccer) club

I was studying for my Masters's degree in Occupational Psychology in Sheffield, the northern English city once famous for its steel making. I decided to examine high performance in teams as part of my research project and chose Sheffield United Football Club as the subject of my thesis. Why? Why not? Where better to understand the dynamics of a high-performing team.

I spent the season sitting on the sidelines at matches, observing training sessions, and even attending an intensive army training boot camp with the team. I noticed a laser-like focus on maximizing performance – with players experiencing a barrage of daily feedback, time on the bench, and even sitting out entire games. But was the club a psychologically "unsafe" environment, especially given the fact that footballers were constantly at risk of losing their place on the team?

The answer to this question was "No". Players framed their role as **members of an elite sports team**. They knew that this was not a job for life. They also understood that it was the manager’s role to find the best player for every position on the field.

Footballers understood that, in the quest for FA Cup glory, their place could be filled by another player.

What can the world of football teach us about what might be going on at Netflix?

What's really going on at Netflix

The role of employees at Netflix is framed as members of the “**Dream Team**”. As CEO, Reed Hasting put it, “Being part of Netflix is like being part of an Olympic team. Getting cut, when it happens is very disappointing but there is no shame at all. Our former employees get a generous severance and they generally get snapped up by another company.”

Netflix employees know the role expectations and the rules of engagement. You don't get paid simply for turning up to work. You don't get promoted by coming into the office early and leaving late. If you work hard but achieve average outcomes you are moved on and there is no room on the “Dream Team” for those who are not pulling their weight. The people who make stuff happen are the ones who get recruited, rewarded, and promoted in this culture.

The Dream Team: Netflix leaders don't care about how hard you work; they are only interested in the outcomes you generate.

The key to building a high performing culture

Culture is never a “one-size fits all” and what works for Netflix may not work for your company or team. Each culture needs to be designed to be fit-for-purpose and there are no quick fixes or easy answers.

However, a crucial first step in creating a high-performance culture is to **align your strategy with the role you expect your people to take up**. Companies with the most recognized cultures on the planet get crystal clear about the role of employees. Think:

- Netflix: members of the “**Dream Team**”.
- The Ritz Carlton: “**ladies and gentlemen**” serving ladies and gentlemen.
- Southwest: “**warrior spirits**”, being fearless in delivering service to customers.
- Apple: “**life changers**” who create “the best products on earth”.

Align the role of employees with your strategic intent.

Step 1: Stop talking about the **silver bullet**, one-size-fits-all solutions to culture, like "psychological safety".

Step 2: Get clear about the role you need employees to take up to deliver on the business strategy and goals. Remember, **keep it simple** - if employees can't remember the role, then they are highly unlikely to bring it to life in the workplace every day.

Step 3: Design the people systems to communicate and reinforce this role at every touchpoint. This strategic role alignment will be one of your critical ingredients in creating a high-performance culture.

I'd love to hear your views about working in or building a high-performance culture. What works best in your experience? Please like, share or comment if you found this article helpful.

The post "Can fear to create a high-performance culture?" was first published by Hilton Barbour here <https://www.linkedin.com/pulse/can-fear-create-high-performance-culture-siobhan-mchale/>

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