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Abstract:

This report outlines the use of Innovation and Creativity in Netflix's strategic leadership strategy. Netflix, an organisation that went through a significant transition implemented unique and innovative leadership strategies on both the strategic and operational level.

Such strategies have been optimised to best foster creativity such as no rules, rules but also leave Netflix vulnerable ethically as its methods are expensive and require top performers. Strategically Netflix has best utilised it's influence in different regions and has effectively strategized its global content to stay ahead of the market.

This report outlines 4 phases of Netflix's transition and how they utilise innovation and creativity to make these transitions plausible.

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Netflix:
Developing an environment for creativity

Section 1: Introduction

1A: What is Netflix

Netflix is one of the world's leading streaming platforms, but it originally began as a DVD rental service. In 2000, Netflix approached then-industry giant Blockbuster with an offer to sell the company for $50 million — an offer that was famously declined, with Netflix being "laughed out of the room" (Mollman, 2023).

Year	Total Revenue US $ million	Year on Year growth %
1998	1.34	0
1999	5.01	273.86
2000	35.89	617.02
2001	75.91	111.49
2002	152.81	101.28
2003	272024	78.16
2004	500.61	83.88
2005	682.21	36.28
2006	996.66	46.09
2007	1205.34	20.94
2008	1364.66	13.22
2009	1670.27	22.39
2010	2162.63	29.48
2011	3204.58	48.18
2012	3609.28	12.63
2013	4374.56	21.2
2014	5504.66	25.83
2015	6779.51	23.16
2016	8830.67	30.26
2017	11692.71	32.41
2018	15794.34	35.08
2019	20156.45	27.62
2020	24996.06	24.01

Figure 1 :Netflix's growth between 1998 and 2020 (Joonas, Kishwar 2023).

Today, Netflix is valued at over $300 billion (Marketcap, 2025). Table 1 shows the company's growth between 1998 and 2020, with its most significant year-on-year increase occurring in 2011 — the year Netflix began producing original content.

Netflix's transformation from a DVD rental service to a global digital streaming powerhouse can largely be attributed to its commitment to innovation and creativity. The company revolutionised film and television consumption by pioneering the digital streaming model, establishing a new standard that would later be adopted by major corporations such as Apple, Disney, and Amazon.

1B: Guerrilla strategic leadership

Netflix demonstrated the profitability and scalability of online streaming long before its major competitors entered the space. It did not take long for large corporations such as Apple, Disney, and Amazon to recognise the potential of digital content distribution and seek to establish a presence. However, Netflix has maintained a significant strategic

advantage by being the pioneer of the streaming model — this is, in many ways, its home turf.

This positioning has afforded Netflix what could be described as a form of guerrilla strategic advantage when competing with much larger conglomerates. While its competitors have extensive resources, Netflix's deep-rooted expertise and agility within the digital streaming landscape have enabled it to continually innovate and stay competitive. This innovation has occurred across several key phases of strategic evolution:

Phase 1: Transition from physical DVD rentals to digital streaming

Phase 2: Development and production of original content exclusive to the Netflix platform

Phase 3: Investment in international content, collaborating with creative teams in regions such as the UK, Japan, and South Korea to foster a global creative culture

Phase 4: Expansion beyond film and television into adjacent creative sectors, including video games and music

Each phase represents Netflix's effort to adapt to and shape the evolving demands of digital content consumers, while solidifying its role as a creative industry leader.

1C: Scope of Report

This report will explore creativity and innovation as key organisational elements, both at the internal (operational) and executive (strategic) levels. It will examine how these elements are embedded within an organisation through leadership practices, using Netflix as a case study to illustrate their implementation during periods of strategic transition (Nechkoska, Renata Petrevska, 2015).

In addition to highlighting the benefits of Netflix's creative and innovative model, the report will also critically assess its limitations. This includes an evaluation of ethical concerns that can arise when fostering innovation, particularly in relation to how leadership may use power and organisational politics to drive performance and extract efficiency from creative employees. By doing so, the report aims to provide a balanced view of how creativity and innovation are operationalised within Netflix's leadership culture.

Section 2: Innovation and creativity

2A: defining Innovation and creativity

Innovation and creativity are integral to organisational success and have become increasingly essential for sustaining long-term competitive advantage. These concepts are inherently complex and require skilful leadership to harness their full potential (Anderson & Neil, 2014).

Creativity refers to the ability to generate original, novel, and valuable ideas. Creative leadership plays a critical role in this process by fostering an environment that encourages brainstorming, divergent thinking, and psychological safety. Such environments enable unconventional ideas to surface and take shape.

Innovation, on the other hand, is the process of implementing these creative ideas — transforming them into tangible products, services, or strategic initiatives. Effective innovation requires a balance between visionary thinking and practical execution. It allows organisations to align creative potential with strategic objectives, turning imaginative concepts into results that serve broader organisational missions and goals.

"Innovation is the specific instrument of entrepreneurship. The act that endows resources with a new capacity to create wealth"

- Peter Drucker (1985)

2B: Implementing Innovation

For innovation to thrive, leaders must cultivate an environment that supports creative thinking and risk-taking. This includes fostering psychological safety, rewarding experimentation, and normalising curiosity within the workplace (Hamouti & Rhizlane, 2021). When employees feel safe to express unconventional ideas without fear of judgement or failure, innovation becomes more attainable.

Effective leaders also promote autonomy and ownership, empowering individuals and teams to pursue ideas and drive change from within. This decentralised approach to innovation allows creative employees to act as intrapreneurs, contributing to the organisation's strategic evolution.

In addition to cultural factors, organisations must also invest in the appropriate infrastructure to support innovation. This includes providing access to relevant data, tools, and technologies that enable experimentation, as well as creating more agile and flexible project environments. Such environments support iterative development and rapid feedback cycles, both of which are crucial for sustaining innovation in fast-moving industries.

2C: Netflix's Leadership

Co-founder and recently departed CEO of Netflix, Wilmot Reed Hastings, played a pivotal role in transforming the company from a DVD rental service into a pioneering digital streaming platform. This strategic shift enabled Hastings to implement innovative leadership practices that fostered a culture of creativity and agility within the organisation (Gomez-Uribe, Carlos A, 2016).

In 2019, Hastings outlined five key leadership principles that shaped Netflix's unique organisational environment:

- No Rules, Rules – Employees are trusted to take unlimited holidays and spend company resources responsibly, provided they act in Netflix's best interests.
- A Global Company Needs a Global Culture – Emphasis is placed on inclusivity and embracing diverse values across regions.
- Disagree Openly and Move Forward – Managers are encouraged to "farm for dissent," actively stimulating open debate and critical feedback.
- Inspire, Don't Manage – Leadership is focused on setting strategic context and inspiring employees, rather than micromanaging.
- Open the Books, Share Information Broadly – Transparent access to information empowers employees to make informed, autonomous decisions.

These principles were instrumental in guiding Netflix through its transition to digital streaming, enabling the organisation to embed innovation at its core. The "no rules, rules" approach grants employees the autonomy to manage their own time, fostering trust and encouraging responsibility. Rather than enforcing rigid controls, Netflix rewards creativity by providing freedom within a clearly defined context.

A key aspect of Hastings' leadership is the concept of farming for dissent — cultivating an environment in which employees feel safe to voice criticism and challenge assumptions. This feedback-rich culture strengthens the company's ability to adapt and innovate.

Hastings' philosophy has helped position Netflix as a disruptor in the film and television industry. By simplifying content consumption through digital streaming and later producing its own original content — starting with House of Cards — Netflix not only revolutionised distribution but also content creation. This strategic innovation was crucial in solidifying Netflix's status as a global entertainment powerhouse.
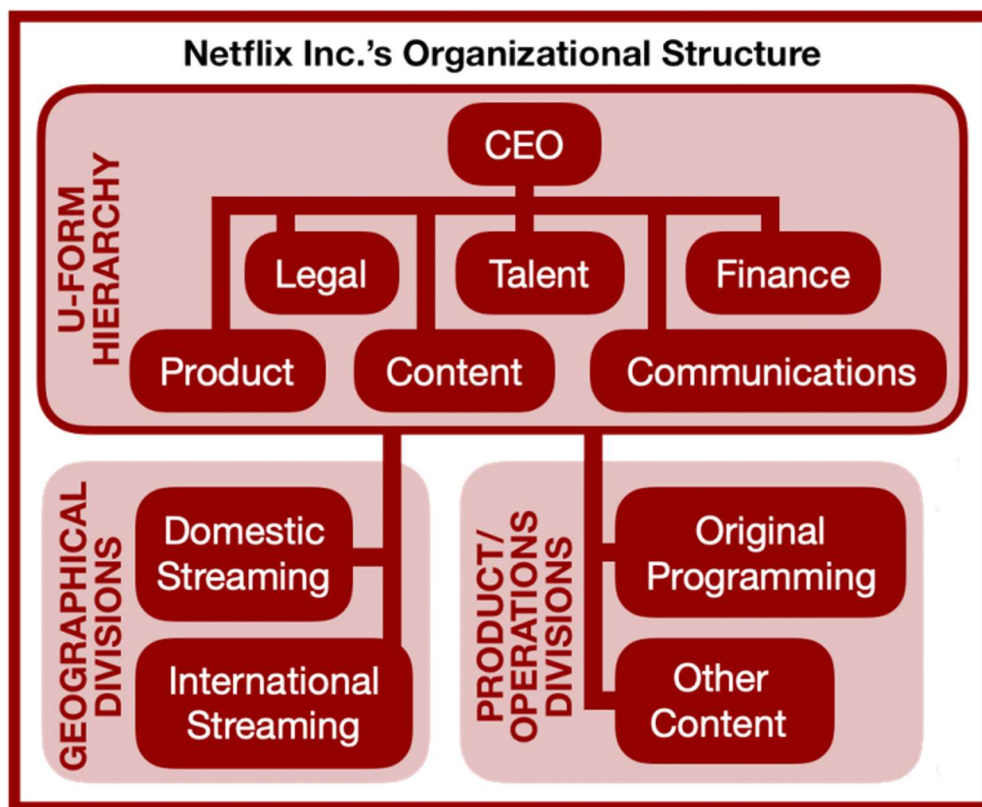
2D: Netflix's structure

Figure 2, The Netflix Hierarchy (David Anderson, 2019)

As one of the most valuable companies in the world, maintaining a flat leadership structure poses significant challenges. Nevertheless, Netflix continues to preserve elements of its unique internal culture that distinguish it from more traditionally structured corporations. Senior managers are not focused on micromanagement but instead are encouraged to gather constructive feedback from employees, reflecting a flatter, more decentralised hierarchy.

Hastings' second leadership principle — "A global company needs a global culture" — has been particularly influential in shaping Netflix's international strategy. Rather than solely producing content for the American market, Netflix has invested in foreign productions, positioning itself as a truly global entertainment provider (Gomez-Uribe, Carlos A, 2016).

A key example of this strategy is the South Korean series Squid Game, which achieved unprecedented global success. When its second season premiered in 2024, Netflix launched an extensive international marketing campaign, placing a non-English-language series at the forefront of its global branding efforts. This demonstrated Netflix's willingness to champion international projects on equal footing with its English-language offerings.

Hyejung Ju (2024) describes the success of Squid Game and other Netflix Originals as contributing to the "deterritorialisation of Korean dramas." Unlike traditional broadcasters, Netflix not only hosts Korean content but actively supports its production by providing funding, resources, and global exposure. By promoting Korean series alongside American or British content, Netflix fosters a platform that transcends national boundaries and supports cultural diversity through creative storytelling.

2E: Executive leadership – Netflix's next phase

This international focus represents what could be considered the next strategic phase in Netflix's evolution into a digital media empire. If Phase 1 involved the development of a digital streaming platform, and Phase 2 focused on producing original content, then Phase 3 is defined by the company's commitment to creating and promoting innovative content from international markets to a global audience.

The global success of Squid Game highlighted the potential for non-English-language content to resonate with diverse international viewers. This phenomenon is not entirely new — Japanese animation (anime), for example, has long demonstrated the viability of foreign-language media in Western markets such as the United States and the United Kingdom. Netflix has strategically embraced this by curating a substantial anime catalogue, including Netflix Originals such as Aggretsuko (2016), produced in collaboration with the Japanese company Sanrio, the creators of Hello Kitty.

Squid Game Becomes Netflix's New Number 001

Netflix accounts that watched the following shows (in million)*

Show		Accounts
Squid Game		111
Bridgerton	Season 1	82
Lupin	Season 1	76
The Witcher	Season 1	76
Sex/Life	Season 1	67
Stranger Things	Season 3	67
Money Heist	Season 4	65
Tiger King	Season 1	64

* Streamed for at least two minutes in the first 28 days since release
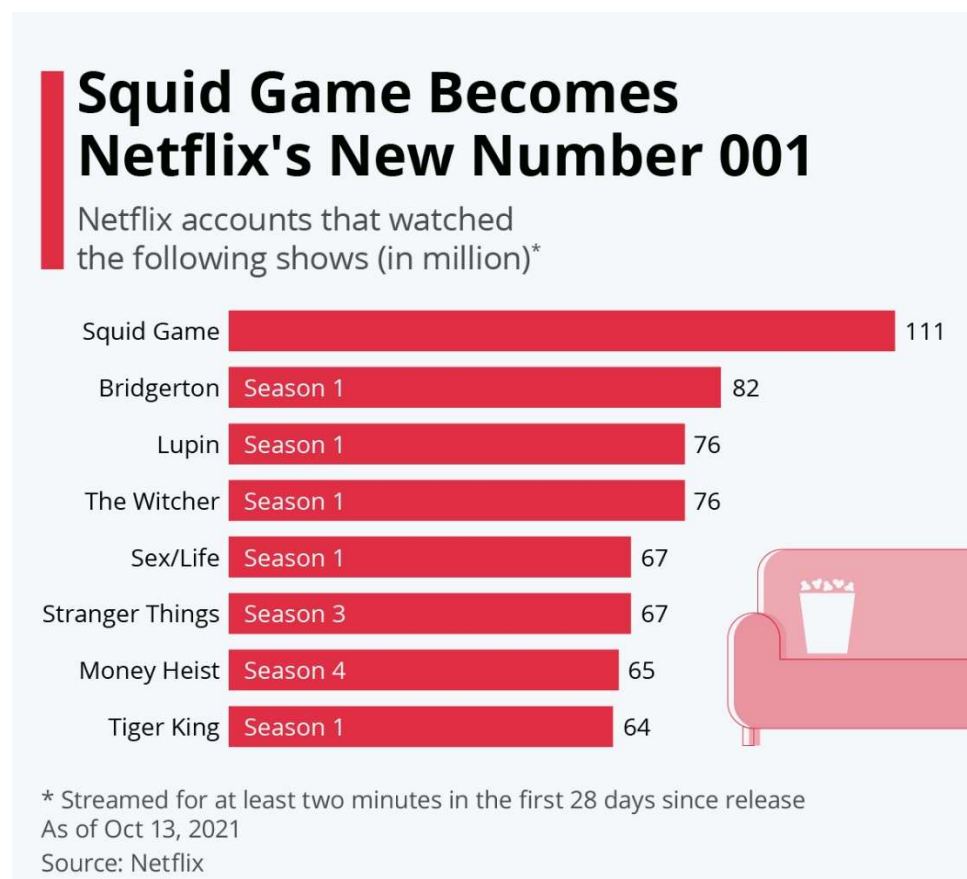As of Oct 13, 2021
Source: Netflix

Figure 3 – Squid games success visualised by Statista (Florian Zandt, 2021).

This exemplifies how Netflix's innovative leadership extends beyond internal organisational culture to the executive level. By granting autonomy and resources to regional branches, Netflix empowers local creatives to develop original projects that not only serve their domestic markets but also contribute to the platform's global appeal (Peterson, Suzanna J., 2012). This decentralised and collaborative approach enables the company to tap into a diverse range of creative talent, reinforcing its position as a global cultural curator (Gomez-Uribe, Carlos A, 2016).

2F: The importance of understanding international culture

Netflix's innovative strategy of fostering creativity from different cultures and regions to benefit its mainstream audience have kept it's ahead of its competition. Apple TV, Disney + and Amazon prime are all subsidiaries of bigger companies but despite their strong financial backing haven't been able to dethrone Netflix.

Having a global culture has been a key advantage for Netflix. Crunchyroll, an American streaming service exclusively for anime, tried their own hand at their own original content in 2021. Unlike Netflix however Crunchyroll produced its original anime 'Guardian High Spice' in house, in the USA. The product was heavily criticised for not understanding the medium and was deemed a commercial failure and is not a black market on Crunchyroll's portfolio (Flayelle, Maeva, 2025).

This contrary to Netflix who give international branches the creative freedom to produce original content and work with studios within that region. Hence why Squid game, Aggretsugo and other international Netflix originals have been deemed a success due to understanding How Korean and Japanese media's function (Noh, Susan, 2024).

This executive approach reflects Hasting's internal management approach about giving employees the freedom and resources and allowing them to work without interference. However, Netflix's next stage of innovation could be a riskier move (Walter, Yoshija, 2023).

2G: Innovative risks – expanding into the unknown.

When Netflix transitioned into live streaming, it ventured into largely uncharted territory. Now, its latest strategic ambition — which could be considered Phase 4 of its innovation journey — is its expansion into the video game industry. Initially, this began with offering third-party mobile games accessible through the Netflix platform. More recently, however, the company has committed to original game development by launching its own video game studio.

This move signals a significant shift in Netflix's innovation strategy. While the streaming industry remains Netflix's "home turf," venturing into gaming places the company in a

market where it lacks the same foundational expertise. This mirrors the actions of competitors like Amazon, Apple, and Disney, who have entered the streaming space from other industries — with varying degrees of success.

Importantly, the video game industry differs substantially from the streaming sector. While both industries require substantial investment, the cost and scope of video game development are highly variable. Projects can range from small indie games to massive AAA titles, each requiring different creative workflows and technical proficiencies. Unlike the more linear process of producing film and television, game development is interactive, iterative, and technologically complex.

Netflix must also consider cautionary examples. Amazon's foray into gaming, for instance, included the high-profile release of New World, a massively multiplayer online game that generated significant hype but ultimately underperformed. Analysts largely attribute this to Amazon's attempt to produce a large-scale game without adequate industry experience or foundational knowledge.
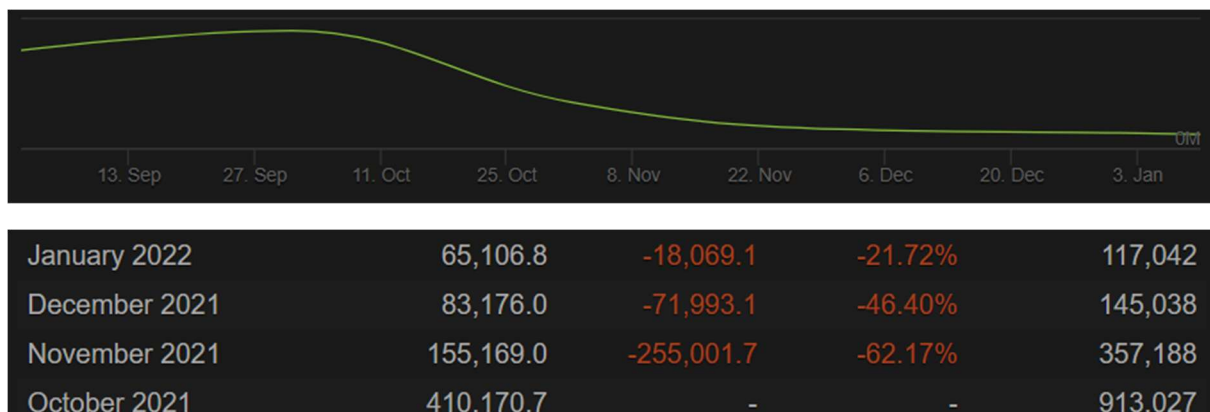

January 2022	65,106.8	-18,069.1	-21.72%	117,042
December 2021	83,176.0	-71,993.1	-46.40%	145,038
November 2021	155,169.0	-255,001.7	-62.17%	357,188
October 2021	410,170.7	-	-	913,027

Figure 4: New World's player count (end users) in it's first 5 months. Provided by Steam Charts.

Netflix has successfully demonstrated the value of innovation in executive leadership, but its continued success will depend on its ability to adapt to new industries with humility and strategic insight. Innovation for the sake of novelty does not guarantee results; sustainable creative growth requires not only resources, but also deep industry understanding and appropriate talent acquisition. Merely expanding for the sake of diversification risks diluting creative focus and misallocating resources.

Section 3: Ethics and innovation

3A: No Rules, more power

Although Netflix has developed an internal culture designed to foster creativity, it also brings with it several risks and limitations. The company's "No Rules, Rules" policy is

tailored to reward high-performing employees, offering them autonomy, flexibility, and trust — all of which can increase loyalty and productivity. However, this model can become problematic when dealing with underperforming staff.

The fundamental aim of the No Rules, Rules culture is to create the ideal environment for top talent to thrive. In many ways, it mirrors the operational style of elite professional sports teams — where high performers are given freedom, but underperformance is not tolerated due to the high stakes and expectations. At Netflix, employees who fail to meet deliverables or adapt to the freedom-responsibility framework may be let go, as retaining them could hinder the overall efficiency and cost-effectiveness of the organisation.

While this approach maintains a high-performance culture, it also introduces ethical and managerial challenges. Constant pressure to perform at an elite level may lead to stress and burnout, and the lack of traditional structure can create ambiguity for some employees. Ultimately, Netflix's culture prioritises innovation and excellence, but it also depends on an environment where only the most adaptable and consistently high-performing individuals can succeed.

3B The Keeper test

The "Keeper Test" — an appraisal method designed by Reed Hastings — raises significant ethical concerns regarding Netflix's approach to layoffs and employee retention. The test prompts managers to ask themselves, "Which of my staff, if they told me they were leaving, would I fight hard to keep?" Managers then encourage employees to ask the same question of their supervisors, fostering a reciprocal feedback loop between management and employees (Meyer, Erin, 2020).

While the Keeper Test can help retain top performers and enhance employee performance through techniques like self-promotion and impression management (McDonnell, Mary-Hunter, 2013), it also creates a high-pressure environment. This pressure, intended to motivate employees to improve, can lead to a culture of fear that undermines psychological safety.

Employees may feel expendable in such an environment, as even top performers can slip in performance ratings, resulting in feelings of insecurity about their job stability. This insecurity ties into Netflix's "law of the jungle" culture, where employees are rewarded with high pay and benefits, but the lack of job security could push some to leave voluntarily in search of more stable, long-term opportunities elsewhere. In this context, Netflix's approach to retaining talent through pressure and uncertainty may inadvertently lead to high turnover and reduced employee morale in the long run.

Section 4: Conclusion

4A: Lessons learnt

Innovation and creativity can be measured both at the executive level and within an organization's internal culture. Reed Hastings has played a pivotal role in transitioning Netflix from a DVD rental service to a global streaming giant, fostering an environment that rewards experimentation through his Keeper Test and the "No Rules, Rules" policy.

A strong executive leader is essential for an organization to successfully drive innovation and creativity. Hastings, who has been at Netflix's helm since its inception, guided the company through its pivotal transformation.

By examining Netflix's journey alongside academic frameworks of innovation and creativity, it becomes clear that creativity thrives when individuals are given the autonomy to operate freely. Hastings recognized this dynamic and actively shaped Netflix's culture to nurture innovation, allowing the company to consistently stay ahead of the curve.

However, while such a model offers creative freedom, it also carries risks. High turnover rates, a bullying culture, and dangerous power dynamics could emerge when employees face immense pressure to perform without the assurance of job security. These risks underscore the fragility of Netflix's internal structure, particularly in a highly competitive industry. If not managed carefully, a culture that heavily rewards innovation at the cost of employee well-being could ultimately harm the organization.

Appendix

Year	Total Revenue US $ million	Year on Year growth %
1998	1.34	0
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2001	75.91	111.49
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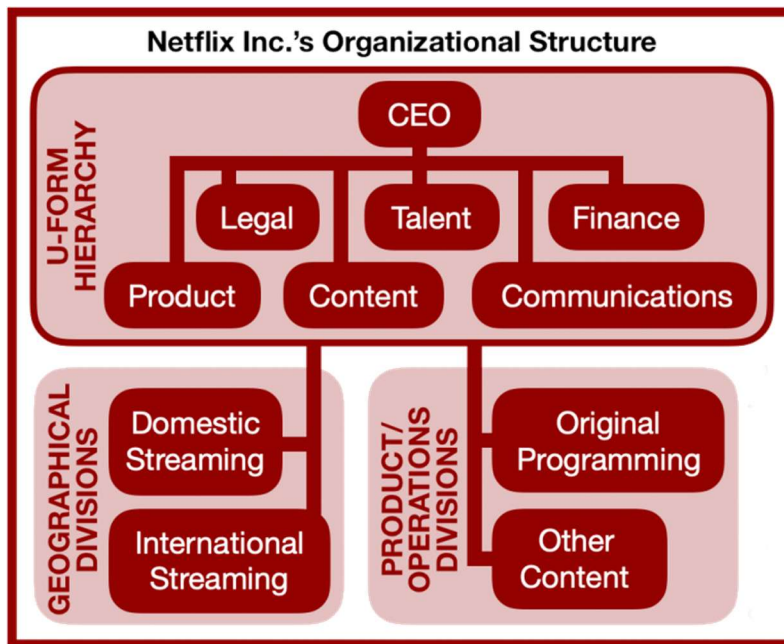Figure 1: Netflix's growth between 1998 and 2020 (Joonas, Kishwar 2023).
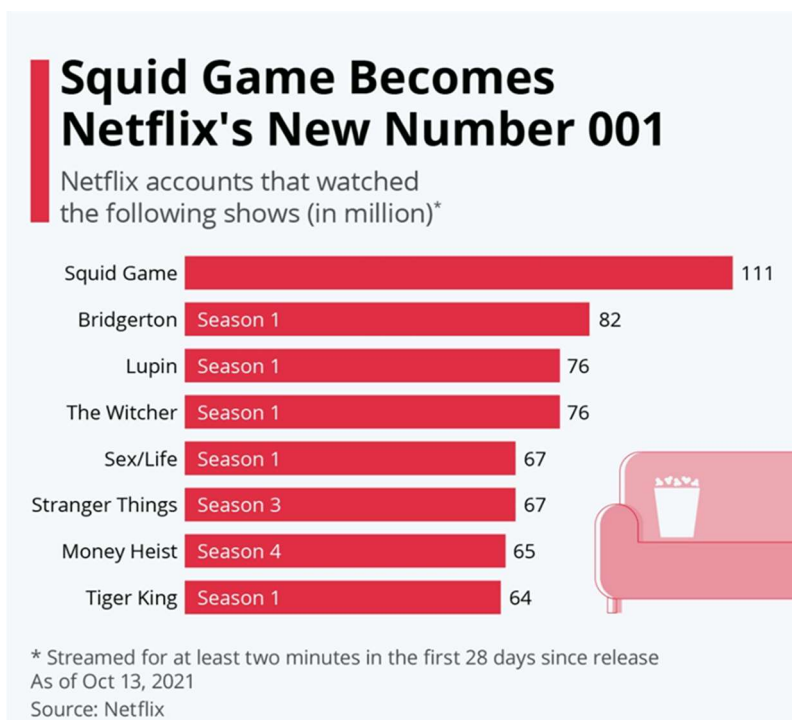
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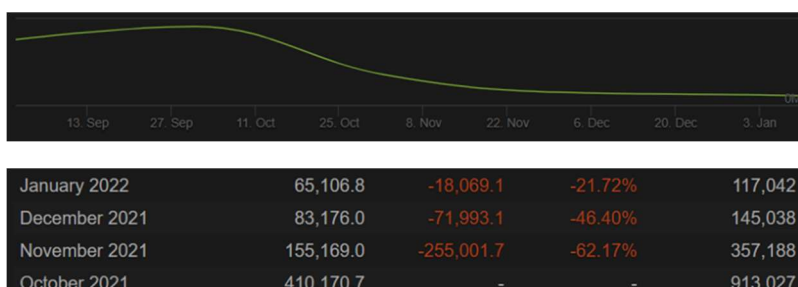|				
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