

# Reed Hastings: reinventing television

Under the guidance of Reed Hastings, Netflix has redefined how the public consumes television shows and movies.

By presenting customers with a new way to watch, he changed not only how we watch our favorite shows, but also impacted how the film industry builds narratives and releases its own products. In the process, he has established himself as one of the world's most significant business owners, applying his own unique entrepreneurial style to build a net worth of over \$2.3 billion USD.



## Hastings' early career

Hastings began his career as a programmer at Adaptive Technology. After a relatively short stint there, he left to launch his own first business, Pure Software, in 1991. As a computer scientist without a formal background in business, Hastings initially struggled to manage the rapidly growing company. After his board of directors refused his

resignation, he applied himself to mastering the skills he needed to become an effective CEO.

After a merger with Atria Software, Pure was eventually acquired by Rational Software, after Hastings left the company and moved on. With the lessons learned from this first entrepreneurial venture, Hastings was far better prepared for his second attempt in 1997, when he launched Netflix.

## **Changing how we watch TV**

While Netflix's early adoption of video streaming in 2007 made it the entertainment behemoth that it is today, Hastings' business model was disruptive from the start. By selling subscriptions instead of renting out individual titles, Hastings made it possible, and affordable, to see far more movies and TV shows in a shorter amount of time. This gave customers a far better value, while setting the stage for Netflix as we have it today.

In 2007, the advent of streaming changed everything. Netflix transformed a cheaper and more convenient way to rent movies into the binge-watching platform we enjoy today. According to Hastings, bingeing is a more immersive, and therefore naturally more desirable, way to enjoy television. Within just a few years, Netflix has arguably established itself as the default entertainment provider in the US, while continuing to grow rapidly across the globe.

As a result of this disruptive success, even the film industry itself has adapted. Some TV shows now release entire seasons at once to encourage binge-watching, while producers and directors find themselves writing more continuous narratives to cater to the concept.

## **Hastings' management philosophy**

Like many California entrepreneurs, Hastings takes a non-traditional approach to running his business. Netflix's "Freedom and Responsibility" culture is designed to attract top level talent, and give them the latitude to think and act independently. This is designed to keep decision-making decentralised, minimising micro-management while encouraging employees to develop and apply their own expertise instead of relying on other leaders to think for them.

To make sure all Netflix employees can actually handle the responsibilities laid on them, Hastings came up with a highly innovative solution: providing generous severance packages. This reduces the psychologically punitive aspect of termination, and helps to ensure that managers don't retain mediocre employees who are ill suited to the job, but who don't necessarily do anything terribly wrong.

## **How Netflix views competition**

While Netflix is essentially built on a single great product, it wouldn't be accurate to describe Hastings as having a narrow view as a business leader. He doesn't see Netflix as simply a platform for TV and movie streaming that competes against similar businesses such as HBO go. Instead, he describes it as a form of entertainment that's in direct competition with anything else a customer might otherwise do with their time. He famously jokes that, since users often stayed up late to watch shows, Netflix is technically in competition with sleep (and winning). Hastings is fully cognizant of what he and his business are up against, and aims to offer a product that's so well developed that it will prevail.

## **What we can learn from Reed Hastings**

Hastings isn't as flashy and high-profile as some of his contemporaries, but that in no way diminishes the value of the lessons we can learn from his example.

### **It only takes one great idea**

Hastings is not a major proponent of product diversification, and has stressed repeatedly that creating one great product is far better than offering many mediocre ones. Netflix's laser focus on streaming TV and movies hasn't slowed it down in the slightest, and, according to Hastings, can be interpreted as a result of it. Taking the time to fully develop and perfect an idea can pay off far more than trying to spread our time and energy out over a wide variety of different projects.

### **Great businesses are built by great employees**

Silicon Valley often celebrates micromanagers like Steve Jobs or Elon Musk for single-handedly driving their businesses forward. In terms of top-down involvement, Netflix operates on the opposite side of that spectrum. Hastings believes in the collective power of many talented decision makers, and this is a philosophy that can be especially valuable to small business owners who are swamped with an impossible range of responsibilities.

By applying Hastings' ideas, we can create more robust organisations that aren't reliant on a single centralised leader, while creating higher quality, industry-leading products. While Hastings pushes this strategy with Netflix, it's also perfectly suited to empowering small enterprises with relatively limited resources, giving them a better shot at establishing themselves and taking on leadership roles in their industries.