

# Part 3 of 3: The Next Normal – What Can Law Firms Learn from Netflix?

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## NETFLIX'S Five Talent Tenets

- 1 Hire, reward, and tolerate only fully formed adults
- 2 Tell the truth about performance
- 3 Managers own the job of creating great teams
- 4 Leaders own the job of creating the company culture
- 5 Good talent managers think like businesspeople and innovators first, and like HR people last

Our two prior blog posts examined a number of trends, challenges and changes that will affect legal service businesses of the future. "Legal service business" is used here intentionally to suggest that many legal services of the future will more frequently be provided by non-traditional law firms (many of which won't even be called or run as law firms) and the law firms that are effective in the future will be so in part because they have embraced new ways of managing talent and service delivery in their firms.

[Part 1 of 3: The Next Normal – Will the Traditional Law Firm Model Survive?](#) and [Part 2 of 3: The Next Normal – What Talent and Skills Will Progressive Law Firms Need?](#) focused on several key trends and challenges:

- The new shape of law firm business models
- New roles for legal services professionals, both lawyers and others
- Six drivers of change and the resultant ten required works skills
- The war for talent and new indicators of talent

Law firms are renowned for lacking the type of sound business practices often employed by their corporate clients. Law firm partnerships in which every partner gets a vote in the firm's decisions and direction, and is allowed to operate in a silo, still remains the norm at many firms (albeit many partners with a significantly reduced "voice" in decisions as equity shares, points and percentages have come to dictate who has sway.) At a time when the true meaning of partnership is being questioned, many firms are struggling with under-utilization and are too top heavy, and are trying to find new and better ways to manage their businesses, a look at one of our most innovative companies today is instructive.

## The Netflix Approach

Earlier this year, Netflix shared their story on how they've built a culture of excellence that has led to their extraordinary success. In a 127-slide PPT called [Netflix Culture: Freedom & Responsibility](#), Reed Hastings and Patty McCord detailed the company's approach to growth and talent management. As outlined in the HBR image above of Netflix's 5 Talent Tenants (courtesy of HBR via Twitter,) in essence, the company focuses on hiring only the best, compensating them accordingly and letting go those who do not consistently meet and exceed high standards. There are a number of key aspects to their approach that could be especially interesting and applicable to law firms who are determined to succeed despite the disruptive turmoil.

There are nine "core competencies" Netflix strives for in its employees:

1. Judgment
2. Communication
3. Impact
4. Curiosity
5. Innovation
6. Courage
7. Passion
8. Honesty
9. Selflessness

While many companies, and even law firms, espouse similar skills in the lawyers and staff they hire, Netflix has built a cultural framework of policies, approaches and philosophy that ensures that these skills and behaviors are the norm. The seven aspects of the Netflix culture include:

1. Values are what we value
2. High performance
3. Freedom and responsibility
4. Context, not control
5. Highly aligned, loosely coupled
6. Pay top of market
7. Promotions and development

## **How are these core values manifested in the Netflix business and which of these can law firms learn from?**

**Hire and keep only the best.** Netflix believes that every person who works at the company is someone that others there respect and learn from. It has found that when it comes to the type of work that is creative and inventive, the best employees are ten times better than average, hence the premium they place on hiring the best.

**Question: How many law firms can honestly say they hire only the best and retain only the best, and how are they defining "the best?"** (see our last post on criteria law firms still use for hiring [Part 2 of 3: The Next Normal – What Talent and Skills Will Progressive Law Firms Need?](#))

**Pay at the top of the market and for level of value.** Hiring and keeping the best means that Netflix consistently hires at the top salary for the job and continues to pay top dollar as the employee progresses. They ask three questions as they consider top compensation: "What would the person get elsewhere? What would we pay for replacement? and What would we pay to keep that person if they had a bigger offer elsewhere?" People rarely get compensated in lock-step at Netflix – some people move more quickly up the pay scale if their skills or area of expertise are in greater demand in the marketplace, others may stay flat.

**Question: How many law firms formally and procedurally recognize that different lawyers and different areas of expertise should drive both how those lawyers' services are valued and billed as well as how they are compensated, rather than treat everyone more or less the same based on their level of seniority?**

**Keep management policies and structure to a minimum.** Netflix strives only to hire "fully formed adults," believing that in a high-performing workplace of the "best" employees, as many as 97% will not need to be managed or guided by policies and procedures. To make this work requires that employees and managers/leaders all have open, candid communication about issues and questions.

**Question: How many law firms now have so many committees and management roles that some partners spend as much time attending meetings and managing as they do practicing law?**

**Do not tolerate bad behavior.** Netflix does not allow employees at any level to be "cut-throat" or tell others to "sink or swim." "Brilliant jerks" are destructive to the culture and are let go quickly.

**Question: How many firms ask partners to leave if they are too focused on building their own practice at the expense of the greater good or the team, have bad tempers and are overly demanding and critical?**

**Managers must manage.** Managers are expected to build collaborative and high performing teams. This requires them both to identify the skills they need and to identify those who are not performing at the required level or skill. Managers are repeatedly asked to apply the "Keeper Test" in which they are to ask themselves: "Which of my people, if they told me they were leaving for a similar job at a peer company, would I fight hard to keep at Netflix?" Loyalty is less rewarded if managers inappropriately use it as an excuse to hold on to less than effective employees or if it prevents the company from improving in new or important ways.

**Question: Are those who manage in law firms held accountable for building highest performing teams?**

**Hard work is not relevant.** "We don't measure people by how many hours they work or how much they are in the office. We do care about accomplishing great work." At Netflix, employees are not given a specific number of vacation or personal leave days. They establish for themselves what they need to do to get the job done as a highest performing employee.

**Question: Would this ever become a stated value at law firms since most still measure and reward on the basis of billable hours, in many firms with a baseline minimum of 2000 and a higher number of hours often is more valued than getting the work done in fewer hours, i.e., more efficiently for clients?**

**Keep company size small and focus on a few big things, not many smaller things.** As a general rule, Netflix believes that growth can have a number of distracting or negative effects on the business:

- Increases complexity of the organization
- Diminishes the diversity of the talent pool and increases the number of average employees; may more easily allow "bad" behaviors
- Requires many more policies, procedures and management time and energy
- Engenders more control by few: top down decision making, committees, too many approval mechanisms
- Makes it difficult to work collaboratively and therefore more often results in silo structures and behaviors
- Makes open, honest, transparent and effective communication and collaboration more difficult
- Results in a focus on short-term benefits and results
- Prevents ability to be nimble and shift with new market trends
- Results in the development of too many new products and services, diminishing the strength of a few

**Question: In this era of mergers and expansion, are too many firms trying to be good at too**

*many things and in too many places and are they just too large to be managed effectively?*

**Employees develop themselves.** Because it has stayed small and puts a premium on hiring and retaining only the best, Netflix believes that employees do not need and should not be subjected to more formal training and rotation programs. They allow employees to develop themselves by observing and working with other top performing colleagues. Performance reviews are done organically and through 360° reviews, face-to-face.

***Question: How many firms offer their lawyers and other professionals the opportunity to learn and develop while "doing" and following an expert around, the old-fashioned way? (We know that Bartlit Beck does but how many others do?) How honest and developmentally instructive are performance review processes in most law firms?***

Obviously, Netflix is not a law firm and its policies and approaches are at one end of a spectrum. We shouldn't assume that all of their policies and approaches work effectively or work for everyone, even at Netflix. Many large law firms are already too large to stream-line or drastically change their management structures (although that is why many also are struggling) and there is still an argument to be made for more formal, flexible and longer-term professional development programs. However, introducing much greater accountability for employees to perform at the highest level and on managers to develop high-performing collaborative teams, staying focused on a few distinctive offerings and becoming a leader in those, reducing bureaucratic red tape and power structures, and being intolerant of self-serving or destructive behaviors might help a lot of law firms better combat today's enormous challenges and turn more energy to innovation and delivering exceptional service and value.

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