

Netflix CTO Says the Company Has No 'Formal Performance Reviews' - Business Insider

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Executive Summary

The article examines Netflix's performance management approach as described by CTO Elizabeth Stone on 'The Pragmatic Engineer' podcast. Stone explains that Netflix has eliminated formal performance reviews in favor of continuous feedback, annual 360 processes for goal-setting, and the company's well-known keeper test for retention decisions. The keeper test requires managers to determine if they would fight to retain an employee, with recent modifications to make the process less threatening. Stone notes that the test works bidirectionally, with employees also evaluating managers. The company supplements this with compensation and promotion evaluations that have 'performance flavor' but are not structured as formal reviews. Netflix positions this approach as part of maintaining a talent-dense workforce through constant communication and feedback.

Key Insights

1. Netflix has completely eliminated formal performance reviews, replacing them with continuous feedback and situational evaluations
2. The keeper test operates bidirectionally, with employees also conducting keeper tests on their managers
3. Netflix's annual 360 process focuses on goal-setting and improvement rather than evaluation

Practical Takeaways

- Continuous feedback systems can replace formal reviews if supported by structured annual processes
- Performance evaluation elements can be embedded in compensation and promotion discussions rather than standalone reviews

Frameworks Mentioned

360-Degree Review — Netflix's structured feedback process for goal-setting and improvement rather than evaluation

Keeper Test — Netflix's retention evaluation where managers determine if they would fight to keep an employee if they were leaving for a similar role elsewhere

Critical Analysis

Strengths include specific details from a senior executive and concrete examples of alternative practices. Limitations include presenting only Netflix's perspective without external validation, no discussion of implementation challenges, and no comparative data on effectiveness versus traditional reviews.

Organizational Practice

Netflix uses continuous feedback instead of formal performance reviews, implements bidirectional keeper tests for retention decisions, conducts annual 360 processes for goal-setting, and integrates performance discussions into compensation and promotion evaluations

Strategic Implications

The case demonstrates how large technology companies are moving away from traditional annual review cycles toward more frequent, informal feedback mechanisms integrated with business decisions rather than standalone evaluation processes

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