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BA(Hons) Business Management

***Principles of Human Resource
Management***

***The Influence of Industry Forces on Human Resource
Management: A Critical Porter's Five Forces Analysis of
Netflix***

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Introduction

Netflix, Inc. is among the top streaming entertainment corporations globally. By the conclusion of 2025, it had surpassed 325 million paid memberships worldwide, catering to an audience nearing one billion individuals, generated \$45.2 billion in annual revenue, and employed roughly 16,000 full-time staff across North America, Europe, Asia-Pacific, and Latin America (Netflix, 2026b; Netflix, 2025). The content library is extensively worldwide, featuring projects from the United States, United Kingdom, Japan, Spain, Brazil, Norway, and Germany, exemplifying its evolution from a content distributor to a global creator (Netflix, 2026a). Human Resource Management (HRM) is a purposeful and cohesive method for managing personnel, facilitating organisations in attaining lasting competitive advantage (Armstrong and Taylor, 2023).

CIPD (2023) categorises HR functions into recruitment and resourcing, learning and development, performance management, and employee relations. These include sub-functions such as talent acquisition, onboarding, leadership development, reward systems, employee engagement, and dispute resolution. These activities are crucial as they guarantee that organisations attract superior talent, cultivate competencies, and sustain alignment between employee performance and organisational goals. At Netflix, Human Resources is regarded as a strategic catalyst for organisational success rather than only a support role. McCord (2014) contends that the organization prioritises talent density, competitive compensation, and a culture of accountability and autonomy. This indicates that HR procedures are intentionally synchronised with competitive strategy. This paper rigorously assesses the impact of industrial pressures on HR effectiveness utilising Porter's Five pressures model. It contends that whereas external influences substantially determine HR practices, internal organisational elements like culture and leadership moderate their effects.

Internal and External Environment

Porter's Five Forces model evaluates competitiveness in the sector via five forces: competitive rivalry, threat of new entrants, bargaining strength of consumers, bargaining power of suppliers, and threat of substitutes (Porter, 2008). The concept is significant as

it elucidates how structural factors inside an industry affect organisational behaviour and performance. The approach offers HR managers insight into the correlation between external demands and labour requirements. Intense competitive rivalry heightens the demand for highly qualified personnel, but substantial buyer power necessitates ongoing enhancement of staff performance and innovation. Consequently, HR policies must conform to these constraints to sustain organisational competitiveness. Nonetheless, the model possesses significant drawbacks, as it generally emphasises external industry issues and inadequately considers internal organisational dynamics, including culture, leadership, and employee motivation. This represents a considerable constraint in HR analysis, as these internal elements frequently serve as the principal predictors of employee performance and engagement (Armstrong and Taylor, 2023). Moreover, the model presupposes relatively steady market conditions, which may not accurately represent the swiftly changing digital landscape in which Netflix functions. Notwithstanding these constraints, Porter's approach continues to be pertinent to HR functions. Competitive competition affects recruiting and performance management, but the fear of new entrants stimulates investment in staff development. The influence of buyer power intensifies demands on HR to deliver superior outputs, supplier power impacts compensation methods, and substitutes necessitate ongoing innovation. Consequently, the model offers a valuable, albeit partial, framework for evaluating HR effectiveness (Marie-Louise, 2025).

Organisation Application

Netflix functions in more than 190 nations via a subscription-based streaming framework. The business strategy emphasises the production of high-quality, globally pertinent content and the preservation of robust client involvement (Netflix, 2026a), which necessitates HR approaches that facilitate both global integration and local responsiveness. Netflix's human resources strategy focuses on talent density, emphasising the recruitment of highly skilled individuals capable of delivering outstanding performance (McCord, 2014), supported by stringent recruitment methods intended to guarantee both competence and cultural congruence. This selective hiring approach enables the organisation to maintain a highly capable workforce, but it also increases

competition for talent and may limit accessibility for a broader labour pool. Training and development are predominantly informal and integrated into the workplace, demonstrating the company's conviction that high-performing people acquire knowledge most effectively through experience. According to Talent Management Institute (2024), performance management depends on ongoing feedback instead of formal appraisal processes, fostering transparency and accountability. Employee interactions are defined by trust and autonomy, granting employees considerable responsibilities; nevertheless, this is counterbalanced by elevated expectations, with underperformance rectified swiftly. While this approach enhances organisational agility and innovation, it may also contribute to increased pressure and reduced job security among employees. This illustrates a performance-oriented HR paradigm matched with Netflix's competitive strategy, reinforcing the alignment between organisational objectives and human resource practices while also highlighting the need to balance performance with employee wellbeing.

Application of Porter's Five Forces

Competitive Rivalry

The streaming industry is marked by fierce rivalry, necessitating that Netflix always innovate and generate superior content (Netflix, 2025), which profoundly affects HR processes, especially in recruitment and performance management. This rivalry as argued by The Strategy Story (2023) is intensified by competitors such as Disney+, Amazon Prime Video, and HBO Max, each representing different forms of competition. Disney+ exemplifies content-based competition, leveraging established franchises to attract global audiences, while Amazon Prime Video represents platform-based competition, integrating streaming within a broader digital ecosystem. Additionally, platforms such as YouTube represent indirect competition, competing for consumer attention rather than subscriptions (Naffis, 2025). Netflix upholds a high-performance culture through competitive compensation and responsibility, illustrating the alignment of HR strategy with industry requirements (Netflix, 2025). This strategy improves productivity by enabling highly trained personnel to achieve significant organisational results;

nevertheless, from a critical standpoint, it may also elevate employee stress and turnover rates. This underscores a critical tension in HR management: although competitive settings necessitate high performance, undue pressure can compromise employee wellbeing and long-term sustainability, indicating that HR managers must reconcile performance expectations with employee support to ensure enduring effectiveness.

Threat of New Entrants

Despite substantial impediments to entry stemming from capital demands and technology infrastructure, new entrants persist in emerging, necessitating Netflix to maintain its competitive edge via innovation and talent cultivation (Porter, 2008). Recent entrants such as Apple TV+ and Paramount+ illustrate how large technology and media firms can penetrate the market by leveraging existing financial resources, brand recognition, and content libraries (Ampere Analysis, 2019). Additionally, niche and regional platforms, such as BritBox, demonstrate how smaller entrants can target specific audiences, intensifying competition. This has direct implications for HR management, as human resources managers must guarantee that personnel exhibit enhanced competencies and adaptability. Netflix tackles this by prioritising the recruitment of seasoned professionals and promoting a culture of perpetual learning (Talent Management Institute, 2024), demonstrating alignment between HR strategy and competitive pressures. However, the entry of well-funded competitors increases demand for specialised talent, making recruitment more competitive and costly. This dependence on highly skilled personnel may provide issues such as restricted talent pools and diminished workforce diversity. Furthermore, talent poaching by new entrants can increase turnover and weaken organisational stability. This indicates that Netflix's HR strategy may emphasise performance at the expense of inclusivity, perhaps leading to long-term consequences, thereby highlighting the need for HR managers to balance capability development with broader workforce inclusiveness.

Bargaining Power of Buyers

Customers possess considerable bargaining power owing to minimal switching costs and the extensive availability of competitors, and Netflix recognises that failing to fulfil customer expectations could adversely affect retention (Netflix, 2025). This imposes

significant pressure on HR managers to guarantee that staff continually produce high-quality content and services, rendering training, employee engagement, and performance management essential to organisational success. Netflix's focus on sustained performance and productivity illustrates the congruence between HR practices and external market requirements; yet a critical assessment indicates that significant buyer power may induce short-term performance expectations. Such demands may constrain prospects for long-term staff growth, as emphasis turns towards quick outcomes rather than skill enhancement. Consequently, HR managers must reconcile the necessity of fulfilling urgent consumer demands with the significance of fostering long-term talent development, thereby assuring both organisational performance and worker stability.

Bargaining Power of Suppliers

In the context of Netflix, suppliers encompass creative professionals including producers, writers, and directors, who wield significant bargaining power due to their specialised expertise (Netflix, 2025). This has direct implications for HR management, as human resource managers must provide competitive remuneration and professional advancement opportunities to recruit and retain such talent. Netflix's approach of offering competitive compensation and attractive working conditions demonstrates how HR strategies are aligned with supplier power within the industry. This enables the organisation to secure high-calibre talent essential for content creation and innovation; however, it also presents challenges. Increased labour costs may reduce financial flexibility, particularly in periods of economic uncertainty. Furthermore, reliance on external talent may diminish organisational control over content production. Therefore, this highlights a strategic trade-off between acquiring high-quality talent and maintaining cost efficiency.

Threat of Substitutes

Substitutes like gaming, social media, and traditional media pose persistent challenges for Netflix, compelling the organization to diversify into sectors such as gaming and live programming to maintain competitiveness (Netflix, 2026b). This strategy transition has considerable ramifications for HR management, necessitating that HR managers facilitate diversity by cultivating new skills and competencies within the workforce. Thus, ongoing investment in recruitment and training is crucial to enable staff to adapt to changing

technical and content requirements. Netflix's emphasis on innovation illustrates the congruence between HR practices and evolving industry dynamics; yet a thorough assessment underscores that the risk of replacements accentuates the necessity for agility in HR strategies. Organisations that neglect to cultivate adaptable and forward-thinking workforces jeopardise their competitive edge, underscoring the necessity for proactive and comprehensive human resource planning.

Critical Evaluation

While Porter's Five Forces provides a useful framework for analysing how industry pressures influence HR practices, its application to Netflix reveals both strengths and limitations. The model effectively explains how competitive rivalry, buyer expectations, and supplier power shape HR strategies such as talent acquisition, performance management, and continuous development, demonstrating a clear link between external forces and organisational behaviour. For example, Netflix's emphasis on talent density and innovation reflects the need to respond to intense global competition and substitution threats. However, a critical limitation is that the model primarily focuses on external industry forces and does not sufficiently account for internal organisational dynamics such as culture, leadership, and employee wellbeing, which are central to HR effectiveness. Furthermore, the impact of these forces varies across countries. In regions with strict labour laws, such as Europe, HR flexibility in hiring and dismissal is constrained, while in more flexible labour markets such as the United States, performance-driven practices are easier to implement (Wienclaw, 2021). Cultural differences also affect employee expectations, as collectivist societies may resist Netflix's individualistic performance culture. Additionally, economic conditions influence talent availability and wage structures across markets. Therefore, while Porter's model provides valuable insight, HR managers must integrate both external forces and country-specific factors to ensure sustainable and context-sensitive HR practices.

Conclusion

The analysis demonstrates that environmental forces significantly influence the effectiveness of Human Resource Management within global organisations such as Netflix. Through the application of Michael E. Porter's Five Forces model, it is evident that competitive rivalry, the threat of new entrants, and the bargaining power of buyers and suppliers shape key HR functions, including recruitment, training, performance management, and employee relations. Netflix's emphasis on talent density, continuous development, and high-performance culture illustrates how HR practices are strategically aligned with external industry pressures to sustain competitiveness.

However, a critical evaluation highlights that while these practices enhance innovation and organisational performance, they may also lead to increased employee stress, higher turnover, and reduced inclusivity. Furthermore, the impact of these environmental forces varies across countries due to differences in legal regulations, cultural expectations, and economic conditions, requiring HR managers to adopt flexible and context-specific strategies. Additionally, Porter's model is limited in its focus on external factors and does not fully capture internal organisational dynamics such as culture and employee wellbeing, which are essential for long-term HR effectiveness.

Therefore, while the model provides valuable strategic insight, HR managers must integrate both external and internal perspectives to ensure sustainable organisational success. This reinforces the importance of balancing high performance with employee wellbeing, enabling organisations to remain competitive while maintaining a resilient and engaged workforce in an increasingly complex global environment.

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