

CASE 10: Zappos—They Do It with Humor

When Zappos CEO Tony Hsieh was the featured guest on The Colbert Report, host Stephen Colbert grilled him about the company's success and customer loyalty. Hsieh replied that it's Zappos's goal to deliver "WOW" in every shoe or clothing box. The company is consistently ranked highly as one of Fortune's "Best Companies to Work For." Amazon's Jeff Bezos liked Zappos so much he bought the company.

Customers First

Zappos's relentless pursuit of the ultimate customer experience is the stuff of legend. The company offers fast shipping at no cost and covers return shipping if you are dissatisfied for any reason at any time. The Zappos brand is less about a particular type of product and more about providing good customer service. Hsieh has said, "We could be in any industry that we can differentiate ourselves through better customer service and better customer experience."

Culture to Thrive In

Success at Zappos begins with the company's culture and the unusual amount of openness Hsieh encourages among employees, vendors, and other businesses. "If we get the culture right," he says, "most of the other stuff, like the brand and the customer service will just happen... We want the culture to grow stronger and stronger as we grow."

Named "The Smartest Dude in Town" by business magazine *Vegas Inc.*, Hsieh believes employees have to be free to be themselves. That means no call times or scripts for customer service representatives, regular costume parties, and parades and decorations in each department. Customer service reps are given a lot of leeway to make sure every customer is an enthusiastic customer.

Hsieh shares the Zappos culture with anyone who will listen. In a program called Zappos Insights, "Company Evangelists" lead tour groups of 20 around the Las Vegas headquarters. Office cubicles often overflow with kitschy action figures and brightly colored balloons, giving participants a glimpse of a workplace that prizes individuality and fun as much as satisfied customers. Staffers blow horns and ring cowbells to greet participants in the 16 weekly tours, and each department tries to offer a more outlandish welcome than the last. "The original idea was to add a little fun," Hsieh says, but it grew into a friendly competition "as the next aisle said, 'We can do it better.'"

Those who want to learn Zappos's secrets without venturing to Las Vegas can subscribe to a members-only community that grants access to video interviews and chats with Zappos management. Ask nicely and the company will send you a free copy of their *Zappos Family Culture Book*, a compilation of employee's ideas about Zappos's mission and core values. Hsieh has his own tome, too—*Delivering Happiness*.

Enter Holacracy

Hsieh's latest move to shake up the world of organization cultures is to embrace a fashion-forward concept called Holacracy. Trade-marked HolacracyOne, it is described as an approach that "replaces today's top-down predict-and-control paradigm with a new way of achieving control by distributing power."

In Zappos's holacracy, employees are partners and managers don't exist. Partners hold power distributed by the Holacracy Constitution. They constitutionally agree to things like creating and acting on projects to fulfill roles, tracking progress, helping one another, and spotting tensions indicating things could be better.

When Zappos adopted Holacracy, Hsieh justified the shift this way: "There's the org chart on paper, and then the one that is exactly how the company operates for real, and then there's the org chart that it would like to have in order to operate more efficiently. . . . [With Holacracy] the idea is to process tensions so that the three org charts are pretty close together."

Wait a Minute

When the switch to Holacracy kicked in, Hsieh faced an unanticipated resistance by some employees, including "ex" managers. About 14% of Zappos "partners" decided that Holacracy wasn't for them and chose to leave the company. One said: "There's a lot of things that haven't been figured out yet . . . people don't know what is going to be in the books for them a year down the line."

Hsieh defends Holacracy and argues that patience is needed. And on the positive side, a partner says that meetings under Holacracy are more efficient and "end with an opportunity for employees to say whatever is on their minds."

Next Laugh?

So, what does the future hold? As Zappos lives within the Amazon umbrella and as Hsieh devotes more time to community service, can the Zappos culture survive growth and a possible leadership transition? Will Zappos continue to be the home of fashion-forward practices like Holacracy? Is Hsieh's unique brand of leadership so built into the firm's practices that Zappos will stay the same even under a new CEO? Will this company continue to remain prosperous and keep its reputation as a great employer far into the future?

CASE ANALYSIS QUESTIONS

1. DISCUSSION What leadership traits and style does Tony Hsieh demonstrate at Zappos? What aspects of his leadership can you criticize, if any? Is his leadership approach transferable to other leaders and other organizations, or is it person and situation specific?