

Zappos Company Profile

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Zappos CEO Tony Hsieh is a true visionary that has successfully implemented a revolutionary new organizational structure called Holacracy. Zappos.com was born in 1999 by founder Nick Swinmurn after he became frustrated with the struggles of conventional shoe shopping. He dreamed of developing a hassle free way for shoppers to find the exact style and size in one easy place. Realizing that online sales were expected to increase substantially over the next few years, Swinmurn came up with the idea to create an online store that offers the most extensive selection of shoes in every brand, style, and size, providing customers with a new and easy way to do their shoe shopping. As of 2009 Zappos.com operates as a subsidiary of online retail giant Amazon.com and in March of 2015, Hsieh sent out an email to his employees announcing their decision to move forward with a new management structure that facilitates self-management and self-organization. Hsieh was inspired by the work of Frederic Laloux and his study of Teal Organizations as described in his book *Reinventing Organizations*. Hsieh and his team took a leap of faith and entered into new territory by implementing the self-management structure known as Holacracy. According to Holacracy.org, Holacracy is a comprehensive practice for structuring, governing, and running an organization. It replaces today's top-down predict-and-control paradigm with a new way of achieving control by distributing power. It is a new "operating system" that instills rapid evolution in the core processes of an organization. The company is currently located in Las Vegas Nevada and employs roughly 1,500 employees and generates more than \$2 billion in revenues annually. The Zappos team

has adapted a company culture that focuses on happiness and strives to deliver the best customer service possible. Lets take a deeper look at various aspects of Zappos and how each have contributed to their success. We will start by analyzing the Zappos culture, and then take a look at their decision making process, as well as, the way in which the organization views and approaches conflict.

Zappos has adopted a unique approach to business that has proved very successful and has facilitated substantial growth over the past 16 years. Lets begin by exploring the various aspects of their unique company culture.

Organizational Culture

Zappos has a unique company culture that permits employees to be themselves and encourages creativity and happiness. In our text, *Organizational communication: Approaches and processes (6th ed.)*, Miller explains Schein's model of organizational culture. Schein defines culture as, "[A] pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid, and, therefor, to be taught to new members as the correct way to perceive, think and feel in relation to those problems" (p. 89). The company in its entirety understands and lives by the companies ten core values; Deliver WOW Through Service, Embrace and Drive Change, Create Fun and A Little Weirdness, Be Adventurous, Creative, and Open-Minded, Pursue Growth and Learning, Build Open and Honest Relationships With Communication, Build a Positive Team and Family Spirit, Do More With Less, Be Passionate and Determined and Be Humble (www.zappos.com). These ten core values serve as a guide for all employees

providing a platform on which to base decisions and actions. These values have allowed Zappos to move in an evolutionary direction. CEO Tony Hsieh recently transitioned his team to a new organizational structure that embraces Holacracy and self-managed teams (Feloni 2015). Under this new structure, job assignments are very flexible, and are determined by the word and not the person. According to Zappos.com: "At Zappos, we give you the creative freedom and autonomy to follow your passions in a way that suits you best" (Zappos.com). It has become common for one person to hold multiple roles that spread across various areas of the organization. By embracing the fundamentals of employee empowerment and moving away from the old hierarchical structure, Hsieh has created an environment that provides the opportunity for individuals to achieve self-actualization and evolutionary purpose. The transition to Holacracy sets the tone of the organizational culture at Zappos. Zappos values open communication and extensive employee empowerment. Hsieh understands that increasing employee involvement and fostering relationships improves communication, which contributes to their exponential success.

Decision Making Process

Zappos' decision to embrace the ideas of Holacracy and self-managed teams not only explains the company culture but it defines their decision making process and ultimately separates them from the majority of today's organizations. Holacracy has allowed Zappos to decentralize decision-making and move forward with a revolutionary way of approaching organizational decisions. "In the old world, many decisions would have to come to me for final approval," Hsieh said. "Under Holacracy, authority and

decision makers are distributed throughout the company in multiple roles and circles as we move more into self-management and self-organization, and there are clear boundaries of what I can and cannot make decisions about” (Feloni 2015). The benefits of increasing the number of qualified individuals that are involved in the decision making process seems obvious but requires a forfeit of power and control that many executives are unwilling to accept. “Nutt (1999) concluded that half of all the decisions made in organization fail because of the poor use of decision-making tactics by managers as well as problems with communication” (p. 142). Our text, *Organizational communication: Approaches and processes (6th ed.)*, describes rational models of decision making, as well as, alternative rational models. “Nutt (1984) discusses this rational and logical model of decision making as the *normative model* recommended for executives in most management textbooks. This normative model includes five stages: formulation, concept development, detailing, evaluation, and implementation” (p. 143). March and Simon introduced an alternative to rational decision making known as an *optimizing* model which revolves around identifying the single best solution to the problem (p. 143). Zappos decision to adopt an organizational structure such as Holacracy, spreading authority and decision makers across the company promotes another alternative to more traditional and rational decision making processes and models.

Conflict

It seems that Tony Hsieh’s decision to move toward 100% Holacracy has impacted every aspect of the organization. We have seen the way its ideals influence and support

the unique company culture at Zappos, as well as, the ways in which it guides their decision making processes. Conflict is no exception, “Through communication, organizational members create and work through conflicts in ways that can be either functional or dysfunctional” (p. 161). In our text, Miller explains the various levels of organizational conflict; interpersonal, intergroup, or interorganizational and introduces the five phases of organizational conflict; latent, perceived, felt, manifest, and the conflict aftermath (pp. 163-164). Miller then goes on to discuss various conflict management styles. The five most common ways that individuals approach conflict are, avoidance, accommodation, compromise, competition, and collaborative. Zappos developed a six-step conflict resolution process in house that encourages creativity and collaboration, and facilitates decision making amongst circles of self-managed teams (Reingold 2015). As we can see, adopting Holacracy forever transforms the organizational decision making model.

It is easy to understand why Zappos has experienced so much success. Self-managed teams and organizations are the future and Zappos CEO has already realized the various benefits that Holacracy has to offer. Holacracy is a revolutionary way to run an organization, influencing and impacting every single aspect of the business. Zappos CEO Tony Hsieh continues to foster a culture that focuses on happiness and customer satisfaction. His decision to adopt the principles of Holacracy took the organizational culture to a new and exciting level. Holacracy and the development of self-managed teams impacts the organizations decision making process and ultimately forced Zappos to develop a new and improved way of dealing with conflict. Developing a conclusive

Analyzing the organizational culture, decision making processes and conflict management practices at Zappos had allowed me to develop conclusive company profile on the online shoe store, Zappos.

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