GRENOBLE ECOLE DE MANAGEMENT

CONCOURS HEC SESSION 2014

EPREUVE ORALE D'ANGLAIS

Script n°09

Zappos says goodbye to bosses

By Jena McGregor
The Washington Post, January 3, 2014

Online retailer Zappos has long been known to do things its own way. The customer-service obsessed company calls its executives "monkeys," has staffers ring cowbells to greet guests, and offers new employees cash to quit as a way to test their loyalty.

The Las Vegas-based retailer is now going even more radical, introducing a new approach to organizing the company. It will eliminate traditional managers, do away with the typical corporate hierarchy and get rid of job titles, at least internally. The company told employees of the change at a year-end meeting.

The unusual approach is called a "holacracy." Developed by a former software entrepreneur, the idea is to replace the traditional corporate chain of command with a series of overlapping, self-governing "circles." In theory, this gives employees more of a voice in the way the company is run.

According to Zappos executives, the move is an effort to keep the 1,500-person company from becoming too rigid, too unwieldy and too bureaucratic as it grows. "As we scaled, we noticed that the bureaucracy we were all used to was getting in the way of adaptability," says Zappos's John Bunch, who is helping lead the transition to the new structure. The company has become a force in online shopping as it expanded beyond shoes into apparel, housewares and cosmetics. Amazon, which acquired it in 2009 for $1.2 billion but allows it to be run as a mostly independent unit, does not break out sales for Zappos.

The holacracy concept is the brainchild of management consultant Brian Robertson, a serial software entrepreneur who says he launched the idea after realizing he was "more interested in how we worked together" than in his own job. The concept has a couple of high-profile devotees — Twitter cofounder Evan Williams uses it at his new company, Medium, and time management guru David Allen uses it to run his firm — but Zappos is by far the largest company to adopt the idea.

At its core, a holacracy aims to organize a company around the work that needs to be done instead of around the people who do it. As a result, employees do not have job titles. They are typically assigned to several roles that have explicit expectations. Rather than working on a single team, employees are usually part of multiple circles as they perform certain functions.

In addition, there are no managers in the classically defined sense. Instead, there are people known as "lead links" who have the ability to assign employees to roles or remove them from them, but who are not in a position to actually tell people what to do. Decisions about what each role entails and how various teams should function are instead made by a governing process of people from each circle.

Zappos and Robertson are careful to note that while a holacracy may get rid of traditional managers, there is still structure and employees' work is still watched. Poor performers, Robertson says, stand out when they don't have enough "roles" to fill their time, or when a group of employees charged with monitoring the company's culture decide they're not a good fit.

Bunch, meanwhile, says that while people have latched on to the idea that Zappos is getting rid of managers, what the company is actually doing is "decoupling the professional development side of the business from the technical getting-the-work-done side."

Both also say that while the system lacks traditional managers, it does not mean that leaders won't emerge. If anything, the goal is to get more people to take charge.

Still, truly stamping out the corporate hierarchy may be much more difficult than it seems. Bob Sutton, a professor at Stanford's Graduate School of Business and author of the forthcoming book *Scaling Up Excellence*, says "show me any group of five human beings or five apes or five dogs, and I want to see the one where a status difference does not emerge. It's who we are as creatures."

While Sutton says that the instinct to remove as much friction and internal competition is the right idea, "creating situations where you're clear who has decision authority is important." Without that, he says, "you get more politics."

Since April, Zappos has moved 10 percent of its employees to the new system. Now that it's official, Bunch expects that the rest of the company's employees will transition by the end of 2014. He acknowledges that it could take up to six additional months, though, for people to fully understand its complexity.