

## **Part One: The World of Organizational Behavior**

### **3 Organizational Culture at Zappos**

00:13:09:06 --:--:--:--

- What if once a year  
your company holds

00:13:10:23 --:--:--:--

a "bald and blue" day?

00:13:11:25 --:--:--:--

If you want  
to show company spirit,

00:13:13:17 --:--:--:--

you can either shave your hair

00:13:15:02 --:--:--:--

or dye it blue.

00:13:15:29 --:--:--:--

And imagine if one  
of the people shaving his head

00:13:18:06 --:--:--:--

is your boss.

00:13:19:01 --:--:--:--

- You're not nervous at all,  
shaving the boss?

00:13:21:05 --:--:--:--

- You must be special  
if you can hold

00:13:22:27 --:--:--:--

the weight of a CEO's head.

00:13:24:07 --:--:--:--

- Welcome to the rather whacky  
world of Zappos.com.

00:13:26:17 --:--:--:--

- [laughs]

00:13:27:09 --:--:--:--

- It's an online shoe  
and merchandise company

00:13:29:13 --:--:--:--  
where business as usual  
is anything but.

00:13:31:11 --:--:--:--  
- I like it.

00:13:32:03 --:--:--:--  
- At a time when many retailers  
are struggling,

00:13:34:08 --:--:--:--  
Zappos, derived from  
the Spanish word for shoes,

00:13:36:16 --:--:--:--  
zapatos,

00:13:37:07 --:--:--:--  
is thriving,

00:13:38:02 --:--:--:--  
thanks in part  
to a unique company culture

00:13:40:02 --:--:--:--  
and it's 36-year-old CEO,  
Tony Hsieh.

00:13:41:12 --:--:--:--  
- Our whole belief is that

00:13:42:17 --:~:~:~:~:~  
everyone's  
a little weird somehow,

00:13:44:10 --:~:~:~:~:~  
and so it's really more  
just a fun way of saying

00:13:46:14 --:~:~:~:~:~  
that we really want people's  
true personalities

00:13:48:22 --:~:~:~:~:~  
to shine in the workplace.

00:13:50:02 --:~:~:~:~:~  
- Tony Hsieh so believes  
he's learned how

00:13:51:26 --:--:--:--  
to create both passion  
and profits

00:13:53:18 --:--:--:--  
that he's outlined  
his philosophy

00:13:55:10 --:--:--:--  
in Delivering Happiness.

00:13:56:20 --:--:--:--  
- The book is another way  
to help spread the message

00:13:59:00 --:--:--:--  
that it's possible to actually  
make employees happy,

00:14:01:14 --:--:--:--  
make customers happy,

00:14:02:20 --:--:--:--  
and still make investors happy  
and still have profits.

00:14:05:05 --:--:--:--  
- He's not kidding.

00:14:06:07 --:--:--:--  
Zappos is now so successful  
that last fall,

00:14:08:07 --:--:--:--  
Amazon paid \$1.2 billion  
to acquire it.

00:14:10:04 --:--:--:--  
Tony Hsieh, who works out  
of a cubicle

00:14:12:01 --:--:--:--  
and earns as CEO less  
than \$37,000 a year

00:14:13:28 --:--:--:--  
never imagined he would one day  
run a shoe store.

00:14:16:05 --:--:--:--  
- I'm not a shoe person at all.

00:14:17:18 --:--:--:--  
I used to wear one pair  
of shoes for two years

00:14:19:19 --:--:--:--  
until their were holes in it  
and it was falling apart,

00:14:22:01 --:--:--:--  
and then buy another pair.

00:14:23:11 --:--:--:--  
I really missed being part  
of building something,

00:15:08:24 --:--:--:--  
so within a year I ended up  
joining full time at Zappos,

00:15:11:05 --:~:~:~:~:~  
and I've been  
with Zappos ever since.

00:15:13:28 --:~:~:~:~:~  
- But selling shoes  
on the internet

00:15:15:20 --:~:~:~:~:~  
presented a  
particular challenge.

00:15:17:13 --:~:~:~:~:~  
People were used to trying on  
shoes before buying them.

00:15:19:27 --:~:~:~:~:~  
Purchasing online meant  
customers had to take a risk.

00:15:22:09 --:~:~:~:~:~  
- So the challenge is,  
how do you get customers

00:15:24:13 --:~:~:~:~:~  
to try out Zappos  
for the first time?

00:15:26:06 --:--:--:--

- So zappos began offering something

00:15:27:29 --:--:--:--

very few other companies do:

00:15:29:12 --:--:--:--

free shipping and free returns for up to a year.

00:15:31:17 --:--:--:--

It worked.

00:15:40:23 --:--:--:--

[phone beeping]

00:15:41:22 --:--:--:--

And while many companies cut costs

00:15:43:14 --:--:--:--

by outsourcing their call center overseas,

00:15:45:17 --:--:--:--

Zappos' center is in Las Vegas,

00:15:47:04 --:--:--:--

where the operators are all members

00:15:48:27 --:--:--:--

of something called "the customer loyalty team."

00:15:55:23 --:--:--:--

You're very welcome, Monica.

00:15:57:08 --:--:--:--

Have a great day.

00:15:58:07 --:~:~:~:~:~

- We view our call center as a branding opportunity.

00:16:00:21 --:~:~:~:~:~

Every phone call is a branding opportunity.

00:16:02:24 --:--:--:--

- Every operator  
is given discretion

00:16:04:18 --:--:--:--

to do what it takes  
to make a customer happy.

00:16:06:19 --:--:--:--

- Hey, you have a fabulous trip,

00:16:08:05 --:--:--:--

and I don't know, blow a kiss  
at the Eiffel Tower for me.

00:16:10:19 --:--:--:--

[laughs]

00:16:11:10 --:--:--:--

- So there are no  
planned scripts,

00:16:13:00 --:--:--:--

no time limit to phone calls,

00:16:14:13 --:~:~:~:~:~

as we discovered when we called  
last month.

00:16:16:14 --:~:~:~:~:~

- Thank you for calling Zappos.

00:16:18:00 --:~:~:~:~:~

This is Christy.  
How can I help you?

00:16:19:23 --:~:~:~:~:~

- Christy, I'm looking  
for a good summer shoe.

00:16:21:28 --:~:~:~:~:~

I went on and on  
and on

00:16:23:03 --:~:~:~:~:~

for more than 20 minutes

00:16:24:11 --:~:~:~:~:~

and never did buy

a pair of shoes.

00:16:26:00 --:--:--:--

- I do remember your phone call.

00:16:27:16 --:--:--:--

- 27-year-old Christy Martin

00:16:29:01 --:--:--:--

was on the other end  
of the call

00:16:30:17 --:--:--:--

and worried she  
had disappointed me.

00:16:32:11 --:--:--:--

- Sometimes it's hard  
to direct people

00:16:34:07 --:--:--:--

if they don't know  
what they want.

00:16:35:27 --:--:--:--

- So you'll let  
someone prattle on

00:16:37:17 --:--:--:--

as long as they want?

00:16:38:21 --:--:--:--

- Yes, pretty much.

00:16:39:23 --:--:--:--

[laughs]

00:16:40:14 --:--:--:--

- Do you remember which actress  
in this movie had the boots?

00:16:43:04 --:--:--:--

- Another operator  
patiently worked

00:16:44:28 --:--:--:--

with a customer trying  
to find a pair of boots

00:16:47:01 --:--:--:--

she saw in a Lifetime  
televisio movie.

00:17:07:15 --:--:--:--  
- Is this on Youtube?

00:17:08:19 --:--:--:--  
Cries in the Dark.

00:17:09:20 --:--:--:--  
I'll watch it.

00:17:10:17 --:--:--:--  
I'll watch it with you,

00:17:11:23 --:--:--:--  
and we're gonna  
find something out here.

00:17:13:28 --:--:--:--  
- But Zappos isn't just  
about making customers happy.

00:17:16:12 --:--:--:--  
Hseih is determined to make his  
1,400 employees happy as well.

00:17:19:04 --:--:--:--  
- We want all our employees  
to really think

00:17:21:04 --:--:--:--  
of their work here  
not as a job

00:17:22:19 --:--:--:--  
or not as a career or something  
to build their career,

00:17:25:01 --:--:--:--  
but really as a calling  
to something--

00:17:26:27 --:--:--:--  
a place where they want  
to be for life.

00:17:28:21 --:--:--:--  
- Along with full  
medical insurace,



00:17:30:14 --:--:--:--  
there are free meals.

00:17:31:19 --:--:--:--  
Feel like singing?

00:17:32:21 --:--:--:--  
Want a pinball break?

00:17:33:26 --:--:--:--  
We found happy employees  
everywhere,

00:17:35:22 --:--:--:--  
even at the Kentucky warehouse,

00:17:37:09 --:--:--:--  
where many have what would seem

00:17:38:25 --:--:--:--  
to be physically exhausting  
and mind-numbing jobs,

00:17:41:07 --:--:--:--  
like shoe picker Mandy Rager,

00:17:42:22 --:--:--:--  
who came to Zappos  
three years ago.

00:17:44:14 --:--:--:--  
- A friend of mine told me  
about it,

00:17:46:04 --:--:--:--  
and she suggested  
that I should check it out.

00:17:48:07 --:--:--:--  
And I was like you.

00:17:49:08 --:--:--:--  
I was skeptical  
and I'm like, "Yeah, right.

00:17:51:09 --:--:--:--  
"No place is that great,  
you know?

00:17:52:29 --:--:--:--  
That's why they call it work."

00:17:54:14 --:--:--:--  
But then I got here  
and I realized,

00:17:56:04 --:--:--:--  
you know, you work hard,  
but, you know,

00:17:58:00 --:--:--:--  
the reward you get  
is greater than that.

00:18:18:15 --:--:--:--  
- The company is so determined  
to get dedicated workers

00:18:21:00 --:~:~:~:~:~  
that it will test their loyalty

00:18:22:16 --:~:~:~:~:~  
by offering them money  
to quit.

00:18:24:03 --:~:~:~:~:~  
Christy Martin, who started work  
right before Christmas,

00:18:26:13 --:~:~:~:~:~  
turned down \$3,000.

00:18:31:04 --:~:~:~:~:~  
where else are you going to find  
a job that's as good as this?

00:18:33:26 --:~:~:~:~:~  
And especially in this economy,  
you know?

00:18:35:24 --:~:~:~:~:~  
A job that's going  
to take care of you?

00:18:37:18 --:~:~:~:~:~  
- That sense of security,  
as well as company benefits,

00:18:40:03 --:~:~:~:~:~

seems to matter more  
than the salaries,

00:18:42:07 --:--:--:--  
which are on par  
with Zappos' competitors.

00:18:44:05 --:--:--:--  
- I think a lot of it boils down  
to empowerment.

00:18:46:04 --:--:--:--  
Employees at Zappos  
feel empowered.

00:18:54:12 --:--:--:--  
- Stephanie Mehta is executive  
editor of Fortune Magazine,

00:18:56:27 --:--:--:--  
which for two years running has  
put Zappos.com

00:19:02:00 --:--:--:--  
on its list of  
best companies to work for.

00:18:54:27 --:--:--:--  
- They feel respected.

00:18:57:13 --:--:--:--  
They feel as though they have  
the ability

00:18:59:05 --:--:--:--  
to make decisions  
on their own.

00:19:00:21 --:--:--:--  
- But to an outsider,

00:19:01:24 --:--:--:--  
all these really happy people  
in one place,

00:19:03:22 --:--:--:--  
all willing to shave  
their heads for the company,

00:19:05:25 --:--:--:--

it can be a little off-putting.

00:19:06:16 --:--:--:--

- There is a risk  
with having so many optimistic,

00:19:08:19 --:--:--:--

like-minded people all working  
on the same project.

00:19:11:08 --:--:--:--

- And Stephanie Mehta wonders  
if happy employees

00:19:13:12 --:--:--:--

are always a good thing for a  
company as it continues to grow.

00:19:21:13 --:--:--:--

- One does wonder  
if they are getting

00:19:23:03 --:--:--:--

the full range of perspectives,  
including customer perspectives,

00:19:25:24 --:--:--:--

if everybody is so cheerful.

00:19:47:00 --:--:--:--

- But Tony Hsieh is not bothered  
by the criticism.

00:19:31:13 --:--:--:--

When you have the little Zs on  
people's cheeks,

00:19:33:15 --:--:--:--

you could understand why people  
would say,

00:19:35:11 --:~:~:~:~:~

"Ooh, it feels  
a little cult-like."

00:19:37:09 --:~:~:~:~:~

- You mean, that's not normal?

00:19:39:13 --:~:~:~:~:~

- [laughs]

00:19:40:05 --:--:--:--  
He's hoping it's only  
a matter of time

00:19:41:22 --:--:--:--  
before other companies  
follow his example.

00:19:43:18 --:--:--:--  
- Ultimately, we believe  
that it's making

00:19:45:10 --:--:--:--  
the world a better place.