

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.