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Tony Hsieh at Zappos:

Structure, Culture and Change

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This case was written by Noah Askin, Assistant Professor of Organisational Behaviour, and Gianpiero Petriglieri, Associate Professor of Organisational Behaviour, both at INSEAD, with the assistance of Joanna Lockard. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. It has benefited from the advice and insights of INSEAD Professors Frédéric Godart and Mark Mortensen.

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March 24th, 2015 began like a typical morning at Zappos. Employees streamed into the online retailer's headquarters in Las Vegas, shuffling by the popcorn stand in the lobby, the makeshift bowling alley between desks, and colleagues dressed as pirates. Once in their personalized workspaces, they answered the daily "identify a fellow Zapponian" quiz required to log in to their computers. And then they found a memo from CEO Tony Hsieh in their inboxes.[1] "This is a long email," the first line of the company-wide message read. "Please take 30 minutes to read [it] in its entirety."

Zappos had been moving towards Holacracy—a philosophy and form of organizing based upon self-management—for a year now. But Tony felt that the transition was not going fast enough, and had not been supported with the widespread conviction necessary for such an overhaul. Therefore, he had decided "to take a 'rip the Band-Aid' approach to accelerate progress." That approach involved a limited-time offer, as he wrote:

> *Self-management and self-organization is not for everyone … Therefore, there will be a special version of "the offer"[2] on a company-wide scale, in which each employee will be offered at least 3 months' severance (and up to 3 months of COBRA reimbursement for benefits) if he/she feels that self-management, self-organization, and our Best Customers Strategy and strategy statements as published in Glass Frog are not the right fit.*[3]

In order to qualify for the offer, employees had to read the book "Reinventing Organizations" and watch a talk by its author online.[4] If, after absorbing its message, they remained steadfast in the intent to leave, they had to give notice by April 30.

One week after the deadline passed, the press was reporting that 14% of Zappos' 1,443 employees had taken up Tony's offer.[5]

The 210 employees who left included 20% of the tech department. At the time, Zappos was undertaking a complex migration of its web site, which powered a billion-a-year business, to the Amazon platform. The project, labelled "Supercloud" and mandated by Amazon, was arguably "the single largest e-commerce re-platforming in history". The timely completion of the transition, scheduled for December 2015, was now at stake.[6]

Zappos, which Tony ran and had saved multiple times with his own money before it was acquired by Amazon in 2009, was regarded as a shining example of a dynamic organizational culture, lauded as one of *Fortune's* "Best Places to Work," and labelled a potential savior of downtown Las Vegas. Each of these achievements was now called into question with the substantial scrutiny and potential disruption generated by Tony's move.

Tony Hsieh's Background

Born to what he described as "typical Asian American parents,"[7] Tony Hsieh was expected in his youth to master four musical instruments, achieve perfect grades, and earn admission to a top American college. While he met his parents' demands, Tony's aspirations differed considerably. He began to show an interest in entrepreneurship at age 9. His first venture was breeding and selling earthworms. Garage sales, delivering newspapers, and selling his own newsletters followed. Most of his business ideas were short lived and failed to generate the returns he hoped for, though he was never dissuaded from pursuing new ventures. While he was attentive to their financial success, he saw money as a means to an end. As he recalled,

> *Money meant that later on in life I would have the freedom to do whatever I wanted. The idea of one day running my own company also meant that I could be creative and eventually live life on my own terms.*[8]

In his college years at Harvard, Tony avoided hours of exam prep by crowdsourcing study notes and selling each collection for $20. He also ran the Quincy House Grille, an eating area in his college dorm, buying frozen McDonald's burgers for $1, and then cooking and selling them to fellow students for $3. Switching to selling pizzas, which required less travel and generated higher profit than burgers, Tony met Alfred Lin. One of his best and most entrepreneurial customers, Alfred would buy whole pizzas from Tony and resell them at a profit by the slice in his own dorm. The two eventually became business partners.

LinkExchange

After graduation, Tony took a job at Oracle, but quickly realized that his generous salary did not compensate for the lack of challenge. His desire to run a business was stronger than the appeal of easy money. After a short-lived website design venture, Tony and another friend from college, Sanjay Madan, created LinkExchange, a network of banner ads on websites. Sequoia Capital, one of Silicon Valley's prestigious Venture Capital firms, provided seed funding and the company took off immediately. Microsoft bought it for $265 million in 1998, only three years after its launch. Sequoia made $50 million on their $3 million investment.[9]

As a 24-year-old millionaire, Tony had time to consider what he had learned from the trajectory of LinkExchange. In the beginning, Tony and Sanjay had hired friends and friends-of-friends who wanted to be a part of something special. As the company grew past 100 employees, however, they had switched to hiring smart people who seemed to be more motivated by money. Shortly after, Tony recalled, he began dreading going to work.

> *I was the co-founder of LinkExchange, and yet the company was no longer a place I wanted to be at. ...How did we go from an "all-for-one, one-for-all" team environment to one that was now all about politics, positioning and rumours?*[10]

Venture Frogs

In 1999, Tony and Alfred Lin, who had been LinkExchange's CFO, decided to start an investment fund called Venture Frogs, the name a product of a friend's dare. They raised $27 million and begun investing in early stage companies.

Meanwhile, Tony bought a brand new loft above a movie theatre. Here, together with ex-LinkExchange friends, he hosted a tight community that he referred to as a tribe. In addition to incubator space for Venture Frogs, Tony later purchased the building's 325 square meter (3500 square foot) penthouse solely to facilitate frequent and large gatherings of close friends.

> *The connectedness we felt was making all of us happier, and we realized that it was something that we had all missed from our college days…. I made a note to myself*

to make sure I never lost sight of the value of a tribe where people truly felt connected and cared about the well-being of one another.[11]

Tony's understanding of the nature of connectedness had started at a rave where, he recalled,

> *The entire room felt like one massive, united tribe of thousands of people, and the DJ was the tribal leader of the group. People weren't dancing to the music so much as the music seemed like it was simply moving through everyone…It was as if the existence of individual consciousness had disappeared and been replaced by a single unifying group consciousness…everyone in the warehouse had a shared purpose.*[12]

Ten years later, combining personal insights with the study of scientific research, Tony would assert his conviction that "the combination of physical synchrony with other human beings and being part of something bigger than oneself leads to a greater sense of happiness."[13]

Zappos: The Early Years

Following a frustrating shoe shopping experience in the late 1990s, Nick Swinmurn was struck by the idea of an online marketplace where people could find and purchase any shoe they could possibly want. Swinmurn pitched his idea to Venture Frogs in 1999, explaining that footwear was a $40 billion industry in the US. Mail-order catalogues accounted for 5% of the market, but no serious player had yet emerged online that offered a large selection, or an experience that was superior to visiting a brick-and-mortar store.

Venture Frogs invested $500,000—enough to try to grow the business to a size that might catch the attention of a large venture capital firm. Fred Mossler, a Nordstrom sales associate, joined the company to handle the commercial side, and the online store was dubbed Zappos, an adaptation of the Spanish word for shoes, *zapatos*.

In October 1999, Zappos began "drop ship" relationships with manufacturers. It forwarded customers' online orders to each brand, which would in turn ship the shoes directly to the customer. Zappos did not generate much profit at first, but made progress fast enough that Tony decided to introduce the founder to Sequoia. In spite of the positive indicators and Tony's endorsement, however, Sequoia decided not to invest.

Swinmurn pitched to other VC firms to no avail, and eventually found himself with five days left before Zappos would run out of cash. As employees packed their desks, he received a call from Tony: he and Alfred had decided to make an exception to Venture Frogs' strategy of making only one angel investment per company. They would give Zappos another $1.1 million to help it keep trying to secure more funding. Tony regarded the founders as

> *passionate and determined, and they don't seem like they're doing this just to get rich quick. They're actually interested in trying to build something for the long term.*[14]

The Zappos team moved into the Venture Frogs incubator, and Tony joined the company as co-CEO in May 2001. By the end of 2001, the business had grown to $8.6 million in gross merchandise sales. In 2003, as the company reported $70 million in sales, Tony became sole CEO and Swinmurn took the role of chairman.

In the process, Tony cultivated Zappos' "fun and a little weird" culture. He kept things casual—wearing jeans, sneakers, and a Zappos T-shirt or hoodie each day. He preferred to greet others with a hug rather than a formal handshake.[15] He communicated in a casual format, writing emails with bullet points and ignoring capital letters and punctuation.

While he continued hosting frequent parties and gatherings with his "tribe" that now included fellow Zapponians, Tony spoke quietly and with little inflection. In a group, he attracted little attention to himself and often sat on the sidelines, enjoying the company of people who were more outgoing than he was. He lived alone, but he regularly filled his five guest rooms with friends, business associates, and people he met travelling.[16]

In contrast to his reserved physical presence, Tony was one of the first CEOs to embrace Twitter and develop a large following on it. He believed the micro-blogging platform provided an opportunity to make users happier because of its transparency, and allowed him to build closer connections to Zappos' customers and employees. As he put it,

> *What I found was that people really appreciated the openness and honesty, and that led people to feel more of a personal connection with Zappos and me compared to other corporations and business people that were on Twitter.*[17]

Growing Pains

As sales continued to grow, the company set up a warehouse in Kentucky to carry its own inventory. Fred generated new business with dozens of brands, establishing Zappos as "the Amazon of shoes". Delighted customers received their order within a couple of days. However, profits remained very low and the company continued to struggle for cash.

To keep the momentum going, Tony and Alfred invested the remaining Venture Frogs fund in Zappos, and Tony cut his salary to $24 a year. He housed employees in his loft without charging rent, and sold his real estate to put the proceeds into Zappos. Eventually, he sold the loft too, at a loss, to keep the company going. "In my heart," he recalled, "I knew it was the right thing to do. I believed in Zappos, and I believed in Fred."[18]

To help make the company profitable faster, Tony cut most marketing expenses and focused on increasing repeat purchases with existing customers, hoping that word of mouth would sustain the company's growth. This strategy relied heavily on its call centre customer service representatives, the principal point of contact for all customers. Finding people committed to these positions in San Francisco, however, proved to be a challenge. Tony briefly considered outsourcing the function, but ruled it out on the basis of a lesson he had learned dealing with warehousing problems: never outsource a core competency.

Tony decided instead to move Zappos near Las Vegas, a city where he hoped to find a larger pool of customer service-oriented talent for its growing 24-hour call centre. The majority of Zappos' San Francisco-based employees chose to move with the company and found themselves, like Tony, with few friends in Las Vegas outside the Zappos "family".

Once the company settled in its new location, Tony focused on improving the customer experience, strengthening Zappos' culture, and investing in employees' hiring and development. Sales continued to grow, driven primarily by repeat customers. When they reached $184 million, in late 2004, Sequoia finally invested $20 million in Zappos.

A Customer-Centric Strategy and a "Weird" Culture

Having led it out of the doldrums, Tony kept Zappos focused on its strategy of "WOWing" customers and treating vendors with respect. Zappos' employees were fanatical about service, constantly seeking to surprise, amuse, and engage customers. Four million pairs of shoes were stored in the Kentucky warehouse, which was next to a UPS hub. The set-up enabled Zappos' free-delivery policy; orders were guaranteed to arrive within 4 or 5 business days. Customer service representatives often chose to offer repeat customers free next-day delivery. Zappos also instituted a 365-day free returns policy, and returns were more than a third of gross revenue.[19] The "please at any cost" attitude ran through every interaction. As Tony recalled,

> *Some customers order as late as midnight and get free delivery by 8 o'clock the next morning. People ask me if it is expensive to do that. It is very expensive. But we are willing to invest to create a 'wow' experience that generates customer loyalty. Our whole philosophy is to take most of the money we would spend on marketing, put it into the customer experience, and let word of mouth be our true form of marketing. Repeat customers buy more and become our best advocates."*[20]

Tony believed that a customer who called the company was worth five to six times as much over the course of his or her lifetime as one who ordered online.[21] Unlike the majority of online retailers, Zappos encouraged its customers to communicate with it by telephone, placing its toll-free number at the top of every page on the web site, and stressing the company's desire to have personal interactions with anyone interested.

Zappos did not adhere to common call centre performance management norms. There were no incentives to get customers off the phone quickly, no scripts provided, and no upselling encouraged. Tony emphasized developing "personal emotional connections" with each caller. He wanted call centre representatives to be authentic on the phone and to build a genuine relationship with each customer. Reps, for example, were trained to visit competitors' websites if a customer asked for a Zappos product that was currently out of stock.

Similarly, Zappos' vendor management strategy diverged from industry norms. Vendors' calls were answered the same day, their emails within hours. Zappos employees would meet vendors at the airport when they flew in to visit, and invited them to play golf the last Friday of every month.[22] The company also created an "extranet" to give them complete visibility into sales and merchandising metrics. Alfred Lin explained,

> *They can write suggested orders for our buyers to approve. They can communicate with our creative team and make changes to their brand boutiques on the site. Why do we do this? The average buyer at Zappos has a portfolio of 50 brands, but because of transparency, there's an additional 50 pairs of eyes helping run the business too…. No one buyer knows a brand better than the brand's own representative. So why not leverage their knowledge to help us run better business?*

As a result, when they feel empowered to manage their own business using the tools and accessibility we provide, they'll spend more hours helping us than their typical account.[23]

Zappos' culture became even more important to Tony after the move to Las Vegas, and he put increasing emphasis on hiring and rewarding people who were motivated to be more than just Zappos' employees, but people who enjoyed hanging out with other Zapponians. He favoured the term "work-life integration" above "work-life balance,"[24] reflecting the belief that the two could be enjoyably inseparable given the right conditions and the right people.

Zappos was as an intense workplace where an employee could suddenly break into dance on the table during a meeting.[25] Employees, referred to as "members", were encouraged to be themselves at work. They decorated their workplace with streamers and quirky memorabilia, and the style was casual at all levels.[26] One described the scene as follows:

Everybody here was so happy. They were so invested in this company. You could see it, and you could feel it. I was floored. I was sceptical, but I knew there had to be something special here for people to behave that way…. You can wear pajamas or bunny ears to a meeting and be taken seriously—actually, they're more responsive to you.[27]

To reinforce the Zappos culture, members were asked to define what it meant to them. New hires received a book of the collected responses. The book gradually grew to include those of customers, partners, and vendors and eventually became publicly available. Tony said,

We believe that your company's culture and your company's brand are really just two sides of the same coin. The brand may lag the culture at first, but eventually it will catch up.[28]

Zappos took pride in being transparent and opened its doors to anyone: the public, customers, and competitors. The company offered tours 16 times a week. Employees welcomed visitors with blow horns and cowbells.[29] All employees were authorized to speak freely to the media.

Over the course of the year following the move to Las Vegas, Tony asked every employee to contribute to articulating the 10 core values of the "Zappos family" (see Exhibit 1).[30] These values informed hiring and firing decisions, and managers reinforced them in monthly performance discussions in which employees were asked "What can you do to more effectively and consistently select, defend, and account for your company's values?"[31]

The company's success, the character of its CEO, and its idiosyncratic culture soon made it a darling of the management press. When Tony published "Delivering Happiness" in 2010, blending the story of his life and Zappos' success, the book remained on the *New York Times* bestseller list for 27 consecutive weeks.

Recruitment and "The Offer"

Describing Zappos' recruitment process and its relentless focus on finding people who shared genuine zeal for the Zappos culture, Alfred Lin explained:

> *We only hire happy people and we try to keep them happy. Our philosophy is you can't have happy customers without having happy employees, and you can't have happy employees without having a company where people are inspired by culture.*[32]

Job interviews took place in a room set up as a talk show set. Recruiters gave candidates creative tasks such as coming up with a design for Steve Madden shoes,[33] and asked such questions as "On a scale of one to ten, how lucky are you?"[34] All candidates were interviewed twice. Their prospective manager assessed their technical expertise and an HR manager checked their cultural fit. The latter had the final say.[35]

All new hires went through the same compulsory training as call centre reps, regardless of department or title. And if, once in the company, employees felt that they were not as good a fit, they could always accept Zappos' famous "offer"—$3,000 to leave the company when they pleased.[36] Tony believed that the offer helped select people who saw work as a calling.[37] He explained,

> *We want to make sure that employees aren't here for the paycheck. We want employees that believe in our long-term vision and want to be a part of our culture.*[38]

Zappos attracted applicants without offering particularly competitive remuneration. The pay for call centre representatives started at $11 an hour, reflecting Tony's belief that the most productive employees worked for the rewards intrinsic in helping others.[39] In 2013, 25,000 people applied for a job at Zappos and only 250 were hired.

Zappos's approach to succession planning focused on building a large pipeline rather than grooming individuals regarded as top talent. Entry-level employees could become senior managers within 5-7 years and all received training and mentoring along the way. The pipeline provided Zappos with flexibility and stability, and the company extended it up to four years *before* entry-level positions by building relationships with college students and offering summer internships for high school students.[40]

The Amazon Acquisition

In 2008, the company posted net revenues of $635 million and was selling around $1 billion worth of shoes.[41] Less than a year later, on November 1, 2009, Amazon acquired Zappos for $1.2 billion. Tony had turned down an offer from Amazon four years earlier, but he and Alfred had come to a stalemate with the board about how to run the company. The board believed Zappos should put more focus on profitability rather than on what they called "Tony's social experiments."[42] Zappos' culture had generated great PR, they recognized, but it was not clear whether it was really helping to grow the business. Tony controlled nearly 30% of Zappos' share, and his voting power meant that other board members could not force a sale. The board, however, did have the power to replace the CEO.

Tony and Alfred traded their stock for Amazon stock, giving Amazon legal ownership of Zappos. The agreement stipulated that Zappos would operate independently under Tony's leadership. Amazon pledged to protect the company's culture. The sale gave Zappos access to

Amazon's technology, metrics, and warehouse operations. It also enabled Zappos to expand its product range to include a wide assortment of clothing, houseware, and cosmetics.[43]

The Downtown Project

In 2013, Zappos outgrew its headquarters on the outskirts of Las Vegas and relocated to the old City Hall building in downtown Las Vegas.[44] The area had begun to decline in the 1960s, when most businesses and middle-class homeowners left for the glitzier Strip, seeking cheaper land and leaving schools, buildings, and amenities to deteriorate.[45] Sensing an opportunity to revitalize a neighbourhood—perhaps an entire city—and shape it according to his vision of a thriving community, Tony began "The Downtown Project" (see Exhibit 2).

Tony and some friends made an initial investment of $350 million divided among small businesses, tech startups, education and the arts, and real estate.[46] To receive funding from the Downtown Project, entrepreneurs were required to live and work in downtown Las Vegas. The goal was to draw 10,000 young professionals to the area by 2017.[47] The Project purchased 60 acres of land and soon comprised a collection of over 300 businesses and legal entities.[48] It created over 800 direct jobs and launched the Downtown Container Park to help incubate the businesses and create an urbanized version of a town square.[49]

Zappos would benefit, Tony hoped, from the attractiveness of a revitalized downtown, and vice versa. The urban community that the Downtown Project fostered was aligned with Zappos' values and aimed to generate "serendipitous collisions"[50] that would make people more successful and innovative.[51] Rather than measuring return on investments, the Downtown Project focused on "R.O.C.", or return on collisions. Tony explained,

> *If you're focusing on collisions and community, even though that might lose money, it'll work out financially in the long term… We invest in people.*[52]

In September 2014, however, the Project attracted negative media attention when nearly 10% of the corporate staff positions were eliminated. The media also reported that Tony had stepped down as CEO of Downtown project, to which he replied:

> *I've never referred to myself as the CEO of Downtown Project (or even founder). While in the early days I was more involved simply because we had fewer employees, we've hired more and more employees over time to divide up the work and we now have six people on our management team (which I am not a part of).* ***My level of involvement at Downtown Project today is the same as it was six months ago.*** *My role continues to be as an investor, advisor, and equivalent of a board member that sets high-level general direction and strategy, but is not involved in day today management of people or projects.*[53] [Emphasis in original]

The second wave of negative media attention came after three Downtown Project entrepreneurs committed suicide. One exposé questioned whether Tony's obsession with happiness, collisions, and tight-knit community was healthy. He replied, *Suicides happen anywhere. Look at the stats. It's harder for people who are really good students in school. Then they move in to this, where there is no instruction manual, and you have to be MacGyver on your own.*[54]

Holacracy

In 2013, Zappos became the largest and best known of more than 300 organizations worldwide to adopt a new organizational form known as Holacracy. Often misrepresented as a management- and structure-free organization, Holacracy is a flexible self-governing structure, where there are no fixed jobs but simply temporary functional roles. Structure is based on projects and tasks, not on hierarchy and job descriptions. One employee clarified:

Holacracy itself is actually just an alternative form of hierarchy, but the main difference is that it's a hierarchy of work and not people.[55]

Holacracy intends, among other things, to help employees make full use of their skills, collaborate effectively, and improve the company by eliminating bureaucracy and bottlenecks. In its ideal form it aims to empower everyone to be entrepreneurial.

The main unit in a Holacracy is the "circle", a fluid yet distinct team. Through a strict governance process, circles are designed to meet specific goals and are created and disbanded as projects' needs change. Sub-circles are created for aspects of projects that don't require all circle members' input. Individuals' influence and attention are focused by clearly defining the boundaries of each circle.[56] Circles' performance is made public through leader boards as well as presentations about the value each project delivers. A regularly updated constitution serves as the reference for how to execute Holacracy (see Exhibits 3 and 4 for excerpts).

People step in and out of roles continuously, based on what they would like to accomplish and what needs to get done. They often hold roles in multiple circles and act as links between circles. Leadership is similarly fluid with the changing circles, sometimes longer term and other times short-term, depending on the designated task.[57] Meetings are run under rigid guidelines. Decision-making is not pushed upward. People are encouraged to make decisions at the point of origin in order to avoid wasting time waiting for a decision from the top. Conflict resolution is also the responsibility of employees. They start with a one-to-one conversation instead of going to a manager, and if unsuccessful, the issue can be escalated to a peer council. The last resort is the CEO.[58]

Tony explained the rationale behind his decision to implement Holacracy in 2013:

We want Zappos to function more like a city and less like a top-down bureaucratic organization. When cities double in size they become 15% more productive, but when companies double in size, productivity declines. Look at companies that existed 50 years ago in the Fortune 500—most don't exist today. Companies tend to die and cities don't.[59]

Initially, he intended to move from Zappos' previous structure to Holacracy over three years. Nearly halfway through, however, Tony resolved that a more radical approach was needed for Zappos to become a self-managed organization. In early 2015, he broke down the divisions between merchandising, finance, technology, marketing and other functions, embedding them into business-centric circles.

His March 2015 company-wide email announced the removal of all previous titles and all people managers by May 1st. People responsibilities held by managers would be split between three roles: lead link, mentor, and compensation appraiser. Lead links would focus on guiding the specific work, mentors on employee growth and development, and compensation appraisers on employees' salary. One reporter noted that such freedom came at a price:

> *One thing Zapponians now have to do is their own research about salaries, to find out the market rate for jobs at other companies that correspond to their roles. In a normal corporation, such things are taken care of by the human resources department. Not at Zappos, not anymore. Instead, if [an employee] wants a raise, she has to do all the research into what she's worth…*[60]

Not new to inflicting—and working through—growing pains, Tony was comforted by the words of INSEAD alumnus Frédéric Laloux, a former McKinsey consultant and one of the main proponents of Holacracy:

> *For people experiencing Self-Management for the first time, the ride can be bittersweet at first. With freedom comes responsibility: you can no longer throw problems, harsh decisions, or difficult calls up the hierarchy and let your bosses take care of it. You can't take refuge in blame, apathy, or resentfulness. Everybody needs to grow up and take full responsibility for their thoughts and actions—a steep learning curve for some people.*[61]

Tony's commitment to expedite the transition had been the catalyst for the special version of "the offer" presented in his fateful email. As a result, Zappos now faced the risk of not completing the "Supercloud" project on time, and the need to replace 14% of its workforce.

No stranger to the business press and social media, Tony again found himself in the spotlight: this time over his email, the departure of 14% of his employees, and whether Holacracy was more about PR and branding than systemic organizational change. When pressed about these concerns, he replied, "The sky is not falling."[62]

Wealthy from the Amazon acquisition, yet facing increased scrutiny, he once again wondered, "What next?"

Exhibit 1

The 10 values of the Zappos family:

- Deliver "WOW" through service
- Embrace and drive change when there's a clear reason why
- 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, and realize there's always room for improvement
- Be passionate and determined
- Be humble

Source: Zappos.com

Exhibit 2

The 5-year plan for Downtown Project:

Year 1 — 2012 — acquire/assemble land and start making tech, small business, and other investments

Year 2 — 2013 — fund/experiment — fire a lot of "bullets" (make a lot of investments) in a lot of different areas, and see which ones hit

Year 3 — 2014 — focus on optimizing core while finding the top winners to pick as "cannonballs" to double down our bets on (in terms of additional follow-on investments, resources, and time) while streamlining our other operations

Year 4 — 2015 — continue to streamline and scale operations

Year 5 — 2016 — get to cash flow positive/sustainability

Milestones so far:

1. We assembled about 60 acres of land (year 1 goal) focused on an area of downtown Vegas that most tourists don't know about called "Fremont East." The purpose of doing so was to guarantee connectivity in order to ensure the ability to help build a walkable neighbourhood, as Vegas has generally been a cardriving town.
2. We helped accelerate a tech ecosystem by investing in (and often relocating) about 100 tech companies (goals for years 1 and 2).
3. We invested in a critical mass of small businesses as well as our own operations (mostly food and beverage) to help make the area both safer and more walkable. These include: Carson Kitchen, OFace Doughnuts, Nacho Daddy, La Comida, Bin 702, Big Ern's BBQ, Kappa Toys, EAT, Grass Roots, Hydrant Club, Coterie, Inspire, Scullery, The Bunkhouse Saloon, Gold Spike, The Perch, Oak & Ivy, WILD, and many others.
4. We launched Downtown Container Park to help incubate local small businesses and create an urbanized version of a town square for locals to connect and collide, with both daytime and night-time activation. One of our other goals was to significantly increase the number of kids and families that hang out in the area, and we look at metrics such as "stroller count" as a proxy for that. In less

than a year, we've had well over 1 million visitors to Downtown Container Park and are happy to report a lot of kids and families hanging out, especially on weekends.

5. We launched over 50 construction projects (unlike other development projects, we don't count construction jobs for individual projects as part of our internal "total jobs created" count, nor do we count secondary jobs that many economic impact jobs count. We only count the number of people who are on payroll for the businesses we invested in or wholly own).
6. We helped create over 800 direct jobs through businesses that we have either invested in or wholly own.
7. We identified winners that are financially viable and good bets that we want to focus our cannonballs on (push additional resources and follow-on investment dollars towards). These include restaurants as well as tech investments, both categories that we believe can scale, but the method of scaling is obviously different given the different industries. We've internally refer to these as our "double down" bets, and the size of the second round of investments which we are referring to as cannonballs is analogous to the difference between a series B round vs. series A or seed round in the tech investment world.
8. We increased the number of collisions (meaning serendipitous encounters between people) in the area which, when combined with diversity in perspective, knowledge, and experience, results in an increase in idea flow and collaboration, which ultimately drive innovation and productivity increases.

Source: Bowles, Nellie. October 2, 2014. Tony Hsieh answers some of our questions about the future of Las Vegas's Downtown Project.

Exhibit 3

Excerpt from New York Times Article, "Meet is Murder"

[Holacracy creator Brian] Robertson's book, "Holacracy: The New Management System for a Rapidly Changing World," presents an engaging theory: minority voices need a forum to register problems others don't see, and a company should function like an "evolutionary organism," which sounds both gentle and scientific. And the argument that inflexible, hierarchical regimes are a thing of the past, poised to fall any day now to nimble teams of disruptive kids, is of course the fairy tale of the start-up economy that keeps on giving. Holacracy has been embraced by Tony Hsieh, the C.E.O. of Zappos, and Evan Williams, who helped found Twitter and then started Medium.com, the publishing platform.

The Holacratic system is grounded in small cells of people called Circles. Each Circle holds a weekly or biweekly ''tactical meeting'' for progress updates and a biweekly or monthly "governance meeting." A governance meeting starts with a Check-In, or rather (according to Holacracy literature) "a space for every participant to call out any distraction and get present for the meeting." Everyone speaks, round-robin style.

Now presumably present, people "triage any administrative and logistical issues," or yell out arbitrary personal concerns. Holacracy gives this example: "Joe needs to leave early." (Abstractions are common in meeting-reform discourse, so Joe's scheduling constraints are a usefully concrete example of the actual content of modern meetings.)

Next, anyone can propose a Tension, which is anything that concerns her. Participants are then free to ask Clarifying Questions, but these in no way can cross into Reactions (because they're next). A Facilitator has the unenviable job of policing the fine line between pure-hearted questions and bloviation disguised as interrogatives.

At last everyone in a Holacratic meeting can yammer freely, without a referee, on their sundry reactions. "Any type of reaction is welcome, from intellectual critiques to emotional outbursts." Then comes an Amend and Clarify round, and, lest any clarification stand unmuddied for even a heartbeat, a rousing Objection round follows hard upon it. An Integration round comes next, and yet another Objection round, to address any new objections to the Clarification of the Tension and the Reactions to it that have surfaced during the Integration. Finally comes the Closing round, during which each and every person present is invited to share a closing reflection about how to improve the next meeting. After this, there is, explicitly, "no discussion."

Source: Heffernan, Virginia. February 25, 2016. "Meet is Murder." *New York Times*.
http://www.nytimes.com/2016/02/28/magazine/meet-is-murder.html

Exhibit 4

Excerpts from Holacracy's Constitution

PREAMBLE

This **"Constitution"** defines rules and processes for the governance and operations of an organization. The **"Ratifiers"** are adopting these rules as the formal authority structure for the **"Organization"** specified upon the Constitution's adoption, which may be an entire entity or a part of one that the Ratifiers have authority to govern and run. The Ratifiers and anyone else who agrees to take part in the governance and operations of the Organization (its **"Partners"**) may rely upon the authorities granted by this Constitution, and also agree to be bound by its duties and constraints.

…

1.1 Definition of a Role

The Organization's Partners will typically perform work for the Organization by acting in an explicitly defined Role. A **"Role"** is an organizational construct with a descriptive name and one or more of the following:

- **(a)** a **"Purpose"**, which is a capacity, potential, or unrealizable goal that the Role will pursue or express on behalf of the Organization.
- **(b)** one or more **"Domains"**, which are things the Role may exclusively control and regulate as its property, on behalf of the Organization.
- **(c)** one or more **"Accountabilities"**, which are ongoing activities of the Organization that the Role will enact.

…

2.1 Circle Basics

A **"Circle"** is a Role that may further break itself down by defining its own contained Roles to achieve its Purpose, control its Domains, and enact its Accountabilities. The Roles a Circle defines are its **"Defined Roles"**, and anyone filling one of its Defined Roles is a **"Circle Member"** of that Circle.

2.1.1 Defining Roles & Policies

Each Circle will use the **"Governance Process"** described in Article III of this Constitution to define or amend Roles within the Circle or Policies governing the Circle's Domain. No one may define or amend a Circle's Roles or Policies outside of its Governance Process, unless explicitly allowed by another rule of this Constitution.

Further, each Circle may control its own functions and activities, as if a Domain of the Circle, for the purpose of defining Policies that limit the Circle's Roles.

2.1.2 Roles May Impact Circle Domains

When filling a Role in a Circle, you may use and impact any Domain controlled by the Circle itself, or that the Circle is authorized to impact. However, you must abide by any constraints acting upon the Circle itself or defined by Policy of the Circle, and you may not fully control or regulate the Domain under the terms of Section 1.4.

Further, you may not transfer or dispose of the Domain itself or any significant assets within the Domain, nor may you significantly limit any rights of the Circle to the Domain. However, these restrictions do not apply if a Role or process holding the needed authority grants you permission to do so.

2.1.3 Delegation of Control

When a Circle defines a Domain upon one of its Roles, the Circle's authority to impact, control, and regulate that Domain is instead delegated to that Role and removed from the Circle.

However, the Circle retains the right to amend or remove that Domain delegation, or to define or modify Policies that further grant or constrain the Role's authority within the Domain.
By default, any Domains delegated in this way exclude the authority to dispose of the Domain itself or any significant assets within the Domain, or to transfer those assets outside of the Circle, or to significantly limit any rights of the Circle to the Domain. A Circle may delegate these retained authorities as well, by explicitly granting the desired permissions in a Policy of the Circle.
In any case, all Domain delegations are always limited to whatever authority the Circle itself had in the first place.

2.2 Circle Lead Link
Each Circle has a **"Lead Link Role"** with the definition given in Appendix A and the further responsibilities and authorities defined in this Section.
The person filling the Lead Link Role, while acting in that capacity, is referred to as the Circle's **"Lead Link"**.

…

3.1 Scope of Governance
The Governance Process of a Circle has the power to:
- **(a)** define, amend, or remove the Circle's Roles and Sub-Circles; and
- **(b)** define, amend, or remove the Circle's Policies; and
- **(c)** hold elections for the Circle's Elected Roles.

At any given time, the then-current results of a Circle's Governance Process define its acting **"Governance"**.

Only those outputs listed in this section are valid Governance for a circle; no one may capture other outputs within the Circle's Governance records.

3.2 Changing Governance
Any Core Circle Member of a Circle may propose changing its Governance, thus making a **"Proposal"** as a **"Proposer"**.

Before a Proposal is adopted, all Core Circle Members must have the opportunity to raise Tensions about adopting the Proposal. Each Tension so raised is considered an **"Objection"** if it meets the criteria defined in this section, and the person who raised it becomes the **"Objector"**.
Proposals are considered adopted and amend the Governance of the Circle only if no Objections are so raised. If Objections are raised, the Proposer and each Objector must find a way to address the Objections before the Circle may adopt the Proposal, after which all Core Circle Members must have another opportunity to raise further Objections before the Proposal is adopted.

…

APPENDIX A: DEFINITION OF CORE ROLES

LEAD LINK
Purpose: *The Lead Link holds the Purpose of the overall Circle.*
Domains: Role assignments within the Circle
Accountabilities:
- Structuring the Governance of the Circle to enact its Purpose and Accountabilities
- Assigning Partners to the Circle's Roles; monitoring the fit; offering feedback to enhance fit; and re-assigning Roles to other Partners when useful for enhancing fit
- Allocating the Circle's resources across its various Projects and/or Roles
- Establishing priorities and Strategies for the Circle

- Defining metrics for the circle
- Removing constraints within the Circle to the Super-Circle enacting its Purpose and Accountabilities

The Lead Link also holds all un-delegated Circle-level Domains and Accountabilities.

REP LINK
Purpose: *Within the Super-Circle, the Rep Link holds the Purpose of the Sub-Circle; within the Sub-Circle, the Rep Link's Purpose is: Tensions relevant to process in the Super-Circle channeled out and resolved.*
Accountabilities:

- Removing constraints within the broader Organization that limit the Sub-Circle
- Seeking to understand Tensions conveyed by Sub-Circle Circle Members, and discerning those appropriate to process in the Super-Circle
- Providing visibility to the Super-Circle into the health of the Sub-Circle, including reporting on any metrics or checklist items assigned to the whole Sub-Circle

FACILITATOR
Purpose: *Circle governance and operational practices aligned with the Constitution.*
Accountabilities:

- Facilitating the Circle's constitutionally-required meetings
- Auditing the meetings and records of Sub-Circles as needed, and declaring a Process Breakdown upon discovering a pattern of behavior that con icts with the rules of the Constitution

SECRETARY
Purpose: *Steward and stabilize the Circle's formal records and record-keeping process.*
Domains:

- All constitutionally-required records of the Circle

Accountabilities:

- Scheduling the Circle's required meetings, and notifying all Core Circle Members of scheduled times and locations
- Capturing and publishing the outputs of the Circle's required meetings, and maintaining a compiled view of the Circle's current Governance, checklist items, and metrics
- Interpreting Governance and the Constitution upon request

Source: http://www.holacracy.org/wp-content/uploads/2015/07/Holacracy-Constitution-v4.1.pdf

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