

Employee Relations Case: Zappos and Holacracy

Zappos, the online shoe and clothing store, is making a large internal organization change. The company has been working on adopting a new concept called Holacracy which removes much of the hierarchy found in traditional business structures. Holacracy operates on the idea that employees should work in “circles”, using teamwork to accomplish goals. Members of each circle play a critical role in assignments and hold each other accountable for this work, making true managers unnecessary. This is a bold move for any company in regards to employee relations.

According to John Bunch, the Zappos employee leading the Holacracy transition, the elimination of traditional titles and management is helping the company get closer to its goals of openness and good internal communication. As of November 4, 2014, when this article was written, 80 percent of the 1,500 employees at Zappos had been transitioned into Holacracy work environments. The company wanted to be completely under the new system by the end of 2014. Zappos has been consistently been rated as a “Top Place to Work” by several different publications and its employees are known for their open corporate culture. For example, another article on the *Business Insider* website reports how Zappos CEO Tony Hsieh works at a desk in the same environment as lower-level employees.

The installation of Holacracy has impact objectives to continue Zappos’s characteristic openness. John Bunch and company executives (now known as the “internal board”) want employees to benefit from the new structure. They believe employees will be more happy, healthy, and productive from having more personal responsibility and investment in their work due to the new “circle” organizations. Being part of a team of equals, despite having a “lead

link” (the closest thing to manager in a circle), seems like it should be a successful way to increase employee satisfaction. Zappos is telling employees, “We respect you and trust you to do good work,” which is a freedom that is hard to find in all levels of a company.

The key message of Zappos is how corporate culture has a large impact on success. Hsieh has always promoted a fun, open, and opportunity-creating environment for his employees. *Business Insider* reporter Aaron Taube writes of the new Holacracy structure with some tentativeness, but the article sheds a positive light on Zappos and highlights how forward-thinking the company is. Taube does not expressly promote Holacracy as the “way of the future”, but his article showcases the benefits of the new system. The article leaves the reader daydreaming about their workplace under a Holacracy system rather than cowering from the drastic changes it would require.

Instead of these drastic changes, Zappos could have achieved openness and better internal communication in a couple other ways. Either incentivizing or promoting department meetings, so employees could voice questions or concerns, or creating contests between groups of employees to increase productivity would garner the same results without a total restructuring. The company took a rather radical approach to achieve its objectives, however the move to Holacracy is fitting for a competitively innovative company like Zappos. The move to Holacracy appears to be working as far as employee relations goes, and a company’s success relies heavily on how the people who run things view their purpose, environment, and work.