Good report, with genuine effort and in-depth reflection!

It is great to see you pushing your analysis beyond what we covered in class.
However, these additional insights should complement your core analysis. Ideally, they should come as bonus insights at the end of each section. Indeed, by going beyond the course material, you sometimes lose clarity and depth in your analysis of the key concepts and Thinkers50 ideas discussed in class. Make sure these remain the foundation of your analysis.

Finally, you quote very weel the theories and thinkers but
also you need also to quote the sources supporting your company-specific facts,
as some references are missing.

MANAGEMENT L3

Question important : trouver la source : what Gary Hamel calls "minimum viable bureaucracy

REPORT

ZAPPOS

Planning • Leadership • Organization • Controlling

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November 02nd 2026

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Abstract

Unlike scientific management, Henri Fayol, one of the pioneers of modern management theory, once said:

"To manage is to forecast and plan, to organize, to command, to coordinate, and to control."

Fayol, H. (1916). *Administration Industrielle et Générale* (Industrial and General Administration).

This definition highlights the fundamental responsibilities of managers and provides a valuable framework for assessing organizational effectiveness. Guided by Fayol's management functions, this report analyzes Zappos' management practices, a company widely recognized for its strong organizational culture and customer-oriented approach.

The analysis is structured around the four key management functions: planning, leading, organizing, and controlling. First, the report examines Zappos' purpose and strategic planning, highlighting the elements that differentiate the company from its competitors and evaluating the effectiveness of its mission. Second, it explores the company's leadership style and employee empowerment practices, using established management theories to assess the level of autonomy, responsibility, and influence granted to employees. Third, the report analyzes Zappos' organizational structure through Henry Mintzberg's five building blocks of organizational design: specialization, hierarchy, centralization, formalization, and coordination. Finally, it evaluates the control mechanisms used by the company to monitor performance and maintain alignment with its objectives and core values.

Based on this analysis, the report proposes several recommendations aimed at strengthening Zappos' management practices while preserving the organizational culture and customer focus that have contributed to its success.



Introduction

Founded in 1999 by Nick Swinmurn, Zappos is an American online retailer specializing in shoes, clothing, and accessories, headquartered in Las Vegas. Originally launched as ShoeSite.com, this large enterprise experienced remarkable growth, increasing its sales from $1.6 million in 2000 to more than $1 billion by 2008. Its success led to its acquisition by Amazon in 2009 for approximately $1.2 billion, transforming the company from a fast-growing start-up into a subsidiary of one of the world's leading e-commerce groups.

Zappos is internationally recognized for its strong organizational culture and customer-centric strategy. Rather than competing primarily on price, the company seeks to build a sustainable competitive advantage through exceptional customer service, free shipping and returns, and a strong brand reputation. Its mission, "To Live and Deliver WOW," reflects its commitment to creating memorable customer experiences and fostering a workplace culture centered on empowerment, innovation, and continuous improvement.

What makes Zappos particularly interesting from a management perspective is its willingness to challenge traditional organizational practices. In 2014, the company adopted holacracy, a self-management system designed to distribute authority across employees and reduce traditional managerial hierarchy. However, this ambitious experiment also revealed important challenges. According to SI Labs (2026), in 2016, approximately 18% of Zappos employees left the company during the implementation of holacracy, highlighting the challenges associated with radical decentralization and employee self-management.

This situation raises an important management question: How can Zappos maintain its culture of empowerment while ensuring organizational efficiency and long-term performance?

This question is especially relevant because Zappos continues to face several managerial challenges. The company must preserve its unique culture while operating as a subsidiary of Amazon, maintain high levels of customer satisfaction in an increasingly competitive e-commerce market, and ensure that employee autonomy supports rather than hinders organizational effectiveness.

To answer this question, this report conducts a management diagnosis of Zappos using the POLC framework. First, the report evaluates the company's planning function through an analysis of its purpose and strategic direction. Second, it examines leadership and employee empowerment practices. Third, it analyzes the organizational structure through the five building blocks of organizational design. Finally, it investigates the control mechanisms used to maintain performance and organizational alignment. Based on this diagnosis, recommendations will be proposed to help Zappos strengthen its management practices while preserving the culture and customer focus that have historically distinguished the company.

Part. I – Planning: the purpose of the company

Henri Fayol identified several fundamental management functions, which are presented today as the P-O-L-C framework: Planning, Organizing, Leading, and Controlling. These functions remain at the heart of modern management, with planning serving as the starting point of managerial activities. According to Fayol, effective management requires organizations to anticipate future events, prepare action plans, and allocate resources to achieve their objectives. Planning is therefore not simply about setting goals; it involves making informed decisions that shape an organization's future performance. *Bateman and Snell* define planning as the process of:

> *"Specifying the goals to be achieved and deciding in advance the appropriate actions needed to achieve those goals."*

One of the most important elements of planning is defining a company's purpose, which refers to its reason for existing and the value it aims to create.
Beyond generating profits, a clear purpose provides strategic direction, guides managerial decisions, and connects the company's mission.
As highlighted by *Bushnell*, it should help organizations explain why they exist and what value they bring to society.

Zappos provides an interesting case study because it has built its strategy around the purpose "To live and deliver WOW**"** (Zappos, 2026), placing customer satisfaction and employee engagement at the center of its business model.

This analysis will examine how Zappos translates its purpose into strategic planning, what differentiates it from competitors, and whether its purpose effectively supports its long-term objectives. Finally, recommendations will be proposed to strengthen the alignment between Zappos' purpose, strategic decisions, and organizational performance.

1.1. Defining planning according to Zappos

Planning is recognized as the foundation of managerial activity. As defined by *Bateman and Snell*, it involves setting objectives and determining the actions and resources required to achieve them. Rather than being a one-time activity, planning is a continuous process that guides organizational decisions and allows companies to adapt to changes in their environment.

For Zappos, planning extends beyond traditional financial forecasting and operational objectives. The company's planning approach is strongly influenced by its purpose and long-term vision of delivering customer experiences. Rather than focusing exclusively on

short-term profitability and cost efficiency, Zappos has historically integrated customer satisfaction, employee engagement, and organizational culture into its strategic priorities. As highlighted by *Sahita*, Zappos' customer-centric approach relies on developing a strong company culture rather than treating customer service as a separate department.

This philosophy is reflected in concrete planning decisions. For example, Zappos has historically invested in 24/7 customer support, free shipping, and free returns to improve customer convenience and reduce the risks associated with online shopping *(Hsieh, 2010; Zappos, 2026)*. These decisions illustrate how the company allocates financial, human, and operational resources to support its customer-oriented strategy. Although such services generate additional costs, they are intended to strengthen customer satisfaction and long-term business performance.

This approach reflects Zappos' belief that customer satisfaction is not simply the responsibility of one department, but the result of a strong organizational culture shared by employees. Consequently, planning decisions aim not only to improve operational performance but also to strengthen employee commitment and reinforce organizational values. Under this logic, culture becomes a strategic resource that supports the company's competitive advantage, rather than simply a consequence of its strategy.

The importance of adaptable planning is also emphasized by **Alessandro Di Fiore**, a Thinkers50-ranked management thinker known for his work on strategic agility. He argues that organizations operating in rapidly changing environments must combine a clear long-term direction with the flexibility to adjust their plans as circumstances evolve. This perspective is particularly relevant for Zappos, which operates in the highly competitive e-commerce industry, where consumer expectations, technological developments, and competitive pressures constantly reshape the market environment.

For example, Zappos' historical adoption of employee empowerment practices and its experimentation with self-management through Holacracy in 2014 can be interpreted as attempts to improve organizational flexibility and responsiveness *(Bernstein et al., 2016)*. By distributing certain decision-making responsibilities, the company sought to encourage employee initiative and adapt more quickly to operational challenges. However, these practices also require clear responsibilities and coordination to remain effective.

Overall, Zappos' planning approach illustrates how a company's purpose can influence its strategic priorities, resource allocation, and organizational practices. However, delivering exceptional customer experience must also be balanced with operational efficiency, as personalized service and convenient return policies involve significant

resources. Zappos must therefore ensure that its planning decisions support both customer satisfaction and sustainable long-term performance.

Understanding these strategic choices helps explain what differentiates Zappos from its competitors, which will be examined in the following section.

1.2. What Makes Zappos Different?

Zappos differentiates itself from traditional online retailers through its customer-centric strategy, strong organizational culture, and historical emphasis on employee empowerment. Rather than competing exclusively on prices or product selection, the company has built its reputation around exceptional customer experiences. As former CEO Tony Hsieh explained, Zappos historically considered customer service a strategic investment rather than simply an operational expense *(Hsieh, 2010)*.

This approach can be explained through Michael Porter's differentiation strategy, which suggests that companies can develop a competitive advantage by offering products or services perceived as unique and valuable by customers. Zappos follows this strategy by making customer service a central element of its business model rather than simply an additional service. Its free shipping, free returns, and 24/7 customer support reduce customers' perceived purchasing risks and improve convenience *(Zappos, 2026)*. Moreover, employees were historically encouraged to develop genuine customer relationships rather than follow standardized scripts or strict call-time limits *(Hsieh, 2010)*. These practices aim to strengthen customer loyalty and positive word-of-mouth, helping Zappos differentiate itself beyond price competition.

Zappos' organizational culture reinforces this competitive advantage. The company developed ten core values, including *"Deliver WOW Through Service"* and *"Embrace and Drive Change"*, which guide employee behavior and managerial decisions. According to Tony Hsieh, these values were developed with employee participation and became central to the company's identity *(McKinsey & Company, 2017)*. This illustrates **strategic** alignment, as organizational culture supports the company's differentiation strategy and helps make its customer experience more difficult for competitors to imitate.

Employee empowerment has historically strengthened this differentiation. Through its experimentation with Holacracy, Zappos sought to distribute decision-making authority and encourage employee autonomy *(Bernstein et al., 2016)*. This demonstrates the relationship between the *Leading* and *Organizing* functions studied in class, as greater employee responsibility can support responsiveness and personalized customer service. However, Holacracy should not be confused with empowerment itself, as it primarily concerns the distribution of organizational roles and authority.

From a planning perspective, Zappos also illustrates purpose-driven management. According to Cynthia Montgomery, a company's purpose should guide strategic decisions and help define its distinctive value. At Zappos, *"Deliver WOW Through Service"* has historically influenced operational priorities and the allocation of resources toward customer experience. The company therefore seeks not only to sell products but also to build long-term customer relationships. Research by McKinsey & Company suggests that employees who experience a strong sense of purpose at work tend to demonstrate greater engagement and commitment. This indicates that Zappos' emphasis on purpose may also support employee motivation and organizational performance, although this relationship does not automatically guarantee positive results.

Nevertheless, Zappos' differentiation strategy presents important limitations. Personalized customer service requires significant financial and human resources, making it essential to balance effectiveness and efficiency. For example, free returns improve customer convenience but also generate transportation, processing, and inventory management costs. Furthermore, competitors can imitate individual services such as free shipping, meaning that Zappos must continuously maintain the quality of its overall customer experience. Employee empowerment also requires appropriate training, clear responsibilities, and effective coordination to avoid inconsistent service quality *(Bernstein et al., 2016)*.

Ultimately, Zappos' competitive advantage depends not simply on offering exceptional customer service or promoting strong organizational values, but on maintaining consistency between its purpose, differentiation strategy, organizational culture, and operational capabilities. This raises an important question: whether Zappos' current purpose provides sufficiently clear strategic direction to sustain this competitive advantage over time.

1.3. What Is Their Purpose?

According to Cynthia Montgomery, a company's purpose represents its reason for existence and the unique value it aims to create. Beyond financial objectives, a strong purpose should provide strategic direction, guide managerial decisions, and explain what makes the company distinctive.

Zappos officially expresses its purpose through the statement “To live and deliver WOW” *(Zappos, 2026)*. This reflects the company's ambition to go beyond selling products by creating memorable customer experiences. The expression *“WOW”* represents its commitment to exceeding expectations and making customer satisfaction a central element of its business.

In its 2026 Vendor Guide, Zappos further explains its purpose as the ambition to deliver happiness to customers, employees, communities, and vendors in a sustainable way *(Zappos, 2026*). This broader statement demonstrates that the company recognizes the importance of different stakeholders rather than focusing exclusively on customers.

This purpose can be illustrated through Zappos' customer-oriented practices. For example, its free return policy helps customers exchange unsuitable shoes more conveniently, demonstrating how the ambition to deliver *"WOW"* can influence operational decisions *(Zappos, 2026)*. Its core value *"Deliver WOW Through Service"* also reinforces the connection between the company's purpose, organizational culture, and everyday employee behavior.

To evaluate this purpose more critically, Cynthia Montgomery's approach can be applied through 3key strategic questions:

1. Why does the company exist?

Zappos aims to create memorable shopping experiences and deliver happiness beyond simply selling products. Its purpose therefore communicates a clear ambition that goes beyond financial performance.

2. What makes the company different from competitors?

Zappos differentiates itself through personalized customer service, convenience, and its organizational culture. However, the expression *"deliver WOW"* remains relatively broad, as many companies could claim to provide exceptional experiences. It does not explicitly identify Zappos' distinctive competitive advantage.

3. How does the purpose guide strategic decisions?

Zappos' purpose influences decisions such as investing in customer support and convenient return policies. Nevertheless, it does not clearly explain how managers should prioritize competing objectives. For example, should Zappos continue increasing customer convenience if this significantly raises operational costs or environmental impacts? Without clearer priorities, different departments may interpret *"WOW"* differently, potentially creating inconsistencies in resource allocation and decision-making.

Applying Montgomery's framework therefore reveals both strengths and limitations. Zappos' purpose is simple, memorable, and emotionally engaging, providing a strong foundation for its organizational identity. However, it remains insufficiently specific about the company's distinctive value, strategic priorities, and different stakeholders. Although

Zappos recognizes customers, employees, communities, and vendors in its broader mission, these groups are not explicitly reflected in their short purpose statement.

Zappos' purpose therefore provides a strong cultural foundation, but its effectiveness depends on how consistently it guides everyday decisions. This raises an important question for our recommendations: how can Zappos preserve its inspiring purpose while making it a more precise, actionable, and sustainable strategic guide?

1.4. Our Recommendations for the CEO

Zappos has developed a distinctive identity around exceptional customer service and its commitment to *"Deliver WOW Through Service."* However, as highlighted in our analysis, its purpose could be more specific to provide clearer guidance for long-term strategic decisions and better reflect the interests of its different stakeholders.

We recommend refining Zappos' purpose while preserving its emotional dimension. According to Cynthia Montgomery, an effective purpose should explain what makes a company distinctive and guides its strategic choices. Zappos could therefore connect its ambition to deliver exceptional experiences more explicitly to personalized service, footwear expertise, shopping convenience, and the creation of value for customers, employees, communities, and vendors.

Zappos could also learn from other companies' management practices. For example, Amazon applies its *"Customer Obsession"* principle by starting with customer needs and working backwards when making decisions *(Amazon)*. Similarly, Zappos could introduce a "WOW Experience Scorecard" measuring customer satisfaction, first-contact problem resolution, repeat purchases, and return-related costs. To make this recommendation actionable, we propose the following initial targets:

- **Customer satisfaction:** achieve at least 90% positive customer feedback.
- **First-contact resolution:** resolve at least 85% of customer issues during the first interaction.
- **Repeat purchases:** increase the repeat purchase rate by 5% relative to its initial level within one year.
- **Return costs:** reduce the average processing cost per returned item by 5% within one year, without reducing customer satisfaction.

These figures are proposed targets, not Zappos' current results, and should be adjusted based on the company's actual performance data. The scorecard could be reviewed quarterly to evaluate progress and help managers balance effectiveness by achieving customer satisfaction objectives and efficiency by controlling operational costs.

We also recommend encouraging employee participation in innovation. Zappos could organize quarterly “WOW Innovation Workshops,” allowing frontline employees to identify recurring customer problems and suggest improvements. Following Chiara Spina's scientific approach to decision-making, these suggestions could be tested through small-scale experiments before wider implementation. For instance, Zappos could test a personalized shoe recommendation service to help customers select the correct size and reduce unnecessary returns. The company could initially aim to reduce size-related returns by 10% in a pilot group compared with a control group, while maintaining customer satisfaction. This would allow Zappos to evaluate the effectiveness of the initiative before investing in a larger implementation.

However, these recommendations have important boundary conditions. Zappos should adopt external practices rather than copy them directly, as its competitive advantage relies on personalized service and employee autonomy. Performance indicators must not encourage excessive employee monitoring or undermine service quality, while innovation initiatives should remain financially sustainable and supported by reliable evidence. To limit implementation risks, Zappos could first test the scorecard and innovation workshops with selected teams before expanding them across the company.

Proposed Revised Purpose Statement:

“To make shopping for shoes and everyday essentials effortless and memorable by empowering our people to deliver personalized service, exceptional convenience, and lasting happiness to customers, while creating sustainable value for employees, vendors, and communities.”

This revised purpose would preserve Zappos' identity while providing clearer strategic direction. Customer experience remains central because it represents the foundation of Zappos' differentiation strategy, while employees, vendors, and communities are explicitly included because they contribute to the company's long-term success. By combining a more precise purpose with measurable objectives and employee-driven innovation, Zappos could strengthen the alignment between its strategy, organizational culture, and sustainable organizational performance.



Part. II – Leading: the management of the company

Following the analysis of Zappos' strategic planning, it is essential to understand how the company translates its organizational objectives into everyday management practices. Within the POLC framework, the leading function focuses on influencing, motivating, and guiding employees toward the achievement of organizational goals. While planning establishes the company's strategic direction, leadership determines how employees are encouraged and supported in contributing to its success.

Zappos provides an interesting example of an unconventional leadership approach, particularly through its emphasis on organizational culture, employee happiness, and empowerment. Under the leadership of its former CEO, Tony Hsieh, the company developed a management philosophy based on the belief that employee satisfaction and engagement could contribute to stronger customer relationships and long-term organizational performance (Hsieh, 2010). Rather than relying exclusively on traditional hierarchical supervision, Zappos sought to create an environment where employees could take initiative, express their ideas, and actively participate in organizational decisions.

One of the most significant developments in this approach was the introduction of holacracy in 2013, a management system designed to distribute decision-making authority across organizational roles rather than concentrating it within a conventional hierarchy. This transformation reflected Zappos' ambition to encourage greater employee autonomy, flexibility, and responsibility. However, as Bernstein et al. (2016) explains, self-management does not necessarily imply the complete disappearance of hierarchy or organizational control. Instead, authority and responsibilities are redistributed, raising important questions about coordination, accountability, and the boundaries of employee independence.

From a management perspective, this approach presents both opportunities and challenges. Greater autonomy may strengthen motivation, creativity, and employee involvement, but it can also create uncertainty when responsibilities are insufficiently defined or when employees do not receive adequate guidance. Moreover, empowerment should not simply be understood as giving employees more freedom. Its effectiveness also depends on whether individuals have the necessary resources, competencies, and confidence to exercise their responsibilities. Therefore, the central issue is not only whether Zappos promotes empowerment, but whether its leadership practices create the conditions required for empowerment to be effective and sustainable.

2.1 Defining Zappos leadership and empowerment

Zappos' leadership philosophy has historically been based on employee happiness, autonomy, and participation in organizational decisions. Under Tony Hsieh's leadership, the company developed an approach that differed from traditional hierarchical management, encouraging employees to take initiative rather than simply following instructions. This reflects an empowering leadership style, in which leaders focus on creating the conditions for employees to contribute effectively to organizational objectives.

This philosophy became particularly visible with the introduction of holacracy in 2013, a management system designed to distribute decision-making authority across roles and self-organizing circles instead of concentrating within conventional managerial positions. In a McKinsey interview, Hsieh (2017) explained that employees were encouraged to find responsibilities combining their interests, competencies, and contributions to the company. The objective was to make Zappos more adaptable and innovative by allowing employees to identify problems and suggest improvements without systematically waiting for managerial approval.

However, holacracy and empowerment should not be confused. Holacracy concerns how authority is organized, while empowerment refers to employees' ability and motivation to exercise that authority. This distinction can be explained through Spreitzer's (1995) psychological empowerment model, which identifies four dimensions: meaning, competence, self-determination, and impact. Applied to Zappos, this suggests that giving employees decision-making power is insufficient if they do not understand their responsibilities, feel competent, or believe their contributions matter.

This distinction can also be explained through Deci and Ryan's (1985) Self-Determination Theory, which identifies three essential psychological needs: autonomy, competence, and relatedness. While Zappos' Holacracy model encouraged autonomy through decentralized decision-making, employees also needed sufficient skills and supportive relationships to exercise their responsibilities confidently. Therefore, giving employees greater freedom does not automatically increase motivation if they lack the competence or support required to manage it effectively.

For example, a customer service employee who can independently resolve a complaint may feel more responsible and motivated. However, this autonomy becomes effective only when the employee has sufficient training, understands Zappos' customer-service objectives, and knows the limits of their authority. Empowerment therefore requires both freedom and appropriate support.

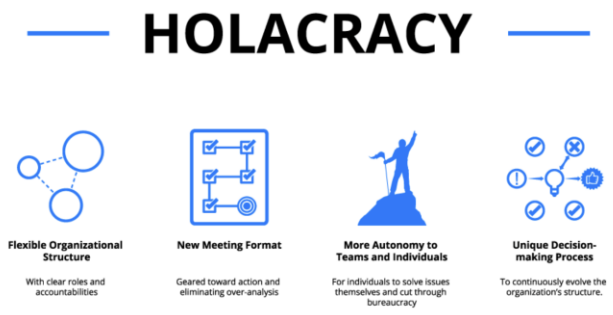
This argument can also be connected to Amy Edmondson's research on psychological safety, recognized by Thinkers50. Edmondson (2018) explains how an environment where

employees feel comfortable expressing ideas, asking questions, and acknowledging mistakes supports organizational learning. At Zappos, this principle helps explain why autonomy should be accompanied by an open communication culture. Nevertheless, encouraging employees to speak does not necessarily guarantee that everyone feels psychologically safe.

The limitations of this approach became particularly visible during Zappos' transition to Holacracy. In 2015, approximately 14% of employees accepted a severance offer rather than continuing under the new organizational model. Although these departures cannot be attributed entirely to Holacracy, they illustrate the difficulties associated with major organizational changes. While greater autonomy can encourage motivation and initiative, it may also create stress for employees who prefer clearer responsibilities and managerial guidance. This demonstrates that empowerment is not equally effective for everyone and requires appropriate organizational support.

Finally, Zappos' leadership philosophy reflects certain characteristics often associated with American business culture, particularly entrepreneurship, individual initiative, and innovation. However, its decentralized approach remains distinctive compared with many traditionally managed American companies.

Overall, Zappos' historical leadership model illustrates a shift from directly supervising employees toward encouraging self-management and shared responsibility. Its effectiveness, however, depends on more than the distribution of authority: employees also need clear objectives, appropriate competencies, and organizational support. This raises the question of how extensively Zappos has implemented empowerment in practice and what limitations have emerged, which will be examined in the following subsection.



This model also depends on employees' ability to manage uncertainty. While experienced and independent workers could benefit from increased autonomy, employees requiring more guidance might struggle with unclear responsibilities or coordination difficulties.

Consequently, empowerment should not be evaluated only through the amount of authority distributed, but also through employees' capacity to exercise it effectively.

2.2. The degree of empowerment implemented within the company

Zappos' transition toward self-management represented an ambitious attempt to increase employee empowerment. Through Holacracy, employees were encouraged to take responsibility for their work, participate in organizational decisions, and contribute beyond their traditional job descriptions. However, although this system offered considerable autonomy, its implementation also revealed important limitations.

One of the clearest examples of empowerment was the distribution of authority across organizational circles. Rather than depending on a single manager, employees could occupy several roles according to their competencies and interests. In 2016, Tony Hsieh reported that Zappos had approximately 1,600 employees organized into around 500 circles (Knowledge at Wharton, 2016). This arrangement encouraged flexibility and allowed employees to contribute to different activities within the organization. For example, an employee could participate in both customer service operations and an internal improvement project, developing new competencies while contributing to organizational objectives.

This approach can be connected to Self-Determination Theory, developed by Deci and Ryan (1985), which identifies autonomy, competence, and relatedness as fundamental psychological needs supporting motivation. Zappos' system aimed to strengthen autonomy through decentralized decision-making, while participation in different roles could encourage competence, development, and collaboration between colleagues. However, greater autonomy does not automatically increase motivation, particularly when employees lack guidance or feel overwhelmed by additional responsibilities.

Indeed, Zappos' experience demonstrated that empowerment was not equally suitable for everyone. In 2015, Tony Hsieh offered employees the opportunity to leave with a severance package if they did not wish to continue under the self-management system. According to an INSEAD case study, 14% of employees left the company, including 20% of its technology department (INSEAD, 2016). Although these departures cannot all be attributed to dissatisfaction with Holacracy, they illustrate the difficulties associated with implementing a major organizational transformation.

Furthermore, the absence of traditional managers did not eliminate hierarchy or control. As Bernstein et al. (2016) explain, self-management redistributes authority rather than removing organizational rules. At Zappos, employees still operate within defined roles, responsibilities, and shared organizational values. This created a paradox: employees

gained greater freedom in their daily activities but remained accountable to the organization's collective objectives.

The effectiveness of this model also depended on employees' ability to manage uncertainty. While experienced and independent workers could benefit from increased autonomy, employees requiring more guidance might struggle with unclear responsibilities or coordination difficulties. Consequently, empowerment should not be evaluated only through the amount of authority distributed, but also through employees' capacity to exercise it effectively. Zappos therefore illustrates that greater freedom can strengthen motivation but may also create stress when responsibilities and expectations are unclear.

2.3. Our Recommendations for the CEO

Although Zappos' historical leadership model encouraged employee autonomy and participation, its implementation also revealed challenges regarding employee adaptation, motivation, and the support required for effective self-management. As management consultants, we believe that Zappos should focus on developing employees' confidence and leadership capabilities rather than simply increasing their decision-making authority.

Developing a mentoring culture could help employees become more comfortable with self-management. While holacracy aims to reduce dependence on traditional managers, employees may still need guidance when taking on unfamiliar responsibilities. Zappos could introduce a peer-mentoring program in which experienced employees support newcomers through regular discussions, practical advice, and knowledge sharing. Unlike traditional supervision, this approach would focus on learning and personal development rather than monitoring performance.

To implement this recommendation, Zappos could introduce a four-week mentoring program for newly recruited employees. Each newcomer would be paired with an experienced colleague and participate in weekly discussions and practical exercises, including simulations of difficult customer complaints. Before gaining greater independence, employees could be assessed on their ability to resolve customer problems, communicate effectively, and make decisions aligned with Zappos' values. The program's effectiveness could then be measured through employee confidence surveys, customer satisfaction scores, and the number of complaints resolved independently. These indicators would help determine whether mentoring genuinely improves employees' readiness for self-management.

This recommendation relates to Amy Edmondson's (2018) research on psychological safety. By encouraging employees to ask questions, express concerns, and learn from mistakes, mentoring could strengthen their confidence and willingness to take initiative. However, mentors should receive appropriate preparation to ensure that these relationships remain supportive rather than becoming another form of informal hierarchy.

Employee autonomy could also be introduced more progressively. Zappos' 2015 organizational transition demonstrated that employees did not all respond in the same way to self-management. Drawing on Hersey and Blanchard's Situational Leadership Model, we suggest adapting leadership support to employees' experience and development needs. For example, a newly recruited customer service employee could initially handle routine requests independently while receiving support for more complex complaints. As their competencies and confidence develop, they could progressively gain responsibility for difficult situations. This gradual approach would allow Zappos to adapt employee autonomy to individual readiness rather than expecting everyone to manage the same level of responsibility immediately.

Another opportunity lies in strengthening employee recognition and participation. While Zappos has historically emphasized employee happiness and organizational culture, empowerment should also involve making employees feel that their contributions genuinely matter. The company could organize regular employee-led innovation sessions where individuals propose improvements to customer experience or internal working practices. Selected ideas could then be tested through small projects, with employees involved in their implementation and publicly recognized for their contributions. Unlike the WOW Innovation Workshops proposed in Part I, which focus on improving the company's strategic purpose and customer experience, these employee-led sessions would primarily aim to strengthen individual empowerment by allowing employees to develop, test, and implement their own ideas.

This approach can be linked to Spreitzer's (1995) psychological empowerment model, particularly the dimensions of *meaning* and *impact*. Employees are more likely to feel empowered when they understand the value of their work and can observe the influence of their ideas on organizational decisions. However, participation should remain voluntary and accessible to employees across different roles to avoid favoring only the most confident or outspoken individuals.

Overall, our recommendations aim to make empowerment a genuine employee-development process rather than simply an organizational structure. By investing in mentoring, progressive autonomy, and meaningful employee participation, Zappos could strengthen motivation and engagement while preserving the innovative leadership philosophy that has historically distinguished the company

Part. III – Organization: how the company is structured

Organizing is one of the four fundamental functions of management (Planning, Leading, Organizing, and Controlling – P-O-L-C). It consists of defining how tasks, responsibilities, authority, and resources are distributed and coordinated within a company to achieve its strategic objectives. An effective organizational structure should promote both efficiency, by optimizing resources, and effectiveness, by achieving organizational objectives, while remaining aligned with the company's purpose and strategy.

As studied in class, organizational structure can be analyzed through five building blocks: work Specialization, Formalization, Centralization, Hierarchy, and Coordination. These dimensions help understand how work is divided, how decisions are made, and how employees coordinate their activities. Organizations can also adopt more mechanistic or organic structures, depending on their environment, objectives, and need for flexibility.

Zappos provides an interesting example because of its unconventional approach to organizational design, particularly its adoption of Holacracy in 2014. This self-management system aimed to reduce traditional managerial hierarchy and distribute decision-making authority across employees and teams (Bernstein et al., 2016). This approach reflects Zappos' emphasis on empowerment, flexibility, and exceptional customer service, as employees are encouraged to take initiative and respond to customer needs.

However, decentralization does not automatically guarantee better performance. While it can encourage innovation and responsiveness, it may also create difficulties regarding coordination and role clarity. As highlighted by Bernstein et al. (2016), self-management still requires clearly defined responsibilities and effective coordination mechanisms. This section will analyze Zappos' organizational structure, identify its main strengths and weaknesses, and provide recommendations to improve organizational effectiveness while preserving its distinctive culture and employee autonomy.

3.1. Defining a structure

Beyond the distribution of tasks and responsibilities, organizational structure represents the framework through which a company transforms its strategic objectives into coordinated actions. According to Mintzberg (1979), organizational design involves two fundamental requirements: dividing work into distinct tasks and ensuring coordination between these activities. Therefore, the challenge for managers is not simply to define individual responsibilities, but to create a system that allows employees and teams to work effectively toward shared objectives.

An organizational structure also influences how information circulates, how employees interact, and how quickly the organization can respond to changes in its environment. From a management perspective, it should establish a balance between stability and flexibility, ensuring sufficient clarity and accountability while allowing employees to adapt to new situations. As highlighted by Burns and Stalker (1961), the most appropriate organizational structure depends on the organization's environment and the level of uncertainty it faces. Consequently, no single organizational model can be considered universally effective.

This perspective is particularly relevant when examining companies that challenge traditional management practices. An organization may reduce conventional managerial hierarchy without eliminating the need for clearly defined responsibilities, rules, and coordination mechanisms. As Bernstein et al. (2016) explain, self-management requires a structured distribution of authority rather than a complete absence of management.

For Zappos, the central organizational challenge is therefore to understand how its historical commitment to self-management can support employee autonomy while maintaining effective coordination and accountability. To examine this issue, the following section will analyze the company's organizational design through five dimensions: specialization, hierarchy, centralization, formalization, and coordination.

3.2. Zappos organizational structure through the 5 building blocks

Having defined organizational structure and its importance for translating strategy into action, it is now necessary to examine how Zappos organizes work in practice. As discussed previously, Mintzberg argues that organizational effectiveness depends not only on the division of labor but also on the mechanisms used to coordinate activities and distribute authority. Therefore, understanding Zappos requires going beyond the simple observation that the company adopted Holacracy. The key question is whether this unconventional structure helps the company achieve its purpose of delivering exceptional customer experience while remaining efficient and adaptable.

The five building blocks studied in class, specialization, hierarchy, centralization, formalization, and coordination, provide an appropriate framework for this analysis. Together, they help explain how tasks are distributed, who makes decisions, how employees are guided, and how collective action takes place.

At first sight, Zappos appears to have moved away from traditional bureaucratic structures. Consistent with Gary Hamel's concept of *Humanocracy*, the company attempted to reduce unnecessary hierarchy and empower employees by distributing

authority throughout the organization. Hamel argues that modern organizations must become flatter, freer, and less dependent on bureaucracy if they want to remain innovative in a volatile environment. This philosophy strongly influenced Zappos and explains why the company experimented with self-management.

Zappos can also be analyzed through Burns and Stalker's (1961) distinction between mechanistic and organic organizations. Mechanistic organizations rely on formal hierarchy, centralized decision-making, and clearly defined reporting relationships. Organic organizations emphasize flexibility, decentralized authority, lateral communication, and employee initiative. Through Holacracy, Zappos deliberately moved toward a more organic structure. This shift was intended to help the company respond more quickly to customer needs and encourage innovation. However, Burns and Stalker also argue that organic organizations require strong communication and coordination mechanisms to remain effective. Consequently, the main challenge for Zappos is not simply granting autonomy but ensuring that autonomous employees remain aligned with organizational objectives.

Removing layers of hierarchy does not automatically eliminate the need for structure. Just as a football team cannot function simply by allowing every player to go wherever they want on the field, organizations still require clear responsibilities, coordination mechanisms and common objectives. The challenge for Zappos is therefore not choosing between structure and freedom but finding the right balance between the two. What works for Zappos may not necessarily work for every organization. Companies such as Amazon or McDonald's operate in highly standardized environments where stronger formalization and centralization may be required. In contrast, companies competing through innovation, creativity, or customer experience often benefit from greater autonomy and flexibility.

3.2.1. Specialization

Specialization refers to the degree to which work is divided into separate jobs and responsibilities. According to Fayol's principle of division of labor, specialization improves efficiency because employees become more experienced and skilled in specific activities.

Traditionally, retail companies are highly specialized. Employees occupy clearly defined positions such as customer service representative, logistics specialist, or marketing manager. Zappos partially departs from this model. Through Holacracy, employees may hold multiple roles simultaneously and contribute to different circles depending on their

expertise and interests. This approach does not eliminate specialization because each role still requires specific expertise. However, it changes how specialization is organized. Employees can combine several specialized roles across different circles rather than being limited to a single job description. For example, an employee may simultaneously hold a customer-service role and participate in a circle responsible for improving internal processes. As a result, expertise remains important, but employees are encouraged to apply it across different organizational contexts.

For example, an employee working in customer service may also participate in an innovation project designed to improve customer experience. Such flexibility can increase engagement while enabling employees to develop broader skills. This practice can also be connected to Alex Budak's Thinkers50 concept of Changemaking. Budak argues that leadership is not limited to formal positions. By allowing employees to contribute beyond their primary role, Zappos encourages individuals to become active contributors to organizational improvement rather than passive executors of predefined tasks. The system also presents limitations. Specialization exists because it creates expertise. A highly specialized surgeon, for instance, will generally outperform a general practitioner when performing a complex operation. Similarly, if employees divide their attention across too many responsibilities, expertise and efficiency may decrease.

Spotify provides an interesting comparison. While the company encourages cross-functional collaboration, employees still maintain a primary specialization. This balance allows Spotify to remain innovative without losing technical expertise. So, Zappos benefits from lower specialization than traditional companies, but its success depends on maintaining sufficient expertise while encouraging versatility.

3.2.2. Hierarchy

Hierarchy refers to formal reporting relationships and determines who has authority over whom. Traditional organizations often rely on tall hierarchies with multiple managerial levels. Zappos deliberately attempted to reduce hierarchy through Holacracy. Instead of relying on managers to coordinate work, authority was distributed among circles and roles. Compared with traditional organizations that may contain several management layers, Holacracy reduced the number of formal reporting levels and increased employees' span of influence through multiple roles. Authority became attached to roles rather than managerial positions, making the organizational chart significantly flatter.

From Gary Hamel's perspective, this reduction of hierarchy reflects a transition from bureaucracy toward Humanocracy. Hamel argues that excessive managerial layers often slow communication, reduce innovation, and discourage initiative. By flattening the structure, Zappos sought to increase responsiveness and employee engagement.

An everyday example illustrates this logic. In a traditional company, an employee encountering a customer issue may need approval from a supervisor, who may then consult another manager. At Zappos, employees are encouraged to solve customer problems directly, reducing delays and improving responsiveness. Removing managerial levels does not eliminate authority. Bernstein et al. (2016) explains that Holacracy replaces traditional hierarchy with a system of distributed authority governed by explicit rules. One important limitation is role ambiguity. Employees often find comfort in knowing exactly who their manager is and where to seek guidance. The departure of numerous employees following the implementation of Holacracy illustrates that flatter structures are not equally suitable for everyone.

3.2.3. Centralization

Centralization refers to the extent to which decision-making authority is concentrated at the top of the organization. Zappos represents one of the most decentralized organizational models among major companies. Employees are encouraged to make decisions independently rather than waiting for approval from senior leaders. This decentralization supports customer service excellence. Customer service agents have historically enjoyed significant autonomy when resolving customer issues. For example, customer-service employees have traditionally been authorized to spend as much time as necessary with a customer and to make goodwill decisions without seeking managerial approval. If a customer receives the wrong item or faces a delivery problem, the employee can immediately determine an appropriate solution. However, such decisions may also affect logistics, inventory management, and financial performance. This illustrates how decentralized decisions made by one employee can have consequences for several teams, making coordination particularly important. Rather than strictly following a predefined process, they can adapt their decisions to each situation. This philosophy aligns closely with Daniel Pink's theory of motivation. According to Pink, autonomy is one of the three major drivers of intrinsic motivation, together with mastery and purpose. By giving employees decision-making power, Zappos enables them to feel responsible for outcomes and more connected to the organization's mission.

But decentralization creates challenges. Different employees may make different decisions when confronted with similar situations. While flexibility improves customization, excessive decentralization may reduce consistency. A useful comparison can be made with Toyota. Although Toyota empowers frontline workers to stop production lines when they identify problems, the company still maintains clear organizational standards. This demonstrates that empowerment and organizational control are not mutually exclusive.

3.2.4. Formalization

Formalization refers to the extent to which employee behavior is guided by codified rules, procedures and policies.

At first glance, Zappos appears to be weakly formalized due to its emphasis on autonomy and creativity. Customer service representatives are famously encouraged to avoid rigid scripts and adapt their interactions to individual customer needs. This lower level of formalization supports innovation and flexibility. It allows employees to provide authentic and personalized experiences rather than mechanically following procedures. A common misconception is that Holacracy eliminates formalization. In reality, Holacracy itself is highly formalized. Governance meetings, tactical meetings, and role definitions follow very precise procedures. Therefore, Zappos reduced traditional operational rules but simultaneously increased formalization regarding governance processes. This apparent paradox can be explained through Mintzberg's organizational theory. Rather than standardizing work processes, Zappos increasingly relies on standardization of norms and values. Employees may have freedom regarding how they perform tasks, but they are expected to respect common organizational principles such as "Deliver WOW Through Service."

Google offers a similar example. Employees enjoy considerable freedom when designing solutions, yet their actions remain guided by strong cultural norms and organizational objectives. The main limitation is that insufficient formalization may lead to inconsistency. Customers may receive different experiences depending on the employee involved. Consequently, some degree of formalization remains necessary to ensure reliability.

3.2.5. Coordination

Coordination represents perhaps the most critical challenge for Zappos. According to Mintzberg, organizations cannot survive without mechanisms allowing individuals and teams to work together effectively. Because Zappos reduced hierarchy and decentralized decision-making, coordination becomes essential. Holacracy attempts to achieve this through governance meetings, tactical meetings, and shared responsibilities within circles.

Mintzberg identifies six mechanisms of coordination. Among them, mutual adjustment is particularly visible at Zappos, where employees communicate directly and collaborate to solve problems rather than relying exclusively on managerial supervision. This approach resembles practices used by innovative firms such as Spotify, where autonomous teams coordinate through shared objectives and frequent interactions rather than strict hierarchical control. An everyday analogy would be a group project at university. Without coordination, each student might work independently and produce a fragmented final report. Through communication and shared objectives, however, the group can create a coherent outcome. The same principle applies within organizations.

Nevertheless, coordination remains one of the most significant challenges associated with Holacracy. Bernstein et al. (2016) report that many employees initially struggled to understand how responsibilities were distributed across hundreds of roles and circles. Employees could simultaneously belong to several circles, making it difficult to identify who was responsible for certain decisions or projects. These difficulties contributed to confusion during the implementation phase and partially explained why some employees chose to leave the company during the transition. A concrete example involves process-improvement initiatives. If a customer-service circle develops a new approach to handling complaints, the change may also affect logistics, training, or technology teams. Without effective communication between circles, different groups may unknowingly work on similar projects, duplicate efforts, or implement inconsistent solutions. Therefore, the challenge is not merely theoretical. Coordination directly influences efficiency, resource allocation, and the consistency of customer experience. This is where Denise Cárdenas López's systems-thinking perspective becomes particularly relevant. She argues that organizational performance depends on aligning people, processes, systems, and technology. In Zappos' case, autonomy can only generate positive results when information flows effectively across circles and when responsibilities remain sufficiently visible to all stakeholders.

3.3. Our recommendations for the CEO

Our analysis shows that Zappos has created an organizational structure that strongly supports employee empowerment, flexibility, and customer service. Nevertheless, the company's experience also demonstrates that autonomy alone does not guarantee organizational effectiveness. The challenge today is not to abandon self-management principles but to improve the balance between flexibility and coordination.

We recommend introducing greater role clarity while preserving employee autonomy. Although Holacracy already defines roles formally, employees may hold several roles across different circles, making accountability difficult to identify. For example, responsibility for improving customer experience may simultaneously involve customer-service employees, data analysts, and process-improvement circles. When performance issues emerge, employees may not always know who has final ownership of the problem. Zappos should therefore introduce a clearer responsibility map identifying a primary accountable role for every major process while maintaining collaborative decision-making.

Zappos could adopt what Gary Hamel calls "minimum viable bureaucracy." The objective would not be to increase managerial control but to eliminate uncertainty where it creates inefficiencies. Simple guidelines regarding decision rights, escalation procedures, and role ownership could significantly improve coordination.

We recommend creating a Cross-Circle Coordination Council composed of one elected representative from each major circle. The council would not function as a traditional management layer and would not possess decision-making authority over operational teams. Instead, its role would be to identify overlapping projects, facilitate information sharing, and resolve coordination issues that involve several circles. Monthly meetings supported by a shared digital dashboard would allow representatives to track ongoing initiatives and identify potential duplications.

For example, if two circles independently develop customer-service improvement projects addressing the same issue, the council could connect with the teams before resources are duplicated. As a result, the mechanism would improve visibility and reduce delays without increasing bureaucracy or limiting employee autonomy.

Zappos should continue empowering employees but adapt autonomy according to individual readiness. As discussed in the leadership section, not all employees desire the same level of independence. Following the contingency approach, empowerment should depend on employees' competencies, confidence, and experience. We recommend

adopting Chiara Spina's scientific approach to organizational design. Rather than implementing major structural changes at once, Zappos should test new organizational practices through small-scale experiments, collect evidence, and evaluate results before extending them company-wide.

In conclusion, Zappos' organizational structure remains a fascinating example of contemporary management innovation. However, as Gary Hamel reminds us, the objective is not to eliminate structure but to create a system that allows people to contribute their full potential while maintaining organizational effectiveness. The future success of Zappos will therefore depend on its ability to combine the flexibility of self-management with sufficient coordination, clarity and accountability.

Part. IV – Controlling: the company control process

Following the analysis of Zappos' planning, leadership, and organization, it is essential to examine how the company maintains organizational control while encouraging autonomy. Within the POLC framework, controlling involves monitoring performance, evaluating results, and implementing corrective actions to ensure that organizational objectives are achieved.

Zappos provides an interesting example of decentralized control. Through its historical adoption of holacracy and its strong organizational culture, the company sought to replace traditional hierarchical supervision with greater employee responsibility and self-management. However, reducing managerial supervision does not eliminate control; it transforms how control is exercised. At Zappos, organizational values, defined responsibilities, and performance expectations have historically played an important role in guiding employee behavior (Corporate Rebels, 2016).

This approach can be connected to Robert Simons' (1995) Levers of Control framework, which explains how organizations combine shared beliefs, organizational boundaries, performance monitoring, and communication to maintain strategic alignment. Nevertheless, decentralized control may also create challenges regarding accountability, coordination, and the balance between financial performance and employee well-being.

Therefore, the central question is whether Zappos' controlling mechanisms effectively support organizational performance without undermining employee autonomy.

This section first analyzes Zappos' main controlling practices, then assesses their strengths and limitations, and proposes recommendations to improve accountability, performance management, and organizational effectiveness.

4.1. Defining control

In management, controlling refers to the process of establishing performance standards, measuring actual results, comparing them with expected objectives, and taking corrective action when necessary. Within the POLC framework, this function ensures that organizational activities remain aligned with strategic goals. Control can be preventive, concurrent, or corrective, depending on whether it takes place before, during, or after an activity.

Zappos' historical management approach demonstrates that organizational control does not necessarily depend on direct hierarchical supervision. Through its experiments with holacracy and Market-Based Dynamics, the company developed different mechanisms to coordinate employee activities, monitor performance, and maintain accountability.

First, Zappos implemented structural control through holacracy, introduced in 2013. Instead of relying exclusively on traditional managers, the company distributed responsibilities across organizational roles and self-managed circles. This system included governance meetings, where employees could clarify or modify responsibilities, and tactical meetings, where teams identified operational problems and coordinated their activities (Corporate Rebels, 2016; Robertson, 2015).

These practices illustrate three control temporalities: **preventive control**, through clearly defined responsibilities; **concurrent control**, through the identification of problems during operational meetings; and **corrective control**, through adjustments made after difficulties are identified. Consequently, Zappos' structural control aimed to maintain coordination without requiring constant managerial supervision.

Through Market-Based Dynamics, teams were encouraged to operate with greater financial responsibility and demonstrate the value of their activities. One example was Customer-Generated Budgeting, which linked internal resource allocation to the demand for services provided by different teams (Corporate Rebels, 2021). These practices should be understood as documented management experiments rather than confirmed features of Zappos' current control system. Although they illustrate the company's efforts to decentralize financial accountability, the available sources do not establish whether these mechanisms are still applied today.

This approach can be connected to Robert Simons' (1995) diagnostic control systems, which use performance information to evaluate results and identify deviations from organizational objectives. Rather than focusing exclusively on how employees perform their tasks, results-based control emphasizes the outcomes they achieve. However, the existence of these experiments does not establish that the same financial mechanisms remain in use today.

Finally, cultural control has played an essential role in Zappos' management philosophy. The company developed ten core values, including *Deliver WOW Through Service* and *Build Open and Honest Relationships With Communication*. These principles were intended to influence employee behavior and support a consistent customer-oriented culture (Hsieh, 2010).

This represents a form of normative control, in which shared values guide employee decisions without requiring continuous supervision. It also corresponds to Simons' (1995) *belief systems*, which communicate organizational priorities and encourage employees to act consistently with the company's objectives.

4.2 Control in Zappos

Zappos' historical controlling practices present several advantages, particularly regarding flexibility, accountability, and employee involvement. However, their effectiveness also depends on the company's ability to maintain coordination, evaluate performance fairly, and prevent excessive pressure on employees.

One of the main strengths of Zappos' decentralized control is its ability to encourage individual accountability. By assigning employees clearly defined roles and allowing teams to address operational problems, the company sought to reduce dependence on traditional managerial supervision. This approach can improve responsiveness, as difficulties may be identified and resolved directly by the employees concerned. Moreover, Zappos' strong organizational values have historically supported behavioral consistency, particularly regarding customer service (Hsieh, 2010).

Nevertheless, distributed responsibility can also create coordination difficulties. When employees occupy multiple roles or participate in different circles, identifying who is accountable for a particular decision may become more complicated. Bernstein et al. (2016) explain that self-management requires clearly established responsibilities and coordination mechanisms. Although Zappos' decentralized structure creates potential risks of overlapping responsibilities and unclear accountability, the available evidence does not establish how frequently these problems occurred within the company. Therefore, these difficulties should be considered organizational risks rather than confirmed systematic failures.

Another important limitation concerns Zappos' experiments with financial accountability through Market-Based Dynamics. Although evaluating the value created by internal teams can encourage efficiency, financial indicators cannot capture every dimension of organizational performance. For example, an employee who spends additional time helping a colleague or resolving a complex customer complaint may contribute significantly to long-term performance without generating an immediate measurable financial return.

This issue can be explained through Kaplan and Norton's (1992) Balanced Scorecard, which evaluates organizational performance through four complementary perspectives: financial results, customers, internal processes, and learning and growth. Applied to Zappos, the financial perspective could include operating costs, while the customer perspective could focus on customer satisfaction and complaint-resolution quality. Internal processes could be evaluated through coordination efficiency and the resolution of operational issues, whereas learning and growth could include employee development, engagement, and training. Combining these indicators would allow Zappos

to evaluate performance more comprehensively rather than relying exclusively on financial outcomes.

Quality control is particularly important for Zappos because exceptional customer service is central to its competitive advantage. However, the sources examined do not provide enough information to establish a complete, currently documented service-quality review process. For example, Zappos could set a customer satisfaction target, collect feedback after customer interactions, and compare the results with the expected standard. If satisfaction declined, the team responsible could identify recurring complaints and introduce corrective actions, such as additional employee training or adjustments to service procedures. This would illustrate a complete control cycle while preserving employees' autonomy in customer interactions.

Finally, effective control depends on employees' willingness to report difficulties. According to Edmondson (1999), psychological safety encourages employees to acknowledge mistakes and learn from them. At Zappos, excessive performance pressure could therefore undermine this openness.

4.3 Our recommendations for the CEO

Based on our analysis, Zappos' historical controlling practices demonstrate the benefits of decentralized accountability but also reveal challenges regarding coordination, performance measurement, and employee well-being.

An important area for improvement concerns the clarification of responsibilities and accountability. Although distributed authority can improve flexibility, overlapping roles may create uncertainty about decision-making responsibilities. To address this issue, Zappos could establish an accessible responsibility map identifying the person accountable for each major activity, alongside quarterly cross-team reviews to identify coordination problems. Rather than restoring traditional managerial supervision, this system would clarify expectations while preserving employee independence. Zappos could initially test this system over three months, aiming to reduce unresolved responsibility conflicts by 20% and improve the average time required to resolve operational issues. These proposed targets would help evaluate whether clearer responsibilities improve coordination without limiting employee autonomy.

Another priority would be to develop a more balanced performance measurement system. Zappos' historical experiments with Market-Based Dynamics emphasized financial responsibility, but financial indicators alone may undervalue contributions to customer satisfaction, employee development, and collaboration. Drawing on Kaplan and Norton's (1992) *Balanced Scorecard*, we recommend combining financial and non-

financial indicators in a common performance dashboard. For example, Zappos could monitor customer satisfaction, complaint-resolution quality, employee engagement, and cross-team collaboration alongside operating costs and financial results.

To make this dashboard operational, Zappos could initially focus on three indicators: customer satisfaction, employee satisfaction, and operating costs. During a three-month pilot, the company could aim to improve customer satisfaction by 5%, maintain or improve employee satisfaction, and keep operating costs within 5% of the initial budget. These proposed targets would allow teams to evaluate service quality, employee well-being, and financial efficiency together. For example, if customer satisfaction increased while operating costs exceeded the target, Zappos should investigate the reasons before introducing cost reductions. Additional spending may be justified if it improves customer loyalty and long-term performance. However, if costs increase without sufficient benefits, teams could review inefficient processes or resource allocation while preserving service quality. This would prevent financial control from undermining Zappos' customer-oriented strategy.

To avoid creating unnecessary administrative pressure, the company should initially test this dashboard in a limited number of teams before expanding it. This would help determine which indicators genuinely support decision-making and which create excessive reporting requirements. Importantly, customer-service employees should not be evaluated solely on the speed of their interactions, as this could conflict with Zappos' commitment to delivering exceptional service.

Beyond structural and performance improvements, Zappos could also strengthen its feedback-oriented control culture. Performance monitoring should encourage employees to identify problems rather than hide mistakes. Based on Edmondson's (1999) research on psychological safety, we recommend introducing short, regular team retrospectives where employees can discuss difficulties, suggest improvements, and identify corrective actions without automatic blame. These retrospectives could be organized monthly, with each team identifying one priority for improvement and reviewing its progress during the following meeting.

However, psychological safety should not mean the absence of accountability. Employees must remain responsible for their decisions while being encouraged to report problems openly. Zappos could assess this initiative through anonymous employee surveys, the number of improvement suggestions implemented, and the resolution of recurring operational issues. By clarifying responsibilities, balancing performance indicators, and strengthening constructive feedback, Zappos could improve organizational effectiveness while preserving the autonomy and customer-oriented culture that have historically characterized its management philosophy.

Part. V – Conclusion

5.1. Our position statement

Throughout this report, we have analyzed Zappos' organizational structure, leadership philosophy, corporate culture, and management practices. The company represents one of the most ambitious attempts to rethink traditional organizational design in the modern business environment. Rather than relying primarily on hierarchy, control, and supervision, Zappos chose to build an organization based on employee empowerment, autonomy, and a strong customer-oriented culture.

Our position is that Zappos should be considered a successful management innovation, even if some aspects of its organizational model remain debatable. The company has demonstrated that organizations do not necessarily need rigid hierarchies to achieve high levels of performance and customer satisfaction. By encouraging employees to take ownership of decisions and by placing culture at the center of its strategy, Zappos has created a workplace that differs significantly from traditional organizations. This willingness to challenge conventional management assumptions reflects the philosophy promoted by Thinkers50 author Gary Hamel. According to Hamel, organizations must continuously reinvent their management systems to remain adaptive, innovative, and resilient. From this perspective, the true value of Zappos is not merely the implementation of Holacracy but its readiness to experiment with new forms of organizing work.

However, our analysis suggests that autonomy is not a universal solution. While self-management can enhance engagement, flexibility, and innovation, it may also create coordination challenges, role ambiguity, and scalability issues. This supports the central idea of contingency theory, which argues that there is no single best way to organize a company. Organizational effectiveness depends on the alignment between structure, strategy, workforce, and environment; therefore, practices that work well at Zappos may not be suitable for companies such as McDonald's, Toyota, or Amazon. The Holacracy transition further illustrates this point: although some employees thrived in a highly autonomous environment, others preferred clearer guidance and managerial support, leading to significant departures during the transformation. Ultimately, Zappos' success appears to stem less from Holacracy itself than from its strong organizational culture. By promoting a shared commitment to *"Deliver WOW Through Service,"* the company aligns employee behavior around a common purpose, illustrating Daniel Pink's argument that motivation is driven by autonomy, mastery, and purpose. Like a city that relies on both individual freedom and common rules to function effectively, Zappos must continually balance autonomy with coordination.

Another important question concerns the adoption of similar practices by other organizations. If Holacracy represented a universally superior management model, a large number of multinational corporations would likely have adopted it. Instead, most innovative organizations have chosen hybrid solutions. Spotify provides a useful example. The company encourages autonomy through squads, tribes, and cross-functional teams. However, it still retains leadership structures, accountability mechanisms, and managerial responsibilities. Similarly, Toyota empowers frontline employees while maintaining strong operational processes and clear organizational standards. These examples suggest that successful organizations often balance empowerment with structure rather than replacing one with the other. The issue of crisis management also deserves consideration. During stable periods, decentralized structures often improve responsiveness and creativity. However, during economic crises, industry disruptions, or unexpected events, organizations may require rapid decision-making and stronger coordination. Under such circumstances, excessive decentralization can slow collective responses and make accountability more difficult to establish.

This is where Gary Hamel's concept of Humanocracy becomes particularly relevant. Humanocracy does not advocate organizational chaos or the complete elimination of management. Instead, it promotes the reduction of unnecessary bureaucracy while preserving the mechanisms required for alignment and performance. Therefore, the ultimate lesson of Zappos may not be that hierarchy should disappear, but that organizations should continuously question whether their structures help or hinder human potential.

Our position is that Zappos should not be viewed as a perfect model to imitate. Rather, it should be considered a valuable laboratory of management innovation. Its experience demonstrates both the opportunities and the risks associated with greater organizational freedom. The future of management is unlikely to be fully bureaucratic or fully self-managed. Instead, successful organizations will increasingly seek adaptive solutions that combine autonomy, accountability, coordination, and human development.

5.2. What we can improve in the company

Zappos remains widely recognized as one of the most innovative organizations in the world; several improvements could strengthen its effectiveness while preserving its distinctive culture and values.

- The company should improve role clarity without returning to traditional bureaucracy. One of the most common criticisms of Holacracy concerns employee uncertainty regarding responsibilities and accountability. Clearer role definitions would help employees understand their expectations while still benefiting from a high degree of autonomy.

- Zappos could reinforce coordination mechanisms across circles and teams. As discussed in the analysis of coordination, one of the main challenges of decentralized organizations is maintaining alignment between multiple initiatives. Improved communication systems, shared objectives, and structured knowledge-sharing practices could significantly reduce coordination difficulties.

- Leadership development should become a strategic priority. Eliminating management layers does not eliminate the need for leadership. Leadership simply becomes distributed throughout the organization. Consistent with Alex Budak's concept of Changemaking, all employees should be encouraged to develop leadership capabilities regardless of their formal position. Training programs focused on collaboration, problem-solving, decision-making, and conflict management would support this objective.

- Employees arriving from traditional organizations may find highly autonomous environments confusing. Rather than expecting immediate adaptation, Zappos could implement progressive onboarding systems allowing newcomers to gradually develop self-management competencies over time.

- The company could also establish periodic organizational health assessments. These evaluations would measure employee engagement, communication effectiveness, coordination quality, and organizational performance. Such assessments would provide valuable evidence regarding the effectiveness of structural practices and help management identify potential weaknesses before they become significant problems.

- Zappos should continue investing in its organizational culture because culture remains one of its strongest competitive advantages. Competitors can imitate products, technologies, and operational processes, but they often struggle to replicate deeply embedded values and behaviors. Preserving the customer-first philosophy that defines Zappos should remain a strategic priority regardless of future structural changes.

Looking ahead, Zappos will face challenges that extend beyond organizational structure alone. Digital transformation, artificial intelligence, remote work, and rapidly changing employee expectations are reshaping the nature of work across industries. The organizational practices that were innovative ten years ago may not necessarily remain optimal in the future. For this reason, we believe Zappos should continue positioning itself as a laboratory for management innovation. Rather than viewing Holacracy as a final destination, the company should adopt a mindset of continuous experimentation. Organizational design should be treated as an evolving process rather than a fixed solution. This recommendation aligns closely with modern Thinkers50 perspectives emphasizing experimentation, learning, and adaptability. Instead of implementing large organizational transformations at once, Zappos should continuously test new approaches, collect data, evaluate outcomes, and refine practices over time.

Technology can also play an increasingly important role in supporting the organizational model. Artificial intelligence and advanced collaboration tools may help reduce coordination challenges, improve information sharing, and increase transparency across circles. Such technologies should not replace human judgment but rather support employees in making better decisions. Zappos could move toward a hybrid organizational model that combines the strengths of self-management and traditional structures. Instead of viewing hierarchy and autonomy as opposites, the company could selectively integrate elements of both approaches depending on specific business needs. This would allow the organization to remain flexible while improving accountability and coordination.

An everyday example illustrates this idea. In a university group project, students usually work autonomously and contribute their own expertise. However, most successful teams still appoint a coordinator responsible for tracking progress, organizing deadlines, and ensuring consistency. This person does not eliminate autonomy but improves collaboration. Zappos could adopt a similar logic at the organizational level.

In conclusion, Zappos remains one of the most fascinating examples of management innovation in contemporary business. The company has demonstrated that organizational success does not necessarily depend on rigid hierarchy and direct supervision. At the same time, its experience reveals the challenges associated with operating highly decentralized systems. The future challenge for Zappos will not be choosing between hierarchy and self-management, but finding the optimal balance between freedom, accountability, coordination, and performance. By preserving its unique culture while continuing to adapt and experiment, Zappos can remain a reference

point for organizations seeking to create more innovative, human-centered and resilient workplaces.

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Use of Artificial Intelligence Tools:

While preparing this report, the group used artificial intelligence tools, including Microsoft Copilot, ChatGPT, and Grammarly, as supporting resources. These tools were primarily used to help organize ideas gathered from academic and professional sources identified through our own research, improve the logical flow between sections, refine transitions between paragraphs, and enhance the grammar, syntax, and clarity of our writing.

However, these tools were not used to replace our own analysis, critical thinking, or research process. The information, arguments, evaluations, and recommendations presented in this report are the result of our collective work, discussions, and interpretation of the sources consulted. Therefore, this report was not generated by artificial intelligence, but rather produced by the members of the group, with AI tools serving only as editorial and organizational support.