Assignment:
Common MGT 360 Management Analysis Report

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Course: *MGT 360*
Title: *Management and Organizational Behavior* (3 units)

"Theory is about the connections among phenomena, a story about why acts, events, structure, and thoughts occur. Theory emphasizes the nature of causal relationships, identifying what comes first as well as the timing of such events."
--R. Sutton and B. Staw

Goal:
The Department of Management strives to ensure that all students enrolled in MGT 360 are critical thinkers and strong writers. In essence, the Department wants all students to be able to demonstrate competency and efficacy in applying the principles of management and organizational behavior to the issues of a contemporary organization and its broader environment.

Objective:
In narrative essay format, I want you to address a business/organization case study using the concepts from class. The case text begins on page 3 of this document.

Building upon your knowledge from MGT 360, students should demonstrate their best understanding of management theory and the application of those ideas to improve the understanding of various issues. Building upon your skills from general education and lower-division core courses, students should demonstrate their best composition and technical writing skills.

Length:
This essay is to be no less than three full pages and in length and no more than four full pages in length. Other relevant formatting requirements ("style guide") are linked from the course web page.

Deliverable:
This assignment is due on the date specified on the course outline.

Performance Measurement:
The maximum number of points for content is 10. There will be two different scores for this assignment. The *first* score will be for <u>content</u>, and will be scored from 1 (weak) to 10 (strong). The scoring rubric for this assignment is as follows:

1 - clearly identifying at least three key issues to be addressed

1	-	appropriate use of evidence from the case text
2	-	appropriate use of relevant theory from our Textbook
2	-	appropriate & rigorous use of supplemental materials/lectures/discussions
2	-	appropriate and correct use of Inline Citations
2	-	appropriate and correct use of a References (“Works Cited”) page

The details for earning strong scores are enumerated below:

- *Don’t* just describe. *Do* lead the reader through the process of inference. That is, apply the general principles (theories, models, and frameworks) from this course to explain a phenomenon that occurred in the past or predict what phenomenon is likely to occur in the future. Both explanations and predictions require a deep understanding of “why”. Support for “why” is evidenced primarily by the rigorous use of appropriate theories, models, and frameworks. Occasionally, additional support can be offered by the use of a relevant analogy between a fact from the case text and a fact from a course reading.

- *Don’t* write haphazardly. *Do* balance breadth (broad coverage of multiple issues) with depth (sufficient, detailed analysis of each distinct issue). Identify no fewer than three distinct issues that you feel need to be addressed. These issues emerge from your reading of the article, your education and experience, and your understanding of what the firm needs to succeed. You’ll write a better paper if you identify issues that resonate with you viscerally. This is the main body of the report. Additionally, the first paragraph of the report should be an introduction, and the last paragraph should be a conclusion. The last sentence of the introduction might be a summary of what is to come in the main body, while the conclusion might be a summary of what was said and final recommendations.

- *Don’t* focus on principles, concepts, and materials from *other* business classes (lower-division or upper-division). *Do* focus on principles, concepts, and materials covered in *this* course—MGT 360. Take the perspective that the materials from this class on “Management and Organization Behavior” are unique and distinctive from other upper-division business courses. Here are two tips: 1), review the titles of the textbook chapters, HBR and supplemental readings, 2), review the organizational structure and details of the course outline.

- *Don’t* just use concepts from the current part of the course, or materials just after the mid-term exam. *Do* use materials from the entire course, including from materials on leadership and change near the end of the course. Therefore, you need to review prior materials and you need to read ahead. This class doesn’t have a cumulative final exam. However, this assignment is indeed a cumulative assignment.

- *Don't* ignore General Education courses. *Do* incorporate materials from one or more of G.E. courses if you feel those materials strengthen your thinking.

- *Don't* make crass, unsubstantiated arguments or ambiguous references. *Do* provide tangible support for your reasoning. For both MGT 360 and General Education course material, 1), cite your references, including specific page numbers, inline in the sentence in the narrative, and 2), provide a "References" or "Works Cited" section at the end of the paper that lists the full citation for each reference. Cite the case text also as needed. Either APA or MLA style is acceptable for citations and references. You might wish to review, for example, the APA Style Guide summarized nicely by the CSUN Library:

  `http://library.csun.edu/egarcia/documents/apacitationguide.pdf`

The *second* score will be for writing. The scoring criteria for the writing will be from 1 (weak) to 10 (strong), and will be similar to the scoring criteria used previously in this class.

Case Question:

> Assume that you are a consultant to the Board of Directors at Zappos (note: the Board hires the CEO). The Board of Directors at Zappos has hired you to assist them in better understanding a new management structure at Zappos called "holacracy" (i.e., "self-management") implemented by the current CEO, Tony Hsieh. Write a brief management analysis report that informs the Board. That is, using the language of our class, describe (explain) why this new initiative has (or has not) been successful in the past and/or prescribe (predict) what Mr. Hsieh (and/or other professionals) will need to do to continue to be successful at Zappos.
>
> (If you need to make any assumptions about the firm or the industry, or background regarding anything you might have read in the case text, simply state them as needed.)

Case Citation:

Silverman, R., (2015, May 21). "'Going Bossless at Zappos Backfires" *Wall Street Journal*.

Case Text:

Brironni Alex was so good at answering telephone calls and emails from customers at Zappos.com Inc. that the company promoted her to customer-service manager.

But when the online retailer adopted a management philosophy called Holacracy, she lost her job title and responsibility for performance reviews. Since the end of April, Zappos has zero managers to oversee employees, who are supposed to decide largely for themselves how to get their work done.

"I am managing the work, but before I was managing the worker," says Ms. Alex, 26 years old, now part of a team implementing Holacracy throughout Zappos. Ex-managers haven't been guaranteed another job and could have their pay cut next year, though Zappos says that is unlikely. Ms. Alex says the changes give her more time for a workplace diversity committee and to perform on the Zappos dance team.

The shake-up has been jarring even for a company famous for doing things differently. Earlier this month, Zappos said about 14%, or 210, of its roughly 1,500 employees had decided Holacracy wasn't for them, and they will leave the retailer.

They were offered at least three months of severance pay by Zappos Chief Executive Tony Hsieh, who wrote in a 4,700-word memo in late March that the company hadn't "made fast enough progress towards self-management." Buyouts are part of an accelerating effort to "rip the bandaid," he wrote.

Employees say the new system has been confusing and time-consuming, especially at first, sometimes requiring five extra hours of meetings a week as workers unshackled from their former bosses organize themselves into "circles" and learn the vocabulary of Holacracy.

Created by a former software executive, the philosophy is spelled out in a 30-page "Constitution" where doing a job is called "energizing a role," workplace concerns are "tensions" and updates are made at "tactical meetings."

Beyond initial snags, known inside Zappos as "the dip," some employees wonder how they will win pay raises and advance their careers with no management track. Other workers have said the new system feels like a drag at a company where "Create Fun and a Little Weirdness" is one of 10 "core values" and a conference room features a Chuck E. Cheese's-style pit filled with small plastic balls.

Mr. Hsieh, 41, concedes that Holacracy "takes time and a lot of trial and error." He still has faith that the system empowers employees "to act more like entrepreneurs" and stokes faster "idea flow," collaboration and innovation, he says.

Those forces could help Zappos sell more shoes and apparel, though it declines to comment on the financial impact so far. Mr. Hsieh says Holacracy is just one of the self-management tools used at Zappos.

Boss-free companies are the extreme version of a recent push to flatten out management hierarchies that can create bottlenecks and slow productivity. W.L. Gore &Associates Inc., the maker of Gore-Tex fabric, says it has more than 10,000 employees and annual sales of more than $3 billion but no traditional organizational charts or chain of command.

Research shows that the value of flat organizations is mixed, though highly motivated workers who thrive on creativity generally are best suited for going bossless.

The results at Zappos will be watched closely because it has long embraced employee independence even while striving to meet exacting customer-service standards. "Delivering Happiness," a 2010 book by Mr. Hsieh, was a best seller and spawned a management consulting firm.

On its Facebook page, Zappos posted in March an online-chat transcript in which an employee nicknamed "master of the ninjas" quickly agreed to replace a pair of defective Ugg boots. "I slay bad customer service around the globe," he said.

Corporate-structure overhauls often occur when business is suffering. Zappos appears to be thriving, though the company doesn't disclose revenue or profits. Amazon.com Inc. acquired Zappos for about $1.2 billion in 2009 and lets it operate as an autonomous subsidiary, except for most warehouse-related tasks, which are handled by Amazon employees.

An Amazon spokesman declines to comment on Zappos. In a letter to shareholders last year, Amazon Chief Executive Jeff Bezos said the "clever people at Zappos" inspired Amazon to offer warehouse workers as much as $5,000 to quit if they aren't enthusiastic about their future at the online giant.

New hires at Zappos get a month's pay to leave if they are unhappy. Roughly 1% to 3% take the money and run, according to Zappos, which says it is a small price to pay for a loyal, long-term-focused workforce.

One reason for the shift to Holacracy is because change is what Zappos does. Mr. Hsieh (pronounced "Shay"), who made his first fortune when the Internet advertising firm he started was sold to Microsoft Corp. for $265 million in 1998, has said he is more interested in the Zappos culture than footwear.

Tweaks to how employees work at the company's headquarters in the former Las Vegas city hall are common. Employees from every part of Zappos frequently mention its second core value: "Embrace and Drive Change."

About a year ago, Zappos stopped posting many jobs online in favor of a free membership program that immerses potential hires in the company ethos and connects them with current employees.

The company plans to test "surge pricing" pay for customer-service employees who agree to work especially busy shifts. Call-center workers earn an average of $14.50 an hour, according to Zappos. The new scheduling tool is akin to an algorithm used by car-service app Uber Technologies Inc. to charge customers more money for rides during periods of high demand.

Zappos began testing Holacracy with a small group of employees in 2013. Mr. Hsieh then declared at a companywide meeting that Zappos would get rid of bosses and put employees in charge.

The management philosophy replaces teams with circles. Employees start or join a circle based on the type of work they want to do, and each circle has a "lead link" who is similar to a project manager with limited authority.

Circle members decide their roles and responsibilities in a series of "governance meetings" and track progress in "tactical" meetings. So far, Zappos employees have formed more than 300 circles in customer service, social media, Holacracy implementation and other areas.

"They are adopting Holacracy as more how to get to the next level, as opposed to how to fix something broken in their system, which is actually one of their unique challenges," says Brian Robertson, 36, the inventor of Holacracy. The term comes from the word "holarchy," coined by writer Arthur Koestler for self-organizing units that combine to form a larger organization.

About 300 firms have tried Holacracy since its debut about a decade ago, ranging from time-management guru David Allen's consulting firm to psychic-hotline management company Expert Link Inc. to Medium, the online publishing platform started by Twitter Inc. co-founder Evan Williams.

HolacracyOne LLC, a Spring City, Pa., firm that lists Mr. Robertson in alphabetical order on its website with nine other partners, charges anywhere from $4,000 to more than $200,000 to train employees and help enact Holacracy.

Instead of anarchy, employees who are freed from bosses and job titles attain at least the possibility of a kind of corporate libertarianism that promotes personal freedom at the office.

Jason Stirman, a product designer and Holacracy coach at Medium, says the management philosophy has helped attract "entrepreneurial risk takers, the kind of people we want working for us," though formally structured meetings seemed "unnecessarily contrived" at first.

Transportation startup firm Shift, co-founded by former Zappos manager Zach Ware, abandoned Holacracy after less than a year because it led to too many meetings and vague decision-making authority. "I didn't have time for work," says Mr. Ware, who shut down the Las Vegas company in March.

Downtown Project, a $350 million Las Vegas urban-renewal project backed by Mr. Hsieh, dropped most aspects of Holacracy last year after training dozens of employees. It was a distraction amid the project's struggles, including a round of layoffs, employees say.

Mr. Hsieh says Downtown Project "still has the long-term goal of self-organization and self-management."

Overall, about 80% of the companies that adopt Holacracy stick with it for at least a year, estimates Mr. Robertson. "When you are adopting a huge painful change -- and Holacracy is a huge, painful change -- even if it's for all the right reasons, people experience the pain first," he says.

At a three-day orientation session in the Zappos training center last fall, some workers looked confused or bored as John Bunch, the employee leading the Holacracy transition, explained how to hold "governance meetings" where each person's tasks, roles and responsibilities are defined.

"The idea is for each person to selfishly process their own tension," he said. "The reaction round is a sacred space." (Translation: Each worker is entitled to his or her opinion and will get a chance to voice it during a part of the meetings when crosstalk and interruptions are forbidden.)

Employees practiced by running "governance meetings" for a fictitious food-truck business, getting help from a laminated cheat sheet with instructions. Mr. Bunch says feedback on the training "is largely positive."

Marissa Jimenez, 24, who works for Zappos Insights, the company's training and consulting arm, says it took about six hours of meetings a week for several months to set up two Holacracy circles with about a dozen employees each. "Then the fear set in," she says. "There are a lot of things that haven't been figured out yet," citing pay and career progression. "People don't know what is going to be in the books for them a year down the line."

Day-to-day routines were thrown into doubt, too. In many companies, managers announce new projects and direct employees to meet specified deadlines. The bosses usually track performance, make crucial decisions and swoop in if problems erupt.

Holacracy-driven employees establish their own priorities and raise problems with the rest of their "circle." Meetings end with an opportunity for employees to say whatever is on their minds. Ms. Jimenez says she has heard employees say: "We got a lot done" and "I can't wait to eat my leftover pizza for lunch."

Employee's roles and circles are cataloged in a database where Zappos workers can look up the right contact person for a given task.

Zappos briefly experimented with splitting management tasks so that an employee might have to approach one person for budget approval, a "contribution appraiser" about performance reviews and a "#mentor" for career guidance. The company decided circles should determine how to handle reviews.

While traditional job titles have disappeared, Mr. Hsieh says everyone will still have "external titles" that specify their duties to outsiders. The LinkedIn profile of Galen Hardy, 42, known as Zappos "clothing czar," includes the title "senior director."

It isn't clear what will happen to ex-managers whose jobs were upended by Holacracy. Zappos has created a new circle called "Reinventing Yourself" to "help guide former managers to new roles that might be a good match for their passions, skills, and experience," Mr. Hsieh told employees in late March.

Mr. Bunch, the employee leading the Holacracy transition, says Zappos expects "most managers will be able to grow into new areas of technical work to replace the time they were doing people management." He often urges Zappos employees to be patient. "It's a gradual process, it's not a light switch," he says.

Mr. Hsieh says it could take Zappos two to five years to finish the transition. He isn't discouraged that 14% of employees decided to quit. "Another way to look at it is that 86% of employees chose to walk away from the 'easy money' and stay with the company," he says.

Marques Smith, 31, who drives the company's courtesy shuttles, found Holacracy hard to understand and "weird 100%." But the turn-taking in meetings has allowed him to speak up about things that bothered him for years, like employees leaving trash in Zappos vans, he says.

Ms. Alex, the ex-customer-service manager, says the new philosophy has turned meetings into a model of efficiency. She recently sped through 27 agenda items in 90 minutes.

Before Holacracy, she says, "you'd get into a room, talk about the cat video on YouTube, and maybe really have 10 productive minutes."