

# Work Space

## A zap to the funny bone delivers profits

One US firm, serious about fun at work, is a study in customer and staff satisfaction, writes Fiona Smith.

**W**ork is supposed to be fun, so why do we call it work? And why do we need to be paid to do it? It is all very well to tell school leavers to do what they love, but someone has to empty the garbage bins, type meaningless numbers into computers, and stay on the end of a phone while an irate customer yells.

Sometimes work is just hard graft and the only rewards are the wages coming into your bank account that keep your family in shoes or finance your dreams of escape.

Call centres, in particular, have traditionally had an image of battery hen-style misery. Hundreds of people tethered by headphones, sell, sell, selling for hours on end, while their every action is entered into a central computer to make sure none is wasting a minute of their employer's time.

Thankfully, most call centre operators realise that happy workers are productive workers and they try to make the work enjoyable — even if customer service isn't what their employees dreamed of when they were hatching their life plans. The chief executive of Nevada-based online accessories and clothing store Zappos, Tony Hsieh, is one business leader who is serious about making work fun. And he built a business so successful that Amazon shelved out more than \$US807 million (\$873 million) earlier this year to buy it.

Its gross merchandise sales, which were \$US1.6 billion in 2009, rose to more than \$US1 billion in 2008.

However, because it has a policy that customers can return goods free of charge for 365 days after buying, net sales were only \$US353 million. This resulted in a net profit of

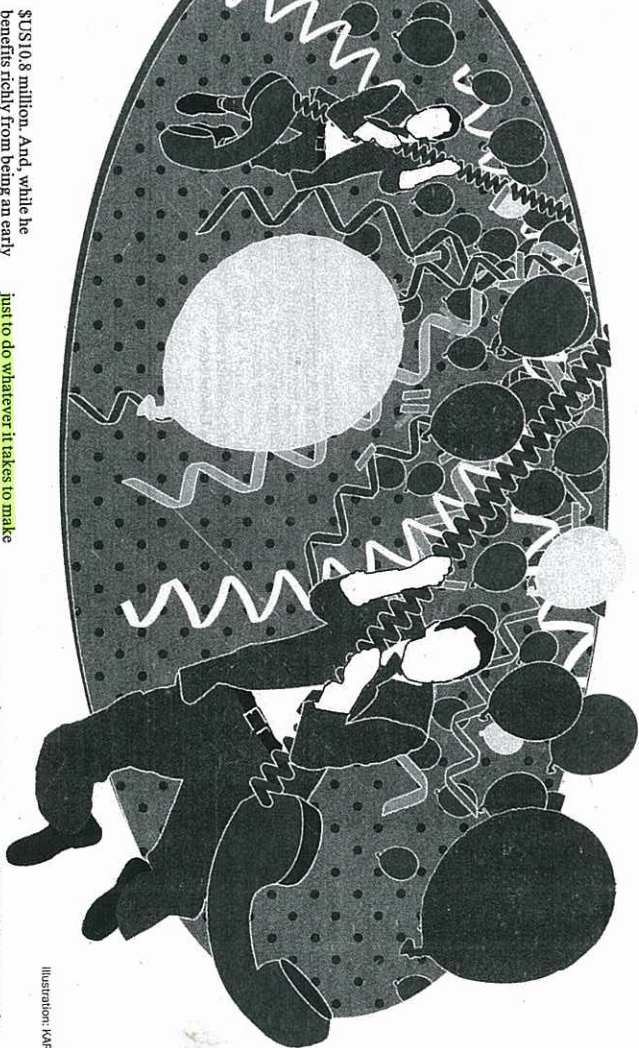


Illustration: KARL HILZINGER

\$US10.8 million. And while he benefits richly from being an early shareholder in the company, Hsieh restricts his annual salary to \$US36,000, according to a report in *BusinessWeek*.

Amazon chief executive Jeff Bezos is so impressed with the Zappos company culture he has made a commitment not to tinker with it. "I get all week-knocked when I see a customer-obsessed company, and Zappos certainly is that," Bezos told Zappos staff in a video message when the deal was announced in July.

Zappos is known for two things. One is its incredible customer service and the other is its reputation as a place where employees have a great time at work.

Employing 1300 staff, Zappos has all the trappings of a fun office in its Las Vegas headquarters: Amazonian jungle plants, generous discounts for staff, free food, themed chickens, and a nap room.

The call centre staff are also given unprecedented levels of autonomy in dealing with their customers. Their calls aren't timed, they have no scripts and they are instructed

just to do whatever it takes to make customers happy. "You should spend as much time as is necessary to wow the customer," says Hsieh.

Some employees push this beyond belief: one woman took a call that lasted five hours, 25 minutes and thirty-one seconds long, from a woman interested in Masai Barffoot Technology shoes. They got chatting about all sorts of things.

A spin-off from the Zappos generosity to staff is the amount of dedication and loyalty it receives back. Voluntary staff turnover is at 25 per cent (which reflects the generally nomadic nature of call centre employees) and the company had 26,000 applicants last year.

Despite having only 445 new jobs on offer according to *Fortune's* 100 Best Companies to Work For, where Zappos made its debut at 23rd place this year.

"A lot of people talk about work-life balance, and the implication is that work isn't as much fun," Hsieh told industry magazine *Footwear News*. "What we're trying to create is

something where Zappos is a lifestyle and people look forward to coming to the office. And when they leave the office, they go and hang out with other Zappos employees."

"There's no real separation between work and life. If you're passionate about what you're doing and you believe in the long-term vision of the company, then it doesn't feel like work."

If Zappos staff are not watching the clock at work, and would often rather be at their desk than at home, then there is a serious performance benefit for the company.

It is not just feel-good altruism. It is worth noting that among its 10 core values are the frugal-sounding "do more with less" and "embrace and drive change" — nestled among "deliver WOW through service" and "create fun and a little weirdness".

The same principle is at work at Google, which attracts some of the brightest and most dedicated people through its benefits and playground-style office interiors. There is a pay-

off for all that generosity. However, this style of work culture is not for everyone. What works for customer service people and IT whizz kids might be a disaster for auditors and traffic engineers.

Some people will get irritated by the fun and frivolity. While Zappos staff pretend to be paparazzi to greet the groups who tour their offices, there may be some who shrink with embarrassment, says professor Chris Jackson of the Australian School of Business.

"Always, there will be people who are turned off by it," he says. Fun also means different things to different people. What one person thinks is a side-splitting joke, can be horrifying to another.

Compare that to engage in wacky campaigns do it in the knowledge that they will irritate some people: "But the people they hook will remember it and love it, and they will love them for it."

Zappos tries to ensure recruits fit into the culture by offering them

\$US2000 each to quit. The reasoning is that if they have any doubts during their four-week orientation period, they have a healthy incentive to back out. This saves the company more money in the long run, because of the impacts of underperforming or disengaged staff and the costs of having to replace them.

Few have apparently taken this option — only three last year. The job application form provides a hint to the unwary by including a crossword puzzle. "These companies attract people who want to work in that kind of environment — extroverted types who enjoy fun at work," he says.

These are often the types of people who are ideal for customer service — think: the upbeat stewards on Virgin flights — who have a commitment to their customers and to doing a good job. But even at Zappos, there needs to be people who are happy with doing the paperwork and the boring stuff, and they may feel a need to be segregated on a separate floor where they can relax in a more sober atmosphere, says Jackson.

Assistant professor at the University of Missouri-Columbia, Chris Roberts, says humour in the workplace aids creativity. "Humour isn't incompatible with goals of the workplace," Robert said when publishing some research on the subject two years ago.

"It's not incompatible with the organisation's desire to be competitive. In fact, we argue that humour is pretty important. It's not just clowning around and having fun; it has meaningful impact on cohesiveness in the workplace and communication quality among workers."

"The ability to appreciate humour, the ability to laugh and make other people laugh actually has physiological effects on the body that cause people to become more bonded," he said.

Robert says a concern about cross-cultural misunderstandings should not discourage people from exercising their funny bones: "It's hard to know what's going to be funny or when to use humour. Some people have suggested that you just avoid it all together, don't be funny, don't try to make jokes."

"We basically reject that."

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Michael Mauboussin

You watch an art try to accomplish something, you'll be impressed by how inept it is," says Stanford biological Deborah Gordon in a *National Geographic* article about swarm theory. "Ants aren't smart... ant colonies are."

If you're familiar with the ideas behind the wisdom of crowds and swarm intelligence, you're probably nodding knowingly.

Under the right conditions, group — whether ant colonies, markets or corporations — can be smarter than any of their members. In these complex adaptive systems, hard-to-predict behaviours emerge from the interaction of the individuals.

Executives make these common mistakes that show they don't really grasp how such systems work. What they miss is that you can't understand the behaviour of a complex system, let alone manage it, by analysing a few key individuals.

First, managers extrapolate individual behaviour to explain collective behaviour. Early in my career as an equity research analyst on Wall Street, I was told that earnings per share is the key to a company's stock price. (Investors, executives and the media still beat that drum.)

But then I saw studies by financial economists who concluded cash flow not earnings, drove the stock price. The earnings camp listened to what people talked about day-to-day in the investment community, on television and in the *Wall Street Journal*. By contrast, the economists looked at how the market behaved. One group focused on the components, the other on the aggregate. The latter was the better approach.

Research in experimental economics, for example, shows that markets can generate very efficient prices even when each participant has limited information. Just as watch one ant won't help you understand the colony's behaviour, listening to individual investors will give you scant insight into the market.

It can even be harmful for executives to heed individualists, who generally dwell on earnings, rather than collectives, which tend to appreciate cash flow. Those who d