

BUSINESS ACTION GUIDE

Leading at the Intersection of People & Profits

SET THE STAGE FOR SUCCESS

Hiring for Culture Fit: Zappos

Increasingly, companies are paying attention to culture fit as well as technical skills when hiring new employees. An employee who has great skills but is not a good fit with the company's culture is more likely to leave, costing the



KELLY WOLSKE,
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company anywhere from 50 to 200 percent of their annual salary to replace, according to the Society for Human Resource Management. To learn more about hiring for culture fit, we spoke with Kelly Wolske, Senior Trainer at Zappos. Zappos is a Las Vegas-based online provider of consumer products such as shoes and clothing. Zappos employs 1,700 people and is organized around its core value of providing great customer service.

Hiring for culture fit is incredibly important at Zappos. Our belief is that if you get the people and culture right, the rest will follow, including profits. Zappos was founded in 1999, and for the first few years, our CEO Tony Hsieh and founder Fred Swinmurn hired people based on the question, "Is this someone I would want to spend time with?" People spend a lot of time together at work – and socializing outside of work is important at Zappos, so this was not a bad criterion in many ways. By 2004 we had a few hundred employees and the two of them couldn't continue to interview everyone. We realized we had to define our culture so we could scale it. In 2006 we rolled out our Core Values (see sidebar), which are based on actions like "Deliver WOW Through Service" and "Build Open and Honest Relationships With Communication." From there we developed a robust system for assessing a candidate's fit, both in terms of skills and culture. These are some key lessons we learned in the process:

1. Define culture and core values

Culture is made from the ideas, beliefs, and behaviors of people in the group. Businesses should start by defining their culture and core values; or, if you have defined them, work to unpack the behaviors that accompany each core value. Employees, vendors and customers need to know more about you. What does it mean or look like when you act on your core values? They become the core competencies you hire for, just like a skill such as programming.

For example, "Deliver WOW Through Service" means that a candidate has to understand what great customer service is, be willing to go above and beyond for a customer, and be innovative in coming up with solutions. Our recruiters can ask questions such as, "What does great customer service mean to you?" and "Tell me about a time you came up with an innovative

solution to a problem." Applicants are rated based on the degree to which they understand and embody the core values.

At Zappos, we defined our core values by gathering raw data from employees. Tony asked employees about their personal values and about which co-workers have traits that epitomize Zappos' culture. Once you have the core values, use them every day – and point out examples of employees embodying those values. If people read the core values and are surprised, it's time to revisit them.

2. Hire slowly and fire quickly

It can be tempting to hire quickly just to get people onboard, and its human nature to fire slowly even if someone is not a good fit. Before Zappos began hiring for culture fit, bad hires cost us more than \$100 million dollars. So we intentionally turned this formula upside

ZAPPOS' FORMULA FOR HIRING FOR CULTURE FIT:

1. Define culture and core values
2. Hire slowly and fire quickly
3. Identify your deal breakers
4. Reduce the transaction costs of hiring
5. Make it a team effort

down, taking the time to hire the right people and letting others go quickly if they are not a good match. It now takes about 12 weeks from the time someone applies for a job until their start date, and a lot goes into the process.

There are three stages: a recruiting phone screen, a technical phone screen, and a two-part on-site interview. The recruiting phone screen is a chance for us to ask some initial questions about culture fit, identify major red flags, and make sure the applicant has done their homework and really wants to work at Zappos. During the phone screen, we assess technical fit as well as team and culture fit. If the two phone screens go well, we bring the candidate on-site for a tour of the office and lunch with the team, a basic skills assessment, a technical interview, and a core values interview. The time onsite allows the candidate to learn about our history and experience our culture, ask questions, and have their reactions observed – are they genuinely excited to be there, or are they just going through the motions? Afterwards, all the interviewers have to be in agreement in order to move forward – it’s a team process.

After they are hired, all new employees – regardless of their job function – go through the same training on Zappos’ culture, history, and philosophy of customer service, and then they all spend two weeks on the phone taking calls from customers. That way, everyone understands our core business. This is especially important since we prefer to promote people from within.

3. Identify your deal breakers

Companies should identify the red flags that indicate a candidate is simply not a good fit. For Zappos, deal breakers include unwillingness to relocate and/or socialize with coworkers outside of work, and comfort with the compensation structure. Employees don’t have to attend every event, but candidates should be comfortable with the idea of spending time regularly with coworkers outside of the work environment. Our recruiters explore these questions during the initial phone screen so that we don’t spend time and resources unnecessarily.

ZAPPOS’ CORE VALUES

1. Deliver WOW Through Service
2. Embrace and Drive Change
3. Create Fun and A Little Weirdness
4. Be Adventurous, Creative, and Open-Minded
5. Pursue Growth and Learning
6. Build Open and Honest Relationships With Communication
7. Build a Positive Team and Family Spirit
8. Do More With Less
9. Be Passionate and Determined
10. Be Humble

4. Reduce the transaction costs of hiring

In 2013 we had 31,000 job applications for 465 job openings. That experience is actually pretty typical for a fast-growing company in this economy. But the large overhead burden it imposed was something we could do without, so we decided to change our approach. Zappos no longer posts job openings. Instead, we build a bench of strong candidates by encouraging people interested in working with us to join the Zappos Insiders community. Insiders can participate in online events and receive top consideration when a job opens up. This way, we have ongoing relationships with the people who want to work for us. While we recognize this approach may not work for every firm, we’ve found it reduces our overhead and plays to our company’s strengths.

5. Make it a team effort

If the whole team can back an applicant, it’s very unlikely that the new hire will fail. The genuine belief in the new person is reflected by the whole team – and this sets them up for success. To make sure that the applicant is not just putting their best foot forward for only the “important” people, our recruiting team asks for feedback from everyone who interacts with the candidate, including our shuttle drivers, facilities team, and receptionists. We make sure that all opinions about the applicant are consistent.

FINAL WORDS OF WISDOM

It costs us \$50,000 to recruit, hire, train new employees, so retention is money that goes straight to the bottom line. Our turnover is 19 percent, which is relatively low for the service industry. It's worth spending more in the beginning to hire the right people so that we can retain them. In the end, our culture is our brand, so we only want to hire people who embody our core values.

HOW DO WE LEARN MORE?

[Inc. Magazine: Make Sure Your Next Hire is a Culture Fit: 10 Tips](#)

[The Bridgespan Group: Making The Right Hire: Assessing a Candidate's Fit With Your Organization](#)

[Sheila Margolis: Hiring for Culture Fit](#)

Other companies that have implemented hiring for culture fit include High Plans Community Health Center and Tasty Catering.

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