

BUSM4554/4555/4557 Contemporary Management: Issues and Challenges

Assignment 3 – Case Study (Individual Assignment – 40%)

Amazon to Competition: We Will Crush You! Amazon to Employees: We Will Churn You!

Amazon.com Inc (Amazon) is not just a surviving company of the 1990s tech boom; it is now one of the largest and most successful companies in the world and across many industries. In January 2019, Amazon became the most valuable company in the world, above Microsoft, Apple, and Alphabet (Google). It has leveraged its game-changing approach to selling books, and now sells almost everything to anyone, anywhere. Today, Amazon is a leader in all things customer service, and it has achieved this leading position through ground-breaking technological innovation.

Technological innovation has also made Amazon one of the largest web services companies in the world and a formidable retailer. All these legendary accomplishments are the result of the commitment and contributions of thousands of extremely talented Amazonians. As you would certainly expect, the standards for hiring are exceptionally high. But what it takes to thrive and survive at the company is even more challenging.

It's Not All Sunshine And Roses

While Amazon's accomplishments are widely reported, until recently relatively little was known about its approach to managing employees. But recent reports describe a “punishing corporate environment: long hours, disparaging bosses, high stress, no time or space to recover, all resulting in uncommonly high employee turnover.” Just how bad is it? PayScale ranked Amazon 464th among the Fortune 500 companies for employee turnover, with median employee tenure of approximately one year! (A competing estimate puts average tenure at 18 months).

What pressures drive such high turnover? In a letter to shareholders in 1997, founder and CEO Jeff Bezos wrote: “You can work long, hard, or smart, but at Amazon you can't choose two out of three.” This suggests that employees must always be on, be in the game, and play it well. Amazonians experience many of the common pressures of today's workplace—80-plus-hour workweeks, 24/7 connectivity, no real vacations or holidays (no surprise given that Amazon is the largest retailer on the planet).

Amazon's “always-on” culture is manifest in a number of chilling stories, such as that of an employee who negotiated a 7am to 4:30pm schedule with her boss after having her first child. The problem was that her co-workers didn't see her arrive early and crushed her in anonymous peer feedback (which employees are encouraged to use). Her boss said he couldn't defend her in her performance review if her own co-workers were critical of her. Can it get worse? Yes.

Amazon also uses a “rank and yank” performance management system. Employees are ranked by their managers, and those near the bottom are terminated every year. This leaves little room for taking a breather or backing off, even if you have to take care of an ailing parent, or need to receive treatment for cancer. For example, Amazon warehouse employees are not free to go on toilet breaks as they risk “Tot” (time off task points) that could be used to justify job termination. There are stories of employees in all these predicaments who were essentially told that their lives were incompatible with working at Amazon. It is no wonder one former employee said, “Nearly every

person I worked with, I saw them cry at their desk.” Amazon has, of course, disputed some of these claims.

We Can Measure “That” ... And “That” Matters

Another key contributor to the pressure cooker environment is that everything is measured. For instance, warehouse employees are monitored using sophisticated systems to track how many boxes they pack per hour. White-collar employees participate in routine “business review” meetings, for which they need to prepare, read, and absorb 50 to 60 pages of reports amounting to thousands of data points. During these review meetings employees are often quizzed on particular numbers by their managers, and it is not uncommon to hear managers say that responses are “stupid” or tell workers to “just stop it.”

To be sure, the company succeeds in large part because of the immense customer data it collects and uses to select and sell its products. The plan is to use data the same way to make performance management an efficient and effective everyday process, rather than a once-a-year event. However, many employees describe the result as “purposeful-Darwinism” in which every employee constantly competes with other employees. Such relentless and pervasive competition, while well-intended, has many undesirable consequences.

For instance, it is common for employees to hoard ideas, because sharing becomes a personal loss for the sharer and a gain for somebody else. Moreover, other’s ideas are not just scrutinised; they are undermined. Groups of employees often conspire against others on the peer feedback system to get ahead (or to put somebody else behind). As for managers, they must both defend the direct reports they deem most valuable to their own performance, and at the same time determine whom they can sacrifice—not everybody can pass the performance test.

AMAZON = BEZOS

Much of the praise and many of the complaints are directed at Jeff Bezos. Not only is he the founder and CEO, but he also is the chief architect of all things Amazon. His personality is embodied in the company values and the way it operates. Like Bezos himself, employees are expected to use data, confront, persevere, and win. This approach appeals to and is sustainable for only a very specific type of employee. One former employee described Amazon’s hiring process as “panning for gold”. The company is looking for the rare stars who can thrive in its demanding environment, and it must sift through many people to find them.

This strategy is a real challenge for Amazon. Its size, growth rate, and turnover require the company to hire thousands and thousands of employees every year, and this doesn’t include the thousands of temporary workers it hires to meet the holiday rush. As of 2019, Amazon’s global workforce reached more than 613,000 employees worldwide, not including the 100,000 temporary employees the company hires for holiday seasons. Interviews with male employees in their 40s revealed that many are convinced Amazon will replace them with employees in their 30s, who worry in turn that the company prefers employees in their 20s. The implication? Younger employees have fewer commitments and more energy.

What Is Amazon Doing To Retain Its Employees?

To combat the churn, Amazon has structured its stock options to vest (transfer to the employee as owner) on an unusual schedule. Instead of vesting evenly over a period of years, Amazon employee options vest at 5 percent in year one, 15 percent in year two, 40 percent in year three, and 40 percent in year four. Employees who leave within one year of hire must repay part of their signing bonus, and if within two years they must repay their relocation package if any.

However, many experts question the effectiveness of such policies. Lindsey Thorne, manager at a Seattle recruiting firm that places many former Amazon employees, says, "The potential payout of waiting for stock to vest won't tie down unhappy employees who are ready to jump ship." Still, others question whether Amazon can continue to innovate and lead in the marketplace if its most valuable asset is ground-up and discarded in such a way and at such a high rate.

To be fair, surely some percentage of the company's more than 150,000 employees are quite satisfied and successful. The system works for some, and for many it works for a period of time. And the incredibly high bar, marquee name, and extreme work ethic required to get hired at Amazon make former Amazonians very valuable to the company's competitors and many other companies both inside and outside the technology industry.

But, Is That Enough?

Prepare a report for Amazon, addressing the range of contemporary management issues and challenges raised in the case study above. Your report should be 2,500 words (+/- 10%) excluding references and appendices. In your report, you are required to address a number of points including:

1. Identify and discuss the issues and challenges Amazon is facing.
 - a. Why are they important?
 - b. What are the implications for Amazon?
2. How can Amazon address the issues and challenges identified in (1)?
 - a. Identify some feasible strategies for Amazon.
3. What are the risks for Amazon if the issues and challenges identified in (1) are not addressed?

To obtain a good grade for the report, your responses to the questions must be thoroughly researched and be well-grounded in current literature and evidence-based. You must also proofread your report multiple times so that it reads coherently and logically. Ideas and materials that are taken from other sources must be cited in your report. For more information, please refer to the Canvas "Assignments" page.