**BE101 Amazon - An E-Commerce Giant**
**Case Study Analysis**
**Structural, Human Resources (HR), Power and Symbolic Frameworks**

**Work Group 2 (The Matrix)**
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The Best Customer Service Is If The Customer Doesn't Need To Call You, Doesn't Need To Talk To You. It Just Works.

~ JEFF BEZOS ~

**Introduction**

The purpose of our analysis is to answer the two questions:

1. How can Amazon's success (and possible problems) be explained by analyzing Amazon's organizational practices?
2. What are the "costs" to Amazon's success?

To explore these questions, we will use the four frameworks to see how they complement each other. The case focuses on Amazon's retail side (warehouses, conditions for the blue-collar workers), so our analysis centers around that, however, we also briefly touch upon distinctions between operations of Amazon beyond retail.

In the structural framework we mostly focus on Mintzberg's model that explains if the structural configuration is the most optimal one, briefly touch upon PESTEL and Thompson's types of dependencies.

The HR Framework analysis mainly focuses on Maslow's Hierarchy of Needs and Herzberg's two-factor theory of motivation combined with the Self-determination theory (SDT) to show how these factors affect employees and their work. We then further analyze using Hackman and Oldham's Job Characteristic Model and end with Hansson's theories of competence strategies to show why Amazon is successful despite employees' dissatisfaction. We also briefly touch upon the leadership theories X and Y.

We analyze Amazon through the symbolic framework with the models developed by Hofstede to understand the central aspects of Amazon's organizational culture. Brunson's model highlights Amazon's weaknesses concerning organizational hypocrisy. We also address Weick's organizational theories and Schein's model to evaluate Amazon's culture thoroughly.

The power within Amazon is greatly concentrated. Hence, in our power framework analysis we first analyze power-bases to understand how this was established and then use Burawoy's model to understand how it is maintained.

**Structural framework**

Amazon has highly formalized processes and follows a vertical control principle - major decisions are made by the strategic apex. Although the case argues that formally the company has a "remarkably flat corporate structure" because there are only 12 hierarchical levels, we believe that in practice it is more complex. Despite the strict management, the structure offers a certain degree of independence to the international headquarters adopting localized approaches,

while catering to the target customers to ensure that the demands in different markets are met accordingly. The large variety of goods and services offered by Amazon is why labor is divided by function and the company has numerous units that deal with different demands, such as retail and artificial intelligence. This might give a sense of inverted isomorphism to Amazon where they achieve benefits by offering different products. Although the processes in a few departments can be really complex, the whole company has pooled dependencies - the units are independent. Consequently, the degree of complexity is low and efficiency is achieved through a hierarchical structure. Moreover, retail remains the main source of revenue for Amazon, indicating relatively simple processes. The efficiency achieved through a hierarchical structure can be seen as flow efficiency according to lean as the organization tries to satisfy consumer demands as fast as possible, which resembles the perfect operational state. In addition to the variety of products, the entire market of Amazon can be said to cover a large part of the world, so any changes in either of the PESTEL model's dimensions used to describe uncertainty in the environment will be insignificant on a large scale, making the overall environment predictable since the various regions can offset each other. Moreover, the large market-share stabilizes the demand. Therefore, while we might see a small aspect of professional bureaucracy among the white-collar workers, the organizational structure for Amazon as a whole could be argued to be a machine bureaucracy.

Being one of the largest companies in the world, clear structure and formalized processes are the key characteristics needed for Amazon to deliver the best goods and services, especially considering its customer-oriented nature. In terms of core technologies, a distinction must be made between retail and web services. The former requires relatively simple processes, whilst for the latter the degree of complexity is much higher. To coordinate multiple divisions, Amazon itself should have a hierarchical structure, however, the IT and research units might benefit from horizontal coordination. This logic is also applicable in terms of strategy and labor force - control is more important for blue-collar workers. However, as we are viewing the company as a whole and focusing on retail, Amazon should have vertical coordination and division of labor, which are the qualities of a machine bureaucracy.
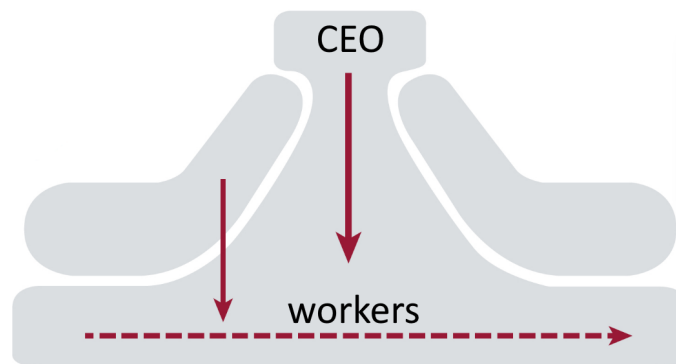


Applying these dimensions and conclusions about the environment and the complexity of its processes, Amazon's current structural configuration is aligned with what it should be, which

explains the company's success based on the structural framework and also Weber's formal-rational bureaucracy principles (division of labor, hierarchy, material rewards, complex hiring processes based on qualifications). However, the disadvantages of the machine bureaucracy are the lack of flexibility and adaptability to changing conditions, which can limit Amazon's customer-oriented approach and flow efficiency. Problems with employee commitment and motivation can also arise, which we will address through the HR framework.
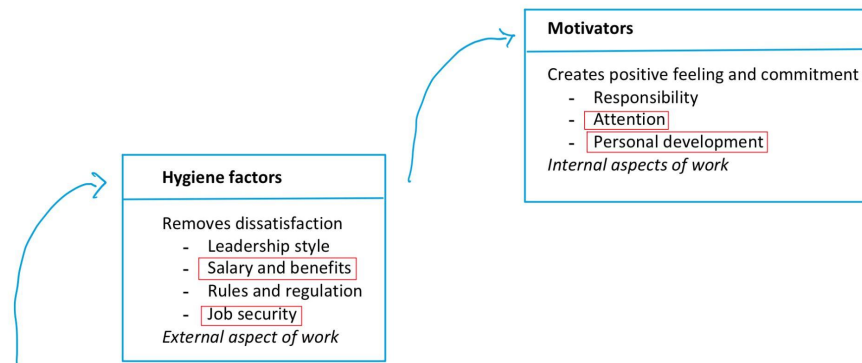
**HR framework**

Amazon's success can be analyzed by looking at whether the basic needs of the employees are being met and whether they have an intrinsic or extrinsic motivation. The basic needs can be viewed from Maslow's hierarchy of needs. As the NYT article indicates, Amazon's workplace is "bruising" and "toxic". Employees are forced to "ignore their family and personal issues" which comprises the third level of the pyramid below due to lack of love and belonging. Moreover, the management "had zero tolerance for any activity that was considered as wasting time". Although a group of employees are at this level, a large group of workers are even further down as they lack basic safety needs. The workers in the FC warehouse sometimes work under soaring heat for just $12 an hour. Some claim that "working at Amazon's warehouse was like being in a slave camp". These basic needs are sacrificed in order to minimize production costs.
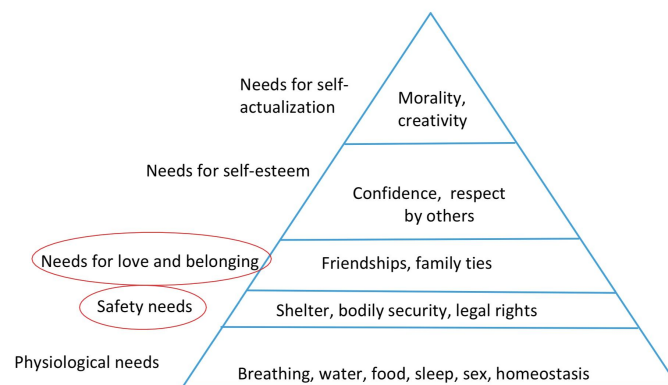


Employee motivation is also an important aspect. It can be analyzed through Herzberg's two-factor theory of motivation and the self-determination theory (SDT). The hygiene factors provided to employees are limited by hiring on a temporary basis as it "restricts the formation of labor unions which could bargain for employee welfare and benefits". There certainly is a lack of motivation as the median tenure at Amazon for an employee is one year. There is also no scope for personal development within the organization as there is a high risk of termination if the "lofty standards" are not met. This shows the lack of job security. Amazon tries to increase extrinsic and controlled motivation by performing leadership theory X through regulation in the form of evaluating and ranking employees. Based on these ranks, they either increase their pay

or terminate them. However, in reality, this system creates conflicts among employees and is a "crude attempt at motivating by fear, and what it leads to is not workers doing their best to thrive, but workers doing their best to survive by undermining those against whom they are competing".

**Motivators**

Creates positive feeling and commitment
- Responsibility
- Attention
- Personal development

*Internal aspects of work*

**Hygiene factors**

Removes dissatisfaction
- Leadership style
- Salary and benefits
- Rules and regulation
- Job security

*External aspect of work*

A great deal of external commitment can be seen in the organizational practices as goals are defined by management and the behaviors necessary to execute the task are defined by superiors. This can paralyze the organization and compromise the satisfaction of human needs, which does not lead to a high-performing and successful business in the long-run under the HR framework.

To analyze the workplace in Amazon, the Job Characteristic Model can be used. Amazon paid a lot of attention to improving "skill variety", where employees are "required to switch from one job to another at intervals of three months". Furthermore, the workers have "broader worker specification rather than detailed job descriptions", which is known as high "task autonomy". 'Task identity' and 'task significance' are rarely mentioned in this case, however, we can infer from its machine bureaucracy structure that Amazon may have clearly defined tasks. Although employees have harsh punishments, including cutting down and replacement, they also receive positive feedback (according to Nick Ciubotariu) from their peers and bosses via the Anytime Feedback System. It seems like Amazon is doing well according to Hackman and Oldham. On the contrary, Hansson's model suggests that Amazon's strategy is a combination of Molding and Buying. The employees are recipients. They are given well-defined tasks and are expected to meet certain criteria. Their jobs are lucrative but at the same time oppressing; these two characteristics are typical for theory X which proposes that this kind of environment leads to a constantly increasing demand for rewards and decreasing commitment. Amazon has a terrific competence strategy dealing with this problem. It mostly chooses the competence-driven strategy, which mainly focuses on what the company can do to outperform other companies. According to the model, the combination of these dimensions would result in the strategy of Buying. In reality, the strategy is shown in many aspects. Firstly, the position of "bar raisers" suggests that Amazon's management has a clear picture of what competence they need. They

expect that every new employee can raise the average productivity. There is also a "pay to quit" program that shows how Amazon maintains employees that are motivated and willing to work in the company. Secondly, Amazon offered a lot of temporary positions throughout the year to lower the costs by limiting the liability for insurances and welfare. Those temporary positions increase flexibility and responsiveness compared to the Molding strategy, which is also used. Amazon is known for its obsession with delivering a "flawless customer experience" and the expectation of every Amazonian having the same attitude, which is cultivated by the training in call centers. Although the training is aimed to create homogeneity among employees, Amazon is innovating constantly and is much more dynamic than its competitors.

Some argue that highly motivated employees lead to a successful organization. However, in the case of Amazon, a few analysts believe that without "raising the standards for its employees, Amazon could not be as successful". Hence, one could argue that Amazon's success comes at the price of the welfare of its workforce, which can be viewed as a huge problem in spite of its success. This factor of motivation leading to success of an organization can also be analyzed through Amazon's organizational culture in the Symbolic Framework.

**Symbolic framework**

Hofstede´s six-dimensional model of culture stipulates that Amazon's organization is restraint-oriented (strongly disciplined and regulated in terms of rewards), because it mostly motivates its employees according to Theory X. It focuses mostly on the short-term by hardly investing in measures which improve the environment for employees. There is a high power-distance between the different hierarchical levels as well as a mindset of uncertainty-avoidance, which coincides with the description of clearly defined structures of the Structural framework. Hofstede's model shows that Amazon is not very liberal and its employees are fairly restricted.

However, this contradicts statements from Jeff Bezos, such as "our tolerance for lack of empathy needs to be zero". This disparity between what Amazon claims to be and what it actually represents is closely tied to Brunson´s model on organizational hypocrisy, which states that, in some organizations, the difference between decisions and actions is exceptionally large. This hypocrisy can actually be useful according to Brunson, since it creates more opportunities for Amazon to change the situation, although it also makes it possible for Amazon to refrain from doing anything. Unlike Brunson´s proposal, Amazon has only taken minor actions against the problems, such as installing fans in the warehouses. Therefore, Amazon's organizational issues derive from Amazon not using organizational hypocrisy to solve problems properly, instead keeping the problems, presumably to remain profitable in the short-term.

Schein's model can be useful in explaining Amazon's success through its organizational structure and practices (illustrated below). One of its most prominent artifacts is the well-defined structure. Jeff Bezos calls his employees "Amazonians" to try to create a sense of belonging and consensus despite the competitive internal environment. Another artifact is the Amazon Leadership Principles which determine the qualities the employees must possess. The most emphasized espoused value is customer-centricity, which satisfies consumers' needs and thus increases profits, but to do so costs must be lowered, which is done at the expense of the welfare of workers. Other values such as boldness and peculiarity create a sense of creative freedom that might motivate new employees to join the company despite the harsh working conditions, but in practice because of the top-down management the workers might not be able to implement impactful decisions. According to OLR, Amazonians (the "us" in the basic assumption dimensions) must prioritize hard work because the least effective 10% ("them") will be targeted, which creates high psychological pressure. However, those who identify themselves as 'careerists' (ties to Weick's properties of sensemaking) might view this as a benefit and join the company to reinforce their status, climb up the career ladder, gain professional experience and a sense of contributing to something as large as Amazon. Referring to the time and space dimension, Amazon claims that it provides good conditions for its employees (Career Choice Program, parental leave policies), however, this mostly applies to white-collar workers, and the benefits from the parental leave are unlikely to be used by employees because the median employee tenure is only one year. It can be argued that "Purposeful Darwinism" is one of the vital basic assumptions in the company - it refers to Amazon's way of constantly hiring employees, driving them and cutting them. The job-seekers seem to overlook the flaws of the company and focus on its values and advantages as the organizational culture at Amazon is very strong.

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┌─────────────────────────────────────┐
│ Artifacts                           │
│ 1) Formalized structure             │
│ 2) The name 'Amazonian'             │
│    ↳ creates consensus              │
│ 3) Amazon Leadership Principles     │
│                                     │
└─────────────────────────────────────┘
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┌─────────────────────────────────────┐
│ Espoused values                     │
│ 1) Boldness                         │
│ 2) Customer-orientness              │
│    ↳ most emphasized                │
│ 3) Peculiarity                      │
│                                     │
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┌─────────────────────────────────────┐
│ Basic assumptions                   │
│ 1) Purposeful Darwinism             │
│ 2) OLR                              │
│ 3) Time and Space                   │
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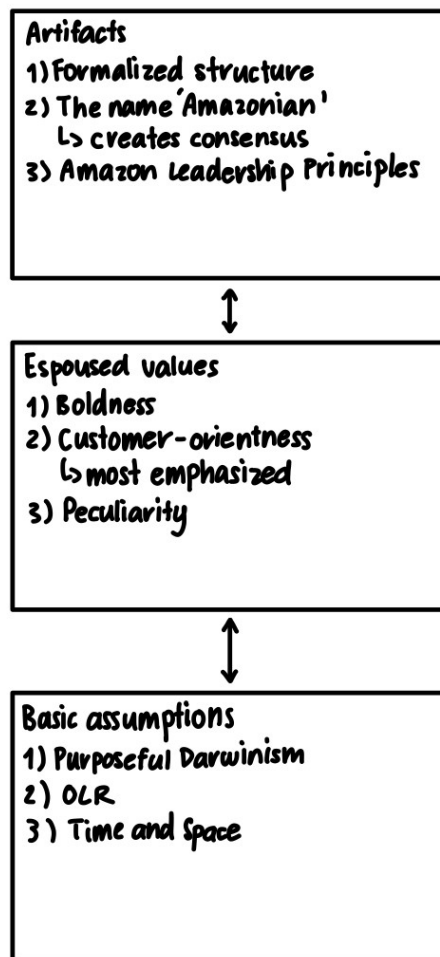
Hence, according to the symbolic framework, Amazon's organizational success is linked to its strong culture and the implications that the culture brings with itself. Nevertheless, it is this very culture that also shows some substantial deficiencies, which dissatisfy and burn out employees.


**Power framework**

In Amazon, power is held only by senior managers who actively prevent junior employees from acquiring power-bases or questioning the vertical power distribution. Notably, Amazon has been able to sustain this during its existence.

Amazon is mainly staffed with temporary workers because turnover is very high, especially amongst its "blue-collar" workers. As showcased in the case study, median employee tenure at Amazon is one year, which is unusually low compared to other similar companies. A power mapping of Amazon would give most power to employees in higher positions – or "levels" according to the company's Level System – with Jeff Bezos himself holding the most power,

followed by (senior) vice presidents and directors. Hence, the power distribution within Amazon aligns with its formal hierarchical structure that we have described in our structural framework analysis.



Amazon Power Distribution
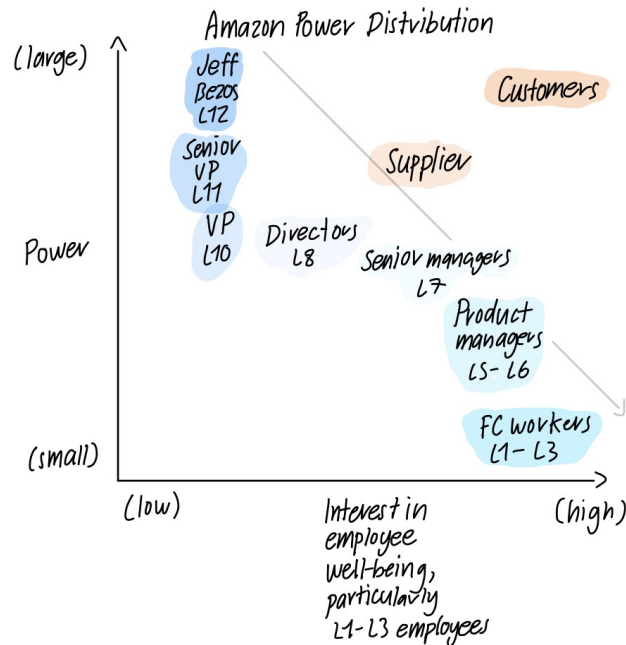
Since the high staff turnover is more prominent amongst the lower levels (for example, at FCs) rather than for senior positions, a disparity is created between the power-bases held by employees. Power-bases refer to the sources of power for an individual, as formulated by Bolman and Deal. As senior staff is present in the company for longer periods of time, they are able to accumulate more power-bases – better information and expertise relating to the company, stronger alliances and networking, greater access to and control of agendas, higher control of symbols and meaning. Furthermore, the employees at senior levels also naturally acquire the other power-bases – they have a higher position of power (as Amazon is organized as a vertical hierarchy) and control the rewards for their subordinates. Arguably, employees at the lowest levels (L1 through L3) hold virtually no power as they do not have enough time to build up power-bases, particularly information and expertise or alliances and networks. The HR practices at Amazon are also designed in a way that ensures that most power is retained for senior employees. The Level System clearly creates the vertical hierarchy, for example. Meanwhile, the Rank and Yank and the ORL systems enable senior managers to have complete control over their subordinates and their success at the company. Under these systems, power is maintained through punishments. Furthermore, the Anytime Feedback Tool is especially 'effective' in preventing junior employees from forming alliances and networks as it separates employees and encourages them to turn against each other.

The power-base of alliances and networks is arguably the most important when analyzing Amazon, as the company works to prevent formation of unions because protests would be detrimental to its customer oriented approach demanding fast-paced operations. Establishments such as the Former and Current Employees group are most effective in going against senior managers' power as they unionize and hence emphasize otherwise "isolated incidents". According to Burawoy's Labor Process Theory, Amazon lowers potential influence from its "blue-collar" employees by splitting employee collectives. Amazon's HR practices create performance-based individual compensation and workers are encouraged to compete with their colleagues. Amazon worsens the separation between workers by changing working tasks and positions and allowing some employees to work from home.

The high concentration of power enables Amazon to control every aspect of its operations – particularly its employees, for example by micromanaging their FCs and closely checking and monitoring their employees. Hence, Amazon is able to maximize efficiency, which is crucial to its quick success. However, Amazon's success in its market comes at a cost. Employees are exploited and disloyal, making Amazon subject to scandals detrimental to its brand image.

**Conclusion**

The structural configuration is the major reason for Amazon's success. Formalized processes are extremely important for such a large company to generate profits, and according to the structural framework, that is what makes Amazon efficient. However, the HR perspective helps us to determine its flaws as there is a genuine lack of hygiene factors and motivators which is the cost to Amazon's success. Despite these drawbacks, people continuously join the company, which is explained by the strong organizational culture according to the symbolic framework. However, the culture does not fully represent reality. Power is highly concentrated, which restrains the employees at lower levels from realizing their full potential. However, although the organizational practices of Amazon may seem to be flawed, it found the way to offset the drawbacks and achieve success.