

Critical assessment of HRM/D in Amazon

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Introduction

Amazon Inc. is the biggest intercontinental online retailer based in the United States that was started by Jeff Bezos in 1995 (Baud and Durand, 2021). The brand has successfully expanded as the second largest company in the world with a market value of \$1 trillion after Apple (Saracsalinas, 2018a). Even though the success of Amazon's business is due to its unique business model and people management through effective HRM/D practices, however, the brand has received immense criticisms owing to its alleged unethical and harsh approach to employee management (Keegan and Meijerink, 2023). Amazon has a dynamic and flexible structure with the establishment of a "two-pizza rule" that underpins the concept that the internal functional teams must be small so that they can be fed with two pizzas (Lopez et al 2022). This is anchored on the belief that small teams increase efficiency and scalability by alleviating the lines of communication and reducing the overhead of bureaucracy and decision-making. Amazon faces criticism due to its controversial performance and HRM practices. While the big brand companies face Deloitte aims at a comprehensive way of measuring performance, whereas the personal problems of employees at Amazon are viewed as a liability and employees are placed under the harsh peer feedback systems and performance improvement plans (Amazon, 2023). The HRM/D practices in Amazon will be critically analyzed in the following segments of this essay.

The configuration of HRM function and organizational leadership

The effective management of employees and teams is essential to achieve high levels of organizational performance to establish a shared understanding of achievement and

approaches to development, employee engagement and growth (da Silva et al 2018). Amazon follows the traditional culture and practices within the organization to create a standardized process of HRM and employee performance management (Aloqaily, 2022).

Performance Management

The traditional systems of performance management can be improved through extrinsic financial rewards that include a raise in salary, paid time off, incentives and bonuses. However, extrinsic rewards can also relate to verbal praise or appreciation, recognition and rewards, promotion and competitive work responsibilities. Rewards may or may not improve the financial well-being of the employees (Karayanni and Nelken, 2022). The financial well-being of the employees can get improved directly through bonuses, wages, hikes, or profit-sharing or indirectly through supportive benefits such as purchase discounts, pension plans, paid vacations, paid leaves, etc.

According to McGregor's Two-factor theory, the reward performance of employees is divided into extrinsic (e.g. favourable working environment, competitive salary and pay), and intrinsic (e.g. growth opportunities and work-life balance, etc) (Velmurugan and Sankar, 2017). In Amazon, the human resource values comprise two parts out of which one part holds the traditional salary system or labour reward, whereas, the next part dictates the capital reward or Stock unit (Person, 2023). Apart from its focus to offer competitive basic salaries, Amazon specifically implements employee stock ownership that helps in realizing a close combination between individual objectives and

organizational goals. For Traditional economic theory and Weberian bureaucratic theory, there are no significant differences between the organization's goals and the individual objectives because the latter has been excluded from relevance to the organizational life (Van Ees, Gabrielsson and Huse, 2009). The individual employees must comply with the organizational goals following the transactional relationship underpinned by the agreed-upon employment contract.

Besides the two-factor theory, Amazon integrates the mechanism of performance appraisal following its traditional strict performance management policies. It has been observed by Boewe and Schulten (2017), the performance-based pay model at Amazon is controversial that leads to pressurized working culture, unfairness, and internal competitiveness. The organization is largely criticized for imposing excessive work pressure on the managers and its employees through abusive peer feedback, overtime, harsh criticism of the employees, along with the fanatical pursuit of high-standard performance.

Employee engagement

There are mainly three dimensions of employee engagement i.e. social, intellectual and affective under which the key drivers of engagement are connection, employee voice, scope and support where the employees feel valued and pride in working for the employer (Cowles, 2015). Amazon has more than 1.6 million direct employees globally, hence they practice employee engagement through the enforcement of various

engagements, feedback and remediation mechanisms that help in the continuous improvement of the workplace experience.

Voice of Associate brands

Amazon offers the opportunity to its associates through the Voice of Associate brands and its digital counterparts MyVoice which is available across all the Amazon facilities globally to express their viewpoints and opinion openly (Solanki, 2019). This gives the employees wide forums where they can express their concerns, provide suggestions, and ask questions regularly. The leadership teams directly respond promote dialogue and present efficient remedies to the issues. In 2021, Amazon managers have received and addressed more than 210,000 voice submissions.

Transactional Leadership Style at Amazon

The Amazon leadership style chosen in the organization is focused on transactional leadership that mainly imposes positional power and legitimate authority (Odumeru and Ogbonna, 2013). People management significantly relies on rewards and punishments to attain optimal job performance from its subordinates.

The transactional leaders at Amazon have stressed relentlessly high standards, however, the employees feel that these standards set are unreasonable and unattainable. The leaders continuously raise the bar to drive their teams for delivering high-quality services, products and processes (Jha, 2018). Consequently, the employees are compelled to work hard to achieve the difficult goals. In contrast,

Anderson and Caldwell (2017) opine that raising the benchmark of performance helps in improving the work standards and performance outcomes of employees efficiently.

The transactional leaders in Amazon have cascaded down the organization where the employees do not have a supportive work environment and frequently feel threatened (Holzmann and Mazzini, 2020). Bezos portrays Amazon's workplace ideas and leadership style through its fourteen leadership principles. These guidelines at Amazon encourage the employees to continuously prove their worth, outpace their colleagues and they are even given the liberty to sabotage their careers through the harsh feedback system. Conversely, leaders can create and communicate bold directions that can inspire results. The leaders at Amazon think out of the box to serve the customers productively and reduce substantial costs (Bishop, 2013). On the contrary, the broader thinking of the employees enables the sharing of ideas between the superior and subordinates thus giving rise to the most innovative ideas.

Motivation

The ABCs of motivation in Amazon are autonomy, belonging and competency. These are the key components of the self-determination theory of motivation that supports efficacy. By this theory, employees require regular experience of autonomy, competency and belongingness which in turn can result in a positive and thriving motivation for its employees (O'Connor, 2013). The motivation rooted in autonomy has been found to promote greater understanding, less burnout and improved productivity at

work, healthy lifestyle and productive behaviour with a higher level of psychological well-being.

Team management techniques - Matrix structure

The Kaizen teams refer to the strategy in which the employees across all levels of a company work proactively together to attain regular and incremental improvement to the work process (Kantor and Streitfeld, 2015). In other words, the kaizen team structure combines the collective talents in a company to establish a potential engine for improvement. Referring to this team structure, Amazon applied the two Pizza Rule.

The two Pizza Rule is prominent in the formation of the Kaizen team matrix in Amazon. According to this structure, a team should not be larger than can be fed with two large pizzas. This implies that the task for teams is limited to only five to seven employees. This structure enables the teams to evaluate their ideas without having several onlookers and creates a guard against the group thinkers (Mehmood, Ramzan and Akbar, 2013). Moreover, Amazon has proven that only small team matrices have led to big innovations.

Ethics and Professionalism in HRM

Each of the employees at Amazon is compelled to obey the leadership principles. One major principle is "Customer obsession" which demonstrates Amazon's commitment towards the establishment of strong Customer relations which is even prioritized over employee satisfaction and employee engagement. Moreover, Amazon as a company keeps the internal processes secret with its confidential agreements that are

mandatorily signed by every employee, as a result of which there have been endless rumours about the rising controversies and employee breakdowns (Bao et al 2022). Reports from the PayScale survey conducted in 2018, have revealed that Amazon is known to be amongst the lowest companies with the lowest rates of employee retention in comparison to various other Fortune 500 companies. David Streitfield and Jordan Kantor from the *NY Times* have revealed the unethical feedback culture of Amazon is a major reason why the employees are encouraged to criticize their co-workers' ideas harshly and insisted to send feedback secretly to their respective managers (Kantor and Streitfeld, 2015). There are critical controversies stating the peer appraisal feedback culture in Amazon is open to abuse and utilised for undermining the work of other employees. Hence, this approach in Amazon affects the equal working opportunities in the organization and leads to ethical compliance owing to their discrimination against people on irrelevant grounds (Chryssides and Kaler, 1996).

The most relevant and fair criticism of Amazon's performance management has led to ethical concerns. Bezos endorsed a system that supports meritocracy in which the ideas shared by individual employees are forced into the creation of a competition under which only the best ideas will win (Aguinis, Villamor and Gabriel, 2020). This kind of competition creates the ground for an unhealthy workplace environment, in which every individual has to outperform others. In addition, the philosophy of performance management at Amazon exerts extreme pressure on creating a link between the individual performance of employees and the overall success of the company right from

the start (Mulugeta, 2022). Reportedly, coupled with the hostile language used during the Amazon feedback sessions, employee morale is extremely low at Amazon.

Collective bargaining is an approach through which the representatives of employees and employers negotiate communication and consult through their trade unions to determine their terms of employment. The unethical employment practices and labour law violations at Amazon have raised concerns and rapid unionization of its employees despite the wide-ranging legal and illegal tactics to prevent the workers from unionizing (Harney and Dundon, 2020). Amazon has engaged in months of intimidation, coercion, and vote manipulation to retaliate against the formation of a trade union. Reportedly, Amazon's corporate practices and policies have failed to meet the standards of international human rights and rights to freedom of association and collective bargaining (Selvarajan, Singh and Solansky, 2018). For example, the workplace practices of Amazon have come under fire in recent years. The news media have reports on the exhausting nature of the warehouse work environment (where the employees have to work for 15 miles daily) and ambulances wait outside the facility to rescue the workers who get overheated due to the lack of air-conditioning (Mulugeta, 2022). As a result, some labourers travelled to Seattle to picket in front of the Amazon headquarters. However, the unionizing of the Amazon workers has helped to establish the collective bargaining power which is essential to address the damaging trends followed in Amazon. Amazon leaders have employed the pluralist form of conflict management that emphasizes that conflict is endemic in workplaces and they are focused on conflict management through the institutional process (Briken and Taylor, 2018). For example,

when the call centre workers of Amazon initiated the campaign to unionize 400 customer service employees, Amazon closed the call centre where they worked as a part of their extreme cost-cutting measure in 2000 (Boewe and Schulten, 2017). In addition, the company offered anti-union material to its managers and workers to hand out warnings against the spot unions. (Cappelli, 2020). In counter, the Amazon workers are up against its corporation exercising their power to prevent unionization and ensure that Amazon's active approach to suppress their union must not succeed.

Critical evaluation

Human resource management at Amazon is a complex and challenging endeavour as the brand has to deal with workforce diversity, organizational conflict and motivational issues are the few major challenges amongst all. Amazon has faced several allegations of racial discrimination, sexual misconduct, and criticism of unfair, opaque and subjective internal processes (Nikolova, Tabassum and Nayak, 2022). Such issues are still far from being addressed due to the lack of corrective actions.

Another major issue faced by Amazon is employee retention due to the high turnover ratio, as employees are found to leave the organization for several reasons. Even though the brand is allegedly accused of poor remuneration for the lower-tier employees, however, the well-paid employees have left the organization for mistreatment. The higher level of employee turnover is a negative trait for the company with its dependencies on efficiency and scale. Hence, the HR issues at Amazon must be addressed through relationship management, workers engagement, training and

development and a talent management approach. In contrast, Westerman, Soule and Eswaran (2019) opine there is a significant disconnect between the HR systems and employee experiences at Amazon owing to the concerns of poor remuneration and unfair terminations that have adversely affected the workplace culture that leads to poor performance. In fact, Despite the various setbacks, Amazon has successfully been at the forefront of sustainable and successful performance without compromise (da Silva et al 2018). The employees are motivated to reach their goals efficiently by offering innovative career choice programs, intensive training and education to develop their in-demand skills.

While the major big brand companies such as Deloitte aim the comprehensive techniques of effective performance management by taking into account the personal lives and work-life balance of employees. In contrast, Amazon has several cases where the company views the employee concerns as a liability and more often the employees are placed under the performance improvement plans (Zel, 2016). For example, a former Amazon employee reported that Amazon continuously monitored her performance "to ensure her focus is completely on the job" after she had delivered a stillborn child.

Recommendations

This part of the study will emphasize the key change interventions that could be implemented by using Lewin's change model.

In response to the hailstorm of criticism received by Amazon on the unethical and unfavourable treatment of its employees, unsafe working conditions, and aggressive attempt to suppress unionization, the following set of change interventions is recommended for Lewin's Change model.

Recommendation 1 -

Unfreeze- Unethical and unsafe working conditions in Amazon must be changed

Change – Opening of healthcare centres near the fulfilment centres, improvising the wellness program “WorkingWell” focusing on mental and physical well-being, increasing equal pay structure.

Unfreeze- a continuous investment in the healthcare centres, integrating pilot batches, continuous collaboration with the National medical group that connects with each employee, and integrated care team to deliver comprehensive primary care to the family.

Recommendation 2-

The major drawback of the harsh and abusive feedback system found at Amazon goes against the whole purpose of performance management which hinders the growth of employees.

Unfreeze – The Peer appraisal feedback system in Amazon must be changed

Change - it has been recommended that the employees must be empowered with feedback so that they can initiate their feedback cycles, and take ownership of their

development instead of getting demotivated by the negative feedback from their colleagues in Amazon which is intended to abuse and sabotage others.

Freeze – The self-appraisal system in Amazon can be implemented by asking the employees to present weekly reports on self-reflection in their job performance. The weekly self-appraisal reports must contain the following metrics- Highlight the accomplishments, showcase the achievements, reflect on the mistakes objectively, set goals and make action plans to improve.

Recommendation 3

Change management of Amazon's approach to suppressing the collective bargaining power of the employee union

Unfreeze – The Company's approach to suppressing collective bargaining and threatening the rights of employees must be changed

Change – The organization must accommodate the collective bargaining of employee unions and respect their freedom of association and offer them the right to form and join a labour union without the fear of intimidation or reprisal.

Freeze – Amazon must provide the employees with grievance mechanisms and remedial action, continue direct communications, actively listen to the employees, make continual improvements, investment in competitive pay and benefits, and establish a safe and inclusive workplace to bring positive change for the employees

Reflection on conducting this assessment

The reflection on this assessment is conducted by employing the Gibbs Reflective model:

Fig (1): Gibbs Reflective Model



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(1) Description -

In the process of conducting this assessment, I have gained a comprehensive knowledge of HRM/D by taking the case study of a leading conglomerate and largest e-commerce business, Amazon Inc. I have focused on critically analyzing the relevant theories, concepts and facts associated with Amazon's people management approaches, and identified the multifaceted drawbacks that have undermined the overall workforce motivation within the organization.

(2) Feelings

Moreover, in the course of this assessment, I have learnt that Amazon is one such example of a company that implements HR practices for its beneficial aspects. Despite the presence of multiple programs and initiatives enforced by the company to reduce a higher rate of employee turnover ratio, Amazon has violated labour rights in multiple spheres that have led to growing concerns with Amazon's gender and racial pay gaps, crisis-level employee injuries, relentless pressure on the employees to meet the highest performance standards, unethical peer-feedback system, unfairness and reasonable internal competitiveness.

(3) Evaluation

Paradoxically, I have assessed the claims made by Amazon as being the company of pioneers, however, its actions largely contradict in tandem with its active suppression of the collective bargaining rights of its employees. The reports of unsafe and unethical working conditions at Amazon have typically attracted widespread negative attention. Furthermore, hence this ordeal over employee engagement has come under my probe of whether or not Amazon fired the whistleblowers raising concerns about unethical and harsh treatment of employees within the organization.

(4) Analysis

The HRM approach in Amazon is underpinned by enforcing the 14 leadership principles, out of which "customer obsessions" illustrates the commitment of Amazon to serve its customers. On analysis, I can observe that the customers are prioritized over employee engagement and satisfaction. Even though the company ensures to keep its

internal processes secret through the confidentiality agreements which are signed by each employee, as a result of which there are endless rumours of controversies and employee breakdown. Hence, Amazon has the lowest rate of employee retention amongst the Fortune 500 companies.

(5) Conclusion

I can conclude that the performance management philosophy followed by Amazon places extreme pressure on the link between individual employee performance and the overall success of the company. The unethical work culture coupled with the hostile nature of feedback has diminished employee morale thereby leading to a higher rate of employee turnover ratio. Hence, workplace culture management is significantly more important rather than introducing advanced tools for employee engagement and performance management. Hence, I believe that one-on-one conversations are crucial for an effective employee development plan, instead of continuing a harsh feedback system. In addition, the employees must be encouraged to take ownership of their development instead of worrying about negative feedback.

(6) Action Plan

As a point of my effective suggestions, I have made recommendations on following the typical approach to change management of Amazon's HRM by shifting the focus of its organizational culture to a more people-oriented rather instead of focusing on performance-centred approaches. Instead of pushing the employees with stringent performance standards, the organization must offer a more favourable work

environment and evade its culture of over-exploitation to reduce the high turnover ratio of the employees.

Conclusion

In conclusion, it can be stated that Amazon's SHRM practices follow a standardized process of recruitment and selection focusing on the Person-organization fit. However, the analysis conducted on this assessment has shown the limitations of a performance management system underlying a harsh process in which the employees are pushed to work beyond their capabilities to match their high benchmarks. As a result, the employees are unsatisfied with Amazon's unethical and poor work standards, gender and racial pay gap and disregard for workers' rights. Such extreme approaches to pursuing high performance and company objectives have led to a high employee turnover ratio and violation of labour rights. Hence, it is recommended that HRM/D practices in Amazon must emphasize change management and peer feedback systems to eliminate unfairness, higher stress level and irrational competitiveness internally.

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