

## Individual Case Study

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## INTRODUCTION

Human resources management (HRM) practices experienced significant development in new directions throughout the first decade of the twentieth century thus raising remarkable contemporary management issues evolved from the changes in HRM approaches (Taylor 2011). Workplace stress was identified as one of the critical HRM issues in the contemporary context (Avey, Luthans & Jensen 2009). This paper aims to identify and resolve contemporary issues, specifically, workplace stress occurring in Amazon.com, Inc., a multinational technology company.

Amazon.com, Inc. is a technology company specializing in e-commerce. The company has an enviable reputation for its accomplishments and its leading position in all things customer service. In spite of Amazon's achievements, until recently, many questions were raised about the way the company manages its employees. Numerous reports accused Amazon of having a toxic work environment where employees are required to be always available, compete aggressively with each other, and conspire one another. As a result, the company encountered a relatively unfavorable employee turnover rate with a median tenure of employees of roughly one year.

Regards to organizational profitability, workplace stress and work-life balance are evidenced to be the drivers of employee turnover (Kerdpitak & Jermisittiparsert 2020), which not only influences the increase of employees costs but also the overall performance of the organization (Shore & Martin 1989; Pollitt 2000; Ployhart et al. 2014; Ton & Huckman 2008). Amazon must innovate its employee contemporary management because the current management practices of Amazon significantly cause workplace stress to its employees which can damage the company's performance through high employee turnover. The structure of this paper starts with identification and analysis of the issues supported by the elements that caused those issues, followed by solutions and recommendations to resolve the challenges addressed, and finally, potential risks Amazon might face if the issues are left unsolved will be explained.

## ISSUE ANALYSIS

Amazon has always been known for its achievements. However, with the growth of the Internet, recent reports have raised various concerns about the management approach the company applies to its human resources. At Amazon, stress at the workplace was revealed as one of the critical human resource issues that are responsible for its high employee turnover. A study conducted by PayScale emphasized the importance of this matter, indicating the level of stress among Amazon employees being at 64%, which is notably higher than the average 58% rate of the technology industry (PayScale 2020). This section aims to elucidate the drivers of this workplace stress-related issue in Amazon utilizing materials from the case.

### **Amazon 'Rank and Yank' Performance Management System**

The first factor to mention is Amazon's implementation of forced distribution rating systems (FDRS) where managers rank their employees and the ones at the bottom are laid off every year. FDRS is also known as forced ranking, vitality curve, or the bell curve. This forced ranking system has received numerous controversies and was reviewed and analyzed across human resources journals for both of its advantages and limitations (Bates 2003; Meisler 2003). Various research discovered the benefits of FDRS (Boyle 2001; Welch, Byrne & Barnicle 2001), although there are arguments that this management approach can have negative effects on employees' wellbeing. By using the FDRS model, Amazon might be significantly escalating internal competition, stimulating disengagement between employees, and escalating stress to its workforce. W. Edwards Deming stated that ranking can induce competition among people (Deming 1993). Moreover, stress and disarrangement are identified as the results of forced ranking (Chillakuri 2018). Furthermore, Amazon employees can experience major depression as they continually have to worry about the future risk of being terminated. A study demonstrated the growth of job insecurity as a result of forced ranking (Bashir, Bashir & Rohra 2011), job insecurity is recognized as one of the elements that cause workplace stress and major depression (Bilsker et al. 2005). Although considerable literatures encouraged FDRS for the first few years of operation, its long-term

applications remain a concern (Scullen, Bergey & Aiman-Smith 2005; Grote 2005). Enron Corporation was also a company that implemented forced ranking, the company went bankrupt in 2001. It is believed that one of the reasons behind its failure is the 'rank and yank' performance management system, which has been applied in Enron's human resource management practice for a long time (Fusaro & Miller 2002). Amazon can suffer from the same situation as Enron if further discussions about its FDRS are not addressed in near future.

### **Rigorous Performance Measurement Practice**

Amazon aggressively monitors employee performance as an everyday process instead of an annual practice. Particularly, the company tracks and checks all the boxes warehouse workers pack every single hour through sophisticated systems. Because the performance of each employee is evaluated by the products developed rather than that employee's effort and contribution to Amazon, senior individuals are more likely to deliver better quality and quantity of products than individuals with less experience thus making the employees less motivated towards their tasks. According to John C. Flanagan, lack of motivation can occur when the values they contributed to the organization are not validated but instead, the measurements for promotions depend on employees seniority in the company (Flanagan 1954). To a further extent, the lack of motivation is one of the psychological symptoms of anxiety and depression (Haslam et al. 2003). With such an extremely accurate and exhausting performance calculation, Amazon can be pressuring its employees to feel drained, unmotivated, and anxious.

### **Amazon 'Anytime Feedback Tool'**

Another tool Amazon uses in its management practices is a 360-degree feedback system called Anytime Feedback Tool that allows every employee to give anonymous feedback to any peers or bosses at any time (Collins 2017). There are claims arguing that Amazon uses this instrument mostly for positive comments and constructive feedback (Matthews, Harbin & Daigle 2018). However, numerous research has questioned the validity of these claims, stating the high possibility that Amazon is encouraging employees to take advantage of this tool to hurt one another (Kantor &

Streitfeld 2015; Cappelli & Tavis 2016). An Amazon employee once received criticism through the feedback tool because her colleague didn't notice her arrival early, and the manager refused to defend her even though she had negotiated her schedule due to her newborn child beforehand. Because of the highly competitive environment from the forced ranking system, individuals in Amazon may have the tendency to dishonestly criticize certain individuals to get ahead. This type of deception may demoralize employees, hence, contribute to the increase of workplace stress. Michael Armstrong addressed the 360-degree feedback model and found the disadvantages of the implementation to outweigh the advantages, he believed that individuals will not always be honest in their feedback and this tool can create stress to both the person that receives and the person that gives the feedback (Armstrong 2017). Amazon must acknowledge the significant consequences regarding its employee welfare of incompetent use of the 'Anytime Feedback Tool' and admit the potential occurrence of workplace stress due to this practice.

## RECOMMENDATION

In summary, workplace stress is a significant issue Amazon can potentially suffer from as a result of various strict management practices involving its bell curve system, rigorous performance measurement, and 360-degree feedback tool. Along with stress in the workplace, the analysis of the issue provided that Amazon employees can be experiencing an extreme lack of innovation, productivity, and engagement with each other, especially when the internal competition is high. In addition, apart from the triple bottom line of society, environment, and economy, the modern business world demands innovation and adaptations for companies to survive and thrive sustainably (Thiele 2016).

Taking this problem into consideration with the context, the appropriate solution proposed is the agile methodology, more specifically, Amazon is suggested to implement an agile workplace model to its human resources management practices. An agile workplace constantly adapts to organizational learning, the workplace is encouraged to transform, respond, and adjust to the knowledge and experiences gained

through time by using them as keys to developing (Joroff, Porter, Feinberg & Kukla 2003). This practice requires the company to be engaged in the process of experimentation, integration, and disseminated learning to maintain constant development (Joroff, Porter, Feinberg & Kukla 2003). For instance, Toyota implemented agility in a factory setting through its Toyota Production System (TPS) where employees are given basic training through manual work and gradually apply it to the factory floor with their own creativity (Toyota 2020). This practice has not only helped Toyota to turn the dull and rigid atmosphere of repetitive tasks into a more productive environment, but it also increased the engagement and involvement of its employees to their jobs, preventing them from workplace stress. By applying agile workplace practices, Amazon can reduce stress caused by the intense competitive work environment, boost innovation, and increase the performance of employees by motivation elevation.

The agile workplace action plan proposed to Amazon is established based on the knowledge management (KM) mechanism and knowledge management technology within the knowledge management solutions model. Knowledge management solutions were designed by Becerra-Fernandez and Sabherwal for the purpose of providing methods to facilitate KM (Becerra-Fernandez & Sabherwal 2010). There are four ways KM can be facilitated but only KM mechanism and KM technology are associated with agile workplace practices.

### **Action Plan**

Amazon can implement the same practice as Toyota and empower employees to experiment with their work. Amazon employees can do their own tasks in a way that is most suitable for their preferences and capabilities, even repetitive tasks. This method allows each individual to become more motivated and situationally aware. Moreover, because the development process happens slowly and steadily with small improvements added up every day, the system is able to effectively transform and adapt to its surroundings with minimized risks (Joroff, Porter, Feinberg & Kukla 2003).

It is also recommended that Amazon should provide support to employees with low performance rather than terminating them, this support can be assigning them a coach.

Employees should be able to choose the coach they prefer to add further transparency to the conversation. The coach will provide and suggest action plans that assist Amazon employees to accomplish their work competently and enhance their performance through coaching discussions. To implement this practice successfully, it is suggested that the frequency of coaching meetings should be at least once per month, and employees are encouraged to let their coach review the feedback they received from their team leader so that the coach knows which criteria they need to improve (Chillakuri 2018).

Another knowledge management mechanism Amazon can utilize are touch points. Specifically, touch point is a brief conversation between the team leader and a member of that team. The conversation will include discussions about current progress, present and future expectations identification and clarification, priorities arrangement, and addressing any existing problems related to daily work. The aim of this practice is to update information between employees and motivate them with meaningful conversations (Chillakuri 2018). This practice was adopted by Infosys in opposition to the forced ranking system, the method is stated to highly motivate employees and significantly increase their productivity (Shrivastava & Rajesh 2017).

Regarding knowledge management technology, Amazon should improve its 'Anytime Feedback Tool' to enhance the reliability of the feedback on employees. Particularly, the person who gives the feedback should be revealed to the one who receives it to avoid employees conspiring against others. Two-way communication should also be enabled to support further discussion between two parties and give them a chance to solve conflict with each other.



## CONCLUSION

Workplace stress is a critical contemporary issue Amazon is facing in human resource management. The practices that resulted in this problem are Amazon's forced ranking system, rigorous employee performance measurement, and the 360-degree feedback tool. Using the agile methodology in the knowledge management context to create an agile workplace, this paper proposed various recommendations for Amazon to reduce occupational stress, improve work collaborations, and enhance work-life balance for its employees, which can escalate motivation and productivity and benefit the company's overall performance. Firstly, Amazon is encouraged to empower employees to experiment with their tasks and gradually improve their skills to their capabilities. The second suggestion is to coach low performers rather than terminating them. Thirdly, Amazon can use touch points to keep track of employee performance, clarify expectations, and provide any support to employees' difficulties, this way, problems are solved immediately and not accumulated into an immense problem. The final recommendation is to improve Amazon 'Anytime Feedback Tool' to ensure the validity of each opinion and minimize internal conflicts.

Amazon can suffer from serious consequences if these issues are not addressed in the near future. Numerous academic papers indicated occupational stress, degree of job control by each employee, work-life imbalance, and absence of support from organizations as factors that damage the health and welfare of employees (DiRenzo, Greenhaus & Weer 2011; Skinner & Pocock 2011; Daley et al. 2009; Hilton et al. 2009; Wang et al. 2008; Halpern 2005; Tennant 2001). Amazon causes immense stress and rigorously controls and measures its employees' work which can hurt the mental health of their employees. When the emotion of the employees is hurt, their loyalty and commitment to the company can tremendously decrease (Shrivastava & Rajesh 2017). Employees are more likely to quit their job if Amazon continuously sentimentally damages them, resulting in a high employee turnover rate which impacts company performance.

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