**Operations Management and Decision-Making Models**

**A Case Study of Amazon's Organisational Crisis - Facing the COVID-19 Pandemic**

**Student Name:**

**Student ID:**

1. **A short overview: the COVID-19 Pandemic**

The current COVID-19 (C-19) pandemic is an outbreak touching and shadowing every corner of the world. The novel coronavirus, SARS-COV-2 (coronavirus disease 2019, previously 2019-nCoV), is in its early development an epidemic with clear and strong impact on people’s health and lives, and later in 30. January 2020, the WHO Emergency Committee declared a state of global health emergency (Velavan & Meyer 2020). Till now, daily, new cases of patients confirmed and new proofs of tracks detected are being published across the globe (WHO 2020).

It leaves nearly no ground for doubt that the C-19 pandemic would continue its development, and it is assured from the dense data reported that the the world economy is being traumatised due to the safeguard policies applied widely among and within countries all over the world that lead to not only lockdown, but also economic depression . Worldwide unemployment and downswing pushes the entire world into a period of stagflation, where there is zero growth or profit downturn. It is even worse for organisations, businesses, and eventually industries. Consumer confidence is remarkably dropping which has led to the closing and liquidation of myriads of companies in food, clothing, retail, etc.

However, there are some companies that managed to get through this time of difficulty - while provoking controversy over worker issues. Amazon.com, Inc. is one of the few exceptions that survived from the devastating effects the C-19 pandemic have so far produced on industries, and even came out stronger. This e-commerce giant has exploited the current situation. Nevertheless, the real cost of its huge success during this time has been discussed and debated, the reputation of the company, as well as of the members of its managerial echelons is being doubted, plummeting.

**2. Decision-making Models that could have been Followed**

The top priority of a company is to generate profit through rows of decisions and management. During the C-19 pandemic, city, state, or even country lockdown is enforced by governments, thus people have no choice but to stay at home. However, there would still be the need for products and services that are everyday essentials. Online shopping becomes naturally a must to the majority.

Amazon’s leading board recognised soonly that the pandemic could be highly disruptive. And for that reason, Jeff Bezos, founder and CEO of Amazon, gathered the company’s top executives, and ramped up its online retail business almost overnight. He sees there would be a sudden and quick surge in online orders and the company must be prepared for it. His management bolstered Amazon’s competitive advantage: the convenience of purchasing with a click. His decisions paid off, quickly. Amazon brought in $75.4 billion in revenue for the first quarter in 2020.

It is obvious that the company’s leading board used the economic rationality model, or broader, a rational decision making model, for their decision making in managing the C-19 crisis which could be viewed as a natural disaster (McCausland 2020 p. 57). However, later on, criticism came along with compliments, like they always do. The quick adaptation paid off, but in the meantime, the company is facing intense public scrutiny.

The scrutiny has made Amazon face the It is argued by warehouse workers that Amazon did not put in effort into keeping their safety from the C-19 virus, and lawmakers as well as other social groups that advocate worker rights, even some of the company’s own corporate employees demand Amazon to take immediate action (Kessler 2017).

The central problem lays in Amazon’s methodology of profit making. It is legally acceptable if a company utilises resources to maximise its enterprise value, but it would not be welcomed if the company’s growth is ethically unacceptable. So the outcome indicates that Amazon did not take up the ethical side when being rational, that is, when using the rational decision making model.

Amazon could have followed the social model for their planning, since ethics cannot be excluded in any type of decision making process. A company, if it does want to sell, needs to be trusted by customers and the market. Its public image would drop, certainly, if the workers’ health isn’t assured and well kept. The rationality model can help a company boost in a short time, but only ethics and reputation could help the company last.

**3. Possible Decision-making Biases and Their Impacts**

While being rational, humans cannot remain impeccable. Biases would exist in any form of operations and management, both of which could be regarded as a set of decisions. Amazon is quick in response to the market, but a company could also be influenced internally, which is its micro environment.

In this case of Amazon, these decisions may be from these two biases or errors:

First, the Ostrich Effect (Webb, Chang & Benn 2013 p. 794). The company has allegedly responded to workers’ complaints by cracking down on dissenters. This way of doing is in essence ignoring, and avoiding information that may be dangerous or negative. However, the public would react to this in a way that is unfavourable to the company. Transparency should be granted, because it is the reality. On the other hand, this decision would only bring down the employees’ morale, ultimately leading to management stagnation.

Second, the Outcome Bias (Baron & Hershey 1988 p. 570). The outcome of the decision is certainly satisfying: huge profit. But in the end this result isn’t all there is. The carrying out, or the implementation of the decision is also vital. While planning for profiting from the pandemic, Amazon could have developed strategies that could ensure employee value proposition, which would only help foster the company and strengthen its competitive advantage by improving the employees’ satisfaction thus creating an environment for intrinsic motivation.

1. **Strategies as Adjudications**

With the gradually escalating spread of the C-19 pandemic, by enhancing and empowering its workforce, some decisions could be made by managers of Amazon to ensure both its reputation and its delivery of quality services to its customers.

First of all, the Bounded Rationality model (Wall, K-D 1993 pp. 332-333). The Bounded Rationality is such a decision-making process in which we don’t optimise, but rather, to sacrifice. In other words, It seeks for a decision that would be “good enough”, rather than “the best possible”. The current issue is to stablise its workforce and to cushion the public’s opinion. A company need not only to live, but also to last; the time is short and limited, so Amazon must act fast. By processing the information it currently has, Amazon should find balance between ensuring its employees’ safety and trying to be more lucrative (Kniffin et al 2020 p. 27). Employee satisfaction is vital to a company in keeping its internal environment stable, and without the workforce, Amazon would only experience downturn in its growth since it sells services which must be implemented by men. Their health must be enhanced.

Second, considering ethics while using the Recognition-Primed Decision Making model (Resnick, M 2001 p.488). It is a psychological technique for modeling how people come to a rapid decision when faced with complex situations, in which the decision-maker is assumed to make a possible action, and compare it to the constraints determined by the situation, and try to select the first course of action that is not rejected. The board members should quickly recognise the current problem in their leadership which has caused strategic management drift. Starting to support the workforce and empower them to cool down the public and to navigate back to maintaining its demand chain leadership would help Amazon continue to grow, instead of growing rapidly at its own reputation’s peril.

**References**

Baron, J & Hershey, J-C 1988, ‘Outcome bias in decision evaluation’, *Journal of Personality and Social Psychology*, vol. 54, no. 4, pp. 569–579.

Kessler, S 2017, *Amazon is using peer pressure to keep German warehouse workers from calling in sick*, Quartz, viewed 6 February 2021, <https://qz.com/962717/ amazon-pays-german-warehouse-workers-bonuses-partly-based-on-when-their-coworkers-call-in-sick/>

Kniffin, K-M et al 2020, *COVID-19 and the Workplace: Implications, Issues, and Insights for Future Research and Action*, Harvard Business School, <https://www.hbs.edu/ris/Publication%20Files/20-127\_6164cbfd-37a2-489e-8bd2-c252cc7abb87.pdf>

McCausland, T 2020, ‘COVID-19’s Impact on Globalization and Innovation’, *Research-Technology Management*, vol. 63, pp. 54–59.

Resnick, M 2001, ‘Recognition Primed Decision Making in E-Commerce’, *Proceedings of the Human Factors and Ergonomics Society Annual Meeting*, vol. 45, no. 4, pp. 488–492.

UNI Global Union 2020, Amazon & the COVID-19 Crisis, UNI Global Union, viewed 6 February 2021, <https://www.uniglobalunion.org/sites/default/files/public\_shared/amazoncovid\_en\_pages.pdf>

Velavan, T-P & Meyer, C-G 2020, ‘The COVID-19 epidemic’, *Tropical Medicine & International Health*, vol. 25, no. 3, pp. 278–280.

Wall, K-D 1993, ‘A model of decision making under bounded rationality’, *Journal of Economic Behavior & Organization*, vol. 20, no. 3, pp. 331–352.

Webb, T-L, Chang, B-P-I & Benn, Y 2013, ‘“The Ostrich Problem”: Motivated Avoidance or Rejection of Information About Goal Progress’, *Social and Personality Psychology Compass*, vol. 7, no. 11, pp. 794–807.

World Health Organization (WHO) 2020, *WHO Pharmaceuticals Newsletter 2020*, no. 6, WHO, Switzerland.