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CONTEMPORARY MANAGEMENT ISSUES AND CHALLENGES FACED BY AMAZON

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ABSTRACT

This paper discusses the contemporary management issues and challenges faced by Amazon. There are five issues discussed in this paper. This paper also attempts to understand the issues based on relevant literature. Thus, it is a descriptive study and data is collected from secondary sources. This paper also suggests solutions to the issues identified. The solutions are further recommended on the basis of their advantages and disadvantages to Amazon. This paper concludes that Amazon should address these issues else it may affect its brand image and market share.

Keywords- work culture, performance management, competition, discrimination

INTRODUCTION

Contemporary management studies the thinking pattern which is required to solve problems and challenges faced by companies today. These challenges and problems have raised due to rapidly changing external environment of business. The challenges and problems faced by Amazon are described below.

The first issue faced by Amazon is its toxic work culture. Most of the employees are facing work stress due to long working hours. Amazon expects its employees to work smart, hard and for long hours. Employees do not have choice. It means that employees are required to be on their toes always. Apart from this, Amazon has high employee turnover. It is due to corporate environment of company. Amazon has very long working hours, extreme stress, weary Bosses, no space or time to rest. All of these has resulted into high employee turnover. Additionally, employees of Amazon have very poor work life balance. They work for more than 80 hours in a week. Apart from this, employees are required to be present 24/7. It means technically employees do not have any holidays or vacations.

The second issue faced by Amazon is unrealistic expectations from employees. To identify key performance indicators of employees, Amazon Uses rank and yank performance management system. In this system, employees of Amazon are ranked by their managers. Employees falling last in the rank are terminated. This create unnecessary pressure over employees. They cannot overlook their

performance over their personal life. Amazon also uses real time tracking. Everything at Amazon is measured. For example, the employees of warehouse monitored by a system which keeps accounts of the number of boxes packed by employee per hour.

The third issue faced by Amazon is its bad working condition. The wages offered by Amazon to its employees is also very low. It is because Amazon hire thousands and thousands of employees every year and most of them are temporary. Temporary employees are hired to fulfill the increased demand at the time of season. Amazon also offer bonuses of its employees. Amazon offers its employees stock option plan where employees are transferred to the position of owner of company. Amazon has not divided this stock option plan evenly over years. It is 5% in the first year, 15% in the second year and 40% in the third and fourth year. Thus, if employee leave the company in the first year, they have to return the signing amount. In case employee leaves the company in the second year, he has to pay relocation package. This long wait for the stocks and uneven distribution further demotivates the employees.

The fourth issue faced by Amazon is hyper competition. It is due to this hyper competition that Amazon is looking for stars rather than employees. The hiring process of Amazon is designed in such a way that it only recruits the super star employees. Amazon require employees who can survive in this competitive world. Amazon also depicts Purposeful Darwinism in its functioning. The White-Collar employees of Amazon are required to participate in routine meeting where they are supposed to be well-versed with a report of around 60 pages with all the facts and figures on their fingers. Managers often review their employees by asking them these data during the meeting. According to employees, this practice in Amazon is purposeful Darwinism where each employee is competing with other. While the intention of this meetings and questioning over data is right but it is causing negative consequences. Instead of understanding the significance of vast customer data available to employees, they are busy in competing with each other who remember more.

The fifth issue faced by Amazon is age discrimination. Amazon has left such an image over its employees where they feel that Amazon will prefer employees who are young and energetic and will work on lesser salary package. An employee who is 40 years old is in constant pressure that he will be replaced by a 30 year old and a 30 year old employee is always in constant pressure that he will be replaced by an employee in his 20s. This result into unnecessary pressure over every employee.

Significance of these issues

The first issue toxic work culture is significant because if it prevails in the working environment of any company, it results into performing people to leave the company. The second issue unrealistic expectation from employees is significant as if it prevails in the working environment of any company it results into unnecessary pressure over employees which can causes stress. The third issue bad working condition is significant because if it prevails in the working environment of any company, employees may go on strike till the situation improves. The fourth issue hyper competition is significant because every company tries to survive in competitive environment by framing different strategies. The fifth issue age discrimination is significant because it is illegal to discriminate an employee on the basis of his age rather than performance. It may arise legal issues for the company.

Implications for Amazon

In spite the fact that Amazon is the leading company in online retailing, its employee turnover is very high due to the bad practices described above. It not only increases the cost of recruitment and training of the employees but also Amazon loses its performing employees. There are chances that Amazon may face legal obligations. Hence, the issues discussed above are influencing the business activities of Amazon negatively.

CASE ANALYSIS

Relevant theories which critically examine contemporary management issues are as follows-

The theory of stress and coping is totally relevant to the issue one, two, three and four discussed in this report. Work related stress occurs only when an employee is given a task which is not in accordance with his capabilities and knowledge of the employee. There are various situations in a company which may result into stress for employees. For example, when employees get very little support from their superior or they have almost no control over the process of job. Sometime stress in an organization occurs only because of bad management practices. In this case, Amazon employees are facing stress due to long working hours and no work life balance. Additionally, they are treated like machines rather than human as company is focusing more over fulfillment of goal.

Another theory which is relevant to the issue one, two, three and four discussed in this report is work demand or stress hazard at work. According to this theory, stress at work may arise due to job content such as monotonous Job; Too much or too little work; Pressure to complete the work in limited time period; Rigid, long or unpredictable working hours; Lack of employee participation in decision making; Lack of control of employee on production process; Lack of career growth opportunity; job insecurity; Pay scale, lack of promotion opportunity; Poor performance evaluation system; Unclear role and duties of job; Improper supervision; Lack of harmony in group; Workplace harassment and violence; poor communication system; lack of proper leadership; Lack of clarity related to objective and strategy of company; Lack of support from superiors; poor work life balance etc. In the case of Amazon, the reason of stress is long working hours, poor performance evaluation system and poor work life balance.

The theory which is irrelevant to issue 5 is Equity diversity and inclusion. Equity diversity is a wide term which is used for all kinds of differences such as gender, age, income, occupation, caste, religion, colour, race etc. Inclusion means people with similar interest forms a group. But each member of group is different in some way to other. In case of Amazon, the discrimination was done on the basis of age. Amazon prefer younger employees in its team as they are energetic and have less commitment outside the work.

There are two models for age discrimination which are traditional model and new model. There are various companies which are facing the issue to deal with the employees who are aging. In traditional model, the salary of employee increases with increase in his age and at last he retires from his job after achieving a particular age. Problem with this model is that the retirement age of employees is very high and every year the talented candidates who to get past from their academics lack employment opportunity. The solution to this issue is offering voluntary retirement packages to aged employees. On the other hand, the new model removes the relationship between age and pay scale. This model deals with retirement in phases. In phased retirement, the aged employees are called to work on a particular project only or they are called only when the work load is high. This model faces challenge of the Discrimination Act related to age discrimination. Thus, it is difficult to bring this model in practice. Amazon is also practicing age discrimination by encouraging more young employees in it's staff as they are more energetic committed and cost less.

SOLUTIONS

Effective solutions to these issues are discussed below-

One way to resolve issue 1, 2, 3 and 4 is to develop Mentally healthy workplace at Amazon. Supportive and positive work culture can be established at Amazon by committed leader, supportive managers, flexible and safe practices at workplace, giving respect to each and every employee, transparent and open communication system, and creating awareness related to healthy working environment.

The issue 1, 2, 3 and 4 can be also resolved by developing awareness programs for both employers and workers to develop mentally healthy workplace at Amazon. Amazon can provide access to practical guidance related to work for everyone on their website. Amazon can arrange training programs for their employees and managers. Amazon should develop opportunities where employees and managers can support each other. This will result into more clarity between employer and employees.

Another way to resolve issue 1, 2, 3 and 4 is to create work life balance at Amazon. There are various strategies to create a work life balance. One such strategy is engagement strategy which involves allocating and changing work and family goals according to priority. Another strategy is disengagement strategy which involves sequencing and revising the work and family goals according to priority. The managers at Amazon can also allocate work in a manner that employees have time for family at weekend. In such positive environment, employees also overlook their family function for completing the organizational goal on time.

Issue 5 workplace discrimination based on age can be resolved at Amazon by commitment from top management to ensure secure diversity in organization, increased employee participation, transparent and open communication system, both employees and employers should be encouraged to change their point of view related to discrimination. Managers should avoid stereotype and biasness while dealing with employees. Managers and employees should accept and understand other's point of views also. Amazon can improve the intercultural communication of employees and managers through training and motivating them to interact more with each other. Managers should create such an environment for employees so that they feel free to discuss their problems with them. Managers should be supportive and flexible to work the diverse needs of its employees such as asking for leaves on a particular religious festival. Apart from this, the key performance indicators for performance evaluation should be objective rather than subjective as it removes biasness. Even managers can be rewarded for effectively managing diverse organizational culture.

Amazon should develop and organizational culture which has zero tolerance to discrimination. It can be done by developing an inclusive leadership at Amazon. Each employee should be encouraged to treat other employees fairly. Each employee should treat every other employee as group member. Employees should be open to word others point of view. Amazon is discriminating on the basis of age, thus, managers should see every employee equally in terms of energy and commitment to work.

RECOMMENDATIONSRisks for Amazon if the issues and challenges are not addressed

If Amazon does not address its issue 1- toxic work culture, it may cost a lot to Amazon leading its business to close. It may also result into emergence of unethical practices into organization. There will be an environment of fear into the organization due to lack of trust and empathy among employees. If Amazon does not address its issue 2- unrealistic expectations from employees, it may result into reduced Quality of work. Employee may start to focus on completing the task quickly and go home early rather than focusing on Quality of work done. It may also increase the the operational cost of Amazon. If Amazon does not address its issue 3 - bad working condition, it may reduce the productivity of employee even if he wants to perform better. It may result into lower profits for Amazon. If Amazon does not address its issue its issue 4 – Hyper-competition, it may reduce the market share of Amazon in online retail business around the world. If Amazon does not address its issue its issue 5 – age discrimination, it may not only demotivate the employee, damage relationship of employer and employee but also has legal liabilities. Practice of Amazon to give priority to younger employees in hiring process may lead to an environment of insecurity in the workplace and also cause legal liability.

Advantage and disadvantage of solution suggested

Develop Mentally healthy workplace and awareness programs at Amazon, will lead to better work experience and increased morale of employee. But all these programs incur costs and the outcome of such programs are also uncertain.

Creating work life balance at Amazon may lead to real benefits to both employer and employees by increased productivity, reduced employee turnover and absenteeism, increased loyalty and confidence. But WLB may result into increased distraction for employee, lower productivity, decreased innovation and lack of communication due to employee focusing more on family life.

Managing age discrimination will bring benefits of experienced employees in organization and loyalty of employees. But keeping old age people in organization may result into difference of opinion, resistance to change and increased operational cost for Amazon.

CONCLUSION

The contemporary management issues faced by Amazon are toxic work culture, unrealistic expectations from employees, bad working conditions, hyper competition and age discrimination. If Amazon does not address these issues it may lead to reduced quality of service and decreased market share. These issues can be resolved by developing mentally healthy workplace and awareness programs, ensuring work life balance and avoiding age discrimination. These efforts may improve employee morale and their productivity. But the results of all these efforts are uncertain. But it is worth to make effort.

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