Question: Case Study Amazon.com: Selling Employee Performance With ...

Case Study

Amazon.com: Selling Employee Performance With Organization and Leadership Review

Amazon.com, which started as the biggest online bookstore, has become a household name by expanding rapidly in the retail market. It offers millions of movies, games, music, electronics, and other general merchandise products in several categories, including apparel and accessories, auto parts, home furnishings, health and beauty aids, toys, and groceries. Shoppers can also download e-books, games, MP3s, and films to their computers or handheld devices, including Amazon's own portable e-reader, the Kindle. Amazon also offers products and services, such as self-publishing, online advertising, an e-commerce platform, hosting, and a co-branded credit card.

To keep this megastore running at a fast pace, Amazon hired 115,000 employees who generated $74 billion in 2013. Target and Home Depot made a combined income of close to $74 billion in the same year, yet they employed more than 340,000 people between them in their retail stores. Why does Amazon only need one-third of its competitors' labor force to produce the same revenue? Like the other mega-retailer, Wal-Mart, Amazon has delivered creative business solutions to their own processes to continuously increase their operating effectiveness. However, their strategy focuses on enhancing the customer shopping experience and providing excellent customer service rather than providing the lowest-priced products. To meet their customers' needs, Amazon must deliver more speed and efficiency in its giant warehouse. They use more automated work processes that reduce the company's operational costs and also increase labor efficiency and employee safety.

The quality of Amazon's warehouse labor has become the critical issue in the firm's success, and hence, hiring and retaining the best, most suitable candidates for the company's manual labor positions is a key success factor. That being said, Amazon's turnover rate at these lowest-ranked positions in the organization is high since Amazon lets go of its lowest-performing employees to make room for new, more appropriate candidates while promoting the very best. To detect the lowest- and highest-performing employees, Amazon initiated a performance evaluation system called the **Organization and Leadership Review (OLR).**

OLR has two (2) main goals: (1) finding future leaders and preparing them to be able to face the most challenging tasks presented in a fast-paced work environment; and (2) determining the 10% of employees who are the least effective and taking necessary corrective action with them. OLRs take place twice a year to grant promotions and find the least effective employees. Only the top-level managers attend these meetings, where there could be two reasons why an employee's name may be mentioned. Either the employee is being considered for a promotion, or the employee's job might be at stake.

OLRs start with the attendees reading the meeting agenda. Then supervisors suggest the most deserving subordinates be considered for promotion. All executives in the room evaluate these suggestions and then debate the alternatives. Promotions are given at the end. During the process, instead of using hard data, executives tend to evaluate employees' performance on the basis of personal, anecdotal experiences. Anyone in the meeting may deny a promotion; therefore, ambitious employees seeking a promotion should also be very friendly with their boss's peers. If an employee's supervisor cannot present that worker well enough, another's favorite subordinate will get the promotion.

In terms of promotion, Amazon CEO Jeff Bezos expects the managers to set the performance bar quite high to allow only the most exceptional talent to progress. Promotions are protected by well-written guidelines, which focus on delivery and impact but not on internal politics. People spend less time campaigning for their own promotions, and top performers are highly compensated based upon the quality of their work. Therefore, only a few promotions are available each year, and receiving positive feedback from a supervisor is quite rare. The approval that employees get from their supervisor is not enough to earn a promotion; employees still have to "fight" for a promotion, which may not occur immediately.

Direction: Answer the following questions. Support your answers with explanations. (5 items x 10 points)

1. What performance appraisal problems were implicitly mentioned in the study?
2. How might these problems impact the accuracy of the Organization and Leadership Review (OLR)?
3. How would you correct the effects of the PA problems mentioned in the study?
4. Which appraisal method/s most closely resembles OLR?
5. What appraisal method do you think would best meet Amazon's objectives of retaining the best employees while initiating corrective action with the bottom 10%? Justify your chosen appraisal method.

Human Resource Management

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Expert Answer

Anonymous answered this
80 answers

Was this answer helpful? 1 0

Ans.1 Problems addressed in performance appraisal is that during the process, instead of using complex data, managers often evaluate employee performance on a personal, anecdotal experience. The management peers have a say in this.

Ans.2 The above factors affect the accuracy of the Organization and the leadership review (OLR) by contributing to internal politics. The employee will be spending time entertaining the people around him to get a promotion. This will affect the quality of the employee's work.

Ans.3 Management peers do not need to have a say in job promotion. Even o avoid the choice made by the manager the rating manager should be made.

Ans.4 OLR is similar to a 360 Degree Feedback which is a multidisciplinary test that evaluates performance using only feeds from managers, peers, etc.

Ans.5 In my opinion a goal-oriented rating would be the best way Amazon could place its employees. In this way the objectives are preceded by the type of work and the required standards. If an employee meets the original objectives he or she may be considered for promotion and if the employee falls behind on many other job-related objectives then corrective action may be taken. The Objective-Managed Objective (MBO) Expert Response Method best fits well with Amazon's goals. Because this method is used to match the principles of the Organization. In this way managers, supervisors and staff identify, plan, organize and communicate objectives that will focus on the evaluation period. There will be periodic discussions to achieve the goals set. Success is rewarded with promotion and failure to transfer or other ongoing training.

Comment

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What performance appraisal problems were implicitly mentioned in the study ?

Expert Answer

Problems of Performance Appraisal

8 Major Problems: Appraiser Discomfort, Lack of Objectivity, Horn Error, Leniency, Central Tendency Error and a Few Others

Performance appraisal is always flooded with criticisms, and is criticized in most of the organizations. Appraisees are generally unhappy with ratings of the appraisers. One of the reasons might be inadequate training of the raters or appraisers. Other reasons may be ascribed to appraiser discomfort, lack of objectivity, halo error, leniency or strictness, central tendency error, recent behaviour bias, personal bias (stereotyping), and manipulating the evaluation.

1. Appraiser Discomfort:

It has been evidenced that many performance appraisal reports neither motivate the appraisees nor provide effective guidance to them. Rather, the reports create conflicts between the appraisees and appraisers that lead to dysfunctional organizational environment. It is also seen that appraisers do this job as an obligatory duty. But they should treat them as a tool for organizational development, derive pleasure, and love to do this. Organizational climate can effect this attitudinal change.

2. Lack of Objectivity:

Some human characteristics or factors such as appearance, attitude, and personality cannot be measured as these are subjective in nature. Moreover, they have little to do with the performance of an employee. The subjectivity poses problem to the appraisal method, though it cannot be totally avoided.

Mondy (2009) opines that employee appraisal based primarily on personal characteristics may place the evaluator and the company in untenable positions with the employee and equal employment opportunity guidelines. The firm may be hard-pressed to show that these factors are job-related.

3. Halo/Horn Error:

During appraisal, one performance feature or incident often influences the other features or incidents. Generally, one positive feature results in high ratings of other features, thus making the overall rating very high. Halo errors mainly occur in immeasurable or subjective features such as obedience, sobriety, devotion, etc.

Similarly, horn error occurs when the appraisee, considering one negative feature, rates other features or incidents at a lower level. In fact, no appraiser should mix up one feature with other features. Thus, generalization must be cautiously avoided.

4. Leniency or Strictness:

Some appraisers, while appraising, compromise with strictness, and become very lenient and accordingly rate very high than the actual ranking. In fact, they intend to keep away from controversy. This sort of leniency makes an under performer equivalent to a good performer. Let us recall that, 'there is nothing so unequal as the equal treatment of unequals,' as 'different folks should get different strokes.'

If the appraiser is lenient, he/she cannot identify some deficiencies that can otherwise be corrected after identification. Thus, leniency error leads to working with unidentified deficiencies and prohibiting a person from individual development.

Organizations cannot conduct training programmes for the underperformers for leniency errors committed by the appraisers. Again, some appraisers are unduly stricter than they should be. This results in strictness error, as appraisees get lower rankings than they should. Both leniency and strictness errors are chronic problems in performance appraisal. Many organizations follow a system of normalizing the ratings.

5. Central Tendency Error:

Many organizations design their appraisal forms seeking the appraisers to mark or tick against attributes. Generally, appraisers evaluate appraisees near the average or in the middle of the scale. Appraisers avoid controversy as employees are rated in the fully satisfactory range.

6. Recent Behaviour Bias:

Formal appraisal is conducted generally once in a year. During appraising the appraisers, remember any good work done, commendable behaviours exhibited, and remarkable contribution to the company only in the recent past. They cannot keep in mind the good or adverse behaviours exhibited in the beginning of the appraisal period, unless they are recorded. Recent behaviour bias is a natural happening as they flash in the memory easily; but it is difficult to recapitulate what happened in the distant past.

7. Personal Bias (Stereotyping):

Similarities and dissimilarities between the appraiser and appraisee often influences the appraisal system. Pitfalls in the appraisal system occurs when gender, caste, creed, colour, race, and ethnicity of the appraisee influences the appraiser. Some appraisees may get favoured while someone else may not.

Managers establish a high image about those who bear similarities, and rate them comparatively higher while the other group is rated lower than they should be. Mondy (2009) confirms that mild-mannered employees may be appraised more harshly because they do not seriously object to the results. But appraisers take care when they appraise out-spoken employees.

8. Manipulating the Evaluation:

Nepotism and preferential treatment continue to influence the performance appraisal of employees. A supervisor having interest to promote or give a pay hike to a subordinate close to him can manipulate the entire appraisal. He rates the subordinate higher and gives high performance evaluation points/grades which the subordinate may not deserve at all.

Similarly, the supervisor may not like another person who is argumentative, outspoken, and confronts often. In such cases, the supervisor evaluates him lower than the actual. If that person is close to an influential person and happens to be a member of any protected group, he exerts pressure and the smooth working of the department is disturbed.