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**Amazon - Factors contributing to the Organisational
Performance**

Report – Part 1

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Introduction

This essay will access the organisational structure and organisational culture as two of the main factors that contribute to the organisational performance. The concepts of organisational structure, organisational culture and organisational performance will be explained as necessary, after which some discussions will bring ideas about the essential roles they have in an organisation and how are they related. At the final part this essay will focus on how the structure and culture can contribute to the performance in an organisation. As a practical example is chosen Amazon.com Inc, which in the report will be called only Amazon.

Amazon Inc. - Background of the organisation.

The Amazon.com Inc. has been founded by Jeffrey Bezos in 1995, with its first location of trading in Bellevue, Washington, and his sponsors were his parents. During the first two months Amazon, had made sales in all 50 states of US and in over 45 countries. By now, 2020, Amazon is operating in 14 countries, and has 5 different business separated as five divisions. The employees of Amazon, as per the last information for 2020 are 840,400 (50 MInutes.com, 2020).

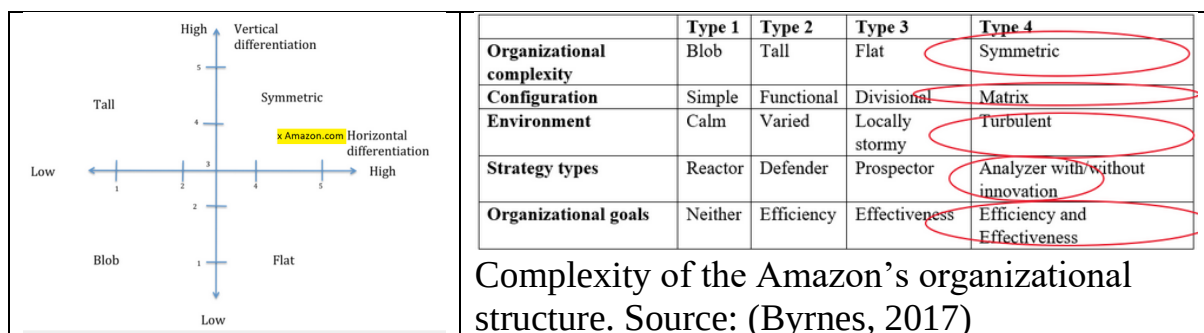
Organisational structure

There are many definitions of the concept organisational structure, but still all of them explain one same thing, that is why for this work was chosen that one, which the author thinks it is one of the best. The global strategic management consultant, Norwegian by origin and founder of a university, Kjetil Sandermoen (2017), has stated that organisational structure is configured system of rules and regulations regarding the management of the operating system of a business, which best serves the achieving of its objectives. An organisational structure is the result of systematic, deliberate planning and it is shaped more by politics than by policies. Further the scientist explains that the bad structure will surely bring problems, but changing of structure will also not solve the problems in once. That is why the structure of an organisation should be organised in a way that will build an environment in which the strategic objectives of the organisation are most likely to be achieved. The correct organising of the structure of the organisation will help to easier solve all upcoming problems (Sandermoen, 2017).

Moreover, the contingency theory claims that there is no best way of organising a corporation, of leading a company, or making decisions, but it depends of the external and internal situation (Donaldson, 2001).

This explanation concerns the creating of an organisational structure and how this process is important for the future of the business. This is also connected with the chosen example of Amazon company, which organisational culture was defined as being complexed. The complexity of its organisational structure seems to work very well for the achieving of the organisational objectives.

Accessing the complexity of the organisational structure of Amazon, Joe Byrnes publish the following two diagrams (See below) which have been done in order to find the actual organisational structure of this company.



This explains in details why the organisational structure of Amazon cannot be just classified to one of the classic types. It is believed that the Sandermoen's theory about how to be built an organisational structure has been used in Amazon's case. Its organisational structure has been classified as symmetric, which can be classified as Matrix, but that doesn't exempt it from internal structural changes and the existence of substructures. Matrix configurations can be like both, functional and divisional configurations, based on which the Matrix organisational structure cover the requirements of the business, which has to have divisional structure because it is operating in different countries and has to follow different law, rules and regulations, and at the same time, the functional configurations serve the fact that Amazon is online retailer and e-commerce, and its computing services can operate independently of the retail aspects of the business, as well as they are a sizable part of the overall business (Byrnes, 2017).

The case with Amazon is a proof of the Sandermoen's theory of building an organisational structure that serves the needs of the business in a way that its objectives can be achieved easily, and their upcoming problems solved easily.



This is the take home message: A good **structure** is a design that will create the best environment for your intended outcome.

Source: (Sandermoen, 2017)

Organisational structure is making the path of the business to its success, but then there are more internal and external factors that will help or suspend the business to achieve its goal, some of the internal of which are the organisational culture and organisational performance.

Organisational culture

The concept of organisational culture has been studied by researchers for decades. The culture of an organisation has been described as its personality,

because it is concerning the attitudes, beliefs, values, and norms of behaviour of the individuals engaged by the company (Cunliffe & Luhman, 2013). The organisational culture impacts on the organisation by different ways: culture shapes decision-making models; culture guides the behavior of all employees in the organisation; the culture could direct organisational actions (Cunliffe & Luhman, 2013).

Recently, there has been a growing interest in the issues arising from the influence of organisational culture in project management. In examining organisational differences, Joan Rentsch has found that if a greyhound from one group viewed organisational events in a similar way, while if people were from different groups, they attributed different meanings to the same organisational events. Such results help to draw the complex conclusion that: 1) Organisational events are perceived differently by the members of an organisation, regardless of how homogeneous its culture is; 2) Subcultures are created in the separate groups, which play the role of a kind of filters for perception or cognitive schemes through which the incoming information from the organisation as a whole or from other groups is distorted and changed, and so its meaning is no longer the same; 3) Knowing that interpretations in different groups are different, managers can use the fact to change or affirm the meanings of things in the organisation (Jones, et al., 1991).

The organisational culture of Amazon is built in a way that enables business capacity to respond to the demands of the e-commerce market. Generally, the Amazon's organisational culture can be explained as innovative and continuously developing culture. This could be explained with the fact that the corporate culture pushes employees to go beyond the traditional limits and conventions in order to develop bright ideas and solutions. Amazon is continuously looking for new talents and in order to maintain a capable workforce the company is forcing its organisational culture to shape the development of HR for a long-term competitive advantage (Mayer, 2017).

Amazon's cultural characteristics have the advantage of supporting innovation, as well as it is customer focused, which ensure consumer is well satisfied. There is also a disadvantage, which comes from the fact that the so built company's culture imposes a strain on HR, mostly when it is pushing the employees taking a bold and peculiar non-conventional approach in doing their jobs (Mayer, 2017).

Described as such, Amazon's distinctive organizational culture encourages a productivity-oriented environment that, however, fires employees for innovation in the pursuit of an exceptional, ever-improving customer

experience. Its brand identity is based on providing the same this destructive innovative experience to customers (Yohn, 2018). How though the organisational culture impact on the organisational performance is another situation to be examined, as generally, as particularly for the Amazon.com, Inc.

Organisational performance

Organisational performance is the real output, or real results of an organisation, which can be measured by a few specific areas of business' outcomes, which are financial performance, product market performance, and shareholder return. The output of a business depends of many factors, such as human and cultural factors, management philosophy, organisational culture, natural resources, all internal and external factors, organisational climate, motivated behaviour and team work, structure and leadership style, etc. Some variations in performance are the result of individual differences, but ultimate organizational effectiveness can also be significantly influenced by organizational systems, processes, structures, and culture (Cameron & Quinn, 2011).

In order to increase their organisational performance, the organisations use different tools and helpers, such as financial injections as a help from banks or investors, quality tangible and intangible resources, good sets of technological devices and machines, specific business strategies, innovation of products and services, etc. They are though not the full set of tools and helpers needed for an organisation to exist, to be able to produce and trade. Each business needs money, resources, technology, etc., but the most important of everything are the human resources. Human resources are who will have to make the strategy work, the machines work, the technology get in use, the resource get into use too, and everything that have to be managed, will need a human to do it. Here is where the importance of the people comes into consideration. The people an organisation hire turn into its human resource and intangible capital. It is important that they are educated, with the relevant qualification and have enough skills to do their job duties. After that it is important to be trained and retained within the organisation, because the more competent and skilled they are, the higher are the performance and competitiveness of the organisation (O'Boyle, 2015).

Organisational performance of Amazon is a result of a functional organisational structure, which is focused on business functions that serve as bases to determine the interactions among components of the organisation. The society calls the Amazon's performance management a stack ranking. This performance measurement is a way of rating the employees against each other on an annual basis (PerformYard, 2018).

Amazon is using the **Six Sigma** method, which can be defined as a set of techniques and tools for process improvement. This method was introduced by the American engineer Bill Smith while working at Motorola in 1986. The method helps identifying the causes of defects, which helps improve the quality of the output. The six S for Six Sigma are Sort; Set in order; Shine; Standardize; Sustain; and Safety. There are 7 Six Sigma principles that are significant for the way Amazon works, the first of which requires to always focus on the customer (Process.st, 2018). Amazon can gain an advantage by using a data-driven approach with clear metrics to measure the behavior of both users and employees.

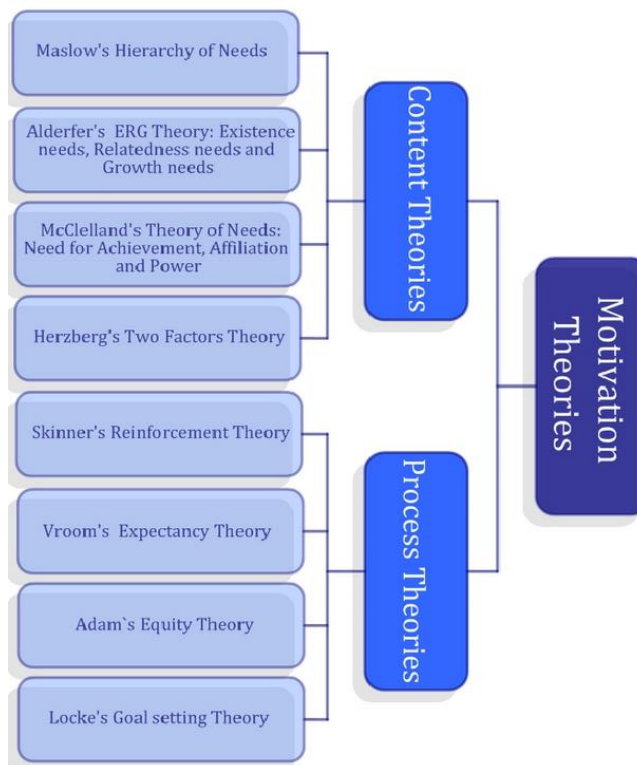
But how a strategy or method can be successfully implemented and work, is a matter of the organizational structure, which determines the management paths in the organization, as well as the efficiency level of the internal organisational communication, as well as the organizational culture, which determines the perception of the strategy, as well as its implementation in the practice.

[Relationship between structure, culture and performance in an organisation.](#)

Organizational performance has long been the subject of study by the business scientists, and all of them define that the most significant impact on the organisational performance is caused by the organizational structure and culture (Hutchinson, 2013).

Also, as it was explained above, the structure is created according to the needs of the business to achieve its goals. This determines the role of the organizational structure in the operation of a business, because it depends on

achieving the ultimate goal for which this business was started. This makes the structure the general influencer of all further organisational systems and environment. The organizational structure creates the climate and the prerequisites for the formation of the organizational culture. As already known, the organizational culture has a direct impact on employees and the way how they perceive information in the team (Peterson, et al., 2011).



Motivation theories. Source: The Author's own figure.

Analysing the motivational principles of Amazon, could be noticed the scent of **the Locke's goal setting theory**. This Theory was formulated by Edwin Locke and Dr Gary Latham and it contains five goal setting principles: Clarity; Challenge; Commitment; Feedback; Task Complexity.

The motivation tactics of Amazon and how they refer to the Locke's goal setting theory:

- Compensation is considered competitive – Competition is challenging
- Transparency and precision are stressed – Refers to Clarity
- Electronic systems monitor productivity – Commitment and Task complexity.
- "Rank and Yank" system – for this system of motivation to work feedback is required.

- Most distinct belief: Harmony is overvalued (Prezi, 2020).

According to the creators of the theory, in 90 percent of the cases implementing it leads to higher performance or, “do your best” goals (MindTools, 2020).

Amazon has made their tactics of motivation based on the Locke’s goal setting theory, and it works very well. Their performance is measured by the customer’s base, because if they fail to provide excellent service, then the customer base falls, thus the Amazon’s revenue will decrease, which will impact on growth, shareholders trust, and stability (Yohn, 2018).

For this theory to be used as basement of building motivation tactics everything depends on and is based on the organizational structure, which determines the order in which decisions are made in the organization. Then everything is a chain reaction from the structure to the culture, which in turn become the basis for creating motivational systems and managing organizational performance. However, there is no motivational theory that offers a 100 percent basis for creating a secure motivational system. It all depends on the overall organizational structure, climate, culture and employees’ perception. Every organisation has its different needs, unique approach and individual solution of the organisational problems (Jones, et al., 1991).

Conclusion

This report has completed the tasks and reached its goal by achieving a number of objectives. One by one the elements of the organisational operating system were explained and their importance for the final results and the organisational performance was proved and explained. A range of theories were explained, which were chosen by the way they were discovered as being part of the organisational activities of the company used as an example. i.e. Amazon.com, Inc. The order of the discussed organizational elements such as structure, culture and performance were arranged according to their strength of influence on the other elements of the organizational activity. Most importantly, the purpose of this report was successfully achieved.

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