

CIO Corporate innovation online

Innovation management best practices

Amazon, at the moment, has the ‘secret sauce’. CIO unpacks its management practices and compares them to 3M

April 12, 2018

3M is CIO’s pick for the corporation – from those researched - which has the best set of management practices to encourage innovation, but that election cannot now ignore Amazon’s decade of success. Is there something to be learned?

CIO has rated twenty-five Factors for several companies including 3M and provides a rating for each Factor; essentially providing a rating for various management practices or policies, which encourages or discourages innovation,

Overview

Amazon may have, at this time, a unique set of innovation management practices.

Bezos believes that Amazon has three elements which make a difference; 1. other companies are focussed on the competitor rather than the customer, 2. they prefer to be close-followers rather than inventors and 3. “we are long-term oriented, and we genuinely like to invent.”¹ Perhaps that’s four elements!

CIO believes that there are additional ‘elements’, *more than the three/four that Bezos has identified* which make a difference and, because of their combination, make Amazon unique.

Joy Covey articulated part of the secret sauce when she wrote. ‘Can we really think of any other company approaching Amazon’s size or age that continues to mover forward with the boldness, risk-taking, innovation, and the long-term perspective that Amazon shows. Jeff’s clarity, intensity of focus, and ability to prioritize, which has no doubt become ingrained in his key team, is unusual and behind his ability to keep leaping forward versus protecting existing ground’.²

¹ The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

² Joy Covey’s letter to Brad Stone – lightly edited by Stone



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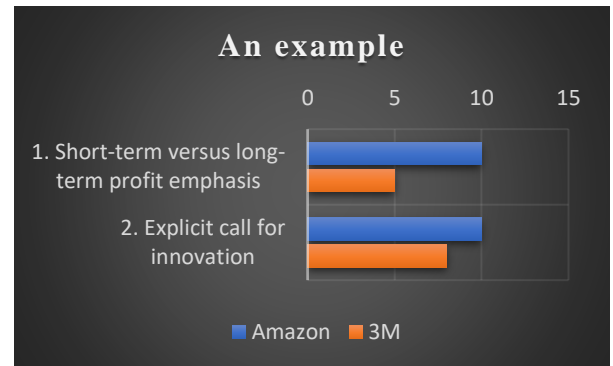
Amazon

Amazon rates higher than 3M for some Factors

The ‘Innovation management score card’³ is a clear way of setting out management practices which make a real difference to the culture for innovation in an organization.

For example, take Factor #1, which rates managements’ emphasis on short-term versus long-term profit.

Since its inception, Amazon has focussed on growth and much less on profit maximization. As a start up this is expected but most would now regard Amazon as being beyond the start up stage and believe it should refocus efforts to maximize its profits without, of course, sacrificing growth and investment in new ventures.



CIO, for Factor #1, rates Amazon above 3M since its emphasis has clearly been on growth and not so much on profits. This does not endorse Amazon’s lack of focus on profits but rather states a difference in emphasis by top management. Amazon places even more of an emphasis on long-term profits than does 3M. Some would say too much. On the other hand, 3M, a company with a long history⁴, remains rated highly for its entrepreneurial culture.

As measures of management’s effectiveness, 3M’s return on assets⁵ is 13% and has a 44% return on equity. Amazon’s numbers are 2.39% and 12.91% respectively with very few years showing a profit.

3M is rated slightly lower than Amazon for having an ‘explicit call for innovation’ since, over the last two decades Amazon has been all about innovation. 3M’s reputation for innovation, gained over a century, places it above all companies which CIO has researched.

But focussing on only one or even two Factors is insufficient to get a handle on why Amazon has been so successful.

Comparison between Amazon and 3M

Seven Factors rated higher than 3M

While the ratings for both organizations are close for most of the Factors, there are some significant differences. The ‘Innovation management score card’ set out in the Appendix

³ See Appendix

⁴ See CIO’s Innovation management report on 3M for the details

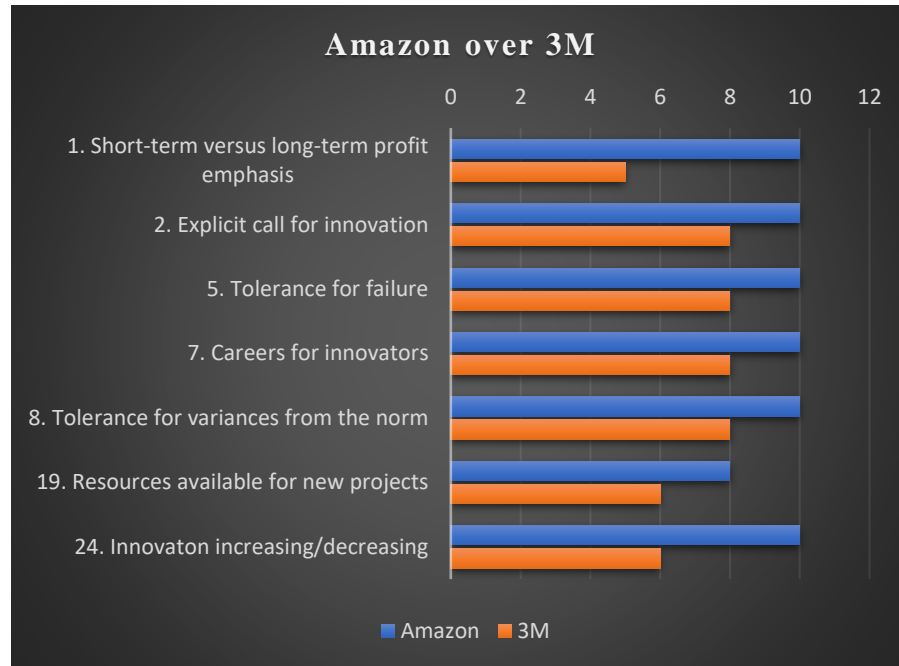
⁵ Yahoo, March 28, 2018

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summarizes the ratings for each of the twenty-five Factors. Information and anecdotal notes in support of the ratings is provide in the Appendix.

Amazon gets a higher rating than 3M for the following Factors although the differences are in most cases not significant.

- Factor #1; profit emphasis is on the longer term (see note above)
- Factor #2; an explicit call for innovation (see note above)
- Factor #5; tolerance for failure
- Factor #7; careers for innovators
- Factor #8; tolerance for variances from the corporate norm
- Factor #19; resources available for new projects
- Factor #24; innovation is increasing

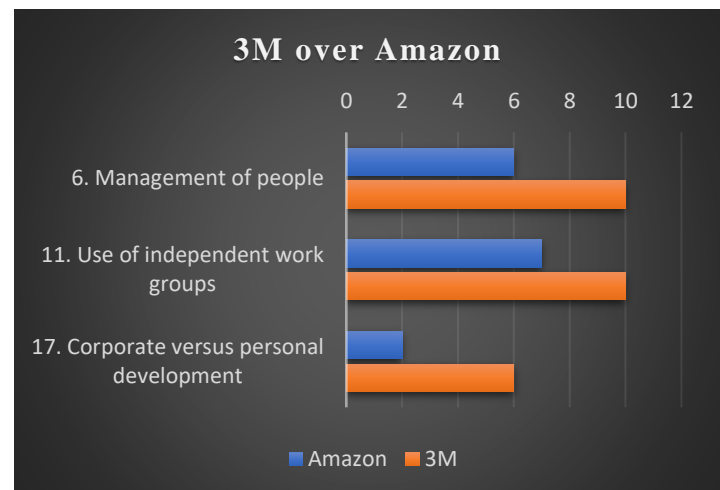


3M rates higher than Amazon for the following Factors

- Factor #6; management of people
- Factor #11; use of independent work groups; a proxy for the willingness to delegate
- Factor #17; corporate versus personal development; 3M's 15% rule (time allotted to personal projects or development) has been in existence for decades

Seven Factors are rated similar as between Amazon and 3M.

- 3. Tolerance for mavericks
- 9. Tolerance for uncertainty
- 12. Collaboration
- 13. Decision making is short and informal rather than drawn out
- 14. Rewards for innovation
- 16. Attitude to M&A
- 22. An innovative tradition



In summary, Amazon, now, has seven practices which are rated higher than 3M and seven Factors which are rated as equal.

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The bundle of Factors which make for success in innovation at 3M

Which combination of Factors make for special (a combination which makes for uniqueness) success at 3M?

Based on earlier research into 3M's management practices⁶, there are nine management practices and policies which differentiated 3M from other companies researched by CIO.

While 3M has been rated higher than many organizations for most of the twenty-five Factors which make up this analysis, nine Factors stand out as exceptional thus, through their combination, making 3M different than many companies.

These nine characteristics were compared in earlier research to CIO's Best of Breed (BoB). 3M rated better than the BofB in four Factors and were equal in the remaining five Factors.

So, if these are the Factors which make for 3M's success over the longer term, which are the Factors which contribute to a uniqueness for Amazon?

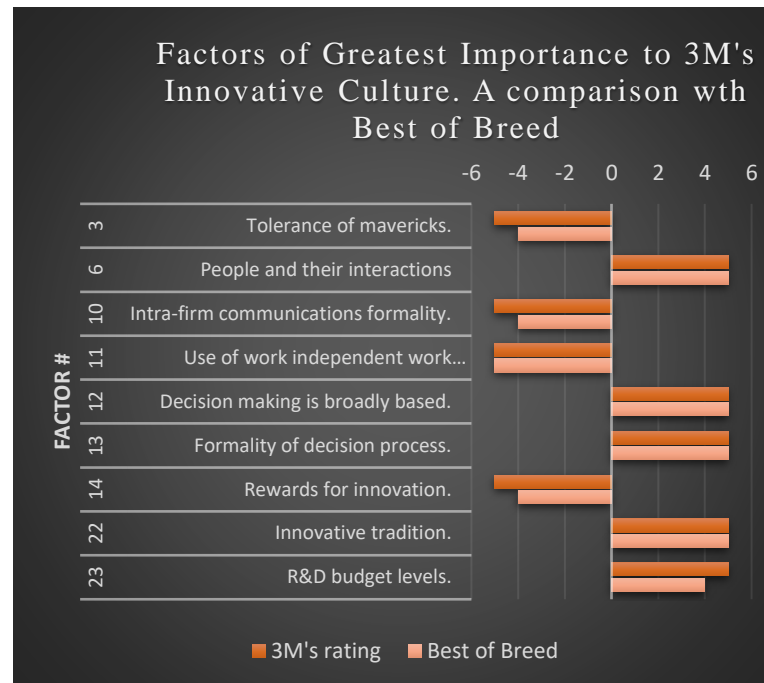
Amazon's bundle

Seven Factors give Amazon an advantage

Seven Factors, as noted above, are rated higher for Amazon than for 3M. Of these, Amazon's focus on growth and not profits are, given their stage of its development, unique. Amazon's rating for the other six, while high are not unique to high performing companies.

The rating for Factor #23, which addresses spending on research and development and its consistency over the years, is higher for 3M since their spending on R&D as a percent of sales, are both consistent with their competition and the industry, 3M is rated higher given its consistency for over a century. Longevity does figure into the ratings.

CIO's Factors, which focus on innovation management per se, do not however provide the whole answer to Amazon's success.



⁶ For details, see CIO's innovation management report on 3M

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Amazon's differentiators

The secret sauce; not so secret

CIO's opinion, based on the research conducted so far, is that there are several management practices which are very important to Amazon's historic and perhaps to its future success.

Amazon, i.e. Bezos and Jenson, drawing on Collin's concept of a flywheel, or self-reinforcing loop, took the view that this cycle (see diagram) 'powered their business'.⁷ Bezos took the view that this 'flywheel' should not be included in presentations as it represented Amazon's 'secret sauce. Feed any part of the flywheel should accelerate the loop!



Are there other Factors which are significant and do they, in combination, make for a unique profile?

- Amazon's over-the-top focus on growth over profit is unlike most companies CIO has researched. Share price increase and not profit nor return on investment is the major contributor to incentives for management. This may change as it may be difficult to justify the P/E ratio over the longer term with only a growth driver.
- There is an extremely high tolerance for uncertainty as evidenced by top managements' (perhaps focussed on Bezos himself) record of decision making regarding acquisition and new business ventures. Many losers were amongst the winners to the point that Bezos current view, after the period of unsuccessful acquisitions is that organic growth is the better route to growth.
- The decision process, for an organization moving upward to over 200,000 employees, is short and informal but is still oriented toward acting as one would find in a smaller entrepreneurial organization.
- Frugality, just like for Walmart, is a core value and under Bezos leadership, has not changed even though the company is so much larger. Core values come under stress as any organization grows but, in this case, the presence of a strong personality, a founder, provides the continuity. The challenge for the Board is to ensure this core value over generations of management.
- Hiring top talent has been key to Amazon's success. While the turnover has been excessive by most measurements, Amazon has been very successful in drawing in highly-experienced executives, many from large IT companies or companies in their various business segments such as Walmart.

⁷ The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

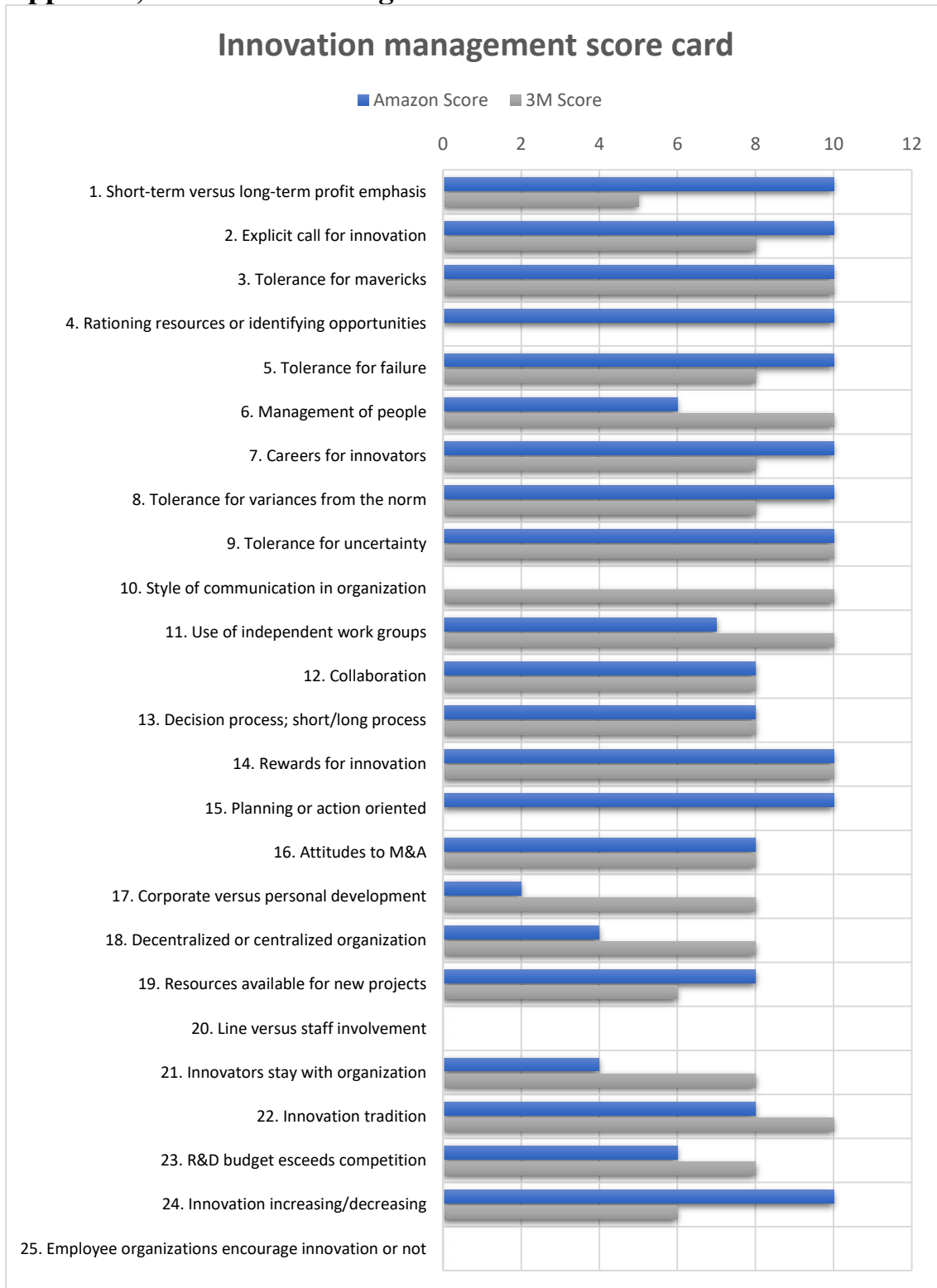
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Further insight into differentiators can be drawn from a comparison of Amazon to CIO's Best of Breed as set out in the Appendix. The tolerance for differences from a 'corporate norm' and the tolerance for uncertainty both stand out within Amazon's culture.

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Appendix; Innovation management score card. Amazon versus 3M



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Appendix. Information and anecdotal notes in support of Amazon's ratings

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To quote Bezos; 'You can write down your corporate culture, but when you do so, you're discovering it – not creating it. It is created slowly over time by the people and by events – that become a deep part of the company lore'.



1. Short-term versus long-term profit emphasis

Profit over the longer-term is the goal but in the interim Amazon seeks market dominance in its chosen industry segments

With his consistent proclamations that he is building his company for the long term, Jeff Bezos has earned so much faith from his shareholders and investors are willing to patiently wait for the day when he decides to slow his expansion⁸.

Bezos insisted the company needed to master anything that touched the hallowed customer experience, and he resisted any efforts to project profitability⁹.

Clearly, the strategic focus has been on establishing new ventures, gaining a dominant market share in key markets, and 'world' dominance, without the same concern for profitability. "We are comfortable planting seeds and waiting for them to grow into trees," says Bezos. "We don't focus on the optics of the next quarter; we focus on what is going to be good for customers. I think this aspect of our culture is rare."

2. Explicit call for innovation

Bezos consistently has been a strong advocate for innovation all levels throughout Amazon.

Bezos direction to staff is to invent and be successful. The dreamer side of Bezos wants to be at the frontier.

Old "gatekeepers" of the media, whose business models were forged during the analogue age and whose function it was to review content and then subjectively decide what the public got to consumer. "Even well-meaning gatekeepers slow innovation"

Amazon's odds of standing out among the loved companies. Being polite and reliable or customer-obsessed was not sufficient. "I actually believe the four 'unloved' companies are inventive as a matter of substance. But they are not perceived as inventors and pioneers. It is not enough to be inventive- that pioneering spirit must also come across and be perceivable by the

⁸ The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

⁹ ibid

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customer base”. Bezos “We may be able to find actionable tasks that will increase our odds of being a stand out in that first group of companies. Sound worthy to me”.¹⁰

Amazon’s core values, somewhat belatedly includes ‘innovation’. The first identified five were; customer obsession, frugality, bias for action, ownership and high bar for talent. Later a sixth value was added, innovation¹¹.

We want to be a large company that’s also an invention machine¹².

3. Tolerance for mavericks

Amazon seeks to experience the disruptive role of mavericks.

An Amazon representative even told a temp agency, “Send us your freaks” The bejewel, tattooed, hair-dyed crew that responded to the call worked day and night in the warehouse next to the Pecos Pit and took turns selecting music that played on a boom box¹³.

4. Rationing resources or identifying opportunities

While frugal in many ways, Bezos emphasis is on identifying and doing something about new opportunities

“It was just a question of staging the opportunities at the right time”¹⁴. “We will make bold rather than timid investment decisions.

Although Bezos is known to be frugal and a micro manager, there is no sense that ‘rationing’ is the priority over seeking new opportunities.

5. Tolerance for failure

Failure is viewed as the price of being in business and at the head of the pack

By his own admission, failure is a part of the business. 7“If you want to be inventive, you have to be willing to fail.” Early on the company hired a lot of editors to write book and music reviews—and then decided to use customers’ critiques instead. A foray into auctions flopped. Bezos regards such stumbles as a part of life, as long as Amazon can learn something useful.

Jeff is. He knows that in order to innovate, you have to be accepting of failures along the way to success. And that’s a big difference between Jeff and Steve Jobs. Steve couldn’t and wouldn’t accept failure at any level, while Jeff is actually OK with it, as long as it brings you closer to success.

¹⁰ The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

¹¹ ibid

¹² 2015 Letter to shareholders

¹³ The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

¹⁴ ibid

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The company lost hundreds of millions on these investments. “Amazon had to be focussed on its own business” says Tinsley. “Our biggest mistake was thinking we had the bandwidth to work with all these companies”.¹⁵

Failure and invention are inseparable twins.¹⁶

6. Management of people

Working for Amazon can be difficult because of the intensity of the innovation taking place and Bezos attention to all matters, big and small.

As many of his employees will attest... Bezos is extremely difficult for work for¹⁷. There are as many reports of human resource management issues at Amazon as there are rebuttals or other positive testimony.

Most of the executives left after a year or two, repulsed by the frenetic pace, the dreary Seattle weather, or both. Reference acquisitions of IMDB.com, Bookpages, and Telebuch, PlanetAll and Alexa ZInternet¹⁸

Amazon’s culture is notoriously confrontational, and it begins with Bezos, who believes that thought springs forth when ideas and perspectives are banged against each other, sometimes violently.¹⁹

He’s also very concerned with the company culture at Amazon. In one very tough meeting with his directs on a very difficult and contentious issue, Jeff just sat back listening, then we talked in the hallway afterward. Jeff commented on how it was a really tough decision and I agreed, but I said it was a culture decision. The light bulb went on with Jeff and he said, “You’re right, it is a culture decision!” When he framed the decision that way (instead of the financial impact view being presented in the meeting), he looked at it more as an internal customer. Getting the culture right drives a lot of his decision making.²⁰

They were among the first business school graduates hired at Amazon, which previously favored local, technical talent.²¹

Amazon has put in place a variety of ‘social programs’ which provide advantages for employees; Leave Share, Ramp Back etc. Recognizing that future, if not current, employees will value a company which is ecologically sensitive, the company has introduced climate-improving programs in renewable energy.

¹⁵ The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

¹⁶ 2015 Letter to shareholders

¹⁷ The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

¹⁸ ibid

¹⁹ ibid

²⁰ ibid

²¹ ibid

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7. Careers for innovators

Ladders, powers and titles for innovators is not an issue

Amazon was and can attract very experienced people to various of its management and technical rosters. Those that could live up to the expectations of Bezos were promoted. Ladders, powers and titles seem irrelevant to making a career in Amazon; satisfying the demands of Bezos and the senior team was the most important thing someone could do to get ahead.

8. Tolerance for variances from the norm

While variances are encouraged at one level, strict discipline is present at another level

Amazon tried to combat employee delinquency by using a point system to track how workers performed their jobs. Arriving late cost an employee half a point, failing to show up altogether was three points. An employee who collected six such demerits was let go.²²

9. Tolerance for uncertainty

At Amazon the tolerance for uncertainty is high, but there is a vision and available data.

Narrowly avoiding disaster and defying a wave of skepticism about its prospects that coincided with the dot.com busy of 2000 and 2001, it then mastered the physics of its own complex distribution network and expanded into software, jewelry, clothes, sporting goods, automotive parts – you name it²³.

“Because we need it as well” said Bezos referring the plans for the new service; AWS. Jassy remembers Doert telling him after the meeting that we were lucky to work at a company that would invest in something so daring.²⁴

For Bezos a data-driven customer focus lets him take risks to innovate, secure in the belief that he’s doing the right thing.

"Given a 10 percent chance of a 100-times payout, you should take that bet every time. Failure and invention are inseparable twins. To invent you have to experiment, and if you know in advance that it’s going to work, it’s not an experiment."-Jeff Bezos,²⁵

10. Style of communication in organization

Bezos’ personality and attention to detail drives the style and, for many employees, its difficult.

²² The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

²³ ibid

²⁴ ibid

²⁵ First annual letter, (1997)

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It means people aren't working together in a close, organic way. We should be trying to figure out a way for teams to communicate less with each other, not more.²⁶

One reason was that the time and money spent on communication increased in proportion to the number of people on a project.²⁷

His manic drive and boldness trumped other conventional leadership ideals, such as building consensus and promoting civility. While he was charming and capable of great humor in public, Bezos could bite an employee's head right off.²⁸ He had this unbelievable ability to be incredibly intelligent about things he had nothing to do with, and he was totally ruthless about communicating it.

Employees are required to write six-page narratives (with room for footnotes) laying out their points in prose, because Bezos believes doing so fosters critical thinking²⁹. He wanted people to think deeply and taking the time to express their thoughts cogently. As part of his quest for a better allocation of his time he declared that he would no longer have one-on-one meetings with his subordinates.

11. Use of independent work groups

Amazon uses work groups but perhaps not so independent.

We wanted independent teams to be entrepreneurial, says Neil Roseman. Or, as Roseman also put it "Autonomous working units are good. Things to manage working are bad"³⁰.

Two pizza teams; Employees would be organized into autonomous groups of fewer than ten people-small enough that, when working late, the team members could be fed with two pizza pies.³¹ Bezos want to personally approve each equation and track the results over time. It would be his way of guiding a team's evolution.

12. Collaboration.

Management makes decisions with lots of input from the rest of the corporation or not.

On reading Stone's portrayal of the working conditions at Amazon, major decisions are made by a relatively small group of senior executives; i.e. those constituted as the 'S Team' at the time.

²⁶ The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

²⁷ *ibid*

²⁸ *ibid*

²⁹ *ibid*

³⁰ *ibid*

³¹ *ibid*

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Bezos felt that coordination among employees wasted time, and that people closest to the problems were in the best position to solve them³².

Is Amazon collaborative? Theory Y, developed in the 1960s, by Douglas McGregor may offer some explanation according to a Reuters article³³. Theory Y is the ‘friendly side’ and recognizes that workers want to be excellent and managers should encourage them to do so. Theory X, the intensity side, assumes that workers naturally do less they can and needed careful supervision, punishment and rewards.

Amazon touts a new management theory using a term ultra-XY. This marker leaves no room for ‘illness, outside interests, family life or time fully away from the job’. “Our tolerance for any such lack of empathy needs to be zero” says Bezos.

It is hard to conclude whether there is sufficient collaboration or not. And what is sufficient? There is the suggestion that Amazon is concerned with the productivity of lower levels workers (note the point docking system) but at the senior levels the closeness of the management teams and connections with Bezos and his culture mean there is sufficient collaboration.

13. Decision process; short/long process

Amazon prides itself on the shortness of their decision process.

With a net worth of some \$19 billion, the 48-year-old is one of the 30 richest men in the world. Yet he still dashes around Amazon with the intensity of a start-up boss trying to make his first payroll, as well as the glee of a teenager discovering all the fun you can have at overnight camp. “I’m a legitimately happy person,” Bezos explains.”

³⁴Some decisions are consequential and irreversible or nearly irreversible – one-way doors – and these decisions must be made methodically, carefully, slowly, with great deliberation and consultation. If you walk through and don’t like what you see on the other side, you can’t get back to where you were before. We can call these Type 1 decisions. But most decisions aren’t like that – they are changeable, reversible – they’re two-way doors. If you’ve made a suboptimal Type 2 decision, you don’t have to live with the consequences for that long. You can reopen the door and go back through. Type 2 decisions can and should be made quickly by high judgement individuals or small groups.

As organizations get larger, there seems to be a tendency to use the heavy-weight Type 1 decision-making *process* on most decisions, including many Type 2 decisions. The result of this is slowness, unthoughtful risk aversion, failure to experiment sufficiently, and consequently diminished invention. We’ll have to figure out how to fight that tendency. And one-size-fits-all thinking will turn out to be only one of the pitfalls. We’ll work hard to avoid it... and any other large organization maladies we can identify.

³² The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

³³ Edward Hadas. Amazon’s ultra-XY management style. August 19, 2015.

³⁴ 2015 Letter to shareholders

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14. Rewards for innovation

Substantial rewards are part of the package at Amazon, but praise may be missing

Your compensation will include meaningful equity ownership³⁵.

“If you’re not good, Jeff will chew you up and spit you out. And if you are good, he will jump on your back and ride you into the ground”. Kim Rachmeler.³⁶ Even when praise was stingy, many felt a tremendous loyalty to Bezos and would marvel at what they had accomplished at Amazon.

When the supply ran out (of superfluous televisions) that commendation morphed into the Door-Desk award, given to an employee who came up with “a well-built idea that helps us to deliver lower prices to customers”. A door-desk ornament.³⁷

The compensation packages Amazon are designed to minimize the cost to the company and maximize the chance that employees stick around through the predictable adversity that comes with joining the firm.³⁸ Employees typically get 5 percent of their shares at the end of their first year, 15 percent their second year, and then 20 percent every six months over the final two years³⁹.

There is little in the way of perks or unexpected performance bonuses at Amazon.

Managers may grumble, but they learn to bring sandpaper to work so their merino sweaters don’t get shredded by splinters. None of the company’s five top officers earns more than \$175,000 in cash a year. Bezos last year took \$81,840 in salary and hasn’t had a raise since 1998. He has raised at least \$750 million since 2010 by selling Amazon shares, but that’s how you make your money at his company. Stock and options are the big honeypots; many on the leadership team have \$20 million or more in unvested shares.

“There are two kinds of companies: those that try to charge more and those that work to charge less. We will be the second.”

Lots of retailers talk about holding down costs and passing the savings to the consumer. Few do so as intently as Amazon, where “frugality” is one of eight official company values. The reward for putting up with cheap office furniture: a \$90 billion stock market valuation and 35% revenue growth.

³⁵ The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

³⁶ *ibid*

³⁷ *ibid*

³⁸ *ibid*

³⁹ *ibid*

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15. Planning or action oriented

Action oriented for sure.

Bezos has imbibed Walton's book thoroughly and wove the Walmart founder's credo about frugality and a "bias for action into the cultural fabric of Amazon."⁴⁰

Bezos didn't care. He was looking for versatile managers -he called them "athletes" who could move fast and get big things done.⁴¹

"Because Amazon has so much volume, it's a way to make very quick decisions and not get into subjective debates. The date does not lie".⁴² So says Dave Cotter, who spent four years at Amazon as a general manager in various divisions.

Bezos is the guardian of what he calls the "culture of metrics" that tries to give that inanimate object a loud, clear voice. Amazon tracks its performance against about 500 measurable goals.

Nearly 80% relate to customer objectives. Some Amazonians try to reduce out-of-stock merchandise. Others race to build a bigger library of downloadable movies. Intricate algorithms turn one group of shoppers' past habits into custom recommendations for new customers. Hourly bestseller lists identify what's hot. Weekly reviews keep track of who is on course—and where corrective attention is needed.

The respect for that ethic explains why Amazon screens its job candidates for a strong bias to action and an ability to work through ambiguity. Both help identify people who can innovate fast and do right by the customer.

Those small two-pizza-or-less innovation teams (referring to Yegge's comments on Amazon Web Services) are nimble, and because they're cost-effective, Bezos can deploy dozens. Even Google hasn't been able to react so quickly with its own Web services, Yegge added. That comparison alarmed him—when Yegge quit lean-and-mean Amazon, it was in favor of opulent Google, where free shuttle buses with Wi-Fi whisk employees to their jobs.

He's a thinker. And a doer.

⁴⁰ The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

⁴¹ *ibid*

⁴² *ibid*

y Brad Stone.

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16. Attitudes to M&A

Evidence would suggest that there is a relaxed attitude to acquisitions, divestitures but partnerships are always under review.

Amazon wouldn't make another significant acquisition for years, and when it did, Bezos carefully considered the lessons from his reckless binge.⁴³ The lessons learned from its early acquisitions spree in the late 1990s were still felt inside the company.

Bezos had absorbed the lessons of the business bible Good to Great and wanted to create a "building culture" "Jeff almost always prefers to build it".⁴⁴

Acquisitions, not divestitures are the order of the day in line with Amazon's growth. Amazon bought Kiva Systems, a maker of small robots that whiz goods to the right spots within a warehouse, for \$775 million. Kiva "could speed the cycle time inside our fulfillment centers," Bezos says. Owning Kiva gives Amazon first crack at its technology, which means "getting products to customers even more quickly."

On September 25, 2014, we acquired Twitch Interactive, Inc. ("Twitch") for approximately \$842 million in cash. We acquired Twitch because of its user community and the live streaming experience it provides. During 2014, we acquired certain other companies for an aggregate purchase price of \$20 million. The primary reason for our other 2014 acquisitions was to acquire technologies and know-how to enable Amazon to serve customers more effectively.

I assure you that we also remain hard at work on finding a fourth⁴⁵.

17. Corporate versus personal development

There is no room for personal development as is the case within 3M and Google

3M was the first to introduce the notion of 15% personal time. Google was next. Amazon has made no similar pronouncements. By all reports, Bezos requires total dedication to the Amazon corporate world.

It's no surprise, then, that Amazon expects employees to sacrifice family values and personal health. No institution, social or economic, is safe from Amazon's avaricious methods of operation⁴⁶

⁴³ The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

⁴⁴ *ibid*

⁴⁵ 2015 Letter to shareholders

⁴⁶ William F. Baker, New York Times, August 22, 2015

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To the Editor: Amazon workers, former and current, complain about the punishing hours and competitive pressure at this growing monopoly.

But no — I don't work 80 hours a week; I took four weeks of vacation last year and got promoted. No, I don't cry at my desk every day. No, I wasn't told to forget everything I learned in my last job (my skills in that workplace are what secured my job at Amazon!). Betty J. Cotter

In the early days of the company, Bezos was reportedly upfront about the intense environment with job candidates.

18. Decentralized or centralized organization

While efforts have been made to increase decentralization, it seems clear that, in the end, major decisions revert to Bezos.

Amazon styles itself as highly decentralized and promises that new employees can make decisions independently. But Bezos is capable of stopping any process dead in its tracks if it creates a problem for even a single customer.⁴⁷

Former employees frequently complain that Amazon has the bureaucracy of a big company with the infrastructure and pace of a start-up. With lots of duplicate efforts and poor communication that makes it difficult to get things done.⁴⁸

“There can be only one head of marketing at Amazon, and his name is Jeff,” says Diane Lye, a British senior manager who led Amazon's data-mining department and helped run the advertising tests.⁴⁹

At that meeting and in public speeches afterward, Bezos vowed to run Amazon with an emphasis on decentralization and independent decision-making. “A hierarchy isn't responsive enough to change” he said. “I'm still trying to get to do occasionally what I ask”.⁵⁰

In her ruling (Judge Margaret Mary McVeigh re testimony from a Toy “R” Us executive) stated “It was certainly my perception that nothing major happened at Amazon without Jeff Bezos approval”.

“I don't think you can even fart in the Kindle building without Jeff's approval” quipped one long-time executive.⁵¹

⁴⁷ The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

⁴⁸ *ibid*

⁴⁹ *ibid*

⁵⁰ *ibid*

⁵¹ *ibid*

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Bezos keeps an eerily tight rein on expenses, eschewing color printers in favor of trusty old black-and-white models. No one flies first class (though Bezos sometimes rents private jets at his own expense). Experiments are hatched and managed by the smallest teams possible.

Jeff Bezos should be there a long time. He just turned 48 in January and could easily run Amazon another two decades. That's good for stability. It could be a challenge in terms of retaining other executives with aspirations of becoming a CEO. Bezos says he knows when to avoid meddling so that his project leaders can find their own paths. Yet it's congenitally hard for founders to be hands-off for long—an effort to bring in a chief operating officer to work directly under Bezos didn't work out a decade ago.

The result of this is stagnation and risk aversion, he wrote. Fighting that has let Amazon nurture even out-of-the-box fits like Amazon Prime Video, which the company credits with driving the growth of both Amazon Prime and, indirectly, the core retail business.

19. Resources available for new projects

Launching new projects in Amazon seems to suggest that funds are available providing Bezos is on board.

Bezos believed that high margins justified rival's investment in research and development and attracted more competition, while low margins attracted customers and were more defensible⁵².

The Innovators Dilemma by Clayton Christenson was a book devoured by Amazon executives.⁵³ The companies which solved the dilemma “set up autonomous organizations charged with building new and independent businesses around the disruptive technology”.⁵⁴ Lab126 was soon given extensive resources but it also had to contend with the unfettered imagination of Bezos.

20. Line versus staff involvement

No information available

21. Innovators stay with organization

Some stay and some go but innovators are always present.

Most of the information available suggests strongly that there is considerable turnover at middle and senior levels in the organization and for various reasons.

22. Innovation tradition

Innovation is part of the core value of Amazon and expressed in the form of new ideas, acquisitions and the hiring of top talent

⁵² The everything store. Jeff Bezos and the age of Amazon by Brad Stone.

⁵³ *ibid*

⁵⁴ *ibid*

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Innovation has been a core value since the beginning, but Amazon formalized this as the sixth core value relatively recently.

23. R&D budget exceeds competition

R&D budget is similar to other high-tech companies

Amazon's budget for research and development has increased dramatically over the last three years, from 2014 to 2016, but is equivalent to other high-tech companies at close to eleven to twelve percent of sales.

Amazon's budget is twice the size, relative to sales, as 3M's but the industries are different. 3M keeps ahead of its competition and Amazon is in line with their competition.

According to their annual reports, this amount, referred to as 'technical and content' includes principally, research and development activities including payroll and related expenses for employees involved in application, production, maintenance, operation, and development of new and existing products and services, as well as AWS and other technology infrastructure costs

Technology infrastructure costs (presumably not research and development); servers, networking equipment, and data center related depreciation, rent, utilities, and payroll expenses are allocated to business segments based on usage.

The expenditures are made in several locations. Doubling of R&D staff in their London office, from 450 to 900, is but one example. London focusses on the development of Prime's Video Service. Other sites in the U.K are in Edinburgh and Cambridge working on voice recognition services, drones and online mobile shopping services. At the end of 2017, Amazon would have 1,500 staff working on R&D in the U.K. alone.

24. Innovation increasing/decreasing

Innovation is obviously increasing at a great rate

25. Employee organizations encourage innovation or not

Not relevant

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Sources

The major source of anecdotes is the extremely well-done book by Brad Stone; **The everything store. Jeff Bezos and the age of Amazon**, but other contributions helped as well. These include snippets from:

- New York Times. August 22, 2015
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In all cases 'ibid' references Stone's book.

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Appendix, Innovation management score card Amazon versus CIO's Best of Breed

