Turnover rate at Amazon.com

Ananth Sajjan (Sunil), Ngoc-Tran Tran (Tracey) and Ngoc Pham (Nathan)
12-1-2015

Statement of purpose: Given the turnover rate problem at Amazon, we have conducted some research on empirical articles regarding the impact of leadership behavior on followers' needs satisfaction, leader-member exchange (LMX) quality and job satisfaction. From that background, we suggest practical solutions to increase employees' job satisfaction, affective commitment and work engagement in order to decrease Amazon's turnover rate.

Organization's Background: Amazon, founded in 1994 by current CEO Jeff Bezos, is one of the largest online retailers in the world. The company, which is headquartered in Seattle, Washington, USA, has retail websites and offers shipping in 75 countries around the world. In twenty-one years, Amazon has expanded its industry from selling books to merchandising music, movies, games, electronics, clothing, groceries, toys, jewelry, health & beauty care products and sports equipment online. The company also offers its own line of products such as the Amazon Kindle and the Fire Tablet in an effort to reduce extra costs of middlemen. Amazon is taking steps to accomplish its mission "[to] be the Earth's most customer-centric company where people can find and discover anything they want to buy online." To reach that goal, Amazon utilizes growth as its corporate strategy to expand to new markets including China and India and provide new innovative services such as cloud computing. In addition, Amazon focuses on a cost leadership business strategy as it offers higher quality brand name products for lower prices. Furthermore, Amazon employs differentiation because the company offers its products including the Amazon Kindle with a unique e-ink display and the Amazon Echo with a cloud-based voice service. In the third quarter of 2015, Amazon's net sales increased 23% ($25.4 billion). In quarter 3, 2015, Amazon reportedly hired 222,400 employees (a 49% increase compared to the third quarter in 2014). However, with the median employment tenure of 1.0 year (PayScale.com), Amazon has the second least loyal employees among the Fortune 500 companies.

Conclusion: Nine empirical articles highlight the importance of the leader-follower relationship and leadership style on followers' engagement and commitment to the organization.

First of all, leader-follower relationship is confirmed by a study to be an indispensable part in a friendly work environment that promotes commitment. Leaders' prototypic perceptions of followers are positively related to a high leader-follower relationship quality which can increase followers' job satisfaction. Followers who exude prototypic characteristics such as hardworking, loyal, reliable and excited are perceived as effective followers and are likely to develop a high quality LMX relationship. This relationship benefits followers as they will receive more support and more opportunities for professional development like challenging and interesting assignments. Moreover, their potential will be more easily recognized and their needs will be better satisfied. In addition, during hard times of such as pregnancy or critical events, good leaders tend to sympathize with followers and respond with support, and thus enhance the leader-follower relationship. Because these leaders create emotionally comfortable environments and provide encouragement and guidance, followers display deeper commitment as they feel the need to reciprocate the beneficial treatment they have received. By enhancing employees' motivation, helping them achieve their goals and providing optimism, transformational leaders have a significant effect on follower behavior and can thus reinforce employees' loyalty.

In addition to leader-follower relationship, peer-relationship is also important in increasing the followers' organizational commitment. A theory on this relationship is core self-evaluations (CSE), which refers to appraisals individuals make about their competence and capabilities. Individuals who demonstrate high CSE present themselves with positive manners and evaluate themselves as competent. In addition, high CSE followers believe that they have control of their jobs and openly express their skills. Because they have control, these individuals are more likely

to view their organizational environment on a more positive perspective. CSE effects can be amplified by transformational leadership behaviors. Transformational leaders are able to intellectually stimulate these followers and thus improve their commitment and job satisfaction. In addition, peer relationships also help strengthen CSE. High friendship centrality is an important aspect in creating a comfortable environment in which employees are more committed. Friendships in the workplace provide employees with support, reassurance and encouragement against adverse effects of jobs. Unlike in a hostile working environment where employees are constantly critiquing each other, in a friendly work environment, employees can assist their peers in professional development and tasks accomplishment.

Another perspective regarding turnover rate can be drawn upon the self-determination theory and transformational leadership (TFL). TFL refers to leaders who inspire followers and get them engaged in their jobs. Transformational leaders empower their followers through four components: idealized influence (serving as a compelling person that followers respect), inspirational motivation (expressing the vision of the organization to empower followers), intellectual stimulation (encouraging followers to come up with novel solutions) and individual consideration (responding to followers' individual differences). Self-determination theory is a well-supported motivational theory developed upon three basic needs of followers: autonomy, competence and relatedness. This theory highlights tremendous motivational effects of the satisfactions of the needs for autonomy (a sense of freedom in completing the tasks), for competence (a sense of mastery and efficaciousness) and for relatedness (a sense of significance). The research results confirm that TFL positively mediates the satisfaction of all three needs (autonomy, competence, relatedness), which then affects job satisfaction and consequently work engagement.

A notion derived from the framework of self-determination theory is self-concordance, which describes the extent to which people's genuine interests align with their career objectives. Two studies confirm positive effects of TFL on employees' self-concordance. If leaders effectively convey organizational cultures, missions and visions, their employees will better understand the significance of their work in relation to the company's goals, have a better self-concordant awareness and thus contribute more willingly. This effect is directly related to the need for relatedness, which is even more important as companies nowadays make every effort to promote diversity by recruiting from all over the world. Organizational cultures, missions and visions can efficaciously bond people from different backgrounds. Moreover, high self-concordance perceptions between the organizations and the employees will tie the employees to the companies even when the leaders leave. As the studies affirm, improved self-concordance can increase the employees' autonomous motivation, job satisfaction and organizational commitment.

Other studies also shed new light on the self-determination theory with specific effects of each of the three basic needs on followers. The needs for competence and relatedness are empirically confirmed to substantially relate to job satisfaction and work engagement. Specifically, the satisfaction of the need for competence is positively associated with the self-efficacy beliefs, in which employees feel confident in their capability to accomplish the task. When leaders give employees opportunities to explore their abilities, these followers will feel trusted and empowered to try harder. As followers attempt to complete more challenging tasks, they will harness their job-related skillsets and improve their self-efficacy beliefs. Consequently, followers will feel more competent in performing the tasks and engage in the tasks more effectively and confidently. Furthermore, the fulfilment of the need for relatedness directly impacts affective commitment to the leaders. Transformational leaders possess a high level of

individual consideration which leads to a strengthened connection between leaders and their followers. The employees' needs for relatedness, as a consequence, are better fulfilled and hence promote their affective commitment to the leaders and the organizations. All conducted studies confirm the two distinct effects of the satisfaction of the needs for competence and relatedness on self-efficacy beliefs and affective commitment, respectively.

Recommendations: From the body of evidence, we put forth the following solutions to improve Amazon employees' job satisfaction and reduce the company's turnover rates.

The current management policy at Amazon is detrimental to the leader-follower relationship and consequently the turnover rate. Every year, Amazon managers have to fire the least efficient members, who can still be pretty effective workers. Although this practice maximizes Amazon's productivity in the short run, it may lead to employees' distrust of their leaders and loss of productivity in the long run. This policy also prevents leaders from building friendships with their employees as employees are afraid of creating bad images. The stressful condition, as a result, may easily trigger employees' intentions to quit if critical events impact them. Even worse, this practice can cause employees to engage in destructive behaviors that lower Amazon productivity like hiding important information or deadlines from their colleagues. Therefore, we suggest Amazon abolishes the annual staff comparing to alleviate the stress on employees and help managers build better relationships with their team members. Also, if Amazon continues to carry out this scheme, the number of people who are fired annually will add up to that of voluntary quitters and increase Amazon's turnover rate.

In addition, we suggest Amazon alters Anytime Feedback Tool with a better approach to improve peer-relationship. Amazon is utilizing the Anytime Feedback Tool with which employees can make anonymous comments about their colleagues. Although this system possibly

increases the efficiency with truthful and accurate assessments from co-workers, it can incubate discrimination and result in a hostile working environment. Among diverse communities of Amazon's employees, people can be confronted by clashes of values which result in biased and inaccurate peer-ratings. Furthermore, Amazon's culture which encourages functional conflict can lead to personal conflict between employees of different races, colors, genders or religions. Managers may base their decisions to fire some members of their team on this stack ranking system, costing Amazon a great deal if they weed out the wrong ones. Also, this system can trigger hostility in the company as employees are always suspicious of criticism from their peers. However, friendships among colleagues, according to the empirical study, provide emotional as well as physical assistance and reduce turnover intentions. Therefore, if Amazon wants to take advantage of the ranking system, we recommend that Amazon should utilize the 360 degree feedback tool instead of the current one. Furthermore, the company should organize bonding events to enhance relationships between employees and create a close-knit work environment.

Moreover, known for placing tremendous pressure on their workers, Amazon should implement transformational leadership in which leaders can recognize the CSE quality and needs of its workers. Employees who are not working up to the high standards of their managers because of overwhelming workload or external factors (health issues, pregnancy, etc.) are added to a performance improvement list. Employees leave the company with low job satisfaction and motivation because leaders fail to understand their followers or recognize their potential. Hence, we suggest Amazon strive to improve job satisfaction by hiring transformational leaders or implementing a strategy to train existing managers into transformational leaders who can effectively distribute tasks in a fair and organized fashion benefiting all the followers.

Another major issue found at Amazon is its "customer obsession" and employee negligence. In order to provide customers fast shipping and great services, the company asked employees to work for long periods of time. While Amazon tries hard to please every customer, it neglects unexpected critical events happening to employees, who are also integral to its success. Regardless of what happens and whether they are usually good employees or not, anyone failing to work effectively enough for a period of time will be put under constant observance and confronted with the threat of being fired. One article shows that if leaders are supportive of their employees during the time of critical events, employees will develop loyalty and contribute more willingly to organizations. Hence, to increase retention rates, we recommend that Amazon increase employees' benefits like enabling them to leave temporarily and care for the illness of their beloved ones without putting them under pressure.

From frameworks of TFL and self-determination theory, Amazon can improve employees' self-concordance via low-cost policies. A large portion of Amazon's turnover rate comes from the warehouses where all the packaging processes happen. Employees in this part of the supply chain tend to view their work as tedious and exhausting. This low self-concordance is worsened by their perception that their job is not important to the company. At first, it may not seem important to resolve this issue as these employees are low-skilled workers and easy to replace. However, the cost of executing policies to improve these employees' self-congruent perspectives is so much cheaper than the cost of bringing in new employees. The policy to improve self-concordance can be implemented by direct supervisors and team managers of the warehouse employees. The direct supervisors can regularly come to talk to employees about the importance of their job to the company as a whole. Without its employees, Amazon products would never come to the hand of consumers. These employees' productivity also directly affects

Amazon's profit which can then affect their income. All these integral roles of the employees in the process of realizing Amazon's vision should be regularly discussed with the workers through quarterly workshops. Bringing in customers to share good experiences they have with Amazon's employees or giving small rewards to encourage employees' morale can also be great policies that Amazon can execute to increase employees' self-concordance. These steps, if implemented, would increase employees' commitment and reduce the turnover rate.

Another major problem in Amazon's management system is the lack of support for employees' professional development. When new employees are confused about how to deal with the work and ask for help, their supervisors are not responsive. They let these employees struggle through this transition process on their own. This style of management causes imbalance in the satisfaction of the three basic needs. The employees are given excessive amounts of autonomy while the needs for competence and relatedness are not fulfilled. Everybody wants freedom, but only to an appropriate amount. As newcomers to a company need directions to fit in easily, their needs for competence and relatedness are more demanding than those of autonomy. Hence, Amazon's managers should encourage the culture of supporting employees to decrease turnover rates. Being helped, employees will feel more related to the company as well as more competent to develop their work skills. The supportive culture can be implemented through internal communication without much extra costs. Amazon's leaders can release official announcements from the executive board, monthly reminding emails and discussions on supporting coworkers during general meetings to develop this culture. A foreseeable consequence can be improved organizational commitment and reduced turnover rates.

Work Cited

Amazon's Annual Report - SEC. (n.d.). Retrieved from

>   https://www.sec.gov/Archives/edgar/data/1018724/000101872415000006/amzn-
>   20141231x10k.html

Amazon Media Room: Overview. (n.d.). Retrieved from http://phx.corporate-
>   ir.net/phoenix.zhtml?c=176060&p=irol-mediaKit

Amazon Media Room: Press Releases. (n.d.). Retrieved from http://phx.corporate-
>   ir.net/phoenix.zhtml?c=176060&p=irol-newsArticle&ID=2100420

Bono, J. E., & Judge, T. A. (2003). Self-concordance at work: Toward understanding the
>   motivational effects of transformational leaders. *The Academy of Management*
>   *Journal, 46*(5), 554-571.

Dixon, M. L., & Hart, L. K. (2010). The impact of path-goal leadership styles on work group
>   effectiveness and turnover intention. Journal of Managerial Issues, 22(1), 52-69.

Kim, T., Liden, R. C., Kim, S., & Lee, D. (2015). The interplay between follower core self-
>   evaluation and transformational leadership: Effects on employee outcomes. *Journal of*
>   *Business and Psychology, 30*(2), 345-355. doi:10.1007/s10869-014-9364-7

Kovjanic, S., Schuh, S. C., Jonas, K., Quaquebeke, N. V., & Dick, R. (2012). How do
>   transformational leaders foster positive employee outcomes? A self-determination-based
>   analysis of employees' needs as mediating links. *Journal of Organizational*
>   *Behavior, 33*(8), 1031-1052. doi:10.1002/job.1771

Kovjanic, S., Schuh, S. C., & Jonas, K. (2013). Transformational leadership and performance:
>   An experimental investigation of the mediating effects of basic needs satisfaction and

work engagement. *Journal of Occupational and Organizational Psychology, 86*(4), 543-555. doi:10.1111/joop.12022

Leroy, H., Anseel, F., Gardner, W., & Sels, L. (2012). Authentic leadership, authentic followership, basic need satisfaction, and work role performance: A cross-level study. *Journal of Management, 41*(6), 1677-1697. doi: 10.1177/0149206312457822

Sy, T. (2010). What do you think of followers? Examining the content, structure, and consequences of implicit followership theories. *Organizational Behavior and Human Decision Processes, 113*(2), 73-84. doi:10.1016/j.obhdp.2010.06.001

Vardaman, J., Taylor, S., Allen, D., Gondo, M., & Amis, J. (2015). Translating intentions to behavior: The interaction of network structure and behavioral intentions in understanding employee turnover. Organization Science, 26(4), 1177-1191. doi:10.1287/orsc.2015.0982.

Waldman, D., Carter, M., & Hom, P. (2015). A multilevel investigation of leadership and turnover behavior. Journal of Management, 41(6), 1724-1744. doi: 10.1177/0149206312460679.

Whiteley, P., Sy, T., & Johnson, S. (2012). Leaders' conceptions of followers: Implications for naturally occurring Pygmalion effects. *Leadership Quarterly, 23*(5), 822-834. doi:10.1016/j.leaqua.2012.03.006

Author & Date	Population & type of organization	Design	Measures	Outcome	Comments
Bono & Judge, 2003	non-profit, governmental and business, undergraduate students (1448)	Survey	Transformational leadership, self-concordance, job performance, job satisfactions assessments.	Findings suggest positive relationships between transformational leadership and self-concordance as well as between self-concordance and job satisfaction.	Large sample
Kovjanic et al, 2012	951 employees in Germany and German-speaking part of Switzerland	Survey	Three basic needs for autonomy, competence and relatedness), transformational leadership, job satisfaction, occupational self-efficacy and affective commitment.	Findings suggest positive relationship between transformational leadership and the satisfaction for three basic needs. The satisfactions of the needs for competence and relatedness mediate the relationships between transformational leadership and self-efficacy beliefs as well as affective commitment, respectively.	Not a diverse sample.
Thomas Sy, 2010	160 participants of workplace leaders and followers from a large metropolitan area in Western United States in areas such as education and healthcare.	Survey	Implicit Followership Theories (IFTs),Liking and relationship quality, trust, job satisfaction	Findings suggest a leaders' followership prototype is positively related to liking and relationship quality, trust and job satisfaction. Leaders' Followership Anti-prototype was not related to liking and relationship quality, trust and job satisfaction.	Not a diverse sample (Mostly Caucasian and female)
Schuh et al, 2013	190 individuals from several German-language Websites	Survey	Transformational leadership, needs satisfaction, work engagement, performance quality, persistence and quantity.	Finding highlights mediating effects of the satisfaction of the needs for competence and relatedness on the relationship between transformational leadership and followers' work engagement, performance quality and persistence.	Small sample size

Author & Date	Population & type of organization	Design	Measures	Outcome	Comments
Waldman et al., 2015	All group; a large organization in People's Republic of China; hospitality industry	Survey	Transformational leadership, quit intentions, voluntary turnover	Findings show the roles of transformational leaders in preventing employees from developing turnover intentions and from carrying out turnover intentions.	Not directly measure transformational leadership - voluntary quit relationship
Dixon & Hart, 2010	260 blue- and white-collar workers in multinational manufacturing firm; in southeastern US	Survey	Visible dissimilarity, value dissimilarity, perception of leaders' styles and group effectiveness	Results affirm that value dissimilarity can cause turnover intention to increase and that supportive leadership style can significantly discourage voluntary quitters.	A self-report survey, more quantitative than qualitative, only Path-Goal leadership style included
Vardaman et al., 2015	145 teachers in 4 public schools; 183 nurses in a metropolitan hospital; in Southeastern US	Survey	Turnover intentions, network centrality, Simmelian ties, turnover	Findings emphasize employees with high friendship network centrality and employees who tend to give advice to others are less likely to leave.	Network structure and different characteristics of jobs influence the results. Need more research.
Tae-Yeol Kim Robert C. Liden Sang-Pyo Kim Deog-Ro Lee , 2014	546 employees and their 71 immediate supervisors from four hotels, in an information technology company, and in an aircraft manufacturing company in the southern part of South Korea	Survey	Core Self Evaluation (CSE), Transformational Leadership, Job satisfaction, Affective organizational commitment, Job performance	Findings showed that a leader's leadership style and a follower's personality traits affects affective work commitment, job performance and job satisfaction.	Data collected at a single point of time, Large Sample size, data from diverse organizations
Paul Whiteley, Thom as Sy, Stefanie K. Johnson, 2012	453 participants which consisted of 151 workgroup leaders and 302 workgroup followers from across southern California	Survey	Leaders' implicit followership theories (LIFTs), Performance expectations, Leader–member exchange quality (LMX), Liking, Follower Performance	Findings suggest that LIFTs influence a leader's expectations and perceptions of followers which can then affect LMX quality and liking quality. This can then affect other factors including follower job performance and job satisfaction	Large Sample
Hannes Leroy, Frederk Anseel, William L. Gardner, Luc Sels, 2012	30 leaders and 252 followers from 25 Belgian Service companies	Survey	authentic leadership, authentic followership, basic need satisfaction, self-determination theory, work role performance	Findings suggest that positive relationship exists between authentic leadership and authentic followership, authentic leadership and follower basic needs satisfaction and authentic leadership and authentic followership are positively related to follower basic needs satisfaction. Basic needs satisfaction mediates the positive relationships between authentic leadership, authentic followership, and work role performance	Not a diverse sample, small sample size