

# A case analysis of amazons strategic management and organizational learning case ...

[Business](#), [Company](#)



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## **Introduction**

The strategic and consistent growth of Amazon is not just spectacular but is truly admiring because its continuous innovations and strategies are very well organized, timely and innovative. Its net sales in 2012 reached US\$61 billion, a 27. 1% increase from \$48. 08 billion in 2011. North American net sales totaled \$34. 81 billion, which is a 30. 4% increase from the \$26. 70 billion in 2011 (Brohan, 2013, p. 1). North America accounted for 57% of sales in 2012 (2013, p. 1). Its business strategy is bent on the utmost customer service by giving them the widest array of products and services. It has a customer base of more than 35 million online buyers from 220 countries all over the world. Amazon is leading the trail of global companies with its unique brand name and online features (Thompson, Strickland & Gamble, 2010, p. C 292).

The most salient features of its growth include its unique business model. This model is centered on the dynamic market value proposition and a sweeping profit formula” (Johnson, 2010, p. 1). It put the global book industry into a new business level and it instantly expanded from there. It

did not stop offering all sorts of products but continued to improve its value proposition. It introduced a commission-based brokerage service to old and new books buyers and sellers. It also catered to third-party sellers. As will be shown in this case analysis, Amazon has the strong skills of introducing an entirely different business type while continuing to simultaneously extract good value from its existing businesses (2010, p. 2).

According to Johnson (2010, p. 1), “ one of the most unexamined facets of Amazon's high-profile success is its unabashed embrace of transformational growth in its white space.” Rightly so, this paper intends to apply various strategic management principles and analysis to dissect the remarkable growth of the original dot. com company. In particular, this case will analyze the consistent global growth of the company, specifically by its resources and strategic capabilities (Stockport, 2010, p. 573). The case presents Amazon as a company that keeps on growing as it enhances customer service by offering more and more products and services. It pointed its strategic alliances with various alliances and acquisitions of key companies and other global organizations and its development and utilization of great technological innovations to booster its customer experience as its competitive edge for growth (2010, p. 573). Meanwhile, the case also presents the foreboding problems of “ disruptive technologies” such as Kindle and cloud computing which can make or break Amazon in the nearest future.

(iii) Examining the situation with the aid of suitable concepts, models, perspectives or theories from the literature, and showing what insights are gained thereby.

Amazon.com's founder, Jeff Bezos, envisioned his company to become the world's most customer-focused company as its number one goal. It caters to global customer services which will ensure the ultimate online shopping experience of its customers. In the end, it redounds to greater customer loyalty. Other strengths include its four solid value propositions, which are convenience, price, selection, and service. It also has a broad portfolio of product, which allows Amazon to cater to its highly diversified customer base. The company also provides the lowest possible prices for its extensive array of products and services such as shipping (Euromonitor Website, 2011, p. 4).

The company operates in a very competitive e-commerce environment. It competes with other online e-commerce and mobile e-commerce websites, brick and mortar retail stores, publishers, media companies and other companies designing, manufacturing, marketing its digital media devices. It competes with the above mentioned players on the basis of price, selection, convenience, quality, speed, and reliability of its services and tools. With the increasing competition, Amazon has to maintain its stock and adapt to changing business needs to uphold its business.

The strong brand image of Amazon.com should be an advantage in any price wars. The changes in the online retail business services, i. e. goods and services rentals instead of outright purchase/s of goods and services is a threat to Amazon.com and other big players. Group buying and flash sales are also threatening them. Developments like smart shopping and smart store, multi-channel retailing, financial analytics in e-commerce, cross-border online shopping, and the impact of globalization and social media on

retailers and non-US markets will alter online shopping and these will significantly affect the big players (Thompson, Strickland, & Gamble, 2010, C-294).

Amazon's continuous investment in technological innovations helped the company achieve its two complementary goals – efficiency and improved customer service (Stockport, 2010, p. 2). Its consistent emphasis on technology brought the company to major number of outcomes from 2007 to 2009. From this time period, Amazon strategically aligned its acquisitions and alliances to pursue technology development, applications and extended products and services. This was highlighted by the introduction of Kindle in the market, enhanced Amazon Web Services, offering of digital content, and greater accessibility (2010, p. 3). Amazon invests on technology and innovation which facilitate its enhanced customer experience in global online buying. As always, it aims to use technological developments to improve customer accessibility.

Amazon also has a strategic approach to recruitment (2010. p. 3). It recruits based on the services needed by their customers. This only reflects their sharp customer focus. Amazon also continually strengthens its management team. To add, Amazon. com continues to view acquisitions as a key part of its growth strategy. These acquisitions are intended to supplement the company's core growth and assure ongoing expansion of its business, including new technologies, additional products, and wider geographic outlets (Laseter & Rabinovich, 2011, p. 1).

As evidenced by the case, the organizational learning takes place in almost all aspects of a business' operations. This is very true with Amazon's

operations and research development. Amazon can support this with its traditional sturdy and effective leadership and its initiatives in knowledge management. With such innovative strategies, Amazon is sustaining its leadership and further enhancing its organizational networks and excellent global management.

Dimitriades (2005, p. 315) reiterated a knowledge management model in three sub categories, Amazon has utilized a Learning Management Systems (LMS) as a strategic answer to its organizational learning (Dunne & Butler, 2012, p. 3). LMS plays a crucial role in increasing learning inside Amazon.

The main benefits of its knowledge management system are the development of an enhanced system to allow the learning and the empowerment of its employees. Specifically, the LMS model facilitates the development of learning structures and processes and it promotes the routine system of learning within the organization and a culture of learning culture in which formal learning and training are further integrated in their daily work practices.

Strategic capabilities as espoused by Parnell (2011, p. 140) is illustrated in the case. The administration and management of Amazon should utilize the company's resources as focused on its operations to meet the company's objectives. Based on the given case study, it can be said that Amazon has been able to use strategic approach to sustain their competitive advantage.

As evidenced by the performance of Amazon, it has been able to pre conceive the special priorities and demands of online retailing business.

Amazon should be able to direct each and every business decision with its strategic resources and capabilities.

True to Dimitriades' proposed cost leadership, this has worked well with Amazon. The online business' deployment of integrated cost leadership has made their introduction of Kindle a success. For instance, the Amazon's operational side and their fulfilment expertise are utilized to decrease their cost for their new product (Bezos, 2011, p. 1). On the corporate aspect, Amazon is using its marketing expertise to help in the kindle fir launch.

### **Past, Present and Prospects of the Case**

Amazon has a very important business strategy which can be summed as “ offering Earth's biggest selection and seeking to be Earth's most customer-centric company for three primary customer sets: consumer customers, seller customers and developer customers” (Thompson, Strickland & Gamble, 2010, p. C 292). It has a distinct advantage with its large customer base of 35 million in more than 220 countries worldwide (2010, p. C 292). While the company started out as an online bookstore, it has successfully expanded itself into a full-line, one stop shopping retailer with other product offerings such as music, toys, electronics, hardware, tools, video games, software, boutique shops/items, etc.

The secret to its strong business model is that Amazon can able to keep up its old business offerings while introducing new ones. It has strategically developed its business operations by its unique business expansion. Its direct-to-consumer online model helps in the efficiency of its inventory and returns. The company under its business models operates small lean warehouses in multiple geographies. The business model also provides bundle services for greater customers leverage and economies of scale.

In accordance to the case study and the business approach and strategies of Amazon, it can be said that the company has been able to continue to grow and expand their business in the online market. As shown by the reference to the case and the strategic management evaluation of Amazon, the largest e-retailer has made use of various resource and strategic capabilities. These empowered Amazon to sustain its competitive position in the global e-retailing market. Amazon's strategies consist of its dynamic approach to customer service and its effective differentiation model.

Judging from the lessons of the case, it is imperative that Amazon must apply several unique strategies, specifically in learning and knowledge management. The global scope of Amazon's online business requires such innovative resource strategies. It must intensify its market positions in the emerging economies, particularly in China and India. As it penetrates new markets, it must comprehensively learn how to accurately reach its target audiences and successfully sell to them. Another strategic capability which it can further enhance is its unitary focus on the importance of both internal and external customers to ensure customers loyalty.

## **Recommendations**

Amazon.com is a leading e-retailer and is a globally recognized brand. However, it is threatened by the growing presence of small e-retailing players and those traditional businesses which are now also pursuing a new marketing approach to its online aspects. These new e-retailers are pushing its markets by offering more products and entering new channels and geographic reach. The internal and external analysis reveals that Amazon



needs to improve its performance in the new online retail markets such as India and China. This means that the company must implementing a unique marketing strategy in order to make the company more locally responsive and to be able to take advantage of the continuously growing online market. A possible change in its internal structure could also support its strategy implementation.

The technological dynamism also strongly influences the prospects of a global company's operation. The usual problem is the time lag in the capacity of the company to allocate resources and undergo certain processes to make the required changes. Amazon's creative and flexible business models thrive in today's practice of extensive and available market research and competitive environments in which new value propositions, new ways of improving the company's bottom line, and applying new business models with dynamism and encouragement. Knowledge management and organizational learning are really crucial points in a company's business strategy. Managers must acknowledge that the road to success can be travelled only by those with open and creative minds.

In this angle, Amazon. com is still at an advantageous point. Even with the strong rivalry and the entry of the small companies, brand image is very important especially when shoppers are not yet very confident about online shopping and in giving out thier credit card details to retailers. In other aspects, Amazon's strategic change must be complimentary with environmental changes in order to avoid the risk of a strategic drift which may lead to a need for transformational change.

Hence, Amazon should really consider redeveloping its resource and

strategic resources. The resource based view of a firm as presented by Dunne, A. & Butler (2012, p. 1) shows that Amazon must rapidly and effectively learn than their competitors. This learning must be approached not just as a new resource but also as a new process in organizational contexts. Therefore, in order for Amazon. com to develop, implement and sustain effective strategies, the capabilities of the organization need to be exploited (Johnson & Whittington, 2008, p. 49).

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