

# THE AMAZON MANAGEMENT SYSTEM

**The Ultimate Digital Business Engine That Creates  
Extraordinary Value for Both Customers and Shareholders**

**RAM CHARAN and JULIA YANG**

**RAM CHARAN** is the author of 27 business books, including the bestseller *Execution* which he coauthored with Larry Bossidy. He is also a business advisor and speaker. Ram Charan has spent 35 years advising the senior leaders of companies including GE, Bank of America, DuPont, Novartis, EMC, 3M, Verizon, Tata Group, Max Group, and Grupo RBS. He is a graduate of Harvard Business School, and has served on the faculties of Harvard Business School and Northwestern University.

**JULIA YANG** is an advisor to entrepreneurs, startups, CEOs, and executives. She was previously a consultant at McKinsey and a private equity investor at Bain Capital. Julia Yang is a graduate of Harvard Business School and Tsinghua University. She serves on the faculty of MIT-Tsinghua's MBA program, and on the board of the nonprofit Narada Foundation.

ISBN 978-1-77544-996-6

**MAIN IDEA**

In the future, all companies will be digital. When that happens, the command-and-control management system which has been used for decades will become obsolete. Instead, new management tools and best practices will be required.

So what will those new systems look like? The best model to study is that used by the world's most successful digital enterprise – Amazon.Com. At the very center of all Amazon's businesses is the Amazon Management System which has six building blocks:



- 1 A BUSINESS MODEL WHICH IS 100% CUSTOMER-OBSESSED**
- 2 ONGOING EFFORT TO RAISE THE BAR FOR TALENT**
- 3 AI POWERED DATA AND METRICS SYSTEMS**
- 4 GROUND-BREAKING NEW INNOVATION MACHINE**
- 5 HIGH-VELOCITY and HIGH-QUALITY DECISION-MAKING**
- 6 A FOREVER-DAY-1 COMPANY CULTURE**

*"Command and control, the old management approach, has become obsolete in the digital age. Amazon is one of the biggest reasons why."*  
 – Ram Charan and Julia Yang



**The Six Building Blocks of the Amazon Management System (AMS)**

**BUILDING BLOCK #1 – A business model which is 100% customer-obsessed. . . . . Page 2**

Most companies are competition centric. They watch what their competitors do and try to beat their numbers. Amazon, by contrast, is customer-obsessed. The company uses platforms, ecosystem, and infrastructure to deliver more value to its customers.

**BUILDING BLOCK #2 – Ongoing effort to raise the bar for talent . . . . . Page 3**

Traditional companies spend big money to recruit but have trouble deploying talent in the right jobs. Amazon's talent pool is carefully defined, thoroughly documented, rigorously chosen, and then provided with end-to-end performance feedback. In all interviews, Amazon has someone there whose sole job is to raise the bar for their talent.

**BUILDING BLOCK #3 – AI powered data and metrics systems . . . . . Page 4**

In most companies, data is scattered and fragmented, making it hard to see the big picture. Amazon's data and metrics systems are ultra-detailed, cross-silo, end-to-end, and AI (artificial intelligence) powered. Everything can be tracked and analyzed.

**BUILDING BLOCK #4 – Ground-breaking new innovation machine . . . . . Page 5**

Most companies have one brilliant innovation and then spend the rest of their time making year-to-year incremental improvements. Amazon keeps coming out with ground-breaking, game-changing innovations which create new and massive markets.

**BUILDING BLOCK #5 – High-velocity and high-quality decision-making . . . . . Page 6**

Legacy management systems typically generated glacial pace and one-size-fits-all ideas. Amazon has a carefully articulated set of principles and consistent toolkits so employees can make the right decision immediately.

**BUILDING BLOCK #6 – A forever Day-1 company culture . . . . . Pages 7 - 8**

Amazon genuinely believes it's still at the beginning of its growth, not the end. The company is absolutely committed to combining the size and scale of a big company with the speed and agility of a startup. Amazon continually upgrades its organizational capabilities.