

# THE BEZOS LETTERS

## 14 Principles to Grow Your Business Like Amazon

**STEVE ANDERSON**

**STEVE ANDERSON** is a professional speaker, consultant, and futurist. He gives keynote presentations on the future of technology, how businesses can leverage the online world, and how companies can assess and use strategic risk to their advantage. His insurance agency, The Anderson Network, is considered to be a leader in the field of insuring productivity, technology, and profits. He is on the advisory boards of several insurance industry work groups and think-tanks. He is a graduate of the University of the District of Columbia and Taylor University.

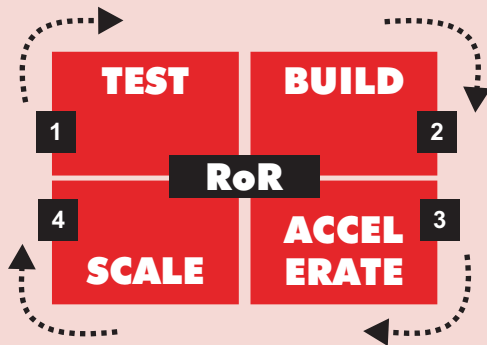
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**MAIN IDEA**

Amazon is the fastest company in history to reach \$100 billion in sales! How did Jeff Bezos achieve that? The reality is Bezos leverages risk and has created an exceptional culture of experimentation and invention. He believes you don't grow if you're not willing to take risks, and he constantly evaluates Amazon's "RoR" – Return on Risk.

Fortunately for everyone else, Jeff Bezos has detailed and outlined his approach to risk and his growth strategies in his annual letters to Amazon's shareholders. Jeff Bezos has written these letters for the last twenty-one years. When you analyze them, it becomes clear there are fourteen growth principles which articulate how Bezos and Amazon use risk to their advantage.

These fourteen principles fall into four growth cycles:



*"Yes, every business takes risks, but haphazard risk-taking is like rolling the dice. You never know what's going to come up. But Bezos takes risks with intentionality, which most businesses, if aware, can also harness to achieve greater results. I believe what has fueled Amazon's growth comes down to Jeff Bezos' unique approach to taking and leveraging risk and his commitment to creating a culture for experimentation and invention. And it's all based on his views on success and, actually, failure."*

– Steve Anderson

**THE 14 GROWTH PRINCIPLES AMAZON USES**



PRINCIPLE #1	ENCOURAGE "SUCCESSFUL FAILURE"
PRINCIPLE #2	BET ON BIG IDEAS
PRINCIPLE #3	PRACTICE DYNAMIC INNOVATION



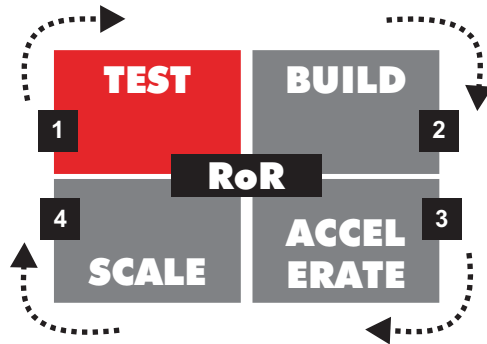
PRINCIPLE #4	OBSESS OVER CUSTOMERS
PRINCIPLE #5	ALWAYS THINK LONG-TERM
PRINCIPLE #6	UNDERSTAND YOUR FLYWHEEL



PRINCIPLE #7	MAKE HIGH VELOCITY DECISIONS
PRINCIPLE #8	MAKE COMPLEXITY SIMPLE
PRINCIPLE #9	ACCELERATE TIME WITH TECHNOLOGY
PRINCIPLE #10	PROMOTE OWNERSHIP



PRINCIPLE #11	MAINTAIN YOUR CULTURE
PRINCIPLE #12	FOCUS ON HIGH STANDARDS
PRINCIPLE #13	MEASURE, QUESTION and TRUST GUT
PRINCIPLE #14	BELIEVE IT'S ALWAYS DAY 1



At Amazon, testing is a way of life. All team members are encouraged to try new things and see whether they improve the way Amazon does business. If something doesn't work, there are no punishments but if something does work, Amazon bets big. Most businesses try and avoid failures, but Bezos does the exact opposite.

**TEST PHASE -- PRINCIPLE #1**  
**ENCOURAGE "SUCCESSFUL FAILURE"**

*"I've made billions of dollars of failures at Amazon.com. Literally billions of dollars of failures. You might remember Pets.com or Kosmo.com. It was like getting a root canal with no anesthesia. None of those things are fun. But they also don't matter."*

– Jeff Bezos, 2014

Jeff Bezos figured out very early on that to make lots of money, Amazon would have to take big risks – and that of necessity not all of those high-risk projects would end up being a success. He understands and Amazon lives by the creed that if you're not generating some sizable failures along the way, you're probably not thinking big enough.

Bezos defines Amazon's failures as being "successful" if everyone learns from them so they can do better in the future. Furthermore, what counts is how you apply what you've learned and how you approach things differently going forward.

It's quite widely known that Jeff Bezos is a space nut. He was born in 1964 at the dawn of NASA's Apollo project to land a man on the moon and bring him safely back to Earth. The Apollo program was shaped dramatically by the flash-fire which erupted on the Apollo 1 spacecraft during a routine training exercise on January 27, 1967. Three astronauts were killed and NASA worked hard to take on board lessons from the tragedy and become tougher and more competent.

Interestingly, the lessons that NASA gained from the tragedy of Apollo 1 came into play when Apollo 13 had an unexpected catastrophe in April 1970. A damaged coil sparked an explosion which rocked Apollo 13 and threatened the astronauts. NASA scrambled hard and came up with creative fixes, based on what they had learned from their Apollo 1 disaster.

Similarly, Jeff Bezos works hard to make sure Amazon learns from its failures. He intentionally builds failure into Amazon's business model.

*"One of my jobs is to encourage people to be bold. It's incredibly hard. Experiments are, by their very nature, prone to failure. A few big successes compensate for dozens and dozens of things that didn't work. What really matters is, companies that don't continue to experiment, companies that don't embrace failure, they eventually get in a desperate position where the only thing they can do is a Hail Mary bet at the very end of their corporate existence. Whereas companies that are making bets all along, even big bets, but not bet-the-company bets, prevail. I don't believe in bet-the-company bets. That's when you're desperate. That's the last thing you can do."*

– Jeff Bezos, 2014

Amazon famously lost hundreds of millions on its failed attempts to compete with eBay (Amazon Auctions and zShops). Amazon's iPhone competitor (the Fire Phone) was a flop. These failures hurt Amazon a lot but they are viewed internally as part of the job. The team which developed the Fire Phone used what they learned in the Echo hardware and Alexa which have contributed billions of dollars in revenue for Amazon – the perfect examples of successful failures at their finest. Similarly, Amazon Auctions and zShops eventually evolved into the Amazon Marketplace, which now generates 40% of Amazon's unit sales.

**TEST PHASE -- PRINCIPLE #2**  
**BET ON BIG IDEAS**

The three big bets Amazon has made in recent years have been allowing third-party sellers to appear on the same page as an Amazon product (Amazon Marketplace), opening up its IT structure to provide on-demand computing power to third parties (Amazon Web Services), and a subscription service for free shipping (Amazon Prime).

All three of these ideas were risky at first but have subsequently generated billions of dollars in annual revenue for Amazon.

*"At Amazon's current scale, planting seeds that will grow into meaningful new businesses takes some discipline, a bit of patience, and a nurturing culture. Our established businesses are well-rooted young trees. They are growing, enjoy high returns on capital, and operate in very large market segments. These characteristics set a high bar for any new business we would start. Before we invest our shareholders' money in a new business, we must convince ourselves that the new opportunity can generate the returns on capital our investors expected when they invested in Amazon. And we must convince ourselves that the new business can grow to a scale where it can be significant in the context of our overall company. Furthermore, we must believe that the opportunity is currently underserved and that we have the capabilities needed to bring strong customer-facing differentiation to the marketplace. Without that, it's unlikely we'd get to scale in that new business."*

– Jeff Bezos 2006

Jeff Bezos noted in 2014 that Amazon is still continuing to make investments to find another "dreamy" business (like Marketplace, AWS and Prime) which has the characteristics that:

- Customers love it;
- It can grow to a very large scale;
- It will generate very strong returns on capital; and
- It will be a business which is durable, in that it has the potential to grow for decades.

**TEST PHASE -- PRINCIPLE #3**

**PRACTICE DYNAMIC INNOVATION**

*“One area where I think we are especially distinctive is failure. I believe we are the best place in the world to fail (we have plenty of practice!), and 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, 2015

Invention is the act of coming up with something completely new and different. Innovation is the process of taking an existing product, service, or process, and making it better. At Amazon, both invention and innovation are ingrained into the daily culture.

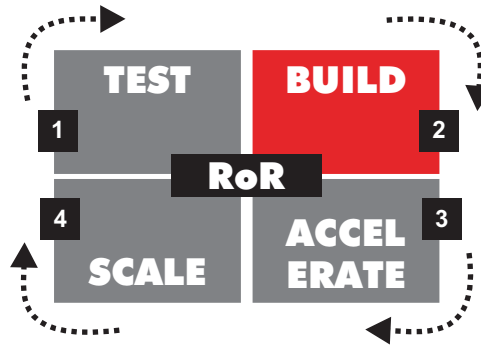
All Amazon employees are told they are expected to look at every task they perform and ask how to make it better. Everyone is encouraged to try new things and then to share what works. If you come up with something good, you’ll then be tasked with creating a training program for all Amazon’s employees.

Doing this allows Amazon to identify its most inventive team members. It also sends the signal that everyone should be looking for ways to do things better – which is a great part of a vibrant company culture. It makes innovation dynamic and inclusive rather than restricted to the senior managers of the enterprise.

Note that in Amazon, failure is not fatal. Anyone who tries something and fails is invited to share their thinking so the collective wisdom becomes richer. Amazon has also established its own lab – Lab 126. The “1” stands for “A” and the “26” stands for “Z” which aligns with the familiar Amazon “swoosh” arrow which draws a line from A to Z in “Amazon”.

*“Invention comes in many forms and at many scales. The most radical and transformative of inventions are often those that empower others to unleash their creativity—to pursue their dreams. That’s a big part of what’s going on with Amazon Web Services, Fulfillment by Amazon, and Kindle Direct Publishing.”*

– Jeff Bezos 2011



At Amazon, building is how you turn promising ideas into stable initiatives. They build to make sure what they invest in is something customers actually want. Amazon is always willing to sacrifice short-term gains in order to build a strong foundation for new products which will be around for many years.

**BUILD PHASE -- PRINCIPLE #4**

**OBSESS OVER CUSTOMERS**

*“I constantly remind our employees to be afraid, to wake up every morning terrified. Not of our competition, but of our customers. Our customers have made our business what it is, they are the ones with whom we have a relationship, and they are the ones to whom we owe a great obligation. And we consider them to be loyal to us—right up until the second that someone else offers them a better service.”*

– Jeff Bezos, 1998

More than anything, Amazon wants happy customers. Jeff Bezos consistently reminds employees to care about the customer and their needs. He actively encourages everyone to become obsessed with customers.

To execute on that ethos, Amazon starts with the customer and works backwards. Everything the company does or attempts needs to link directly to what is known about Amazon’s customers.

*“In our retail business, we have strong conviction that customers value low prices, vast selection, and fast, convenient delivery and that these needs will remain stable over time. It is difficult for us to imagine that ten years from now, customers will want higher prices, less selection, or slower delivery. Our belief in the durability of these pillars is what gives us the confidence required to invest in strengthening them. We know that the energy we put in now will continue to pay dividends well into the future.”*

– Jeff Bezos, 2008

Lots of companies focus hard on trying to make their products better, but at Amazon they typically ask good questions like:

- Who is the customer?
- What is the customer problem or opportunity here?
- What is the most important customer benefit?
- How do you know what the customer needs?
- What does the customer experience look like?

In this way, Amazon injects the customer into all their considerations and all their plans. They also require all third-party vendors who use the Amazon platform to be customer-focused as well. They want to keep trying to eliminate any and all barriers to doing business with Amazon.

Amazon even goes a step further:

*“We build automated systems that look for occasions when we’ve provided a customer experience that isn’t up to our standards, and those systems then proactively refund customers. The drive to get the customer to say ‘Wow’—keeps the pace of innovation fast.”*

– Jeff Bezos, 2012

Amazon goes to legendary lengths to create a happy customer. Customer service representatives are easy to reach in person, and are empowered to resolve problems quickly. They are quick to issue instant credits, organize for replacement products to be shipped at Amazon’s expense, or do whatever else is required to make customers happy quickly and competently. This is why Amazon has a stellar reputation for incredible customer service.

**BUILD PHASE -- PRINCIPLE #5**

**ALWAYS THINK LONG-TERM**

*"We believe that a fundamental measure of our success will be the shareholder value we create over the long term. We are working to build something important, something that matters to our customers, something that we can all tell our grandchildren about."*

– Jeff Bezos, 1997

1997 was the first year Jeff Bezos wrote a letter to shareholders, and it was apparent then that long-term thinking was a fundamental measure of success for Amazon. Nothing has changed in the interim, and Bezos remains committed to providing long-term value to Amazon investors.

For that reason, Amazon bucks Wall Street and refuses to get too carried away about quarterly results. Bezos has consistently shown he will sacrifice this year's profits in order to invest in long-term customer loyalty and product opportunities. For him, the key metrics which matter are customers and revenue growth. Bezos will invest in anything which improves the customer experience. He also actively implores potential investors not to buy Amazon stock if they are not making long-term investments.

*"We choose to prioritize growth because we believe that scale is central to achieving the potential of our business model."*

– Jeff Bezos, 1997

*"We believe that a fundamental measure of our success will be the shareholder value we create over the long term (5 Apply Long-Term Thinking). This value will be a direct result of our ability to extend and solidify our current market leadership position. The stronger our market leadership, the more powerful our economic model. Market leadership can translate directly to higher revenue, higher profitability, greater capital velocity, and correspondingly stronger returns on invested capital."*

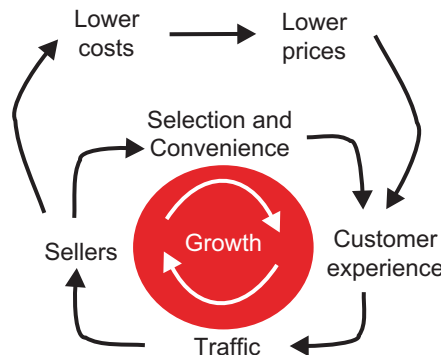
– Jeff Bezos, 1997

**BUILD PHASE -- PRINCIPLE #6**

**UNDERSTAND YOUR FLYWHEEL**

In his bestseller *Good to Great*, business guru Jim Collins spoke about how companies should try and build their own "flywheel". The analogy was that in just the same way as flywheels build and store momentum, great businesses understand where they want to go and get everyone working to push in the same direction. Once they put in the work to build momentum, it then becomes easier for them to keep doing great stuff in the future.

So what does Amazon's flywheel look like? It can be visualized in this way:



Growth is Amazon's primary goal. There are six things which will turn the company's flywheel:

1. Greater selection and convenience
2. Customer experience
3. Traffic to Amazon's website
4. The number of sellers
5. Lower cost structures
6. Lower prices

If Amazon can make any part of this flywheel go faster, it will accelerate the entire loop and lead to faster growth for Amazon overall. Amazon has become the shining example of making this kind of virtuous cycle work and the company shows no signs of losing focus on this goal in the near future.

Interestingly, Amazon's flywheel has remained virtually unchanged since the company was formed. The company has made acquisitions – like the purchase of Whole Foods in 2017 – in order to add selection and make the flywheel spin faster. By focusing on the flywheel, Amazon is able to make consistently good decisions and to focus and align its resources.

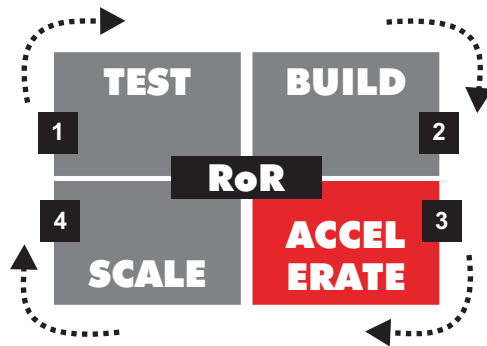
Any time Amazon is presented with a potential activity or action, it first asks itself whether moving ahead will improve one or more of the six parts of the flywheel. If so, then the opportunity is very much worth analyzing further. If not, Amazon will pass on the opportunity.

For example, Amazon launched Prime in 2004 to offer unlimited fast and free shipping to its customers. The aim was to eliminate barriers to shopping online, but Bezos was told repeatedly it was a risky idea. He moved ahead with Prime because it would lead to a better customer experience, attract more traffic, and add more convenience. Prime has ended up being hugely successful for Amazon, and more features have been added into Prime in recent years.

*"By the end of 2018, Amazon boasted more than 100 million Amazon Prime members. It also raised the price of an Amazon Prime subscription to \$119 per year, or \$12.99 per month. What's remarkable is that Amazon Prime members spent an average of \$1,400 per year on Amazon in 2018 compared to only \$600 per year for non-Prime customers."*

– Steve Anderson

The original Prime features helped Amazon grow, and that growth, in turn, allowed Amazon to continue to add more features to Prime. Those features added more convenience, selection, and other benefits which enrich the customer experience. That's what having a flywheel is all about, and it's the perfect illustration of why Jeff Bezos continues to focus on the flywheel to this day. It's the engine for Amazon's future growth.

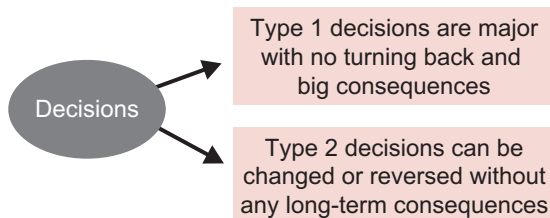


To Amazon, accelerating is what you do once something has been tested and shown to work. You then figure out how you can creatively use technology to boost what you're doing. You also form a passionate team to drive and accelerate the future growth, making your company fast-paced and dynamic.

**ACCELERATE PHASE -- PRINCIPLE #7**  
**MAKE HIGH VELOCITY DECISIONS**

*"The senior team at Amazon is determined to keep our decision-making velocity high. Speed matters in business—plus a high-velocity decision-making environment is more fun too."*  
 – Jeff Bezos

Jeff Bezos acknowledges that not all decisions should be treated the same. He classifies decisions as being one of two general types:



His default setting is to assume most decisions are Type 2 and therefore should be made quickly once you have

at least 70% of the information required. You shouldn't even wait to get more information – decide now and move forward. If you're good at course correcting, you will recognize fairly quickly that you've gone in the wrong direction and reverse track. That approach will always be better than being slow to make a decision.

Jeff Bezos has built a company with 600,000-plus employees who are empowered to act quickly whenever they face a Type 2 decision. Employees are also allowed to indicate they "Disagree and commit" to decisions. They can signal they disagree with the decision, but then work hard to try and make it work. This is far better than treating every decision like a Type 1 decision which slows the company to a crawl.

*"Amazon Leadership Principle—Bias for Action: Speed matters in business. Many decisions and actions are reversible and do not need extensive study. We value calculated risk-taking."*  
 – Amazon internal document

Note this is a good fit with Amazon's culture of encouraging "successful failures". By allowing people to identify Type 2 decisions, Amazon employees can act on ideas quickly and gather data, rather than endlessly debating them. This creates a culture where it's safe for people to take risks.

Jeff Bezos requires that employees create a six-page memo before every decision-making meeting. This has to be written as a story as if you were having a conversation with someone to explain the thinking behind your new idea. The story has to spell out likely consequences (positive and negative), the assumptions which are being made, and the ideal end result in terms of "when this works, x will happen". Amazon also requires that its people figure out how this idea can happen without being given any money – which summons creativity of the highest degree.

The six-page memo helps everyone get on the same page. It forces clarity of thinking. If the idea does not work out, the team can go back to this memo and identify what they might have missed. Amazon doesn't do any PowerPoint presentations in its meetings, but everyone silently reads through the memo and then discusses them. Most memos tend to take about a week to put together, and the author's names never appear on the memo – they come from the whole team.

**ACCELERATE PHASE -- PRINCIPLE #8**  
**MAKE COMPLEXITY SIMPLE**

In 2008, Jeff Bezos and his team started working with manufacturers to create special "Amazon-only" packaging for items sold on Amazon. The idea here was to replace the usual hard plastic clamshell packaging with something which was easy to open and recyclable. This made sense for products bought online, and customers were given the option of whether they wanted traditional packaging or frustration-free packaging when they bought. The idea has been a big hit with Amazon's customers.

*"Our battle against annoying wire ties and plastic clamshells rages on. An initiative that began five years ago with a simple idea that you shouldn't have to risk bodily injury opening your new electronics or toys, has now grown to over 200,000 products, all available in easy-to-open, recyclable packaging designed to alleviate 'wrap rage' and help the planet by reducing packaging waste. We've now shipped many millions of Frustration-Free items to 175 countries. We are also reducing waste for customers—eliminating 33 million pounds of excess packaging to date. This program is a perfect example of a missionary team staying heads-down focused on serving customers. Through hard work and perseverance, an idea that started with only 19 products is now available on hundreds of thousands and benefitting millions of customers."*  
 – Jeff Bezos, 2013

The great thing about an idea like frustration-free packaging is it's better for the customer, it generates less waste for the planet, and it is good for Amazon. This win-win-win outcome is the perfect outcome. It's also what Amazon was trying to achieve when Lab 126 came up with the Amazon Kindle e-reader, the Amazon Echo, Alexa, Amazon Go, and its new self-service stores. All of these are initiatives which are designed to make complexity simple for Amazon customers. Much of Amazon's success has revolved around this aim and imperative.

**ACCELERATE PHASE -- PRINCIPLE #9**

**ACCELERATE TIME WITH TECHNOLOGY**

*"Invention is in our DNA and technology is the fundamental tool we wield to evolve and improve every aspect of the experience we provide our customers. We still have a lot to learn, and I expect and hope we'll continue to have so much fun learning it. I take great pride in being part of this team."*

– Jeff Bezos, 2010

As more and more information gets digitized, it's becoming increasingly easy to harness the power of technology to get more done every day. Amazon, more than most, recognizes that business cycles have gone from years or decades to months, days and sometimes minutes. Amazon stays nimble by taking smart risks and innovating.

*"I got the idea to start Amazon 16 years ago. I came across the fact that Web usage was growing at 2,300 percent per year. I'd never seen or heard of anything that grew that fast, and the idea of building an online bookstore with millions of titles—something that simply couldn't exist in the physical world—was very exciting to me. I had just turned 30 years old, and I'd been married for a year. I told my wife, MacKenzie, that I wanted to quit my job and go do this crazy thing that probably wouldn't work since most startups don't, and I wasn't sure what would happen after that. MacKenzie told me I should go for it."*

– Jeff Bezos, 2010

Amazon continues to look for ways to harness technology in smart ways to get more done, and to make the business grow faster and better. That's why Amazon developed its own IT infrastructure and its own Internet Operating System – which it then could turn around and offer others as Amazon Web Services. With the arrival of cloud computing, AWS has been and continues to be impressively profitable for Amazon.

Amazon is also aggressively automating its fulfillment centers. In 2012, Amazon acquired Kiva Systems and since then has been busy combining robotics, artificial

intelligence, and automation to makes its fulfillment centers support higher sales volumes.

*"At Amazon, technology permeates their teams, their processes, their decision-making, and their approach to innovation in each of their businesses. It is deeply ingrained into everything they do. For any business, the continued adoption and adaptation of technology improves the customer experience, which feeds the business flywheel, accelerating the whole business as it turns. Google, Microsoft, and many others are working hard to catch up."*

– Steve Anderson

**ACCELERATE PHASE -- PRINCIPLE #10**

**PROMOTE OWNERSHIP**

*"Long-term thinking is both a requirement and an outcome of true ownership. Owners are different from tenants. I know of a couple who rented out their house, and the family who moved in nailed their Christmas tree to the hardwood floors instead of using a tree stand. Expedient, I suppose, and admittedly these were particularly bad tenants, but no owner would be so short-sighted."*

– Jeff Bezos 2003

Jeff Bezos has referred to the company's stockholders as "shareowners" since 2002. He actively encourages them to think long-term and to act that way rather than looking to make a quick buck trading Amazon stock. Bezos also regularly encourages employees to think and act like owners.

*"Amazon Leadership Principle—Ownership: Leaders are owners. They think long-term and don't sacrifice long-term value for short-term results. They act on behalf of the entire company, beyond just their own team. They never say 'that's not my job.'"*

– Amazon Leadership Principles

Admittedly the concept of encouraging people to take ownership of their work is not unique to Amazon but Bezos and his team take this to a new level. To promote the idea and practice of ownership, Amazon does this:

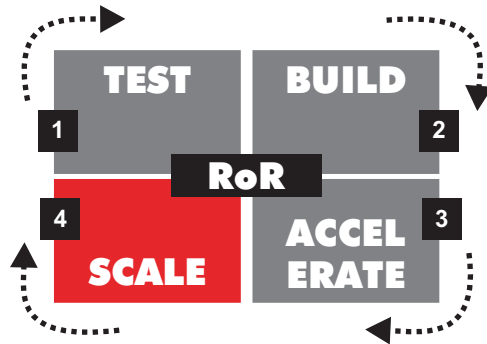
- Amazon gives many employees restricted stock units which convert into Amazon stock once the specified conditions are met.
- Employees are encouraged to make Type 2 decisions. They are also empowered to do whatever it takes to keep customers happy.
- Amazon meetings use six-page memos to give people the capacity to work together – which promotes the ideals of ownership.
- Everyone at Amazon is expected to be on the lookout for how to make things better. An engineer who was just playing around with the Amazon Echo device came up with the idea of using this as the hub for home automation systems.
- Amazon has taken onboard an idea from Zappos, and once a year employees are given an opportunity to "opt out" if they want to. They are offered between up to \$5,000 to quit Amazon if they want to. Employees stay because they want to work for Amazon.
- Amazon has a "disagree and commit" system for employees. Anyone who disagrees with a decision can have it noted but then still get to work doing what's best for customers.
- Amazon has its Amazon Smile program where customers can support their favorite charities every time they shop at Amazon. The ability to support a charity you feel affinity for create a very strong sense of connection with Amazon.

*"Friends congratulate me after a quarterly-earnings announcement and say, 'Good job, great quarter,' and I'll say, 'Thank you, but that quarter was baked three years ago.' I'm working on a quarter that'll happen in 2021 right now."*

– Jeff Bezos, 2018

*"Of course, we won't undertake such experiments cavalierly. We will work hard to make them good bets, but not all good bets will ultimately pay out. This kind of large-scale risk taking is part of the service we as a large company can provide to our customers and to society. The good news for shareowners is that a single big winning bet can more than cover the cost of many losers."*

– Jeff Bezos, 2018



For Amazon, scale requires that you maintain an innovative culture which is willing to take risks on behalf of the customer. You have to focus on maintaining high standards, measuring only what matters, and most important of all make decisions as if it is your first day in business. You have to focus on the customer.

**SCALE PHASE -- PRINCIPLE #11**  
**MAINTAIN YOUR CULTURE**

*"We never claim that our approach is the right one—just that it's ours—and over the last two decades, we've collected a large group of like-minded people. Folks who find our approach energizing and meaningful."*  
– Jeff Bezos, 2015

While there has been some controversy in the media about what it's like to work at Amazon, it's probably fairly safe to say some people just naturally thrive there, while others really hate it, with most people being somewhere in the middle. When entities like LinkedIn and the Drucker Institute / Wall Street Journal analyze the top companies where Americans want to work, Amazon typically ranks in the top three. That's pretty impressive for a company which has scaled from a handful of employees to over 600,000 and growing.

To maintain its culture, Amazon focuses on personal leadership, and on constant and continuous growth. Jeff Bezos also constantly reminds Amazon's people it's still Day 1 and the company is still just starting out.

*"It gets harder as you get bigger. When you're a little tiny company, say you're a ten-person startup company, every single person in the company is focused on the customer. When you get to be a bigger company, you've got middle managers, and you've got all these layers. And those people aren't on the front lines. They're not interacting with customers every day. They're insulated from customers, and they start to manage not the customer happiness directly, but they start to manage through proxies like metrics and processes. And, some of those things can become bureaucratic. So, it's very challenging."*

– Jeff Bezos, 2018

In all his communications, Jeff Bezos always keeps referring to the 14 Amazon Leadership Principles which define what the company expects from each and every employee:

1. Obsess over the customer
2. Take ownership of results
3. Invent and simplify
4. Leaders are right – a lot
5. Hire and develop the best
6. Insist on the highest standards
7. Think big
8. Have a bias for action
9. Practice frugality
10. Be vocally self-critical
11. Earn the trust of others
12. Dive deep
13. Have backbone – disagree and commit
14. Deliver results

*"If there is one big difference between what test, build, accelerate, and scale mean at Amazon, it's that Amazon doesn't treat those terms as academic. They make these cycles a part of their planning process with the same kind of intentionality that Bezos pays to risk. To Bezos, businesses are always changing and moving. Growing businesses are always testing something, building something, accelerating something, and scaling something. And when you find out what works, you do it all over again."*

– Steve Anderson

**SCALE PHASE -- PRINCIPLE #12**  
**FOCUS ON HIGH STANDARDS**

*"Building a culture of high standards is well worth the effort, and there are many benefits. Naturally and most obviously, you're going to build better products and services for customers—this would be reason enough! Perhaps a little less obvious: people are drawn to high standards—they help with recruiting and retention. More subtle: a culture of high standards is protective of all the 'invisible' but crucial work that goes on in every company. I'm talking about the work that no one sees. The work that gets done when no one is watching. In a high standards culture, doing that work well is its own reward—it's part of what it means to be a professional."*

– Jeff Bezos, 2017

To get hired at Amazon, you have to be interviewed by a number of people including a hand-picked number who Amazon refers to as "Bar Raisers". These people are there to make sure Amazon is hiring new people who will add to the culture of the company rather than dilute it. Nobody can get hired for a position until a Bar Raiser gives their blessing first.

The big three questions the hiring managers are required to answer are:

1. Will you admire this person?
2. Will this person raise the average level of effectiveness of the group they are entering?
3. Along what dimension might this person be a future superstar?

Amazon goes out of its way to try and hire only A-players and then to make sure they receive whatever they need to do their jobs well. It has created a culture of high standards and continues to act like it's still Day 1.

**SCALE PHASE -- PRINCIPLE #13**

**MEASURE, QUESTION and TRUST GUT**

*“Math-based decisions command wide agreement, whereas judgment-based decisions are rightly debated and often controversial, at least until put into practice and demonstrated. Any institution unwilling to endure controversy must limit itself to decisions of the first type. In our view, doing so would not only limit controversy—it would also significantly limit innovation and long-term value creation.”*

– Jeff Bezos, 2005

Data and analytics drive everything at Amazon, and tests are being run constantly to figure out how to improve the customer experience. This approach runs the entire spectrum from order button color and placement to every other detail. Each year, Amazon's Weblab runs thousands of experiments to try and identify improvements. All of that data is compiled into a massive database that any employee can access.

Furthermore, Jeff Bezos evaluates the company's performance on the metric of free cash flow per share rather than the more conventional measure of earnings per share. "Free cash flow" is defined as net cash provided by operating activities less purchases of fixed assets.

Free cash flow is the metric which matters the most for Amazon because this drives the company's ability to grow. In a similar vein, you should figure out what is the ultimate measure of success for your own organization, and then come up with smaller data points that you can measure regularly to identify whether or not you're heading in the right direction. Keep measuring all the time as you experiment with new initiatives so you're always evaluating performance consistent with your big goal.

As you do that, question what you measure. You can't blindly use data as the only criteria for making decisions. You also have to factor in your own gut instincts and also customer anecdotes and experiences. Always do a reality check of your data with your intuition and your instincts. You have to use both to make sound decisions.

*“The reason customers have been receptive in large part to our new initiatives is because we have worked hard to earn their trust with them. Earning trust with customers is a valuable business asset. And if you mistreat their data, they will know it, they will figure it out. Customers are very smart. You should never underestimate customers.”*

– Jeff Bezos, 2018

**SCALE PHASE -- PRINCIPLE #14**

**BELIEVE IT'S ALWAYS DAY 1**

*“There's so much stuff that has yet to be invented. There's so much new that's going to happen. People don't have any idea yet how impactful the Internet is going to be and that this is still Day 1 in such a big way.”*

– Jeff Bezos, 1997

That was what Jeff Bezos said in his very first letter to Amazon shareholders, and to reinforce that message, each year he includes his 1997 letter with each new annual shareholder's letter that is published. He consistently encourages everyone at Amazon to act like it's Day 1.

In other words, Day 1 is a concept, not a date. It's a mindset and an anchor that your job is to find ways to delight customers. You have to stay focused on achieving that, and on doing what's right for the customer, not just what's possible given Amazon's size.

*“You can be competitor focused, you can be product focused, you can be technology focused, you can be business model focused, and there are more. But in my view, obsessive customer focus is by far the most protective of Day 1 vitality.”*

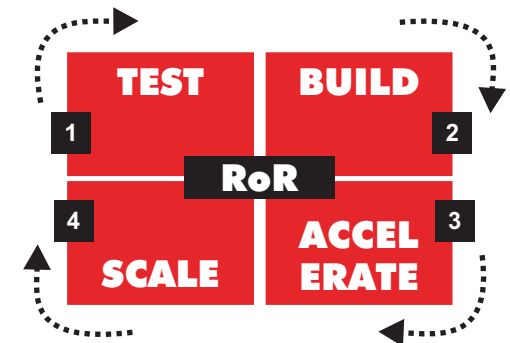
– Jeff Bezos, 2016

In essence, the Day 1 culture means Amazon tries to act like a startup even now. Jeff Bezos reminds Amazon employees to resist proxies and keep obsessing over the customer. Amazon embraces external trends with enthusiasm and factors in how to use those trends to grow and serve customers even better. A Day 1 mindset means speed trumps perfection, and you need to make the best decision you can with the information at hand, and then move quickly.

As long as Jeff Bezos is at Amazon, he will always work to maintain the Day 1 mindset and ethos. It's incredibly important to him. The alternative is painful. And perhaps that's why he ends every letter to Amazon's shareholders the same way: "As always, I attach a copy of our original 1997 letter. It remains Day 1".

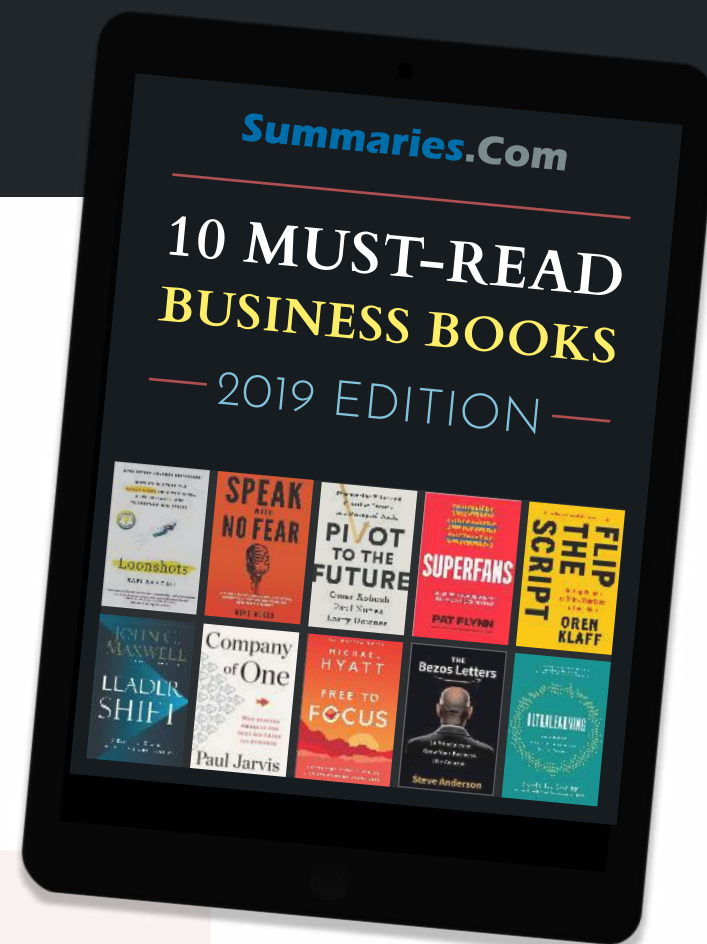
*“It is truly Day 1 for the Internet and, if we execute our business plan well, it remains Day 1 for Amazon.com. Given what's happened, it may be difficult to conceive, but we think the opportunities and risks ahead of us are even greater than those behind us. We will have to make many conscious and deliberate choices, some of which will be bold and unconventional.”*

– Jeff Bezos,



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