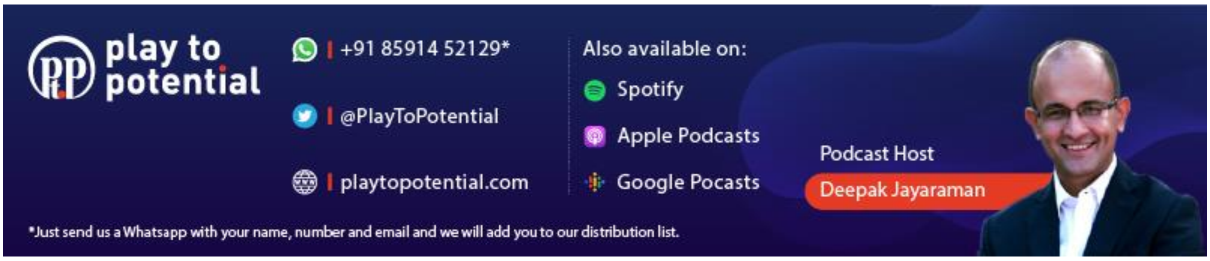

Guest

Bill Carr is the Co-Author (along with Colin Bryar) of the recently published book Working Backwards - Insights, Stories and Secrets from Inside Amazon.

In Working Backwards, these two long-serving Amazon executives reveal and codify the principles and practices that drive the success of one of the most extraordinary companies the world has ever known. With twenty-seven years of Amazon experience between them, much of it in the early 2000s—a period of unmatched innovation that brought products and services including Kindle, Amazon Prime, Amazon Studios, and Amazon Web Services to life. The book offers unprecedented access to the Amazon way as it was refined, articulated, and proven to be repeatable, scalable, and adaptable.

The book demonstrates that success on Amazon's scale is not achieved by the genius of any single leader, but rather through commitment to and execution of a set of well-defined, rigorously-executed principles and practices. In our conversation, we first spoke about some of the distinctive elements of Jeff Bezos's leadership before getting into some of the elements at Amazon that have turned it into a value creation juggernaut over the years.

Context to the conversation

Welcome to the 72nd Conversation at the Play to Potential Podcast. I am your host Deepak Jayaraman. This podcast is my labour of love for the long term to have conversations with leading practitioners, thinkers, authors, artists, sportsmen and other leading professionals to decode insights around leadership, transitions and careers.

When I am not podcasting, I am working with leaders as a Coach, Sounding Board, Transition Advisor helping leaders and organizations play to their fullest potential. To know more about what is in the podcast archives and the advisory work I do, you could just visit www.playtopotential.com

My guest this time is Bill Carr, co-author of Working Backwards, a book that gets into the nuances behind what has made Jeff Bezos and Amazon so successful today. I think there is so much that each one of us can learn from Jeff and some of the processes at Amazon. Without further ado, let's listen and learn from Bill Carr.

Transcription

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Deepak Jayaraman (DJ): Lovely. Bill, before we talk about your recently published book Working Backwards, why don't you give us a sense of your journey at Amazon, yours and Colin's journey just for us to get a sense of where your insights come from?

Bill Carr (BC): Sure. So, I joined the Amazon in July of 1999, and I joined as a Product Manager on the then the Video business, which meant our store selling VHS tapes and DVDs. And over the next four to five years, I progressed across a variety of roles, but effectively ended up within a couple of years being the co-General Manager of our Physical Media business at Amazon. So, books, CDs, DVDs, VHS tapes for the United States and that was actually the vast majority of Amazon's revenue in those days. At the end of 2003, 77% of all of the Amazon's revenues worldwide were from that Physical Media business. And then my career transitioned in 2004, when I was asked to go along with my then manager Steve Kessel to help work with him to start up the Digital Media organization of the company and that organization started with Steve and I but ended up becoming the organization that now support everything from the digital devices that people know Kindle, Fire TV, the Echo and Alexa as well as digital media services such as the Kindle e-books, Amazon Music, Prime Video and Amazon Studios. And my role was that I was the founder and leader of those businesses that are now known as Amazon Music, Prime Video and Amazon Studios. So, I ran those organizations globally for a decade before leaving the company at the end of 2014. My co-author Colin Bryar was with the company nearly as long 12 years. He joined a year before I did and he was, he came from a more technical background so he worked in the software engineering organization when he arrived. Then he transitioned into a role where he was just technical advisor, a role commonly known as a Chief of Staff. So, he literally spent about two years, 10 hours a day with Jeff for two years going to every meeting that Jeff went to and traveling with him and his role was just to help Jeff become a more effective, to be a more effective CEO. And Colin then moved on from that role to be the General Manager of IMDb, the Internet Movie Database which is a subsidiary of the Amazon before he left the company back in it would have been, I guess, 2011. So, yes, so have a combined 27 years of experience with the company and most notably we were there in specific roles at a specific time really, the 2003 to 2006 window is what I would call a bit of a renaissance period for the company because in that one window of time, this two to three-year window, the company either formed the teams or launched all of the businesses that had driven the growth for the company. So, that includes Amazon Prime, this Prime subscription service, the Digital Media & Devices business beginning with Kindle, the Amazon Web Services business as well as Fulfilment by Amazon. So, most people know about all those businesses but what they don't know is that an equally important thing happened in that same window of time, which is that while the company was developing these products and businesses that would end up becoming multibillion-dollar global businesses, they were also developing a set of business principles and processes that would allow the company to continue to be innovative even as it was growing and scaling its core e-commerce business and would allow the company to be operationally effective across a wide variety of businesses in a wide variety of geographies. And so, that's what we write about in our book is we describe these processes and principles and we give them a name, which is we call them the Amazon Invention Machine. So, we seek to describe what this machine is and how anyone can use it in our book Working Backwards.

DJ: And I would love to dig into the machine in a couple of minutes, but let's talk about the man, Jeff and I understand Colin was Jeff's shadow after Andy Jassy who is now the CEO, who has been appointed as a CEO at Amazon after Jeff. While a lot has been said about Jeff's leadership, in your opinion Bill what makes him special? I am specifically curious about some of the learnable elements of his leadership right, habits, routines rituals or principles. If you had to sort of talk about three or four things that stand out for you, what would those be?

BC: Well, first of all the thing that is not learnable is the guy is brilliant okay, so he was born with a certain amount of mental horsepower and he won the genetic lottery in that category. But here are the things that are learnable. Number one is that Jeff is curious, he is intellectually curious. So, when a topic comes up, he digs into it and people who are curious also tend not to take things at face value. So, when a new idea, new product, new issue comes up and whether that issue is something he learns about in the wild or something that he reads about in a document from someone in Amazon, he doesn't just accept it as fact and he seeks to look at it from multiple angles and decide what he thinks is the right way to think about it and, you know, we have many examples of this in the book. The other thing that Jeff that's learnable, that's remarkable of Jeff is the timescale is his way of thinking about time. Most of us are actually very short-term thinkers. We don't, many who are short-term just think about what they are, you know, what's going on, how can they satisfy their needs at this hour? Some of us who are longer term can think in terms of days or weeks or months or a few years, but Jeff thinks in terms of decades and if you want one example of the way in which he thinks at a timescale is different, just go Google a Clock of the Long Now after this podcast and learn about the project that he is financing to build a clock that will run for 10,000 years. And he's also deeply curious about space and if you think about space and time then you realize of course that we are A, so small, and B, time is so vast and long. So, that long-term thinking though comes in very handy when you are trying to be an effective business leader. Another thing that is learnable about Jeff is the way that he believes that the interest of customers are perfectly aligned with the interest of shareholders. And most businesses don't think that way; they actually think that the interests of shareholders are all just about how do I deliver the right financial results to them and some of the cases the needs of customers are at odds with that and this kind of goes hand-in-hand with the long-term thinking that if you have long-term thinking and you think about meeting customers' needs over time, over the long arc of time, if you stick with that you will actually get the right outcome for shareholders. And then one other and it's hard for me to sort of make this a short list, I will give you one more now and I will pause from there because I have learned so many things from Jeff, but another one is what I would call the Tyranny of the OR. A lot of its conventional wisdom is to believe that there are certain things you can't have together. You can't have low cost and high quality or you can't have speedy delivery and low cost or whatever those two sort of opposing items are. And Jeff taught us that there's a fallacy in sort of believing in sort of that there are these either or propositions and to be able to focus on how you can have them both.

Reflections from Deepak Jayaraman

DJ: This is your host Deepak Jayaraman here. It's fascinating to hear how Jeff Bezos thinks about time and plays the long game. One of my earlier guests in the podcast, Lynda Gratton (LG), a professor at London Business School and the Author of 100 year life says something similar in the context of our lives. She says that given the advances in healthcare, we all are likely to live close to a 100 and work well into our 70s. That would require a very different mindset in the way we think about capability building and assets, both tangible and intangible. Here is a snippet from her talking about intangible assets.

LG: "Well you know as you and I in the book we talked about three types of intangible assets we talked about Productive assets, Vitality assets and transformation assets and I think really you know in your 40s the productive assets becomes really important because you need to keep on landing you need to keep on building new skills you need to be saying to yourself and to the labour market you know I am still somebody who has gone lot to offer from now until the age of 70s so that's really crucial but also of course transformational assets and those as we said earlier they are they are transformational assets a lot to do with your networks. So if you are 40 find yourself spending all *your time with people just like you then that's not gone help you to transform so you should be looking around and asking yourself am I spending time with people who different from me in terms of the nationality or their mindset or their age or their gender because in that diversity you can begin to imagine what your possible selves I think 40 is a good time to think about possible selves"*

DJ: If this is of interest tune into my conversation with Lynda Gratton at playtopotential.com. You can find her in the Guests section of the podcast. Let's now get back to Bill Carr.

DJ: Lovely, and if I may pick up on a couple of things you mentioned, Bill? One is the Tyranny of the OR, the other is the long timescale. Given that often we operate in environments where people are expecting short-term outcomes, whether it's the market, whether it's our colleagues or otherwise, how did, do you have any insights on how Jeff managed the short-term and the long-term?

BC: Well, we have lots and lots of them but the simplest example is that all companies encounter this and we encountered, you know, we encountered this at Amazon, I mean, we encountered the same business problems at Amazon that every other company did but over time we ended up taking applying different solutions. So, a great example is that when I was there in 1999, I remember it was the third quarter or the fourth quarter, but here we were with a few weeks to go in the quarter and I remember the word going around to say it looks like we are going to come up short of our revenue goal for the quarter. What can we do with these final three weeks of the quarter to close that gap? And there's not a company out there that probably someone can say I have never, you know, where this hasn't happened and what most companies do in that situation is because it is a short window of time and the only, you know, so you have to take measures that will create some pop in the short term is then they do something like create a price promotion or something that will actually maybe give you that short-term benefit of hitting instead of 125 million in revenue or 150 million but doesn't do anything for you long term. In fact, it hurt you long term because A, instead of spending that time building, creating real value for your customer and something differentiated you spent that time focusing on some short-term promotion but also by the way you probably just pulled demand out of the next quarter into this quarter. So, you are just going to have a deeper hole as you get into the next quarter. What long-term thinking looks like instead is we are not going to play that game, we are not going to focus on what price promotions or some clever thing to do with our inventory, send back a bunch of our inventory to our suppliers, even though we know will need it eventually to make our working capital numbers look better; there's all kinds of things companies do. We are not going to do those things and said we are going to focus on what really matters to customers and how we can build towards that and I could go on from here, but I will sort of pause there.

DJ: Got it, got it. Of course, it's a longer conversation. But moving topics Bill, I would also love to get a time trend view of how you saw Jeff evolve as a leader? In a lot of ways, you and Colin spent time in the early years where the company sort of went through significant scaling. What have you and Colin observed Jeff do in being deliberate about his evolution as a leader?

BC: So, first a caveat on my part and Colin's part, a lot of our deep interactions with him really began in my case in 2004 and Colin's case in 2003 and so my interactions with him are a little bit more limited. So, some of my observations here are hearsay but let me generalize first. Every, almost every single entrepreneur, CEO that finds product market fit and then their company starts to grow quickly and scale quickly, they all face this same challenge which is the skills and the methods of management they used when the company was 5 people, 10 people, 20 people, 30 people, pretty much anything under 60, was that they could be in every meeting, they could interview everyone, they could be a part of every decision. But once you get north of say 130 people and you are say doubling your year-over-year growth or in Amazon's case we were, I don't know, probably like quadrupling in scale year-over-year, that doesn't work anymore, right? You can't be in every interview, it's not physically possible, okay? And so, the management methods you may have used like most start-up CEOs would use to say they held those daily stand-up with the whole company and talk about like what's going on and we are all working on today, they could be in the interviews like that doesn't work. So, there is two choices of what can happen at this point. Either that CEO can evolve and start to learn about and either take commonly accepted practices for how one manages a larger enterprise and company effectively and, you know, for example, when I was in business school in the 90s one would study companies like General Electric or Procter & Gamble or Toyota and many, many other companies the work of Peter Drucker or others who would describe like here's how you do these things. Or you go hire someone and actually we tried both. So, Jeff actually did hire a Chief Operating Officer named Joe Galli, and that did not really work out so well; Joe lasted for about a year. So instead, what Jeff decided to do was to actually like said, I am going to reject a lot of these sort of conventional ways of thinking and I am, I do understand that this is the challenge. What I am trying to, what I Jeff want to do is say how do I take the mindset that I have, the lens through which I view the world and how I am making decisions and how do I make that something that's repeatable, that others can understand and apply as they work here at Amazon. And so, we started, I don't know what the exact date was, but certainly in 2003 or he was well… he was down the path of this journey and his solution to this problem was first and foremost actually create a set of leadership principles, where he really sweated over the details of what these principles were and how they were described in the ways they were instructive about the actions and activities you would take as a leader in the company. And then he sought to create specific mechanisms or processes to reinforce them. So, these two things are actually… those sound simple, most companies don't do either one of those things, they just scrap it. They don't… they create maybe a set of values or principles, but they don't really sweat the details of them A, and then they don't seek to figure out how to actually create mechanisms to reinforce them. And so, Jeff really took this journey, this transition very seriously and that's actually we really want to reveal to the world is that what he came up with is rather remarkable.

DJ: True, and I would love to get into some of these mechanisms and principles in a couple of minutes. But back to Jeff, the other thing that strikes me is just his ability to manage his energy, right? He talks about getting a sound eight hours of sleep every night and a fair bit of exercise as well. Any insights into how you and Colin saw him manage his energy and his attention?

BC: Well, I guess what I can speak to more so is how he spent his time when he was at the office. I certainly can't comment much about how he managed his energy, I wouldn't know, I am speculating but another thing he did that was unconventional is what most CEOs do and leaders do is they spend the vast majority of their time on their existing business. So, for example, if you are Howard Schultz you spend most of your time on how you are going to sell more coffee at Starbucks stores. And by 2004, Jeff had made the decision to say I have put in place the right kind of… he had done much of work to get here, but he had started to put in place the right kind of processes and thinking and the right kind of leaders to be able to step back and say I am going to have a lot of the day-to-day work figuring out how Amazon is expanding its selection and lowering its prices and improving a lot of the details of the customer experience. I am going to spend about half my time on that but I am going to spend the other half of my time on what are the new important things we need to… what are new products and services we need to build to create whole new businesses for the company. And while I am certainly no expert on CEOs and how they spend their time, I would be surprised if you could pull the Fortune, you know, top 500 CEOs in the world I bet you would not find very many of them they all keep their time that way. And the important lesson there is that if you actually are going to develop whole new businesses inside a company those are very fragile institutions, existing institutions are great at running and operating the existing business, but they are also great at trying to snuff out and stifle innovation and new ideas that might either be competitive to or ancillary to that business. And even in a company like Amazon, this is true. Most people, if you pulled the average person that knew senior leader at Amazon in 2004-2005 to say what do you think about all this time we are spending and money we are spending on digital media and AWS, a majority of them would have said this is a bad idea, we shouldn't be doing this which would surprise you to learn. But when something is nascent and new it's much easier to point out the ways in which this is not likely to work than to see the ways in which it would and why you should put the company's resources against it, especially when the core business for the company e-commerce still had so much room to grow as is evidenced by what's the size of Amazon's e-commerce business today versus 16-17 years ago, it's huge.

DJ: Hmm, hmm.

BC: And so, a lot went into that but… and so, Jeff could have just spent all of his time on that and Amazon would still be a very successful company, but instead he actually started spending about half of his time fostering and growing Amazon Web Services, Digital Media & Devices.

DJ: Let's move to the book Bill, Working Backwards. You just started talking about the leadership principles, what struck me was in my limited experience I often come across organizations that have four, five, six leadership competencies or principles or elements and they have a hard time bringing them to life, but Amazon has 14. I was curious about how Amazon brings these 14 principles to life?

BC: Well, the first thing to note is it didn't start off with 14 and so if you are listening to this podcast and you are the CEO of your company, the first thing I want to tell you is I do not recommend going from zero to 14. In most cases when we work with other CEOs to help them develop their principles, we recommend you start with 5 to 8 and you build on it from there. But setting aside what's the right number to begin with, the more important question is how you make them come to life, because in too many cases a company may have a set of values or principles and these end up being sort of posters on the wall or PR speak. They sound good, they make for nice sound bites, they look good on your website but inside the company they don't really actually affect the way anyone makes a decision or they don't really define or help inform what makes a great leader at the company or how they view the world. So, how did Amazon get there? So, we actually started off with again, it all started off messy. We had, when I arrived in 1999, there were no leadership principles, but there was a set of sort of leadership competencies and there were actually two different lists, I cannot remember the name of each one of them was but they added up to about 25 different attributes of values and principles and that was way too long, there's no way I could remember 25 when we try to use these in performance management and performance reviews, you had to pick and choose like which ones am I going to talk about for my direct report, should I ignore these 20 and just focus on these 5, having a super long list is actually like counterproductive. What became productive was in 2004, when one of our senior HR leaders went out and was asked to do a leadership training but pushed back and said well, I can't do any leadership training in this company until we define what leadership at our company means. And that was… that is a very, you know, just stop and pause and think about that because I guarantee you if… again, what CEO hasn't said that, okay we need be better leadership training at our company without actually thinking about what does leadership at their company mean, because we all know that no two companies are alike. So, given examples of companies people know like Amazon, Google, Microsoft, these are very… or Apple, each one of these companies is very different. The person who could be successful in one of those companies may be completely unsuccessful at another one of these companies based on the way they actually manage and think. So, there's no such thing as generic leadership where you have… for your company you have to define what leadership means in your company. And so, Robin Andrulevich, the HR leader that took down this project, she went out and canvassed the different leaders in the company, asked them about what defined role model leadership of the company, what were the hallmarks of great leaders and oh by the way based on the vision for where the company was going what kind of skills and capabilities would we need. And so, we aggregated sort of where we were with where we wanted to go into these 10 principles and they were all very actionable and descriptive like if you read those descriptions, you can then actually apply them specifically in decision-making conversations or in a conversation when you are talking about someone you might hire or someone you might or think about promoting inside the company. So, that's the first thing is like you have to actually do a good job with the creation of these things to make them mean something and then what Amazon did is they started to create repeatable, scalable processes and mechanisms that would reinforce those principles. So, the easiest one to do is your hiring process. So, if you define what a role model leader looks like for your company with leadership principles, well then, the next there's two very obvious things to do with that information: one is, that is the information you should use, the criteria you should use to then decide who you should hire. And so, you could knit that and weave that into your interview process, which Amazon does. So, literally when you interview for a job at Amazon, you are going to be interviewed by six or seven people and each one of those interviewers has been assigned in advance two or three of the Amazon leadership principles and they will spend, their only job in the interview is to figure out whether this candidate meets the bar for those two or three principles or not, to document that and then the whole body of interviewers, the whole panel brings together all of their assessments so then you get an assessment to say for this candidate do they meet or not meet the bar for each of these 14 leadership principles, which then gives you a data based way of discerning whether this person would be an effective leader in your company or not. And by the way when I use the word leader, I mean, everyone is a leader, everyone who is in a salaried position whether you are an individual contributor or a senior manager. So, that's… so your hiring process is one way or the other logical way to employ these leadership principles is to think about performance coaching and management. So, when you are looking at the people in your company and deciding who are the most effective people, your leadership principles should be that criterion and it should be knit into your performance review and management process to use those and to give and so managers give them as coaching and feedback. And finally, the third way is to actually bring them in when you have a hard decision. So, if your leadership principle is customer obsession that good leaders start with the customer and work backward from there, and if you are in a meeting where people are basing a decision off of a financial issue or a partner issue or anything other than a customer issue, that's the point at which good leaders in a company redirect the conversation and say hey, we are not thinking about this the right way, we need to start with the customer and work backward from there. Let's think about it in those terms and now try to make the right decision. So, that's what Amazon did and any company can do this. And we are not saying you should adopt Amazon's leadership principles because that would be foolish like Amazon is Amazon, you need to define what does role model leadership look like in your company and then start to knit it into your processes.

DJ: And just picking up on one of the things you said Bill, I used to be a recruiter in my previous life. What I was amazed by was the attention to detail in the process in terms of independence of the different conversations versus building on the past in the sense in one of the sections in the book you talk about the fact that initial few conversations actually are independent observations of the candidate, but the Bar Raiser gets all the context and then sort of pressure tests some of those specific things that he or she needs to probe. Do you want to talk a little bit about the way the selection process is structured to bring out the best decision?

BC: Yes, so the Amazon hiring process is called the Bar Raiser process and I already mentioned two of the notable things, one is that the criteria on the interviews, the interviewers are assigned specific data to collect and the data are about the leadership principles. The next thing is that those interviewers have to actually document the interview in great detail. They actually take furious notes while interviewing literally documenting the questions and the answers and then after the interview they need to write up a quick summary and an assessment and then the next part of the process that's notable is that there's an in-person or virtual in today's day and age debrief meeting among the interview panellists after the interview where all those notes are then shared, people read to them all and then a discussion ensues. The person who runs that debrief meeting is the Bar Raiser. The Bar Raiser is a subject matter expert in the hiring process at Amazon in the interviewing process and they were one of the people on the interview loop, but they were not someone who, they can't be the hiring manager and they can't be in the hiring manager's direct reporting structure. So, they are independent and their job is really just to make sure that the hiring manager and the panellists are following the process, are using the right criteria, the leadership principles and that they are not subject to certain biases, whether those biases be personal biases about what a certain manager likes or doesn't like in a person or a candidate, those are not important. What's important is how the person stacks up to the Amazon leadership principles. Or the most nefarious bias in the hiring process, which is urgency bias. If you are a hiring manager and you have six openings in your department and you need those six people to hit your goals, well, your hair is on fire to hire those people and the longer it takes the harder it is for you to hit your goal. So, if you find a so-so candidate, it's very easy to talk yourself into saying, this person is good enough, I am going to hire them and you will deeply regret that decision later when it turns out that that so-so person is worse than so-so and becomes a low performer and then the amount of time and effort you will spend to coach, try to save that person or ultimately work them out of the organization will vastly exceed the time that would have been required to simply discard that candidate and move on to the next candidate to find someone who actually meets or exceeds the bar for the role.

DJ: Hmm. That's a great part actually. When I think about how we would hold the Bar Raiser accountable, I would imagine there would be a tendency to be a little over-stringent on the filtering and therefore, you know, possibly hurt the business. So, how did Amazon manage that tension because…

BC: Yeah, Amazon managed that tension by stating overtly to say yup, there are going to be some false negatives, so you have a choice right in the hiring process, are you going to bias towards false positive or false positive means you said yes to hiring someone but that was a false choice that personally didn't, wasn't a good hire or you can choose to have false negatives meaning, yup, that person would have been a good hire, but we said no because we weren't sure. And so, most companies operate in a false positive mode and Amazon operates in a false negative mode where you are taught and you learn that sometimes you are going to pass on someone because you are not sure and you might have made a mistake, you might have been successful but you are going to air on that side versus the other side. And so, it's important to state that explicitly. And in doing so guess what that requires, long-term thinking because again, all you have to do is step back for one minute and say if we make a bad hire here how much time will you as the hiring manager lose and waste on dealing with that bad hire or the team lose and waste on dealing with working alongside someone who is a low performer versus how much time will take you just to keep looking and interviewing and hire someone who meets the bar. That's it, that's easy math in fact.

Reflections from Deepak Jayaraman

DJ: This is your host Deepak Jayaraman here. Given I spent about 6 years in recruiting at EgonZehnder, this topic was of specific interest to me. I feel there are three big pieces worth reflecting on based on how Amazon recruits.

1) Great combination of independence and interdependence that exists in the process
   - Initial rounds of conversations with the candidates happen as independent conversation. That is, each interviewer doesn't know what the other interviewers think about the candidate. Plus they are often given specific areas to probe; At some level, you have mutually exclusive but collectively exhaustive data at the end of the rounds of interviews
   - But having said that, there is a lot of value in pressure testing hypotheses based on interviews. Amazon does this beautifully by getting the bar raiser to gather context and views from earlier conversations and building on it
   - I do think this combination of independence and interdependence is a great recipe for good people going through the funnel

2) Having a Bar Raiser run a meeting to take the final call
   - I go back to my search consulting days. I was doing the Country Head Search for an Instrumentation company. The APAC head was the hiring manager and we had got him to meet 3 very good candidates for the search. After meeting the 3, as we sat down to debrief, he said you have delivered 50% of the value by getting 3 good candidates in the pipeline. Now deliver the remaining 50% by helping us make the right choice. And that somehow stuck with me. The decision-making process, sometimes gets brushed away. It is great to see that the Bar Raiser convenes the meeting and ensures that the right decision is made.

3) Trade off
   - It was great to hear Bill speak about Type 1 and Type 2 errors in terms of recruiting. The risk of hiring a misfit being one and the risk of missing out on a good fit being the other. Very few companies truly understand the full cost of a wrong hire. Even if they do, they don't empower somebody to take the right long-term call without guilt. Amazon's bar-raiser process, the way it is designed is a competitive advantage indeed when you look at the long game!

If you are deriving value from the podcast, do take a moment and rate and review on Apple Podcasts or wherever you consume the content. It will help listeners discover the content and attract better quality speakers. Let's get back to learning from Amazon from Bill Carr.

DJ: A couple of leadership principles I wanted to zoom in on. One is, are right a lot and the other was about disagree and commit, have backbone, disagree and commit. But talking about the first one, are right a lot, the reason it intrigues me is that very often in the corporate world leaders are measured by outcomes and not so much by the decisions, right? In the context of how Amazon thinks about leadership judgment, any insights around how Amazon focuses on the quality of the judgment and not just on the quality of the outcome?

BC: Yeah, so if you read that… so anyone can go read these leadership principles, just Google Amazon leadership principles, they are published. So, for each one of these to really understand them you can't just read the headline, you have to read the detailed sentences beneath them. So, are right a lot is described this way. Leaders are right a lot, they have strong judgment and good instincts, and they seek diverse perspectives and work to disconfirm their beliefs. Okay, so you have to then deconstruct each section, right a lot, so leaders end up… so, you know, what are the primary jobs of a leader? One of the most important ones is to make decisions, right? And the easiest decisions to make are ones where the data clearly tells you to choose door A versus door B. And if every decision were that way frankly you wouldn't need CEOs and leaders, we can all just look at the data and say, ah, the data says this, and we are going to go do that. But the reality is very rarely is that the case. And so, what a leader has to do in making a decision is to be able to factor in many variables, a variety of information from different sources and different angles and distil that all, make sense of it all, organize it all in their head and use that to make a decision. That is not a skill that anyone is born with, that is a skill that people practice over time and the best way to practice it by the way is to be put in a position where you have to make a lot of decisions quickly, or make a lot of decisions excuse me, quickly is not an important part and that comes through experience. So, when I look at this one, this means that people have through experience have gotten skilled at the art of making, the art and science of making a decision. And if you look at their track record of having… so when you are in a performance review discussion and you are wanting to know if you should promote someone you are going to look for examples of when this leader was confronted with you know door A or door B, what did they decide and how did that work out and not only what did they decide but how did they decide it. So, they seek diverse perspectives and work to disconfirm their beliefs. That requires, you should re-read that one about four times if you are listening to this podcast. So, diverse perspectives, that's pretty straightforward. But let me step back a minute. What a lot of leaders think their job is, is to be confident and right and in fact and a lot of times, in fact, what inexperienced or leaders that are not that self-confident do is that they don't realize that their job is actually to seek a lot of different data and perspectives to make a good decision. Drucker wrote about this. In fact, he would say that if you are in a meeting and everyone says and you are confronted by door A and door B and literally everyone is making an argument for A and no one is making the argument for B, you should disband this meeting, not make this decision until someone can go and make a good argument for B, because you don't really understand the problem well enough if you don't understand what is the argument for B. There are always good arguments on both sides and if you don't understand the arguments on both sides of an issue then you don't really understand the issue. So, a good leader gets that and so they seek diverse perspectives, they seek contrary appointed opinions and points of view that are contrary to their own. And they work to disconfirm their beliefs. There's a great story about this that I have heard, it's hearsay about Steve Jobs, where Steve Jobs I don't know what the product was or I don't know who the leader was but there was some product that was launched at Apple at one point and it flopped. And he went back to one of those leaders and said, it's your fault that we made this mistake and this guy said, me? It's not my fault; I was the one who spent I was trying to tell you we shouldn't do this and this wasn't going to work and so how could it be my fault? And Steve said, because it's your fault because you didn't bring forth the information in the right way to help me understand why this wasn't going to work. And so, the point is Steve Jobs, great leaders and great thinkers like Steve Jobs or Jeff Bezos, they seek out, they talk to many people, they form a point of view, then they go talk to someone else that tries to take the other side of the argument to let them see does that other side of the argument a better argument or is this one a better argument? That's what the disconfirm their beliefs is. So, I could talk about right a lot a whole day but this is an extremely important skill that great leaders have.

DJ: Got it. Moving to a different theme Bill, you talk about how Jeff and leaders in Amazon made decisions and you talk about one-way door decisions and two-way door decisions, right? And you say in the book that very often people use the mechanism for one to make decisions on the other side. So, could you talk a little bit about what kinds of decisions are these and maybe with a couple of examples illustrate how Jeff or leaders in Amazon thought about these two kinds of decisions?

BC: Yeah. So, simply put a one-way door decision is that if you make that decision you walk through the door, you can't just turn around and walk back through that door without incurring substantial cost or difficulty. A two-way door decision means you make that decision, go to the other side, you don't like what you see, no big deal, you just walk back through the door and go back to what you were doing before. A simple example of a two-way door decision was when we said, we are not going to use PowerPoint anymore, we are going to use Word documents to make between meetings. If we had tried, if we had done that for a month and didn't like it just go back to PowerPoint. A one-way door decision is to say, I think we need to build a new fulfilment centre, a new 800,000 square foot fulfilment the centre in Australia and we don't have any there right now, that's a pretty big decision and if it turns out that by launching in Australia don't materializes or etc., etc., etc. or you have picked the wrong place, that's going to be a very expensive decision. So, in other words for two-way decisions, two-way door decisions don't spend, you know, don't spend hours and days and months debating those, just do it, just go through the door, if you don't like what you see, go back. But for one-way decisions that's where you want to slow down and actually look at the data carefully and make a good decision. And by the way hiring someone is a one-way door decision; it's very expensive and difficult. That's why it's a considered process of the company.

DJ: Got it, got it. And how did I guess one of the pieces I was curious about was from a leadership development perspective when it comes to things like judgment, when it comes to things like decision making, how does Amazon think about developing that capability with the leaders at various points in their hierarchy?

BC: The best way for people to learn and develop is by doing. So, a lot of people I am going to botch this but there's like a 70, 20, 10 or something like that that people use where the idea is that 70% of your time, you know, 70% of the way you are going to develop is just on the job work and development, 20% of it is self-learning, self-teaching, reading books, going online, reading blogs, listening to podcasts, maybe 10% is some actual formal class or training that you take. And I firmly believe that that the way you learn the most is by doing, by being presented with situations, having to make decisions and learning from your mistakes and your successes. The other way is by having a culture of teaching and training in the company. Let me just give you a simple example of this. When one of the many things that would happen when you are in a meeting with Jeff and we would be talking about a document, read a document and now we are in a meeting and having a discussion and he would present a way of thinking that no one else in the room had presented or a solution or a decision that no one else had thought of, one of the most important things he would do is to say, I think we should do this and let me explain to you how I got there. He would then explain the filter, the thinking, and the criteria that he applied to the problem to help him get to the right solution. And that's a great example of that kind of teaching is something that a manager or a leader should do every day. Like the worst thing a manager or leader could do is say, nope, we are going to X just because like that's what I want to do. That is the worst. What they need to do is say, we are going to do X, and let me tell you why I think that's the right idea. That's just one example of the way that you can coach and teach. Another example again, at Amazon we had this Bar Raiser hiring process, a part of what the Bar Raiser did was to say, in the interview debrief he would say to give coaching and teaching to feedback to people who are interviewing. Interviewing is hard. So, when people would say, would talk about a candidate and talk about their abilities versus say the leadership principle are right a lot and someone might say well, I think this person is right a lot and here's the example of why. If the Bar Raiser disagreed, they would say, well actually, I don't think this person is right a lot and here's why I don't think you are thinking about that the right your example really isn't an example of right a lot, it's an example of something else or it's not a good example at all. So, you want to have that culture of teaching and thinking in every meeting and every decision and every discussion. And to loop back on the theme, the Amazon leadership principles were often a big part of that like to say I am making this decision because I don't think the customer obsessed way to make this decision is this where you refer back to some specific leadership principle or like I just don't think we are insisting on high enough standards here. So, our standard shouldn't be, you know, 99.5 of the time that we meet customer promises should be, you know, 99.999 and here's what.

DJ: The other piece which I see a lot of organizations struggle with Bill is this notion of disagree and commit. You know as organizations grow large, often they get quite political and this becomes an issue because there's a lot of passive aggression and other dynamics that come into play. What's been your observation about how Amazon brought this to life?

BC: So, this is an interesting area and actually a lot of my thoughts about this topic have actually been colored now during the six years that I have left Amazon, where I have come to appreciate more and more that most of the organizations are terrible about this and the reason they are terrible about it is because they have not created a standardized and well understood and databased and holistic process to make decisions. And I didn't appreciate this until I left Amazon that Amazon has that and let me describe to you what that is. So, in a lot of companies the way especially in an early-stage company, here's how a decision gets made, someone who runs department X walks up to the CEO in the hallway and says, hey CEO, I have this idea that we really need to go do XYZ and here's why I think that's a good idea, what do you think? And the CEO says, yeah, great, go do XYZ. And that is how a lot of these decisions were made. Now, if the peer to that person who got the CEO to approve it will later hear about this and say, I don't agree with that at all and so what is the recourse for how they are going to deal with that? And usually, the recourse seems political because they then say the recourse is that they go up to the CEO in the hallway and say hey, I heard that you told Joe that you could go do XYZ. Well, let me tell you why I think XYZ is a bad idea. That now seems like an affronted Joe, it seems like a political attack on Joe and maybe it is, maybe this person doesn't like Joe too, but really what's going on here is this company and a lot of companies just don't have a good form for decision making that is a terrible and unproductive way to do it. A better way is that if I am the CEO and someone comes up to me and says hey, I really or on a one-on-one or whatever form says, I really think we should go do this important new initiative. I say, great, go write up a document describing your proposal and your plan, be concise, it needs to be six pages or fewer and if it's an hour long discussion that's going to be required or three pages and fewer if it's going to require a 30-min discussion, write it up and then at the next executive management team meeting we will put your topic on the agenda and then the CEO and all the other executives, and by the way, any other key stakeholders that need to be in this meeting invite them in too and we will all read this document and then we will have a discussion about your idea and debate and discuss this topic and go from there. And so, I would argue that in fact a part of the reason companies are so bad at this is because they don't do that, they don't have this system of that the CEO should never just make a hallway decision with someone else. The CEO should always include, be inclusive, go back to be right a lot. They are… seek diverse opinions and they seek to disconfirm their beliefs. Well, you can't do that in a hallway conversation, you need to have a group. Now this sounds like, oh my gosh, now we are going to have so many meetings, we are going to slow down. Well, you need to be able to do this to have a high-functioning organization. You need to have a clear method and oh, by the way, when you have that meeting to review the topic, you are either going to come out of that meeting saying well, there are some takeaways from this that the owner of this idea needs to go do XY and Z and come back to us before we can decide or you just decide. So, you have to have a very clear process for understanding like how you are going to decide and when you are going to decide. And if you don't have any of these things then yes, all you have will be politics because your decision making will be siloed and random.

DJ: Hmm, hmm. Got it. And picking up…

BC: But sorry, do you ask specifically about disagree and commit?

DJ: Yes.

BC: This is actually related to this topic. If you the way to make this effective is in those meetings when you disagree even if like the whole room says, I agree with this proposal from Joe, the easy thing to do would be to go along with the group and for the sake of social cohesion just say yup, sounds good, I agree with you too. But actually, the right thing to do is to say no, based on my data and my experience I don't think we should do this and here's why. But once that information and then to make sure that their point of view is heard and that once it's been heard and once it's clear that the other people in the room and the CEO acknowledge that and understand it and have factored that into their decision and they say yup, I hear you, I hear those concerns you have but we are still going to go do this because of XY and Z, that's how this process should work and then the person that brought up the concern should then say, got it, now, I understand even though I disagreed then and I may still disagree, now that we have factored in all the information and I had my day in court to make my case, we have made this decision and I will back it up like it's my own.

DJ: Just picking up on one of the things you spoke about Bill, written documents and the other thing that struck me was how Amazon uses a written word to develop and communicate and has almost turned that into a competitive advantage, right? And having been a consultant in my past life, you know, I have grown up in the PowerPoint school of communication, so it is fascinating for me to hear you and Colin talk about how a descriptive word document sometimes often is more impactful than PowerPoint. So, could you talk a little bit about just the science and art of the written word and how Amazon has developed that over time?

BC: Well, again, this is just another example of where Amazon had the same issues that every other company had but they came up with actually what is in fact a retro solution to this problem. And the problem is, well, let's take a step back. The point is like how do you have the most effective meetings and make most important decisions? So, let's set aside what I am not talking about is how do you hold like an all-hands meeting with your whole team and ra-ra and give them an overview of what's going on? I am not talking about a meeting you would have with an external partner. I am talking about a meeting you would have and in this case the origin was that Jeff would meet with his leadership team every week for a multi-hour meeting, four or five hours long and in later years frankly it became even longer. And what they would do in this meeting is that different teams and groups would come in and present ideas or new product ideas, updates on a business, follow up on problems, whatever was but something important for Jeff and the leadership team to review and give them input and make a decision. So, there are so the input to any such meeting is information. So, everyone in that meeting first needs to get on the same page about the facts of the situation and then the second input is a productive discussion about those facts and the different possible paths or outcomes and then the final outcome, the final part would be a decision. So, Jeff, you know, Amazon was using PowerPoint for those meetings just like every other company but you know who here hasn't had an experience with the PowerPoint meeting where either any of a number of things happened. Number one, you and the audience were frustrated because you just felt like you could, it took forever for the full story to come out or you are frustrated observing when some other executive jumps in two sides and he starts asking the person a series of questions and the presenter says oh, all that information is in subsequent slides, would you like me to answer that now or you would like till then? Or just that the amount and the depth of information presented in a PowerPoint is so thin and so minimal that you don't really feel like you have a full grasp of the details. So, Jeff was feeling, Jeff and Colin were talking about, you know, after a day of a set of meetings were just felt like frustrated that they weren't having productive enough meetings, they decided to try something new and they said let's try, they were influenced by Edward Tufte, the Yale Professor and he suggested that a better way to conduct meetings is with a written document or a narrative. And so, we sent out a directive and said from now on the meetings with Jeff and the S-team are going to be with a Word document. And this was setting aside the change management, like its cold water on people to make this adjustment. What we found over time was this was just a much more effective way to conduct a meeting. So, at Amazon today, the way meetings are conducted is the team that's responsible for presenting writes a Word document or Google Docs document and if it's a one-hour meeting the page limit for the document is six pages. So, six pages are fewer and the reason for that is it will take you a couple minutes for each page and so you don't really want to… you want to limit the reading time to about 20 minutes. So, people will read the document in advance so literally read it at the meeting and that's important because this way you can't have the problem where people say, well I didn't read the document yet or try to weigh in on it without having read the document and fake their way through it. This forces that everyone is going to spend 20 minutes all inhaling and ingesting the same data. The other benefit is in that 20 minutes, they will inhale and ingest the data at a much more effective and detailed rate than they would have if it was PowerPoint. So, first of all, you can read about two to three times faster than you can listen to someone speak and second of all the pixel density of a Word document is 7-8 times greater than a PowerPoint. So, this is going to be a lot more information you are going to get not to mention the fact that if you, you know, the hierarchical form of PowerPoint doesn't lend itself well to multi-causal arguments, the way a Word document would. So, a good author of a document points out many different data points and strings them together and tells a story for the audience so that they are in fact more well-informed after that 20 minutes. And then you can use the next 40 minutes to actually have to get feedback and questions from the various participants in the meeting and then have a lively discussion to debate and discuss the right decision or outcome. And so, for those of us at Amazon that have been using this method for several years, I can tell you that it's quite frustrating and chilling to go back to the PowerPoint world where candidly you can't help it think that everyone else is at a huge disadvantage because you simply do not have as much information in the meeting and you simply are wasting a lot of time with this delivery of the presenter not to mention a lot of bias he's come and play about the skill and suave style of your presenter versus the substance of the document. So, Amazon went to this method and they believe, I believe it is a huge competitive advantage that they have the fact that they conduct meetings based on Word documents, PowerPoint, Google Docs a written narrative versus PowerPoint.

DJ: Fascinating. And just picking up on one of those things Bill, we spoke about the written word, but we didn't specifically talk about the PR/FAQ. Do you want to spend a couple of minutes talking about what makes this so unique and why it makes Amazon distinctive?

BC: So, there are a lot of ways to do new product innovation. Some companies will build prototypes, they will create an R&D unit and they will make a lab and they will create prototypes of different technologies. Another common way that we were using at Amazon was to first develop mock-ups, you know, work with designers to create a mock-up for what the website or in later years an application would look like for a specific service. The challenge with many of those methods is they are in fact very heavy weight. If you want to create high quality mock-ups of a new product idea you need talented designers, you need to spend a lot of time thinking through the details and it could take you several weeks to come up with high-quality mock-ups. A prototype might even might take months. But what you really want at the beginning of a product development process is a very lightweight way to allow you to consider, evaluate and discard and narrow down from a big list of ideas to a small list. And so, we came up with a process called the working backwards PR/FAQ process. And so, the lightweight way that you use this process is you start with by writing a press release, which is typically the last step in a product development process. And the reason you start there is that when you are writing the press release for a new product you are hyper-focused on the customer, you are hyper-focused on describing why, what is the big problem that you as the customer have and why is this product the solution to that problem. And so, in doing so you can and a press release would be less than one page long. So, anyone who is creative and innovative could you could come up with six or seven or eight of these in a day. But when you come up with and you have a group of people doing innovation and brainstorming you can come up with 30, 40, 50 or 100 but it doesn't take very long to read a one page press release, but after you do so you can quickly kind of read through and see which ones actually seem the most compelling, which ones are you really solving an important problem for customers and in which case is the product solution elegant enough and in which cases is this product problem and solution big enough that it can result in a big business. And once you find those, find a good press release, and by the way in many cases you have to do like 8 or 9 or 10 drafts to sort of get to that point but once you have got a good press release then you can take step 2, which is the FAQ process and this is where you would ask write down a series of FAQ's, some would be standard questions that customers might ask like how much does this product cost, how much does it weigh, where can I buy it, do I need Wi-Fi, etc., etc., etc. And then you would also answer a lot of the questions that your team internally would ask. Well, how many people engineers will be required to build this product? What kind of marketing budget we need? We need an inside sales team to help you sell it? What hard technical problems will we need to solve? So, then the point is though you have started with the press release at the customer and envisioned an ideal product solving an important problem. And then from there you start to work backwards to step into what are the different challenges and constraints that you will need to solve which you addressed in the FAQ to make this viable and then taken in as a whole you can then see with the press release is this an exciting product and then in FAQ is this viable and what will really take and you can really evaluate a new product idea fairly holistically, but in a lightweight manner that anyone, you know, anyone can write a PR/FAQ.

DJ: Got it. And just sticking to the theme of running efficient and effective meetings, right, in page 139 in the book you talk about WBR, Weekly Business Review being Amazon's most expensive and impactful weekly meeting. Could you talk a little bit about what is it about how Amazon runs meetings which is learnable for the outside world?

BC: Well, there's two things. So, let's just stick with the Weekly Business Review meeting for a minute. So, weekly business review, what is a weekly business review? This is a meeting where the objective of this meeting is that for the leaders of the company and in fact many of their direct reports to be able to spend one hour in a room to look at the right metrics, the right metrics for the company for the business that then allows everyone in the room to then be able to answer the question in that one hour what's the state of our business, how did we perform last week and how are we doing versus our objectives. And to do that effectively once you have a complex business requires some serious thought. The method that Amazon developed over time to do this is while is to focus the vast majority of the time in the meeting on what are controlled input metrics and to come up with a very specific method of displaying the various metrics so that it's possible for meeting a room of say 60-70 leaders and executives of the company to actually review the business from end to end and cover several hundred metrics in that period of time in an effective manner. And first of all, what is a controllable input metric? A controllable input metric is some metric that relates to actions that you and the company can control and take to actually affect the outputs which are financial metrics: revenue, free cash flow or gross margin. And in the case of Amazon, for instance, which is the retail business of Amazon, in fact, any retail business, three of the controllable input metrics are what's the selection of items that customers have to choose from to buy, what are the prices of those items specifically relative to the competition or are they priced competitively or not? And then how fast or easy is it to get those items in an e-commerce framework that means from the time I push purchase how many minutes, hours or days does it take for that item to show up on my doorstep and in the case of a physical store it means how long does it take for me to drive there, is there convenient parking, is it easy to get in and out of the store and check out quickly? So, what Amazon figured out is to actually create lots and lots of detailed metrics that help speak to each one of those inputs and to put them into a format, a graphical format that allows you to actually view exceptions and then spend time in the meeting talking about metrics that either ticked up in an exceptional way or ticked down whether that's a good news or bad news and talk about both the good news and bad news in the media in an objective and dispassionate way to say this metric went down and here's why it could be some error in the system that you made, some error of judgment or process and then to use any of those anecdotes and errors to actually discuss and learn from them as a leadership team and by the same token if anything goes well exceptionally ticks up, to understand what caused that, what good thing did we do or maybe accidental thing that we do to create this good outcome. And so, in a nutshell the Weekly Business Review which we detail, provide a lot of detail in the book to describe how this works is this specific mechanism the company came up with to really evaluate how the business is performing each week.

DJ: Hmm and just picking up on one of the things you said Bill, feedback, right? You spoke about the Bar Raiser giving feedback to the other interviewers, but just asking a wider question is there anything about how feedback was delivered in Amazon that's worth learning for the others?

BC: Well, I think the biggest way that's insightful is that it's delivered in these group settings in many cases and it is delivered but it is not delivered in a way to make it personal and it's not delivered in a way to be demeaning of others, but it's delivered in a way that maybe you will feel reluctant to do to like call out the way someone has thought about an issue or problem to give that kind of feedback in a group setting. But the reason to do it that way is that you create a culture of learning and learning from others where people realize not to be defensive about and about, you know, it's not a test for you where every day if you get any wrong answers, you are going to be punished for it. We are all going to get wrong answers and so it's to acknowledge that and to give coaching and feedback in group settings so that everyone has the benefit of learning, not just the one person.

DJ: And actually in the book you talk about how Amazon learns from failure, right? You talk about the dramatic failure of Amazon Unbox and the first attempt at streaming content and how Amazon learnt from it and eventually evolved it into Amazon Prime Video. Could you talk a little bit about how Amazon ensured that there was a culture where failure was not something that was looked down upon but was seen in the right perspective?

BC: Yes, so this takes first of all it starts from the top. So, if you're CEO, if the CEO is saying we messed up there, I want to know who messed up, who is accountable for this then you are not creating a culture where failure is acceptable, okay. If when people screw up or take a well calculated risk, try something new and it doesn't work and you fire them for it, you have definitely not created a culture that accepts failure and innovation. So, there are relatively unlimited numbers of books, articles, and podcasts that all talk about how a company can be more innovative. Like, you know, if you asked, if you have 50 CEOs in a room and you ask them who here wants to be more innovative, you will get 50 hands raised and say, okay great. Now if you asked that same set of CEOs, okay, great, tell me about the give me three examples of things that your company has done in the past two years where you thought it out in detail, you took a big risk and it didn't work and you are going to get very few hands that are going to come up because most cultures, society and Wall Street seek to punish failure. But you cannot have innovation without failure; it's not possible. If anyone thinks that Steve Jobs got it right every time or Jeff Bezos got it right every time, they don't really, they have not studied them very closely. We are all, it's like anyone who is a golf fan, if you watch the golf highlights you only watch people hitting great shots and draining good putts. What you are not watching all the times is the pros make a mistake and hit it into the water and we all make mistakes. And so, you have to have a culture that accepts failure and then seeks to learn from it. Now, it's not okay to have a culture, it's not okay to have a culture where people fail because they didn't work hard, they didn't try hard, they didn't think it through or they make the same mistake multiple times in a row. Like that is that, there's good failure and bad failure, that's bad failure. Good failure is where teams say, here's a new process or product or project, it's well thought-out, if it succeeds there is a big the payout for our company is going to be big. And you want your company, you want your people and your company to focus on those kinds of risks and that if you do that, yes, some very meaningful percent of the time you are going to fail and so you can't have a culture where you punish, fire, belittle people when that happens. You have to have a culture that is supportive and helps them understand and separates people from the inevitability of failure.

DJ: I want to go back to the discussion we were having about decision making Bill, and in one of the sections in the book in page 166 you talk about Jeff's approach towards the opportunity in digital media, you go on to say that his first action was not a what decision but a who and a how decision. I found that quite thought provoking in terms of how leaders should think about pursuing opportunities, you know, do see it as a what decision or as a who decision. Do you want to talk a little bit about that?

BC: Yeah, so this has some context the day, it's January 2004 and in 2003, as I mentioned earlier, Amazon exited the fiscal year having $5.7 billion of revenue of which 77% were media products but 100% of those media products were physical: books, CDs, DVDs. However, in the marketplace it's very clear that media is going from physical to digital, there are now more than a million iPods out there, there are countless millions or tens of millions of people using Napster to share songs, photography has already gone from being from you know physical film photo processing to digital. So, it's very clear that it's just a matter of time before people are going to be reading their books digitally, watching listening to music digitally and that these physical businesses would go away. So, what would most companies, you know, when presented with all this situation or presented with that the current product leader in the digital media space the hot item is the iPod and iTunes, nine out of 10 CEOs would probably call an emergency meeting of their leaders and say we have got to come up with our own iPod and iTunes, we have got to fight back and would scramble some team to go focus on that and focus on getting some clone or copy of iTunes and iPod out as fast as possible. This is a bit of a generalization but I think those of us that have been around would know that that is often the way that a CEO would think about it. So that's not what Jeff did. Instead, Jeff said, the first thing I am going to do is going to take the head of our largest business, the Media business, Steve Kessel and then his lieutenant Bill Carr and I am going to ask them to stop working on that largest business and start focusing exclusively on Digital Media. That is also unconventional; what probably would have typically happened is he would have asked Steve and I to sort of start working on Digital Media as part of the Physical Media business because by the way it feels like a demotion to people running the biggest business in the company to now work on something that has no revenue and might not work at all. But if we had done that it would have been a part-time thing and the existing business would have always taken a majority of our time and bandwidth. So, instead by spinning us off now we had no choice but to focus on digital media fully. And then the second thing we did is to take a step back and say okay, our Media business is books, music and movie and TV shows, Apple's already got this product, what should we go and build that's going to matter and will be meaningful and it wasn't to go build an iTunes iPod competitor, it was instead to say let's brainstorm and spend weeks and months iterating and coming up with different ideas to come up with like what we think we should do which is what we did and then eventually we decided on a what. So, the first step was who, it was Steve and I and then we brought some other people on to the team and then how we were going to actually brainstorm and eventually we came up with this method for how to think about and conceive new products which was called the PR-FAQ process which we describe in the book where you start with the customer and write a press release and you work backwards from there, which is why we call the book Working Backwards. And so, and then finally the last thing we do is focus on what, we used the who and the how to get to like what and the first what we came up with was Kindle and that what would be something that where we would create real value for customers. There's was nothing alike the Kindle, there was no viable e-book business and we envisioned a way to bring that to life with a combination of a bespoke reading device, an e-book service that required us to build and innovate in a number of ways to bring that to life. So that's the difference in terms of the focusing on the who and the how and the versus just focusing jumping right to the what.

DJ: Got it. And I am mindful of time Bill, just maybe the last question, right? One of the things is when you build such a strong and a distinctive culture like you have built in Amazon, it becomes that much harder to attract and retain people from the outside, right? In the book you talk about Greg Zehr, I hope I am pronouncing it, a Silicon Valley veteran?

BC: Greg Zehr.

DJ: Greg Zehr. And earlier in the conversation, you spoke about Joe Galli, who came in at a senior level. Could you talk a little bit about how Amazon ensured that senior leaders who have sort of grown up in a different climate, how do they come in and thrive and how do you set the right environment for them to thrive in an Amazon like context?

BC: Well, the short answer is actually I described it earlier. It is called the Bar Raiser hiring process and again to summarize just because an executive was successful on some other company doesn't mean they'll be successful in your company because the way that company operates and what defines role model leadership in one company does not apply to another. So, you need to interview them and use the behavioural method to understand how does the way that they work how well does that line up with the Amazon leadership principles, so that's step one. And then once you hire that person you need to invest a lot of time as a leader to coach them and teach them and bring them along to help them understand how Amazon operates and oh, by the way for what it's worth the book you just wrote it would be a fantastic tool to put in the hands of any new executive coming into company because as many have already come in to me boy, I wish I had, Bill, I wish you had written this when you hired me, it would have really saved me a lot of time.

DJ: Got it. Lovely, Bill. This podcast is titled Play to Potential. As we wrap up, any headline thoughts from you on individuals and organizations playing to their full potential given your view of the world?

BC: I don't know. There are a lot of great companies out there and there's a lot of different ways to run a great company and we are not here to tell you that Amazon has the best way or it's the only way. What Colin and I wanted to do in the book was to share what does Amazon do and for people to be able to really understand this and incorporate it into their thinking and their management if they see fit or if nothing else just to be better informed about how one of the most successful companies on the planet has become that way.

DJ: Fascinating. Bill, real pleasure and honour to have you on the podcast. Thank you so much for making the time.

BC: Thanks for having me.

Reflections from Deepak Jayaraman

DJ: Thank you for listening. I hope you found the conversation purposeful. A couple of messages before we wrap up.

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End of transcription

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Bill Carr - Nuggets

- 72.00 Bill Carr - The Full Conversation
- 72.01 Bill Carr - Learnable elements from Jeff Bezos's leadership
- 72.02 Bill Carr - Bringing 14 leadership principles to life
- 72.03 Bill Carr - Raising the bar on recruitment
- 72.04 Bill Carr - Recognizing and developing good judgment
- 72.05 Bill Carr - Disagree yet commit - bringing it to life
- 72.06 Bill Carr - Written communication - a competitive advantage
- 72.07 Bill Carr - Building a culture of learning from failure
- 72.08 Bill Carr - "What" decisions versus "Who" decisions

About Deepak Jayaraman

Deepak seeks to unlock the human potential of senior executive's / leadership teams by working with them as an Executive Coach / Sounding Board / Transition Advisor. You can know more about his work here.

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