Bi-weekly Random Bits from the Internet

2015-08-22

(HMMM, START TO UNDERSTAND THE APPEAL OF TAYLOR TO TEENAGERS.)

China's Strange Rate of Growth

Roubini Monitor, July 24, 2015

Officials at the National Bureau of Statistics (NBS) reported last week that China's Q2 GDP growth came in at 7.0% y/y, the same as in Q1. On a quarterly seasonally adjusted basis, the Q2 rate rebounded to 1.7% from 1.3% in Q1. An NBS spokesman said vigorous services-sector activity and the government's stimulus efforts had underpinned the steady growth. He emphasized there had been "no overestimation in the GDP growth reading" and reiterated that policy makers are confident they will hit the target of 7% annual growth this year, given "growth has bottomed out in H1" and "policy makers have pledged to heighten policy support in H2."

However, we find the buoyant Q2 growth difficult to understand. Based on the expenditure approach, we identify the following four pillars of growth: Private consumption (proxied by retail sales), capital formation (proxied by fixed-asset investment and inventories), government spending (proxied by fiscal expenditure) and net exports (proxied by the trade surplus). When compared with the data for Q1, the only pillar that seemed to pick up in Q2 on a y/y basis is fiscal spending, and only fiscal spending and manufacturing investment seemed to pick up on a q/q basis. By contrast, official data show that Q2 matched Q1 on a y/y basis and exceeded it on a q/q basis.

We derive implied y/y GDP growth from a combination of (seasonally adjusted) quarterly GDP growth rates and (non-seasonally adjusted) quarterly GDP volumes—both are publicly available on the NBS website. This implied GDP growth points to a 6.6% y/y growth rate in Q2 and a 6.6% annual rate for 2015, provided the economy grows at the same q/q rate as in Q2 through to year-end. By contrast, actual GDP growth in Q2 and in full-year 2015 (assuming the growth trajectory remains the same) shows rates of 7.0% y/y and 6.9%, respectively. Moreover, the actual growth series has in the past been less volatile than the implied growth series.

Continue a Battle to Maintain High Growth

We expect policy makers to step up fiscal support in H2 to try to maintain the high rate of growth. Among a number of other recent measures, the Ministry of Finance on June 10 approved the second round of the CNY1 trillion debt-swap program, aiming to offset local governments' revenue shortfalls, and the State Council on July 8 urged local governments to speed up their use of the fiscal funds deposited at the People's Bank of China, which amount to CNY8 trillion, by making more public investments. To further expand fiscal stimulus, the Ministry of Finance could schedule a third round of the debt-swap program (the quota will likely be maintained at CNY1 trillion) or seek the approval of the People's Congress for a supplementary budget in H2 (as China did in 1998).

We reiterate our view that the People's Bank of China will not cut policy rates before year-end, given the heightened pressure from capital outflows and the Fed's looming rate hike. Although the decline in foreign-exchange reserves shrank to CNY40 billion in Q2 from CNY112 billion in Q1, the amount of capital outflows (net of valuation effects) increased to CNY62.6 billion from CNY6.4 billion. In addition, credit growth continued to trend down and reached a record-low of 11.2% y/y in June, implying the monetary-transmission channel between banks and private firms remains clogged.

The efforts of policy makers to prop up growth likely imply an annual growth rate close to the promised 7% target in 2015. Consequently, we revise up our GDP growth forecast for 2015 to 6.9% from 6.6% (and to 6.3% from 6.1% for 2016). However, we remind investors to bear the following points in mind when assessing the implications of China's GDP growth. First, the official figure will likely hover around the government's desired growth target of 7% before year-end. Second, we believe disaggregated economic activity data (such as retail sales, fixed-asset investment, government spending and net exports) are a better indication of China's intrinsic growth rate (in our view, 6.6% in 2015 and 6.1% in 2016) than the official figures, and are hence a better gauge of the spillover impact for China-growth-related assets. Given this, while we have increased our GDP forecast, we have not changed any forecasts for economic or asset-price outcomes in other countries.

Work Hard, Live Well

Dustin Moskovitz, Medium, August 19, 2015

Last week, I spoke to an ambitious group of high school students at SPARC in Berkeley. Several of them asked me about things I wish I had done or learned earlier in life, or regrets I had from earlier in my career. Again and again, I came back to the idea that I wish I had lived my life differently.

I wish I had slept more hours, and exercised regularly. I wish I had made better decisions about what to eat or drink—at times I consumed more soda and energy drinks than water. I wish I had made more time for other experiences that helped me grow incredibly quickly once I gave them a chance.

You might think: but if you had prioritized those things, wouldn't your contributions have been reduced? Would Facebook have been less successful?

Actually, I believe I would have been more effective: a better leader and a more focused employee. I would have had fewer panic attacks, and acute health problems—like throwing out my back regularly in my early 20s. I would have picked fewer petty fights with my peers in the organization, because I would have been generally more centered and self-reflective. I would have been less frustrated and resentful when things went wrong, and required me to put in even more hours to deal with a local crisis. In short, I would have had more energy and spent it in smarter ways… AND I would have been happier. That's why this is a true regret for me: I don't feel like I chose between two worthy outcomes. No, I made a foolish sacrifice on both sides.

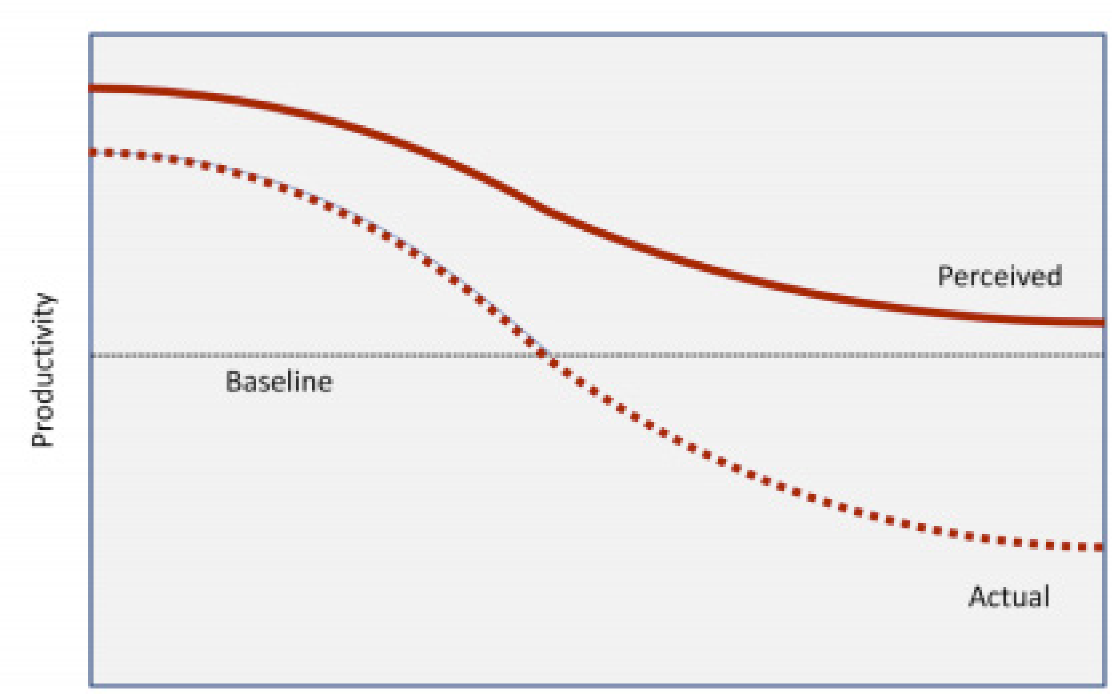
This week, the tech industry has been passionately debating a recent New York Times article about Amazon's intense work culture. Many found the article one-sided, using dramatic anecdotes to caricature a culture built around passion and intensity, while some insiders have risen to publicly defend the company. However, as far as I can tell, most people do not contest that the culture is intense and people do work really hard at Amazon. Fundamentally, this is a familiar part of tech culture: at high performing companies, employees work extremely hard, to an extent that is unsustainable for most people.

But it doesn't have to be this way.

Many people believe that weekends and the 40-hour workweek are some sort of great compromise between capitalism and hedonism, but that's not historically accurate. They are actually the carefully considered outcome of profit-maximizing research by Henry Ford in the early part of the 20th century. He discovered that you could actually get more output out of people by having them work fewer days and fewer hours. Since then, other researchers have continued to study this phenomenon, including in more modern industries like game development.

The research is clear: beyond ~40–50 hours per week, the marginal returns from additional work decrease rapidly and quickly become negative. We have also demonstrated that though you can get more output for a few weeks during "crunch time" you still ultimately pay for it later when people inevitably need to recover. If you try to sustain crunch time for longer than that, you are merely creating the illusion of increased velocity. This is true at multiple levels of abstraction: the hours worked per week, the number of consecutive minutes of focus vs. rest time in a given session, and the amount of vacation days you take in a year.

Rest matters.



So it is with deep sadness that I observe the current culture of intensity in the tech industry. My intellectual conclusion is that these companies are both destroying the personal lives of their employees and getting nothing in return. A candidate recently deciding between Asana and another fast growing company told me that the other team starts their dinners at 830pm to encourage people to stay late (he's starting here in a few weeks). I also hear young developers frequently brag about "48 hour" coding sprints. This kind of attitude not only hurts young workers who are willing to "step up" to the expectation, but facilitates ageism and sexism by indirectly discriminating against people who cannot maintain that kind of schedule.

Why are companies doing this? It must be some combination of 1/ not knowing the research 2/ believing the research is somehow flawed or doesn't apply to them (they're wrong) or 3/ understanding that many people see these cultural artifacts as a signal about the intensity and passion of the team. I believe it is a combination of all three factors, and the third one resonates particularly strongly with me. We've worked hard to build a culture at Asana where people don't work too hard, but we sometimes have candidates tell us they are worried that means we don't move fast enough, or have enough urgency. I'm not sure what I would do if I thought these values were actually in conflict, but fortunately they are not. We get to encourage a healthy work-life balance in the cold, hard pursuit of profit. We are maximizing our velocity and our happiness at the same time.

As an industry, we are falling short of our potential. We could be accomplishing more, and we could be providing a better life for all of the people who work in technology. If you're going to devote the best years of your life to work, do so intentionally. You can do great things AND live your life well. You can have it all, and science says you should.

Note: I've written this from the perspective of the tech industry, since that's my perspective, but the pattern definitely exists prominently in other industries, and in companies across all industries.

Inside Amazon: Wrestling Big Ideas in a Bruising Workplace

Jodi Kantor and David Streitfeldaug, The New York Times, August 15, 2015

SEATTLE — On Monday mornings, fresh recruits line up for an orientation intended to catapult them into Amazon's singular way of working.

They are told to forget the "poor habits" they learned at previous jobs, one employee recalled. When they "hit the wall" from the unrelenting pace, there is only one solution: "Climb the wall," others reported. To be the best Amazonians they can be, they should be guided by the leadership principles, 14 rules inscribed on handy laminated cards. When quizzed days later, those with perfect scores earn a virtual award proclaiming, "I'm Peculiar" — the company's proud phrase for overturning workplace conventions.

At Amazon, workers are encouraged to tear apart one another's ideas in meetings, toil long and late (emails arrive past midnight, followed by text messages asking why they were not answered), and held to standards that the company boasts are "unreasonably high." The internal phone directory instructs colleagues on how to send secret feedback to one another's bosses. Employees say it is frequently used to sabotage others. (The tool offers sample texts, including this: "I felt concerned about his inflexibility and openly complaining about minor tasks.")

Many of the newcomers filing in on Mondays may not be there in a few years. The company's winners dream up innovations that they roll out to a quarter-billion customers and accrue small fortunes in soaring stock. Losers leave or are fired in annual cullings of the staff — "purposeful Darwinism," one former Amazon human resources director said. Some workers who suffered from cancer, miscarriages and other personal crises said they had been evaluated unfairly or edged out rather than given time to recover.

Even as the company tests delivery by drone and ways to restock toilet paper at the push of a bathroom button, it is conducting a little-known experiment in how far it can push white-collar workers, redrawing the boundaries of what is acceptable. The company, founded and still run by Jeff Bezos, rejects many of the popular management bromides that other corporations at least pay lip service to and has instead designed what many workers call an intricate machine propelling them to achieve Mr. Bezos' ever-expanding ambitions.

"This is a company that strives to do really big, innovative, groundbreaking things, and those things aren't easy," said Susan Harker, Amazon's top recruiter. "When you're shooting for the moon, the nature of the work is really challenging. For some people it doesn't work."

Bo Olson was one of them. He lasted less than two years in a book marketing role and said that his enduring image was watching people weep in the office, a sight other workers described as well. "You walk out of a conference room and you'll see a grown man covering his face," he said. "Nearly every person I worked with, I saw cry at their desk."

Thanks in part to its ability to extract the most from employees, Amazon is stronger than ever. Its swelling campus is transforming a swath of this city, a 10-million-square-foot bet that tens of thousands of new workers will be able to sell everything to everyone everywhere. Last month, it eclipsed Walmart as the most valuable retailer in the country, with a market valuation of $250 billion, and Forbes deemed Mr. Bezos the fifth-wealthiest person on earth.

Tens of millions of Americans know Amazon as customers, but life inside its corporate offices is largely a mystery. Secrecy is required; even low-level employees sign a lengthy confidentiality agreement. The company authorized only a handful of senior managers to talk to reporters for this article, declining requests for interviews with Mr. Bezos and his top leaders.

However, more than 100 current and former Amazonians — members of the leadership team, human resources executives, marketers, retail specialists and engineers who worked on projects from the Kindle to grocery delivery to the recent mobile phone launch — described how they tried to reconcile the sometimes-punishing aspects of their workplace with what many called its thrilling power to create.

In interviews, some said they thrived at Amazon precisely because it pushed them past what they thought were their limits. Many employees are motivated by "thinking big and knowing that we haven't scratched the surface on what's out there to invent," said Elisabeth Rommel, a retail executive who was one of those permitted to speak.

Others who cycled in and out of the company said that what they learned in their brief stints helped their careers take off. And more than a few who fled said they later realized they had become addicted to Amazon's way of working.

"A lot of people who work there feel this tension: It's the greatest place I hate to work," said John Rossman, a former executive there who published a book, "The Amazon Way."

Amazon may be singular but perhaps not quite as peculiar as it claims. It has just been quicker in responding to changes that the rest of the work world is now experiencing: data that allows individual performance to be measured continuously, come-and-go relationships between employers and employees, and global competition in which empires rise and fall overnight. Amazon is in the vanguard of where technology wants to take the modern office: more nimble and more productive, but harsher and less forgiving.

“Organizations are turning up the dial, pushing their teams to do more for less money, either to keep up with the competition or just stay ahead of the executioner’s blade,” said Clay Parker Jones, a consultant who helps old-line businesses become more responsive to change.

On a recent morning, as Amazon’s new hires waited to begin orientation, few of them seemed to appreciate the experiment in which they had enrolled. Only one, Keith Ketzle, a freckled Texan triathlete with an M.B.A., lit up with recognition, explaining how he left his old, lumbering company for a faster, grittier one.

“Conflict brings about innovation,” he said.

A PHILOSOPHY OF WORK

Jeff Bezos turned to data-driven management very early.

He wanted his grandmother to stop smoking, he recalled in a 2010 graduation speech at Princeton. He didn’t beg or appeal to sentiment. He just did the math, calculating that every puff cost her a few minutes. “You’ve taken nine years off your life!” he told her. She burst into tears.

He was 10 at the time. Decades later, he created a technological and retail giant by relying on some of the same impulses: eagerness to tell others how to behave; an instinct for bluntness bordering on confrontation; and an overarching confidence in the power of metrics, buoyed by his experience in the early 1990s at D. E. Shaw, a financial firm that overturned Wall Street convention by using algorithms to get the most out of every trade.

According to early executives and employees, Mr. Bezos was determined almost from the moment he founded Amazon in 1994 to resist the forces he thought sapped businesses over time — bureaucracy, profligate spending, lack of rigor. As the company grew, he wanted to codify his ideas about the workplace, some of them proudly counterintuitive, into instructions simple enough for a new worker to understand, general enough to apply to the nearly limitless number of businesses he wanted to enter and stringent enough to stave off the mediocrity he feared.

The result was the leadership principles, the articles of faith that describe the way Amazonians should act. In contrast to companies where declarations about their philosophy amount to vague platitudes, Amazon has rules that are part of its daily language and rituals, used in hiring, cited at meetings and quoted in food-truck lines at lunchtime. Some Amazonians say they teach them to their children.

The guidelines conjure an empire of elite workers (principle No. 5: "Hire and develop the best") who hold one another to towering expectations and are liberated from the forces — red tape, office politics — that keep them from delivering their utmost. Employees are to exhibit "ownership" (No. 2), or mastery of every element of their businesses, and "dive deep," (No. 12) or find the underlying ideas that can fix problems or identify new services before shoppers even ask for them.

The workplace should be infused with transparency and precision about who is really achieving and who is not. Within Amazon, ideal employees are often described as "athletes" with endurance, speed (No. 8: "bias for action"), performance that can be measured and an ability to defy limits (No. 7: "think big").

"You can work long, hard or smart, but at Amazon.com you can't choose two out of three," Mr. Bezos wrote in his 1997 letter to shareholders, when the company sold only books, and which still serves as a manifesto. He added that when he interviewed potential hires, he warned them, “It’s not easy to work here.”

Mr. Rossman, the former executive, said that Mr. Bezos was addressing a meeting in 2003 when he turned in the direction of Microsoft, across the water from Seattle, and said he didn’t want Amazon to become “a country club.” If Amazon becomes like Microsoft, “we would die,” Mr. Bezos added.

While the Amazon campus appears similar to those of some tech giants — with its dog-friendly offices, work force that skews young and male, on-site farmers’ market and upbeat posters — the company is considered a place apart. Google and Facebook motivate employees with gyms, meals and benefits, like cash handouts for new parents, “designed to take care of the whole you,” as Google puts it.

Amazon, though, offers no pretense that catering to employees is a priority. Compensation is considered competitive — successful midlevel managers can collect the equivalent of an extra salary from grants of a stock that has increased more than tenfold since 2008. But workers are expected to embrace “frugality” (No. 9), from the bare-bones desks to the cellphones and travel expenses that they often pay themselves. (No daily free food buffets or regular snack supplies, either.) The focus is on relentless striving to please customers, or “customer obsession” (No. 1), with words like “mission” used to describe lightning-quick delivery of Cocoa Krispies or selfie sticks.

As the company has grown, Mr. Bezos has become more committed to his original ideas, viewing them in almost moral terms, those who have worked closely with him say. “My main job today: I work hard at helping to maintain the culture,” Mr. Bezos said last year at a conference run by Business Insider, a web publication in which he is an investor.

Of all of his management notions, perhaps the most distinctive is his belief that harmony is often overvalued in the workplace — that it can stifle honest critique and encourage polite praise for flawed ideas. Instead, Amazonians are instructed to “disagree and commit” (No. 13) — to rip into colleagues’ ideas, with feedback that can be blunt to the point of painful, before lining up behind a decision.

“We always want to arrive at the right answer,” said Tony Galbato, vice president for human resources, in an email statement. “It would certainly be much easier and socially cohesive to just compromise and not debate, but that may lead to the wrong decision.”

At its best, some employees said, Amazon can feel like the Bezos vision come to life, a place willing to embrace risk and strengthen ideas by stress test. Employees often say their co-workers are the sharpest, most committed colleagues they have ever met, taking to heart instructions in the leadership principles like "never settle" and "no task is beneath them." Even relatively junior employees can make major contributions. The new delivery-by-drone project announced in 2013, for example, was coinvented by a low-level engineer named Daniel Buchmueller.

Last August, Stephenie Landry, an operations executive, joined in discussions about how to shorten delivery times and developed an idea for rushing goods to urban customers in an hour or less. One hundred eleven days later, she was in Brooklyn directing the start of the new service, Prime Now.

"A customer was able to get an Elsa doll that they could not find in all of New York City, and they had it delivered to their house in 23 minutes," said Ms. Landry, who was authorized by the company to speak, still sounding exhilarated months later about providing "Frozen" dolls in record time.

That becomes possible, she and others said, when everyone follows the dictates of the leadership principles. "We're trying to create those moments for customers where we're solving a really practical need," Ms. Landry said, "in this way that feels really futuristic and magical."

MOTIVATING THE 'AMABOTS'

Company veterans often say the genius of Amazon is the way it drives them to drive themselves. "If you're a good Amazonian, you become an Amabot," said one employee, using a term that means you have become at one with the system.

In Amazon warehouses, employees are monitored by sophisticated electronic systems to ensure they are packing enough boxes every hour. (Amazon came under fire in 2011 when workers in an eastern Pennsylvania warehouse toiled in more than 100-degree heat with ambulances waiting outside, taking away laborers as they fell. After an investigation by the local newspaper, the company installed air-conditioning.)

But in its offices, Amazon uses a self-reinforcing set of management, data and psychological tools to spur its tens of thousands of white-collar employees to do more and more. "The company is running a continual performance improvement algorithm on its staff," said Amy Michaels, a former Kindle marketer.

The process begins when Amazon's legions of recruiters identify thousands of job prospects each year, who face extra screening by “bar raisers,” star employees and part-time interviewers charged with ensuring that only the best are hired. As the newcomers acclimate, they often feel dazzled, flattered and intimidated by how much responsibility the company puts on their shoulders and how directly Amazon links their performance to the success of their assigned projects, whether selling wine or testing the delivery of packages straight to shoppers’ car trunks.

Every aspect of the Amazon system amplifies the others to motivate and discipline the company’s marketers, engineers and finance specialists: the leadership principles; rigorous, continuing feedback on performance; and the competition among peers who fear missing a potential problem or improvement and race to answer an email before anyone else.

Some veterans interviewed said they were protected from pressures by nurturing bosses or worked in relatively slow divisions. But many others said the culture stoked their willingness to erode work-life boundaries, castigate themselves for shortcomings (being “vocally self-critical” is included in the description of the leadership principles) and try to impress a company that can often feel like an insatiable taskmaster. Even many Amazonians who have worked on Wall Street and at start-ups say the workloads at the new South Lake Union campus can be extreme: marathon conference calls on Easter Sunday and Thanksgiving, criticism from bosses for spotty Internet access on vacation, and hours spent working at home most nights or weekends.

“One time I didn’t sleep for four days straight,” said Dina Vaccari, who joined in 2008 to sell Amazon gift cards to other companies and once used her own money, without asking for approval, to pay a freelancer in India to enter data so she could get more done. “These businesses were my babies, and I did whatever I could to make them successful.”

She and other workers had no shortage of career options but said they had internalized Amazon’s priorities. One ex-employee’s fiancé became so concerned about her nonstop working night after night that he would drive to the Amazon campus at 10 p.m. and dial her cellphone until she agreed to come home. When they took a vacation to Florida, she spent every day at Starbucks using the wireless connection to get work done.

“That’s when the ulcer started,” she said. (Like several other former workers, the woman requested that her name not be used because her current company does business with Amazon. Some current employees were reluctant to be identified because they were barred from speaking with reporters.)

To prod employees, Amazon has a powerful lever: more data than any retail operation in history. Its perpetual flow of real-time, ultradetailed metrics allows the company to measure nearly everything its customers do: what they put in their shopping carts, but do not buy; when readers reach the "abandon point" in a Kindle book; and what they will stream based on previous purchases. It can also tell when engineers are not building pages that load quickly enough, or when a vendor manager does not have enough gardening gloves in stock.

"Data creates a lot of clarity around decision-making," said Sean Boyle, who runs the finance division of Amazon Web Services and was permitted by the company to speak. "Data is incredibly liberating."

Amazon employees are held accountable for a staggering array of metrics, a process that unfolds in what can be anxiety-provoking sessions called business reviews, held weekly or monthly among various teams. A day or two before the meetings, employees receive printouts, sometimes up to 50 or 60 pages long, several workers said. At the reviews, employees are cold-called and pop-quizzed on any one of those thousands of numbers.

Explanations like "we're not totally sure" or "I'll get back to you" are not acceptable, many employees said. Some managers sometimes dismissed such responses as "stupid" or told workers to "just stop it." The toughest questions are often about getting to the bottom of "cold pricklies," or email notifications that inform shoppers that their goods won't arrive when promised — the opposite of the "warm fuzzy" sensation of consumer satisfaction.

The sessions crowd out other work, many workers complain. But they also say that is part of the point: The meetings force them to absorb the metrics of their business, their minds swimming with details.

"Once you know something isn't as good as it could be, why wouldn't you want to fix it?" said Julie Todaro, who led some of Amazon's largest retail categories.

Employees talk of feeling how their work is never done or good enough. One Amazon building complex is named Day 1, a reminder from Mr. Bezos that it is only the beginning of a new era of commerce, with much more to accomplish.

In 2012, Chris Brucia, who was working on a new fashion sale site, received a punishing performance review from his boss, a half-hour lecture on every goal he had not fulfilled and every skill he had not yet mastered. Mr. Brucia silently absorbed the criticism, fearing he was about to be managed out, wondering how he would tell his wife.

“Congratulations, you’re being promoted,” his boss finished, leaning in for a hug that Mr. Brucia said he was too shocked to return.

Noelle Barnes, who worked in marketing for Amazon for nine years, repeated a saying around campus: “Amazon is where overachievers go to feel bad about themselves.”

A RUNNING COMPETITION

In 2013, Elizabeth Willet, a former Army captain who served in Iraq, joined Amazon to manage housewares vendors and was thrilled to find that a large company could feel so energetic and entrepreneurial. After she had a child, she arranged with her boss to be in the office from 7 a.m. to 4:30 p.m. each day, pick up her baby and often return to her laptop later. Her boss assured her things were going well, but her colleagues, who did not see how early she arrived, sent him negative feedback accusing her of leaving too soon.

“I can’t stand here and defend you if your peers are saying you’re not doing your work,” she says he told her. She left the company after a little more than a year.

Ms. Willet’s co-workers strafed her through the Anytime Feedback Tool, the widget in the company directory that allows employees to send praise or criticism about colleagues to management. (While bosses know who sends the comments, their identities are not typically shared with the subjects of the remarks.) Because team members are ranked, and those at the bottom eliminated every year, it is in everyone’s interest to outperform everyone else.

Craig Berman, an Amazon spokesman, said the tool was just another way to provide feedback, like sending an email or walking into a manager’s office. Most comments, he said, are positive.

However, many workers called it a river of intrigue and scheming. They described making quiet pacts with colleagues to bury the same person at once, or to praise one another lavishly. Many others, along with Ms. Willet, described feeling sabotaged by negative comments from unidentified colleagues with whom they could not argue. In some cases, the criticism was copied directly into their performance reviews — a move that Amy Michaels, the former Kindle manager, said that colleagues called “the full paste.”

Soon the tool, or something close, may be found in many more offices. Workday, a human resources software company, makes a similar product called Collaborative Anytime Feedback that promises to turn the annual performance review into a daily event. One of the early backers of Workday was Jeff Bezos, in one of his many investments. (He also owns The Washington Post.)

The rivalries at Amazon extend beyond behind-the-back comments. Employees say that the Bezos ideal, a meritocracy in which people and ideas compete and the best win, where co-workers challenge one another "even when doing so is uncomfortable or exhausting," as the leadership principles note, has turned into a world of frequent combat.

Resources are sometimes hoarded. That includes promising job candidates, who are especially precious at a company with a high number of open positions. To get new team members, one veteran said, sometimes "you drown someone in the deep end of the pool," then take his or her subordinates. Ideas are critiqued so harshly in meetings at times that some workers fear speaking up.

David Loftesness, a senior developer, said he admired the customer focus but could not tolerate the hostile language used in many meetings, a comment echoed by many others.

For years, he and his team devoted themselves to improving the search capabilities of Amazon's website — only to discover that Mr. Bezos had greenlighted a secret competing effort to build an alternate technology. "I'm not going to be the kind of person who can work in this environment," he said he concluded. He went on to become a director of engineering at Twitter.

Each year, the internal competition culminates at an extended semi-open tournament called an Organization Level Review, where managers debate subordinates' rankings, assigning and reassigning names to boxes in a matrix projected on the wall. In recent years, other large companies, including Microsoft, General Electric and Accenture Consulting, have dropped the practice — often called stack ranking, or "rank and yank" — in part because it can force managers to get rid of valuable talent just to meet quotas.

The review meeting starts with a discussion of the lower-level employees, whose performance is debated in front of higher-level managers. As the hours pass, successive rounds of managers leave the room, knowing that those who remain will determine their fates.

Preparing is like getting ready for a court case, many supervisors say: To avoid losing good members of their teams — which could spell doom — they must come armed with paper trails to defend the wrongfully accused and incriminate members of competing groups. Or they adopt a strategy of choosing sacrificial lambs to protect more essential players. “You learn how to diplomatically throw people under the bus,” said a marketer who spent six years in the retail division. “It’s a horrible feeling.”

Mr. Galbato, the human resources executive, explained the company’s reasoning for the annual staff paring. “We hire a lot of great people,” he said in an email, “but we don’t always get it right.”

Dick Finnegan, a consultant who advises companies on how to retain employees, warns of the costs of mandatory cuts. “If you can build an organization with zero deadwood, why wouldn’t you do it?” he asked. “But I don’t know how sustainable it is. You’d have to have a never-ending two-mile line around the block of very qualified people who want to work for you.”

Many women at Amazon attribute its gender gap — unlike Facebook, Google or Walmart, it does not currently have a single woman on its top leadership team — to its competition-and-elimination system. Several former high-level female executives, and other women participating in a recent internal Amazon online discussion that was shared with The New York Times, said they believed that some of the leadership principles worked to their disadvantage. They said they could lose out in promotions because of intangible criteria like “earn trust” (principle No. 10) or the emphasis on disagreeing with colleagues. Being too forceful, they said, can be particularly hazardous for women in the workplace.

Motherhood can also be a liability. Michelle Williamson, a 41-year-old parent of three who helped build Amazon’s restaurant supply business, said her boss, Shahrul Ladue, had told her that raising children would most likely prevent her from success at a higher level because of the long hours required. Mr. Ladue, who confirmed her account, said that Ms. Williamson had been directly competing with younger colleagues with fewer commitments, so he suggested she find a less demanding job at Amazon. (Both he and Ms. Williamson left the company.)

He added that he usually worked 85 or more hours a week and rarely took a vacation.

WHEN ‘ALL’ ISN’T GOOD ENOUGH

Molly Jay, an early member of the Kindle team, said she received high ratings for years. But when she began traveling to care for her father, who was suffering from cancer, and cut back working on nights and weekends, her status changed. She was blocked from transferring to a less pressure-filled job, she said, and her boss told her she was “a problem.” As her father was dying, she took unpaid leave to care for him and never returned to Amazon.

“When you’re not able to give your absolute all, 80 hours a week, they see it as a major weakness,” she said.

A woman who had thyroid cancer was given a low performance rating after she returned from treatment. She says her manager explained that while she was out, her peers were accomplishing a great deal. Another employee who miscarried twins left for a business trip the day after she had surgery. “I’m sorry, the work is still going to need to get done,” she said her boss told her. “From where you are in life, trying to start a family, I don’t know if this is the right place for you.”

A woman who had breast cancer was told that she was put on a “performance improvement plan” — Amazon code for “you’re in danger of being fired” — because “difficulties” in her “personal life” had interfered with fulfilling her work goals. Their accounts echoed others from workers who had suffered health crises and felt they had also been judged harshly instead of being given time to recover.

A former human resources executive said she was required to put a woman who had recently returned after undergoing serious surgery, and another who had just had a stillborn child, on performance improvement plans, accounts that were corroborated by a co-worker still at Amazon. “What kind of company do we want to be?” the executive recalled asking her bosses.

The mother of the stillborn child soon left Amazon. “I had just experienced the most devastating event in my life,” the woman recalled via email, only to be told her performance would be monitored “to make sure my focus stayed on my job.”

Mr. Berman, the spokesman, said such responses to employees’ crises were “not our policy or practice.” He added, “If we were to become aware of anything like that, we would take swift action to correct it.” Amazon also made Ms. Harker, the top recruiter, available to describe the leadership team’s strong support over the last two years as her husband battled a rare cancer. “It took my breath away,” she said.

Several employment lawyers in the Seattle area said they got regular calls from Amazon workers complaining of unfair treatment, including those who said they had been pushed out for “not being sufficiently devoted to the company,” said Michael Subit. But that is not a basis for a suit by itself, he said. “Unfairness is not illegal,” echoed Sara Amies, another lawyer. Without clear evidence of discrimination, it is difficult to win a suit based on a negative evaluation, she said.

For all of the employees who are edged out, many others flee, exhausted or unwilling to further endure the hardships for the cause of delivering swim goggles and rolls of Scotch tape to customers just a little quicker.

Jason Merkoski, 42, an engineer, worked on the team developing the first Kindle e-reader and served as a technology evangelist for Amazon, traveling the world to learn how people used the technology so it could be improved. He left Amazon in 2010 and then returned briefly in 2014.

“The sheer number of innovations means things go wrong, you need to rectify, and then explain, and heaven help if you got an email from Jeff,” he said. “It’s as if you’ve got the C.E.O. of the company in bed with you at 3 a.m. breathing down your neck.”

A STREAM OF DEPARTURES

Amazon retains new workers in part by requiring them to repay a part of their signing bonus if they leave within a year, and a portion of their hefty relocation fees if they leave within two years. Several fathers said they left or were considering quitting because of pressure from bosses or peers to spend less time with their families. (Many tech companies are racing to top one another's family leave policies — Netflix just began offering up to a year of paid parental leave. Amazon, though, offers no paid paternity leave.)

In interviews, 40-year-old men were convinced Amazon would replace them with 30-year-olds who could put in more hours, and 30-year-olds were sure that the company preferred to hire 20-somethings who would outwork them. After Max Shipley, a father of two young children, left this spring, he wondered if Amazon would "bring in college kids who have fewer commitments, who are single, who have more time to focus on work." Mr. Shipley is 25.

Amazon insists its reputation for high attrition is misleading. A 2013 survey by PayScale, a salary analysis firm, put the median employee tenure at one year, among the briefest in the Fortune 500. Amazon officials insisted tenure was low because hiring was so robust, adding that only 15 percent of employees had been at the company more than five years. Turnover is consistent with others in the technology industry, they said, but declined to disclose any data.

Employees, human resources executives and recruiters describe a steady exodus. "The pattern of burn and churn at Amazon, resulting in a disproportionate number of candidates from Amazon showing at our doorstep, is clear and consistent," Nimrod Hoofien, a director of engineering at Facebook and an Amazon veteran, said in a recent Facebook post.

Those departures are not a failure of the system, many current and former employees say, but rather the logical conclusion: mass intake of new workers, who help the Amazon machine spin and then wear out, leaving the most committed Amazonians to survive.

"Purposeful Darwinism," Robin Andrulevich, a former top Amazon human resources executive who helped draft the Leadership Principles, posted in reply to Mr. Hoofien's comment. "They never could have done what they've accomplished without that," she said in an interview, referring to Amazon's cycle of constantly hiring employees, driving them and cutting them.

"Amazon is O.K. with moving through a lot of people to identify and retain superstars," said Vijay Ravindran, who worked at the retailer for seven years, the last two as the manager overseeing the checkout technology. "They keep the stars by offering a combination of incredible opportunities and incredible compensation. It's like panning for gold."

The employees who stream from the Amazon exits are highly desirable because of their work ethic, local recruiters say. In recent years, companies like Facebook have opened large Seattle offices, and they benefit from the Amazon outflow.

Recruiters, though, also say that other businesses are sometimes cautious about bringing in Amazon workers, because they have been trained to be so combative. The derisive local nickname for Amazon employees is "Amholes" — pugnacious and work-obsessed.

Call them what you will, their ranks are rapidly increasing. Amazon is finishing a 37-floor office tower near its South Lake Union campus and building another tower next to it. It plans a third next to that and has space for two more high-rises. By the time the dust settles in three years, Amazon will have enough space for 50,000 employees or so, more than triple what it had as recently as 2013.

Those new workers will strive to make Amazon the first trillion-dollar retailer, in the hope that just about everyone will be watching Amazon movies and playing Amazon games on Amazon tablets while they tell their Amazon Echo communications device that they need an Amazon-approved plumber and new lawn chairs, and throw in some Amazon potato chips as well.

Maybe it will happen. Liz Pearce spent two years at Amazon, managing projects like its wedding registry. "The pressure to deliver far surpasses any other metric," she said. "I would see people practically combust."

But just as Jeff Bezos was able to see the future of e-commerce before anyone else, she added, he was able to envision a new kind of workplace: fluid but tough, with employees staying only a short time and employers demanding the maximum.

"Amazon is driven by data," said Ms. Pearce, who now runs her own Seattle software company, which is well stocked with ex-Amazonians. "It will only change if the data says it must — when the entire way of hiring and working and firing stops making economic sense."

The retailer is already showing some strain from its rapid growth. Even for entry-level jobs, it is hiring on the East Coast, and many employees are required to hand over all their contacts to company recruiters at "LinkedIn" parties. In Seattle alone, more than 4,500 jobs are open, including one for an analyst specializing in "high-volume hiring."

Some companies, faced with such an overwhelming need for new bodies, might scale back their ambitions or soften their message.

Not Amazon. In a recent recruiting video, one young woman warns: “You either fit here or you don’t. You love it or you don’t. There is no middle ground.”

** Correction: August 18, 2015*

An article on Sunday about the workplace culture at Amazon.com erroneously included a company among those that have opened offices in Seattle and that benefit from the outflow of workers from Amazon. Facebook has done so, but LinkedIn has not.

The Organizational Apology

Maurice E. Schweitzer, Alison Wood Brooks and Adam D. Galinsky, Harvard Business Review, September 2015 Issue

The Washington Post called it “creepy.” The Atlantic said it “might have been illegal.” One privacy advocate wondered if it could have made people suicidal. Those were just some of the reactions to the disclosure, in June 2014, that Facebook had allowed academic researchers to manipulate the news feeds of 689,000 users for one week. The experiment, in which half of the users saw fewer positive posts than usual and the other half saw fewer negative ones than usual, was designed to determine whether the changes would cause people to write more positive or negative posts themselves. In fact, the researchers did find evidence of “emotional contagion” and published the results in a prestigious scientific journal. But their findings were eclipsed by the public outcry.

Shortly after the story broke, the lead researcher issued a statement saying that he and his colleagues were sorry for the anxiety their work had caused. But Facebook defended its actions for days, explaining that the boilerplate language in its 9,000-word user agreement constituted informed consent. Nearly a week elapsed before the company’s chief operating officer offered a half-hearted apology for “poorly communicating” about the study. Three months later, the chief technology officer issued another statement, saying Facebook had been “unprepared for the reaction,” conceding, “there are things we should have done differently,” and articulating new research guidelines. Still, he avoided the words “sorry” and “apologize.”

In this episode, Facebook erred in two ways: First, it violated users’ trust. Second, it compounded the problem with an awkward, three-step, not-very-contrite apology.

Scenarios like this are all too common. At some point, every company makes a mistake that requires an apology—to an individual; a group of customers, employees, or business partners; or the public at large. And more often than not, organizations and their leaders fail to apologize effectively, if at all, which can severely damage their relationships with stakeholders and their reputations, especially if the incidents become public (and publicized).

Companies need clear guidelines for determining whether a misstep merits an apology and, when it does, how to deliver the message. In this article, we present an apology formula, drawn from our work and research in management and psychology, that provides a diagnostic and practical guidance on the who, what, where, when, and how of an effective apology. The bottom line for serious transgressions:

Senior leaders must immediately express candor, remorse, and a commitment to change in a high-profile setting—and make it sincere.

The Apology Dilemma

Let's recognize two facts about apologies at the outset: First, we are psychologically predisposed to find reasons (or excuses) to delay or avoid saying we're sorry. Apologizing feels uncomfortable and risky. There's a loss of power or face involved—it rearranges the status hierarchy and makes us beholden, at least temporarily, to the other party. That doesn't feel good. So it's no wonder people try to avoid dwelling on or drawing attention to mistakes and that when one is pointed out, they get defensive, arguing their side of the story and shifting blame to others.

Apologies are even more difficult in an organizational context. When considering whether and how to apologize, even seasoned leaders can become gripped by indecision. That's understandable. A company mistake is often caused by a single division or employee, and a bad situation is frequently made worse by events beyond its control. It can feel unjust for a CEO or an entire organization to have to take responsibility.

Second, companies have a strong tendency to evaluate the situation through a legal lens. Corporate counsel may fixate on whether any laws were broken and warn managers that an apology might be construed as an admission of liability (possibly exposing the company to litigation) rather than as an effort to empathize with the wronged party. This is an important distinction, because effective apologies address the recipients' feelings—they don't prove a point. Unfortunately, a litigious perspective has become ingrained in many organizations: Even a leader who isn't actively consulting with an attorney may worry that an apology could create legal problems.

Companies need to stop thinking this way. Most apologies are low cost—and many create substantial value. They can help defuse a tense situation, and fears of litigation are often unfounded. Consider health care providers. For many years, medical professionals were advised not to apologize when they made mistakes that hurt or even killed patients, because doing so might make the hospital vulnerable to a malpractice lawsuit. But research has revealed that when some hospitals began allowing doctors to offer apologies to patients and families, or even made apologizing mandatory, the likelihood of litigation was reduced.

Should You Apologize?

If a company is debating whether or not to apologize, managers should consider the nature and severity of the violation and the costs and benefits of offering an apology. Four questions can help determine if an apology is necessary.

1. Was there a violation, whether real or perceived?

When a company apologizes, it accepts full or partial blame for causing harm. So it needs to first determine whether a violation has in fact occurred and if so, whether the company is responsible. But here's the tricky part—this needs to be done quickly and perceptions of responsibility matter.

Consider the crisis Coca-Cola faced in 1999. It began on June 8, when a schoolboy in Belgium reported feeling ill after drinking a Coke. Within days, hundreds of people had attributed fevers, dizziness, and nausea to Coca-Cola beverages, and many made their way to hospitals. At first, the company insisted that its products did not pose a health risk and that bad carbon dioxide at a plant in Antwerp had triggered unnecessary alarm. CEO M. Douglas Ivester, hoping that the crisis would "blow over," said that he'd decided to "take a lower profile on this." But by the end of the week, the company was forced to remove more than 50 million beverages from the shelves in France, Germany, and Belgium. Finally, more than a week after the first incident, Ivester said publicly that he and his executives "deeply regret any problems encountered by our European consumers."

If we put ourselves in Ivester's shoes, we can easily understand why Coca-Cola might have had trouble making a quick decision about whether to apologize. First, we'd all prefer to see the results of an internal investigation and understand exactly what caused the bad outcome—and how to prevent it from happening again—before making any statements. Second, we'd be just as likely to hope that the issue would fade from attention. And third, we'd probably feel defensive and that we'd been unfairly blamed. The senior executives at Coca-Cola honestly believed that the reported health concerns were exaggerated and that many of the complaints had nothing to do with their products.

But companies must overcome the tendency to wait, to keep a low profile, or to argue the facts. Instead, leaders should consider others' perceptions of the potential violation and move swiftly to address them. An apology enables an executive to express concern and convey the organization's values—even as an investigation into exactly what happened and who was responsible unfolds.

As we make the apology decision, we need to consider the "psychological contract"—the expectations customers, employees, business partners, or other stakeholders have about an organization's responsibilities and what is right or fair. This often extends well beyond any explicit contract. To understand those expectations, managers have to imagine the situation from different vantage points.

Consider Mattel's launch of Hello Barbie, a doll that records and uploads conversations to Mattel online so that it can make personalized responses. Mattel thought that the doll's ability to remember a child's name and preferences would be a unique selling point, but critics quickly voiced privacy concerns. Mattel never intended to cause harm, but consumers' perceptions of an "eavesdropping Barbie" were so negative that it was forced to offer public reassurances to customers that Mattel was committed to safety and security. Presumably, leaders could have predicted that a toy that recorded children's play and uploaded it to the company would raise flags. In the Facebook situation, had the company considered the perspectives of its stakeholders before launching its emotion manipulation study, it might have avoided much of the fallout. And Coca-Cola should have known that even the perception of health concerns related to its products should be addressed immediately.

2. Was the violation core or noncore?

Certain activities and responsibilities are central to a company's products, services, and mission. Other responsibilities are peripheral or less consequential. If an automaker's vehicles contain a flaw that imperils drivers' safety or a restaurant's diners suffer food poisoning, those are core violations. When the accounting firm Arthur Andersen certified Enron's financial statements and failed to expose the company's massive fraud, it violated its core responsibility.

Other violations might involve a business function that's outside the company's operational core. For instance, Apple and other companies have been criticized for using transfer pricing and other financial tools to minimize their tax bills—a practice that offends people who see paying taxes as a civic duty. Although it constitutes a violation for at least some of their consumers, it is not core, because tax accounting is not those companies' central activity.

Core violations pose a fundamental threat to the mission of the organization. Therefore, a robust apology is critical—and a botched one can cause significant damage. A company that has committed a noncore violation has greater flexibility, though an apology may still be warranted or beneficial.

3. How will the public react?

Sometimes violations that harm only a single person or a small group can remain private matters. But remember, thanks to Twitter, Instagram, Yelp, Facebook, and other social media outlets, a single customer complaint can easily go viral and influence the perceptions of millions of potential customers. Even the smallest transgressions can blow up into epic (and costly) public relations nightmares.

Consider what happened to United Airlines in 2008. The company allegedly damaged a Canadian singer's guitar during a flight from Halifax to Nebraska and then subjected him to a Kafkaesque customer service experience. In the pre-internet era, the public would probably never have learned about the incident. Social media has changed that: In this case, the frustrated singer wrote a song called "United Breaks Guitars" and posted a video of it on YouTube. It became a sensation, with nearly 15,000 views its first day and more than 14 million since. Eventually, Rob Bradford, United's managing director of customer solutions, telephoned the singer and apologized directly; he also asked if the airline could use the video to help improve its customer service.

In gauging the probable reaction to an incident, companies should take into account the relative size and status of the parties. A violation committed by a large, powerful, or high-status organization (such as United, Google, Walmart, or the U.S. government) against a low-status, low-power person or group is more likely to engender public outrage—and require an apology—than a violation committed by a mom-and-pop business or one that hurts only wealthy individuals or corporations.

4. Is the company willing to commit to change?

In assessing whether or not to apologize, organizational leaders must also focus on the extent to which they are willing—and able—to change the company's behavior. If they can't or don't want to do things differently in the future, the case for making an apology is weak, because it will sound hollow and unconvincing.

When Target and Home Depot suffered cybersecurity breaches that exposed customers' credit card information to hackers, the companies' apologies would have been ineffective without promises to institute procedures to prevent a reccurrence. (For a look at instances when it makes sense for companies to stand firm in the face of perceived harm, see the sidebar "'Sorry, Not Sorry': The Power of Being Unapologetic.")

Sometimes managers become so focused on their new course of action that they forget to apologize. That's a mistake; without a show of remorse, people are likely to think you're whitewashing the violation.

The Apology Formula: The Right Way to Apologize

Once a company has decided that it should apologize, it has to do it right. It's astonishing how many well-intentioned, sophisticated organizations completely botch apologies. While a good apology can restore balance or even improve relationships, a bad apology can make things much worse. As a framework for getting it right, companies need to think carefully about who, what, where, when, and how.

Who.

The more serious and the more core the violation, the more necessary it becomes that a senior leader—up to and including the CEO—make the apology. In cases where there is a clear transgressor—an employee who made the mistake—there may be merit in involving that person. But if he or she isn't sufficiently senior, you risk offending the wronged party or the public by conveying that you are not taking the violation seriously. Just as it's better to be overdressed than underdressed, when in doubt, you should err on the side of having a senior executive offer the apology.

For example, Target released a statement from then-CEO Gregg Steinhafel the day after its security breach came to light. When a plane full of JetBlue passengers was stranded on a runway for eight hours, it was then-COO Rob Maruster who issued the apology on YouTube.

Deciding who should receive the apology is often straightforward—although companies can slip up here too. Consider the video that Chip Wilson, the founder of Lululemon, released during the furor over an interview in which he had said that his brand's yoga pants weren't suitable for some bodies. His "I'm sorry to have put you all through this" was addressed to employees, not customers, and was roundly criticized. Effective apologies are delivered directly to the person or people harmed. When that group is large and diffuse, the organization might want to offer an "open" apology through the press or social media.

What.

This is the substance of the apology—the words you say and the actions you take. It's important to keep three goals in mind: candor, remorse, and a commitment to change.

The best apologies show candor. They leave no room for equivocation or misinterpretation, and they make absolutely clear that the organization acknowledges both the harm that was caused and its own responsibility. Consider the candid apology Razer's CEO gave after severe delays for preorders of the company's Blade laptop in 2014. "We've been doing a terrible job anticipating and meeting demand for our products…We suck at this. I suck at this. I apologize to all of you who have had to wait for ages each time we launch a new product."

Organizations should never sound defensive or as if they're trying to justify a violation. However, explanations and information can help. For instance, an airline's apology for a mechanical delay is more effective if the airline explains exactly what part is broken, what's being done to fix it, how much time it will take, and why the issue will pose no safety risk once fixed. Military condolence letters—a form of institutional apology—routinely offer details regarding the circumstances of the mission on which the soldier was killed. After receiving some information, those affected have a greater appreciation for the broader context and the institution's perspective.

Effective apologies also express remorse. We've criticized Facebook's handling of the emotion manipulation study, but in 2006, when users were upset by the company's just-launched News Feed feature, CEO Mark Zuckerberg offered a pitch-perfect apology. "We really messed this one up," his written statement began. He went on to use phrases like "bad job," "errors," "we missed this point," "big mistake," and "I'm sorry." He even thanked groups that had formed to protest. "Even though I wish I hadn't made so many of you angry, I am glad we got to hear you." His choice of words was remorseful and self-abasing—and effective.

The third key ingredient is demonstrating a commitment to change. An apology should create distance from the "old self" that committed the violation and establish a "new self" that will not engage in similar behavior. Sometimes the employee responsible for an error is fired. Sometimes, as in the Target and Home Depot security breaches, new procedures are put in place. Organizations might also demonstrate a seriousness of purpose by appointing an independent authority to investigate the incident and recommend changes—and pledging to implement the recommendations.

Consider how the Vancouver Taxi Association responded in 2014 after a cab driver left a mother and her sick child on the side of the road after he realized that they intended to pay for their ride from a local hospital to the airport with a hospital-issued taxi voucher, which he didn't believe his cab company would accept. (In fact it would.) Not only did the taxi association express remorse for the incident, it demonstrated a commitment to change by suspending the driver and instituting a clear policy instructing all cabs to accept all vouchers from local hospitals at all times.

Now let's consider an apology that lacked the three "what" elements: candor, remorse, and a commitment to change. In 2009, Goldman Sachs CEO Lloyd Blankfein issued a vague apology for unspecified acts by the financial industry that led to the Great Recession. His language was roundly criticized. As the New York Times editorialized, “His remarks do not come close to an apology…since he never actually said what he was sorry for…or to whom he was apologizing.” Nor did he explain how the bank would change its behavior.

Blankfein learned his lesson, however. After this very public rebuke, he held another press conference, in which he admitted that Goldman had participated “in things that were clearly wrong and we have reasons to regret and apologize for.” The firm pledged $500 million to help small businesses recover from the recession. This apology was far more candid, expressed remorse, and demonstrated a commitment to change.

Where.

If a company wants to control the coverage of an apology, the setting can determine how loud—and widely heard—the message will be. Organizations often default to written statements that reach a broad audience, especially when they’re published in newspapers. Target did this following its security breach, as did News International after some of its newspapers were found to have illegally hacked phones. For a more personal touch, the CEO or another executive might videotape an on-camera statement, as JetBlue’s Maruster did. A live statement, with or without an audience, increases the perceived importance of the apology. In some instances, it may even make sense for leaders to travel to the place where the violation happened—a crash site, the location of an industrial accident, and so on. This not only provides a camera-ready backdrop, but also it shows that the executive cares enough to view the damage firsthand and apologize to victims in person. For example, when a Southwest Airlines flight overshot the runway at Chicago’s Midway Airport in 2005, killing a six-year-old boy and injuring others, CEO Gary Kelly immediately flew to Chicago, visited the hospital, held a press conference, and offered several apologies, winning high marks for sensitivity.

Managers should realize, however, that there are risks to this approach. A live, on-site apology puts a leader in an uncontrolled environment. Apologizing to victims face-to-face can be effective if they accept the apology—but if they don’t, the event could turn into a public confrontation. Sometimes public apologies come off as publicity stunts. Social media has changed the calculus for choosing where to make an apology, since now a company’s written statement can be shared and retweeted, reaching many more people than would typically see an address on the evening news.

When.

A good apology arrives quickly. Speed signals sincerity and dispels the idea that executives feel uncertainty or ambiguity about their responsibility. Sometimes, companies delay apologies for good reasons, such as Coke's desire, in 1999, to investigate customers' health concerns and their root cause. Facebook's intention to present a fully-formed plan to show its commitment to change appears to have been one factor in its slow apology for the emotion-manipulation study. The desire to be cautious is reasonable, but we believe that it's better to offer a quick "placeholder" apology than to be silent. "While we're still gathering the facts to understand exactly what took place, we want our customers and employees to know that we apologize for any harm we have caused. Know that we are developing plans to ensure that this doesn't happen again. We will follow up by the end of the week with details."

While speedy apologies are preferable, the window of opportunity for apologizing never completely closes, and for many victims a belated apology is better than none at all. Consider the well-received statement made by GM's Mary Barra after the company's 2014 recall of faulty ignition switches—a problem the company had known about, but not acted on, for 10 years: "Today's GM will do the right thing…I am deeply sorry." Barra also told employees that the violation was "unacceptable"; 15 leaders deemed responsible for the cover-up were let go. If a previous CEO decided not to offer an apology for a violation but the new CEO believes one is warranted, the organization should make one regardless of the time lag.

How.

The way an apology is delivered can matter just as much as the content of the apology. Informal language and personal communication can help. Recall Zuckerberg's use of the phrase "We really messed this one up."

Or consider what happened when DiGiorno pizza used the hashtag #WhyIStayed to promote its pizzas, not realizing that the tag was already being used by women to share their experiences of abuse. The company not only deleted its initial tweet but also followed it with another: "A million apologies. Did not read what the hashtag was about before posting." It sent direct tweets to every person who had expressed outrage: "@ejbrooks It was. And I couldn't be more sorry for it, Emma. Please accept my deepest apologies."

Written statements have the benefit of being broadcast quickly, but it is often easier to strike the right tone through speech. A leader can rely on nonverbal cues to convey emotion, humility, and empathy. For example, remorse can be shown through facial expressions, and a commitment to change reinforced through vigorous gestures.

But in-person apologies are tricky to master. It can be difficult for business leaders accustomed to displaying power and self-confidence to strike the right repentant tone. For some, it may require careful planning and rehearsal. One glaring example of a leader who got the "how" of his apology wrong is Tony Hayward, then-CEO of BP. During the catastrophic Deepwater Horizon oil spill, in the Gulf of Mexico, he delivered the following apology: "We're sorry for the massive disruption it's caused to [people's] lives. There's no one who wants this thing over more than I do. I'd like my life back." It was a strikingly tone-deaf remark, one that illustrates the danger of an off-the-cuff or improvised apology. (Hayward resigned a few weeks later.)

Preparing to Apologize

As a general rule, the more central to the mission of the company the violation is and the more people it affects, the more important it is that the apology be pitch-perfect. For core violations, the "what" has to show a tremendous commitment to change, the "who" has to be senior leaders, the "when" has to be fast, the "where" has to be high profile, and the "how" must be deeply sincere and demonstrate empathy.

There are some industries that apologize so frequently that they have the practice down to a science. Restaurants inevitably make mistakes—taking an order incorrectly, preparing the wrong dish, miscalculating the bill—and diners have come to expect a quick visit and an apology from the manager, along with a small offering (often a free dessert) as a consolation. When a Ritz-Carlton hotel failed to deliver a wake-up call at the appointed hour, causing a guest to run late for an important meeting, the front desk manager immediately apologized and offered to send up a complimentary breakfast. When the guest returned that evening, she found a handwritten apology from the general manager, fresh strawberries, dried fruit, and candy. Rather than lambaste the hotel, she raved to her friends about the five-star service she received.

It's imperative to give forethought to the kinds of events that will create the need for an organizational apology and how it will be executed. We recommend role-playing and "apology rehearsals." Making these investments is not strictly about damage control: A well-executed apology can improve relationships with customers, employees, and the public, leaving the company better positioned than it was before the error. That's an outcome to which every leader should aspire.