

OP1



## OP1

### The Painstaking Process of Planning

*Festina lente. (Make haste, slowly.)*  
—Emperor Augustus

Where do all of Amazon's ideas for scaling processes, innovating new services, improving customer experience, and rationalizing where to put headcount and resources come from? When do they say yes or no to all the great ideas they have to scale or innovate in their business? How does all of that happen? I often get asked variations of this question, and there is no single answer. There is, however, a specific time and place in the Amazon universe where these elements are evaluated and decided upon: the annual planning process generally known as

Operating Plan 1 (OP1).

But let me stop you there. This is not a simple, clean, efficient process, nor does it immediately accelerate the organization. OP1 is messy, frustrating, painstaking, and imperfect. It's a classic example of the "go slow to go fast" approach to business. While knuckle-bitingly frustrating at times, the OP1 process helps the company collect, explain, and rationalize the best ideas, helps the executive team make the best decisions about what to go forward with and what not to fund, and helps the organization gain clarity and focus once decisions are made.

**idea 37:** Define a planning process that asks the questions "How did we perform?" "What is next year's plan?" "Which of our ideas will improve the business?" and "Which innovation ideas should we pursue?" and connects the answers to the headcount and other necessary expenses. In your discussion, include the business case and key operational and customer experience metrics and goals. Spend as much time as it takes to hash out these documents in development and to read, debate, and decide at the executive level. Be clear and announce to the organization which ideas and initiatives are being approved (a yes decision) or not approved or funded (a no or not now).

## OPERATING PLAN 1 (OP1)

Summertime in Seattle is precious. Having borne the brunt of eight cold, wet months, each loaded with a mindless succession of short gray days, summer suddenly appears around July 4, and the Pacific Northwest becomes the most beautiful place on the planet. Alas, if you work at Amazon, you pretty much miss it. For in the months of July, August, and September, while also doing all the preholiday work before the retail peak season hits, you are spending your time meeting, debating, writing, and reviewing your next year's operating plans and ideas for scaling and innovating. That's right, summer and early fall is OP1 season.

While there are multiple opportunities to analyze and discuss ideas, plans, resource allocation, and critiques of the business throughout the year, OP1 is the tent under which all of Amazon's disciplines and strategies gather on an annual basis. Although structured, OP1 is messy. The time and effort required are hard to predict. OP1 is simply done when it's done. Genius requires truckloads of scribbles, crumpled up paper, and "wasted" time. And every year, this process not only brews ideas for inventions, but cements clear decisions and commitments:

### *The Basic Structure of OP1*

1. Teams start reviewing their business results. They identify the goals for following years and the budgets and dependencies needed to meet those

goals.

2. In addition, the executive team hands down detailed strategic business goals that all teams and businesses must be prepared to say how they will support. The objectives are detailed enough to allow teams to understand the specifics of how their business or service will need to respond (for example, retail will grow at 35 percent gross, resulting in \$7.8 million incremental orders shipped).
3. Many of these goals are cross-functional, requiring teams across the company to work together to meet them.
4. Ideas for either incremental or new capabilities are captured.
5. The process encourages thorough and deep thinking.
6. Plans are written (see Ideas 44, 45, 46, and 47) in a variety of manners.
7. Oftentimes, meetings start with silence, allowing the participants to read and "grok" the plans.
8. The process creates alignment early on across the business regarding priorities, delivery timing, dependencies, and so on.

9. The process is designed to ensure that people and projects are tied to the overall strategy.
10. It encourages ownership by enforcing articulation of detailed and objective measurements of progress that can be tracked and reported on.
11. It allows executives to better understand what their peers are working on to avoid redundancy and to enable planning.

As I said, it's a messy structure, but the OP1 process enables a holistic review of the value of each team's business or service and its overall fit within the company's strategy. It also forces every team to think through and outline the road map necessary to support the overall growth objectives of the company.

The approach is bottom up. Every team in the company prepares its own documents. The SVPs subsequently roll up the most critical aspects of these plans and the full fiscal impact of all asks, growth, and so on into a summary OP1 for the entire operating area under their individual purview.

These plans are combined for a comprehensive, detailed, week-long review by the SVPs. The VPs and SVPs from other operating areas are invited to review and participate in these sessions to provide insights and critiques as well as to ensure buy-in and approval from dependent teams. In some cases, the leaders of these dependent teams cannot commit to the work, creating an opportunity to assess the importance of the ask and consider escalating for broader review.

The review meeting is typically four hours in length. Everyone spends the first hour of the meeting reading the document thoroughly. This is immediately followed by three hours of interrogation. Reviewers are expected to provide hard, but constructive feedback. Reviewers do their own math on financial assumptions, metrics, and so on. Mistakes are attacked vigorously. The process ensures that the thinking around the plan is as complete as possible.

The clarity of the commitments is equally important to the clarity of the thinking. Goals are agreed to, deliverables are estimated and committed to, and budgets can be reconciled and rolled up. Of course, there are always more ideas that can be pursued than can be funded. Clearly saying yes to approved initiatives means saying no or "later" to most ideas. It is better to commit and execute on a few key ideas than dilute your efforts across all the ideas.

A former Amazon product manager gave his thoughts on Amazon's annual planning process:

Every year at Amazon, teams are forced to create and review a document with the executive team which outlines in excruciating detail their performance in the previous year and their plans for the upcoming year including resource asks. Operating Plan 1 (OP1) is typically a six-page narrative (with mountains of appendixes) looking at every angle of your business and can be the difference between your team getting a bunch of new resources or getting cut into oblivion (Bezos



and crew aren't shy about killing teams that aren't performing well). While I used to gripe about the amount of our time this process would suck up, the reality is that this kind of rigorous evaluation is probably one of the reasons why Amazon is able to be so focused in their investments and grow in businesses with relatively thin margins.<sup>1</sup>

## YOUR VERSION NEEDED

It's no secret that competition is increasing in every industry, and the pace of change grows faster and faster. Have you realigned or defined how you will respond *every year* to this reality? It's not a one-time activity. Every year brings an entirely new set of circumstances. This is only one of the reasons why Amazon sacrifices its summer and early fall every year for OP1.

No process is perfect, but giving senior management the opportunity to impose constraints and objectives on the business from the top, getting ideas and involvement across the organization leveraging the best of everyone's thinking, and then putting it all together results in clarity and good decisions. This should be the

goal of any planning process. You better get yours going!

### QUESTIONS TO CONSIDER

1. What is your process for building and reviewing all the potential projects and investments you could make?
2. Are good and clear decisions made in your planning process?
3. Is appropriate time spent on planning the innovation initiatives in your business?
4. Can ideas come from anywhere in the organization? How are these collected and vetted?

<sup>1</sup>This idea was cowritten with Clifford Cancelosi.