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| GM 105 – Strategic management |
| Strategic Audit |
| Federal Express |
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| **Adam Close, Cierra Corneilson, Stephanie Tabor, Cheryl Wagoner (Group 18)** |
| **11/11/2010** |

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| “The information about the package is as important as the package itself,” Fred Smith, Founder, President and CEO FedEx Corporation |

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# Current Situation

## Current Performance

Fed Ex (FDX) has managed to see it through the recent recession and hard economic times by having a successful year in 2010. In the beginning of the year Fed Ex’s earnings were down considerably, but they managed to turn it around. FedEx’s share price rose from $55.43 to $83.49, a gain of over 50% throughout the year eclipsing other benchmarks like the S&P 500 and the DJIA. They also ended the year with a net income of $1.2 billion. FedEx had several measures in place to leverage against the recession and make it easier on the company during those difficult times. Revenue was only down 2.25% from 2009, due to the tough economy and the measures FedEx had taken to combat the recession. Fed Ex is also the dominant leader in market share, controlling about 49% of the market by volume. Their diluted earnings per share rose from $0.31 in 2009 to $3.76 in 2010, an increase of over ten times and almost an 8% increase for return on average equity due to a $1.2 billion goodwill charge, stemming mostly from the purchase and acquisition of new assets.

## Strategic Posture

**Mission Statement**: Fed Ex’s mission statement is to produce superior financial returns for shareholders by providing services through focused operating companies. Expectations and requirements of customers will be met in the highest quality manner possible in each market segment. Safety will be the first consideration in all operations and corporate activities will be conducted and held to the highest ethical and professional standards.

**Objectives**: Fed Ex’s objectives are not explicitly outlined, however, their annual report for 2010 indicates that their objectives are to become the premier less-than-truckload provider, market leaders, and the most profitable carrier.

**Strategies**: Fed Ex’s strategy is to work seamlessly and simultaneously on three specific levels. First, they need to compete collectively by being seen at all times as one company, one brand. Second, they need to operate independently by focusing on individual networks and market segments in order to meet the distinct needs of every customer. Third, they need to manage collaboratively in order to maintain good relationships with their workforce, customers, and investors alike.

**Policies**: FedEx has a few strong policies such as auditor policy, whistleblower policy, privacy policy, and political contributions policy in place. These policies are in place to maintain loyalty to employees, customers, and investors by maintaining integrity. They deal with an array of potential hazards such as risk, loss, exposure, and corruption. These policies are in line with FedEx’s mission and objectives and do a good job of outlining the detail involved in protecting and maintaining their integrity as a company.

#  Corporate Governance

##  Board of Directors:

Each Director is elected at the annual meeting of stockholders and holds office until the next annual stockholders’ meeting. Although there are no term limits, policy dictates a mandatory retirement age of 72. At least once per year, the independent Directors meet without management present. When the Chairman of the Board is not present, the meetings are directed by the Chairman of the Nominating and Governance Committee. The Board reviews governance policies and practices annually and promotes needed changes when they see fit. The Board of Directors is comprised of one internal and ten external members. In line with their diversity commitment, FedEx seeks highly qualified Directors including women (such as Dr. Jackson and Dr. Schwab) and minorities (such as Dr. Jackson and Mr. J. Smith).

The Bylaws state that the Chairman of the Board shall be the CEO unless the Board decides otherwise. The Chairman/CEO presides at all meetings of the stockholders and Board of Directors. The Chairman is responsible for managing the Board and ensuring that it functions effectively and fulfills its responsibilities. The CEO is responsible to the Board for day to day management of FedEx. The current leadership structure attains a balance between dependable leadership and the independent oversight of FedEx. The Board is comprised of a varied mix of experience and perspectives:

### Board Members and Length of Service:

**Frederick W. Smith**, 66, is the Founder, Chairman, President, and CEO of FedEx and has served on the board since its inception. Formerly, Smith was Chairman of the Board of Governors for the International Air Transport Association and the U.S. Air Transport Association, Chairman of the U.S.-China Business Council, and served as co-chairman to the U.S. World War II Memorial Project and the campaign for the National Museum of the Marine Corps. Currently, Smith is a member of the Business Roundtable, is a board member for the Council on Foreign Relations, is co-chairman of the Energy Security Leadership Council, and is the current chairman of the French-American Business Council. In November, Smith will receive the George C. Marshall Foundation Award and be honored for his success in “building a company that has changed business around the world and for the generous use of FedEx resources to provide humanitarian assistance to countries and regions in need.” (FedEx, News)

**James L. Barksdale**, 66, has been the Chairman, CEO and President of Barksdale Management Corporation (a philanthropic investment company) since its foundation in 1999. He was previously employed by Federal Express as EVP and COO from 1983-1992 and as CIO from 1979-1983. Barksdale has over 35 years of operational experience and has worked on the President’s Foreign Intelligence Advisory Board. He also is a Director for: Oracle, Time Warner, Revolution Health Group LLC, TechNet, and SubmitOrder.com. Barksdale serves on the Mayo Clinic’s Board of Trustees and as Co-Chair of the Markle Foundation Task Force on National Security in the Information Age (Bloomberg). Barksdale has served as a board member for FedEx since 1999 (and also served a prior term from 1983-1991).

**John A. Edwardson,** 60, is CEO and Chairman of CDW Corporation, a firm that provides technology products and services for business, government, and education markets. CDW provides solutions such as infrastructure optimization, mobility, disaster recovery, and security management. Previously, he served as President, CEO, and Chairman of Burns International Services (a provider of security services) and as President of UAL Corporation and United Air lines, Inc. He serves as a Board member for Focal Communications Corporation, Loomis, and Fargo & Co., and serves on the Board of Trustees of Purdue University and The Chicago Symphony Orchestra. He also serves on the Advisory Council of the University Of Chicago Graduate School Of Business. Edwardson has been a board member at FedEx since 2003.

**Joseph R. Hyde III**, 67, serves as the Chairman of GTx, Inc., a biopharmaceutical company that engages in the discovery, development, and commercialization of small molecules to treat cancer, bone loss, and serious medical conditions. He is the owner and President of Pittco Holdings, Inc., an investment management company and was Founder of AutoZone which was a division of Malone & Hyde. He also serves as a Director for AutoZone, Inc. is Chairman of the Financial Advisory Board at MB Venture Partners, and was a former Director for Wal-Mart. Hyde has served on the FedEx board since 1977 but has announced his retirement.

**Shirley Ann Jackson,** PhD., 63, is the President of Rensselaer Polytechnic Institute (RPI). She has served as a Commissioner of the U.S. Nuclear Regulatory Commission, as a Professor of Theoretical Physics at Rutgers University, and as Consultant in semiconductor theory to AT&T Bell Laboratories. She holds 18 honorary degrees, was awarded the New Jersey Governor's Award in Science and was inducted into the National Women's Hall of Fame. She also serves as: Chairman of the Board for the NYSE Regulation, Inc., Director for New Jersey National Bank, Trustee for Emma Willard School, Trustee for The Brookings Institution, a member of the Board of Governors for the Financial Industry Regulatory Authority, Inc., a member of the Audit, Nominating, and Corporate Governance Committees for the Smithsonian Institution, and as a director for the Council on Foreign Relations, Inc.. Jackson also serves as the Chairwoman of the American Association for the Advancement of Science, and has served as the Chairwoman of NYSE Regulation Inc. Jackson has been a FedEx board member since 1999.

**Steven R. Loranger,** 58, is CEO and President of ITT Corporation, whose Defense segment provides situational awareness, tactical information systems, communications, engineering, and electronic warfare systems for the military. He oversaw Textron's Six Sigma Integrated Supply Chain and Information Technology groups. He also is a member of the Board of Governors for Aerospace Industries Association and serves on the National Association of Manufacturers and the Congressional Medal of Honor boards. Loranger has been a Director for FedEx since 2006.

**Gary W. Loveman**, PhD., 49, is Chairman, president, and CEO of Harrah’s Entertainment, Inc. Prior to joining Harrah’s, he was Associate Professor of Business Administration at the Harvard University Graduate School of Business Administration, and holds a PhD in economics. He is also a director of Harrah’s Entertainment and a board member of Coach, Inc. Loveman has been a board member with FedEx since 2007.

**Susan C. Schwab**, PhD., 54, has held several positions in the U.S. Government and served as the U.S. Trade Representative Ambassador until 2009. She served as the Director General of the U.S. & Foreign Commercial Service of the U.S. Department of Commerce and was a Trade Policy Officer at the U.S. Embassy in Tokyo. She has served as President and CEO of the University System of Maryland Foundation, Inc. She holds a PhD in Public Administration and International Business. She is also a Director and member of the Audit and Finance Committees for Boeing and a Director for Caterpillar, Inc. Schwab was elected to the FedEx Board in 2009.

**Joshua I. Smith**, 68, is an Advisor of Datawind, a developer of wireless web access products and services. He is also the Chairman and Managing Partner of The Coaching Group where he functions as Coach and Senior Advisor/Consultant to CEOs of portfolio companies. Smith chaired the special Task Force on Minority Business Reform in Maryland. He was the Chairman of the U.S. Commission on Minority Business Development the Chairman of the National Urban Coalition. Smith has been a FedEx Director since 1989. He also serves on the Board of Directors of the National Black Chamber of Commerce. Smith has received over 300 awards, honors and other citations in recognition of his achievements (Bloomberg, Smith). He also serves as a Director for: StingFree Technologies Co., Caterpillar, Allstate Corporation, and as Vice Chairman for Comprehensive Care Corp. Smith has been a Director for FedEx since 1989.

**David P. Steiner**, 49, is president and CEO of Waste Management of Arizona, Inc. Prior to joining Waste Management, he was a partner in the regional law firm of Phelps Dunbar LLP. He is also a Director for Greater Houston Partnership and a committee Chairman for Tyco Electronics, Ltd. Steiner was elected as a FedEx Director in 2009.

**Paul S. Walsh,** 54, I the CEO and Executive Director of Diageo PLC at Diageo Ireland, a company that engages in producing, distilling/brewing, packaging, distributing, and marketing spirits. He was also CEO and COO of Guinness United Distillers & Vintners and was President and CEO of the Pillsbury Company. Walsh has held various financial positions in the food, brewing, and Inter-Continental Hotel fields. He is also a Non-Executive Director for Unilever PLC and Unilever NV, and is a former Director for General Mills, Inc. and Centrica PLC (an integrated energy company is the UK). Walsh has been a Director with FedEx since 1996.

### 2. Stock and Stock Ownership:

FedEx is publicly traded as FDX on the NYSE. 800 million shares of Common stock are authorized, with 314,594,409 shares outstanding on 8/2/10. All stock holds the same voting rights. The following table shows the amount of FedEx common stock beneficially owned by each director:

|  |  |  |
| --- | --- | --- |
| ***Name of Owner:*** | ***Number of Shares:*** | ***Number of Option Shares:*** |
| Frederick W. Smith | 19,705,437 | 2,138,762 |
| James L. Barksdale |  46,800 |  38,040 |
| John A. Edwardson |  15,000 |  46,040 |
| Shirley A. Jackson |  7,000 |  32,040 |
| Steven R. Loranger |  7,800 |  19,640 |
| Gary w. Loveman |  10,414 |  15,240 |
| Susan C. Schwab |  2,050 |  10,840 |
| Joshua I. Smith |  5,086 |  43,040 |
| David P. Steiner |  - |  6,440 |
| Paul S. Walsh |  8,500 |  50,040 |

### 3. Relevant Knowledge, Skills, Background, and Connections:

***Transportation Industry Experience***: Each nominee possesses transportation industry experience by virtue of their service on the FedEx Board of Directors. Each of the following members has extensive additional transportation industry experience and knowledge:

* Frederick Smith is the pioneer of the express transportation industry. Under his stewardship, FedEx has experienced strong long-term financial growth and stockholder return.
* Mr. Barksdale held various senior management positions, including EVP and COO at FedEx from 1979 to 1992.
* Mr. Edwardson was President and COO of a major airline (United).
* Mr. Loranger is CEO of a leading provider of products and services to the defense and aerospace industries (ITT). He was EVP and COO of a global aircraft manufacturing company (Textron, which includes Bell Helicopter and Cessna Aircraft). He was president and CEO of a high-technology aerospace business (a division of AlliedSignal, Inc.) and was president of a heavy trucking company (Bendix Truck Brake Systems Group).
* Mr. Steiner is CEO of a company (Waste Management) that transports waste materials.

***International Experience:*** FedEx continues to position itself to develop and capitalize on increasing globalization, which emphasizes the significance of having directors with specific experience in international trades and markets:

* Frederick Smith leads FedEx, which serves more than 220 countries and territories. He serves on the board of the Council on Foreign Relations; he has served as chairman of the U.S.-China Business Council, and is the current chairman of the French-American Business Council.
* Dr. Jackson is the former Chairwoman and Commissioner of the United States Nuclear Regulatory Commission, she participated in the International Nuclear Regulatory Association, and she is directly involved with the World Economic Forum and is a member of the Council on Foreign Relations.
* Mr. Loranger is the CEO of a large multinational corporation (ITT).
* Dr. Schwab, the former United States Trade Representative, has extensive experience leading large international trade negotiations.
* Mr. Walsh is the CEO of a U.K.-based large multinational corporation (Diageo).

***Financial Expertise***:FedEx uses financial targets as measures of success, therefore, an understanding of finance, financial reporting, and internal auditing processes is necessary for FedEx directors. Each of the below members of the board has an extensive background in finance:

* Mr. Edwardson, who has an MBA, was the CFO of two public companies: Northwest Airlines Corporation and Ameritech Corporation (a provider of telecommunications products and services).
* Dr. Jackson has numerous years of public company audit committee experience. She currently serves on three public company audit committees (Marathon Oil – as chair, Medtronic and Public Service Enterprise Group).
* Mr. Loveman, who has a Ph.D. in economics and a B.A. in economics, was an associate professor of business administration at the Harvard University Graduate School of Business Administration before joining Harrah’s Entertainment. He has also worked at the Federal Reserve Bank of Boston.
* Mr. J. Smith, took graduate courses in accounting and finance and has many years of public company audit committee experience. He is Chairman and Managing Partner of a consulting firm (The Coaching Group) that, among other things, assists its clients in writing business plans and preparing financial statements in preparation for debt and equity funding.
* Mr. Steiner, who has an accounting degree, was CFO of Waste Management before becoming its CEO.
* Mr. Walsh was CFO of Grand Metropolitan PLC (a major division at a U.K.-based public company).

***Marketing Expertise:*** As one of the most recognized brands in the world, importance is given to advancing and protecting the FedEx brand. FedEx benefits from having directors with extensive marketing expertise and experience:

* Mr. Hyde has retail marketing experience as CEO of AutoZone, a leading auto parts retailer and distributor, and Malone & Hyde, a leading food retailer and distributor, and as a former Director for Wal-Mart.
* Mr. Loveman has led several successful marketing initiatives at Harrah’s and previously taught marketing-related courses at the Harvard University Graduate School of Business Administration.
* Mr. Walsh leads a company (Diageo) that owes much of its success to effective brand marketing.

***Technological Expertise:*** FedEx relies greatly on technology for operations, and market competition relies on the superiority and reliability of their technology networks. Thus, directors who possess a thorough understanding of technology applications are important:

* Mr. Barksdale held executive positions with multiple technology companies, including CEO of Netscape and AT&T Wireless. He was the co-chair of the Markle Foundation Task Force on National Security in the Information Age.
* Mr. Edwardson is the CEO of a technology products and services provider (CDW).
* Dr. Jackson, who holds undergraduate and doctorate degrees in physics from the Massachusetts Institute of Technology, is the president of a world-renowned technological research university (RPI). She also serves on the board of directors of IBM, a multinational computer technology and IT consulting corporation.
* Mr. Loranger has held senior executive positions with assorted high-technology engineering and manufacturing companies: ITT, Textron, Honeywell and AlliedSignal.

***Energy Expertise:*** FedEx is committed to protecting the environment, and has many initiatives in progress to reduce energy use and minimize their environmental footprint. As FedEx implements and advances these initiatives, FedEx relies on the expertise and direction of board members who are actively involved with environmental sustainability issues:

* Mr. Smith is co-chairman of the Energy Security Leadership Council, a project of Securing America’s Future Energy (with a goal to reduce U.S. oil dependence and improve energy security).
* Dr. Jackson is the former Chairwoman and Commissioner of the United States Nuclear Regulatory Commission and serves as university vice-chairwoman of the U.S. Council on Competitiveness and co-chairwoman of its Energy Security, Innovation & Sustainability Initiative. She also serves on the Board of Directors of Marathon Oil, an international energy company.
* Mr. Steiner is CEO of Waste Management, a company that has taken an industry leadership role in converting waste to renewable energy.

***Government Experience:*** The transportation business is heavily regulated and directly affected by governmental policies and actions. Through their knowledge and connections, Directors with extensive government service help FedEx work beneficially and constructively with domestic and foreign governments:

* Mr. Barksdale served on the U.S. President’s Intelligence Advisory Board.
* Dr. Jackson is the former Chairwoman and Commissioner of the United States Nuclear Regulatory Commission and serves on the President’s Council of Advisors on Science and Technology.
* Mr. Loranger served as an officer and pilot in the U.S. Navy, is a trustee for the National Air and Space Museum and the Congressional Medal of Honor Foundation, and has held executive management positions with some of the largest government contractors in the United States (ITT, Textron, Honeywell and AlliedSignal).
* Ambassador Schwab is the former United States Trade Representative.

4. Committee Structure, Membership and Responsibilities**:**

***Audit Committee***: The Audit Committee, comprised of John A. Edwardson (Chairman), Gary W. Loveman, Joshua I. Smith, and David P. Steiner, performs the following functions:

* Reviews and discusses with management the company’s major financial risk exposures and the steps management has taken to monitor and control such exposures Oversees the independent registered public accounting firm’s qualifications, independence and performance;
* Assists the Board of Directors in its oversight of (i) financial statements integrity; (ii) the effectiveness of disclosure controls and internal control over financial reporting; (iii) the performance of the internal auditors; and (iv) compliance with legal and regulatory requirements;
* Pre-approves all audit and allowable non-audit services to be provided by FedEx’s independent registered public accounting firm.

***Compensation Committee:*** The Compensation Committee, comprised of Steven R. Loranger (Chairman), Shirley A. Jackson, Susan C. Schwab, and Paul S. Walsh, performs the following functions:

* Reviews and discusses with management the relationship between the company’s compensation policies and practices and the company’s risk management, including the extent to which those policies and practices create or decrease risks for the company;
* Evaluates (along with the independent members of the Board), the Chairman of the Board, President and CEO’s performance and recommends his compensation for approval by the independent directors;
* Discharges the Board’s responsibilities relating to the compensation of executive management;
* Oversees the administration of FedEx’s equity compensation plans and reviews the costs and structure of key employee benefit and fringe-benefit plans and programs;
* reviews the Compensation Discussion and Analysis and recommends whether it should be included in the proxy statement;
* Oversees the administration of FedEx’s equity compensation plans, and reviews the costs and structure of key employee benefit and fringe-benefit plans and programs.

***Information Technology Oversight Committee:*** The Information Technology Oversight Committee, comprised of James L. Barksdale (Chairman), J.R. Hyde III, and Gary W. Loveman, performs the following functions:

* Reviews and discusses with management the quality and effectiveness of the company’s information technology (IT) systems and processes, including the extent to which those systems and processes create or decrease information security and other risks for the company;
* Appraises major information technology (IT) related projects and technology architecture decisions
* Ensures that FedEx’s IT programs effectively support FedEx’s business objectives and strategies;
* Advises FedEx’s senior IT management team and the Board of Directors on IT related matters;

***Nominating & Governance Committee:*** The Nominating & Governance Committee, comprised of Shirley A. Jackson (Chairwoman), James L. Barksdale, and Steven R. Loranger, performs the following functions:

* Reviews and discusses with management the implementation and effectiveness of the company’s compliance and ethics programs, including the Code of Business Conduct and Ethics;
* Identifies individuals qualified to become Board members;
* Recommends to the Board director nominees to be proposed for election;
* Recommends to the Board directors for appointment to Board committees;
* Assists the Board in developing and implementing effective corporate governance, compliance and ethics programs.

## Top Management:

### Top Management composition:

FedEx Corporation provides strategic direction and consolidated financial reporting for the operating companies that compete collectively under the FedEx name worldwide: FedEx Express, FedEx Ground, FedEx Freight, FedEx Office, FedEx Custom Critical, FedEx Trade Networks, FedEx SupplyChain and FedEx Services.

***FedEx Corporation Executive Committee***: The five-person Executive Committee plans and executes the corporation's strategic business activities.

**Frederick W. Smith,** founder, chairman, president, and CEO of FedEx Corporation: After earning a B.A. from Yale University in 1966, he served as an officer and pilot in the U.S. Marine Corps from 1966-1970. In 1971, when Smith was 28, he founded FedEx as “Federal Express Corporation.” Smith’s idea for an overnight delivery service was originally outlined in his Yale economics paper about the effects of automation on society. At that time, he identified that air freight had different requirements than air passenger service and that a company specializing in air freight (rather than supplementing passenger service) would be a profitable business niche. Smith’s vision, supplemented with insight gained during his military service, dealt with the demand side of FedEx and focused on location and speed rather than cost. His strategy had two important elements: The first included shipping packages through a central, tightly controlled hub to ensure overnight delivery. The second was to build a private aircraft fleet.

Smith has been politically active as a proponent of regulatory reform, free trade and “open skies agreements” for aviation around the world, and has advocated for vehicle energy-efficiency standards and a national energy policy. He has received numerous awards and honors, including: the Circle of Honor Award from the Congressional Medal of Honor Foundation, the Lone Sailor Award from the U.S. Navy Memorial, the 2010 President’s Award from the Transportation Research Forum, the Marine for Life Award from the United States Marine Corps, the UCLA Anderson School of Management’s John Wooden Global Leadership Award, was named 2006 Person of the Year by the French-American Chamber of Commerce and received the Medal of Honor from the American Chamber of Commerce in France.

**Alan B. Graf, Jr.**, EVP and CFO of FedEx Corporation: He is responsible for all aspects of global financial functions (taxes, accounting controls, treasury, internal audits, etc.) Prior to the FedEx Corp. formation, Graf was EVP and CFO of FedEx Express. He joined the company in 1980 as a senior financial analyst. He serves on the Board of Directors for NIKE, Mid-America Apartment Communities, Methodist Healthcare and the Memphis and Shelby County Sports Development Corporation. Graf holds a bachelor’s degree and MBA from the Kelley School of Business, where he is a member of the Academy of Alumni Fellows. Graf was named a CFO magazine Excellence Award winner in 1998.

**Robert B. Carter,** CIO and Information Services EVP: He is responsible for setting technology direction, overseeing technology infrastructure and key applications, and managing the advanced networks and data centers. Carter joined FedEx in 1993 and has over 30 years of systems development and implementation experience. He has a bachelor's degree in Computer and Information Science and a master's degree from the University of South Florida. Carter's professional awards include: On *Fast Company* magazine’s "100 Most Creative People in Business" (2010); I*nformation Week*’s Chief of the Year Award (2000, 2001, 2005); *CIO* magazine's 100 Award (2000, 2001, 2002, 2003, 2004, 2006); and *InfoWorld* Chief Technology Officer of the Year (2000). Carter is a member of the Saks Inc. board of directors and the University of Florida Foundation board of trustees. He also serves as chairman of the Capital Campaign for the University of Tennessee Hamilton Eye Institute.

**T. Michael Glenn,** EVP, Market Development and Corporate Communications, and CEO of FedEx Corporate Services: He is responsible for the marketing, sales, and retail operation functions for all FedEx operating companies. Glenn was senior VP, Worldwide Marketing, Customer Service and Corporate Communications for FedEx Express before FedEx Corp was formed in 1998. In that role, he directed marketing, communications, customer service, employee, and public relations activities. Glenn has held various Sales and Marketing positions since joining FedEx in 1981. He has a bachelor's and master’s degree, and serves on the board of directors for: Renasant Bank, Pentair, Inc., United Way of the Mid-South and Autism Speaks.

**Christine P. Richards,** EVP, General Counsel and Secretary: She is responsible for ensuring global activities are in compliance with international, federal, state and local government regulations, and is responsible for international and domestic legal, security and government affairs for the all FedEx operating companies and subsidiaries. Richards served as corporate VP of Customer and Business Transactions before assuming her current position in June 2005. She joined FedEx in 1984 from private practice. Richards earned her J.D. from Duke University.

***Operating Company CEOs:***

**David J. Bronczek,** President and CEO of FedEx Express: He assumed his current position after serving as EVP and COO. He also serves on the Senior Management Committee for FedEx Corp. Bronczek started in operations in 1976 and has worked his way up from a sales rep position. He moved into international operations in 1987.  In 1993, he was named senior VP of Europe, the Middle East and Africa (EMEA). Bronczek has a bachelor’s degree in Business Administration. He was recently appointed by the President of the United States to the National Infrastructure Advisory Council (NIAC); he is a member of the Board of Governors of the International Air Transport Association, a member of the Board of Directors for International Paper, vice chairman for the Board of Visitors of the University of Memphis, and a member of the Board of Governors for National Safe Kids Campaign. . He was a Member of the Board of Trustees at International School of Brussels and was a Member of the Toronto Board of Trade.

**David F. Rebholz,** President and CEO, FedEx Ground: He assumed his current position in January 2007 and is responsible for the strategic direction and performance of the company. He also serves on the Strategic Management Committee of FedEx Corp. Prior to joining FedEx Ground, he was EVP, Operations and Systems Support for FedEx Express. His responsibilities included Air Operations, U.S. Air-Ground and Freight Services, U.S. Ground Operations, Customer Service and Central Support Services. In that capacity, he managed nearly half of the corporation’s worldwide employment. Rebholz began his career with FedEx in 1976 as a part-time employee and moved into management in 1978. He was appointed EVP, Operations and Systems Support, in December 1999. Rebholz attended the University of Wisconsin -Milwaukee.

**William J. Logue,** CEO, FedEx Freight: Prior to 2010, Logue was President and CEO of FedEx Freight. He serves on the FedEx Strategic Management Committee. Logue joined FedEx Express in 1989 through the Flying Tiger acquisition and has held various positions in the operations area including senior VP-US Domestic Ground Operations, senior VP of Air-Ground and Freight Services, VP of the Memphis World Hub, and managing director of the Newark Hub. Prior to his current position, Logue was EVP and COO of FedEx Express-U.S., where he was responsible for Air Operations, Air Ground and Freight Services, Central Support Services, and Domestic Ground Operations. Logue serves on the board of directors for United Way and as a member of the American Trucking Associations (ATA) executive committee.

**Brian Phillips**, President and CEO, FedEx Office: Philips is responsible the strategic direction, product and service, and growth and development for more than 1,900 locations and 22,000 team members in 11 countries. He oversees the company’s worldwide business performance. Philips joined FedEx in1993 and served as VP of U.S. marketing at FedEx Services, where his responsibilities included: advertising, global brand management, segment and retail marketing, and sponsorship marketing efforts. In 1996, he gained international operations experience when he was promoted to managing director of marketing for the Latin America and Caribbean (LAC) division. He has an MBA and serves on the executive committee for The United Way.

**Craig M. Simon,** President and CEO, FedEx SupplyChain: He is responsible for helping customers turn supply chain management into a competitive strategy through specialty services including critical inventory logistics, transportation management, and cross dock and dock services. Previously, Simon served as VP of FedEx Solutions for FedEx Services where he led a team of logistics and business consultants. Before joining FedEx in 1999, Simon was a business advisor and worked with Fortune 500 companies focusing on supply chain strategy development and operations improvement. Simon has a Bachelor of Science in Mechanical Engineering and a Bachelor of Arts in History. He is certified in production and inventory management (CPIM) from the American Production and Inventory Control Society (APICS).

**Fred Schardt,** President and CEO of FedEx Trade Networks: He is responsible for leadership and strategic direction of global transportation services, value-added logistics solutions, and comprehensive customs brokerage services. Schardt joined FedEx Trade Networks in 2008 as EVP and COO.  Since then, he has realigned operations and standardized services to optimize international freight forwarding and has led aggressive international expansion. Prior to FedEx, he gained 35 ears of hands-on knowledge of the international freight forwarding, transportation and logistics industries.  Schardt holds a Bachelor of Arts degree in Political Science.

**Virginia C. Albanese,** President and CEO of FedEx Custom Critical: She is responsible for critical-shipment carrier service across the U.S. and Canada and to other countries throughout the world. Since joining Custom Critical in 1986, Albanese has worked led the reorganization of the safety department, led a cultural initiative to refocus on customer satisfaction, reorganized the company's recruiting organization and expanded the operations leadership team. As VP of customer service and operations, she led the company's overall operations. Albanese has a Bachelor of Science degree and an Executive MBA. She serves on the boards of the Greater Akron Chamber of Commerce and The Boys and Girls Club of the Western Reserve.

***International Executives:***

**Michael L. Ducker,** COO, EVP and President FedEx Express International: In these roles Ducker leads all customer-facing aspects of U.S. operations and sets strategic direction for international business. For over eight years, Ducker has led efforts to open foreign markets, improve customs procedures, and support international economic policy reforms around the world. He started at FedEx in 1975 as a package handler in the Memphis hub. He has worked as president of FedEx Express Asia Pacific region in Hong Kong, has led the South East Asia and Middle East regions from Singapore, and served as VP of Southern Europe, based in Milan. He is Chairman of the International Policy Committee and executive board member of the U.S. Chamber of Commerce and a board member of the Coalition of Service Industries and Junior Achievement Worldwide. He holds an MBA.

**David Binks**, President, FedEx Express, Canada Region: Binks assumed this position in 2006, manages more than 5000 employees, and plans, organizes, and implements all corporate strategies and operations for Canada. Binks joined FedEx in 1986 as a pricing manager in the UK. He has held management positions in Europe, the Middle East, India and Africa Regions. A native of the UK, Binks earned a bachelor’s degree with honors and is a member of the Canadian Council of Chief Executives and the Board of Governors for Junior Achievement of Peel Region.

**David L. Cunningham:** President, FedEx Express, Asia Pacific Region (APAC): He is responsible for all corporate strategies and operations for the North Pacific operations based in Tokyo, the China operations based in Shanghai, and South Pacific operations based in Singapore. He assumed this position in 1999 after serving as regional VP. Cunningham joined FedEx in 1982. He is a member of the U.S. Association of South East Asian Nations (US-ASEAN) Business Council, the National Center for Asia Pacific Economic Cooperation (APEC), the Pacific Economic Cooperation Council, the Pacific Basin Economic Council and the U.S.-China Business Council. He serves on the board of governors of the American Chamber of Commerce in Hong Kong. He has a bachelor’s degree in finance and masters in marketing.

**Juan N. Centro,** President, FedEx Express, Latin America-Caribbean Region (LAC): Cento is responsible for more than 3,400 employees in over 50 countries. He focuses on increasing FedEx Express’ presence throughout Latin America and the Caribbean, and integrating that region into the FedEx global network. He has over 30 years of experience in the air cargo/express transportation industry. He worked with the Flying Tigers Line and transitioned to FedEx in 1989 when the two companies merged. Prior to this position, he was VP of Mexico and Central America. He sits on the Board of Directors of Assurant, is part of the Board of Trustees for the Free Trade Area of The Americas (FTAA), sits on the Board of the U.S. Hispanic Chamber of Commerce, and was recently named Chairman of the Board of CLADEC (Conference of Latin American and Caribbean Express Companies). A Cuba native, Cento attended Miami-Dade Community College and Florida International University College of Business Administration.

###  Top Management Information:

Many top executives have international experience, have risen through the ranks, and have technological expertise. With the exception of Schardt, all key employees have worked for FedEx over 10 years and have been promoted from within. All but two of the senior executives have been in their current position longer than three years. This tracks with the FedEx strong training and leadership programs that are part of the corporate culture. As other companies are acquired, some executives from those firms are included as part of the management team, as was the case with William Logue and Juan Centro. Management participates in continued training and leadership programs. Many key executives sit as Directors on other boards; which expands their knowledge and generates additional views, contacts, and strategies that might not be gained or developed from working within the boundaries of FedEx corporate walls alone. Due to these practices and exposures, top management maintains cutting edge information and alliances that support their ability to sufficiently cope with likely future challenges.

###  Top Management’s Role: Rewards, Responsibilities, and Expectations

FedEx management has a reputation for excellence in performance and leadership. Overall, key employees have long tenure with global expertise. As such, employees are attractive targets for other companies and are aggressively recruited. As part of their commitment to shareholders, FedEx compensates their employees at the upper 75th percentile for comparable positions. FedEx employs a pay for performance philosophy, thus, top management has a considerable interest in the financial performance of FedEx as a whole. FedEx’s executive compensation philosophy entails closely aligning executive compensation with the performance of the company on both a short and long term basis. Performance goals are set to support core long-term financial goals, and preclude promotion of excessive risk. These goals include (FedEx, DEF14A):

* Growing revenue by 10% per year,
* Achieving a 10% plus operating margin,
* Increasing ESP by 10% to 15% per year,
* Improving cash flow,
* Increasing returns, such as return on investment capital.

Although FedEx does not overtly reveal their management policies, they can be generally interpreted from information found on the corporate website, in annual reports, and in the global citizen report. Management strategy is expected to be innovative, bold and forceful, while balancing risk exposure. Management is expected to maintain a strong commitment to ethics and personal integrity, with a call to this action included in the corporate mission statement, corporate strategy, and most corporate objectives.

High performance and personal standards are communicated by the CEO. All management personnel must adhere to the Code of Business Conduct and Ethics and ensure that those who report to them adhere to the Code as well. Ethics are highly emphasized in the corporate culture and programs are in place to emphasize and promote charitable acts and environmental sustainability.

Key personnel are accountable for day to day responsibilities of assessing and managing the company’s risks and exposures. Overall strategy entails: managing collaboratively by working together to sustain loyal relationships with employees, customers, and investors; competing collectively by standing as one worldwide brand and speaking with one voice; and operating independently by focusing on individual networks. Management participates in a 360 degree appraisal process.

### Key Employee Stock Ownership:

The following table shows the number of FedEx shares beneficially owned by key officers:

***Name of Owner: Number of Shares:***

Frederick W. Smith 19, 705,437

William J. Logue 30,364

David J. Bronczek 112,548

Robert B. Carter 45,351

T. Michael Glenn 117,456

Alan B. Graf, Jr. 216,990

David F. Rebholz 52,875

Christine P. Richards 66,378

# EXTERNAL ENVIRONMENT: Opportunities and Threats

 **(SWOT)**

## Natural Physical Environment: Sustainability Issues

## One of the major risk factors that FedEx faces is the uncertainty of the natural physical environment. Their operations continuously reside in the environment of traveling each and every day making about eight million deliveries. “FedEx is one of the largest express transportation companies, delivering small packages throughout the United States as well as to 220 countries worldwide” (Datamonitor). Making these deliveries requires transportation through all kinds of weather. At any time, adverse weather conditions or natural disasters, such as earthquakes, tornadoes, volcanoes, or hurricanes can disrupt FedEx’s operations. Such events can result in the disruption of shipment levels, electrical service, property damage, increased fuel costs and lower revenues. Most forces have little to no notice of occurrence or indication of how strong or weak the force will be. FedEx has to have continuous strategic plans in place to press forward in every day operations. Each country’s physical environment forces vary from country to country. And finally, FedEx is vulnerable to any and all worldwide shifts in ecosystems.

## Another physical environment phenomenon that currently affects FedEx Corporation is the global climate change and/or legal, regulatory, or market responses to such a change (Annual Report). As a result of the impact of global warming, U.S. and international legislative and regulatory efforts have been made to reduce greenhouse gas emissions. FedEx has to obey each regulation adopted in any country that is serves. This in turn can cause increased fuel, energy or capital costs. For example:

### In 2009, the European Commission approved the extension of the European Union Emissions Trading Scheme. This concludes that in 2012, all FedEx planes are subject to ETS requirements and will have to provide emission allowance in an amount equal to the carbon dioxide emissions from flights each year (Annual Report). This adds another substantial cost to FedEx which results in an increase to fuel and other energy costs.

### In the United States, the bill continues to be reviewed by the Senate. The bill pertains to regulation of GHG emissions and some form of federal climate change legislation is possible in the near future (Annual Report). Without knowing the scope and extensions of any regulations concerning the global climate, FedEx has no certainty the effects on their cost or operation structure.

## FedEx has made successful efforts to improve their vehicles in order to adapt to different physical environments in different countries. For example, they worked with Modec and Navistar to develop a new all-electric commercial delivery truck. They are using the truck in densely populated, moderate-climate urban areas like London and Los Angeles. As the invention continues to improve, they plan on converting more vehicles.

## Societal Environment

### Economic

### “Coming through the toughest economic contraction since World War II, we stuck to our strategy, to our long view of the future” (Annual Report). Every corporation and company in the United States is being affected by the downturn of the economy. Some have made it, some are struggling and some have failed. FedEx has come out on the better end. They have made adjustments and big strides to keep their profit margin above ground. The Transportation Industry brings hope and opportunity for FedEx. The industry is comprised of freight transportation by road, rail air and marine. From year 2004 to 2008, this industry showed strong growth. If this industry maintains its growth, FedEx will continue to have strong demand.

### In the economy, one of FedEx’s weaknesses is its dependence on the U.S. market. In 2009, 73% of its revenue was generated from the United States alone. To counteract that weakness, FedEx has made strategic decisions including the use of state-of-the-art Boeing 777F aircraft on Asian routes. This gives them a high competitive advantage as no other companies in the industry are able to fly nonstop across the Pacific Ocean. This decision has created a new avenue of opportunities for the FedEx Corporation in the Asian market. With the use of the 777F, they are able to give customer later cutoffs to prepare shipments and the 777F flies farther on less fuel and can carry almost 14,000 more pounds of freight. This in turn creates a big reduction in both cost and emissions per unit transported. The global economy condition is significantly portrayed in FedEx’s 2010 financial results. Over the course of the year, FedEx had a gradual increase in revenue mostly due to the increase of international shipping. Their business levels are directly connected to the purchase and production of goods as their primary service is to transport goods. When the purchases of both individuals and businesses decline, FedEx transports fewer goods. For the 2011 year, FedEx is in a strong position in comparison to competitors and other companies in the current economical state.

### Going green has become a popular economic trend in the United States and Europe. FedEx has made big strides in reducing the amount of greenhouse gas emissions. They have turned to an energy alternative like many other companies. To reduce the amount of oil consumption in the United States, FedEx has turned to electricity. It is a scalable energy source with almost completely oil free fuel inputs. FedEx currently has the industry’s largest fleet of hybrid electric package-delivery trucks and is continuing to expand their vehicles. FedEx is also greatly affected by the availability and cost of fuel because they purchase huge quantities. To continue increased efficiency in the aviation section of the industry, FedEx has been working on transitioning to renewable fuel sources. Until then, they have been the most effective in mitigating the fuel cost expenses.

### FedEx also has to pay attention to foreign currency even though most of the transactions are done in U.S. dollars. A recent fluctuation happened in 2010 impacting operations income. Through calculations, this change will decrease the operating of $33 million for 2011.

### Technological

# Technology is a crucial component to FedEx Corporation. The company relies heavily on technology for all transportation and business operations and networks. Technological problems can greatly impact FedEx’s operations and reputation. FedEx holds a very strong brand image and in 2009 was named *Fortune’s* sixth best admired company all over the world. It is the eighth year in a row that FedEx has been ranked in Fortune magazine’s top ten companies. Customers rely on the effectiveness and sophistication of FedEx technology. Any kind of disruption can impact FedEx directly and indirectly resulting in increased costs.

# One of FedEx Corporation’s continuous goals is to identify and eliminate any redundancy and complexity in their information technologies. They also strive towards making it possible for people and businesses to connect with each other, no matter where they are in the world. “We kept breaking technological ground to give our customers better service and to make our operations more sustainable (Annual Report). In the recent months, they have launched FedEx Electronic Trade Documents (ETD) which allows customers to submit custom documents electronically which reduces paper usage; saving both FedEx and their customers time and money.

# To reduce the number of shipping channels, FedEx developed a global distribution command-and-control center called the FedEx International Direct Distribution Ocean Solutions. The center consolidates FedEx operations and enables operations to run in a more effective and efficient manner. Shipments are picked up at factories or container yards in Asia and Europe and forwarded via ocean transport to the United States or Canada where they are processed through FedEx Ground, FedEx SmartPost, FedEx Freight or FedEx Custom Critical for final delivery. FedEx has also partnered with Canon/HP to bring new state-of-the-art printing and production machines to all 1,800 U.S. FedEx Offices over the next few years. This will result in better customer services to all FedEx Express and Ground Shipping locations.

### Political-Legal

In late 2010, a District Court in Indianapolis ordered FedEx to pay $66 million to the defunct ATA Airlines (Federal Express). They shared a contract with the Department of Defense Air Mobility Command which transports military personnel and their families. ATA Airlines claimed that FedEx terminated the contract causing ATA Airlines to cease operations. Any legal proceedings are costly. FedEx will have to adjust due to this recent outcome.

An important legal and regulatory issue that has directly affected FedEx is the requirement for independent contractors to be organized as corporations registered and in good standing under state law. FedEx must treat the independent contractors providing services to the organization under the same operating agreement with FedEx Ground as their employees (Annual Report). Most of the contractors already meet these requirements and FedEx is notifying new contractors ahead of time. FedEx also implemented a model stating the contractor is responsible for the pickup and delivery operations in the state due to New Hampshire and Maryland state regulations. This model has proved to be useful and FedEx is switching other states to follow the ISP model.

### Sociocultural

The sociocultural aspects of the environment play a continuous part in FedEx’s strategy in both the operations and marketing divisions. Two of the biggest aspects are technology and the environmental movement. Technology has made a huge leap in the last few years, most of the younger generations are accustomed to all the technology, however many of the older generations (like the baby boom generation) are new to all the developments. They are old-fashioned. FedEx must be able to serve and accommodate all generation’s needs and wants. The second factor sociocultural aspect affecting FedEx is the environment. People have become more concerned with current environmental situation and are moving towards greener products and services to help preserve the environment. In response to this issue, FedEx strives to create more environmentally friendly developments relating to fuel, materials and noise. They are committed to making every effort to reduce their impact on the environment.

***C. Task Environment***

**1. Threat of New Entrants (Low)**

The entry of new competitors in the shipping and freight industry is low. The nature of the industry creates high capital expenses to operate. Existing companies have created a significant barrier to entry in regards to the amount of daily production and distribution. FedEx alone creates a huge barrier with their strong brand image and the diverse services they offer. In the current economy, it is very unlikely for new companies to enter the market.

### Bargaining Power of Buyers (Medium)

# The bargaining power of buyers in this industry is medium, but it continues to grow as FedEx expands to Asia and other countries. Another factor that contributes to the bargaining power of buyers is the environmental movement. Buyers may prefer to purchase or use services from companies that are dedicated to operating in a “greener” environment. Also, with the current economy, customers are looking for the best deals and/or prices. Convenience is also a major decision factor in the mind of the buyer. They want a one-stop shop to fill all of their needs and wants. FedEx must continue to adapt to these needs to retain their customers.

### Threat of Substitute Products and Services (High)

# The threat of substitution is a very high force for FedEx Corporation. The major cause of this force is the growing popularity of the internet. In a short time, email has become the popular way of communication decreasing the usage of postal mail substantially. Technological advances including text messaging and wireless broadband have made it possible for customers to receive mail faster via internet. These time and money saving advancements have reduced demand for FedEx services and lowered operating income. FedEx has addressed this problem by offering customers the ability to transfer electronic documents through the FedEx website. This service is available in 71 countries and will continue to grow in the near future.

### Bargaining Power of Suppliers (High)

# Due to the inherent capital costs of starting up in the shipping and freight industry, the bargaining power of suppliers is high. For this reasons why this force is in the high category is the availability to serve many different customers in the same and other industries. The biggest advantage for FedEx is their large fleets and ability to negotiate volume discounts for fuel.

### Rivalry Among Competing Firms (High)

# Even though the transportation industry is huge, there is still intense competition especially in the LTL freight industry. This is high force among the others in the Porter’s Five Forces. One of the biggest factors is the sensitivity to price and service; especially in the current economy where there is little to no growth. FedEx has a very broad competition as they compete in a local, regional and international level. Two major factors play a part in FedEx’s current and future standings among competitors, the first one being price and the second being the portfolio of services.

# Any change in price can limit FedEx’s ability to maintain or increase pricing. This includes the rise and lowering of fuel costs. Fuel costs are a major part of the competition. FedEx is continuously mitigating the impact of increased fuel costs. As the cost is uncontrollable and unpredictable, they want to take preventive measures.

### Relative Power of Unions, Governments, Special Interest Groups, Etc. (Medium)

#### Labor Unions

# A continuous risk factor for FedEx is that of labor organizations advocating company employees to form labor unions and the potential changes in labor laws. The rate of force is low to medium. FedEx tries to maintain good relationships with all employees to prevent the organization of employees against the company. A current provision in process is the FAA Reauthorization Act, which will remove most FedEx Express employees from the purview of the Railroad Labor Act of 1926. If the bill passes by the Congress and the President, it could expose FedEx customers to service disruptions, which the bill is designed to prevent, including the timely flow of time-sensitive shipments through the global network. This could threaten FedEx’s ability to provide low cost shipping options, ready access, and quality service.

# Another proposed Act is called the Employee Free Choice Act also known as the “card-check legislation”. This act would result in the elimination of the employee’s right to a secret ballot vote in union elections. Another change by the government that could affect FedEx independent contractors in the future is changes to employee classifications. Independent contractors account for 39% of all FedEx Ground pickup-and-delivery contractors.

# A negotiation between the pilot union and FedEx Express is also underway. FedEx plans on continuing to operate under the current agreement, but there is no guarantee of the negotiation’s outcome. If an agreement cannot be made, FedEx may be subject to a strike that could negatively impact FedEx aviation operations and result in the loss of customers.

#### Government

# The risk of Government on the task environment is medium to high. Security differs in each country. In the recent years, there has been increase of security requirements which impose considerable costs to every international company, especially due to threats of terrorism. FedEx must continue to obey and follow each security law for every country. For FedEx, this means the increase of both operational and material costs.

# In October 2010, FedEx put the following restrictions in place on cargo shipments due to regulatory directives:

### In the country of Yemen, all inbound and outbound shipments have been suspended until further notice.

###  In the United Kingdom, toner cartridges are no longer allowed to be shipped in quantities larger than 500 grams until further notice.

FedEx has a team that monitors and keeps in touch with all law enforcements to make sure they are implementing procedures to contend with regulations.

Another government agency that can impact FedEx aviation is the Department of Transportation. The bilateral agreement between the United States and foreign governments is a key factor in FedEx’s success. Permissions must be provided by foreign governments to provide certain flights and/or services. Without it, the company will ultimately suffer in the international market.

***D****.*

1. ***Summary of External Factors***

# External Factors currently play a major role in affecting and influencing the FedEx Corporation, and will continue to do in the years to come. The factors affect FedEx directly and indirectly and present themselves as opportunities or threats. Table 1 illustrates and analyzes the opportunities and threats that have FedEx faces. Each factor is weighted from 1 (most important) to 0 (not important) and then rated from 5 (outstanding) to 1 (poor) based on the company’s response to that factor. The weight and rating are multiplied by each other to generate a weighted score. An average firm in an industry has a total weighted score of 3.0. The rating is a judgment regarding how well the company is dealing with each specific internal factor, with 1.0 being poor and 5.0 being outstanding (Wheelen and Hunger). FedEx has a total weighted score of 3.12 with is slightly above average.

# FedEx has a huge scale of operations that is segmented into divisions or operating companies. Each operating company is affected by the external environment daily. Through any physical conditions, FedEx must continue to operation to serve customers around the world. They have multiple opportunities including the expansion of their services internationally to other countries, reducing operation costs by turning to alternative energy and fuel sources and technology advancements including continuation of ETD to more countries.

# The biggest threat is the current economical situation throughout the United States and other countries. With 73% of their revenue coming from the United States, it could have effect on their corporation if sales do not grow substantially. Rivalry is also a major threat due to the sensitivity of price and service. With strong brand image and continuous developments, FedEx will remain as one of the leading companies in the world.

**Table 1 – EFAS Table**

# Internal Environment: Strengths and Weaknesses (SWOT)

## Corporate Structure

FedEx Corporation provides a broad portfolio of transportation, e-commerce and business services. FedEx Corporation is a holding company for FedEx Express, FedEx Ground, FedEx Freight, and FedEx Services. The organization is structured into operating companies that each operated independently to focus on servicing the distinct needs of their customers.

***FedEx Express***

FedEx Express is the world’s largest express transportation company, providing delivery to every US address and to more than 220 countries and territories. FedEx Express uses a global air-and-ground network to speed deliver time-sensitive shipments, usually in one to two business days. Delivery times are guaranteed. FedEx Express can be further segmented into three distinct divisions: US, International and Freight. FedEx Express also encompasses subsidiaries FedEx Trade Networks and FedEx Supply Chain. (FedEx Express)

FedEx Trade Networks aims to simplify international shipping by providing flexible end-to-end services. Customs brokerage, global cargo distribution and trade facilitation solutions are available to customers of all sizes through the Transport and Brokerage division. FedEx Trade services can be utilized individually or as a package. Additionally, the Trade Services division provides Trade and Customs Advisory Services and global duty and tax information from WorldTariff. (FedEx Trade Networks)

FedEx Supply Chain serves to bring the right elements together to turn supply chain management into a competitive strategy by customizing solutions for customers around the world. The specialty services provided are FedEx Critical Inventory Logistics, Fulfillment Services, FedEx Transportation Management and FedEx Healthcare Shared Network. (FedEx Supply Chain)

***FedEx Ground***

FedEx Ground specializes in cost-effective, small-package shipping. They offer dependable business-to-business delivery or convenient residential service. FedEx Ground can be further segmented into the FedEx Ground US, FedEx Ground International and FedEx Home Delivery divisions. FedEx Ground also encompasses subsidiary Fed Ex SmartPost. (FedEx Ground)

FedEx SmartPost is a leading national small-package consolidator, which specializes in the delivery of low-weight, less time sensitive business to consumer packages, using the US Postal Service for final delivery to residences. Catalog companies and e-tailers make up the customer base for SmartPost. (FedEx SmartPost)

***FedEx Freight***

FedEx Freight provides full-state coverage throughout the United States, international service to Canada, Mexico, Puerto Rico, Central and South America, Europe and Asia. FedEx Freight focuses on shipments 150 lbs and over. FedEx Freight also encompasses subsidiary Fed Ex Custom Critical. (FedEx Freight)

Fed Ex Custom Critical has both North America and International divisions. The North America division provides exclusive use, door-to-door transportation service throughout the U.S., Canada and Mexico. This service is available 24 hours a day, 365 days per year-for same day shipping or overnight delivery of critical freight. The Custom Critical Air Expedite offers an array of solutions for international shipments, including exclusive-use charters and time-specific airfreight services. Sensitive shipments are transported in temperature-controlled cargo containers.

FedEx Critical Passport Auto Transport (a subsidiary of FedEx Custom Critical) provides door-to-door vehicle transport throughout the U.S. The company has custom-designed, fully enclosed air-ride trailers and services are primarily for vehicles of high value. (FedEx Custom Critical)

***FedEx Services***

FedEx Services was formed to bring together sales, marketing customer services, public relations and IT resources. (SRI Index) FedEx Services also encompasses FedEx Office and Fed Ex Customer Information Services.

FedEx Office provides access-points to printing and shipping expertise. Services include copying and digital printing, professional finishing, document creation, direct mail, signs and graphics, Internet access, computer rental, FedEx Express and FedEx Ground shipping. The company also offers an online printing solution. Services are located in the US, Canada, China, Japan, South Korea, Kuwait, Lebanon, and the United Arab Emirates. FedEx Office also encompasses the subsidiary FedEx Customer Information Services. (FedEx Office)

FedEx Customer Information Services’ mission is to align customer contact centers, worldwide revenue operations, claims, trace and package engineering within FedEx’s professional services company. (FedEx Customer Information Services)

FedEx Corporation and the operating companies that make up the conglomerate are functionally organized and are each expected to serve the customers of each function to a very high customer service standard. As such, the sales and marketing activities, as well as the information systems that support the extensive automation of the package delivery services, are functions that are coordinated across the operating companies. The use of advanced information systems connects all the FedEx companies and makes it convenient for customers to use the fill range of FedEx Services via fedex.com.

FedEx Corporation’s strategy is “compete collectively, operate independently and manage collaboratively”. Therefore, the decision-making authority depends on the type of decision being made. The parent holding company, FedEx Corporation provides the strategic direction and consolidated financial reporting. (10-K) Therefore, the “compete collectively” and “manage collaboratively” aspects of the strategy attribute decision making to the centralized management group in the FedEx Corporation holding company. Such decision-making would be attributed to aspects of the business that relate to capital investment, expansion of delivery, information technology and retail networks, and service additions or enhancements on achieving the highest overall long-term return on capital for the business as a whole. These decisions lie with the management of FedEx Corporation and are structured to protect the long-term return on capital for the business as a whole. For each FedEx company, the focus is on making appropriate investments in the technology and assets necessary to optimize the long-term earnings performance and cash flow. (10-K)

The “operate independently” section of the strategy focuses on the operating companies and the need to decentralize decision-making authority to the operating companies themselves when it comes to decisions regarding operations, cost structure and culture. (10-K) The rational for decentralizing the decision-making authority for these types of decisions is that each company has an expertise in regards to the market sector and the unique customer needs of their particular market sector.

The FedEx conglomerate’s organization is based on a combination of function, projects and geography. Because the organization is a service company and has a vast variety of types of services and global locations, the company is segmented into various operating companies. The companies are organized based on the type of service (express, freight, ground, office, etc.) that they provide.

Within each subsequent operating company, organizational divisions have been established which are based on either geographic regions or in a few cases, different projects or products designed to enhance consumer services and their business needs.

The strategic philosophy to “compete collectively, operate independently and manage collaboratively” provides a clear foundation in identifying FedEx’s functional structure. The organization of the operating companies into service areas for specific customer needs makes it easy for employees within the organization to understand the structure. Additionally, the fedex.com website links all services and provides explicit information as to the company structure.

FedEx’s structure follows the mission, objectives and strategies that have been established. The mission states that focused operating companies will meet expectations and requirements of customers in the highest quality manner possible in each market segment. The structure follows the statement as each operating company (and the divisions within them) is segmented to provide service(s) for a particular customer need and/or function. The structure also supports the “compete collectively, operate independently and manage collaboratively” strategy to ensure that customers distinct needs are by the segmentation of services. Additionally, by structuring the holding company, FedEx Corporation, to manage the technology infrastructure and strategic direction, the organization has derived a way to tie the segmented operating companies together via the internet site and allow customers to utilize multiple services from various operating companies with ease. The result is collective competition that provides for superior customer service and empowered employees.

FedEx and UPS both started with centralized operations models which allowed them to spread their costs across networks and pull funds from corporate headquarters. Both companies have a strong revenue base domestically, which they have utilized to finance global expansions. Additionally, both advance in the market through a steady, long-term strategy approach. Their strategies include continued acquisitions to further strengthen and expand their dominant domestic market positions to other areas across the world. Both companies are well funded and have been able to preserve their independence.

DHL and TNT both began with highly decentralized and entrepreneurial models which gave them an initial advantage for localized, personal customer service. However, this eventually proved to be an obstacle in terms of long term strategic planning. The models used by DHL and TNT were initially effective, but in the long run they became vulnerable to takeover. Both companies have been acquired by European postal authorities and are now undergoing a process of increasing centralization (Latin).

## Corporate Culture

FedEx believes that the greatest company asset is the “absolutely, positively” spirit of the men and women that make FedEx what it is. The corporation believes that its workplace environment and culture drive the operational success essential to creating a superior customer experience which builds customer loyalty. For this reason, FedEx maintains a high-performance culture. (FedEx Culture of Service)

FedEx was an “early adopter” of the People-Service-Profit business model (Exhibit 1). FedEx employed the principles underlying the model well before it was formally articulated. From the outset, Fred Smith emphasized that employees need to be treated with respect and dignity, which is critical in a service industry where the employees provide the service. Fred Smith set the tone for the Corporate Culture by placing a high priority on employee training, incentives and empowerment. (SRI)

 **Exhibit 1- People-Service-Profit Chain Relationships Model (SRI)**

FedEx Corporation (and all affiliated operating companies) has a combined workforce of more than 290,000 team members, who service more than 220 countries and territories. To reinforce the importance and value that FedEx attributes to its workforce, many employee recognition programs have been implemented to celebrate the accomplishments of employees who go above and beyond. The Recognition Programs are listed on the FedEx Recognition Programs webpage:

* ***The Five Sta*r**: an annual award that recognizes team members who have enhanced service and profitability and exemplified the spirit of teamwork. Managers nominate their team members. This is the highest honor at FedEx.
* ***Bravo Zulu***: derived from the U.S. navy signal meaning “well done.” Is distributed to individuals within FedEx for outstanding performance beyond normal job expectations. Managers reward employees for outstanding efforts and achievements on the spot. Rewards may include “quick cash” bonuses, theater tickets, dinner gift certificates and other gifts of similar value.
* ***Purple Promise:*** Couriers, pilots, meteorologists, customer service agents and package handlers are just a few of the team members who must execute flawlessly to deliver the award-winning service customers expect. Team members who consistently deliver superior customer service and make each and every FedEx experience outstanding are eligible for this annual award.
* ***The Humanitarian Award:*** This annual award recognizes employees who reach out to others in times of need, exhibiting behavior that goes above and beyond basic community responsibility.
* ***CEO Safety Award:*** Each year at FedEx Express, individuals are honored for their contribution to safety through this award.

These programs help reinforce the high-performance culture at FedEx, as employees who know they are appreciated and recognized for hard work and great service are more motivated meet the high-performance expectations and exemplify the mission and culture of FedEx.

FedEx prides itself on a diverse workforce, supplier base and supporting culture that embraces diversity, which is essential to the corporation’s continued success in today’s ever-changing global marketplace. More than 40 percent of the U.S. workforce and 27 percent the management team are minorities. FedEx embraces a diverse workforce and has six affinity groups that include African American, Asian, Hispanic, cancer-support, women, and lesbian, gay and transgender (LGBT) employee networks. The networks celebrate diversity and promote cultural education. Additionally, Fed Ex maintains a Corporate Diversity Council that focuses on a global culture of diversity and inclusiveness. The council works to ensure greater employee awareness and positive perception of FedEx’s diversity commitment, and supports multicultural programs within the company and the communities that it serves. (FedEx Culture) FedEx believes that the organization should be as diverse as the world that they serve. FedEx’s commitment and support to diversity is a contributor to inspiring the workforce to excel at servicing the customers, which supports the strategy and mission of the entity.

FedEx’s culture is also geared toward sustainability. FedEx’s global citizen focus states: FedEx is committed to sustainability connecting the world and enhancing the long-term value of the company for our shareowners, for the communities and businesses that rely on our services and for our team members. (Global Citizen Update) FedEx created the EarthSmart program to encourage innovation that makes the business more sustainable, both economically and environmentally. The EarthSmart program focuses on the categories of business, culture and community. The programs put in place to represent these categories are EarthSmart Solutions, EarrhSmart @ Work and EarthSmart Outreach. (Global Citizen Update)

A yearly Global Citizen Update report is published to share the EarthSmart programs and track the progress of the FedEx’s sustainability objectives and goals. The 2009 report included many noteworthy objectives and accomplishments.

* FedEx become the first US based company in the shipping industry to add the Boeing 777F to its aircraft fleet. The 777F enhances their ability to move more freight to more distant markets while reducing emissions by 18%.
* FedEx is replacing the Boeing 727 with the 757 planes, which will cut greenhouse emissions and reduce fuel consumption by 47%. The plan is to have at least 15 777Fs by 2014.
* FedEx is expanding from three existing solar electric systems at FedEx facilities to five, which will reduce the annual CO2 emissions by a projected 3,918 metric tons. That’s equivalent to 440,754 gallons of gasoline neverburned or 100,469 tree seedlings growing for 10 years.
* FedEx is a founding member of the American Red Cross Annual Disaster Giving Program, and currently provides $1,200,000 annually in cash and in-kind transportation support.
* Each year, FedEx sets aside space for 4,000,000 pounds of charitable shipping.

FedEx commitments to its employees, diversity and environmental all contribute to the high performance culture that FedEx has sought to create. The programs and accomplishments all support the mission and strategies set forth in the strategic plan to maintain good relationships with their workforce, customers, and investors alike.

## Corporate Resources

### Marketing

Fed Ex currently has a large and vast marketing campaign that they have been following for some time. Their current strategy is focused on their brand. Most of their current marketing campaign is centered around sports. Fed Ex chose to focus on sports because speed, teamwork, and precision are what they have in common with championship caliber sports sponsorships. They have several sports related marketing campaigns currently ongoing. The main ones are Fed Ex and the NFL which focuses on advertising throughout televised NFL games. Fed Ex Field, which is the name of the stadium which the Washington Redskins play their home football games at. The Fed Ex cup which is a season long points like golfing competition. This type of marketing is especially important because they are season long marketing ventures that continually hit different target markets in different market segments. FedEx also has a NASCAR team that they market through. This is also an important marketing segment because in NASCAR the entire team and vehicle are decaled in sponsorships, such as Fed Ex. It is also worth noting that Fed Ex’s driver is in contention for the championship which only adds value to this marketing avenue. Fed Ex strives to market their brand vigorously. They run a variety of commercials, typically coinciding with sporting events.

In terms of market share, Fed Ex dominates the market for domestic shipping. They currently hold a market share of 49% by volume. They have been successful in their marketing strategies by choosing to market through sports because sports attract such a wide array of target markets. One of Fed Ex’s most recent marketing campaigns has been Fed Ex Office, which is an on-site in store shipping and printing solutions service center. They use various advertising campaigns on television, radio, and the internet to reach their target markets. They also were able to take advantage of existing customers because Fed Ex Office is formerly, Kinkos, a well known established printing solutions company that Fed Ex acquired.

### Finance

Fed Ex’s current long term financial objectives clearly stated and are consistent with their mission and strategy. These objectives are to grow revenue by 10% per year, achieve 10% or greater operating margins, increases EPS by 10%-15% per year, increase cash flow, and increase returns. Their long term financial strategies are to grow core package business, grow internationally, grow our supply chain capabilities, grow through e-commerce & technology, and grow through new services & alliances.

The company is performing well considering the current economic conditions and in comparison to competitors. They cut several billion dollars in costs over the last few years, and in 2010 they began restoring compensation programs and 401(k) matching contributions. In terms of analysis and looking at the numbers, revenue was at $34.7 billion, down only 2% from 2009. Their EPS were up over 10%, in fact they were more than ten times higher than their EPS in 2009. They improved their operating margin from 2% to 5%, but are still 5% away from achieving their objective of operating at a 10% or great margin. Net income was at $1.2 billion and their long term debt was decreased by $600 million, a 25% decrease in long term debt. Their cash and cash equivalents took a substantial hit, decreasing from $2.3 billion to $1.9 billion; however, $1.9 billion is still a considerable amount of cash to have on hand. Their current ratio is around 1.55 which is a good indicator that they are maintaining their financial position comfortably above where they need to be.

Having these various financial statistics offer a positive reassurance to investors. It shows that with a market share of 49% and even during tough economic times, Fed Ex is still profitable and still committed to their shareowners. This does several things for the company. First, it encourages more growth and more capitalization by building investor confidence. Second, it provides stability for the company, its employees, and shareowners by providing security in knowing that if all of their debt was called in, they could pay it off without having to declare for bankruptcy. Third, it provides a huge competitive advantage over their competitors because it allows them to feel content with slowing down and not being as aggressive in this struggling economy without feeling pressure. Competitors not only need to survive during this time, but need to make up ground on Fed Ex and gain more of the market share while Fed Ex could suffice on merely surviving.

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The current economic state greatly affects FedEx. Table 2 below represents the consolidated for results of operations for FedEx for fiscal years 2010, 2009, and 2008. FedEx’s fiscal year ends on the 31st of May. The financial information illustrated in the table shows how FedEx’s financial position is directly related to the economy, as in 2009 the economy came to a grinding halt and began to recover in 2010.

**Table-2** 

### Research and Development (R&D)

In 1978, Founder Fred Smith was quoted saying “The information about the package is as important as the package itself.” Fred Smith’s underlying idea in his famous quote became the inspiration for FedEx’s strategic plan and practices towards innovation. FedEx’s is a service oriented company. In today’s New Economy getting a package from point A to point B in a promised time frame, no longer creates value for FedEx’s global customer base, customer’s need to access information about their packages in real time. FedEx innovations have enabled this to happen. Innovation is a top priority for the company.

FedEx’s commitment to innovation propels the development of ideas, products and services that empower their customer to grow their businesses around the world. (FedEx Innovation) Seeking continued information technology innovation to add value to customers, FedEx invests about 1.5 billion a year, or over seven % of its revenue, in its information and telecommunications systems. (SRI) Nationwide, the air transportation industry only invests about 6% of its revenues in technology, while the motor freight, transportation and warehousing industry invests even less, at about 1.5%. (SRI)

To continue and support FedEx’s pursuit and development of new technologies, to provide innovative solutions and services for customers, FedEx has established two innovative spaces: FedEx Innovation Labs (located in downtown Memphis away from the headquarters) and The FedEx Institute of Technology at the University of Memphis. (FedEx Innovation) These facilities are designed to create an atmosphere of collaborative thinking around critical technologies such as advanced optics for scanning, robotics, pervasive computing, social networking and more. (Fed Ex Innovation) FedEx Innovations have been revolutionary in their impact on the industry and for FedEx customers.

FedEx’s strategic customer service focus led to the development of their advanced information systems and fast-cycle logistics, which makes mass customization a possibility for its customers. (SRI) FedEx has played a vital role in revolutionizing business processes in the last two decades. The intellectual capital that FedEx has provided (particularly through information technologies has resulted in FedEx playing a vital role in revolutionizing business processes in the last two decades. (SRI) FedEx’s technological advances enable customers to access information in real time as a result of FedEx’s adoption of barcode scanning technology.

### Operations and Logistics

FedEx Corporation implements its service objectives, strategies, policies and programs to in its operations to ensure that its services adhere to their high standards of meeting and exceeding customer requirements in a high quality manner appropriate to each market segment. The desired result is developing rewarding relationships with employees, partners, and suppliers, which leads to customer satisfaction. The company follows the People-Service-Profit model (it followed this philosophy before it was officially articulated as a business model). The strategies and expectations are clearly identified in FedEx’s business plan and operating policies.

FedEx’s main strategy to “compete collectively, operate independently, manage collaboratively” is the basis for everyday operations. The “compete collectively” portion behind the strategic plan is evident in the way in which FedEx has integrated its customer service system and [www.fedex.com](http://www.fedex.com) website. Customers are able to access any and all of the operating companies to manage whatever single service or combination of services that they have chosen to utilize. The “operate independently” portion of strategy is the basis for the organization and is the premise for the way in which the various operating companies have been structured and operate day-to-day. This functional organizational structure has allotted FedEx to provide flexibility in sizing the operating companies to align with varying macro-economic conditions and customer demand for the market segments in which they operate. (Annual Report) FedEx follows the “manage collaboratively” portion of the strategic plan weighing decisions concerning capital investments, information technology and retail networks, service additions and enhancements to ensure that they are in the best interest of the entity as a whole.

FedEx has structured the organization into the operating companies that focus on a particular area or service. The operating companies are also segmented into divisions, many by geographical locations. By doing so, FedEx can adapt to the various culture and rules within the geographical regions that they serve.

FedEx has adapted the way it operates to help reduce its environmental footprint. They have added the Boeing 777F to their aircraft fleet which will enhance their ability to move more freight to more distant markets while reducing emissions by 18%. They plan to have 15 777Fs by 2014, and have ordered another for delivery by 2019. They have also begun replacing their Boeing 727 aircraft with 757 planes, which will cut greenhouse gas emissions and reduce fuel consumption by 47 percent. In 2000 FedEx began exploring ways to put hybrid vehicles on the road. They currently have the industry’s largest fleet of hybrid electric package delivery trucks. FedEx has also started utilizing solar panels at their facilities to reduce their energy usage.

FedEx (consolidated information or all FedEx Companies) has a workforce of more than 280,000 members throughout the world. The organization services more than 220 countries and territories. The average daily volume for FedEx is more than 8 million shipments for express, ground, freight, and expedited delivery services.

FedEx has an extensive network of operating facilities around the world. Based on information provided at [www.fedex.com](http://www.fedex.com) operating capabilities for the operating companies and their subsidiaries is outlined below:

***FedEx Express***

* Headquarters:
	+ Worldwide: Memphis, Tennessee
	+ Asia Pacific: Hong Kong, China
	+ Canada: Toronto, Ontario
	+ Europe/Middle East/Africa: Brussels, Belgium
	+ Latin America: Miami, Florida
* Average Daily Volume of approximately 3.5 million packages and 11 million pounds of freight
* Workforce of more than 140,000 team members worldwide
* Serves more than 220 countries and territories
* Air Operations include more than 375 airports worldwide
* Air Fleet consists of 664 aircraft
* Delivery Fleet includes approximately 41,000 motorized vehicles
* Operating facilities consist of 1,057 stations, of which 676 are located in the U.S. and 381 outside of the U.S., and 10 air express hubs
	+ Asia Pacific: Guangzhou, China
	+ Canada: Toronto, Ontario
	+ Europe/Middle East/Africa: Paris, France
	+ Latin America-Caribbean: Miami, Florida
	+ United States: Anchorage, Alaska; Fort Worth, Texas; Indianapolis, Indiana; Memphis, Tennessee (SuperHub); Newark, New Jersey; Oakland, California
* Dropoff Locations consist of:
	+ 708 FedEx World Service Centers
	+ 1,803 FedEx Office locations
	+ 6,824 FedEx Authorized ShipCenters® and Alliance Partners
	+ 43,504 FedEx Drop Boxes (including 4,974 US Postal Service locations)

***FedEx Supply Chain***

* Headquarters is located in Memphis, Tennessee
* Service Area is in North America
* Workforce of more than 800 team members
* Ground Fleet consists of approximately 400 motorized vehicles
* Warehousing consists of approximately 40 warehouses with over 4 million square feet

***FedEx Trade Networks***

* Headquarters is located in Memphis, Tennessee
* Service Area is worldwide from more than 330 locations
* Workforce of more than 3,500 employees

***FedEx Ground***

* Headquarters is located in Pittsburgh, Pennsylvania
* Workforce of more than 65,000 team members
* Average daily volume of more than 3.5 million packages
* Service Area is throughout the United States and Canada
* Ground Fleet consists of more than 22,000 motorized vehicles
* Operating facilities consist of:
	+ 32 ground hubs and over 500 pickup/delivery terminals
	+ 25 FedEx SmartPost distribution centers
* Dropoff locations consist of:
	+ 679 FedEx World Service Centers
	+ 1,784 FedEx Office locations
	+ 6,735 FedEx Authorized ShipCenters® and Alliance Partners

***FedEx Smart Post***

* Headquarters is located in New Berlin, Wisconsin
* Workforce of more than 4,500 employees
* Average daily volume of more than 1.1 million packages
* Service Area is throughout the United States and Puerto Rico, plus APO/FPO addresses
* Operating facilities consist of 25 distribution centers

***FedEx Freight***

* Headquarters is located in Memphis, Tennessee
* Workforce of more than 34,000 employees
* Average daily volume consists of more than 90,000 shipments
* Service area consists of:
	+ Full-state coverage throughout the entire United States
	+ International service to Canada
	+ Mexico
	+ Puerto Rico
	+ Central and South America
	+ The Caribbean
	+ Asia
	+ Ground fleet consist of more than 75,000 pieces of equipment, including 20,000 tractors
	+ Operating facilities consist of approximately 470 service centers

***FedEx Custom Critical***

* Headquarters is located in Green, Ohio
* Average daily volume of approximately 700 shipments
* Service Area is throughout North America and internationally
* Service Hours have 24/7 availability (nights, weekends and holidays are at no extra charge)
* Workforce of more than 1,300 team members
* Ground Fleet provides exclusive use of more than 1,300 vehicles in five sizes
* Air Fleet consists of access to virtually every on-demand aircraft in North America

***FedEx Services***

* Headquarters is located in Memphis, Tennessee
* Workforce of more than 12,500 employees

***FedEx Office***

* Headquarters is located in Dallas, Texas
* Workforce of approximately 18,000 employees worldwide
* Service Area consists of center in eight countries
* Operating facilities consist of nearly 2000

***Customer Information Services***

* Headquarters is located in Memphis, Tennessee
* Workforce of more than 4,500 employees

An additional essential operating activity of the FedEx organization is FedEx’s website [www.fedex.com](http://www.fedex.com). The website provides customers access to services for any of the FedEx operating companies. Customers are able to track delivery status in real time of any shipment or service that they have acquired from FedEx. Additionally, customers are able to place shipping orders, schedule pickups, request customized services, access customer service representatives, access billing and make payments on their accounts. The website also allows customers to access information to any one of the operating companies (or a combination of). Customers truly have access to unlimited information through this portal twenty-four hours a day, seven day a week, 365 days a year. This website provides a lifeline for the company and its customers.

All FedEx operating companies are essential in meeting customer needs. FedEx offers customers many shipping methods allowing the customer to find the service that best suits their needs for delivery times and cost. FedEx Express is the top ranked express delivery company in the industry, however for the FedEx organization this operating company is the middle of the pact in operations margins. Exhibit 2 displays the top, middle and bottom positions of the FedEx operating companies in regard to operating margins. FedEx Ground has the highest percentage, while FedEx Freight has the lowest of the operating companies.

Exhibit 2 reinforces the affects that the economy has on FedEx business. 2009 produced a stalled economy and FedEx’s operating margin was directly affected. In 2010, the economy started a slow rebound and FedEx’s increasing operating margins show a direct correlation to economic improvements.

 Exhibit 2-FedEx Operating Margins FY2008-FY2010



 \*Consolidated across all FedEx Segments

FedEx faces many risks in its operations. In addition to the state of the economy, there are many factors that can and do affect operations and the bottom line. As identified in the FedEx 2010 Annual Report, a few of the more notable and more costly threats that can adversely affect operations and profits are (Annual Report):

* FedEx’s businesses depend on their strong reputation and the value of the FedEx Brand
* FedEx is directly affected by the state of the U.S. economy
* Labor organizations attempt to organize groups of FedEx’s employees from time to time, and potential changes in labor law make it easier for them to do so
* Adverse weather conditions or natural disasters
* Widespread outbreak of an illness or any public health crisis
* FedEx relies heavy on technology to operate their transportation and business networks, and any disruption on the technology infrastructure or the Internet could harm operations and FedEx’s reputation among customers
* Impacts on the business resulting from new domestic or international government laws and regulations
* Transportation businesses may be impacted by the price and availability of fuel
* FedEx Ground relies on owner-operators to conduct its linehaul and pickup-and-delivery operations, and the status of owner-operators as independent contractors, rather than employees, is being challenged
* Increased security requirements could impose substantial costs for FedEx, especially for FedEx Express
* The regulatory environment for global aviation rights may impact air operations

FedEx has been a pioneer whose ideas and innovations have been widely copied by other companies. (SRI) FedEx’s quest to provide top-notch customer service has prompted them to increase delivery options to customers. Such examples are in 1981, FedEx launched its Priority Overnight services. In less than a year it achieved a volume of over 27,000 pieces. Since that time, FedEx has continued to expand its delivery option to meet customer demand across a full spectrum of needs and service levels. FedEx was the first in the industry to offer new option and was ahead of its main rival, UPS, by one to seven years in their offering of similar services.

FedEx has been a leader in innovation and through its mission to meet the distinct needs of customers has pushed itself to create new ways to service them. Although FedEx’s customers are from all walks of life, the most substantial portion of their customer base comes from businesses. FedEx has incorporated customer needs brought forth by the New Economy to provide business solutions as part of FedEx services.

FedEx operating features go far beyond just shipping packages. FedEx has utilized the phenomenon of mass customization by introducing new logistical and technical innovations. FedEx has successfully integrated mass customization for business customers by helping them expand their sales channels and ensure a high level of customer fulfillment thru applying e-commerce solutions. In 1998, FedEx developed a comprehensive solution for HP that would manage the entire process, from order management to order fulfillment. HP’s online store has enjoyed a revenue growth of over 500 percent annually since its inception. (SRI)

Business customers have outsourced critical supply chain functions to FedEx. Dell Computers reduced its inventory and product cycle time, lowering costs, and improving customer satisfaction. FedEx’s customized solution reduced Dell’s inventory turn-around time from 60-90 days through traditional suppliers to fewer than eight days. (SRI)

FedEx’s software and solutions also cater to business utilizing “just-in-time” manufacturing, “build-to-order” manufacturing and global sourcing. FedEx’s fast, reliable express transportation services in conjunction with the intellectual capital from FedEx’s information technologies enables business customer to reduce costs from inventory reductions. (SRI)

Four trends have driven the world commerce and shaped the global marketplace to produce and unprecedented expansion of customer access to goods, services and information: (Annual Report)

* *Increase in High-Tech and High-Value-Added Businesses*
* *Globalization*
* *Supply-Chain Acceleration*
* *Growth of E-Commerce*

FedEx was founded on the basis of innovation and invention. They have also focused on the customer and look forward to create new technology and services that have evolved in the New Economy. These trends have been the inspiration for many of the advancements in technology and many services that the company now offers. FedEx is an organic organization that structures its innovations and services to evolve with the needs of the four trends. For this very reason, FedEx has become an industry leader and has gained a competitive advantage. FedEx needs to remain focused and forward looking to ensure that the services they provided are on par with the New Economy. They need to keep producing and improving the technological aspects of the business.

### Human Resource Management

HRM objectives, strategies, policies, and programs are designed with the overall goal of developing, engaging, and retaining talented people while aligning them with corporate values.

Core philosophies that shape HR practices:

* ***People-Service-Profits (PSP)*:** - Created when the company was first founded, this strategy expresses Smith’s conviction that taking care of employees is essential to creating profits. “Take care of our people; they in turn will deliver impeccable service demanded by our customers, who will reward us with the profitability necessary to secure our future. People-Service-Profit: These three words are the very foundation of FedEx.” (FedEx, Culture)
* ***People-First***: Formally introduced in 2003, this strategy comprises a group of programs designed to meet the objective of facilitating employee growth. People-First was implemented to provide an engaging work environment while encouraging employee understanding of their duty to FedEx customers. The program aims to “promote 100% responsibility and accountability, clear communication, clear expectations, and competency through education.” (FedEx, Sustainability).
* ***Purple Promise*:** Pledge. Attitude. Behavior: Introduced in 2006, this strategy provides a basis for employees to compete collectively by sharing a single mode of believing, thinking, and acting. The pledge is a personal commitment to “make every customer experience outstanding.” FedEx employs four tools to embed this strategy, and its expectations, in the corporate culture: 1) Policies, practices, and tools (established at the outset), 2) Leadership by example (provides a basis in fact), 3) Communication (storytelling that delivers and sustains), and 4) Recognition and reward (motivation for change). (FedEx, Purple)

Others:

* ***Service***: The service objective is the constant and clearly stated goal of 100% customer satisfaction 100% of the time. Service is expected to be performed with honesty, efficiency, and reliability. Integrity, loyalty, and responsibility are key components.
* ***Safety Above All***: Provides for safety to be included in corporate strategies and business planning, it includes: safety metrics, safety goal setting at the corporate level, management bonus pay that is tied with safety goals, recognition awards, safety rating factors in performance reviews of all employees, continuous improvement teams, and safety training
* ***Lifeworks Program***: Improves employee health and quality of life by providing stress reduction, work/life support, self-care, education and counseling
* ***Recognition and Awards Programs***: Programs designed to motivate and influence employees to show exceptional dedication and achieve extraordinary accomplishment. For example: The Golden Falcon Award results from a complimentary report from a customer commending employee efforts above and beyond the call of duty. The award consists of ten shares of FedEx stock and a congratulatory visit or phone call from a senior executive.
* ***EarthSmart@Work*** involves three components: 1) Inform: uses training programs and projects to share new information and best practices internally to improve corporate transparency. 2) Involve: enables team members to communicate ideas and become more involved in sustainability efforts through the use of forums, discussion groups, and formal feedback programs. 3) Innovate: A formal submission process built to capture employee ideas and implement those that are in line with strategic goals and move FedEx forward. (FedEx, GCR)

Objectives, strategies, policies, and programs are clearly stated. Employees have a clear understanding of what is expected of them and what they can expect from FedEx. Performance measures are aligned to employee service performance. This is backed by both monetary and nonmonetary recognition and awards. Bonuses are based on the company’s service results. Managers acknowledge positive contributions on the spot with rewards such as “quick cash”, gift certificates, etc.

HR practices are highly consistent with the FedEx mission and policies. They can be seen in the external and internal environments and the framework can be easily identified throughout the organization. FedEx has a top-down approach to “walking the talk,” resulting in their industry leadership for customer satisfaction.

HRM has programs in place to improve the match between employee-skill categories and jobs. They use attitude surveys (such as Survey-Feedback-Action) and other devices (such as 360 degree performance appraisals) to assess employee satisfaction. Job analysis, up-to-date job descriptions, and testing are used for employee selection, training, development, and salary administration. FedEx has high employee satisfaction with a 91.5% retention rate (U.S.) for full-time workers.

With the exception of FedEx pilots, all U.S. employees are nonunionized. FedEx believes this to be a critical issue. Maintaining good relationships with employees and preventing labor organization is crucial to the FedEx business model. FedEx Ground utilizes a standard contract with its independent owner-operators who conduct line haul and pickup/delivery functions. This has been a source of controversy and claims have been made that FedEx has improperly classified owner-operators as independent contractors. FedEx plans to vigorously defend their model. However, in response to lawsuits, FedEx is introducing a new Independent Service Provider test model.

FedEx identifies their employees as an essential source of information. Employees are encouraged to be innovative and to make decisions that advance quality goals. People at all levels have the opportunity to develop and contribute to corporate strategy. Quality of work life is of utmost importance.

To reach its aggressive service objectives, FedEx uses a Service Quality Indicator (SQI). This 12-component index depicts how performance is viewed by customers. A senior executive leads a Quality Action Team that is assigned to each service component in the SQI. Management tracks trends and meets daily to assess performance. This data is used in cross-functional teams involved in HR, planning, innovation, etc. The SQI is directly linked to corporate planning which begins with the CEO and executive planning committee. This model assures involvement and development of front-line, support, and management personnel company-wide. Individual performance objectives are established and monitored. Executive bonuses are tied to performance of the whole corporation. These programs have proven to positively impact past performance and will continue to lead to future achievements. FedEx has averaged better than a 95% customer satisfaction rating and, in an independent air-express customer survey, 53% gave FedEx a perfect score compared to only 39% for the next best competitor (Baldrige).

FedEx employees work in a dynamic and complex environment and management must be able to quickly shift from one strategy to another. FedEx employs methods to gather and assess data that may contribute to root problems, as well as identify areas for future development. FedEx future performance will be positively impacted by continuing their current trends and upholding their PSP philosophy.

FedEx is known world-wide for employee development. HRM has developed strategic flexibility and operates as a learning organization. Employees at all levels are encouraged to participate in strategic management. Programs, such as EarthSmart@Work, are in place to facilitate this process. HRM provides a competitive advantage and is integral to FedEx success.

FedEx HRM outperforms similar corporations. For 12 out of the past 13 years, FedEx has been on *Fortune’s* “100 Best Companies to Work For” and the recognition extends to 16 affiliated lists worldwide (Shutan). FedEx has been cited as one of the best places to work in more than 27 countries around the world (FedEx Annual Report).

The four industry leaders are FedEx, UPS, DHL, and TNT. Although strong market rivals, FedEx and UPS share similarities, both: have a high dedication to their employees, believe employee satisfaction is essential to create customer satisfaction, heavily invest in employees and promote from within, and have strong employee involvement in strategic planning processes. FedEx and UPS have stable teams running critical business components. Alan Graf has been the FedEx CFO since 1998; Smith has been CEO since he founded FedEx. The UPS CEO worked his way up through the company for 34 years to his present position. DHL and TNT are not as steady. In the U.S., TNT’s CEO has changed twice in the last 10 years, and DHL has had four different CEOs within four years. Personnel stability is an important predictor of successful corporate policies and CEO turnover creates an erratic ripple effect throughout an organization. FedEx is the only company in this category that uses the 360 degree HR management system, and FedEx has the best HR system in the business (Latin).

FedEx HRM managers use innovative and appropriate techniques to evaluate and improve corporate performance. FedEx strives to create a unique relationship with their employees and to be as innovative and forward thinking in employee relationships as they are in the other aspects of the organization. Through their intranet, employee videos, in-house television network, face to face meetings and other vehicles, HRM delivers a steady flow of stories that embody the Purple Promise (Thornley). HRM uses an abundance of techniques to evaluate and improve corporate culture, and is always developing new methods to do so. Some of the methods used are:

* LEAP (A Leadership evaluation and training program)
* A Promote From Within policy
* Open Door programs
* Guaranteed Fair Treatment policies
* SPEED (A competency assessment planning system used to assess readiness and promotability, and create plans to strengthen competencies through educational programs)
* CESD (Center for Employee Self-Development used to plan individual development and provides training and advancement curriculums)

Diversity is a highly priced competitive advantage for FedEx. In the U.S, minorities hold 27% of management roles and are 43% of the total workforce. Diversity Councils have been implemented to foster diversity education and communication, with a goal to increase diversity awareness and initiate projects within their geographic regions. FedEx strives to meet diversity objectives by contracting directly with minority and women owned businesses, and by encouraging the inclusion of minority and women in the subcontracting plans of their entire supplier base. FedEx has made the list of “40 Best companies for Diversity” by *Black Enterprise* magazine for the 5th straight year. (FedEx, Diversity)

FedEx has one code of conduct that applies to FedEx officers, directors, and employees. The FedEx Code of Business Conduct and Ethics comprehensively lists expectations and guidelines designed to promote a corruption-free environment. The Code adjusts to each country by virtue of its policy on laws, which calls for employees and suppliers to comply with the laws and regulations that relate to their specific business area. Therefore, some laws affect everyone, while others concern only specific activities. If conflicts exist between FedEx policies and geographic areas laws, employees must let local law override company requirements. Managers, including HR managers, are responsible for their own and for their employees’ adherence to the Code. FedEx embraces and celebrates diversity, which is necessary given their global economy. As part of employee development and pathways to leadership, employees are routinely given international assignments to prepare them for managerial positions.

Outsourcing is primarily associated with the driver segment of FedEx Ground. FedEx owner-operators are classified as independent contractors. They receive no benefits, no overtime, no sick leave, no insurance, and they pay for (and maintain) their own vehicles. Although the criticism remains that FedEx has an unfair advantage due to old laws that allow them to classify owner-operators as independent drivers, FedEx maintains that their drivers are properly classified. FedEx outsources this business segment and supplies modest oversight, which allows owner-operators to control their own delivery business and grow it in their own way. (James)

The HRM manager plays a key role in the strategic management process and is involved at all levels. FedEx operates in a multichannel environment. To avoid fragmentation, HRM uses a holistic view and promotes cross-channel decision making processes. In domestic and foreign operations, self-managing functional work teams work together in a decision making structure designed to align priorities, plan resources, and coordinate activities. This method improves: quality, productivity, employee satisfaction and commitment.

### Information Technologies

The FedEx Information Technologies program is one of the strongest and most innovative programs in the world – and they continue to make major advancements. Their ultimate goal to make it possible to have both people and businesses connect and collaborate all over the world. The network that makes this happen is Access which is the availability to transform through connectivity (FedEx). They have two divisions which concentrate the technology aspect of their company.

FedEx launched FedEx Innovative Labs which is “an information technology project designed to create an atmosphere of collaborative thinking around critical technologies such as advanced optics for scanning, robotics, pervasive computing, social networking and more” (FedEx). These labs create new and improved technological services that FedEx can offer their customers. Two successful programs FedEx has also developed are the Digital Assisted Dispatch System and Electronic Trade Documents (ETD). Both have advanced FedEx to better service their customers.

They also have their own Institute of Technology at the University of Memphis where science, business and industry are able to work together. The institute has over 150 employees that devote their time working in areas such as artificial intelligence, biotechnology, geospatial analysis, multimedia arts and nanotechnology (FedEx).

Recently, they launched Global Business Data Visualization Experience. FedEx takes pride in creating the ultimate customer experience. This new feature furthers the user experience. It gives the user an interactive view of world data. As long as FedEx continues to make technological advances, their customer base will continue to grow and it will also give them a greater competitive advantage.

## Summary of Internal Factors

FedEx’s core competencies are its high-performance culture, strong brand image and large scale of operations. FedEx’s distinctive competencies are its technological infrastructure and its ability to be a leader in cutting edge ways by adapting and applying technology in new and innovative ways. The most important factors to FedEx and the shipping and freight industry are its technological infrastructure and their ability to develop business solutions to provide and serve customers with products and services that are ahead of the times. It is important for FedEx to remain a pioneer in providing and implementing business solutions and technologies so that FedEx can acquire new customers and retain current ones. This is also important in maintaining and promoting the FedEx brand, which is known for being a leader in innovation. FedEx may benefit from continuing and expanding on partnering with technology savvy organizations that have the ability to contribute and share to technological and innovative advancements. FedEx would benefit from such collaborations; however FedEx would not be wise to completely outsource these tasks.

# Table 2 illustrates and analyzes the strengths and weaknesses that FedEx faces. Each factor is weighted from 1 (most important) to 0 (not important) and then rated from 5 (outstanding) to 1 (poor) based on the company’s response to that factor. The weight and rating are multiplied by each other to generate a weighted score. An average firm in an industry has a total weighted score of 3.0. The rating is a judgment regarding how well the company is dealing with each specific internal factor, with 1.0 being poor and 5.0 being outstanding (Wheelen and Hunger). FedEx has a total weighted score of 2.99 with is just approaching average for the average for the industry.



# Analysis of Strategic Factors

## Situational Analysis

Table 3 illustrates the Strategic Factor Analysis Summary Matrix for FedEx. FedEx’s SFAS Matrix total weighted score is a 3.03, which is slightly above the average firm. The average firm in an industry is always a 3.0. (Wheelen and Hunger) The strategic factors identified by the SFAS Matrix are imperative factors to consider in strategic planning.

FedEx’s current financial situation (W2) and the current state of the economy (T1) are directly linked and pose the greatest risks for FedEx. FedEx’s financial situation fluctuates in correlation with economic changes. This is due to businesses cutting back on expenses and consumers reducing e-commerce purchases when the economy slows down, which results in a reduced need for shipping. Rivalry among competitors is also a major risk factor; however, FedEx’s competitors face the same risks related to economic correlations as FedEx. The nature of the business for FedEx and competitors leave them vulnerable to these risks because they do not have any control or power to influence or change the state of the economy or the current economic situation. FedEx could however, utilize economic forecasting to assist to conserving company resources for economic slowdowns.

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The negative operating margin for the FedEx Freight division needs to be closely watched and analyzed. These margins have been negative for three consecutive years, which raises a red flag. Management needs to consider re-engineering the division to make it profitable or eliminate it altogether and focus on the aspects of the corporation that are generating profits.

The most important strategic factor that the matrix identifies historically and predicts will continually affect FedEx in the future (internally and externally) is technology advancements and innovations.

## Review of Mission and Objectives

FedEx’s mission and objectives focus on producing superior financial returns through focused operating companies, meeting customer expectations and demands, and conducting corporate activities in a safe, ethical and professional manner. In light of the key strategic factors identified in the strategic factor analysis summary, FedEx should modify their mission statement and objectives by incorporating their commitment to advancements technological innovations and customization of business solutions for customers. The logic behind this recommendation is that as new technologies have emerged, business needs have evolved, and the services FedEx offers have increasingly involved customizing complex integrated logistics solutions for B2B and e-commerce customers. FedEx has been a pioneer in utilizing emerging technologies to customize systems that directly interface with FedEx. The business solutions and services have played a major role in the popularization of just-in-time inventory systems and have revolutionized the shipping systems. Continued growth in implementing technological innovations in the business operations as well as in the business solutions provided to customers is imperative to remain an industry leader and gain market share.

# VI. Strategic Alternatives and Recommended Strategy

## Strategic Alternatives

The TOWS Matrix (Exhibit 2) is a useful tool for in identifying strategic alternatives based on the Strengths, Weaknesses, Opportunities and Threats. The TOWS matrix identifies many strategic options for FedEx to consider.

The first alternative for FedEx to consider is to keep the current strategies already in place and focusing on fine-tuning it. FedEx would continue to push a high-performance culture focused on customer satisfaction by meeting distinct customer needs. They utilize the “compete collectively, operate independently, and manage collaboratively” to segment the operating companies so that each company can continue focus on its specific services and products. The advantage of this option is that FedEx has made extensive efforts in organizing the organization and has policies and procedures place to support the existing strategic. The disadvantage of keeping with the current plan is that the economy is at a standstill and the financial position of the organization is suffering.

 FedEx could pursue a growth strategy by utilizing the strong brand image and large scale operations to target newly developed countries to expand internationally, which could help FedEx to increase its market share in the industry. FedEx could also increase partnerships and/or acquire smaller delivery companies in developing countries to increase market share and push the FedEx Brand. They would also want to incorporate their technological innovations and services to the new partnerships or acquisitions to provide new services in those areas in addition to the current services offered. This horizontal growth strategy would increase market share, expand the customer base and increase FedEx’s global presence. The cons for this strategy are the required cost of capital for the expansion will initially create a hardship on the organization as a whole and it is difficult to break into new countries and their markets. Additionally, if FedEx enters alliances or creates partnerships, rather than expanding thru acquisitions, they will not gain a competitive advantage.

Retrenchment is a third alternative corporate strategy alternative for FedEx. They could restructure and centralize operations to reduce redundancies across the operating companies. By doing so, there are many expenses and employment functions that could be reduced to provide a cost savings. FedEx could also consider restructuring, selling or dissolving the FedEx Freight Division. This division has delivered negative operating margins for 3 years in a row. By eliminating this division, FedEx could use the resources for its divisions that are profitable, which would boost the financial position of the organization.

The cost leadership business strategy is also an alternative for FedEx to consider. FedEx could lower their prices. By charging less than competitors, FedEx would be able to increase its market share and gain a competitive advantage. The drawback to this option is that FedEx would have to cut operating costs to counter act the price reduction. These cutbacks would have to include staff and any unessential expenses which will increase the pressure for the remaining employees as there will be more work to do and less people to do it. FedEx could supplement this obstacle by increasing the number of its fuel suppliers to create more competition among the suppliers in an attempt to drive down the price. The disadvantage to that tactic is the risk of alienating the suppliers that FedEx has established good relationships with.



The final alternative identified by the TOWS Matrix is the differentiation business strategy. FedEx could set itself apart from competitors with its unique technological innovations. They have been a pioneer in the industry in tweaking new technologies to offer cutting edge and customized business solutions for customer’s supply-chain and logistical needs. The advantage to this strategy is that outsourcing becoming a major trend and FedEx has the tools to serve the distinct needs for businesses wanting to outsource shipping/logistical needs. E-commerce and B2B has greatly increased the traffic for shipping and logistics and FedEx is an industry leader in customizing and creating unique systems to fulfill these needs. The advantage to this strategy is that FedEx has the tools and resources to meet growing outsourcing demands and offering these services would give FedEx a competitive advantage. The con is that it is risky to move further away from the original basis for which the company operates. They in part would be entering a new industry. If the services were not above par, FedEx would be risking its strong brand image and could lose existing and potential customers. Another way that FedEx could differentiate itself from competitors is to rigorously peruse environmentally sustainable operating alternatives. If FedEx could implement massive green operating components, in the form of fuel, electricity, etc., they could stand out above competitors and gain an advantage. The disadvantage to this approach is that the cost to seek and implement the amount of green alternatives to set themselves above competitors would be immense and greatly impact the financial position of the organization.

## Recommended Strategy

FedEx’s financial position is directly related to the state of the economy. For this reason, FedEx would be best suited to stay committed to and fine tune its current “compete collectively, operate independently, and manage collaboratively” strategy. The economy appears to recovering, so it would be in FedEx’s best interest to remain focused in the current strategic plan. The organization has been gradually expanding to increase its global presence and adding to the customized services it provides. The combination of the recovering economy, slow expansion, and continued technological innovations should result in a better financial position in the long-run. FedEx’s short-run plan should be to remain conscientious of operating expenses and continue to meet new business outsourcing needs in the supply-chain and logistics areas. FedEx should be cautioned to keep a close eye on the communications between the distinct operating companies to ensure that redundant expenses across the operating companies are eliminated.

# Implementation

FedEx is in Stage II of the corporate development cycle. The current “compete collectively, operate independently, and manage collaboratively” strategy is the best option for FedEx at this stage of the cycle. The three-fold plan creates synergy across the operating companies while pushing the brand, fulfills distinct customer needs, and enables the Board and top management to keep an eye on it all. The implementation and monitoring of the plans progress starts at the top of the organization and filters down to every employee. The operating companies have been structured so that each can meet the needs of its distinct customers. Within the various operating companies, it is up to the upper management to make sure that the programs and procedures put in place for the employees of FedEx to carry out. Important programs are maintaining a proper organization structure, operating budgets, standard operating procedures, sustainability programs, employee performance reviews, customer service surveys and feedback, and customer service.

FedEx’s high-performance culture drives employees to excel at their jobs. In a service industry, such as FedEx, every employee is a key player in implementing the strategic plan. It is imperative for FedEx management and strategic planners to continually provide FedEx employees with the evolving strategic plan’s policies and procedures so that the employees at every level can make it happen.

#  Evaluation and Control

FedEx’s information system is capable of providing sufficient feedback on implementation activities and performance. FedEx customer service representatives can access customer information in real-time for any one of or a combination of customers. Managers and key personnel are also able to access this information. Access to real-time information in this way, gives FedEx the ability to pull and analyze what customers are ordering, from which divisions the orders are from whether it from one division or a combination of divisions, which is imperative for performance analysis and forecasting. FedEx’s information systems also enables them to monitor and pin-point problems and create solutions to fix them in

FedEx can analyze and review financial information on functional and consolidated levels. Each operating division reports its financials to the parent company FedEx, which them consolidates then. The corporation is able to report and analyze the financials for the corporation as a whole, as well as each operating division independently. It is important for FedEx to evaluate financials in both ways, so that can analyze how the operating companies are performing individually, as well as the corporation as whole.

Benchmarking is important for FedEx so that they can evaluate their activities and performance. It is important for the organization to analyze their performance and service levels so that they can rectify existing and potential problems, modify policies and procedures, and create enhancements. Benchmarking is an essential tool for FedEx to be able to provide superior customer service, as well as continue to meet their customer’s distinct needs.

FedEx’s standards and measures are appropriate to ensure conformance to the recommended strategic plan. FedEx has an industry superior technology system to measure performance, a highly measurable sustainability objectives and a series of employee performance award as detailed in the corporate culture section. The performance awards reiterate the high-performance culture of FedEx and serve a motivation to excel in providing superior customer service.

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