
FedEx Delivers

HOW THE WORLD'S LEADING SHIPPING
COMPANY KEEPS INNOVATING AND
OUTPERFORMING THE COMPETITION

Madan Birla



WILEY

John Wiley & Sons, Inc.

Advance Praise for *FedEx Delivers*

As someone who is committed to infusing nonprofit organizations and the public sector with dynamism and creativity that animates great organizations, I'm always on the lookout for books to help us do that. From the moment I started reading *FedEx Delivers*, I knew I had found just such a book.

GAYLE ROSE

Cofounder, Women's Foundation for a Greater Memphis

Madan manages to capture the concepts from soft sciences and transform them into hard principles validated by real-world examples from FedEx. A must-read for managers looking for proven ideas to unleash employees' creativity and commitment.

JOHN SANTI

Managing Director
Stanford Group Company

Want some great ideas for beating the competition tomorrow and the day after? Madan Birla describes the management architecture and specific innovations FedEx uses to beat its competitors year after year. FedEx delivers with its performance culture, and so does this book.

RICHARD DAFT

Brownlee O. Currey Jr., Professor of Management,
Vanderbilt University Author, *Fusion Leadership* and
The Leadership Experience

Innovation isn't just about having great ideas. It's about developing them, leading with vision, and executing tenaciously. Madan Birla clearly understands this and provides a window into an iconic company that created an industry by shattering a customer compromise and continuing to raise the bar through innovation.

STEVE PRESTON

Executive Vice President, Strategic Services
ServiceMaster

FedEx Delivers tells a clear, compelling story about the leadership practices that contributed so mightily to the company's phenomenal success. Founder and

CEO Fred Smith, a visionary and inspiring leader, comes across as a self-effacing business hero, a rarity in today's celebrity-saturated culture.

JOHN O'NEIL
President, The Center for Leadership Renewal
Author, *Paradox of Success*

Provides an easy-to-follow road map for building an innovation and performance culture.

RAM NOMULA
Executive Vice President, Manufacturing Services
Technicolor Home Entertainment Services

Madan delivers an insightful insider's view in helping us understand what makes FedEx tick and how you can use that for your enterprise. *FedEx Delivers* is a must-read resource for all leaders interested in gaining a competitive edge.

TOM GEGAX
Author, *By the Seat of Your Pants: The No-Nonsense
Business Management Guide*

By telling us stories about the leaders he encountered during his 22 years with FedEx, Birla teaches us five valuable lessons any organization can apply to keep innovating and stay ahead of the competition.

BEN KEDIA
Robert Wang Chair of Excellence in International Business
The University of Memphis

Birla's insights into how FedEx continues to grow and foster this highly recognized innovation culture is a testament to the leadership excellence and employee commitment. *FedEx Delivers* inspires the reader to apply these ideas.

KATHY MAZZANTI
Regional Vice President
Right Management Consultants

I was delighted by Madan's holistic approach to creating an innovation and performance culture that acknowledges the critical role of work/life balance.

ALICE CAMPBELL
Director, Community Relations and Work/Life
Baxter International

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*To family, friends, and FedEx colleagues,
who help me celebrate life in its fullness*

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Preface

Rarely can a person join an organization destined for greatness in the early days of its development and then play a key role in helping it fulfill that destiny. I was presented with such an opportunity when I joined FedEx* in 1979. After I had spent the better part of my career helping FedEx become one of the most successful and admired companies in the world, I retired three years ago and decided to share some of the lessons I had learned. Since then, I have addressed business groups across the country and have acted as an advisor and business consultant. During this period, I have had numerous conversations with top executives from dozens of companies about the factors that make a company grow. In these talks with leaders of businesses both large and small, I have asked the same question:

“What is the one improvement that would enable you to realize your revenue and profit growth goals?”

Here are some of the responses I have heard:

“For us to achieve our top line and bottom line targets in today’s highly competitive global economy, we have to *innovate*. We cannot continue to do business the way we have been doing.”

From its inception in 1973 until 1994, the company was named Federal Express but was popularly known as FedEx. In 1994, FedEx was officially adopted as the company’s name. Following the acquisition of Caliber Systems in 1998, the parent company FDX was created. In 2000, FDX was renamed FedEx Corporation, and the original company handling the express shipments was named FedEx Express. All of my experience, from 1979 through 2001, was with the original company, still by far the largest operating company in the FedEx family. All the examples in the book are based on my experience at the original company. To avoid confusion by using Federal Express, FedEx, and FedEx Express, I simply use the name “FedEx.”

“To continue to grow in today’s highly competitive economy we have to outthink and outperform the competition. To have a competitive edge, we must have an *innovation edge*.”

“In today’s economy, there is no such thing as a sustainable competitive advantage. We must tap into the creative potential of each employee and harness it to create an *innovation culture*.”

The companies I have visited range from having a few hundred employees to having more than 200,000, and show revenues from \$20 million to \$20 billion annually. Their products and services include foods, transportation, biotechnology, financial advice, health care, and orthopedic implants. But no matter the size or the product, the senior executives of these companies have one thing in common: They all know that to have a profitable business in the twenty-first century, their companies cannot rely on what they have done well in the past—or even what they are doing well today. To enjoy continued growth and prosperity, businesses must innovate.

In today’s business world, *innovation* is a buzzword that often leaves employees worried, confused, and unable to meet unclear expectations. I have written this book to share the leadership practices and support systems that helped FedEx become one of the most successful and high-performance companies of all times.

FedEx Delivers will help you understand not only why innovation is essential, but also how you can make it part of your corporate culture. It provides the tools to develop a culture that actively engages every employee in helping your organization increase market share and profitability. You will learn how to adapt the FedEx model to your unique environment so that your employees will keep asking: What new things can we do in our day-to-day work lives to better serve our customers?

The book presents a *step-by-step blueprint* for building and sustaining an innovation and performance culture. Leaders and organizations can learn how to make creative thinking a part of their

company's design and infrastructure instead of stumbling on ideas by chance.

In addition to the managers who use this book to build and sustain an innovation and performance culture, corporate trainers will find that *FedEx Delivers* is an ideal resource for their leadership development programs. Academicians can use *FedEx Delivers* in their classes in leadership, innovation, engineering management, international business, and organization development.

Acknowledgments

I want to express deep appreciation to the people whose encouragement and support made this book possible. First, I want to thank Mike Glenn, Executive Vice President, Market Development and Corporate Communications; and Rob Carter, Executive Vice President and Chief Information Officer; both key drivers of innovation at FedEx, for confirming the wisdom and utility of the innovation and performance culture model on which this book is based.

Then, I must thank Sheila Edmundson Redick for her patience in reading, rereading, and refining the material from the first book proposal to the final manuscript. I also thank Ed Hirsch for his valuable critique and conceptual advice.

My sincere thanks to the following colleagues for being so generous with their time in sharing their FedEx experiences: Roger Albee, Shawn Allison, Henry Bartosch, Marco Chan, Kay Coop, Harry Dalton, Matt DiGiovanna, Kewal Gupta, Don Hardy, Arun Kulkarni, Arun Kumar, Bonnie McKeever, Mike Moss, Karen O'Malley, Jim Petrie, Steve Priddy, Jack Roberts, Gloria Sangster-Fort, Steve Stapleton, Mike Staunton, Norm Wilcox, and Linda Wolowicz.

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Finally, I convey my deepest appreciation to Fred Smith, founder and CEO of FedEx, for having the courage to pursue his vision through difficult times in the company's early days. He created an opportunity for thousands of people like me to be part of a great global business success story. We, the veterans of FedEx, proudly share our experiences with future generations.

About the Author

Madan Birla is a veteran of the “hard” side of business. In his 22 years at FedEx, he was Managing Director of System Form Engineering (Long-Range Operations and Facilities Planning) and Materials and Resource Planning before being named Managing Director and Preceptor in the company’s Leadership Institute. For eight years as a member of the Long-Range Planning Committee, he worked closely with Fred Smith and the senior management team in evaluating strategic *what-ifs*. At the FedEx Leadership Institute, he was a facilitator of Innovation, Leadership, and Life Balance courses for all levels of management throughout the world. For the past three years, he has been advising executives on how to encourage employee creativity and commitment to build a culture of innovation and performance.

His life experiences in two rich cultures, East and West, and his broad educational background have prepared him to meld ideas from engineering, business, and psychology to develop comprehensive Leading for Innovation models. He completed his undergraduate work in mechanical engineering at the Birla Institute of Technology and Science in Pilani, India. Following that, he enrolled at the Illinois Institute of Technology (IIT) in Chicago, Illinois, where he received his master of science degree in industrial engineering. After graduating, he joined RCA Records in Indianapolis, Indiana. While in Indianapolis, he did graduate work in business at Butler University. After moving to Memphis to join FedEx, he received a master of science degree in counseling from the University of Memphis.



Author (Left) Receiving His Second Five Star Award, the Highest Recognition for Leadership Excellence at FedEx, from Fred Smith, Founder and CEO of FedEx

He has received many awards, including membership in Alpha Pi Mu, the Industrial Engineering Honor Society; he was named as an Honorary Citizen of the city of Indianapolis for his community involvement; and he received Five Star Awards, the highest recognition for Leadership Excellence at FedEx.

He is a regular speaker at professional and business group meetings including the Society of Human Resource Management (SHRM) Global Human Resource Forums in New York and Monterey, California; Alliance of Work/Life Professionals, annual conference in New Orleans, and chapter meetings in Chicago, St. Louis, and Santa Barbara; American Management Association, Executive

Forums in New York, Chicago, and San Francisco; Tennessee Leadership Conference and Leadership Academy, Illinois Institute of Technology, Chicago, Illinois.

He is actively involved in volunteer work for the community. He led the effort to establish the Indian Community Fund for Greater Memphis, which funded the Gandhi exhibit at the National Civil Rights Museum in Memphis and “Windows to the World,” an interactive educational exhibit at the Children’s Museum of Memphis, among other projects. He developed long-range plans for the Church Health Center (serving working poor), Friends for Life (serving the HIV/AIDS affected population), and the Tipton County Commission on Aging (serving seniors). He lives with his wife Shashi in Collierville, Tennessee, and has two grown children who live in New York and Chicago.

Introduction

FedEx Delivers: How the World's Leading Shipping Company Keeps Innovating and Outperforming the Competition explores in detail the leadership philosophy and practices responsible for FedEx's phenomenal growth. This book's uniquely practical approach gives readers the processes and tools that FedEx has used to become a market leader.

Chapter 1 takes the mystery out of innovation by breaking it down into three steps—generation, acceptance, and implementation of ideas. Typically, employees think of innovation only in terms of the first step—coming up with a unique idea. Once they understand that acceptance and implementation are also essential, they realize that their contribution in those steps is equally important.

The second chapter explores the premise that innovation is not something a person or company does just once. To sustain a competitive advantage, businesses must maintain an environment that encourages new ideas. Fred Smith had a new concept when he launched the company, but he achieved lasting success because the business continued to adapt to the changing business environment. Building and sustaining an innovation culture is a journey.

The third chapter asks the question, “If business leaders recognize the need for innovation, why is it that only a few succeed in that quest?” What exactly are the roadblocks to innovation? The five most common obstacles are discussed.

Chapter 4 develops a mental model of innovation by exploring when the mind is in the best position to generate, accept, and

implement creative ideas. For this process to flourish, the mind must be engaged, growing, secure, collaborative, and committed. This chapter defines the five leadership responsibilities associated with creating these conditions.

The remaining chapters of the book discuss in detail the practices and organizational support systems needed to fulfill each of the five leadership responsibilities. Each practice is illustrated by firsthand examples from FedEx. Chapter 5 describes the four leadership practices used at FedEx to engage and involve all their employees. Although a car engine may be running, the car will not move forward unless the engine is engaged. Similarly, for an organization to grow and move forward, employees have to be engaged in the enterprise.

The four leadership practices and organizational support systems that help employees update and expand their knowledge bases are presented in Chapter 6. The mind generates creative ideas by making connections between seemingly unrelated variables. The creative impulse rests on seeing new possibilities and new combinations. For the mind to generate creative ideas, it must either connect existing dots (one's knowledge base) in new ways or acquire and connect new dots.

Chapter 7 focuses on the four leadership practices used at FedEx to create a secure environment for the expression and acceptance of ideas. Creative thoughts are rarely refined and ready to implement at the outset. They need to be developed. For many, sharing a raw idea is unnerving: What will management think? Could I be reprimanded if my suggestion doesn't mesh with my supervisor's? Is it stupid? These questions and fears are all very real in today's business culture, leading many employees to keep their ideas to themselves—a major hurdle in the quest for innovation. Employees have to feel secure to express their ideas. Managers have to feel secure to accept new ideas, especially ones that are different from their own views.