

BOOK REVIEW BY PRASENJIT CHAUDHURI ('84 CHEM)

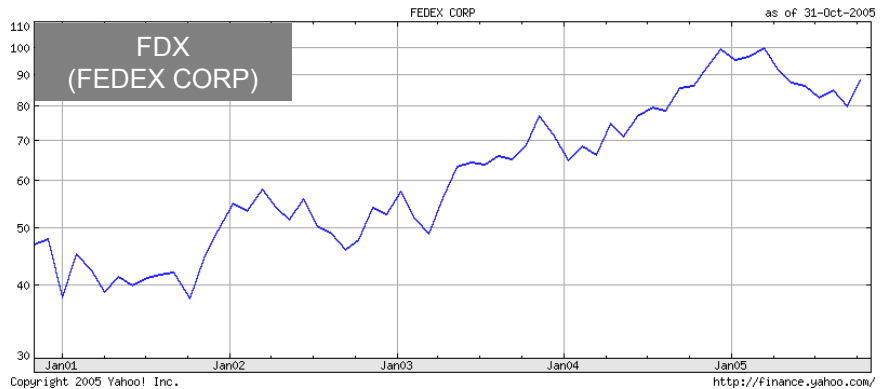
## Fedex Delivers

How the World's leading shipping company keeps innovating and outperforming the competition.

Warren Bennis, Dorothy Hutton, Clay Christensen, Prahalad and Hamel have written volumes in papers and books about innovation, leadership, managing change, and customer orientation. As a BITS alumni, its therefore easy to pass up on newly published pulp, that appear to recycle yet another human resource concept or a management methodology lined with consultant-speak.

As an insider at FedEx since its early founding days however, Madan Birla (BITS batch of 1966) had a unique opportunity to experience first-hand what one normally learns from management books or business school cases. His recently published book "*FedEx Delivers*" became more valuable as I discovered he was a part of the same arena where the ideas in his book played out, this arena happened to be one of the most successful and innovative companies in the world, and that stuff found in business books are written not by insider veterans but by external observers paid for their efforts.

**High-IQ employees don't add up to become a high-IQ company.** Its common knowledge today that the smartest people gravitate towards companies that offer them the best challenges, not necessarily the biggest pay-packet. There is no better place to observe this in real-time than the stretch of land between San Jose & San Francisco, we like to call Silicon Valley.



Frequently the most innovative and successful companies run out of steam and leadership inspiration, and turn into also-rans. And all too often, bright innovative minds that followed the inspiration of their leaders into the company now follow the pied-piper out towards the next new thing.

Aggressive companies looking to survive without an inspired leader rush to implement innovation by rote, turning ideas of vision and leadership into topics for cocktail conversations and words to embellish annual reports, than to build long-lasting enterprises.

The good news about innovative companies is that they always grow and thrive. But the bad news is that uninspired companies don't simply die and fade away. They continue to linger on for years (consuming scarce financial resources best allocated to new innovative ideas and inspired leaders), until they are euthanized via liquidation, a bankruptcy proceeding or sell-off at bargain basement prices to salvage any remaining useful assets. Does anyone remember Polaroid and Xerox as industry-leaders?

### **How did FedEx sustain its long innings of leadership and innovation?**

To start with, Fred Smith (he founded the FedEx business from concepts developed in his Yale project thesis) continues his commitment to sustain FedEx's success and culture even after 25 years. It was after all his own idea that gave birth to a new industry. Yet he could have cashed out his billions at any time over the period. Having proven that his model for operational excellence works, Fred left day-to-day management to his team, and chose to focus on ensuring ways to make FedEx continues to lead its field. Strains of this attitude are reminiscent of founders at many successful mature organizations – Microsoft & Wal-Mart, and more recently – Dell & Infosys.

**"Moment of truth" ...is being face-to-face with a satisfied customer.** All FedEx employee checks have a phrase printed on their backs – "a satisfied customer made this possible".

FedEx used this to focus its ship towards the high goal -100% customer satisfaction after every interaction & transaction, and 100% service performance within the time commitment for the service selected by the customer. Some of this came from the realm of Six-Sigma practices where a 99% service level would have resulted in only about 95% of customers receiving their packages on time. With three million packages flowing through the system every night, 99% would leave 30,000 unhappy customers everyday.

Perhaps the best tribute to FedEx was paid in an inspired line from the movie *The Runaway Bride* – “wherever she’s going, she will be there by 10:30 AM tomorrow morning” – Julia Roberts hitched a getaway ride on a FedEx van.

***The five dimensions of an innovation culture.*** Madan Birla’s thesis identifies five stages that characterize organizations with an innovation gene, and five leadership responsibilities to build them as well.

***Stage 1 – Engaged people:*** Employees want to be valued members of a winning team on a mission to make things happen. Leaders need to support this by involving people and helping them understand issues such as “what is my business strategy?; “how do I relate this to my area of work?; “what’s in it for me?; etc

***Stage 2 – Growing people:*** Solutions derived from thought processes that the mind has used for years are unlikely to help create solutions to new problems. New connections are required for out-of-the-box thinking by making new

conceptual connections. Sensitive leaders bring in new skill-sets to a team charged with an objective that expands the knowledge base and ability of the group as a whole.

***Stage 3 – Secure people:*** Secure persona better handle rejection of their ideas at work because they are not dependent on a career as the only source of self-esteem. Development of loving relationships, spiritual life, and supportive social networks help in the process. Similar ideas have also been reiterated by gurus such as Stephen Covey earlier.

***Stage 4 – Collaborative people:*** A collaborative environment ensures that individual knowledge bases are pooled into a comprehensive organizational knowledge repository. Ofcourse the biggest blocks to this effort are the egos and organizational reward systems that reinforce a silo-mentality in managers’ minds. See below for more about how companies are using new technologies to break these silos and enable collaboration.

***Stage 5 – Committed people:*** People involved in accepting and developing the idea will be naturally excited about implementing the change. Others kept outside the planning loop will be frightened and resistant on a personal level, undermining all change efforts. *This reality has spawned a new industry in “change-management consulting”.*

***Where do we go from here?*** Madan Birla delves into many practices to ensure employees are eager and challenged to be innovative. He was directly involved at FedEx in creating many new practices such as -

***Rewards and culture:*** Having the right set of rewards and

culture to support and nurture innovation. He provides several techniques to develop this.

***Write a corporate Permission Statement, not a mission statement.*** A set of principles-some articulated some tacit-that allows people to act on their own for the good of the company. It is vital that employees feel secure in expressing their ideas. Managers must in turn feel secure in accepting new and unfamiliar ideas, especially if the ideas expressed are different from theirs.

***Celebrate failed projects.*** Let employees know that you fully embrace the potential for failure as part of innovation. When failures occur, managers in innovative organizations applaud the initiative and focus on what was learnt, instead of casting blame.

***Enforce enterprise-wide collaborations.*** Given our history of evolution in the cubicle culture, tossing responsibility over the wall has been programmed in our DNA. Collaboration is therefore easier said than done. However, new practices and use of the newer emerging technologies bring this closer to reality.

***Where are the new enterprise technologies taking us?***

Because the growth and productivity of organizations are more dependent than ever on effectiveness of human performance, corporations choosing to ignore this do so at a cost to themselves. The new business measures to replace return-on-assets are *Return-on-Ideas-&-Innovation; Return-on-Initiative; and Return-on-Interpersonal-Relationships*. Its possible to measure these today, and new emerging enterprise

## Business & Strategy

technologies are embedding this into their newest products. Here's a sampling of a few: *NetMeeting & Go-to Meeting*: Leave the peanuts and unpalatable airline food to wide-eyed tourists. Tired business folks are meeting online, making decisions online, even dating online.

*Social Networks Analysis* : Often the contact sport of choice for top executives and salespeople, its now the turn of product designers, simulation modelers, R&D white-coats, network-hackers and the procurement and recruiting departments to enter the game. "I know something, or I know someone who knows something". Companies track social networks (on *Orkut* and *Ryze*) developed by employees and how they bring these to bear on problem-solving teams and skunk-works. Value is placed on employees forming the highest quality professional networks, while easing out those spending time exchanging knitting-designs online.

*Virtual Design*: Large product firms with distributed global design operations no longer have the luxury to fly in teams for weeks to connect design components of their concept cars and create the latest prototype. They see each other on a whiteboard window across 11 time zones, and walk around their concept product in a virtual-reality theater often reaching out

deep into it to make adjustments, virtually.

**Epilogue:** I recently asked Madan a few questions of my own to better understand his favorite company. Here is an extract.

*Fred Smith (the founder) still works at FedEx. What are your thoughts on the effectiveness of succession planning at FedEx?* FedEx has a strong promotion-from-within policy. Most of the senior management (as I mentioned in the book) started their career sorting packages or entry level professionals. FedEx Corp is a holding company managing 4 Operating Companies. There is a rich pool of talent and there are often management transfers between Operating Companies, e.g., the Chief Operating Officer of FedEx Kinkos was a Senior Vice President in FedEx Express.

*"How did the dot-com era influence FedEx's view of the business environment?"*

The dot com played a very positive and powerful role in expansion of business in FedEx. The Home Delivery Service was specifically put in place for Internet shipments. The FedEx Web site was expanded globally to make it easier to do business with FedEx. Of course, lots of internal processes were streamlined and automated using the web.

*Tell me about your best*

*memories at BITS, and how did it influence your life?*

The single most positive BITS experience that helped on day one in the US and continues to help even today was the study habits / academic requirements, (preparing for the second year exams meant refreshing the first year material also; the final year exams meant reviewing all five years' material. After that (grind,) going to the graduate school in US was a breeze, just studying for mid-semester exams. The other positive experience was the value of 'shared experiences' in building close relationships.

---

*Madan Birla (1966 batch) completed his Mech. Engg. at BITS Pilani. He went to the Illinois Institute of Technology (IIT) Chicago for his MS in Industrial Engg. While working for RCA he continued graduate work in Business at Butler University. He moved to Memphis to join FedEx, and also added a MS degree in Counseling from the Univ. of Memphis under his belt. He is a recipient of the the highest recognition for Leadership Excellence at FedEx. Madan is available to speak at executive forums and reached at mbirla@earthlink.net. "FedEx Delivers" is available online at Amazon.com (Hardcover: 215 pages; John Wiley & Sons; June 10, 2005).*

