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FEDEX CORPORATION

A Case Study on Employee Training and the Impact of Social Media

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FedEx Makes a Mistake

On December 19, 2011, Mike*, a FedEx delivery person, set out to do his usual rounds. Christmas was approaching, and has had delivered hundreds, if not thousands, of purchases to customers' doorsteps in time to be wrapped and nestled under a Christmas tree. But, this day was different. Mike had had a long day and there were many stops ahead of him. Naturally, he wanted to complete his deliveries as quickly as possible. As he arrived to a gated home and prepared to deliver a large computer monitor, he weighed his options and walked to the back of his truck, picked up the computer monitor, and began walking to the gate.

Not willing to go through the hassle of ringing the doorbell (located at the gate) and waiting for the homeowner to walk outside to retrieve the package, Mike decided to take a simple short-cut: he threw the computer monitor over the gate. It was in a padded box, so what would be the harm? What Mike didn't know was that this home had a security camera monitoring the gate at all times, and that the homeowner would upload the footage captured by a security camera to YouTube. In the description of the video, he writes:

“Here is a video of my monitor being ‘delivered’. The sad part is that I was home at the time with the front door wide open. All he would have had to do was ring the bell on the gate. Now, I have to return my monitor since it is broken.”



Source: "FedEx Guy Throwing My Computer Monitor"¹

*Fictional name used to personify the situation and illustrate the type of issues some in this position would experience.

In the comments section below the video, another YouTube user recalls a similar experience and claims that he “[stays] away from FedEx as much as [he] can.” Other users describe FedEx as a “very inefficient company,” and another user writes, “I hope you reported this. If you weren't home or he couldn't get in the gate then he should have taken it to the post office. I'm really losing confidence in FedEx.”¹

This small slip-up by a single employee made a sizable impact on FedEx's reputation. The video garnered over 9 million views and was broadcasted by news stations throughout the country. FedEx responded with a video of its own, in which the Senior VP of U.S. Operations at the time, Matthew Thornton III, apologized to customers for the employee's actions. However, the damage had already been done.

This case examines the relationship between upper-level management and lower-level workers in FedEx Corporation, and, more specifically, how that relationship can be improved through effective communication ultimately to provide customers with the highest quality service possible.

Company Background

In 1965, while he was attending Yale University and earning a Bachelor's degree in economics, Frederick W. Smith wrote a term paper for Professor Challis A. Hall's Economics 43A class that contained a blueprint for a delivery service that would use a “hub-and-spoke” approach to handle the routing of packages.² The hub-and-spoke model entails first sending parcels through a centralized sorting facility before shipping them onwards to their intended destinations. This archetype eventually became the foundation of Federal Express, a company Smith founded in 1971 upon his return from Vietnam, where he had served as a Marine Corps Officer from 1966 to 1970.

In a 2004 interview with Bloomberg Magazine, Smith claimed that the inspiration behind his paper “[came from] a very simple observation: As society automated, as people began to put computers in banks to cancel checks (rather than clerks), or people began to put sophisticated electronics in airplanes, society and the manufacturers of that automated society were going to need a completely different logistics system.”³

Smith identified the astounding difficulty in getting parcels and other airfreight delivered in one or two days, and he made it his company's mission to address and alleviate this problem. On April 17, 1973, with the launch of 14 small aircraft from Memphis International Airport, Federal Express officially began operations. That night, it delivered 186 packages to 25 different cities from Rochester, New York, to Miami, Florida.⁴

In 1994, Federal Express changed its name to “FedEx,” taking a hint from its customers, who often referred to the company by its shortened name. Then, in 2000, the company was renamed “FedEx Express” to reflect its position within FedEx Corporation's broader portfolio of services. This name change signified just how large Smith's company had become. No longer was FedEx strictly an overnight delivery service: it was a logistics empire.

Today, FedEx Express has a fleet of 634 aircraft that service more than 220 countries and territories, including every address in the United States. Each day, FedEx Express handles more than 3.9 million packages and over 11 million pounds of freight. In 2012, FedEx had roughly 300,000 ground level employees throughout the company, and 20,000 independently contracted workers handling their ground delivery service.⁵ For the 2013 fiscal year, the company generated over \$27 billion in revenue.⁴

Company Culture

An important part of FedEx's ethical standards is its emphasis on company culture, safety and customers, as expressed on the company's Company Overview and Facts webpage:

“Consistently ranked among the world's most admired and trusted employers, FedEx inspires its more than 300,000 team members to remain "absolutely, positively" focused on safety, the highest ethical and professional standards and the needs of their customers and communities.”⁶

For a large corporation like FedEx, it is extremely difficult to realize a common company culture. However, to instill its core values, FedEx promotes a “Culture of Safety” to its 160,000 employees worldwide. FedEx invests millions of dollars in equipment and training to prevent injuries and accidents in the workplace. For FedEx Express alone, illness and injury rates have decreased by almost half over the past 35 years.⁷

FedEx's reinforces professional standards and customer service through their Code of Business Conduct and Ethics, which states: “Throughout the world, the FedEx name is synonymous with integrity and reliability. Our reputation is an important strategic asset – it is up to all of us to protect and enhance it. In today's environment, our strong corporate reputation is invaluable.”⁷

Employee Training

FedEx strongly believes in training its ground-level workers, because it enhances employee performance and productivity, which in turn improves the service quality, reduces employee turnover, and increases profitability for the company as a whole. During its training sessions, FedEx emphasizes the slogan “P-S-P,” an abbreviation for “People-Service-Profit.”⁵ Thus, it is clear the company cares about its employees and understands that its profitability depends largely on their ability to provide excellent customer service.

FedEx offers on-the-job training to its employees, including mentoring programs and group discussions and interactive videos, to ensure its employees provide services to customers based on core values.⁵

Additionally, all FedEx employees and independent contractors go through a comprehensive orientation program to equip themselves with the necessary skill sets for their respective job duties. This orientation program also teaches FedEx team members to relate to one another without discrimination. For independent contractors to be able to work with FedEx, they must participate in FedEx Culture of Safety programs, fulfill an orientation program, engage in training programs, and agree to FedEx's Code of Business Conduct and Ethics.⁵ Though

numerous training and employee development resources are available to independent contractors, the contracting company is largely responsible for monitoring their own workers.⁸

FedEx also has an employee recognition program, which gives the following awards and accolades to ground-level workers and managers:⁹

- Five Star Award – for exemplifying excellent service and teamwork practices
- Bravo Zulu Award – for going above and beyond their job requirements to help the company’s profitability
- CEO Safety Award – for promoting excellent safety standards

Perks to winning these awards include cash bonuses, trophies, movie theater tickets, etc.

FedEx Makes Another Mistake

On July 24, 2013, two FedEx workers in Manhattan made a stop at approximately 6 p.m. to pick-up and load packages into their truck. After carting around 50 medium-sized boxes (13.25" x 11.5" x 2.38") to the back of the truck, and likely wishing to take advantage of any opportunity to shorten their work day, one worker began to recklessly throw piles of 5-6 boxes into the back of the truck. Although the second worker was hesitant to join at first, the first worker gave the second worker a “thumbs up” as a sign to join in the box throwing.

The second worker took a larger and heavier brown box and sent it crashing to the back wall of the truck, hitting many other boxes on its descent. Though these two workers exchanged a warm laugh together, they had no idea that the driver of the car parked directly behind the FedEx truck was recording the entire scene on his Smartphone.

YouTube user *banstaman* uploaded the footage later that evening, and it soon reached over a million views. Days later, this video was circulating throughout national media outlets.

In the comments section, one YouTube user states, “How was she getting away with this in the first place?! Is there anyone even watching over these FedEx workers and keeping them accountable?” Another user comments, “and that is why people don’t like to use FedEx.”¹⁰

What's Missing?

Despite its comprehensive training programs and strong efforts to promote a distinct company culture based on People-Service-Profit, FedEx has experienced the same problem of delivering inadequate customer service time and time again. Moreover, in today's media-driven world, corporate problems are magnified like never before. Anyone with a video camera or Smartphone now has the ability to impact a company's reputation with only a few clicks of a mouse.

The proliferation of social media affects all companies. More so now than ever, companies need to ensure that their ground-level workers are providing quality customer service at all times. The question is, after all of FedEx's efforts to train its employees and foster a constructive company culture, what's missing?

Discussion Questions

What are the most pertinent questions that should be asked in order to address the critical issues, main decisions and possible solutions to this case?