

# FedEx Corporation: Structural transformation through e-business

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## Abstract

FedEx Corporation “structural transformation through e-business” is most interesting in relation to its way through the adaptive cycle. FedEx adopt a new strategy for implementing a right solution to leverage its cross-company synergies and its information and logistics infrastructure to create e-business solution for its customers. The purpose of this mini case study is to analyze history of FedEx Corporation emphasizing different phases of its timeline through the Adaptive Cycle.

## Keywords:

Strategy, infrastructure, Adaptive Cycle, restructure

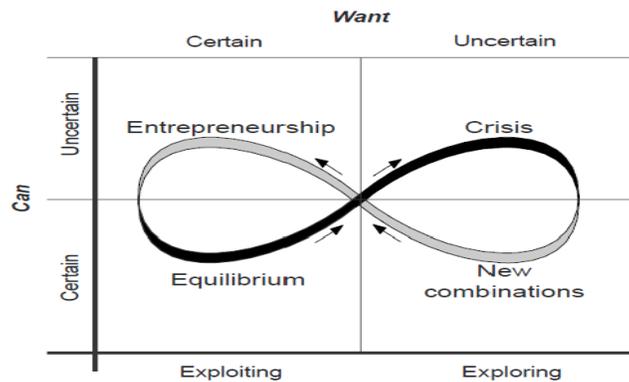
## Introduction

FedEx was the pioneer of the express transport and logistics industry and Fred smith (chairman, president and chief executive of FedEx) truly believe on adaptive changes and involve new technologies in corporation. For example under Smith’s leadership, the company had set a few records with breakthrough technology. In the 1980s FedEx gave away more than 100,000 sets of PCs loaded with FedEx software, designed to link and log customers into FedEx’s ordering and tracking system. FedEx was also the first to issue handheld scanners to its driver that altered customers of when packages were picked out or delivered.

Fred smith and his team also launched a website that included tracking and tracing capabilities. However, company changed structural transformation through e-business time to time and adopt new technologies in business. The core of FedEx’s corporate strategy was to use IT to help customers take advantages of international market **but 1998, FedEx was a US10 billion company spending US51 billion annually on IT development plus millions more on capital expenditure. It had an IT workforce of 5,000 people.**

## Adaptive cycle of change

According to the adaptive cycle of change a FedEx corporation can be located into the following four quadrants: Equilibrium, Crisis, New combination and Entrepreneurship.



## Equilibrium

The state of the FedEx Corporation in the equilibrium phase is stable. The main objectives of the corporation are an advancement of an IT in the business and provide value added activities such as order processing, distribution center, inventory control, purchasing, production and customer and sales services.

## Crisis

In January 2000, CBS Market Watch Live reported that FedEx's business was maturing and was not growing as fast as it used to. Furthermore the industry was loaded with companies, local and global that provided a myriad of transportation services to a wide range of business. Competition was fierce. All major transportation and delivery companies were betting bid on technology. Although FedEx pioneered the web-based package-tracking system, such systems became the industry norm rather than a competitive advantage. In 1999 other companies are focusing on intranet and extranet technology but FedEx was fail to adopt to new technology changes and developing all IS software in house which gives more cost for developing the software, quality and maintenance.

### *The comparisons of FedEx crisis with other competitors*

**UPS.** However, company like UPS as competitors of FedEx formed a strategic alliance with open market, a US-based provider of internet software, to deliver a complete internet commerce solution providing integrated logistics and fulfilment. They were also working with IBM and Lotus to standardize formats on their website. The company shipped more than 55 per cent of goods ordered over the internet and offered over the full range of logistics solutions to its customers.

**DHL.** In 1993 DHL announced a four-year US\$1.05 billion worldwide capital spending program aimed at investing in handling system, automation, facilities and computer technology. The company launched its website which owned by Deutsche Post and Lufthansa airlines.

**TNT.** In 1998. TNT launched a web collection facility on the internet. Later the same year, TNT launched the world's first global price checker service on its website that allowed customers to calculate the price of sending a consignment from one place to another anywhere in the world. Other applications were under development that would allow customers to integrate with TNT's online services and it also

launched first customer extranet, customized services environment. This offered regular customers easy access to detailed and personalized shipment information through the use of user IDs and password.

## New combinations

FedEx realized soon that its competitors are taking more advantages after adopting new technologies. However for eliminating the crisis FedEx came with new solution and strategies. On January 19, 2000, FedEx announced three major strategic initiatives:

1. A new branding strategy that involved changing the company's name to FedEx Corporation. So more customers can use FedEx reliability as strategic competitive advantages.
2. Major reorganization such that there would be one point of access of sale, customer services, and billing and automation systems.
  - a. Single customer service, claims and trace information by calling 1-800-Go-FedEx(800-463-3339) or visiting [www.FedEx.com](http://www.FedEx.com)
  - b. A single invoice and single account number for FedEx.
  - c. Streamlined customer automation systems to handle electronic transactions and database management needs for small and large businesses.
3. Introduce of a new low-cost residential delivery service.

## Entrepreneurship

In the entrepreneurship phase FedEx is trying to meet customer needs and giving cutting edge services to customers with an integrated set of business solutions. Thus, FedEx had pioneered many logistics solutions that had helped it to achieve economies of scale faster than its competitors, the advantages were quickly eroding as newer technologies became even more powerful and less expensive

## Conclusion

For any organization sustainability is very important and for having sustainability in an organization adaptation of new technology is very important on a right time. However, we can conclude that FedEx implemented adaptation of new technology on each period or whatever they needed but they were failed to realized the cost of those changes and other companies like UPS, DHL, TNT were taking more advantages after giving low cost services to their customers.

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