

MEMORANDUM

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FROM: William E. Roberts

DATE: July 31, 2006

RE: FedEx Delivers

Ladies & Gentlemen,

Along with this memorandum you will find a copy of “FedEx Delivers.” At Jim Sherman’s suggestion (thank you, Jim) I read it while out of the office recently.

I used to feel that what we have worked to build at RED was de novo, cut from whole cloth, unique. But, as I read books like “FedEx Delivers” I find that, to a meaningful degree, others have traveled the same general path. There is value in that discovery. It is reassuring to know that there are precedents in very successful firms for a good deal of what we have “invented.” There is much to be learned from the experiences of other organizations which similarly value both customers and colleagues and which similarly discard much of the conventional wisdom, and, therefore, have tended to evolve in the same general direction as RED. And, reading about the success of such organizations, e.g., firms such as FedEx, ought to stimulate us to continue the evolution of our culture while encouraging us to protect it.

As I read “FedEx Delivers,” I was struck not infrequently by advice, observations and comments which I think would ring true at RED. Examples follow:

“Leaders must create environments that not only challenge employees but encourage them to have fun and interact with others throughout the organization”

“. . . [H]umans are inherently creative beings and have a psychological need to make a difference and to be part of a winning team.”

“. . . [T]he unique culture FedEx [insert RED if you like] influenced employees to go above and beyond the call of duty to make sure the company kept its promises to its customers.”

“In today’s economy, there is no such thing as a sustainable competitive advantage. The frenetic pace of technological changes, increased globalization, and relentless shifts in consumer tastes all demand that companies continually ask: ‘What could we be doing differently to enhance our competitive edge?’ and ‘What could we be doing differently to serve our customers better?’ “

“Growth comes from anticipating and meeting changing customer needs in a competitively differentiated way. Competitive differentiation comes from designing and delivering customer value propositions that are superior to those of competitors and that appeal to both head and heart.”

“Innovation is a people process.”

“Everyone must believe that whatever they are doing today can be done better tomorrow.”

“Leaders at all levels inspire others to become actively involve in generating, accepting, implementing creative ideas.”

“A company must realize that the needs of the four stakeholders are related and mutually supportive. Doing good for the community increases employees pride in the company. Employees participation in charitable activity supported by the company makes them feel good about themselves. Customers and shareholders like to be associated with companies that are forward thinking and take the initiative to address major societal issues.”

“Even before management candidates become frontline managers, they are taught that employees who will be reporting to them will not be working for them. On the contrary, as managers they will be working for the employees. To get that point across, candidates are urged to think about FedEx’s organizational structure as an inverted pyramid. [Honest to goodness, I had not read this book and had no inkling that FedEx looked at itself this way before writing my memorandum on Organization Structure which employed the concept of an “inverted pyramid” some six weeks ago or so]. The most important people are the many employees on to top that directly serve customers. Managers support them, making sure they have the knowledge, skills and resources they need to deliver impeccable customer service. Each successive layer of management supports the layer above it down to the CEO who supports the entire enterprise.”

Chapter 19 which is titled “Tap Employees Commitment” begins with a quote from Fred Smith, Founder and CEO of FedEx: *“I firmly believe that employee dedication mirrors the extent to which an organization demonstrates its commitment to its people. When people know what is expected of them, understand that outstanding performance is rewarded and believe they can make a difference because they will be listened to and are allowed to put their ideas to work, they will make a difference.”*

Beyond those and many other viewpoints and admonitions which I think (and hope) will resonate with each of us, FedEx Delivers describes the FedEx approach to encouraging innovation and to assuring (or at least encouraging) the growth and development of its people. Both are as important to RED as to FedEx and there is much to be learned from the FedEx approach. I hope you will humor me by thoughtfully reading the entire book but if you read no other parts, please read Chapter 6 (helping each other and all of our colleagues grow is essential to RED’s development) and Chapter 7 (creating a secure environment for the expression of ideas is critical to innovation and thus to growth). Those chapters and many others are full of ideas which are entirely consistent with RED’s culture and world view. Many of the ideas are new to us, but given their cultural compatibility they can be applied at RED immediately as we work together to grow and refine RED’s culture, its business processes, and its approach to people--both employees and customers. Considering and employing as appropriate such ideas will energize us personally and invigorate RED as a firm.

Bill

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Enclosure