The Anderson School at UCLA

FEDERAL EXPRESS, INC. (A)

In December 1988, Fred Smith, Chief Executive Officer (CEO) of Federal Express, Inc. (FedEx), faced a decision that might dramatically increase the size and scope of his company. Tiger International, the parent company of the world's largest international freight company, Flying Tigers, had approached Smith with an offer to sell the whole company to FedEx. The proposition was tempting for Smith, who had modestly expanded FedEx internationally since 1984 via the purchase of several small international courier companies. The potential acquisition of Flying Tigers provided a tremendous opportunity for FedEx. Through this acquisition, FedEx would become the largest international cargo company in the world and would gain access to the highly coveted Asian market, where scarce landing rights were almost impossible to obtain.

However, the contemplated purchase of Flying Tigers was not without associated problems. FedEx would have to absorb 6,500 Tiger employees, most of whom were unionized, into its own non-union organization; the number of foreign countries served would triple; and the number of foreign employees would double, straining FedEx's administrative staff and challenging the company's strong centralized organization. Moreover, none of FedEx's foreign acquisitions had yet become profitable, and major expansion of the company's international network could endanger its domestic operations by draining cash to subsidize foreign operations.

Smith needed to make his decision quickly, because other companies, including the industry's largest, United Parcel Service (UPS), also found Flying Tigers attractive and could well try to outbid FedEx. Acquisition of Flying Tigers by UPS almost certainly would mean that FedEx would never be able to get the routes necessary to becoming a viable force in the international market. However, Smith had not built FedEx by avoiding difficult decisions, and he would not be easily dissuaded from his goal of making FedEx an important player overseas.

Company History

On April 1, 1973, FedEx picked up its first packages for overnight delivery; there were six packages in all, four of them test packages. Three years passed before FedEx achieved profitability, during which time the company struggled to stay afloat. That initial struggle was

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instrumental in creating the strong corporate culture that continued to exist at FedEx. Smith and his company emphasized people and service (see **Exhibit 1**), and that commitment led to the company's startling growth in the decade following its creation (see **Exhibit 2**). By 1989, FedEx remained the largest enterprise in the United States built on venture capital, and one of the most successful. It employed 80,000 people and earned gross revenues in excess of $5 billion. Throughout its history, FedEx has been especially aggressive in the adoption and development of "progressive" human resource policies.

FedEx was the creation of Frederick W. Smith, son of a Southern entrepreneur. Smith learned to fly when he was fifteen, and his passion for aviation continued through his years at Yale in the early 1960s. Upon graduation, he went to Vietnam with the Marines, and gained his first managerial experience there, first as a platoon leader and later as a captain. Joining the military in the 1960s was a significant decision for Smith. Well educated young men with trust funds were not particularly well represented in the U.S. armed forces at that time, and Smith went against popular sentiment by volunteering for military service. In so doing, he fought side by side with working class men of varied races and backgrounds. Smith credited his military experience with the close attention he later gave to rank and file employees in his companies.

His first business venture was Arkansas Aviation Sales, a company based in Little Rock, which repaired and maintained private aircraft. His father took the company over in 1967, and Smith in turn took control of it when he returned from military service. Under Smith's direction, the company emphasized the sale of used corporate aircraft and de-emphasized aircraft maintenance, which resulted in major financial success. Nevertheless, Smith grew increasingly dissatisfied with the business and, in the early 1970s, began to look for another business which could benefit from his knowledge of the used aircraft market.

While at Yale, Smith wrote a term paper which outlined his belief that there was an under-served market for a timely and efficient high priority package delivery system. Though he received a C- grade on that paper, Smith felt that his core idea was valid and he began to think seriously about the possibility of starting a new air courier service company. At that time, the small package delivery business was shared by the industry leader, UPS, which primarily transported items that were not time-sensitive; Emery Air Freight, which specialized in overnight deliveries; the Parcel Post service offered by the U.S. Post Office; and several airlines, each of which accepted small packages for next-plane-out delivery. Overnight delivery services were expensive and virtually unknown to small businesses and individual consumers.

Smith was convinced that there was a large, untapped market for a reasonably priced, reliable package air delivery system. He rethought the concept of overnight delivery and took advantage of the latest technology to provide a completely new service to customers who had not previously considered overnight delivery. He conceived of FedEx primarily as a service company, and only secondarily as a transportation company; that is, customers would primarily be buying a service. The central components of the new system were as follows:

Ownership of airplanes. In 1973, when FedEx was established, there were no companies with aircraft dedicated to small package deliveries. Other courier services contracted with freight companies and commercial airlines on an as-needed basis to carry their packages from point to point. Ownership of airplanes allowed Smith to develop a hub and spoke system, making it far easier to control the operation from beginning to end. However, this also meant that volume was critical, since flying an airplane with only a few packages aboard was prohibitively expensive.

Computerized tracking of packages. No other delivery service was able to tell its customers exactly where a package was located at any point in the delivery process. The use of new technology provided FedEx with far more information about its operations than competitors had about theirs, and FedEx continuously used this information to streamline its operating processes. This monitoring also gave FedEx customers a feeling of security, which no other courier service could match.

100% quality. For FedEx this meant that every package had to be delivered on time and that every customer inquiry had to be handled in such a way that the customer was fully satisfied. Smith realized early in the development of the company that 98 percent, or even 99 percent, accuracy would leave thousands of customers dissatisfied, and would undermine the company's commitment to absolute reliability. This commitment to quality was still apparent in numerous aspects of FedEx's culture. For employees, the commitment to 100 percent quality meant that every individual action was important, since there was no margin for error. Employees were individually responsible for their parts of the 100 percent quality goal.

Commitment to employees. Smith believed that FedEx's primary sales force was its couriers, since they had the most contact with customers. FedEx recruited and trained its employees based on the premise that their individual efforts were critical to the success of the company, and with the promise that those efforts would be rewarded by attractive compensation packages, substantial opportunities for promotion, and lifetime employment. Unlike other courier service companies, FedEx rarely used contract employees and consequently was better able than its competitors to control the image and performance of its workforce. This high commitment to employees also provided Smith with a strong defense against the unionization of FedEx's work force, which he felt would limit the company's flexibility in making operational changes and reduce its control of the package delivery system.

FedEx struggled to survive during its first few years, and was close to bankruptcy more than once. Smith worked continuously to keep the business a going concern. He invested his inheritance in the company and borrowed money whenever and wherever he found it. Stories from the early days of FedEx have become part of the company's culture and illustrate the commitment of Smith and his employees to keeping the company in business. When FedEx ran short of cash and credit, pilots charged jet fuel on their personal credit cards to keep the airplanes flying. Not all of the stories told about the early years of FedEx reflect favorably on Smith, however. For example, Smith's sisters sued him for raiding the family trust fund to pay FedEx's bills.

Smith also vigorously lobbied the U.S. Congress to change FAA regulations that prohibited FedEx from flying the large airplanes that were required to provide the efficiencies necessary to the company's survival. The commercial air carriers fought just as hard to prevent these changes in FAA regulations. Smith won a major battle in 1977, with the Congress' passage of a domestic all-cargo deregulation statute. Without that legislation, FedEx could not have achieved rapid growth rates or attained its present size. While Smith was fighting to keep the company alive, FedEx undertook numerous advertising campaigns designed to create customer awareness of the new service it was offering. The company's motto, "Absolutely, positively, overnight!", began to catch on with the public and, in 1976, the company posted its first profit.

FedEx's profits grew rapidly during the early to mid-1980s (see **Exhibit 2**), but profitability declined following the company's introduction of "Zapmail" in 1983. A point-to-point fax service, Zapmail was subsequently rendered obsolete by the introduction and diffusion of inexpensive fax machines during the late 1980s. Zapmail required a large capital investment in specialized equipment; when FedEx wrote off that equipment in 1987, it suffered a substantial loss. By 1988, however, FedEx had achieved a 50 percent share of the overnight mail and package delivery market and experienced its most profitable year. Also by 1988, FedEx employed 70,000 people, roughly 10 percent of whom worked outside the United States.

Operations

FedEx offered express delivery of packages up to 70 pounds in weight to most of the world. In the United States, such packages would be delivered by 10:30 a.m. the next day, and the company was presently attempting to institute overnight delivery to most of the world. This delivery system was based on a hub and spoke configuration. The process started when a local courier either picked up a package from a customer or the customer delivered the package to a FedEx drop-off location or office. Usually customer pick-ups must be made by 5:00pm and drop-offs by 6:00pm for next day delivery. The packages were then delivered to the local airports where FedEx airplanes transported them to appropriate hubs. During the flights, employees began electronic package sorting, and this continued after the aircraft were unloaded at the hubs. Typically a FedEx airplane was on the ground for about three hours during which time it was reloaded with packages bound for its original take-off point; the aircraft then made the return trip. FedEx trucks waited at the airports to load packages for final sorting into individual courier routes. This process was a twenty-four hour a day operation requiring both full-time and part-time employees.

Throughout the operation, packages were tracked by the bar-codes imprinted on their labels. Individual couriers carried bar-code readers with which they checked packages in and out as they were transferred. These bar-codes were connected to computers accessed by customer service representatives, who could then inform customers about where their respective packages were in the system at virtually any point in time. In addition to delivering packages, couriers carried FedEx shipping materials and labels pre-printed with customer names, addresses, and account numbers to expedite the consignment of packages and ensure efficient package handling.

FedEx continually evaluated its operations with a view toward making the system more efficient. Employees were encouraged to offer suggestions for improving their jobs and, more broadly, operating processes. Individual customer service representatives and couriers were given autonomy to make on-the-spot decisions to deal with operating problems and customer concerns. However, FedEx's corporate office in Memphis, Tennessee made all policy decisions and provided for standardized employee training programs, performance evaluation procedures and operating processes. The company slogan, "Make It Purple!"(a reference to FedEx's unusual purple and orange color scheme), exemplified FedEx's emphasis on company-wide adherence to standardized operating policies and practices.

The success of FedEx was built on its commitment to the motto, "People - Service - Profits." Fred Smith understood that without the dedication of its employees, FedEx could not deliver on its promise of high quality service to customers. Smith underscored this point in a FedEx policy statement:

> "Our customers' perception of quality is critical. A positive interaction adds value - a negative experience can be devastating. And the kicker is, we can't recall a bad experience with a customer like a manufacturer can recall a faulty part, fix it, and put it back into service so it works right the second time. So in trying to understand the service side of quality, one must necessarily grasp the significance of the human side of quality."

Competition

Fred Smith had started FedEx in the belief that there was a market for overnight delivery service that was not being adequately provided by existing companies. However, by the 1980s and following FedEx's success, a number of existing and new carriers began to compete directly with FedEx for dominance of the overnight package delivery business.

United Parcel Service. UPS was the oldest and largest private delivery company in the United States and remains the nation's largest ground package delivery service. In 1986, its average daily volume of delivered packages was 8.3 million. UPS was a privately held company, and its employees had been unionized since 1927. The company delivered packages to virtually every location in the United States and has local operations in many countries. Until 1991, packages had to be dropped off at a UPS facility for shipment unless the sender had established a UPS account and paid a weekly fee for regular site pickups. UPS had been slow to integrate computerized tracking system and company-owned aircraft into its operation and had often contracted for these services. Although it had offered its two-day "Blue-Label" service since 1953, UPS did not aggressively market this service until the late 1970s. Furthermore, the company did not offer an overnight delivery service until 1982.

United States Postal Service. The U.S. Postal Service (USPS) instituted its overnight "Express Mail" service in 1978; by 1986, it was handling 40 million pieces per day. The USPS offered attractive prices, and outgoing express mail could be picked up by the regular mail carrier for next day delivery, dropped off at a local post office, or deposited in special post office boxes located in many commercial areas. Employees were civil servants who were subject to government regulations and compensation programs. Individual packages handled by the USPS could not be tracked until and unless they failed to arrive at their destination.

Emery Air Freight. Emery was the leading air-freight forwarder at the time that FedEx entered the package delivery market in 1973. Most of Emery's shipments were handled through contracts with airlines, freight companies and local delivery services, and it had limited international exposure. Any business could call Emery for local pick-up of packages without having established a prior account. The service was relatively expensive and there was minimal tracking of packages. In an effort to counter FedEx, Emery instituted regular overnight service with competitive pricing in 1978. By 1986, Emery's daily volume was 42,000 pieces. One year later, Emery merged with Purolator, a company which specialized in ground package delivery. Following the merger, the new company accounted for 12 percent of the total overnight delivery market in the United States.

Airborne Freight, Inc. Airborne began in business as a traditional freight forwarder, much like Emery. However, it was quicker than Emery to respond to the threat posed by FedEx and quicker to adopt FedEx's practices of using computerized package tracking, owning its own aircraft, and offering on-call package pick-up. Airborne was involved in both domestic and international delivery services. By 1986, its express service handled 105,000 pieces per day.

Commercial Airlines. Most U.S. commercial airlines had offered some form of next-plane-out, small package delivery service whereby packages were shipped from airport to airport on regularly scheduled flights. These carriers had always sold cargo space on commercial flights, but their cargo operations were not set up to handle priority packages. Further, it often took several hours, sometimes days, to retrieve cargo that had been shipped on particular flights. Various small package delivery services contracted with local delivery companies to provide door-to-door service if customers did not want to pick up or drop off packages at airports. However, the cost of these services had traditionally been high and package tracking capabilities had been limited. Most airlines stopped marketing these services during the mid-1980s. Although still available, these services were usually assigned very low priority by commercial air carriers.

Human Resource Policies

The strong emphasis placed on human resources at FedEx was one of the company's most notable features, and the personnel function, headed by Senior Vice-president James Perkings, was one of only four staff functions that reported directly to the CEO (see **Exhibit 3** for a diagram of FedEx's organization chart). FedEx continually evaluated and revised its human resource policies, yet these policies continued to reflect the strong culture which Fred Smith imparted to the company on its founding in 1973. Many companies claim that "people are our most important resource," but relatively few companies actually formulated policies on the basis of this belief. Fred Smith commented:

> "The problem of consistently keeping people first is hard work. Putting people first in every action, every planning process, every business decision, requires an extraordinary commitment from every manager and every employee. Every company says it's a people company. FedEx's challenge is to infuse that philosophy with action. Putting this somewhat ideal philosophy into practice means we must look for a multitude of ways to replace talk with action."

Virtually every FedEx statement of company policy, list of instructions or explanation of operations began with a reference to people. Rather than selecting one or two "progressive" human resource policies - such as management by objectives or employee involvement and participation - as touchstones of the company's human resource strategy, FedEx employed a portfolio of human resource policies which it believed fit closely with its overall business strategy and objectives. Among these human resource policies were the following:

Employee Recruitment and Training. FedEx searched the labor market for energetic recruits who possessed entrepreneurial spirit. This was true for all types of new hires, ranging from couriers to pilots. Most new employees were given three months of orientation training, which included job-specific skills as well as immersion in company policies and procedures. Training was continuous, though dependent in part on an employee's career goals. Most employees received several weeks of formal training each year, both to learn about new procedures and technology and to acquire and hone the skills necessary for advancement within FedEx. Leadership training for supervisors, managers and executives was provided on a regular basis and was regarded as one of the key components of the company's portfolio of training programs.

No Lay-off Policy. Lifetime employment was an unusual (and declining) practice among U.S. companies, but FedEx followed a no-layoff policy in order to retain its experienced workforce, increase employee loyalty and reduce the incentives for employees to become unionized. This policy was severely tested during the economic recession of the early 1980s, but no layoffs took place despite another company policy authorizing layoffs in the case of extreme financial constraints. This fact had become one of the often-cited internal stories about FedEx's culture and it gave credence to the concept of lifetime employment. However, there was some flexibility in this policy in that FedEx employed temporary as well as casual "on-call" employees who did not have lifetime employment. Stated differently, lifetime employment applied to the core work force, but not the peripheral work force at FedEx.

Promotion From Within. At FedEx, most supervisory and managerial position were filled from the existing workforce, that is, from within. This feature of the company's internal labor market was used by FedEx to attract and recruit job applicants, and the company believed that it was especially helpful in attracting high quality recruits. Promotion from within was also intended to insure that those who were promoted to supervisory and managerial position would understand the problems of their subordinates and would be thoroughly familiar with the company's culture.

Grievance Procedures and Voice. The "Guaranteed Fair Treatment" (GFT) procedure and the "Survey-Feedback-Action" (SFA) plan were two formal mechanisms through which employees could express their concerns and dissatisfaction to the management of FedEx (see **Exhibits 4 and 5**). The GFT was a progressive three-step process through which employees could file written appeals and was open to any employee who felt that he or she has been treated unfairly; this included supervisory and management personnel. Most written complaints were resolved at the first level, but approximately 650 complaints annually would go to the next two higher levels for settlement. The SFA was an annual survey of employee opinions about workplace and organizational practices which required managerial responses in the form of action plans to address employee concerns. In addition, FedEx has an "open door" philosophy which encouraged employee communication with management. All of these policies were designed in part to obviate the need for unions and unionized grievance procedures.

Compensation and Financial Participation. FedEx's compensation levels were competitive with those of other firms in its industry, though it attempted to stay a bit ahead of median pay rates in the labor markets and communities in which it operated. Annual compensation incorporated both fixed and variable components. Pay increases were based in part on changes in labor market rates and in part on individual merit, as determined through annual performance appraisals. Further, all full-time employees were eligible to participate in the company's profit-sharing plan. Thus, FedEx's compensation philosophy could be said to reflect a combination of pay for inputs and pay for outputs.

Performance Appraisal. At FedEx, each employee's job performance was evaluated twice annually by his or her supervisor. An employee who received a negative performance evaluation or who had violated company policies must follow a "performance improvement program," which was jointly agreed to by both the employee and his or her manager. The purpose of the program was to enhance employee job performance and/or correct substandard behavior. The last stage of this process consisted of a one day paid leave during which time the employee stayed home and considered whether or not to remain with the company. If the employee decided to stay with FedEx, he or she must present a plan to the appropriate supervisor outlining the steps to be taken to improve job performance. FedEx also maintains a Leadership Evaluation Awareness Process (LEAP) for the purpose of identifying candidates for management positions with the company. The assessments derived from this program were used to fill middle and senior management vacancies, including positions from which FedEx executives eventually retire.

Recognition. In addition to maintaining certain incentive compensation programs, FedEx recognized outstanding employees through such programs as the "Bravo Zulu" award. Based on a U.S. Navy flag which means "well done" this award was given to employees in recognition of their special efforts, particularly in the areas of teamwork and cooperation. The award included "Bravo Zulu" certificates, small cash payments, and vouchers that could be used for restaurants and tickets to theatrical or sporting events. Supervisors may confer such awards whenever they felt that certain employees had rendered exceptional performance.

Communications. FedEx employees were distributed throughout numerous locations in the United States. The company's communications programs were designed to promote a feeling among employees that they were part of a unified team even while being geographically separated. FedEx maintained its own television network and transmitted daily broadcasts to each of its distribution centers in the United States. These broadcasts were also videotaped and played back in employee cafeterias during work breaks. Broadcast messages included the previous night's service record, the company's stock performance, workplace safety updates, and other items. Fred Smith often appeared on the company's television network, particularly when FedEx had been in the news. In this way, employees were made to feel that they got most of their information about the company from internal rather than external media sources.

Expansion Opportunities and Issues

Although FedEx grew rapidly in the domestic market during the 1970s and 80s, to the point where it became a major business success story, a critical question facing the company in late 1988 was whether or not it could expand internationally while preserving its impressive service record. Arnetta Green, Manager of International Personnel at FedEx, expressed her concern about this matter:.

> "We are still learning how to work with the different countries in which we have offices; I can't imagine how we will cope with double the non-U.S. employees we already have. And, we have had very little exposure to Asian countries. I don't know how we can translate our training materials into Asian languages without at least a year's lead time, and it doesn't look like we will get more than a few months."

Charles Thomson, at the time Vice-President for Human Resources of Flying Tigers, expressed concern about how unionized pilots in his company, who were accustomed to exercising considerable autonomy, might react to the more highly structured and centralized FedEx organization.

> "By and large, the pilots of Flying Tigers were angry at the prospect of the merger. The company had just enjoyed its most profitable year, and many pilots felt that instead of rewarding the employees, management was selling them off."

Despite these concerns, Fred Smith was convinced that FedEx should seriously pursue additional acquisitions in order to launch the next phase of the company's development. Smith believed that if FedEx chose not to become a major global business player, the company's share of the international market would erode and its core domestic business would increasingly be threatened by stronger, global competitors. However, Smith wondered if acquiring Flying Tigers was the best way to achieve international expansion and future business success.

Exhibit 1

STATEMENT OF CORPORATE MISSION

Federal Express is committed to our People-Service-Profit philosophy. We will produce outstanding financial returns by providing totally reliable, competitively superior, global air-ground transportation of high priority goods and documents that require rapid, time-certain delivery. Equally important, positive control of each package will be maintained using real time electronic tracking and tracing systems. A complete record of each shipment and delivery will be presented with our request for payment. We will be helpful, courteous, and professional to each other and the public. We will strive to have a completely satisfied customer at the end of each transaction.

Exhibit 2

FEDERAL EXPRESS CORPORATION: SELECTED CONSOLIDATED FINANCIAL DATA
(Years ended May 31st; in millions, except as indicated)

	1988	1987	1986	1985	1984
Operating Results					
Revenues	3,882.8	3,178.3	2,573.2	2,015.9	1,436.3
Operating expenses	3,503.4	2,813.6	2,229.2	1,757.3	1,247.6
Operating income	379.5	364.7	344.0	258.6	188.8
Other income (expense)	(77.1)	(52.9)	(38.9)	(46.3)	(11.9)
Income before taxes	302.3	311.9	305.1	212.3	176.8
Income taxes	114.6	144.9	112.4	73.5	51.4
Income from operations	187.7	167.0	192.7	138.7	125.4
Losses, discontinued operations	0.0	(232.5)	(60.8)	(62.7)	(10.0)
Net income (loss)	187.7	(65.6)	131.8	76.1	115.4
Per Share					
Net earnings per share	3.56	(1.27)	2.64	2.94	2.74
Average shares outstanding (thousands)	52,670	51,905	49,84	46,97	45,448
Financial Position					
Current assets	630.0	507.5	613.3	423.1	328.1
Propety and equipment	2,231.9	1,861.4	1,551.8	1,346.0	1,112.6
Other assets	146.6	130.6	111.3	130.3	85.0
Total assets	3,008.5	2,499.5	2,276.4	1,899.5	1,525.8
Current liabilities	572.1	503.7	431.9	316.9	255.9
Long-term debt	838.7	744.9	561.7	607.5	435.2
Stockholders equity	1,330.7	1,078.9	1,091.7	812.3	717.7
Operating Data					
Average daily express package volume	877,543	794,392	550,306	406,049	263,385
Average pounds per package	5.3	5.1	5.3	5.6	5.5
Average revenue per pound ($)	3.10	3.33	3.40	3.45	3.80
Average revenue per package ($)	16.32	16.97	17.92	19.19	21.03
Airfreight average daily pounds	n.a.	n.a.	n.a.	n.a.	n.a.
Average revenue per pound ($)	n.a.	n.a.	n.a.	n.a.	n.a.
Average number of employees	48,556	41,047	31,582	26,495	18,368
Aircraft fleet at year end					
Boeing 747s	0	0	0	0	0
McDonnell Douglas MD- 11s	0	0	0	0	0
McDonnell Douglas DC- 10s	21	19	15	11	10
McDonnell Douglas DC- 8s	0	0	0	0	0
Boeing 737- 200s	0	0	0	0	0
Boeing 727s	68	60	53	53	47
Cessna 208s	109	66	34	9	0
Fokker F- 27s	5	0	0	0	0
Dassault Falcons	0	0	0	0	0
Vehicle fleet at year end	21,000	18,700	14,500	12,300	9,000

Exhibit 3

FEDERAL EXPRESS CORPORATION: CORPORATE ORGANIZATION CHART

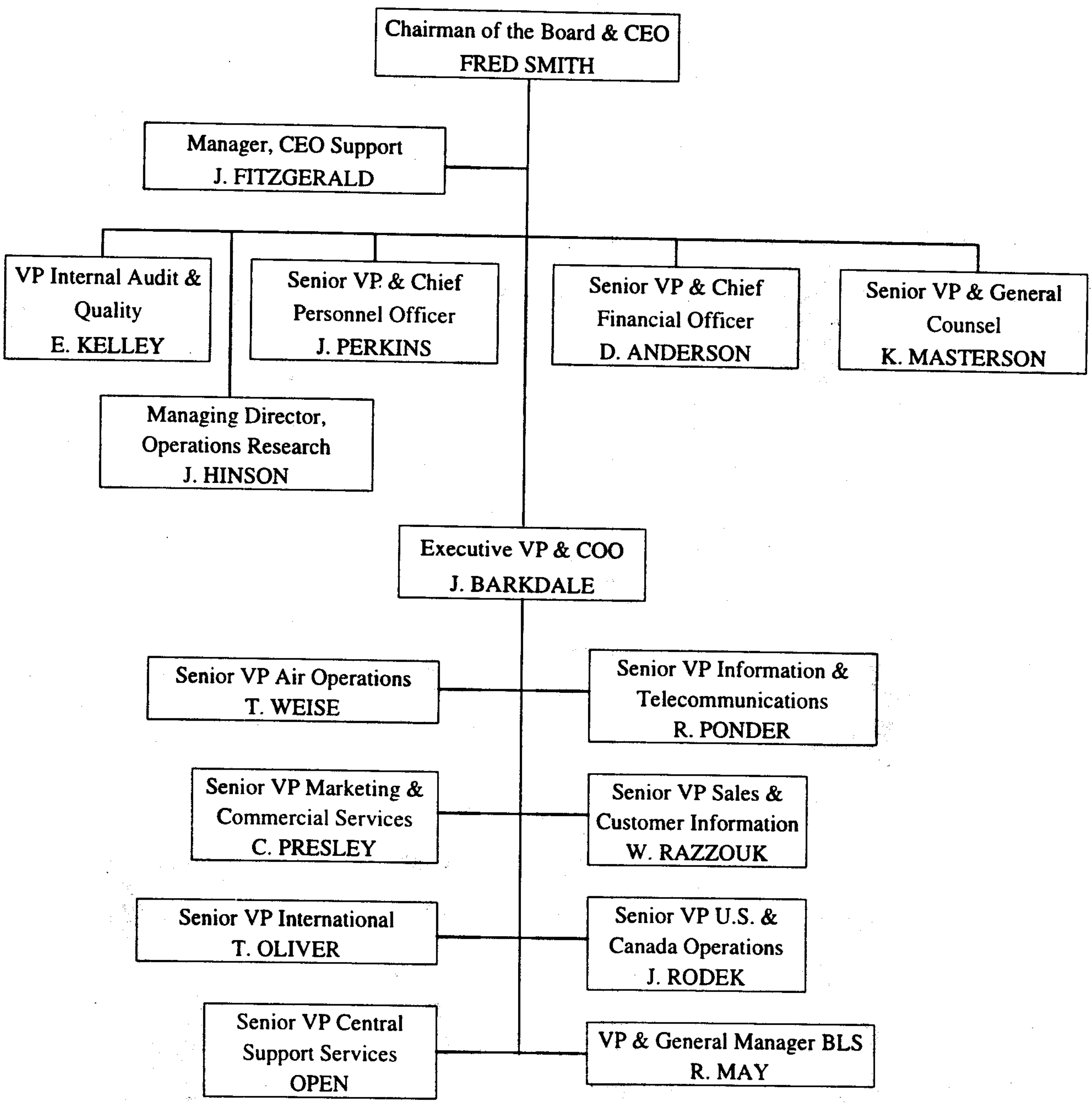

Exhibit 4

FEDERAL EXPRESS CORPORATION: SAMPLE "SURVEY-FEEDBACK-ACTION" FORM

How To Answer: Read each statement carefully. Then to the right of each statement mark the bubble which best expresses your agreement or disagreement with the item. Mark only one answer to each item, and remember to respond to all items. Remember that "workgroup" means all the persons who report to the same manager as you do regardless of job title.

1	I feel free to tell my manager what I think.	SA*	A*	AD*	D*	SD*	U*
2	My manager lets me know what's expected of me.	SA	A	AD	D	SD	U
3	Favoritism is not a problem in my work group.	SA	A	AD	D	SD	U
4	My manager helps us find ways to do our jobs better.	SA	A	AD	D	SD	U
5	My manager is willing to listen to my concerns.	SA	A	AD	D	SD	U
6	My manager asks for my ideas about things affecting our work.	SA	A	AD	D	SD	U
7	My manager lets me know when I've done a good job.	SA	A	AD	D	SD	U
8	My manager treats me with respect and dignity.	SA	A	AD	D	SD	U
9	My manager keeps me informed about things I need to know.	SA	A	AD	D	SD	U
10	My manager lets me do my job without interfering.	SA	A	AD	D	SD	U
11	My manager's boss gives us the support we need.	SA	A	AD	D	SD	U
12	Upper management (directors and above) let us know what the company is trying to accomplish.	SA	A	AD	D	SD	U
13	Upper management (directors and above) pays attention to ideas and suggestions from people at my level.	SA	A	AD	D	SD	U
14	I have confidence in the fairness of management.	SA	A	AD	D	SD	U
15	I can be sure of a job as long as I do a good job.	SA	A	AD	D	SD	U
16	I am proud to work for Federal Express.	SA	A	AD	D	SD	U
17	Working for Federal Express will probably lead to the kind of future I want.	SA	A	AD	D	SD	U
18	I think Federal Express does a good job for our customers.	SA	A	AD	D	SD	U
19	All things considered, working for Federal Express is a good deal for me.	SA	A	AD	D	SD	U
20	I am paid fairly for the kind of work I do.	SA	A	AD	D	SD	U
21	Our benefit programs seem to meet most of my needs.	SA	A	AD	D	SD	U
22	Most people in my workgroup cooperate with each other to get the job done.	SA	A	AD	D	SD	U
23	There is cooperation between my workgroup and other groups in Federal Express.	SA	A	AD	D	SD	U
24	In my work environment we generally use safe work practices.	SA	A	AD	D	SD	U
25	Rules and procedures do not interfere with how well I am able to do my job.	SA	A	AD	D	SD	U
26	I am able to get the supplies or other resources I need to do my job.	SA	A	AD	D	SD	U
27	I have enough freedom to do my job well.	SA	A	AD	D	SD	U
28	My workgroup is involved in activities to improve service to our group's customers.	SA	A	AD	D	SD	U
29	The concerns identified by my workgroup during the last year's SFA feedback session have been satisfactorily addressed.	SA	A	AD	D	SD	U

*Scale: SA=Strongly agree; A=Agree; AD=Sometimes agree/disagree; D=Disagree; SD=Strongly Disagree
U=Undecided/ Don't know

Exhibit 5

FEDERAL EXPRESS CORPORATION: GUARANTEED FAIR TREATMENT PROCEDURE

We have found that in an open environment, people are more apt to take part, offer suggestions for improvement, question decisions and surface concerns. The Guaranteed Fair Treatment Procedure (GFTP), our in-house avenue for airing grievances, is one way we listen to our people. Every week the CEO, COO, Chief Personnel Officer and two Senior Vice Presidents, on a rotating basis, review grievances under Step 3 of the GFTP.

The Guaranteed Fair Treatment Procedure affirms your right to appeal any eligible issue through a process of systematic review by progressively higher levels of management. Though the outcome is not assured to be in your favor, your right to participate within the guidelines of the process is guaranteed.

The Guaranteed Fair Treatment Procedure is a three-step process, which requires specific actions to be performed by specific individuals within a designated time frame. The steps are identified as follows:

1. MANAGEMENT REVIEW
   - **Complainant** submits written complaint to a member of management (manager, senior manager, or managing director) within 7 calendar days of the occurrence of the eligible issue.
   - **Manager, Senior Manager and Managing Director** review all relevant information; hold a telephone conference and/ or meeting with the complainant; make decision to either uphold, modify, or overturn management's action; and communicate their decision in writing to complainant and personnel matrix.

2. OFFICER REVIEW
   - **Complainant** submits written complaint to an officer (Vice President or Senior Vice President) of the Division within 7 calendar days of Step 1 decision.
   - **Vice President and Senior Vice President** review all relevant information; conduct additional investigation, when necessary; make decision to either uphold, overturn, modify management's action, or initiate a Board of Review; and communicate their decision in writing to complainant with copy to personnel matrix and the complainant's management.

3. EXECUTIVE REVIEW
   - **Complainant** submits written complain within 7 calendar days of the Step 2 decision to the Employee Relations Department who investigates and prepares the GFTP case file for Appeals Board review.
   - **Appeals Board** reviews all relevant information; makes decision to either uphold, overturn or modify senior management's decision, or take other appropriate action; responds in writing to complainant within 3 calendar days of the decision with copy to personnel matrix and the complainant's chain of command.