
Changing How the World Does Business

*FedEx's
Incredible Journey to Success
—The Inside Story*

Roger Frock



An Excerpt From

***Changing How the World Does Business:
FedEx's Incredible Journey to Success—The Inside Story***

by Roger Frock

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Foreword

When Roger Frock called to tell me he was writing a book about the early days of Federal Express, I felt that finally the right man had stepped forward to chronicle this dramatic bit of business history. From late 1973 to the spring of 1978, as head of the board of directors' executive committee, I participated in most aspects of the company's business during the startup. In those early years, Federal Express hovered on the verge of bankruptcy. Murphy's Law, "Anything that can go wrong will go wrong," certainly applied. Finally, a strong, growing, and profitable business emerged and we turned the corner. As one of my partners retrospectively exclaimed, it was like taking a supertanker at full speed over a reef with a quarter inch to spare!

There was a lot more at stake in the future of Federal Express than the fortunes of its management and shareholders. Federal Express was a major endeavor of a fledgling venture capital industry to create something new in a very public arena. Venture capital was a relatively unknown business at the time, and as far as the public knew, if a project succeeded, a few rich guys got richer; if there was failure, no one ever really heard about it. But with Federal Express, some venture capitalists were doing more than just writing checks. They were very publicly getting their hands dirty in a day-to-day survival operation. If matters had gone in the wrong direction, I am sure the venture capital business would be different than it is today.

Roger and the other people associated with the company worked full-time, essentially 24/7. I was a part-timer who flew in once a month, sometimes more frequently,

to deal with financial issues and policy matters. I have never worked with a more dedicated group of people. All were intelligent, hardworking, able people with a high regard for one another. They were flexible, worked together as a unified team, quickly adapted to new challenges, and never got discouraged, no matter what kind of hot water the company was in.

In early 1973 I was an executive vice president of New Court Securities Corporation, a New York-based private investment affiliate of various Rothschild banking interests. My principal responsibilities were to manage the venture capital assets of the firm. At the time, we had about \$75 million under our care, which made us one of the largest pools of venture capital in the United States. The investment climate was not good. Stocks had been in decline for several years, and many middle-market companies with good earnings and decent balance sheets were selling for six or seven times earnings. Moreover, inflation had reared its ugly head, interest rates were rising, and money was getting tight. There were no initial public offerings in sight, nor had there been for several years. For the time being, the day of the small venture deal with its long-time horizon to liquidity was over.

At New Court, we were obliged to modify our investment strategy to suit the changing capital markets. Typically, we would invest in small or startup companies and look toward living with them for a period of years while they realized their business plan. Sometimes we might step in financially when other sources of capital such as banks or other investors became unavailable. From what we could see in early 1973, there was going to be a financial drought for smaller enterprise for some period ahead. Consequently, we began to focus on those investment opportunities that could achieve financial critical mass fairly promptly. An investment opportunity that could reach \$100 million in revenues and commensurate high margins and cash flow in a few years had a chance. It was our view that the IPO market would come back but new ventures would have to demonstrate something remarkable to attract the institutional investor.

One day George Montgomery of White, Weld & Company called to ask us to look over an intriguing situation they had uncovered in Memphis. He described a 28-year-old, ex-marine captain, a Vietnam veteran with a Silver Star, a Yale graduate, who

had started with his own money a small-package airline with great potential.

Fred Smith turned out to be a very attractive person, highly articulate and obviously very intelligent. He had studied the small-package delivery business inside and out, and he had developed some very innovative ideas as to how to serve it. He also had a very competent management group working night and day to turn this operation into reality. In short, this was not a scheme on paper but one in three dimensions into which he had poured a good part of his net worth. Fred was about as entrepreneurial as they come.

In the early morning hours of April 20, 1973, a group of individuals—Fred Smith, Roger Frock, and I—stood watch outside the old World War II hangars at the Memphis airport for the first full run of the Federal Express Falcon 20 fleet. In due course, these aircraft came roaring out of the night sky. During the next several hours, they were unloaded and reloaded, and took off just before dawn. It was an impressive sight that reminded me of an old war movie, *Twelve O'clock High*.

Next morning we sat through a presentation presided over by Roger Frock. Needless to say, I was frazzled by travel time and lack of sleep. Roger, on the other hand, who had not made it to bed, was fresh, put together, and ready to go. He was the general manager and chief of operations, and I gathered he was no stranger to all-nighters. He was not a hip shooter; his convictions stemmed from hard study and a pragmatic turn of mind.

Back in New York, we began to focus on all the information and evidence we had to support a significant investment in Federal Express. First, we concluded the terms offered were inadequate to support the inherent risk and the level of support required to make the venture work. Second, the time limits to a decision were very tight—Federal Express had no time cushion before it had to exercise its options on the Falcon aircraft it had under contract.

Furthermore, we were not certain this new enterprise could generate a positive cash flow quickly enough to support the large capital investment and big debt structure that was contemplated. Most important, there was no operating record on which to hang one's hat, and no clear-cut evidence that the system could gener-

ate profits. Like all investment decisions, this one offered a great many positives but some profound negatives as well. Reluctantly, New Court decided not to participate. New Court took itself out of the running because we could not see ourselves solving all the problems we had uncovered. The time requirements to do all the studies or due diligence to support the figures and meet the fleet option deadlines were just too tight.

We later re-examined our thinking about Federal Express after another potential investor, General Dynamics, turned out a favorable report. Now we had General Dynamics' very comprehensive study to support our own thinking, as well as the potential participation of other serious investors who could help provide the resources needed to get this job done. We decided to join forces with White, Weld to assist it in getting this difficult financing completed. We also became the lead investor in the transaction. When I asked my partners who would represent us in this affair, they all turned toward me and smiled. It wasn't going to be easy.

Our faith and hard work began to pay off by 1975, as Federal's small-package business began to tax the capacity of its airplanes. Major cities in the Northeast along with Chicago, Los Angeles, and San Francisco were requiring two or more flights a day to meet growing demand. Suddenly, new vistas of what Federal Express could become opened up. There was the strong possibility that the company would become much larger and more profitable than any of us had thought possible, and we could finally look forward to a public offering.

The successful initial public offering of Federal Express in April of 1978 ended the long drought in new issues and was a bellwether of good things to follow. The tide had turned and a lot of other boats were to be lifted. Federal's shareholders were well rewarded, and for the next five years, the company grew at an astonishing rate both in sales and in earnings.

In the late eighties and early nineties the company faltered as it absorbed significant losses from ZapMail, the acquisition of Flying Tigers Airline, and its poorly conceived assault on the small-package market of Western Europe. The U.S. domestic package business absorbed all of these losses, however, and the company remained intact. Fred Smith and his management team had finally organized the template for a truly remarkable \$30 billion company called FedEx.

This book chronicles the dramatic last-minute saves and turn-arounds the company engineered from its inception to the present. It will introduce you to the remarkable individuals who gave Fred's initial concept wings and whose flexibility and creativity made a fledgling startup into one of the great success stories in modern business.

Charles Lewis Lea, Jr.
Director of Federal Express, 1973–1978

Introduction

A Case History of Courage and Tenacity

FedEx has changed the way we do business, allowing established firms to expand their services throughout the world and helping smaller companies to look and act like corporate giants, making overnight connections with global markets. Its founders helped to restructure the transportation industry and created a unique corporate culture that has placed FedEx among the most successful new ventures of the past 50 years.

Fortune magazine has described FedEx as one of the top ten business triumphs of the 1970s and lists the firm as one of the Top 10 Most Admired Companies in America and the world; one of 100 Best Companies to Work For in America, among which it has been listed continuously since 1998; and one of the 50 Best Companies for Minorities.

The company has also received similar accolades and recognition from the *Wall Street Journal*, *Business Week*, *Computerworld*, *Wired*, *Logistics Management and Distribution*, *Information Week*, *Business Ethics*, *Forbes*, *Air Cargo World*, and *Financial Times*. Internationally, FedEx has been recognized as one of the best employers in Canada, Switzerland, Brazil, Latin America, Mexico, Chile, Hong Kong, Singapore, Korea, the Philippines, India, and Argentina.

In its original incarnation as Federal Express, the firm developed a completely new concept of customer service, pioneered technical advances for the entire transportation industry, and significantly altered our work

environment. People can now live and work outside major metropolitan cities by utilizing FedEx's exceptional reach and reliability to connect with other areas of the business world. We can now move radiopharmaceuticals with short shelf lives and critical blood samples overnight and ship products directly from manufacturer to consumer, greatly simplifying the distribution chain.

While FedEx is now a household word, the company that invented overnight delivery was far from an overnight success. The inside story is one of great interest to anyone starting a new business, for it highlights the extraordinary combination of grit and determination, teamwork and creative thinking, luck and perseverance needed to keep a company afloat in its early stages.

I had the good fortune to be a member of the initial team assembled by Fred Smith, the founder of Federal Express. We experienced difficulties and near disasters, but we also had our share of good fortune and occasional help from some surprising sources. On several occasions, we came within an inch of failure, because of dwindling financial resources, regulatory roadblocks, or unforeseen events like the Arab oil embargo. Once, Fred's luck at the gaming tables of Las Vegas helped to save the company from financial disaster. Another time, we had to ask our employees to hold their paychecks while we waited for the next wave of financing.

Fred's tenacious drive and brilliant leadership got us through crisis after crisis. However, no individual can create and build a successful enterprise without the help of others. This book contains the personal insights of the people who took part in the FedEx startup—many appear for the first time in print. This is the insider's view, full of cliffhangers and last-minute saves that show the trials faced by anyone launching a new business.

The FedEx story shows the careful planning required for a startup and the flexibility and quick thinking needed to deal with unanticipated challenges. Knowledgeable professionals evaluated the Federal Express concept, researched the potential market for the service, investigated the competition, and prepared a startup plan. However, the concept went through several critical adjustments on its roller-coaster ride to success. In this book, I set out

to explore the process of innovation and the character traits needed to move a promising vision into the real world.

FedEx went through several periods of risk and turmoil, yet breakthroughs often followed our periods of deep apprehension and doubt. Our final lesson is a positive one: If the concept is right, courage and tenacity can tilt the odds in one's favor.

The FedEx story is also an antidote to the negative press big business has received in the past few years. We read every day about the greed, the lies, and the fraudulent practices in both the private and public sector. The founders of FedEx were not perfect, but their basic operating principles of integrity, truth, equality, and personal responsibility provide a model for others to emulate. In a rapidly changing business climate, we valued open communications and cooperation at every level of the organization. FedEx created a win-win climate for all of its constituents, providing security for its employees, reliable service for its customers, and a fair return to its shareholders.

After the Enron and WorldCom scandals, the Securities and Exchange Commission issued its requirement that chief executive officers attest to the correctness of their financial reports. FedEx was one of the first major corporations to do so, without requesting extra time for review, because its CEO had created an ethical climate and remained closely involved with the company's day-to-day operations.

It is my fondest hope that this book will serve as a principled guide for new startups as well as established companies, and perhaps even convince a few of the ethically challenged to reexamine their options. It *is* possible for an organization to operate with ethical principles and still be successful.

The front-row seat to FedEx's incredible journey to success that this book offers will appeal to a wide and diverse audience. In addition to those launching new enterprises, business analysts will profit from this firsthand account of the company's growth from startup to maturity. Executives desiring to improve their leadership skills can learn from the strategy and tactics employed by Fred Smith and his leadership team. Finally, managers and supervisors can learn how to motivate employees and encourage innovative thinking.

For convenience, the book is organized chronologically.

- PART I examines the development of the concept, with the initial goal of transporting small time-sensitive packages overnight, and the initial feasibility studies.
- PART II describes the operating plans, initial management staff, regulatory roadblocks, and inauguration of the service.
- PART III focuses on the company's continuing financial struggles and expansion of the service network.
- PART IV recounts the growth of the organization up to the first public offering.
- PART V explores the transformation from a startup company to a mature organization and shows the growing pains that FedEx endured.
- PART VI looks at the corporate culture that is largely responsible for the company's success and how FedEx has changed the way others do business.

FedEx today has annual revenues of \$30 billion, more than 250,000 employees, and a fleet of over six hundred aircraft; operates more than 70,000 surface vehicles; and provides service to over two hundred countries, representing most of the industrial world. On a typical day, the company handles nearly six million important time-critical packages and larger freight shipments. It is, in fact, one of the largest transportation companies in the world, ranking in the top five in revenue among the world's airlines.

The rise of this company rests on two key innovations. The first is the hub-and-spokes network—the system used to move packages and documents from origin to destination. The hub, located in Memphis, Tennessee, is the facility for sorting packages and documents. The spokes of the network are the routes to and from the originating cities. Packages picked up from shippers in the afternoon are flown to the hub before midnight, sorted to outbound flights within two hours, and delivered to their destination the following morning. No one had ever created such a simple and elegant process to move time-sensitive packages from place to place.

However, our employees and unique supporting culture were equally important contributors to the success of the company. At several places, I refer to the “purple blood” attitude of the FedEx employees, borrowing a color from our logo to describe the impassioned workers who were the lifeblood of our company. I have included stories about the dedication and contributions of these remarkable individuals who stood by us from the beginning, when outsiders ridiculed our efforts and called our vision crazy. As Tom Morris observes in *If Aristotle Ran General Motors*, “it is the people within any enterprise and their interactions that ultimately produce excellence or mediocrity.”

Building Federal Express from concept to triumph was a wonderfully rewarding business adventure. Fred Smith’s beginning concept and dynamic leadership inspired us all, but it took an incomparable workforce to turn his vision into reality. I am fortunate to have been a part of FedEx’s incredible journey and honored to be the one putting our tale into print.

1

The Trail of Inspiration

FedEx originated the modern integrated priority package express industry, the first small-package airline to maintain direct control of shipments with a self-contained transportation system from pickup to delivery. Millions of people rely on FedEx every day for their most important business and personal deliveries whenever and wherever they must have overnight and time-definite service. The delivery service is so much a part of our lives that we can barely recall living without it.

It seems that FedEx has always been there, ready to respond to our most urgent needs, yet few people know how it was first conceived. When its efficient hub-and-spokes network was originally proposed, the concept was ridiculed as impractical. Existing regulations prohibited this form of nationwide delivery service, experts considered it a financial impossibility, and airline executives forecast its demise.

To understand the mountainous road to success, we must look back more than 40 years to glimpse the early dreams that inspired and motivated Frederick Wallace Smith, the Mississippi-born founder of the company.

THE YALE PAPER

Legend has it that the inspiration for Federal Express came from a paper Fred hurriedly wrote in the mid-1960s near the end of his sophomore year at Yale University. Fred was an avid reader with an interest in a wide variety of subjects, a student of military and aviation

history, and a creative and imaginative thinker. Already an accomplished flyer with a keen interest in aviation, Fred had reestablished the Yale Flying Club, first organized in the 1930s by Juan Trippe, the founder of Pan American World Airways.

Fred recalls submitting a term paper that pointed out problems associated with moving airfreight on passenger planes, concluding that airfreight would become economical only with a system designed specifically for that purpose. It is tantalizing to speculate that the paper contained an early version of a commercial aviation venture utilizing the hub-and-spokes concept, similar to the service operated for a short time by the Indian Post Office in the late 1940s. This pioneering system, according to R. E. G. Davies in his book *Airlines of Asia since 1920*, connected Bombay, Calcutta, Delhi, and Madras through a hub at Nagpur, providing overnight airmail service between the four major cities of India.

In the 1960s, the airlines were trying to figure out how to profit from the unused cargo compartments, but none of their schemes succeeded. Perhaps Fred envisioned some new approach to the future role for airfreight, but since his paper is lost to us and he has no clear recollection of the details, we can only surmise its contents. Nevertheless, this young upstart would take just over a decade to solve “the airfreight problem.”

FRUSTRATING EXPERIENCES

In the fall of 1969, following his Marine Corps tour of duty in Vietnam, Fred joined his stepfather, retired air force colonel Fred Hook at Arkansas Aviation Sales, a struggling operation located at Adams Field, Little Rock’s municipal airport. Arkansas Aviation provided fuel and hangar services for local and itinerant general aviation aircraft, usually small propeller-driven planes operated by independent owners.

Using funds bequeathed to him from his father’s estate, Fred bought control of the business. He assembled a network of reliable suppliers, acquired a large inventory of commonly used parts, and built a reputation as a fast-response, low-cost corporate jet equipment and maintenance center.

Fred next decided to purchase corporate jets for resale. His ability to consistently provide critical parts for his corporate jet

customers and his unique approach to jet aircraft brokerage transformed Arkansas Aviation Sales into a profitable entity within two years.

Behind the scenes of this smooth-running operation, however, lingered the frustrations associated with obtaining parts needed on a rush basis. The existing airfreight system was inconsistent and at times downright unreliable. It was difficult to get a clear picture of where the delays were occurring, and each entity in the supply transportation chain blamed others for slow service. A “rush” air shipment might arrive in two days or in four, or might take as long as a week—expensive and irritating delays when a corporate executive was kept waiting or had to take a commercial flight instead of traveling in his or her accustomed luxury.

Fred’s experience exposed the shortcomings of the airfreight system that relied on passenger airlines and independent ground handling companies: there were too many links in the chain. In short, there was no single entity responsible for the expedited movement of goods from shipper to customer.

THE FEDERAL RESERVE

Fred was growing disenchanted with the aircraft brokerage business and the day-to-day operation of Arkansas Aviation. The business had always had a reputation for being full of unscrupulous characters who sometimes ignored ethical standards to complete a sale, and Fred was uncomfortable dealing with some of these people. It was time to seek another occupation, something more compatible with his father’s challenge to him to make wise use of his inheritance.

One of Fred’s early ideas was to establish a flight courier service for transporting bonds. The concept was of interest to at least one Little Rock bond house, but Fred couldn’t get adequate insurance to cover the losses that might be encountered if the plane were to crash or if a pilot decided to make off with a sack of bearer bonds.

Next, Fred adapted his idea for the Federal Reserve. The process for clearing checks between banks, particularly those located in the more remote sections of the nation, was inefficient and slow, sometimes taking up to ten days, at a float estimated to

be nearly \$3 million a day. By examining the logistics required to move bundles of checks between the thirty-six district banks, Fred realized that the hub-and-spokes model was the only system that could accomplish the transfers within a reasonable time frame and with a manageable number of aircraft.

He conceived a plan for a business that every night would pick up checks and documents from each Federal Reserve branch bank, fly them to a central hub for processing by Federal Reserve employees, and deliver the sorted bundles to the appropriate member banks early the next morning. The Federal Reserve would benefit from the system, and he would have an interesting aviation-oriented business to manage. Because the Federal Reserve would be his only client, he proposed to call his fledgling company Federal Express.

The system would need fast, reliable aircraft to cover the distances involved in a national network; in fact, the same type of corporate jets that Arkansas Aviation was successfully brokering would be ideal candidates for the service. Fred was attracted to the French-built Dassault Falcon 20 Fan Jet. The French Air Force had used these planes during paratrooper training exercises, with the doors removed, which indicated that the design incorporated an unusually strong fuselage. Avion Marcel Dassault, the manufacturer of the Falcon had designed the aircraft as a compact, ten-passenger business jet with a range of up to 2,000 miles and a speed of up to 550 miles per hour. Pan American Airways was distributing the Falcons in the United States through their Business Jet division, and a softening market for corporate aircraft had forced Pan Am to store its twenty-five unsold planes in the Arizona desert, awaiting an upturn in the economy.

When Fred presented his idea to the Federal Reserve Board, the initial response was favorable. Confident he would have his new business and a rewarding career built around his love of flying, Fred invited his two sisters to join him in the new venture. They formed a company with a capitalization of \$500,000, half from Fred personally and the rest from the Frederick Smith Enterprise Company, a \$14 million trust fund set up by Fred's father in the early 1940s for Fred and his two sisters. Then Fred convinced the directors of the trust fund to guarantee a loan of \$3.6 million to purchase and modify two Falcons from Pan Am. Federal Express was incorporated in Delaware on June 18, 1971.

But the positive response was not forthcoming: the independent Federal Reserve directors were unwilling to modify their schedules to accommodate the proposed service. That left the shell company with two new Falcons and a debt of \$3.6 million.

THE MATURE CONCEPT

In truth, the mature plan for the Federal Express service, as with most creative ideas, did not spring forth fully conceptualized. It was in fact inspired by a series of events that over time contributed to the concept's evolution.

Fred's love of airplanes, the Yale term paper, and the frustrations associated with obtaining critical parts at Arkansas Aviation Sales all pointed to the need for a transportation system that could provide consistent, reliable, and expedited movement of critical, time-sensitive goods. Perhaps the greatest contribution to the evolution of the fully developed concept for Federal Express occurred while Fred was working out the logistics for the transportation of Federal Reserve checks and documents. By expanding upon his concept for the Federal Reserve, Fred formulated a nationwide operating system responsive to the needs of time-sensitive shippers and, as a bonus, found an intriguing way of using those beautiful corporate jets to expedite shipments.

There had been great progress in transportation since the days when the Hudson's Bay Company had promised to deliver goods to the Yukon Territory within 14 months of receipt of an order, but Smith knew the industry was ready to make a quantum leap, and he was determined to make that happen.

Although the industry seemed wary and even hostile at times, Fred would heed the advice of author, poet, and philosopher Ralph Waldo Emerson: "It is a lesson which all history teaches wise men; To put trust in ideas and not circumstances."

2

Checking with the Experts

I first met Fred Smith in December 1971. My twelve-year-long business career up to that time had been spent entirely with the consulting firm of A. T. Kearney and Company, first in Chicago and then in New York City. I worked primarily in the fields of transportation and physical distribution and, at the time, was the principal responsible for that part of the firm's practice on the East Coast.

Kearney was a very professional organization and a great place to work. Its clients included most of the major airlines, railroads, and trucking companies in America. The Kearney approach involved conducting a thorough analysis of the client's needs, development of programs specifically tailored to the client's situation, and in later years, assisting the client to implement the recommended changes. This approach demanded the maximum level of creativity from those of us working day to day, with the client's senior management. It was a challenging environment, one that guaranteed the rapid development of a consultant's management and communication skills.

One day, as I was completing a report for one of our transportation clients, our receptionist interrupted my concentration.

"Mr. Frock, there is a Mr. Fred Smith from Federal Express in Arkansas on the phone who wants to talk about a project concerned with air cargo," she said. "Can you take the call?"

"Sure," I responded, "are you certain he said 'Federal Express'? I've never heard of them. See if you can find any information about the company while I talk with him."

“OK, I’ll transfer him to your line now.”

This phone call was my first contact with Federal Express. Fred, after briefly introducing himself, requested a meeting for the following day to discuss a consulting assignment of some urgency relating to his plans for a new business venture.

When Fred arrived at our office, he brought with him a few of his associates, whom he neglected to introduce, and proceeded to unfold his plans. Fred had already done a great deal of homework. He appeared to understand what it would take to convert a private jet into a cargo carrier and the potential difficulties of obtaining an operating certificate needed to carry out his plans. As this erudite 27-year-old continued to describe his plan, I listened with a mix of skepticism and growing admiration. The concept, at least on the surface, was interesting.

However, Fred had no real in-depth understanding of the potential market for an overnight small-package service, the difficulty of overcoming entrenched competitors, and the genuine complexity of setting up an organization to carry out the program. In addition, there were the questions of whether funds were available to launch the enterprise and whether the venture would be profitable.

I already knew most major airlines treated cargo as an afterthought, operated as a stepchild to the more lucrative passenger side of the airline. I was certain of one thing from our past consulting work: airplanes were expensive to buy, modify, and operate. It was not clear to me at the time that an opportunity existed for a system operated with small, expensive jets to produce a profit, even though I suspected that there was a latent market need for the service. However, Fred’s enthusiastic and optimistic description of the planned venture carried the day. I promised to give the matter of Kearney’s involvement further consideration.

As a first step, I checked out some of his references and learned that Fred was a serious, highly respected member of the Little Rock community. His bank confirmed that, indeed, Fred possessed the financial capability to carry out his intentions, at least as far as our study was concerned. After discussing the concept with some of our senior staff members, I called a few of the more progressive transportation and distribution managers with whom we maintained an ongoing relationship. I began to get

excited about Fred's concept when these independent sources related at length the frustrations they were experiencing with delayed or lost shipments.

My next job was to prepare a proposal that outlined the work to be accomplished and the approach that we would take either to aid Fred in his remarkable quest or, as I explained to my project team, to at least attempt to dissuade him from wasting his financial resources on an impossible dream. I had no inkling of what I had just agreed to do, or what a dramatic effect it would have on the rest of my life.

OUR STUDY OBJECTIVES

On December 20, 1971, I completed our proposal that outlined the approach we would take in conducting the study. We had the following initial study objectives:

1. Identify the prospective market potential by market segment
2. Identify likely users of the service by industry and geographic location
3. Identify the likely products for the service and their characteristics
4. Evaluate potential customer attitudes about the service features

The proposed venture was dauntingly complex, and our approach reflected this. Fred agreed that we should maintain close liaison with his organization throughout. If we determined the market to be viable, we would evaluate the financial potential of his concept. If the results were still positive, we would outline the service's operational requirements, relying on Fred to sketch out the air operations and related flight costs. If at any stage we became convinced that the concept was not viable, we would conclude our study and document the reasons for our decision.

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