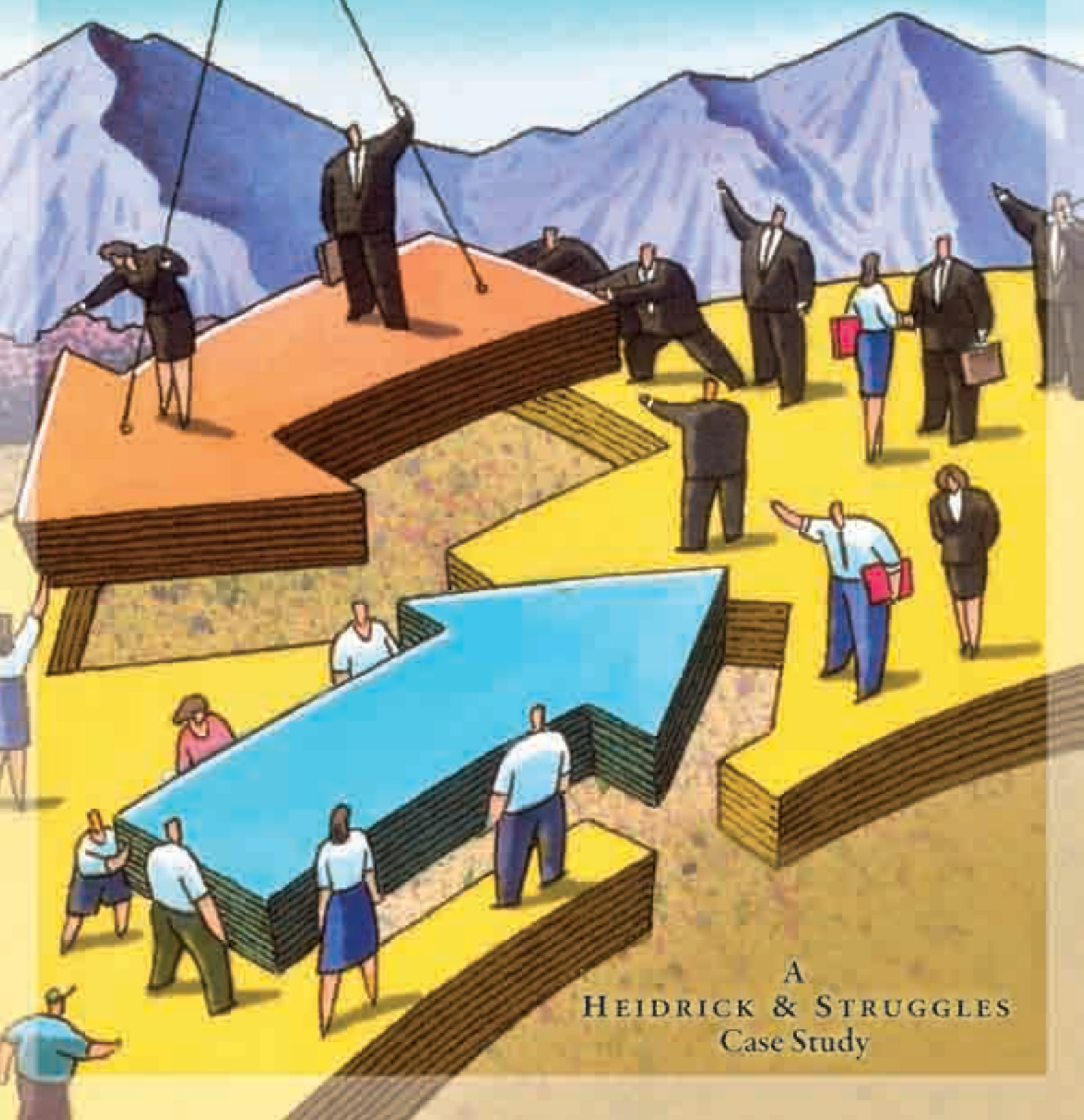


LOOK AROUND – IT'S A DIVERSE WORLD



A
HEIDRICK & STRUGGLES
Case Study

The common theme was: “Look around – it’s a diverse world. We’re surrounded daily by men and women of different races, languages, colors and ages. Why should the place we work in be any different?”

When Heidrick & Struggles chatted with a group of FedEx Express’ “most accomplished women” at a dinner in Hong Kong, we were surprised to learn that they were just a small sample of the many women leaders at the world’s largest express transportation company. We were even more surprised to find out that the women had never formally got together as a group. They regarded their company’s gender diversity as a normal part of life at a time when other companies have to work hard to get some gender balance or diversity in their workforce. To find out how FedEx Express delivers award-winning diversity as a natural part of its corporate culture, **Karen Fifer**, Asia Pacific managing partner of our Consumer Markets Practice and **Richard Meiklejohn**, partner of our Leadership Consulting Practice in Asia Pacific, interviewed several top executives. The common theme was: “Look around – it’s a diverse world. We’re surrounded daily by men and women of different races, languages, colors and ages. Why should the place we work in be any different?”

THE FEDEX STORY

It is not often we hear about a senior executive taking a pay cut to join their new employer. But that is what happened with a woman engineer employed by FedEx Express.

The reason?

She had heard about the organization’s talent management culture of promoting from within to foster individual growth, development and opportunity. She was happy to make a financial sacrifice to join the company and hopefully make it up later through her diligence and energy.

While stories of the company’s customer service are legendary – such as the time a staffer waded through floodwaters to deliver papers for a multi-million dollar project – the quality of the internal culture is not so well publicized.

What initially caught our eye was gender diversity. But as we investigated further, we found that the factors that drew women to FedEx Express – respect for the individual, good mentoring, feedback and coaching to improve performance – were pervasive across the organization and attracted diversity.

According to one senior executive: “Diversity is something I just don’t think about that often, simply because it is part of who we are. It’s an intrinsic part of our DNA.”

People are respected and treated extraordinarily well and rewarded for effort and loyalty. The organization is constantly picking up awards, with a recent success being “Best Place To Work” at the 2010 Global Corporate Social Responsibility Summit in Singapore. It has also been on Black Enterprise magazine’s “Top 40 Best Companies for Diversity” list for five consecutive years.

Fortune magazine recognized the company for its commitment to diversity among the “100 Best Companies To Work For” with more than 40 percent of the United States workforce and 27 percent of the management team made up of minorities.



WHAT DOES DIVERSITY MEAN?

Diversity means different things in different markets.

"Diversity is very broadly interpreted at FedEx Express," says a senior Asian executive. "For example, 88 percent of our officers are locals in the Asia Pacific region. We believe it leads to better decision-making, better results and improved service quality."

In Asia Pacific, 40 percent of managing directors are women and they make up 28 percent of the management team. In Australia, 25 percent of the management team are women and in Korea, they make up 40 percent of management and professional ranks.

While FedEx Express' initial push into Asia in 1989 was driven by North American expatriates, the post-startup operational management was localized quickly. For example, and very uniquely, a Korean woman is now the managing director of Korea and local managers are in the majority across the region.

FedEx Express' achievements in Asia are in stark contrast to the poor statistics on the participation of Asian women revealed in the World Economic Forum's Global Gender Gap Report 2010 in categories such as education attainment, economic leadership/opportunity and politics. A recent financial services community leadership survey by Heidrick & Struggles, titled "Gender Diversity within Asia Global Markets 2010" echoes the findings.



FedEx Express communicates the diversity message through its magazine, *Diverse Appeal*, with a tagline, "Diversity is the mix; inclusion is our commitment to making the mix work." The magazine features employees' life and work stories under the banner, "I am FedEx." It also features stories about its partners.

It is clear when you read *Diverse Appeal* that FedEx Express views diversity as integral to its business as well as the entire community in which it operates. Its enterprise diversity strategy has four pillars: employees, suppliers/partners, customers and community. For

example, if you want to work with FedEx Express, you would be wise to adopt its values.

"I believe the FedEx Express culture resonates with women," says a senior executive. "We are collaborative, we listen, we encourage everyone to speak up and to challenge what they do not agree with. We are gender-blind – we treat everyone the same."

The corporate culture of valuing people and in return gaining loyalty and purpose, was literally born on the battlefield. It is the natural outflow of principles and values set down long ago by the founder, Fred Smith, a platoon commander with the U.S. Marines in Vietnam who knew the value of trust in a war zone and carefully cultivated loyalty and sense of purpose among his troops. At the core of Smith's lessons was reliance – which he has subsequently translated into FedEx Express – a culture of "reliance" on each other.

The Global Gender Gap Index 2010 rankings: Comparisons with 2009

Country	2010 rank	2010 score	2009 rank	2009 score
Iceland	1	0.8496	1	0.8276
Norway	2	0.8404	3	0.8227
Finland	3	0.8260	2	0.8252
Sweden	4	0.8024	4	0.8139
New Zealand	5	0.7808	5	0.7880
Ireland	6	0.7773	8	0.7597
Denmark	7	0.7719	7	0.7628
Lesotho	8	0.7678	10	0.7495
Philippines	9	0.7654	9	0.7579
Switzerland	10	0.7562	13	0.7426
Spain	11	0.7554	17	0.7345
South Africa	12	0.7535	6	0.7709
Germany	13	0.7530	12	0.7449
Belgium	14	0.7509	33	0.7165
United Kingdom	15	0.7460	15	0.7402
Sri Lanka	16	0.7458	16	0.7402
Netherlands	17	0.7444	11	0.7490
Latvia	18	0.7429	14	0.7416
United States	19	0.7411	31	0.7173
Canada	20	0.7372	25	0.7196

Source : The Global Gender Gap Index 2010 Rankings (World Economic Forum)

VALUES SET FROM THE TOP

Attitude, mindset and values are set from the top. During the global financial crisis (GFC), Fred Smith distributed a video to staff in which he said: "My salary will be reduced 20 percent, other senior executives will have their salaries reduced by between 7.5 and 10 percent and the rest of our salaried-exempt workforce will take 5 percent reductions."

There was no impact on the pay of hourly employees such as couriers, mechanics and package handlers.

The company feels that if it takes care of its people, they in turn will deliver the service demanded by customers, who will reward the company with the profitability necessary to sustain it; a virtuous cycle.

People-Service-Profit: These three words appear to be the very foundation of the company. The P-S-P

philosophy is like an unbroken chain. There are no clearly definable points of entry or exit. Each link upholds the others and is in turn supported by them. The people link is supported by profit, which is supported by service, which is supported by people.

Says one senior manager we interviewed:

"Our business is very complex so it's imperative that our culture is simple. That is what is meant by P-S-P. If we put our people first, the profits will follow. Happy employees make happy clients."



TEAM ATTITUDES



THE FEEDBACK LOOP

From his time in the Marines, where concepts needed to be explained simply and clearly to a range of soldiers; from Yale graduates to blue collar workers, founder Fred Smith developed performance and feedback metrics which can be easily grasped by everyone in FedEx Express; from pilots to courier drivers.

These metrics were first set out in a 1978 employee survey called S.F.A., or Survey Feedback Action. The S.F.A. is now an annual global survey which runs from February to April and measures a series of behaviors and actions, including:

- MY MANAGER TREATS ME WITH FAIRNESS
- MY MANAGER'S ACTIONS MATCH HIS/HER WORDS
- MY MANAGER TELLS ME WHEN I DO A GOOD JOB
- MY MANAGER TREATS ME WITH RESPECT
- MY MANAGER KEEPS ME INFORMED
- I AM PAID FAIRLY FOR THIS KIND OF WORK
- COMPANY BENEFIT PROGRAMS MEET MOST OF MY NEEDS
- I FEEL SECURE IN MY EMPLOYMENT
- LAST YEAR'S CONCERNS WERE ADDRESSED

Feedback from the S.F.A. helps FedEx Express develop and adapt to the evolving needs of its employees, and ultimately contributes to growing, shaping and sustaining its culture today.

Smith says: "We make sure that people know that what they do is important. What they are delivering is important, and our people themselves are important."

Through a structured leadership program, FedEx Express demonstrates that it values all of its people from the top to the bottom of the organization. Employees are given feedback and in turn are taught how to give feedback in ways which preserves the individual's integrity and encourages excellence.

A senior executive we interviewed confided: "After I joined FedEx Express, the results of my first S.F.A. survey were poor. It was a real wake-up call. I received feedback, training and mentoring and have not looked back. I now share my early experience with new managers to help them succeed."

Coaching takes place to help employees fill in any skills gaps, and they are given ongoing refresher courses to reinforce the company's values and ideals.

JUMPING IN TO HELP

A unique feature of the FedEx Express culture is that it works with its under-performers to lift them up, rather than “manage them out.” When people are evaluated and found to need development, management intervenes to assist. One manager said: “When someone is not doing well, we have a proactive approach of jumping in and helping them. There’s none of this, ‘We’ll give you 12 months without feedback and now you have to do something different or we’ll manage you out.’ Companies that do that have turned the feedback loop into a punishment loop. That’s not the way we do things around here.”

At FedEx Express, the individual’s strengths are the focus. The company’s performance and reward programs, profit sharing, promotions processes as well as its diverse range of training and development programs all enhance the strengths of the individual. This means that almost all of the company’s positions are filled internally.

Another manager told us: “I have had great mentors. One in particular went the extra mile for me, and I have never forgotten the example she set. I now try to do the same with my team. I have 680 employees. I know all their names, even the new employees.”

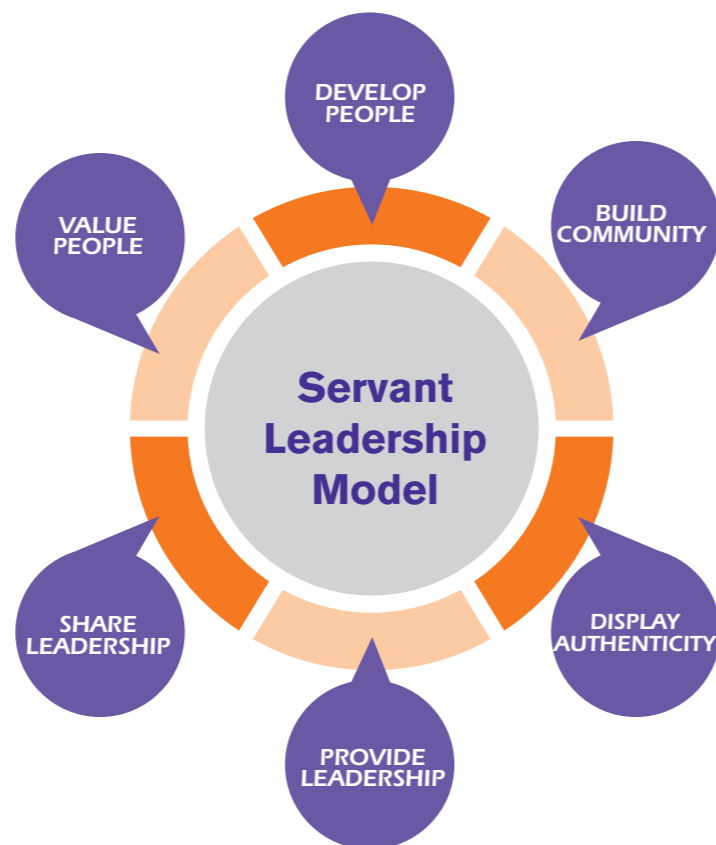
The company’s approach is underpinned by its Guaranteed Fair Treatment Procedure, a process of review by progressively higher levels of management to fairly and equitably handle employees’ issues.

The other two facets of FedEx Express’ successful HR strategy are...

HOLISTIC PROMOTION Career tracks don’t just go upwards – they can go sideways. The company likes cycling people through different divisions to test their strengths and eliminate weaknesses. It is not unusual for a manager to go from finance to logistics and other divisions to help them become familiar with how the business operates. They want holistic leaders, not just specialists.

Says one senior executive, “We have a very transparent and fair promotion and development process which strongly encourages our people to move upwards, laterally and cross-functionally. You are encouraged to move from IT into operations and from engineering into HR. We also send the message that colleagues are not disadvantaged if they do not accept promotions and transfers.”

SERVANT LEADERSHIP In order to lead, you must first learn to serve. FedEx Express has adopted some of the ideas of servant leadership developed by the Greenleaf Center for Servant Leadership in Illinois. Servant leaders achieve results for their organizations by giving priority to the needs of their colleagues and those they serve. They are ideally seen as humble stewards of their organization’s resources (human, financial and physical).



Source : Six Key Areas of the Servant Leadership Model (OLA Group)

The company’s emphasis on developing leadership at all levels is exemplified in comments from two senior executives:

“Once I decided that my career ambition was to enter management, FedEx Express provided me with the support to build those attributes needed to excel.”

“The company offers a number of leadership and management training courses and refresher training programs for those who enter the management ranks. People go to corporate headquarters in Memphis, Tennessee, for training. This is just another way we maintain and develop our culture globally while driving a consistent set of values.”

In the final analysis...

Everyone agrees with the need for gender diversity in the workplace and studies over the past few years have shown that it is also very good for business.

Starting in 2007 with a report, “Women Matter: Gender Diversity, A Corporate Performance Driver,” McKinsey has consistently found that companies with gender diversity have higher returns on equity, operating results and stock price growth than the averages in their respective sectors. Work from many other organizations, including the non-profit organization, Catalyst, support these findings.

But there is a huge gap between aspiration and reality. Making diversity a corporate strategic priority is just the beginning. Top management also needs to be involved and engaged intellectually and emotionally. Progress must be constantly evaluated against targets. The difference between a dream and a goal is often a date, and as we know, what is not passionately enforced and measured is generally not improved. With guardianship from the top and a culture which sets out to value as well as add value to its people, diversity seems to be a natural and sustainable outcome.

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