

Analysis of the strategic capabilities of fedex



**ASSIGN
BUSTER**

Strategic capabilities are the abilities to perform at the level required to survive and prosper, and includes resources and competence".(Johnson et al. 2006)

In today's hypercompetitive business world the competition is direct and aggressive. Competitive advantages are often imitative. So firms should analyze their internal resources, capabilities and external environment to expertise core competencies. They are the special strengths that a firm extraordinarily does well in comparison with competition. The core competencies are the capabilities which should be rare, costly to imitate and non- substitutable. Strategic capability is the ability of a company to sustain and to achieve long term goals.

1. 1. Research questions:

This project report will analyze what are the strategic capabilities Of FedEx? What is strategy? What are capabilities? What is core competence? What is the SWOT analysis for FedEx corporation? What is PESTEL analysis for FedEx corporation? How are they effective for the Growth of the company?

1. 2. Research objectives:

This project report will fulfill the following research objectives.

To identify the strategic capabilities of FedEx based on SWOT analysis and PESTEL analysis.

To describe the extent to which they are effective.

1. 3. Company profile:

<https://assignbuster.com/analysis-of-the-strategic-capabilities-of-fedex/>

FedEx is a multinational company which represents the widest range of supply chain, transportation, business and related information services.

In 1965, Yale University undergraduate Frederick W. Smith wrote a term paper about the passenger route systems used by most airfreight shippers, which he viewed as economically inadequate. Smith wrote of the need for shippers to have a system designed specifically for airfreight that could accommodate time-sensitive shipments such as medicines, computer parts and electronics.

In August of 1971 following a stint in the military, Smith bought controlling interest in Arkansas Aviation Sales, located in Little Rock, Ark. While operating his new firm, Smith identified the tremendous difficulty in getting packages and other airfreight delivered within one to two days. This dilemma motivated him to do the necessary research for resolving the inefficient distribution system. Thus, the idea for Federal Express was born: a company that revolutionized global business practices and now defines speed and reliability. The corporation was created in 1998 as FDX Corporation and became FedEx Corporation in January 2000. FedEx inspires its more than 275, 000 employees and contractors to remain absolutely, positively focused on safety, the highest ethical and professional standards and the needs of their customers and communities. It provides services to more than 220 countries and territories, including every address in the United States.

FORTUNE magazine announced that FedEx has ranked No. 13 among “World’s Most Admired Companies” 2010. This was based on input from executives, directors and financial analysts worldwide.

FedEx Corporation provides strategic direction and consolidated financial reporting for the operating companies that compete collectively under the FedEx name worldwide: FedEx Express, FedEx Ground, FedEx Freight, FedEx Office, FedEx Custom Critical, FedEx Trade Networks, FedEx Supply Chain and FedEx Services. FedEx Corporation has clearly outlined goals and strategies for the future. Headquarters: Memphis, Tennessee, USA.

(Source Web page)

1. 3. 1. Vision & Mission:

FedEx puts its people first because they are their most important assets through which they achieve their business goals. The Corporate philosophy is briefly stated as people-service-profit. The FedEx brand is based on speed and efficiency. Customer necessities will be met in the highest quality mode suitable to each market segment served. FedEx will endeavor to develop mutually fulfilling relationships with its employees, allies and suppliers. Safety will be the first concern in all actions.

1. FedEx Corporate philosophy.

Values:

People: They value their people and promote diversity in their workplace and in their way of thinking.

Service: Their absolutely, positively spirit puts their customers at the heart of everything they do.

Innovation: They invent and inspire the services and technologies that improve the way they work and live.

Integrity: They manage the operations, finances and services with honesty, efficiency and reliability.

Responsibility: They defend safe and healthy environments for the communities in which they live and work.

Loyalty: The firm earns the respect and confidence of their FedEx people, customers and investors every day, in everything they do.

1. 3. 2. Corporate performance:

FedEx was started as Federal Express Corporation in 1971, by 28-year-old Memphis, Tennessee, native Frederick W. Smith. Smith, a former Marine pilot. In 1975 it gained \$43. 5 million in sales. During the 1980s a drop in the consistency of the U. S. Postal Service triggered more companies to shift to FedEx for essential packages. In 1985 FedEx had chosen an important step to expand its services to Europe by opening a European hub at the Brussels airport. Due to this act Revenue reached \$2 billion in 1985. During 1990s FedEx faced a lot of competition in the U. S. market, but was able to continue its leading market share. In 1994 FedEx was the first international express cargo carrier to receive system-wide ISO 9001 certification. By 2015 the international express air cargo market was expected to grow approximately 18 percent per year. FedEx was anticipated to obtain a major share of that growth as it saw its global operations increasing 25 percent per year. FedEx is holding the assurance of its customers through its logistical

capabilities, intensifying the carrying capacity of its fleet of over 557 fuel-efficient aircraft and 37, 000 vehicles.

Revenues have continued its decline that began in 2008. Since 2008, total revenue has decreased by \$3. 2 billion amount due to less consumer demand brought forth by the recession.[2] However, this decline is slowing since revenues for 2010 is down only by 2. 1% since 2009, while being down 8. 5% since 2008.[2] However, 2010's operating income of \$1. 998 billion is 167% more than 2009's \$0. 747 billion and is only \$77 million less than 2008's pre-recessionary levels.[2] FedEx has increased their prices based on increase in demand, improving operating margin to 5. 8%, even more than the pre-recessionary level of 5. 5%.[2]

Revenue for 2010 was \$34. 73 billion, down from 2009's \$35, 497 billion. Revenues decreased 2% during 2010 primarily due to yield decreases at FedEx Express and the FedEx Freight LTL Group as a result of lower fuel surcharges and a continued competitive pricing environment.[2] For FedEx Express, U. S. domestic and outbound fuel surcharge was 6. 20% in 2010 versus 17. 45% in 2009.[2] On the expenses side, fuel expense decreased 18% during 2010 primarily due to decreases in the average price per gallon of fuel and fuel consumption, as FedEx lowered flight hours and improved route efficiencies.[2]

2. Key competitors: UPS, now its main competitor, continued to slowly woo away some customers by introducing volume discounts, a policy which it had resisted for years.

3. Literature review:

<https://assignbuster.com/analysis-of-the-strategic-capabilities-of-fedex/>

3. 1. SWOT analysis:

4. Research methodologies:

4. 1. Data collection method and

Data analysis

4. 2. Survey method

5. PESTEL analysis:

5. 1. Political Factors: Deregulation of the airline industry in 1977 gave the still-struggling company an important boost. Deregulation meant the company could fly anywhere in the United States anytime, and use larger aircraft like 727s, and later, DC-10s. FedEx bought a fleet of used 727-100Cs, using its Falcons to expand into small- and medium-sized markets. According to the Center for Responsive Politics, FedEx Corp is the 21st largest campaign contributor in the United States. The company has donated over \$21 million since 1990, 45% of which went to Democrats and 55% to Republicans. Strong ties to the White House and members of Congress allow access to international trade and tax cut debates as well as the rules of the business practices of the United States Postal Service. In 2001, FedEx sealed a \$9 billion deal with the USPS to transport all of the post office's overnight and express deliveries.[17]

In 2005, FedEx was among 53 entities that contributed the maximum of \$250, 000 to sponsor the second inauguration of President George W. Bush. [18][19][20]

During the first three months of 2010, FedEx spent nearly \$4.9 million lobbying the federal government (UPS, FedEx's main competitor, spent \$1.6 million on lobbying over the same period), a 4% increase from the \$4.7 million spent during the last quarter of 2009, but more than twice what it spent on lobbying during the first quarter of 2009[21].

5. 1. 1. Taxation policy: In December 2007, the Internal Revenue Service of the United States ' tentatively decided' that FedEx Ground Division might be facing a tax liability of \$319 million for 2002, due to misclassification of its operatives as independent contractors. Reversing a 1994 decision which allowed FedEx to classify its operatives that own their own vehicles, the IRS is auditing the years 2003 to 2006, with a view to assessing whether similar misclassification of operatives has taken place. FedEx denies that any irregularities in classification have taken place, but is facing legal action from operatives claiming benefits that would have accrued had they been classified as employees.[6]

On October 22, 2008, the Internal Revenue Service withdrew its tentative assessment of tax and penalties for the 2002 calendar year (\$319 million plus interest) against FedEx Ground Package System, Inc. (" FedEx Ground") relating to the classification of FedEx Ground's owner-operators for federal employment tax purposes.

5. 1. 2. Environmental legislation

5. 1. 3. Safety regulations

5. 2. Economic Factors:

5. 2. 1. Consumer confidence

5. 2. 2. The business cycle

5. 2. 3. Labour costs

5. 3. Socio-cultural Factors:

5. 3. 1. Demographics

5. 3. 2. Values in society

5. 3. 3. Changing lifestyles

5. 3. 4. Changes in customer preferences

5. 4. Technological Factors:

5. 4. 1. New services potential

5. 4. 2. Alternative means of providing

Services

5. 4. 3. New discoveries

5. 4. 4. Changing communication

Technology

5. 4. 5. Rate of technology transfer

5. 5. Environmental Factors:

5. 5. 1. Climate change

6. 5. 2. Energy supplies As a result of the robust growth and growing air express demands achieved in Germany and Eastern Europe, FedEx will transfer its German hub operations to Cologne, Germany, by 2010. The state-of-the-art, environmentally-friendly facility in Cologne will feature a 1. 4 megawatt solar power system with the capacity to produce approximately 1. 3 gigawatt hours of electricity per year – equal to the power required for 370 homes year-round. The new ramp and sort facilities, which will be built on approximately 50, 000 square meters, will include 16, 000 square meters of roof space for solar panels.:

5. 6. Legal Factors: In June 2009, FedEx began a campaign against UPS and the Teamsters union, accusing its competitor of receiving a bailout in an advertising campaign called “ brown bailout”. FedEx claims that signing the Federal Aviation Administration re-authorization bill, which would let some of its workers unionize more easily (and, according to the Memphis-based company, “ could expose [its] customers at any time to local work stoppages that interrupt the flow of their time-sensitive, high-value shipments”[7]), is equivalent to giving UPS a ‘ bailout’. Independent observers have heavily criticized FedEx’s wording[7], claiming that it was “ an abuse of the term”. [7] FedEx staff are regulated under the Railway Labor Act.[8]

5. 6. 1. Employment law

5. 6. 2. Company law

5. 6. 3. Business regulation

6. Results and Analysis:

The firms in today's business world must focus on 1. Character of the environment in which the firm must compete and win. 2. Few things a firm must do to win in this environment. 3. What the firm should do to implement these measures to win efficiently and faster over competitors.

But competitive environment is not stable. This can be due to external or internal factors. The external factors are: 1. changing customer demand and expectations. 2. changing technology. 3. changing political and social trends. The internal factors are 1. the resource base, 2. the competence base. Strategy should fit between external environment and internal capabilities.

The following trends in business are influencing the growth of FedEx

Growth in high-tech and high-value-added businesses

Globalization

Supply chain acceleration

Growth of the Internet and e-commerce

7. Conclusions

8. Recommendations

Graphs and tables