



# The Implications of FedEx to Human Resource Management of Logistics Enterprises in Beijing

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## Abstract

With the advent of the information age, the development of the logistics industry has produced more and more significant impact on our lives. This paper analyzes the problems in human resource management of logistics enterprises in Beijing and the good experience of Federal Express in human resource management as well as its inspirations to our logistics enterprises.

**Key words:** FedEx; Logistics enterprises; People-oriented; Human resource management

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## INTRODUCTION

With the development of science and technology and the advent of the era of information technology, the logistics industry is playing an increasingly important role in modern society. It is changing our way of life and greatly improving the convenience of our lives. The importance of the logistics industry is not only manifested in its impact on people's lives and its economic benefits are obvious. Data released by the State Post Bureau in October 2013 Post shows that: from January to October

2013, the business volume of national scale delivery industry totaled 7.03 billion, increasing by 61.3% than that of last year; operating income totaled 112.55 billion Yuan with a year on year increase of 35.5%. It is estimated that when China's GDP grows 1%, delivery industry will increase 2.9%. This shows the big relevance of the logistics industry and economic development. Since the reform and opening up, after 30 years of development, China's logistics business is currently dominated by state-owned enterprises, private enterprises and foreign enterprises. This paper studies problems in human resource management in logistics companies in Beijing and provides references for human resource development of logistics enterprises in Beijing through international logistics enterprises such as FedEx.

## 1. ANALYSIS OF THE MAIN ISSUES IN HUMAN RESOURCE MANAGEMENT IN BEIJING LOGISTICS ENTERPRISES

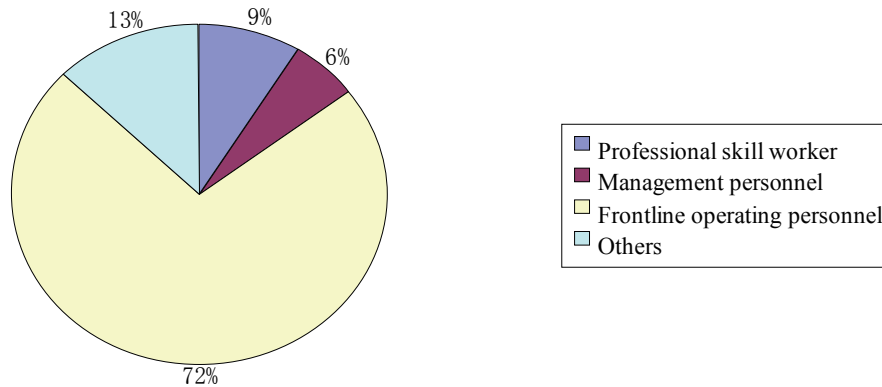
### 1.1 The Philosophy of Human Resources Management is Backward

Development of logistics enterprises in Beijing is relatively rapid, but most of the logistics businesses are originated from traditional transport industry. Their business size is relatively small and the management is also chaotic. With limited amount of money, these companies are relatively small in scale. In the current fierce competition in the industry, their operations are quite difficult and their human resource management input costs are relatively low. Their management also has a lot of problems. A lot of logistics enterprises take a small workshop-style management. The management process lacks a sound system, or they just copy the employment system of other logistics enterprises, which makes their system and their actual situation not match. Most of the

logistics companies have not formed the modern concept of human resource management.

### 1.2 Employees Turnover is Too Fast

Through the survey on logistics enterprises in Beijing,

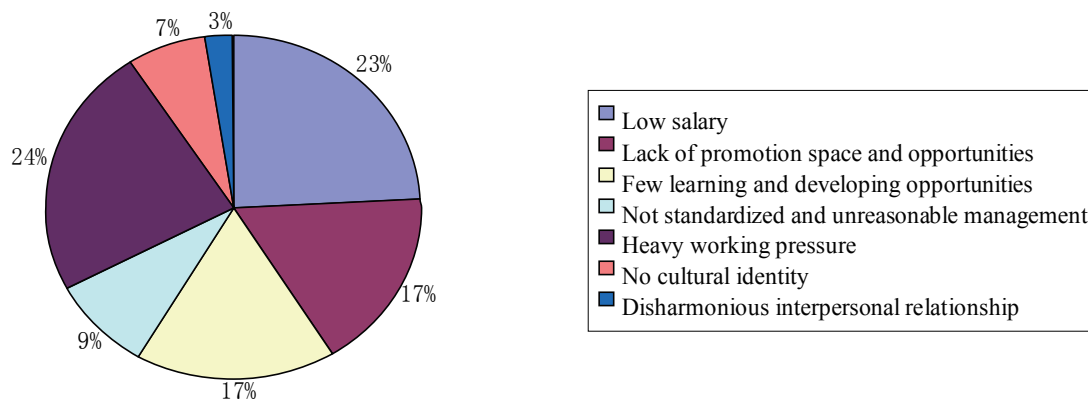


**Figure 1**  
The Turnover Rate of All the Personnel of Logistics Enterprises in Beijing<sup>1</sup>

Too high Employee turnover rate is an overall phenomenon in logistics industry in Beijing, and the turnover rate of frontline operating personnel is much higher than that of the ordinary management personnel. Frontline operating personnel in logistics enterprises are mostly migrant workers with relatively low education levels and their turnover threshold is relatively low.

it is found that employee turnover is rapid. HRM survey on logistics enterprises in Beijing shows the speed of employee turnover and it is shown in Figure 1: the turnover rate of frontline operating personnel is 72% and the turnover rate of management staff is 6%.

Furthermore, in most cases their turnover will also help them to increase their human capital and can increase revenue. But for businesses, high staff turnover rate is not a good thing. Companies need to hire the right replacing people in the shortest possible time. So what are the reasons causing such a high employee turnover rate?



**Figure 2**  
Analysis Chart for Turnover Reason for Employees in Logistics Enterprises<sup>2</sup>

From Figure 2 we can see the reasons impacting employee turnover are diverse and the most important factors are low income, heavy work pressure and lack of promotion space. Through interview of frontline employees in Yunda, Yuantong and other enterprises, we know that as frontline employees, every day at six in the morning they start going to these sites to take packages and can finish the delivery at eight in the evening. The time when they finish their work depends on the number

of packages they take on that day. Yuantong Express provides contract-based salary. When the employee finishes delivering packages in his responsible region, he finishes his work. With such intensity of work, the monthly salary is almost \$3,000. The salary of Yunda Express is package-based. They said the salary of contract-based system is slightly higher than that of package-based. As frontline employees, they do not have labor contracts with the company. Because most of their time is on the road, the company provides them with a traffic-related insurance. In my random interviews, courier staff from Yuantong and Yunda said that they have done this for two or three years and they have no contact with any training, because the site is contracted by their “boss”.

<sup>1</sup>Li Guangyi, HRM Survey Report on Logistics Industry in Beijing, 2013, 4; 26.

<sup>2</sup>Li Guangyi, HRM Survey Report on Logistics Industry in Beijing, 2013, 4; 34.

They are only responsible to deliver packages. Promotion is not possible. They said that if there is a job with better income and less work, they intend to change their job. But if they go to other courier companies, the revenue is generally not much better.

The promotion opportunity for frontline employees in logistics companies in generally is small, but development is that everyone needs. Salary, working pressure and promotion opportunities are the most direct factors affecting their choice. Therefore, for them, relatively higher salary has a higher appeal. This leads to rapid turnover of the logistics industry employees, especially frontline employees.

### **1.3 Staff Training and Their Career Development are Paid Insufficient Attention**

The important means to improve the professional level of employees and their work motivation is staff training and to provide good career development for employees. Most of logistics enterprises in Beijing do not pay adequate attention on employee training and career development of staff. In logistics enterprises in Beijing we surveyed, less than 55% of companies said they regularly organize staff training, while about 45% said they do not organize regularly staff training.<sup>3</sup> The survey shows that even in enterprises which have higher willingness to provide staff training, less than half of the logistics enterprises can really provide regular training for the staff. This shows that the overall level of staff training in logistics companies in Beijing is not high.

With regard to staff development survey, in the companies surveyed, about 57% of them are considered to be “concerned” or “very concerned” about the professional development of the employees; about 28% of the companies are “fairly concerned” about employees’ professional development; nearly 15% of the enterprises are “not concerned” or “completely not concerned at all” for the career management of the employees. Combined with the findings of Figure 2, in the survey on the reasons for employee turnover, 17% of people said it is because of “lack of opportunities to learn and develop.”<sup>4</sup>

Further investigation of the logistics business shows that when human resources departments in logistics companies in Beijing organize corporate training, 34% said the first important thing is to train new employees; 19% of companies said the second most important is training of grass-roots management staff; 16% of companies said the training of senior management came in third, and finally came the training of professional and technical personnel. From this set of statistics, we can see that in training provided in logistics enterprises in Beijing is mainly for new employees, which is fundamental and necessary for

<sup>3</sup>HRM Survey Report on Logistics Enterprise, 2013, Beijing Wuzi University.

<sup>4</sup>Li Guangyi, HRM Survey Report on Logistics Industry in Beijing, 2013, 4.

any enterprise. From this set of survey data, the logistics businesses in Beijing do not pay adequate attention on staff training and they have not taken staff training as a means of human resource development. This is not conducive to the sustained and effective development of corporate human resources, thereby constrains the development of enterprises in human resources.

### **1.4 The Salary and Benefits System is Imperfect**

The reasons impacting employee turnover are diverse, among which “the level of compensation and benefits” is an important factor causing employee turnover and “low income” is another important reason for employee turnover. Therefore, only when the logistics enterprises further improve the level of compensation and benefits can they achieve the purpose to attract talent and retain talent. But compensation and benefits issues in human resource management in logistics enterprises are not only in the unsatisfied compensation and in benefits of frontline employees, but also in the overall imperfect compensation and benefits system.

The pay gap between enterprise employees reflects the fairness of the enterprise compensation design and it also to some extent shows the enterprise salary level and the salary management status. *The HRM Report on Logistics Enterprises in Beijing* shows that the average gap between “the highest annual salary” and “minimum annual salary” is 208,000 yuan, of which the greatest internal pay gap is 1.465 million yuan and the smallest gap also reaches 22,000 yuan.<sup>5</sup> It can be seen the internal pay gap in logistics companies in Beijing is large. Pay gap within the enterprise to some extent can indeed mobilize the enthusiasm of the staff. If the pay difference is too large, it is unfair; with egalitarianism with no gap, it is difficult to mobilize the enthusiasm of employees. How to set a reasonable pay difference within logistics enterprises in Beijing is another problem to be solved in human resource management for logistics enterprises in Beijing.

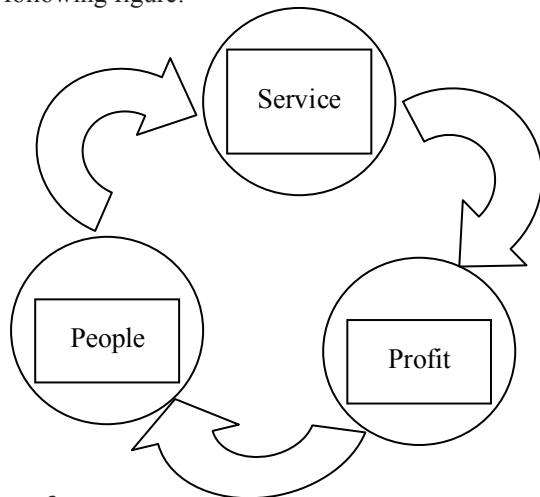
## **2. FEDEX’S HUMAN RESOURCES MANAGEMENT**

### **2.1 “People-oriented” Enterprise Culture**

“People-oriented” is the essence of corporate culture in FedEx. FedEx pays particular attention on the role of “people”. Here people not only refer to their customers. FedEx also puts their employees on the very important position. With the people-oriented concept, FedEx implements P-S-P management. PSP is the circulation system among people-service-profit. The PSP system cycle reflects the principle of FedEx, “employees first”, at any time. PSP represents a closely related relationship

<sup>5</sup>Li Guangyi, HRM Survey Report on Logistics Industry in Beijing, 2013, 4.

between these three. It also can be seen as a three-legged stool, and each is indispensable. It can be represented by the following figure:



**Figure 3**  
**Schematic Diagram of the PSP Culture of FedEx**

From Figure 3 we can see that FedEx employees are the most important factor in all the factors in the business, which is consistent with the “people-oriented” enterprise culture of Federal Express. In order to guarantee FedEx “PSP” to be internalized in each employee’s behavior, FedEx has taken a number of measures to realize the goal to “treat employees as their customers”. FedEx thinks only when the company treats the employees well will they be willing to pay more efforts to provide customers with better service and then the company can make more profits, and every employee in the company can benefit from it. This forms a virtuous circle. Such a policy will undoubtedly enhance employee loyalty to the enterprise.

## 2.2 Compensation and Benefits

The bonus system of FedEx and its principle of “employees first” are important parts of its corporate culture. The amount of compensation and reasonable structure design often affect the employees’ recognition of the company. In FedEx corporate pay structure design, the compensation of executives and that of the general staff are implemented through different pay system, but its purpose is to attract talent and encourage talent. When FedEx evaluates employees’ performance, it will assess employees in three aspects: the performance of employees, their service standards and profit assessment. Work performance evaluation will affect employees’ pay and promotion.

### 2.2.1 Executive Compensation

FedEx has executive compensation programs for the company executives. In addition to salary and annual bonus, it also rewards executives who contribute to the development of the company with long-term benefits of shareholders. The purpose of this compensation design is to attract executive talent. The compensations of FedEx executives consist of “basic salary, cash rewards based

on the annual incentive compensation (AIC) plan, cash rewards based on long-term incentive (LTI) compensation plan and cash rewards in the form of equity and restricted equity. In order to ensure that the compensation FedEx provides for their executives is indeed competitive, based on comparative survey information, they design executive compensation plans according to the appropriate location of the 75th percentile of the salary in the comparative survey. FedEx’s goal is to retain and attract qualified employees and executives with the 75th percentile of salaries in the survey result (Peng, 2013, p. 71). The aim of FedEx is not only to attract executives. They believe in a strong correlation between pay and company performance. Executive compensation reflects their performance and contributions. According to the composition of executive pay, executive pay and the company’s long-term performance and short-term performance are closely linked. (Peng, 2013, p. 75)

It can be seen stock options and stocks of company executives are an important part of the company’s executive compensation. The executive compensation composition of FedEx allows the interests of executives to be consistent with the interests of shareholders. It has certain advantages for the stability of the retention of the senior executive team.

### 2.2.2 Employees’ Salary Structure

**Table 1**  
**FedEx Employee Compensation Plans (Peng, 2013, p. 255)**

Compensation	Description
Salary Increase (SI) System	Salary increase system allows managers to have the opportunity to reward good employees. For the increase amount, the following questions will be primarily considered: 1) The employee’s performance rating 2) The position of the employee in the salary range, that is to compare that employee’s salary and the salary range of the same qualifications 3) The competitiveness of the employees in the market 4) Records of salary increases and work history
Performance Pay Plan (PPP)	An incentive plan for frontline operations staff, customer service and administrative staff. According to the achievement of the market objectives set, incentive-based compensations will be provided.
“Do the Best” Incentive Plan	An incentive plan for management and professionals. According to the achievement of the specific market objectives set, incentive-based compensations will be provided.

The salary and bonus structure of FedEx includes cash and non-cash portion. Cash is mainly composed of salaries, bonuses, allowances and incentives. Non-cash portion are in various forms, including dinners, theater tickets, free travel and so on. In order to attract and encourage all qualified employees, FedEx regularly reviews the company’s overall compensation plans to ensure its competitiveness.



**Table 2**  
**FedEx Welfare Composition Table (Peng, 2013, p. 255)**

Welfare	Description
Social Insurances	Pension Medical insurance Unemployment insurance Provident fund
Supplementary Commercial Insurances	Personal accident insurance Commercial health insurance
Travel Accident Insurance	Covers accidents in business trips
Global Travel	FedEx has signed an agreement with local and international passenger airlines, allowing employees to fly at a discounted price. Preferential air tickets are one of the most attractive benefits of FedEx. Full-time employees and their families of the company can enjoy preferential air tickets to travel or take business trips.
Preferential Shipping of Individual Packages for FedEx employees	FedEx allows employees to ship packages at a discount.
Tuition Assistance (TA)	With annual maximum of (\$2,500) for the reimbursement of education expenses to encourage staff to receive further education.
FedEx Kinko's discount	FedEx employees can enjoy the discount when using FedEx Kinko's services and products.

### 2.2.3 Incentive system

FedEx will use part of its profits to award those who make outstanding contributions to the company. When the company reaches a predetermined profit target, it will increase the distribution of red envelopes with money; sometimes such incentives can reach 10% of employees' salary. FedEx also sets various bonus items. Reward involves many aspects and the content of awards is multifaceted, including: Bravo Zulu, Five Star Award, Humanitarian Award and Service Award. In order to encourage the social responsibility of employees, FedEx also sets the Samaritan Award and Public Welfare Interactive Award. FedEx incentives are mainly consists of the following prizes:

Leadership Five Star Award is FedEx's most famous award to annually award about 300 employees who have outstanding performance with leadership skills, vision and creativity and have made a significant contribution to FedEx.

Humanitarian Award is mainly to reward staff for humanitarian considerations and services.

Long Service Award is mainly to reward those employees who have been working at FedEx for more than five years and every five years employees will receive such an award.

BZ Award (Bravo Zulu) means "well done". If employees have outstanding performance outside of their jobs, the company will give them such a special reward.

Purple Promise Award is dedicated to customer service excellence and it enjoys a high reputation within the company.

We can see that FedEx has different sound compensation systems and a fairly comprehensive welfare system for ordinary employees and executives, which is conducive to the stability of FedEx. FedEx believes that only when the company treats their employees well can they do their work without worries and provide customers the best quality service. When the own interests of employees are in close contact with the organization's interests, they will link themselves to their organization. Employees who can benefit from the company economically and spiritually will naturally want to help the company achieve business goals. In such a company, employees are more likely to find a sense of belonging and are more willing to try their best for the development of the company.

## 2.3 Training and Career Development

### 2.3.1 Staff Training

FedEx has put great emphasis on staff training and their development and FedEx provides learning and development opportunities for each employee. Before entering the formal job positions, FedEx employees have to go through a series of pre-job training. The company provides learning opportunities for staff training and professional certifications and encourages employees to continuous learning. The company also gives full protection in the fund. And in the first year after entry, employees are likely to accept other training. FedEx has a series of staff training programs so that employees can have good personal growth. The following table shows part of FedEx employees learning platforms.

**Table 3**  
**FedEx Employee Learning Programs**

Employees Development Programs	Description
APAC E-learning	The online platform provides free learning courses for FedEx students to help them develop software and IT skills.
Quality University (QU)	This web-based training system provides skills-based management courses and online resource materials for employees. QU is open to all employees via FedEx internal network and currently only English courses are available.
FedEx Management Course, GOLD Program (Growth, Opportunity Leadership Development)	By focusing on leadership/management concepts and skills in a structured process to provide development and growth opportunities for employees in managerial positions.
Fee Subsidy	Through the annual maximum amount (up to \$2,500) to reimburse eligible expenditure on education to encourage qualified staff to obtain additional higher education and professional certifications.

FedEx is not only to provide staff with a good training to ensure that employees have the opportunity to learn, and this learning has been integrated into the daily work so that the learning and improvement of employees are carried out all the time.

### 2.3.2 Development of Employees

FedEx emphasizes on the promotion and retention of internal talent and 91% of its managers are from internal promotion. In fact, many leaders of FedEx are internal promoted. As long as employees are good enough, they can get promoted. With the implementation of “internal promotion”, it requires huge investment in employee growth. These practices are also from FedEx PSP philosophy. This can increase employee loyalty. Starting from recruitment, even for frontline employees, FedEx will conduct psychological and personality tests on employees, and starting from the new employees’ orientation, the company instills them with the FedEx corporate culture. They are proud of the corporate values that “mission will be reached” and are willing to overcome all the difficulties to deliver customers’ items in a timely manner. Help to employees: the company’s help to employees is targeted. Based on everyone’s different situation, the company provides different career development planning.

With its quality service and innovation, FedEx has maintained its good reputation in the industry. Its service and innovation relies on employees’ passion and loyalty to the company, which requires FedEx to meet the appropriate needs of employees in Human Resource Management. FedEx with its corporate culture of “employees first” has created a business atmosphere of equality and democracy, providing premises and possibility for the communication and cooperation between employees. Emphasis on employee development and training, internal promotion and attractive compensation and incentive systems, to some extent, have met the needs of employees.

## CONCLUSION

**a) To Establish Advanced Human Resources Management Concepts.** Regardless of the size, enterprises must first establish advanced human resources management concepts and this requires logistics companies in Beijing first become “people-oriented”. The approach to make profit with low wages is not only a quick, short success, but also does not have sustainability in the increasing shortage of labor force today. It is not conducive to long-term development of the enterprises. Therefore, in order to have a healthy development, logistics enterprises in Beijing should be “people-oriented”. Then first they must think of and meet the needs of employees. Only in this way, employees’ work enthusiasm can be improved and they will treat the company with the same attitude and the company can

develop healthily. Federal Express’s so many years of development is inseparable from its “people-oriented” corporate culture and democratic working atmosphere.

**b) To Maintain an Appropriate Staff Turnover Rate.** Moderate employee turnover within the organization can really enhance the vitality of enterprises to a certain extent. However, excessive staff turnover will affect the normal operation of enterprises. Faced with such a high turnover rate in logistics enterprises in Beijing, companies should take steps to make the turnover of employees decrease to a certain level.

**c) To Pay Attention to Employees’ Development and Training.** As it can be seen from our research, personal career development and promotion to a certain extent affect the level of turnover rate in logistics enterprises. Most logistics enterprises in Beijing do not attach importance to frontline staff development and training, which is an important reason why the frontline staff turnover rate is relatively high. We can see the work FedEx has done on staff training and development. FedEx has offered a variety of platforms for the regular training and staff training for employee growth. Within the company, employees can get the opportunity to grow. Through learning and training, they are constantly developing. Many leaders of FedEx are even promoted from their frontline employees. This shows that FedEx provides staff with certain career development. From this point of view, for the healthy development of logistics enterprises in Beijing, they should create the conditions for employees to get promoted and improved within the company. This will undoubtedly increase their loyalty to the company and reduce the frontline staff turnover rate to a certain extent.

**d) To Establish a Reasonable Compensation and Benefits System.** From the pay levels and systems in logistics enterprises in Beijing, the pay level is not high and the majority of its institutional design is not perfect. As a superior logistics company, FedEx has a relatively complete system of compensation and benefits. Because unreasonable salary structure would create a sense of unfairness and reasonable compensation design is able to motivate staff, companies should focus on the long-term development of enterprises. Logistics enterprises in Beijing should gradually improve their pay and benefits system so that enterprises gradually embark on the road of healthy development.

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