

Building a Global Process Standard at the Most International Company on Earth: DHL Express

Teaching Case

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Abstract

As “the most international company on earth,” DHL Express promised to deliver packages between almost any pair of countries within a defined time-frame. To fulfill this promise, the company had introduced a set of global business and technology standards. While standardization had many advantages (improving service for multinational customers, faster response to changes in import/export regulations, sharing of best practices, etc.), it created impediments to local innovation and responsiveness in DHL Express’ network of 220 countries/territories. Reconciling standardization-innovation tradeoffs is a critical management issue for global companies in the digital economy.

This case study describes one large, successful company’s approach to the tradeoff of standardization versus innovation.

Keywords: Global business process standard, business process innovation, IS platform, enterprise architecture

Overview

We operate as a network. So it’s critical to have consistency across the globe.

—Pablo Ciano, Chief Information Officer, DHL Express Americas

As “the most international company on earth,”¹ DHL Express promised to deliver packages between almost any pair of countries. To fulfill this promise, the company had introduced a set of global business and technology standards.

The business model of the DHL Express business is predicated on guaranteed time from an origin to a destination. So, if you wanted to ship something from Washington, DC, to Korea, we're almost assuring you that we can deliver in two to three business days. If you're making that hard commitment to a customer, you then simply need standardization. Standardization in the business processes, standardization in the data and information systems and standardization in the skill sets. Because that's your business model. You're selling a promise.

—German Valencia, Executive Vice President, DPDHL IT Services

The advantages of having global standards were manifold. For example, standards helped meet customer expectations.

[Customers] expect that if they phone customer service whilst they're on a business trip in Singapore, asking about their shipment from New York that was going to Sao Paolo, they expect that person in Singapore to have exactly the same information and follow the same processes as somebody in the home customer service organization.

—Steve Wells, Vice President, Strategy and Planning Head, Global Order to Cash Domain, DHL Express

Additionally, with a global process standard, it took less time and effort to address new regulatory requirements. The challenge of operating in a network business was that if one country changed its import or export regulations, all other countries shipping to or receiving packages from that country would have to comply.

Governments and their agencies can impose changes almost at will affecting trade across the whole planet; they can say from tomorrow at 3:00, you will comply with these rules globally if you want to ship into the specific country.

—Steve Wells

Having consistent systems and processes meant that DHL could respond to such mandates by implementing a single change and deploying it multiple times around the world.

Having a global standard also allowed DHL Express to propagate best practices and make use of specialist knowledge around the world by transferring people.

You can go around any facility in Asia, for example, whether you're in Japan, China, Vietnam or Australia or New Zealand, the facilities all look the same; they all do the same work. We can take people out of Japan and put them into Vietnam and they'll be able to do the job, even though they won't be able to speak the language.

—Ian Sykes, Global Vice President, Network Operations Programs, DHL Express

But with operations in 220 countries and territories² there were also persistent challenges associated with implementing and maintaining global standards. For example, global standards did not easily accommodate country differences.

The vision that we have is to get as many countries as possible to the global standard, and still preserve the fact that the express industry is all dependent on customs agreements and it is very hard to develop a global standard where every country has a different customs framework.

—German Valencia, Executive Vice President, DPDHL IT Services

Management was also concerned that standardization could limit innovation.

¹ http://www.dhl.com/en/express/shipping/-campaigns_promotions/international_specialists/isc_2012.html

² Out of the 193 countries recognized by the UN, the only one not being served by DHL Express was Turkmenistan according to Frank Uwe Ungerer, UAE country manager of DHL Express, <http://www.7daysindubai.com/DHL-boss-passing-Dubai/story-17684271-detail/story.html>

It's just double sided [...] I think the other side of that same coin is that the opportunity to innovate, to resolve a glaring customer issue requires more coordination. Now you're in a world where you're attempting to reuse and drive consistency or try to get yourself on a slightly modified release of the global application to get the little thingy you want; or to try out the new pilot that you're convinced is going to change the way we do business. Those things require more discipline and a global mindset and will likely take longer time to market.

—Jerry Hennessy, Director, Customer Facing IT, DHL Express US

By late 2012 DHL's management team was pleased with the progress of its movement toward global business process standards. To further expand global process and systems standards management had implemented governance mechanisms that ensured central oversight of process changes. Management recognized that standardization limited local responsiveness, and senior executives were monitoring the impacts of the tradeoffs they were making.

Background: DHL Express

DHL (an abbreviation for the initials of the founders Dalsey, Lynn, and Hillblom) was founded in 1969 to transport shipping documents between San Francisco and Honolulu. After an expansion of its services throughout the world in the 1970s, it went into US domestic shipping services in the 1980s. Logistics group Deutsche Post fully acquired DHL in 2002—which then had more than 70,000 employees serving 220 countries and territories—and merged it with its already existing Express division.³

In 2012, DHL Express was one of four divisions of Deutsche Post DHL (DPDHL). Although all four divisions were profitable and all had revenues ranging between €13 and €16 billion, the Express division contributed more than 40% of the group's profit. DHL Express had become profitable in 2010 and enjoyed 8.7% Return on Sales in 2012. (See Appendix 1 for details on DHL Express' financials.)

DHL Express' 100,000 employees transported, or “shipped”, 1.6 million packages each day for the company's 2.6 million customers. Sixty-four percent of those shipments were “domestic” shipments, meaning they were delivered within the country of origin. Most of these packages were sent as Time Definite and Day Definite deliveries. The rest of DHL Express business was international, meaning that the origin was in a different country than the destination. While smaller in volume, the Time Definite International product made up over 80% of DHL Express' revenues (see Appendix 2 for a description of the shipping process at DHL Express.)

Though both domestic and international shipments were about transporting packages from an origin to a destination, the two businesses were quite different. Given longer transit times, package tracking was more important to customers of international shipments. While data accuracy and completeness were important for international shipping, domestic shipping was about high volume and cost efficiency.

A major complication of international shipping was the customs clearance component which was guided by very specific rules, depending on the type of shipment as well as the shipment's origin and destination. Different countries required different types of documentation or did not allow certain types of shipments at all. Operating in 220 countries and territories meant a huge set of rules to be taken into account.

In the international express shipping market, DHL claimed market leadership in Europe's (41% market share compared to UPS's 23%) and Asia Pacific's express markets (40% market share vs. FedEx's 21%). In the Americas region, DHL Express was the third largest international shipper with 16% market share compared to FedEx's 50% and UPS's 30%.⁴ DHL Express prided itself for being “the world market leader in international express services.”⁵ Its 2012 marketing campaign was titled “International Specialists.”⁶

³ http://www.dp-dhl.com/en/about_us/history/history_without_flash.html

⁴ DPDHL Annual report 2012, p. 59.

⁵ DPDHL Annual report 2012, p. 58.

⁶ http://www.dhl.com/en/express/shipping/-campaigns_promotions/international_specialists/isc_2012.html

The DHL Express US Transformation

In 2003, Deutsche Post had acquired Seattle-based Airborne Express to expand its domestic US business. At that time, FedEx and UPS accounted for 75% of shipments within the US; the US Postal Service held a market share of 19%.⁷ Following the acquisition, DHL's market share in the US domestic business had remained below 10%,⁸ and the US business incurred heavy losses. From 2004–2008, the losses grew at an annual rate of 24%, eventually topping \$1 billion.⁹

The US was approaching a loss equivalent to the gains from Asia Pacific.

—Steve Wells, Vice President, Strategy and Planning Head,
Global Order to Cash Domain, DHL Express

Customer service was also regarded as sub-par, leading to high rates of customer complaints and attrition. Customers received bills with rates that differed from what they had been promised during the customer acquisition process; customers trying to track and trace packages would not always get a proof of delivery; customer experiences differed widely depending on which of the several call-centers was called, and the percentage of on-time package deliveries—under 90%—was unacceptably low.

It was obvious that the US business was in deep trouble and action needed to be taken.

The combination of a very poor business and operational performance and not a good customer experience [in the US] was a perfect storm.

—Pablo Ciano, CIO, DHL Express Americas

Exiting the Domestic US Business

In May 2008, Ken Allen was named CEO for DHL Express's US business.¹⁰ Within months, DHL Express decided to exit the domestic US business and focus on international shipping.

*In February 2009 we exited the domestic US express business. We have now refocused fully on our core competency—the international express business. The United States will still remain an integral part of our global network.*¹¹

The impacts of this move were dramatic. All U.S. ground hubs and 75% of all ground stations were closed.¹² Cincinnati, Ohio eventually became the only US hub. Massive layoffs reduced costs by about 85%, but the departure from the domestic business led to a loss of almost 90% of US shipping volume.¹³

[Ken Allen] was very clear that we want to make a dollar. "We just want to make one dollar."

—Steve Wells, Vice President, Strategy and Planning Head,
Global Order to Cash Domain, DHL Express

With only 10% of the previous shipping volume, the remaining international business in the US was not operating "at scale" anymore. And because the domestic business had been the major focus in the US, US processes and systems had limited international product capabilities. Even as DHL started implementing global processes and systems in the early 2000s, the US business continued to design its own systems and processes. This situation had been aggravated further by the Airborne acquisition.

The United States was bigger and knew best, and therefore, just did their own thing. And they became non-standard. They almost didn't see themselves as part of the network. They had

⁷ *The Wall Street Journal*, 22 Dec 2013, "Deutsche Post Gets a Victory Over U.S. Rivals UPS, FedEx"

⁸ *The Wall Street Journal*, 10 Nov 2008, "DHL Retreats From US Market"

⁹ *The Wall Street Journal*, 8 Nov 2008, "DHL Beats a Retreat From the U.S."

¹⁰ *The Wall Street Journal*, May 7, 2008, "Allen to Head DHL in U.S."

¹¹ DPDHL Annual Report 2009, p. 54

¹² Bloomberg, 14 Apr 2011, DHL Reboots in U.S. After \$9.6 Billion Bleed: Freight Markets

¹³ Internal company documents, October 2008

different pricing rules. They had different operations systems. They had very different e-com tools.
—Patrick Byron, Vice President, Global Billing, DHL Express

Implementing Global Standards for the US International Business

Starting in the early 2000's DHL had defined a set of standardized processes (SOP, Standard Operating Procedures) and had implemented systems (known as Express Global Application Portfolio or EGAP) to support those processes. These standards were initially implemented in the Asia-Pacific region and were then taken to the Middle East, Africa and South America.

At the same time that DHL Express US was exiting its domestic business, CEO Ken Allen started a transformation of the remaining international shipping business. This transformation would lead the US to adopt DHL's standard processes and systems.¹⁴ Moving the US business to the global standard meant replacing the current processes and supporting systems currently used in the US to run international shipping with EGAP.

EGAP is the equivalent of an ERP. It's a homegrown version of a combined ERP/ CRM/SCM¹⁵ consisting of commercial and internally developed and integrated solutions.

—German Valencia, Executive Vice President, DPDHL IT Services

The result of introducing standard systems meant moving from 600 US-unique applications to 145 systems, of which most were part of the EGAP standard suite of systems. Annual IT costs in the US were reduced from \$200 million to around \$50 million. However, moving to the EGAP process and systems standard also meant that people in the US had to change the way they had worked for many years.

The challenge was to upend what you're doing and conform to what is known to be successful and cost effective in other parts of the world [...] At first blush we were heavily ingrained in the activities and the information systems in place [in the US]: the trace & track applications and telephony systems we were very close to and had a hand in optimizing. It felt like we knew just exactly what the business and the customer needed and this new approach was shocking and very serious.

—Jerry Hennessy, Director, Customer Facing IT, DHL Express US

For example, sales processes became much more formalized.

The DHL Sales Processes are all well documented, with clear expectations around KPI's such as the number of phone calls or visits a customer should receive from a sales executive within a 90 day period, or what the maximum number of customers should be in their territories if they were to be most efficient and effective, and more importantly, capable of meeting revenue targets. The EGAP project offered the perfect opportunity to educate the sales force on these leading indicators, and in so doing, the US Commercial function evolved into a much more formalized organization that was simpler to measure in terms of success.

—Shonagh Baigent, Vice President, Global Sales Development, DHL Express

Getting accustomed to new ways of working was necessary throughout the whole organization and was seen as a dramatic change by the local US employees:

The things that we were doing [in the US...] were quite unique and they weren't in use anywhere else in the world. And this transformation was largely scrubbing those things that were US-specific that didn't fit the model that had been successful in countries the world over. Therein lays the challenge. [...] It was intimidating and it seemed to some extent unachievable.

—Jerry Hennessy

At the same time, it was made clear from the very beginning to everyone in the US that this change was urgently needed and would happen with or without the buy-in of local employees.

¹⁴ Processes and systems in scope covered the full value chain from finance to customer service including shipment operations. See Appendix 2 for a high-level description of the process of package shipment.

¹⁵ Authors' note: ERP stands for Enterprise Resource Planning; CRM for Customer Relationship Management; SCM for Supply Chain Management.

A diverse team of 60 people drawn from around the world was assembled and empowered by management to move the US business onto the EGAP standard (see Appendix 3 for a team organization chart).

We needed commitment from a small group of people who were selected and known and trusted by the management to go and sort it out.

—Patrick Byron, Vice President, Global Billing, DHL Express

In fact, the transformation program required the team's full commitment:

It was an incredible drain on the people. One of the biggest challenges isn't so much in doing the job, it's remaining fit and healthy during the course of a twelve-month intensive period like that. We had no one break down completely, but people get so drained that you have to take them out of the field for a couple of weeks to recharge the batteries. [...] There was a tendency to do eighteen, twenty hour days and seven days a week and at times you've got to do that, but it's important that you give them some time off to recover. You can't do that for sustained periods of time.

—Ian Sykes, Global Vice President, Network Operations Programs, DHL Express

In addition to having a dedicated team, top management engagement was regarded as indispensable for the transformation.

Ken came to the project every week or so, was on call pretty much every other day and making sure he was engaged. So, the executive sponsorship is clearly one of the success factors.

—Steve Wells, Vice President, Strategy and Planning Head, Global Order to Cash Domain, DHL Express

Despite the top-down mandate for transformation, given that US employees had been working in their way for many years and the EGAP standard was transferred from different parts of the world, the standardization project would have to address how to deal with local differences.

The philosophy was that every core system or process that was working in other major countries was also going to work in the US until we prove otherwise.

—Pablo Ciano, Chief Information Officer, DHL Express Americas

Exceptions to the standard defined by EGAP were only allowed if legally required, if no global standard existed for a certain areas (like pricing, hub sort integration and a few other areas), or if important customers would be affected in an unacceptable way.

A lot of people with history in DHL in the US believed the US is different [...]. Every country is different. Of course they are. But, they're allowed to be different if it's legal, regulatory, or is going to compromise the customer experience. So, setting some very, very big rules, some guiding principles that are unambiguous [...], getting those set up front is a major success factor, because you can just keep referring back when people say I want my pet project to remain, you can just come back to the guiding principles and say, remind me which one of these does your project actually support? Is it legal or regulatory? Does it support customer experience and we want to keep this profitable customer?

—Steve Wells, Vice President, Strategy and Planning Head, Global Order to Cash Domain, DHL Express

Given these tightly defined rules, few exceptions were raised and even fewer were granted. If changes had to be made, the idea was to make them part of the global standard and distribute them back to those countries that were already using EGAP.

[One of the exceptions concerned] the ability to show the dimensions in your invoicing, which we traditionally hadn't done. We said we will do it, because when we do it, we will do it not just for the US, we will do it in such a way that at least the top 10 countries in Asia can reuse it as well. So we didn't only adopt the existing standards. There were some things where we absolutely had to solve a problem, because the market forced us, the market demanded them and they were customer facing. And in those cases, we said, let's change the standard in such a way that not only would it meet the US's requirement now, but we can leverage that subsequently [...] All the major countries in the world upgraded to the release that we've done for the US [...] there

already was a lot of pressure from Japan, Hong Kong, etc., saying we would like the functionality to have dimensions on invoices.

—Patrick Byron, Vice President, Global Billing, DHL Express

One of the main areas for exceptions in the US, though, was the customer-facing systems. Since customers were already forced—with very few exceptions—to use a different shipping provider for their domestic shipments, DHL did not want to give customers even more reasons to also take their international business to DHL’s competitors.

From the outset, we agreed the intent was to be as least disruptive to our customer as possible. It was a big enough adjustment for them to split their business, why give added reason to move away. The key was to find an optimal way to align both DHL and the customer’s processes, without increasing the risk of defection.

—Shonagh Baigent, Vice President, Global Sales Development, DHL Express

Core to the US transformation was also the implementation of the Certified International Specialist (CIS) training program. DHL Express launched the CIS program in July 2010. The program trained employees across all functions on the fundamentals of international shipping, enhancing their knowledge of aspects such as Incoterms, import/ export documentation, and transport regulations and processes. The training sessions themselves were delivered by employees trained as facilitators. Through video interviews, the training also engaged former executives of the company in telling the story of the entrepreneurial roots of DHL and the values that helped the company become a global leader in logistics. To date, the CIS training has been delivered to over 100,000 employees worldwide, making it one of the largest corporate training programs ever implemented.¹⁶

Impacts of the US Transformation

Guided by the principle of shielding customers from change, in some cases even assuming the cost of change for the customer, and paying a lot of attention to customer communication, DHL Express was able to retain about 40% more customers than expected.

We had to demonstrate that the changes we were making would enhance our international services across the board. The customer would experience immediate benefits such as increased shipment visibility and security, improved customs clearance, simplified billing and consistent processes which had proven successful across the DHL global network. We communicated extensively with our customers, telling them what we were doing, why and by when. This approach clearly paid off as we retained far more revenue than initially estimated and customers were significantly more loyal than anybody had anticipated they would be. I think this ultimately came down to doing what we said we would do and our customer rewarded the commitment.

—Shonagh Baigent

One of the changes many customers would have to deal with came from the clean-up of customer-related data. The EGAP standard required to have one coherent view of all customer activity in one place, the so called “customer master file.” Before the transformation, the US systems included 3.6 million different account numbers. Through a process of cleaning out purely domestic customers and consolidating duplicates, around 316,000 account numbers remained in the customer master file. Having a single customer information file gave DHL Express much more transparency on what their customers were doing.

[Previously, customer data] was stored in approximately seven different systems. [...] So depending on where you looked, you would come up with another view of the same customer. This cast a shadow of doubt over all reporting and you never felt like you had a full picture of what was going on. Streamlining the systems and cleaning up the data was like a breath of fresh air. Finally we had a single version of the truth and you could really understand what was going on in the business and where focus was next needed most.

—Shonagh Baigent

¹⁶ www.dhl.com.hk/en/press/releases/releases_2013/local/052313.html

The US transformation was regarded as a success in many ways. In 2010, the US was almost fully following the global SOP and EGAP standards and service quality had improved as well.

We have consistent, 96.5% delivery on time and it's much less claims, less escalations, less problems. I remember the US when we had the domestic business, there wasn't a single Christmas or New Year's that we were able to enjoy because it was always very chaotic and nowadays it's much more manageable.
—Pablo Ciano, CIO, DHL Express Americas

Adopting the standards also enabled the US to take advantage of company-wide business initiatives:

We are uniform in treatment and when there is a global initiative or a global treatment or revenue driving marketing exercise that's sponsored for the world, we're in it and we participate and we can share stories with countries around the world.
—Jerry Hennessy, Director Customer Facing IT, DHL Express US

Despite a steep decline in revenues due to the loss of the domestic business, DHL Express US was brought back on track in terms of profitability.

Just the morale, when you come from a company that's been losing significant amounts of money and you're starting to make money, you become exceptionally proud of the efforts that you've done. Right from the US CEO all the way down to the courier on the street, they're all proud to work for DHL. They've returned to being part of the family, because they're making money. I think all of those things are really important, as outcomes to what we actually do.
—Ian Sykes, Global Vice President, Network Operations Programs, DHL Express

Maintaining the Global Standard Around the World

Under the umbrella of our Global Standard Operating Procedure Programme, we define worldwide process standards for our entire supply chain, from pickup to delivery. Internally, we make regular checks of whether these standards are being adhered to.¹⁷

After the US transformation, DHL Express completed a similar transformation in Canada in 2011, where it exited the domestic business and introduced the EGAP standard processes for international shipping.

In Canada, the transformation was done in nine months. So this is going to become a repeatable thing. Now we're doing a similar transformation in other parts of the world. So what we did became an embedded best practice and we're just repeating it now where it makes sense.
—German Valencia, Executive Vice President, DPDHL IT Services

The plan was to also move 28 European countries on the EGAP standard by 2016. With more and more countries operating under the global standard, making the case for introducing the standard became easier.

We're getting huge pushback, but less and less. After 20 countries have said "Well, we can't follow it because we're different," even the sales manager said "The last 19 countries who told me so, they proved they're not different." It becomes easier.
—Patrick Byron, Vice President, Global Billing, DHL Express

But even if all regions conformed to a common standard, the challenge was an ongoing one: how to maintain a truly global standard. Especially since DHL was operating in 220 countries and territories, changing regulations and pressures for modifying the global standard in order to serve local customers better would come up regularly. And with 100,000 employees, ideas for how to improve standard practices would pop-up everywhere.

Every country manager thinks he's very special, so it's not just the US. It's the Japanese and the Swiss and the Dutch also.
—Patrick Byron

¹⁷ DPDHL Annual Report 2009, p. 58

Anybody in the organization could come up with an idea of how to conduct a certain process in a better way.

If a part of the world, or an individual even, thinks that there's a really good idea to streamline processes, improve the customer experience, reduce costs or just a really good idea for whatever reason, they have every right to submit a change request into the standards organization inside DHL.

—Steve Wells, Vice President, Strategy and Planning Head,
Global Order to Cash Domain, DHL Express

DHL Express had developed mechanisms to deal with requests for changes to the global standard. For example, they introduced an investment committee called the Project Portfolio Review Board (PPRB) with structured submission processes for submitting change requests.

If I wanted to introduce a new way of rating shipments, I can't just go to the investment committee and ask for X million, or X hundred thousand, or even X thousand, unless I have the boxes ticked on my investment framework pack that shows the sponsorships is there, the signatures are there, and that the investment makes sense, the return on investment is realized before a particular date.

—Steve Wells

Before submitting a change request, employees first had to convince their respective country managers to sponsor the idea. Afterwards, the idea would have to generate buy-in from the region (like Asia-Pacific or the Americas). Eventually, a submission would be made to a global SOP steering committee. Those steering committees existed for each process domain (e.g. Network Operations, Sales & Marketing, Aviation, etc.). A working group supporting the steering committee would assess the idea and propose accepting or declining the proposal to the committee. In a monthly steering committee meeting, members would decide on a submission. That decision would be sent to the monthly global PPRB investment committee—chaired by the CEO—which would endorse investment requests across all domains. One senior executive described PPRB meetings as “painful,” but effective. Once the standard was amended, its effect was global.

The investment committee makes decisions on application development anything greater than 5,000 Euros. That's how tight the governance is. But, the minute there is an agreement that there is a local innovation, that local innovation quickly becomes a global solution. And within six to nine months, you may have that global solution in 40 or 50 countries already deployed. So you get a little bit of choke point, but innovation ideas are quickly to propagate if they are good.

—German Valencia, Executive Vice President, DPDHL IT Services

Despite all standardization efforts, it was clear to executives that a global standard could not be reached 100%—because of local differences in customers' requirements as well as regional regulations.

You do get a lot of customer differentiators, and you do get a lot of those local idiosyncrasies, and that's why we've always said you cannot take the global standard to 100%. It's probably reasonable to stop at the 80% point, to allow for that local market uniqueness.

—German Valencia

But if a country wanted to request an exemption from a global standard, it would have to go through the same change request process. Exceptions allowing a country to deviate from the global standard—whether rooted in regulatory or other reasons—were granted for 12 months only, after which a new exception request would have to be submitted.

In addition, countries were regularly assessed for compliance to the global SOP. After a first telephone conference, an international team assembled by the leader of a process domain would review standards compliance in multiple site visits. The end result of this review would be a “course of action” on what to improve. Areas that were executed exceptionally well in the country and might improve the global standard would also be noted. A review would take around two weeks and weekly follow-ups on the country's progress would ensue. After three months, the country's actions would be reviewed another time.

We have introduced from the end of last year a Global SOP improvement review. It used to be called an “audit.” But audits are about pass and fail. The Global SOP improvement process is

aligned to our continuous improvement philosophy.

—Ian Sykes, Global Vice President, Network Operations Programs, DHL Express

Issues in Maintaining a Global Standard

These mechanisms clearly helped maintain standard operations across the countries. But the mechanisms for maintaining a global standard were not without downsides:

If I was to change an IT system only [in one country...] I could do it pretty fast. But if I'm going to change an IT system that's going to impact everyone else in the world, I've got to take a little bit more care and attention and make sure it's a little bit more robust. And at times, there's probably a feeling of frustration at the country level with the speed at which some of the change can happen.

—Ian Sykes

On a local level, operating in a world of global standards was also perceived to slow innovation down.

One of the things that people find frustrating is that when you standardize and go global, things actually slow down a little bit. Although the transformation was quite fast, to get change through, to get the approvals and the mechanisms to change, is a lot slower than if you were doing it locally.

— Ian Sykes

In addition, global standards led to trade-offs between local and global optimums:

There could be frustration at a local level. They may feel that their way is better and more suited to their environment. If the localization is agreed to be a best demonstrated practice, the Global SOP will be updated the change implemented network wide. If the localization is not sustainable globally the country/location will be expected to adopt Global SOP.

—Ian Sykes

The Tradeoff: Standardization versus Innovation

People wondered whether these challenges were just the price to pay for running a very international organization on a global standard.

It's a bit bureaucratic, but you've got to have some form of control if you're trying to get a centralized environment where everyone does the same thing everywhere by product.

—Ian Sykes

But management was aware of the importance of having employees understand how following a global standard was helping the company overall.

I think bureaucracy comes from an environment where you don't really understand what is going on. For example, if you say to a courier 'you have to scan this shipment 10 times at various places along its journey,' they might think, why? But if someone shows them at a macro level how the whole thing works and how their bit fits into it and how it improves quality and the system, you move to another level as they also suggest ways of improving it further.

—Ken Allen, CEO, DHL Express

Management recognized that DHL faced a persistent tradeoff between the efficiency and reliability of global standards and the innovativeness and responsiveness of local autonomy. But as senior executives were committed to the standardization initiative, they looked for opportunities to bring about innovativeness in the context of a highly standardized global business.

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Appendix 1: DHL Express Financials

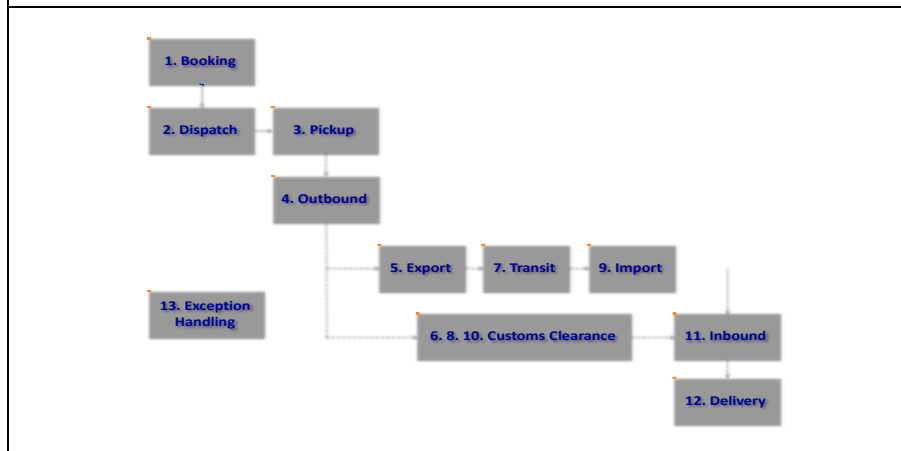
Table 1. DHL Express Financials (Source: DPDHL Annual Reports 2009–2012, DPWN Annual Reports 2007–2008)						
(all figures in EUR M)	2007	2008	2009	2010	2011	2012
Revenue	13,874	13,637	9,917	11,111	11,691	12,778
of which Europe	6,667	6,631	5,207	4,960	5,361	5,614
of which Americas	4,165	3,559	1,473	1,831	1,887	2,276
of which AsiaPac	2,576	2,746	2,580	3,374	3,718	4,301
of which MidEast Africa (included Eastern Europe till 2011)	1,021	1,176	1,054	1,216	856	961
EBIT	-272	-2,194	-790	497	916	1,108
Return on Sales (Percent)	-2.0%	-16.1%	-8.0%	4.5%	7.8%	8.7%

Table 2. 2012 DHL Express Revenue and Volume by Product				
Products	2012 Revenue (EUR M per day)		2012 Volume (thousand items per day)	
	Time definite Int'l (TDI)	31.2	81%	593
Time definite Domestic (TDD)	4.6	12%	750	46%
Day definite Domestic (DDD)	2.8	7%	294	18%
Total	38.6	100%	1637	100%

Appendix 2: DHL Express Shipping Process

The shipping process worked as follows (see figure 1): To ship a package, a customer could contact DHL in several ways: by calling their customer service or electronically, e.g., by using the dhl.com website. Either way, the customer would provide the details of the shipment (including origin and destination, dimensions and weights, type of goods or documents to be delivered, urgency of delivery etc.) to generate a label and a so called airbill along with a pickup request. This information would be used by the local dispatch operator to schedule a courier to pick up the shipment. Large customers would even have a standing request for regular pickups. After scanning the package label attached by the customer, the courier would transport the package together with other packages picked up on the same route to the local DHL Express service center for “outbound processing.” An operational group would check whether the shipment meets the requirements of the receiving country, scan the package, prepare required export documents and move it into a container for movement to the airport. A carrier might take the package to one of the four global hubs (Leipzig, Cincinnati, Hong Kong or Shanghai) where it would be scanned and recontainerized for further transit to its destination. At the country of origin, the shipment would go through import and inbound processing. The package would have to go through customs clearance. To speed up this process, 95% of shipments were “cleared in the air,” i.e. the import information had already been sent to customs authority with the package still in transit. Once cleared, the package would be taken to one of DHL’s local service centers, scanned and sorted to match a certain courier’s route. Eventually, the package would be delivered by the courier to the recipient, who acknowledges the receipt. Scanning the package at each point throughout the journey allows customers to track the status of the package within 15 minutes.

Figure 1. End to End Shipment movement process
 (Source: Senior Management Pack, “Delivering world class quality through consistency, Global Standard Operating Procedure”, company document, 10/2008.)



Appendix 3: Team Organization for the DHL Express EGAP implementation 2009

Figure 2. Team Organizational Structure EGAP implementation
 (Source: Company document)

