

Berkeley Leadership Case Series

21-180-006

December 7, 2020

Putting People First at Flexport

"It's really all about coordinating complexity...In the freight world, the user experience is just broken."

- Ryan Petersen

Named the 8th fastest growing company in the United States in 2018, San Francisco tech startup Flexport seeks to make global trade easier for everyone. With its business model centered around the shipment of goods around the world, Flexport has been compared to other shipping companies such as UPS and FedEx and has leapt to a \$3.2 billion valuation in its first six years of existence. Yet, with such a complex problem of global trade, how did Flexport grow at such breakneck speed?

In an industry that's shaped by metrics, logistics, and efficiency, Flexport counterintuitively focuses on human relationships with clients. Flexport builds its workforce around solving the world's most complex challenges in global trade by placing an emphasis on solving customers' problems and fostering a culture that encourages collaboration and innovation.

However, this primary component of Flexport's success was also the one most at risk to be jeopardized by its rapid growth. How did Flexport reconcile the two and maintain this crucial aspect of its business model as it scaled?

The Problem of Moving an iPhone Through 15 Companies

Flexport is the first international freight forwarder and customs brokerage built around an online, cloud-based dashboard. It offers services within the fields of logistics (ocean, air, and ground shipping), trade, finance, and supply chain. Headquartered in San Francisco, California, Flexport was officially founded in March of 2013 by Ryan Petersen, an

This case was prepared for the Sutardja Center for Entrepreneurship & Technology by Lecturer Pamela Park and case researchers Ethan Shang, Rameen Saeed, Leila Bagheri, and Ashita Dhadda. This case was reviewed prior to publication by a company designate. Funding for the development of this case was provided by the University of California, Berkeley College of Engineering and not by the company. Berkeley Engineering cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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entrepreneur and graduate of UC Berkeley and Columbia Business School. In 2018, Inc. magazine named Flexport the 8th fastest growing company in the U.S., and by 2019, the company had revenue of over \$600 million. Flexport opened their first warehouses in Los Angeles and Hong Kong to consolidate customer cargo shipments, and they have continued to build additional warehouses near major population centers to further expand their global network. At present, Flexport serves almost 10,000 clients and suppliers across 116 countries with a workforce of about 1,800 employees and a total of 15 offices around the world.

A freight forwarding company is one that organizes the flow of shipments from manufacturers to final distribution points for corporations or individuals. This is not an easy task. Petersen explains:

“It sounds somewhat simple... but let’s say you want to move a pallet of iPhones from China to somewhere in the world. Well, those goods are going to touch about 15 or more companies going from door to door.”

These companies are associated with, but not limited to, factories, warehouses, trucks, planes, banks, insurance, and more. A freight forwarder takes care of these logistics on the backend, ultimately making the process simpler for their customers and helping them ship cargo around the world. As a result, Petersen notes:

“These companies can grow and not have to think about this part of the world... logistics should be just automatic.”

While most freight-forwarding companies accomplish this goal, Flexport stands out in the industry because it is also a technology company. Its technology automates a substantial portion of the labor and gives its customers more visibility and control over their freight at a lower price. This is accomplished through collecting and structuring all the data associated with freight shipping into a cloud-based platform, so that all the information is in one place and each party has what they need to do their job. The platform serves as an interface for all parties in the network to come together and provide real time updates and visibility to their end customer.

In tackling the complex problem of global trade, Flexport’s vision is to combine technology, logistics infrastructure, and local expertise to dramatically better the freight forwarding experience and empower businesses of all sizes to engage in global trade.

A Vision for Making Trade Easier

While the company was officially founded in 2013, Ryan Petersen, the CEO and founder, started working on the idea in 2010. Petersen was passionate about creating a platform that would make trade easier. Petersen had many ideas, websites, and companies all related to shipping before Flexport.

After graduating from Berkeley with an undergraduate degree in economics, Petersen decided to attend Columbia Business School. During his time at Columbia, Petersen pursued one of his first entrepreneurial ventures that exposed him to international shipping. It consisted of running an import and export business of electric scooters between China and the United States with his brother and friend. Later, Petersen and his brother founded ImportGenius, his first company, which provided a subscription service for importers and exporters that took public shipping data, digitized it, and sold it to companies. Through these ventures, Petersen understood the importance early on of building customer-centric solutions and made it a priority to determine whether people

would actually want what he has to offer.

During this time, Petersen started to get the initial idea about Flexport. He knew that simplifying global trade was an extremely important and crucial problem to solve. Petersen noted: “And yet trade is still too hard...And so that was my guiding principle.” However, he was not exactly sure what to do. He decided to work on it as a side project while working at ImportGenius. He describes his problem-focused strategy for Flexport: “Let’s attract a bunch of super smart people, show them the problem, help them organize themselves, and let them make the decisions.”

On March 31, 2013, the U.S. Department of Homeland Security and Border Protection granted Flexport a license. Petersen left his role at ImportGenius in Arizona and shifted gears to focus all his efforts on his new company Flexport.

As a solo founder and leader, Petersen initially focused on attracting talent, driving the customer-centric culture of the nascent startup, and raising funds.

Petersen immediately hired three programmers to start building the technological infrastructure needed to help Flexport succeed. After moving to Silicon Valley, Petersen applied to and was accepted into accelerator Y-Combinator (YC) to attract the top talent needed to build a modern freight forwarder. He recounts:

“I moved to California to start Flexport...we’re a technology company that’s making freight forwarding better with technology. With that story, it would be hard to recruit the talent and capital in Arizona, but in Silicon Valley as part of YC, it makes sense.”

Petersen also spearheaded Flexport’s customer-centric focus and product in its earliest years. For example, he did not believe in building a product if it did not already have substantial customer driven demand. To ensure this demand was present, Petersen built a landing page pre-launch and collected sign-ups from some of the biggest companies in the world (e.g. Saudi Aramco). Based on that, he knew Flexport had the potential to be big given that its first customers were already lined up even before Flexport received its license. Petersen explained, “The earliest customers for Flexport we got via Google Adwords, SCO, and sign-ups. People [were] just finding us on the internet [and] signing up for the service.”

Finally, to raise funds, Petersen’s main philosophy was giving off the impression that Flexport would succeed whether or not the investors decided to support it. “We’ve had epic product-market fit since before we even launched, like Saudi Aramco signing up. Flexport has never had a problem with demand,” said Peterson. When thinking back to the early years of Flexport, Petersen reflected, “People knew it was going to work with or without them.” Flexport successfully raised the initial funds it needed, and ultimately managed to secure \$1 billion in funding from Softbank.

Although the time from ideation to its first revenue was five years, Flexport was a company carefully built around the focus of what a customer would want, which has enabled it to be as successful as it is today. This case study will further explore the customer-centric value Flexport offers and its culture that enables the successful implementation of its business model, a brief analysis of Flexport’s current operations, and its response to the COVID-19 pandemic.

Customer-Centric Value: Scaling Flexport by Solving Customer Problems

From the onset, Flexport focused on providing customer-centric value. Petersen describes

his viewpoint saying, “I don’t believe in building something if you don’t have the customers for it”, underscoring the early priority placed on addressing customer needs. Petersen also notes that a focus on “[making] your objective to solve customer problems” was one of the most crucial decisions that helped Flexport achieve early success. From sales to customer relations, finding and addressing customer needs quickly proved to be a cornerstone in Flexport’s operating style.

This principle is best illustrated in Petersen’s recounting of getting Flexport to scale. He describes the process as using a lot of workers when expanding their business. At the time, Flexport had been using Trello to manage shipments, but Petersen notes that had they tried to make the system fully automated from the start, they would have been too fixated on the technological aspect of Flexport and may not have taken off. Petersen outlines this philosophy, stressing the need to get “out there in the world solving the problem and then getting permission to understand the customer’s needs and build the right tech.” By establishing themselves early as being there first and foremost to solve problems, Flexport built a rapport with its customers from the get-go. While this early focus on customer relations generated tech debt, Flexport decided it was a worthy compromise to demonstrate its customer-centric focus.

Throughout Flexport’s growth, the client-first philosophy remained a focal point and drove many of the company’s strategic decisions from structural decisions on interfacing with its customers to more technical decisions such as developing their dashboard to address user needs proactively and efficiently.

When looking at its approach with smaller companies, Flexport aims to have more of a partnership than a vendor relationship. Petersen frames this approach in the context of sales: “Think of sales the right way. Thinking of customer problems and the abilities of the organization you work for, then finding a match between them.”

Flexport cultivates a close relationship with its users, engaging with customers with a consistent point of contact throughout the process to build a personalized approach. Maintaining this interpersonal appeal to small businesses would prove to be a challenge as the number of customers grew. To address this, Flexport chose to scale its workforce alongside its growing number of customers, deciding that increased labor costs were a worthwhile tradeoff.

Technological Capabilities: A “Single Source of Truth” for Customers

Most importantly, Flexport’s technological capabilities match its ethos of catering to customer needs. Their platform places emphasis on providing shipping information visibility to customers and managing logistical hurdles.

The first main component of Flexport’s platform is making information readily accessible to customers in an easily understandable and user-friendly medium. Flexport implemented key features such as accurate price prediction and real-time tracking to address the pain points that users had previously faced in freight-forwarding. Kaitlyn Glancy, a Vice President at Flexport, notes that even though easy-to-understand information is something general consumers had grown used to, “in the world of freight forwarding that isn’t necessarily true,” and “other freight forwarders aren’t able to give that information.” Fulfilling the formerly unmet customer requirement of tracking the status and location of freight, the Flexport dashboard centers around providing a client-facing solution with the most up-to-date cargo information.

The second key component is consolidating a complex supply chain with numerous stakeholders into a single client-facing dashboard. A heavy emphasis is placed on ensuring

that the hard work of orchestrating many different players is abstracted away from customers. To this end, Flexport prioritizes being able to guarantee its platform is a “single source of truth,” meaning all information presentation and user interaction is done with the same platform to ensure easy communication and access points for the customer. (See Exhibit 1 for an image of their dashboard). This model also seeks to prevent users from experiencing the miscommunication, misplacement, and obscurity that would otherwise occur in navigating the supply chain’s many pitfalls.

As Flexport scales, its product development remains user-focused. From increasing the granularity of shipment details to enabling customizations, the capabilities of the dashboard have grown in response to emerging user requirements. Flexport teams center their attention around asking clients “where can our tech solve this problem for you?” With this goal in mind, key components of the platform evolved because they were attentive to customer needs and feedback.

At its core, Flexport recognizes that its customers don’t want to worry about logistics. Petersen believes customers should be able to “focus on making [their] business awesome.” Not only does Flexport’s client interactions and dashboard reflect its philosophy, so too does Flexport’s culture and organizational structure.

Culture and Cultural Infrastructure

“Culture is our biggest challenge as a company. My definition of good culture is that you have engaged team members. Everyone is engaged with their work and what that means is you’re getting more out of your job than you are putting in. It’s a very high bar to clear.”

- Ryan Petersen

Flexport’s culture at the workplace has proven to be a key component of meeting their primary objective of solving customer problems. Mostly notably, Petersen stresses that the culture within the company is “more decentralized and entrepreneurial,” allowing team members to create their own leadership styles, engage all of their employees, and bond on a much stronger level. By establishing this entrepreneurial culture, company morale and overall motivation rises and allows Flexport teams to provide the best possible customer service they can.

As a result, Flexport’s mission is to not only make its product easy to use and desired by the client, but also to structure its workplace in such a way that establishes a clear and consistent relationship between the company and its customers.

Cultural Infrastructure: Squad Model, Incentives, and Hiring

As it scales, Flexport has doubled down on its culture with unique methods and day-to-day practices. This cultural infrastructure helps employees achieve the customer-centric vision that is the source of deep pride at Flexport.

One of the most prominent methods that Flexport has consistently implemented over the years is the establishment of its “squad model.” For reference, Flexport began with CEO Petersen, COO Sanne Manders whom he met in business school, and some 20 other employees. From the start, they came up with the concept of the squad model and have continued to implement this model by increasing the number of squads throughout the constant growth of the company’s employees and customers. This model ensured overall human integration, rather than splitting up each employee by their respective teams (i.e. sales, tech, engineering, etc.).

Glancy explains that for the squad model, Flexport decided to “pair every sales person, with an engineer, with a tech expert, with an operation team member, and so on, to not only allow for everyone to know one another, but also to give the client the best end-to-end experience when working with Flexport.” Each squad then gets assigned to a client and consistently takes care of the client’s needs throughout their time working with the company. By assigning every client to one squad, there is clear direction on the client’s side regarding whom to reach out to when the client has questions or is facing a problem. Similarly, there is clear direction on the squad’s side as to which projects each squad member will be working on and is responsible for. Furthermore, this model provides structure to scale while maintaining a priority on customer service. As the number of customers grows, Flexport increases the number of squads in a corresponding manner.

This “squad model” method has been critical to Flexport’s overall success both inside and outside of the company. The method not only gives the customer a holistic overview of the product, but it also makes the workplace a fun and enjoyable one. Each squad gets the opportunity to come up with a fun name, work together as a team, and problem solve with different points of view. The creation of each squad allows for company diversity and the ability to meet new people, resulting in an effective and efficient team-oriented organization. There is a strong sense of collaboration and integration with not only the sales teams and the clients, but also with the engineering teams. Glancy commented: “Especially in our early days and even through to today, our engineers will actually go out and meet clients with us, so that they hear clients pain points firsthand.” Not only does this practice encourage cross-functional teamwork, but it also reinforces Flexport’s commitment to providing customer-centric value.

Flexport also established work-place incentives to get its employees excited and motivated to tackle the challenges posed by customer needs. The main incentives are the Flex Beast Competition and the Container Overboard Competition.

The Flex Beast Competition allows each general manager to acknowledge someone within their team that they believe has gone above and beyond in regard to customer service. Essentially, the contest modifies the concept of “employee of the month” to allow for anyone to celebrate the achievements and accomplishments of any other employee at Flexport. In addition to strengthening the company’s internal culture, it also challenges team members to push themselves even further in the pursuit of fulfilling Flexport’s customer value proposition.

The Container Overboard Competition celebrates learning from failure and signals to team members to expand on their creativity, innovation, and growth. Glancy mentions that in this competition, “we essentially give out an award to the person who owned a mistake that they made the best of but then also taught others.” She emphasizes they aim to “really turn it into a learning experience.” The main objective of this competition is to change the negative connotation of failing and to encourage employees to try new things, put themselves out there, and learn from their experiences. Through Container Overboard, Flexport fosters a non-judgmental and supportive culture that allows employees to feel psychologically safe within their work environment and provides opportunities for growth.

Lastly, Flexport keep the ideals of a close-knit community and a strong sense of culture in mind when looking for new employees to hire. To do so, Flexport has come up with a strategic hiring strategy separate from surface level requirements. According to Petersen, while Flexport’s expansion from 20 employees to the current ~1,800 has been a large increase, the company has remained consistent in upholding the same set of guidelines throughout its hiring process. Petersen stresses that Flexport looks for people with a set of values that match its own. Specifically, they hire people that: “have a sense of purpose,

display a value for culture, maintain a level of trust and integrity, know their domain, can balance data with intuition, and will dive deep.” (See Exhibit 2 for checklist graphic).

By upholding these values within Flexport and baking them into its organizational structure, incentives, and hiring process, Flexport has effectively scaled up an organized, dynamic, and entrepreneurial culture. This focus on culture early on and throughout Flexport’s journey has driven its out-sized success as a customer-centric technology company and will remain a major factor in its future growth.

Response to COVID-19

Flexport immediately responded to the COVID-19 pandemic in early January of 2020. As a global company, Flexport understood the depth of the problem early on and took immediate action to combat the virus. As Petersen recounted:

“With the lack of PPE (private protective equipment) on the front line and if the nurses and doctors don't show up for work in the middle of a pandemic, definitely society can break down. I was very scared, and one of the problems that we realized is that there's a lot of PPE being produced that wasn't able to get to market. ... So we saw that problem and went to work.”

While the U.S. was dealing with market failures, Flexport understood that governments did not have the financial and human capability to solve the problem on its own. The company jumped into action and became a living example of Flexport’s commitment to social responsibility and its values.

Flexport made near-daily announcements (via blog posts) about how COVID-19 was impacting global trade, how medical aid organizers could solve supply chain issues, and how governments and private companies could help. Through Flexport.org, Flexport’s social impact arm founded and led by Susy Schöneberg, the company launched the Frontline Responders Fund, which helped get PPE distributed by raising money for reducing freight forwarding costs. As Glancy shared, “It’s rewarding when you're able to help frontline responders and get them PPE supplies.”

Due to Flexport’s extensive shipping capabilities, the company played a crucial role in the transport of medical equipment during the crucial early months of the COVID-19 pandemic. To date, Flexport has shipped over 413 million units of PPE, with the Frontline Responders Fund funding 49 million units of PPE and raising over \$7 million for COVID relief. The Frontline Responders Fund has helped deliver approximately 6.9 million masks, 240,000 gowns, 1,000 ventilators, and 155,000 gloves to frontline workers alongside 250,000 meals for the homeless.

During this unprecedented time, Flexport also rapidly transitioned its employees to remote work while maintaining its responsive and customer-centric character. With its platform built in the cloud, Flexport employees quickly pivoted and transitioned its daily operations internally and with customers. Glancy noted the “platform has made it really easy for our own teams to be able to work from home” even as users increased by 21% (as many customers also shifted to work-from-home) and Flexport expanded its COVID-19 social impact work.

Flexport’s agile response to COVID-19 has exemplified its core values. From launching much needed voluntary services to stepping up for customers, Flexport’s tailored problem solving-focused culture enabled it to effectively address the COVID challenge and drive impact.

Exhibit 1 Flexport Dashboard

Shipments > FLEX-76674

VND-1000-1006

Replicate Share 11 subscribers

Activity Shipment Details Documents Products Purchase Orders Quotes Invoices

Tasks

Upload your Air Certification for Safe Transport
Due Sep 25 2019 - 10:30 am PDT Upload

Viewable By: 3 Parties

Write your message...

Send Message to Shipper, Flexport You can select and tag people by typing "@".

Sep 24th (PDT)

Stephane Young (Edited) 10:30 am, Sep 24 PDT 3 Parties
Thanks, Steven! Reply

Sep 20th (PDT)

Delivery Appointment Scheduled for at Los Angeles Facility
12:25 pm, Sep 20 PDT 2 Parties
Container ODLU6050032 from Long Beach, California

Aug 22nd (PDT)

2:24 pm, Aug 22 PDT 3 Parties
Commercial Invoice Uploaded View Replace

2:23 pm, Aug 22 PDT 3 Parties
Packing List Uploaded View Replace

In Transit to Arrival Port
Expected Delivery Date
Est. Mar 5, 2019 PST

Route Details

- AppCore Supply**
- Hong Kong, Hong Kong**
 - Port 58201
 - Delivered: Feb 6, 2019 HKT
 - Departed: Feb 6, 2019 HKT
- Long Beach, California**
 - Port 2704
 - Estimated Arrival: Feb 25, 2019 PST
 - Estimated Pick-Up: Mar 2, 2019 PST
 - Carrier: Flexport
- Vandelay West**
 - Los Angeles Facility, 3PL Warehouse and DC, 3920 Capital Avenue, City of Industry, CA, 90801, United States
 - Container #: ODLU6050032
 - Estimated Delivery: Mar 5, 2019 PST

Exhibit 2 Flexport Hiring Values

Hiring Checklist

- has a sense of vision/ purpose
- display a value for culture
- maintains a level of trust /integrity
- knows their domain
- can balance data with intuition
- will dive deep
- good at prioritizing
- displays intellectual curiosity
- will be vulnerable
- not afraid to try new things & fail
- wants to learn

Endnotes

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