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HUGHES SUPPLY, INC.

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CASE DESCRIPTION

The primary objectives of this case study are to follow the progression of a once small construction distributor as it has grown into one of the nations largest commercial distributors of diversified construction materials. This case will introduce you to the history of Hughes Supply, describe their organizational structure and illustrate what changes are going to be needed for this 4 billion dollar a year company to stay on top.

CASE SYNOPSIS

We will examine the structure, challenges and opportunities that Hughes Supply has faced over its seventy-eight year history. We'll primarily focus on a recent shift in the company's move to further implement the balanced scorecard with a focus on the operational emphasis that the company has developed. We will examine the nature of this change, the impact to the workforce, change in company policy and the shift of power from a sales oriented company to one that is relying more heavily on being an operationally efficient distributor.

Hughes Supply, Inc. is a Fortune 500 company that sells an extensive range of construction related goods and materials to the construction professional. Until recently Hughes Supply has quietly went about steadily increasing in size, scope and profitability - all while flying below the national consumer radar. Increasing pressure from consumers looking to experience a retail setting has further added to the challenges that Hughes faces. Stiff competition has exerted a tremendous amount of pressure on Hughes to increase customer service levels, better manage their inventory and further enhance return on investment and increase efficiency. Hughes and other competitors have continued to see increasing profits, large margins and booming sales because of the massive expansion that the United States has embarked upon.

The impact of this case study will bring insight to a company that not many people are unfamiliar with. This case study will tackle some of the issues that Hughes has recently been faced with. We will examine, and pose the question of how Hughes should proceed with its future business practices. These are the types of decision that top management are currently being faced with, and will have to address to continue to enhance their bottom line.

THE CONSERVATION OF EXTENSION: A NEW LAW OF CONSERVATION

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To Elena Aleinikov who dedicated 34 years of her life to helping this discovery happen

ABSTRACT

Managing strategic developments like massive deployment of people and material resources requires not only a special kind of thinking (global vision, big picture), but also precise formulas for logistics and, therefore, a solid scientific foundation. To meet these global level calculation needs, Oscar Morgenstern over 50 years ago tried to create a theory of organization (Morgenstern, 1951), while Pobisk Kuznetsov, following the works of La Roche, offered a new branch of economy - physical economy (Kuznetsov, 1980). To help strategic leaders in managing human and material resources, physical economy has already introduced two new laws of conservation with the measurements in the range of L^6T^{-4} *and* L^6T^{-5} *which have been successfully used for transportation problem solving and long-range construction planning.*

This article is a short report on over 23 years of meticulous research and data analysis that finally led to the discovery of the next law of conservation. A new conservation law fills the gap in the Bartini/Kuznetsov system. It deals with the Conservation of Extension - the term offered for the displacement of power: $Ext = P \cdot S = E \cdot S/t = const$*. The range of measurement for Extension is* L^6T^{-5}*. A new unit for measuring the Extension is called Alger (coined from the names of researchers involved in the discovery of the law Aleinikov + Gera = Alger). Time and place of discovery: October 16, 2006, Monterey, California.*

This law is applicable to all complex economic systems such as transportation, communication, construction, military operations and certainly must become a foundation for numerous calculations in strategic management.

HARDBALL AND OODA LOOPS: STRATEGY FOR SMALL FIRMS

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ABSTRACT

This paper reviews (briefly) the field of strategic management and offers a prescription for a new approach to strategy for small firms. The authors believe this makes a potentially valuable contribution to the strategy literature because the current approaches to strategy – Porter's Positioning School and Barney's Resource Based View – are viewed by many as appropriate for large firms, but hard for the smaller firm to access.. This paper integrates the contributions of George Stalk, Senior Vice President at Boston Consulting Group and Col. John Boyd (United States Air Force – Retired). Stalk is the author of several articles and a book entitled Hardball: Are You Playing to Play or Playing to Win? Boyd was a strategy consultant to the Department of Defense and was credited for developing the United States Marine Corps's Maneuver Warfare philosophy.

INTRODUCTION

Strategy as a concept, as an academic field of study, and as a playground for hordes of consultants, has a rich history and a body of literature dating back almost 2500 years. The earliest known writings on the subject date to the Warring States period of Chinese history (480–221 B.C). The author of *The Art of War* (frequently called *The Art of Strategy*), Sun Tzu, may have been one person or several (Wing, 1988). In any case, this short book of 5600 words is one of the most widely translated and read books in the world today. It remains the subject of continued study and has been used as a textbook in thousands of classes on strategic management. It was introduced to the west in 1772 by a Jesuit priest—Fr. P. Amiot. Tis translation was reputedly a favorite of Napoleon (Wing, 1988). English, German, and Russian translations appeared in the early 1900s. In 2007, the book is used at the United States Army's Command and General Staff College and by various Marine Corps proponents of "maneuver warfare." *The Art of War* remains pertinent to strategy more than two millennia after it was written.

Musashi's *Book of Five Rings,* published originally in the 17th century, is another relevant guide to strategy and is also widely studied to this day. It, too, is used at the Army's Command and General Staff College and as a text in many strategic management classes for business professionals in Japan, the United States, and Western Europe.

Thus we see that the subject of strategy—certainly military strategy—has a long and distinguished written history. That raises a question: "Does military strategy have any application to business?" The view taken here is a resounding "Yes!" However, we acknowledge that there are substantive differences between military and business strategy. In the interest of "full disclosure", we acknowledge that two of the authors are former Marines and one of the authors is a former Special Forces officer.

Most published works about business strategy seem to apply to large organizations. That is no surprise. By their very nature, large businesses attract the attention of regulators, government agencies, the investing public, and authors and editors. By definition, large businesses are those that exceed the Small Business Administration's definitions of small business: a headcount cap of 500 for manufacturing and mining firms and a revenue cap of $6.5 million for retailers. In this manuscript we focus on very small businesses (VSBs). We define a VSB as one employing fewer that 100 people. Of the 7.2 million business establishments in the United States in 2002, 7.03 million (97.6%) employed fewer that 100 people. A full 6.2 million (86.1%) actually employed fewer than 20 (Statistical Abstract of the United States, 2006).

Three of the four authors of this manuscript have worked for, owned, and consulted with VSBs over the last twenty years. We understand their problems, and we, frankly, are more interested in them than in large organizations. It is our intent to offer to VSBs specific recommendations about designing, implementing, and controlling strategy.

COMPETITIVE ADVANTAGE

The starting point for designing a successful strategy for a VSB is to pick which source of competitive advantage the firm will emphasize. Michael Porter (1980) argued that there are really only two broad sources of competitive advantage: low-cost leadership and differentiation. Low-cost leaders generally emphasize large facilities, standardized products and services, extraordinarily "tight" cost controls, and, often, very routinized job design. They succeed by driving down unit cost and being able to offer customers low prices.

In contrast, differentiators are different, just as their label implies. They identify the features and options in both product and customer service that customers want and need. They offer these features and options at premium prices. That is, they charge more than the cost of providing the features and options. This source of competitive advantage means the differentiators must absolutely have a keen grasp of what the customers need, want, and will pay for.

Virtually without exception we recommend that VSBs become differentiators. The capital and operating costs required to be a successful low-cost leader are far beyond the reach of most VSBs. As one of the authors of this manuscript is fond of saying, "For VSBs, attempting to be a low-cost leader is tantamount to swimming through shark-infested waters in a cement wet suit."

Jack Welch (2005, 2006) sees things in a similar way. He describes the starting point for strategy as being the definition of the "big aha." This is the source of competitive advantage. Welch describes this as "a significant meaningful insight about how to win."

Having chosen differentiation, a VSB must determine how it will be different from its competitors. There are many bases for differentiation: the product, the "bundle" of services surrounding the product, terms and conditions of sale, pricing and discount decisions, promotional activities, communications modes and customer service. We suggest that a VSB pick no more than a couple of differentiating factors to emphasize. However, this requires that the VSB must really understand the needs, wants, and desires of its customer, current and prospective. In a large business, the task of identifying the customer's needs and wants would typically fall to the folks in marketing research. This is a luxury that most VSBs don't have; however, we offer several simple steps to accomplish the same thing:

1. List your "top five" customers. Rank the top five on the basis of annual profits, not annual revenue. This information may require your bookkeeper or accountant to do a little "digging." In terms of profitability, include only direct costs – no allocations with accounting games embedded.

2. Meet with each of the top five at a breakfast or lunch and ask a very straightforward question, "How can we better serve you?" Explore their responses with them, and record the answers.
3. Develop (from the answers in 2, above) a carefully designed, one-page written questionnaire that will allow you to "tap" the ideas of a wider group of customers.

This is a step that you may want to have someone do for you—like a marketing professor at a nearby college or a small research firm.

4. Administer the survey to at least 250-300 firms. Included should be existing customers, former customers, and future (potential) customers. A response rate (for a well-designed survey) should be 10% to 20%.
5. Carefully analyze the responses. This step is usually best accomplished by a marketing professor or, again, a small research firm.
6. Using the results, decide which differentiating factors will become your goals for the firm.
7. Share the goals with all members of the firm—yes, including the hourly employees. Decide how you will measure the accomplishment of the goals, and start recording and publicizing (internally) the results on a monthly basis.

Understand that the results of the survey and analysis described above become the source of your competitive advantage. This is what you will do. This is how you differentiate yourself from the majority of your competitors. It is worth noting that one of the authors of this manuscript has been doing this sort of analysis for his clients for a number of years with great success. Doubling or tripling annual revenue and profits is easily achievable in a short period of time.

Implementing this competitive advantage means that you create incentives and sanctions that reward (and penalize) employees for doing the right (and wrong) things. The basic idea is to align the behaviors inside the firm with the expressed wants of the customers.

HARDBALL ATTITUDE

As in most sports, how you play the "game" separates winners from losers in most industries. We concur with Stalk and Lachenauer (2004) that a hardball attitude is necessary for above industry results. Today, we see much in the business literature suggesting that softball is the appropriate attitude, such things as servant leadership, organizational learning, two-way dialogue, Maslow's Needs Hierarchy, and Re-imagining.

Although these nostrums are appealing, they are neither necessary nor sufficient for achieving above-industry results. It should be pointed out that adopting a hardball attitude does not mean moving beyond the boundaries of ethical conduct of business.

Stalk and Lachenauer (2004) describe the following as a Hardball Manifesto:

1. **Focus relentlessly on competitive advantage**. It is notable that many companies talk about competitive advantage but have great difficulty articulating and measuring what their competitive advantage is. We suggest that the VSB can determine what their competitive advantage should be by completing the survey described above. Then having understood what the competitive advantage should be, they are in a position to implement and measure it. Keep in mind that capitalism is a contact sport that changes over time. That means that sources of competitive advantage also change over time. Dealing with those changes can be facilitated by employing Boyd's OODA-loop thinking (described below).

2. **Strive for "extreme" competitive advantage.** This simply means continuing to refine, enhance, and develop existing competitive advantages. An example of this would be Toyota's Production System (Womack & Jones, 1996). Toyota is clearly the world's most

efficient automobile company at this time. In addition, it is the most profitable with a market cap that is double the combination of the market caps of GM, Ford, and Daimler-Chrysler. For years, Toyota has invited competitors to tour its factories and facilities with the certain knowledge that the competitors could not match Toyota's efficiencies or replicate its organizational culture..

3. **Avoid attacking directly**. Hardball players avoid massive frontal assaults on their competitors. Even if they have the strength, they prefer the economies of force inherent in the indirect attack (Stalk & Lachenauer, 2004). This is a key characteristic of Maneuver Warfare as practiced by the United States Marine Corps (Clemons & Santamaria, 2002; Dettmer, 2006; Richards, 2002). Southwest Airlines has historically used this ploy as it moves into new markets. By avoiding head-on competition with the major carriers, it consistently carves out a profitable niches in underserved markets.

4. **Know the caution zone.** This means entering the grey area between what society considers acceptable behavior and what society considers unacceptable behavior. By doing this carefully, a firm may well be able to establish a new position that provides a distinct competitive advantage. Stalk and Lachenauer (1994) suggest three important considerations. First, does the action violate any existing laws? If yes, it should be eschewed. Second, is the action good for the customer? Third, will the action directly hurt competitors?

The Hardball Manifesto is an system of beliefs about how to conduct the operations of the firm. By focusing on creating a competitive advantage, it moves the firm along the continuum of strategy from "me too" to unique and distinctive advantages that translate to above-normal profitability and growth.

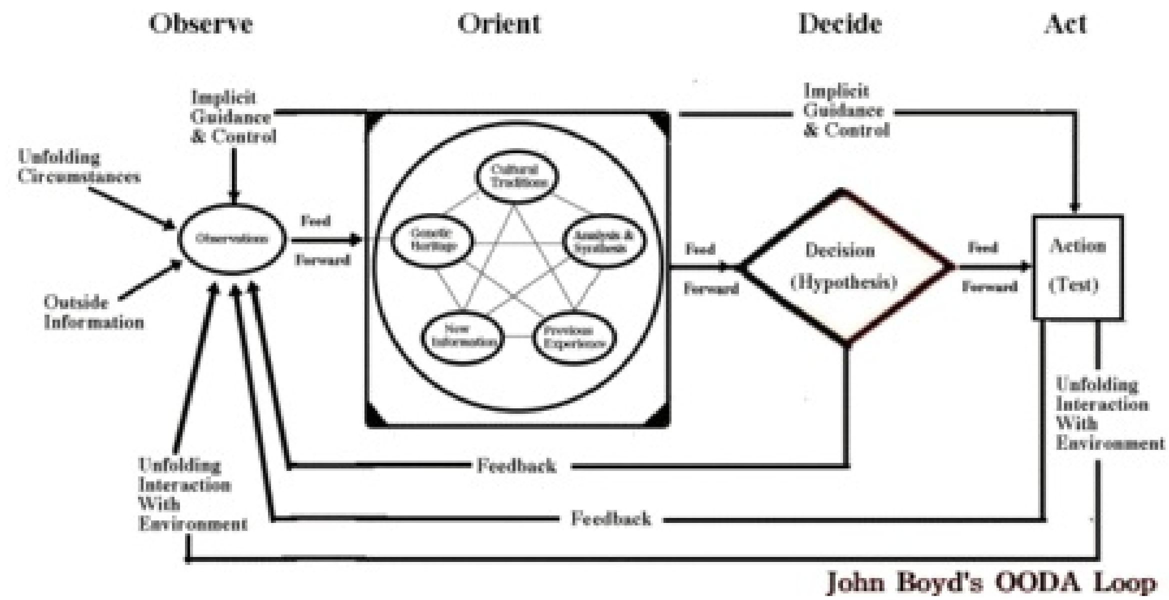
OODA LOOPS

Colonel John Boyd was an Air Force fighter pilot who retired from active flying and eventually became a strategy consultant for the Department if Defense. While on flying status, he acquired the nickname "40-Second Boyd." From a position of disadvantage, he bet other pilots that he could achieve a position of firing advantage in 40 seconds or less and would pay $40 if he didn't. Despite flying simulated dog fights against the best pilots in the world—including graduates of the Top Gun schools—legend has it that he never lost the bet.

Boyd also is credited with being a principal architect of the F-16, a light-weight, highly maneuverable fighter that revolutionized prevailing logic about how to design fighter aircraft. He was also instrumental in the development of the F-18 and the A-10.

Boyd's contribution to strategy is the OODA loop—a way of thinking about fast-cycle decision making that can yield competitive advantages in very short order. The acronym OODA stands for Observe, Orient, Decide, and Act and is shown in Figure 1.

Figure 1
(Source: "The Essence of Winning and Losing," J.R. Boyd, January 1996, http://www.d-n-i.net)



According to Boyd, the key to victory is to create situations wherein one can make good decisions faster than one's opponents. The Observe phase means basic collection of data. Orientation is the analysis and synthesis of data to form a current perspective. Decision means determining the appropriate course of action, and Action is the physical manifestation of the preceding decision. It should be noted that the OODA loop is not unlike Deming's PDCA cycle for resolving quality problems.

Boyd's OODA-loop ideas manifested themselves in what eventually came to be known as maneuver warfare. A popular anecdote credits Boyd for helping to develop the plan that led to the very impressive coalition victory in Desert Storm-Gulf War I. Maneuver warfare as a current doctrine in the United States Marine Corps embodies the principals of preparedness, flexibility, boldness, and moral courage (*Warfighting*, 1994). The urgency of fast-cycle decision making is, perhaps, best illustrated by Michael Dell's observation, "Things happen in the morning that you have to react to in the afternoon. We have to be competitive 24 hours a day, 365 days per year, or else we lose business. A sense of urgency about communicating and problem solving is imperative" (Farrell, 2006).

We recommend that a VSB focus on configuring (and frequently reconfiguring) its strategy by rapidly altering elements of its structure, people-related issues, procedures, marketing approaches, and products or services to correspond to those changes they perceive in the competitive environment. This is the Act step in the OODA-loop philosophy. It is also what Jack Welch (2006) means when he says the second step in effective strategy for "small fries" is to "implement like Hell."

CONCLUSIONS AND RECOMMENDATIONS

This paper has recommended several things that VSBs can do to survive and prosper in the dynamic, competitive environment that surrounds all businesses in the 21st century. If one were to boil down the recommendations above into a parsimonious few, that list would contain these suggestions. First, determine your source of competitive advantage and enhance that competitive advantage on an ongoing basis. Never be satisfied with "business as usual." Recognize that many competitive advantages erode over time as competitors "learn" and customers develop new needs, wants, and desires. Second, employ John Boyd's OODA-loop philosophy to make better, faster decisions. Doing that means, to some extent, emulating the German Army's Blitzkrieg strategy that was so successful in World War II. In *Certain to Win*, Chet Richards (2004) identifies two key attributes of Germany's World War II Blitzkrieg strategy: "Fingerspitzengefülh" (intuitive feel, for complex and potentially chaotic situations) and "Schwerpunkt" (any concept that provides focus and direction to the operation). It is useful to remember that the German Blitzkrieg strategy was one of a series of successful lightning-fast thrusts against much larger, entrenched enemies.

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FOLLOWER READINESS - SITUATIONAL LEADERSHIP THEORY AND TRANSFORMATIONAL LEADERSHIP THEORY: AN INTERPRETATION OF THE COMMONALITIES

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ABSTRACT

Scholars have gone to great lengths to test two models of leadership that have been around for decades. Situational Leadership Theory, the basis of which was established in 1969 by Hersey & Blanchard, and Transformational Leadership Theory, as put forth by Burns in 1978, and expanded upon by Bass & Avolio (1993) have been empirically studied and debated quite heavily over the years. Many argue that Situational Leadership Theory is empirically inconclusive, while others argue that Transformational Leadership Theory is empirically sound and thorough. This paper puts forth that both theories have possible commonalities in that they foundationally focus on situation, relationship, and maturity (or readiness). Through a review of the literature, leadership style is discussed, and the two leadership models are explored.

WOMEN IN STRATEGIC LEADERSHIP POSITIONS AT DOCTORAL GRANTING UNIVERSITIES: AN EMPIRICAL STUDY

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ABSTRACT

A recent study by the American Association of University Professors (AAUP) piques interest in the current role of women in higher education. The examination of 1445 colleges and universities reveals that while women earn more than half of all Ph.D. degrees granted to American citizens today, they still comprise only about 45% of tenure-track faculty, 31% of tenured faculty, and just 24% of full professorships in 2005-2006 (West & Curtis, 2006). At those universities where women are doctoral students, women constitute just 34% of full-time faculty. This is a particular problem, according to West & Curtis (2006), given the status and prestige of doctoral universities as well as the fact that 47% of all full-time faculty teach in these institutions. Certainly the low representation of women at advanced professional ranks is not new or unique to higher education. However, the slow progress of women in light of their prevalence in academe's primary labor pool remains a puzzle.

Research surrounding women's less than full participation in higher education has been ongoing for several decades, primarily focusing on women as graduate students or within the professorial ranks. Explanations and accompanying prescriptions generally cluster around issues of women's readiness/preparation, equal opportunity, and the extent to which an organization values diversity (Kolb, Fletcher, Meyerson, Merrill-Sans, & Ely, 1998). Our study builds from and broadens existing research by examining the relative role of these prescriptions in predicting prevalence of women in strategic leadership positions within higher education. Considering the increasingly recognized link between representative diversity at strategic decision-making levels and organizational performance (Filatotchev & Toms, 2003) and the capacity for women in academic leadership positions to improve women's advancement potential within their respective organizations, the findings offer potential benefit to both individuals and institutions.

The study examines positions and practices at the 157 doctoral granting institutions in the United States. Data is obtained from each organization's website and/or institutional reports, supplemented by phone conversations with appropriate personnel. The dependent variable measures women in academic leadership positions within each institution, including senior academic officers (provost/vice president of academic affairs), associate/assistant vice presidents reporting to the provost, deans, and associate/assistant deans. Independent variables are constructed to represent the three prominent frames for viewing gender equity in the workplace – "equip the women", "equal opportunity", "value difference" (Kolb, et. al., 1998) – as well as a set of variables consistent with resource dependence theory as a fourth potentially relevant perspective. Control variables help account for differences in type, location, and size of institution. Multiple regression is used to examine the relative role of each variable in predicting the prevalence of women in senior academic positions. Further examination of subtle institutional details enables richer explanation and more insightful interpretation of the results.

The study provides useful descriptive statistics reporting the prevalence of women in senior academic positions which, when added to the recent report on women in various professorial ranks,

presents a more complete picture of the role of women in higher education today. Results of the regression analysis are less definitive but suggest potentially promising avenues for institutions seeking to enhance opportunities for women in strategic leadership roles.

INTERNATIONAL STRATEGIC ALLIANCES: A LONGITUDINAL STUDY OF KOREAN FIRMS

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ABSTRACT

International alliances have emerged as a popular corporate strategy in responding to growing global competition and limited internal resources. Yet, no systematic longitudinal research has investigated international alliance activity of Korean firms. As an emerging market economy, the Korean economy has gone through rapid economic development and established government policies favoring a free market system. Accordingly, Korean firms faced with resource deficiency have expanded global aspects of their operations and actively engaged in international alliances as a way of developing competitive capabilities. With greater exposure to the outside world, Korean firms became more vulnerable to any unprecedented external shock such as the economic crisis that occurred in Asia in late 1997. This study seeks to examine the impact of the economic crisis on changes of international alliance activity of Korean firms. Changes in partnering firms' nationality, alliance goal, and frequencies in high-tech and low-tech industries are compared between the pre-crisis and the post-crisis periods. Additionally, international M&A transactions that occurred between Korean firms and foreign firms in the 1990s are examined as a possible strategic alternative to alliances.

Keywords: *International Strategic Alliances; Asian Crisis; Korean Technology Firms.*

RFID TECHNOLOGY: FEASIBLE FOR A SMALL BUSINESS?

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ABSTRACT

The environment for all business is one of constant change and new challenges resulting from technological developments, globalization, competition, and many other forces. Small businesses are not exempt and face an environment requiring assessment and changes in strategy to survive and prosper.

Technological change poses both a challenge and an opportunity. The rewards of new technologies are often great but come with a price tag. A relatively recent technology offering potentially significant strategic advantages is RFID technology. Large organizations such as WalMart and those serving the defense industry have embraced RFID. Can this technology be implemented in small businesses and provide similar benefits?

The purposes of this presentation are to provide a brief overview of RFID technology, to describe a small business facing rapid changes in its industry, to review the strategic reasons management chose to select RFID as a response to its changing environment, to describe the implementation of RFID to a small business in the collision repair industry, and to present the results of RFID to this small business.

INTRODUCING THE SMALL BUSINESS ORGANIZATION VIABILITY MATRIX

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ABSTRACT

There are relatively standard methodologies that bankers, investors and venture capitalists use to evaluate companies in making their lending or investment decisions. One is the Venture Opportunity Screening indicator (VOS)^{TM}. Another is the "business plan" whose formats vary but can easily be found in both textbooks and in trade books. This paper unveils a new instrument developed for small business owners and consultants to small businesses to assess the viability of a small enterprise. This matrix called SSBOV was designed to assist small business owners and their small business consultants measure the viability of the enterprise in fulfilling the objectives of small business owners. The matrix recognizes that small business owners do not share the same objectives as entrepreneurs. This paper explains those common differences between small business owners and entrepreneurs and provides small business owners with a new strategic management tool to realistically assess their enterprises against their objectives.