

STRATEGY AND LEADERSHIP AT THE WINDOW SPECIALIST: CAN A TECH CEO DRAMATICALLY GROW A CONSTRUCTION FIRM?

GEORGE L. WHALEY

San José State University

CONNIE ALLSOPP

The World's Registrar

KEITH C. PERRY

San José State University

Keith Perry, CEO of The Window Specialist (TWS), woke up at 3:00 a.m. in self-doubt. Perry was an experienced executive, teacher, engineer, and entrepreneur from the high-tech industry who had purchased a low-tech 40-year-old window replacement firm in 2014 (see Appendix A) and managed it as a start-up operation. TWS' business model provided in-home estimates, materials, labor and after sales service for best-in-class offerings to customers of all income levels. Perry believed that his business and academic experience, along with his leadership abilities, made the difference in achieving TWS' strategic and financial goals. He also wanted to help society. He immediately reincorporated TWS as a benefit corporation that embraced goals beyond its financial growth. The overall status of TWS improved each year, however in 2017, a series of events had created strategic, leadership, and financial challenges that came to a head in May.

Payroll had understandably tripled to support TWS's 500% growth by year end 2016. TWS was forced to move in January 2017 when its landlord gave notice that the warehouse was going to

be razed to build condos. TWS was forced to move outside of its primary Oakland, California market for the first time, paid 400% more for a new lease, and incurred additional travel costs on virtually every job. Another issue was TWS' low year-to-date 2017 sales figures (see Appendix B) which correlated with the Federal Reserve Bank's May 5th report on the economy that noted the pace of real consumer spending in first quarter had slowed significantly (U.S. Economy 2017). Perry wondered if he was overreacting. After all, this 40-year-old company had weathered the recession of 2008, the Bay Area's dot-com bust, and many other business cycles.

Perry was also distracted by an urgent letter from the Contractors State License Board (see Appendix C) stating that his contractor's license had been revoked. He realized the sole issue was that the company name was singular in the letter and plural on the Secretary of State's listing. Although Perry viewed the licensing issue as a bureaucratic detail, he shook his head in amazement that something so minor could put his entire company in jeopardy. Perry tossed and turned in bed for another hour before leaving early to reduce his 2-hour commute to the office.

It was May 2017 as Perry wondered aloud on what was important rather than just urgent:
"What strategies and leadership approaches should I adopt to address the current challenges for growth and sustainability to take TWS to the next level?"

The Change in TWS Ownership, Leadership, and Management Backgrounds

TWS had only four people on its management team during its entire 40 years of existence. One was a very successful salesperson who was let go during the 2008 great recession and eventually became a competitor. A brief background on each of the other three follows.

Tom From

Tom From, the founder and owner of TWS until 2014, learned about the window replacement business from his grandfather who owned a construction company. He obtained a business degree and branched out on his own in 1977.

From practiced a participatory leadership style with office staff and installers through many economic cycles. After 35 years of doing the same thing, from started thinking of retiring from the window industry to focus his energies on refurbishing houses with his wife who was a realtor. By 2014, he decided to sell the firm to his colleague and cycling buddy, Keith Perry, who had different business, educational, and leadership orientations.

Keith Perry

Keith Perry was a leader in the high-tech industry prior to purchasing the 40-year-old low-tech window replacement construction firm. After working 8 years at the largest software and management consulting firms in Canada, Perry joined a Fortune 500 high-tech firm, Amdahl Corporation, and eventually relocated to California. Perry held increasingly responsible roles in pre-sales engineering, product management, sales, and marketing during his 12 years at Amdahl.

He then became senior vice president of sales and marketing for two technology firms and focused on strategy development which drove revenue and profit at each firm. He won Deloitte's Fast 50 award for growth at one, and increased revenue and profit at the other over 400% in just his first year. During this time, Perry discovered that leadership was necessary to drive strategic change. His interest in leadership motivated Perry to move into the venture capital (VC) industry; he accepted a position as president and COO of a portfolio company at a VC. This piqued Perry's interest in entrepreneurship and he decided to launch his own firm. He co-founded a phone company in 2003 and advanced its business model several times while learning new markets until its customer base spanned 40+ states. While running his phone

company, Perry decided to return to university to study the relationship between leadership, technology, and change.

He pursued a master degree in software engineering as well as an MBA as the best way to formally study the relationship between leadership, technology, and change. After graduating from San José State University's dual-degree program with a 3.9 GPA, Perry was asked to teach a few courses. He also continued to expand his phone business and found that he enjoyed the balance between theory and practice. His teaching responsibilities grew and he eventually taught strategy courses at San José State's College of Business and software engineering courses in the College of Engineering while helping the associate dean of engineering plan curricula.

In 2014, Perry purchased TWS and became its full-time CEO after reducing his teaching load to three engineering courses. One was mobile software while the other two focused on developing engineering solutions that helped improve the community. Perry continued to also "give back" to the community by serving as a keynote speaker on entrepreneurship for international audiences and speaking about innovative engineering topics on TV.

Jim Ford

After completing high school, Jim Ford and his family moved from Canada to the Bay Area where they established Ford Custom Lumber (FCL). FCL re-cut lumber to other dimensions not usually processed by a primary sawmill for wood fences, and improved low grade lumber to higher grades by removing imperfections when re-cutting. At the age of 21, Ford obtained his contractor's license, and the company expanded to sell decks, fences, and gazebos. As profitable new market trends emerged, FCL started selling par-courses (i.e., outdoor exercise stations) and spas. Over time, his father's health deteriorated and markets changed so FCL closed in 2002. Ford then came to work for TWS.

Ford started out as the service manager and rose through the ranks to become From's right hand man. When Perry came into the picture in 2014, he asked Ford to reconsider From's previous offer of handing ownership to Ford in appreciation of his many years of loyal service. Ford once again politely declined but continued to be an outstanding colleague. As general manager, Ford handled the day-to-day running of TWS as if it were his own company. Perry enjoyed his old-school management style, as well as his highly ethical approach to running the company.

TWS Company Background

From started the company under his own name as a sole proprietorship in 1977. His business model targeted residential and apartment owners in San Francisco and on the "East Bay" who had single-pane windows and/or windows with aluminum frames. He sold primarily vinyl windows as well as aluminum clad wood windows and hand-crafted windows. He expanded his product line by also selling and installing vinyl siding on older homes and over time, changed the legal structure to an S-Corporation and created a more formal name, The Exterior Specialist. Vinyl siding waned over time so From went back to just windows and changed the name to The Window Specialist in 1999. From's most successful financial years followed the dot-com bust of 2000. He and his sales person focused on replacing windows in San Francisco apartments with vinyl windows before permit requirements were tightened to only allow wood windows when they were visible from the street. His sales person left during the great recession of 2008 and sales continued to stagnate until Perry took over ownership in 2014. Perry implemented a strategic plan to gain an edge in an increasingly competitive market by expanding TWS' product offerings to include luxury homes and by winning large contracts.

Organization Vision, Mission, and Core Values

After Perry re-incorporated TWS as a for-profit benefit corporation to align the legal entity with his philanthropic passion to give back to the community, he did not make any internal changes

for the balance of 2014. He realized from one of his business school models that the company’s initial phase of growth through creativity had waned over the decades and recognized the company was in a growth crisis. Customers continued to call looking for missing quotes and Perry and Ford scrambled to maximize installations using antiquated white boards. In year 2, Perry started a new phase that focused growth through direction, trust, and leadership. While his direction included improving the sales process through technology and implementing Google calendar on a large TV screen for installations, he also provided higher level direction by hiring an old friend as a marketing consultant. Together with Ford, they created the company’s vision based on Perry’s evolving strategic plan that focused on technology. The mission statement and core values incorporated Perry’s philanthropic passion (see Exhibit 1) and by 2017, evidence of these qualities showed in the ways that TWS did business.

Exhibit 1. Vision, Mission, and Core Values

Source: Company Records, 2017

Vision	Simplify the window replacement industry globally
Mission	Boutique best-of-breed construction window selection and installation for all income levels while providing additional services for those less fortunate
Core Values	Demonstrate expertise taking a consultative approach to customer needs Be a learning organization with more skills than the competition Deliver WOW (extraordinary factors) through customer service Deal ethically in all relationships

Perry and Ford had strategically focused TWS to be responsive, dependable, and experienced in order to implement this new higher-level direction. Their primary involvement was estimating expertise which set the stage for high-quality product delivery and service excellence. One strategy Perry implemented was the Department of Energy’s Property-Assessed Clean Energy (PACE) program, which gave homeowners an affordable way to finance new windows. Customer feedback included “trustworthy” and “honesty,” and one reviewer even

acknowledged, “Now I can do small payments while I enjoy these fabulous new energy efficient windows.”

Organizational Culture

This family-style approach included a flat organizational structure with an engaged CEO. Staff members who aligned with Perry’s ethical goals remained while others departed or were asked to leave. The team members listed below were committed to providing clients with the highest levels of customer service as noted in reviews on Yelp (2017) and the company’s website.

Exhibit 2. TWS Organization Structure

Source: interview with CEO, 2017

CEO				
Full-time salesperson	Part-time salesperson	General manager 2 Two installation teams 1 One custom hand-crafted wood installation team	Office manager	Bookkeeper

TWS Leadership Changes and Challenges

Perry recalled from his graduate studies that leadership was an important component of strategic management.

Employee Task Coordination

Perry had learned in graduate studies that his time assigning and following up on tasks could be optimized according to his employees’ skill sets and commitment. He optimized his time by delegating tasks to Ford, who did not need direction or support. When there was a 49ers game that Ford wanted to attend in the afternoon, he let Perry know. Ford put in extra hours regularly and was TWS’ most valuable player, so Perry started to pay for his season tickets.

The bookkeeper exemplified a second approach. Perry provided a high level of support, but she required low direction as she had worked there for seven years and knew her job intimately. She had been full time, but eventually had accepted another job close to her home and kept on doing TWS' books part time for several years. After months of unacceptable work with no improvement since Perry had come on board, the bookkeeper disclosed that she was having difficulty juggling the two jobs as her mother was dying. They mutually agreed to part ways and Perry hired a senior accountant part time who had been recommended by TWS's CPA.

The new salesperson had questionable commitment and needed direction to do his job. He would disappear during workdays and not be available by phone. Once, he asked for Thursday and Friday off to take his girlfriend camping when he had a quote due the same Friday that would have provided him with tens of thousands of dollars in commission. The salesperson went around Perry's back repeatedly ordering windows that regularly had incorrect measurements. His disappearances and apparent inability to learn continued until Perry terminated his job after 9 months due to a breach in confidentiality. It took a full year before his mistakes no longer affected TWS' bottom line. Perry realized that he had spent far too much time supporting this person and the bookkeeper at the expense of the company.

Daniel Cavenecia was a lead installer who exemplified the fourth approach to task coordination. Perry and Ford both recognized that he was highly motivated but could still learn more. Ford, as his line manager, provided significant direction daily while Perry found courses for him. Both recognized that Cavenecia was highly committed and spent little time worrying about supportive behaviors.

The following provides a timeline of events (see Appendix A) that occurred during each year of Perry's ownership.

Year 1: March 2014-February 2015

In March 2014, Perry and From shook hands based on From's latest exit plan offer to Perry who was his only alternative to shutting down the business entirely:

“Buy [TWS] for no money down, and if you don’t make money, you don’t owe me a thing. If you make a good profit, pay me 10% of it.”

Perry recognized that From’s weaknesses were Perry’s strengths and vice versa. However, From’s strengths were already embedded in the team - many customers thought he was a co-owner. From had given Perry his approval to make any changes to the company that he wanted, but Perry maintained the company’s operations out of respect for the current staff and their expertise as he learned the business himself. Perry’s initial actions appeared to be a hands-off, low-task, and low-relationship approach. Some were confused about Perry’s hands-off leadership approach and his willingness to share important company decisions with Ford. Perry came to the office daily to learn from Ford, even though he did not yet have legal ownership.

Ford’s approach to daily company operations was tried and true, so Perry used his entire first year to learn what worked before introducing major changes. For instance, Ford used notebooks to track all customer visits, measurements, and quotes. Perry used the same paper-and-pencil system as Ford; however, after decades of using a laptop, Perry eventually went back to using it while Ford continued using notebooks without change. Both continued to receive and make calls using the company’s entry level Radio Shack phones, faxing window orders to suppliers, and writing on white boards to schedule installations.

Perry believed change was required in numerous areas, but he held back from taking action. Examples included: using Google calendar to schedule customer visits; using laptops to take measurements and develop quotes; implementing a sophisticated phone system similar to what his previous company sold; processing vendors’ orders using their software; and replacing the company’s 15-year-old website. Although Perry recognized this was a pattern of not taking action where changes would improve the company, he acknowledged to Ford, *“We are barely able to process our leads, anyway, so losing a few along the way isn’t the key to growing the*

company.” Unacceptable levels of not following up on existing leads, not ordering windows on signed contracts, and other process issues were hurting the company’s reputation (Yelp, 2017). Perry knew that growth through process improvement and building trust with staff was going to depend on his leadership. He had studied leadership during his graduate program and viewed himself as either a servant or a transformational style leader. However, interviews with colleagues revealed that his leadership style had evolved to a more consultative style. (See Appendix E).

Year 2: March 2015-February 2016

Perry carefully made incremental procedural changes to the company’s infrastructure throughout the second year of ownership (see Appendix D). It took approximately 4 months of conversion before the white calendar board was replaced by a large TV screen that displayed all installations on a Google calendar. Perry’s old phone company now ran TWS’ phones in the cloud. Telemarketing calls dropped and extensions simultaneously rang through to individuals’ cell phones subsequently improving sales. The phone system included an integrated eFax system that e-mailed faxes to Ford and Perry. The number of faxes also became much smaller as Perry adopted vendors’ online ordering systems while Ford continued without change. Perry scanned checks for deposit which saved him 30-minute trips to the bank. However, the TWS website remained unchanged.

More importantly, Perry tried to implement a new style of leadership during this second year because he felt that this would best advance TWS toward the benefit corporation goal. Perry focused year 2 on valuing and developing people, building a sense of community with employees, displaying authenticity, and sharing leadership responsibilities.

Value People

Perry felt that his best approach to making the company successful was to serve the needs of his staff. For instance, as new office staff were hired, Perry bought each employee a new

laptop, a protocol that was the norm in his prior tech industry yet almost unheard of in the construction industry. This change was now a 100% cost to Perry as the sole owner of TWS.

Develop People

Perry developed and hired three local people with questionable work and non-work personal backgrounds. For the most part, these decisions turned out to be win-win situations for TWS and the people involved.

Build Community

A community relationship unfolded with the employees collaborating on various aspects of their jobs. Perry and Ford created a rhythm of working together on commercial proposals with Ford measuring every window and Perry capturing the details on his laptop. Customers were impressed with the company's attention to detail and TWS won more business as a result, even with higher prices.

Display Authenticity

Perry made sure that he was accountable to others and remained open to feedback. He would specifically ask crews after an installation which windows did not fit well so that he could improve his measuring capabilities. He learned from them and continued to learn from Ford who advised him on all major and/or minor decisions of the window business. Perry wanted to ensure that he displayed integrity and developed a sense of trust with the TWS team.

Displaying and Sharing Leadership

Perry worked closely with Ford as they developed a shared vision. Ford had suffered a stroke shortly after Perry had purchased the company. After a month of convalescence with full pay, Ford assumed day-to-day leadership more than ever before as Perry shifted his attention to new business plan initiatives such as selling Fleetwood's (2017) architectural aluminum products to luxury homeowners. Ford showed himself to be dependable and trustworthy.

Whenever Perry could praise employees, he would highlight the successes of individual staff members and thank them for their efforts. Perry's challenge with this servant leadership style was its time commitment to serve his staff well in small and large ways while he balanced his teaching duties at the university. Eighty-hour weeks remained the norm, and 100-hour weeks occurred frequently with this leadership approach. Perry realized that this style of leadership was not sustainable, given the growing time commitment required to obtain the growth he envisioned at TWS.

Year 3: March 2016-May 2017

Perry returned to his academic roots to search for another leadership approach that he could use that supported his core values and were in alignment with the company's benefit corporation designation. Perry valued an article that he had read on compassionate leadership and decided to emulate these actions in Year 3 (Grant 2008). He found that because he was moved by the needs of others and their emotions, he should focus on being as selfless as possible and model being a shining light to others. Perry worked to transition seamlessly to this new leadership style that had three tenets: be moved by others' needs and emotions, be selfless, and become a shining light for others. These were all consistent with his core values and a benefit corporation.

Evolving Leadership

Moved by Others Needs and Emotions

Perry's first month of compassionate leadership led him to take leadership action in several ways. First, he first arranged a trip home to Peru for Cavenecia, his lead installer, to see his family. Cavenecia appreciated this time away and upon his return, Perry noticed an increased sense of dedication and loyalty.

Martin was a part-time employee who had worked for TWS for more than a year, so it was time for Perry to fulfill his promise of dramatically increasing Martin's income. Perry and Ford obtained contracts in September 2016 to replace 409 windows and 38 patio doors at three apartment blocks, so they promoted Martin to the position of crew chief, which was at the same level as Anthony Gonzales, the company's longest serving lead installer and Cavenecia who had trained him. Martin was delighted with the increase in pay. These newfound skills, coupled with advertising on his truck for his home repair business, saw his income increase so much that he stated he had never made so much money in his life.

The third leadership action was with the full-time salesperson. He convinced Perry that his position as a property manager was sales and asked for a commissioned based structure that would pay him at the same level as sales positions generally do as he felt he was significantly underpaid. Perry hired this salesperson on a salaried 6-month training program to learn TWS practices before switching him to 100% commissioned sales. The salesperson could see significant financial opportunities from the way that TWS did business, but unfortunately didn't have the skills, motivation, interest to learn, nor acceptable ethics and as mentioned above, was fired after 9 months.

Selfless Leadership

Perry understood that it usually took a couple of years to launch any startup, so he was comfortable not drawing a salary during his first 2 years of ownership of TWS. The company experienced tremendous growth, but the third year also passed without salary because of some unforeseen costs and lower 2017 revenue. For instance, Perry had to replace Cavenecia's personal truck when it failed inspection and Cavenecia didn't have the money to replace it. Perry bought a new Ford with an aluminum body which was more environmentally friendly because of its light weight.

And then TWS' landlord decided to raze the building. Realtors noted vacancy rates were at 1%, with nothing in Oakland that fit TWS's needs. Perry and Ford ultimately chose a property in San

Leandro that cost 400% more and completed the move by January 1st, 2017. On a positive note, several incorrectly measured windows had accumulated in the old warehouse over the last decade and as Cavenecia was involved in helping a village in Mexico, they agreed that Perry would donate these windows and Cavenecia would arrange delivery.

Another 2016 highlight was NBC's coverage of Perry and his engineering students unveiling a year-long community service project for a course that he had been asked to lead at San José State. Perry had purchased a shipping container which his students had converted to a trailer with portable showers and laundry facilities for the homeless. The TV crew came by on the last day of class to video Perry's engineering students working on it (see EPICS 2016).

Coincidentally, Oakland's Fox TV affiliate contacted TWS a couple of months later asking for technical assistance; another company was selling Fox one type of glass and installing a less energy efficient version. Perry drove several hundred miles to borrow a glass tester from his manufacturer and verified that the investigative unit's source was correct. The Fox station was delighted with Perry's credentials as a professor and ran two episodes featuring him. San Francisco had surpassed Silicon Valley for startups and social media had made customers much more sophisticated, so Perry discussed details at a detailed, technical level. During the process, Perry asked personnel at the TV station why they had called TWS. They told him that they had contacted the Better Business Bureau and then had checked other sources that confirmed that TWS was an ethical company. A station executive mentioned later that one of the episodes was the most popular one they had run that year.

Be a Shining Light to Others

When Verizon announced its purchase of Yahoo!, ABC's news team contacted San José State's School of Global Innovation and Leadership for someone to discuss the CEO's failure to turn the company around. Perry hadn't taught in that school for a few years, but the school still provided ABC with his name. During the taping, Perry expressed his admiration for Marisa Mayer and highlighted the challenges of creative entrepreneurship within Fortune 500s. Perry had co-authored a case study on this topic and had many examples of how difficult Mayer's job

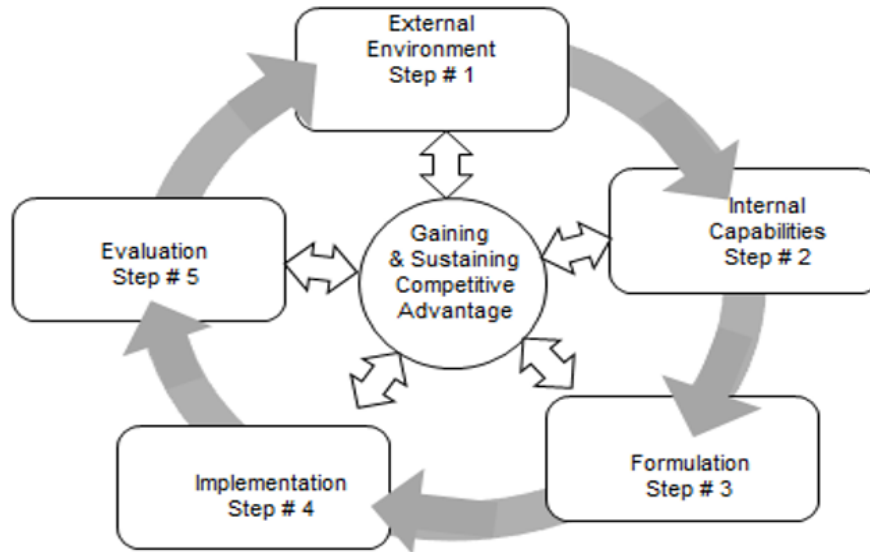
was. His comments did not endear him to the news team who were looking for controversy. He didn't make it home that evening in time for even the late evening news which was just as well as ABC had accidentally put someone else's name under his face followed by "Industry Analyst." Perry's wife and friends had fun calling him that name for months.

Perry had been a regular keynote speaker on entrepreneurship in Silicon Valley over the years. In 2016, Perry's four TV appearances and eight speaking engagements were in addition to lesser known efforts such as his donation of windows to the village in Mexico. He also supported Rebuilding Together San Francisco (equivalent to Habitat for Humanity focused on remodeling rather than building new homes) and low-income neighbors who received cash for recycling the aluminum from windows that TWS had replaced. He focused on compassion that was not based on passionate or parental love, but rather on the love that he hoped brought a sense of community. Unfortunately, there were occasions where he was perceived as soft such as not firing his salesperson earlier, and he struggled to balance the for-profit company aspects with his leadership style focused on humility, love, altruism, forgiveness, kindness, and compassion.

Strategic View of TWS Business Model

Strategic Framework

Perry stated, *"I believe nothing beats a good theory tested by practice."* To that end, he incorporated many successful theories from his graduate school studies into his practice to manage and lead TWS. Perry recalled a step-by-step strategic model (see Exhibit 3) that he had used in his strategy management classes that started with the external and internal environments and ended with the implementation and evaluation of strategic formulation models.

Exhibit 3. Generic Strategic Framework*Source: Adapted from author's notes, 2017***External Factors**

Perry recalled research indicating that approximately 20% of a company's profitability was attributed to the industry it competed in and 36% of the variance in profitability was attributed to the firm's internal resources (McGahan 1999; McGahan & Porter 2005). He also remembered several strategic formulation tools that included PESTLE, Porter's Five Forces, and SWOT to help gain a competitive advantage for his company (Porter, 2008) and applied a SWOT analysis with Ford on the day he took ownership of the company which looked at both external forces and internal capabilities. He decided to focus on the external forces that influenced the performance of companies (Barney 2010; David 2009; Rothaermel 2015; Wheelen & Hunger 2006). Perry knew that external factors such as the economy had a dramatic effect on his business. Low interest rates helped the housing market and Bay Area IPOs repeatedly created instant millionaires who drove housing up further which was a benefit to TWS's industry. Perry also regretfully noted that one of his installers had lost his business and another had lost his house in the 2008 great recession. He thought about competition amongst contractors; competition from suppliers; the power of customers negotiating lower prices, how easy it is to enter this market and become a competitor, lawsuits that affected the industry and TWS' brand; and Workers' Compensation issues. He couldn't fathom a substitute for windows which

have been around for thousands of years, but thought a complement to them would be to sell doors although he now knew that selling and installing doors was a very different business than the window industry.

He was mindful that TWS faced several other external issues in addition to these industry threats. He was reminded of the \$9,965 he spent on legal fees (see Appendix B) to buy only the assets of the company so that he wouldn't be burdened with any historical liabilities. The Secretary of State found a company with a similar name and blocked his use of TWS (an asset he had just purchased) until the other firm wrote a letter 6 months later saying it was dissolving that company. Perry purchased an interim website, www.windowsspecialists.com, and it took three submissions before the Secretary of State accepted this plural version. Then the Contractors State License Board revoked his license – forcing Perry to regroup. In fact, regulations had become so complicated that one of TWS' property managers required the company to subscribe to Compliance Depot which monitored over 40 TWS items. Perry had adopted quoting software provided at no charge from manufacturers, however some still used 30-year-old technology that was cumbersome. Newer cloud-based versions added network delays which slowed quoting by 400%.

Access to financial capital could be another external issue along with insurance claims and government policies. Lower federal tax rate changes had a positive impact on TWS as did the current political climate at all levels of government. President Trump's dissatisfaction on trade with other countries could lead to increased prices of oil (used in vinyl), wood and/or aluminum that could increase the cost of windows.

California's focus on the environment was an opportunity for TWS. Local Tesla sales were the highest in the nation and solar panel sales remained strong even though the Return on Investment (ROI) could be 20 years or more. Similarly, the ROI for windows from reduced PG&E bills was 15-25 years, yet purchasers often stated their primary reason for replacing them was

their increased energy efficiency. This was completely out of step with businesses who regularly demanded 3-5 year ROIs for investments.

In 2014, Perry and Ford had identified opportunities during their SWOT analysis such as Yelp, which produced half of their leads from mobile phones; a fragmented market; and resources/consultants. Perry concluded that the numerous external forces reinforced his belief that residential remodeling was a very competitive industry that pushed him to compete on price to sell windows while his focus was to differentiate TWS.

Internal Factors

Because research had indicated that a larger percent of the variance in profitability was typically attributed to internal rather than external resources, Perry said, *"I need to place more emphasis on building a strong team, developing a collaborative company culture and improving people's skills."* When Perry taught his management courses at university, he emphasized internal-focused strategic models such as value chain analysis, VRIO, and SWOT to evaluate sustainable competitive advantage (Barney 2010; David 2009; Rothaermel 2015). He decided to evaluate these strategic management theories in his company, such as VRIO (Value, Rarity, Imitability, and Organization), and the strengths and weaknesses of the SWOT model to determine the internal components in need of his attention (Barney 2010; David 2009; Rothaermel 2015).

In 2014, Perry and Ford had identified the company's major strengths: concerned, energetic staff with people skills; depth of experience on subject matter expertise; technology skills; strong local market and supplier relations; broad range of products; long list of long-term relationships with a diverse group of customers; and low overhead costs. Among the company's major weaknesses were the following: estimation delays; bad Yelp reviews from customers complaining about these delays; a poor physical office environment; staffing below critical mass; incorrect measurements of windows; poor process from finding a new client to installing windows; transition time and effort for Perry such as obtaining his contractor's

license; Perry's lack of knowledge; and finally, installers not formally trained. Perry and Ford addressed many of these weaknesses by 2017.

Perry and Ford also concluded that some of TWS's internal strengths could also be considered weaknesses. For example, windows were donated to a worthy charitable cause which aligned with the company's benefit corporation guidelines, however these were the results of mis-measured windows which cost the company dearly. Internal financial indicators showed a dramatic increase in sales and revenue until 2016, but in May 2017, sales were in a slump even following tax season which was unusual. (See Appendix B). Although issues felt insurmountable in May 2017, Perry resolved, that *"If I serve my team with good leadership, we will make it."* Leadership had become an important part of the strategic direction.

Differentiation

Perry held a strategic planning meeting with Ford and they decided that TWS needed to look for less price-sensitive products and services to differentiate TWS from the competition. He stated, *"I do not care whether it is external or internal; we need something new to change the ball game."* Perry and Ford explored several options in an effort to change the competitive marketplace: product and market specialization such as the preservation of historical buildings; large contract opportunities; expanding their Fleetwood sales, and improving their philanthropic network. One in particular caught Perry's attention which was to lead the industry with new technology and services that addressed pain points such as their issue submitting timely quotes.

Perry had submitted a patent application in 2015 that he had developed with three former engineering students. The basis for this idea was to measure windows from photos by using open computer vision software. Perry had believed that this innovation could open a new market by optimizing the window ordering process by allowing potential customers not skilled in window measuring to forward photos without TWS having to drive to their home. This made sense environmentally.

However, Perry had now familiarized himself with the details of the window replacement industry and realized that taking photos was best suited for selling a small number of windows which was an unprofitable portion of the business. Perry also realized that providing window quotes over the Internet would likely result in a competitive bidding process to the lowest price as Expedia and other consolidators had proven. This lowest price approach was not a valuable business model to him. Over time, he realized that another option could be the development of a software application to optimize the quoting process. Perry wondered how he could employ more recent development approaches such as applying human centered design to his business. He counted that it took approximately 25 keystrokes to enter one window quote and contemplated how he could make this process simpler. Perhaps TWS had potential to incorporate Perry's expertise from teaching mobile development to leverage this as a stand-alone service. Perry realized that to make that dramatic a change, he would need to adopt a more demonstrable leadership model.

Financial Performance Indicators and Challenges

Appendix B provides income statements, balance sheets from 2014 to 2017, and more details about the estimation approaches taken (see Exhibit 4) for key metrics and ratios.

Perry knew from his graduate studies that when financial performance was inconsistent, firms often used traditional and integrative financial techniques to interpret their strategic financial performance (Barney 2010; Wheelen & Hunger 2006). As TWS was managed as a startup firm, short-term profits were not essential; however, some short-term indicators gave management cause for concern (see Appendix B). Perry was aware that traditional integrative financial tools such as the Dupont formula and Altman Z statistic existed to provide a more complete financial picture of solvency by combining traditional ratios in formulary and multivariate statistical formats (Altman 2013; Barney 2010; Wheelen & Hunger 2006).

Exhibit 4. Key Financial Indicators*Source: Company records, 2017*

(\$ Values)	2014 *	2015	2016	2017 *
Current assets	35,766	104,906	443,159	1,431,614
Current liabilities	75,219	223,920	271,849	1,019,119
Working capital	(39,453)	(119,014)	171,310	412,495
Total assets	123,638	192,878	501,800	1,492,232
Total liabilities	175,219	323,920	371,849	1,119,244
Revenue	261,154	634,961	1,544,672	903,437
Profit/(loss)	(51,5910)	(79,461)	260,781	243,027
Cash and cash equivalents	37,780	88,7752	459,233	1,423,572
Current ratio (absolute)	.5	.5	1.6	1.4
Book value of equity	(51,581)	(131,042)	129,951	372,988

* Estimates. See Appendix B, Annual Financial Statements for details.

TWS was a benefit corporation with societal goals that went beyond traditional financial goals, so Perry acknowledged that traditional and integrative financial indicators of corporate performance were only the starting point to demonstrate the firm's performance and strategic evaluation. Perry also knew from his graduate studies that nonfinancial indicators were available to reflect the interests of companies and multiple stakeholders. These interests often were reflected in balanced scorecard (BSC) approaches that had gained widespread business interest (David 2009; Kaplan & Norton 1996; Rothaermel 2015; Wheelen & Hunger 2006). Perry remembered that Kaplan and Norton's (1996) BSC approach comprised financial as well as nonfinancial indicators such as customer, internal business perspectives, innovation and learning components, improved strategic planning and evaluation, and leadership. The TWS benefit corporation caused led Perry to think about the triple bottom line of people, planet, and profit as another BSC approach to include the ethical component of TWS (Elkington 2018;

Honeyman 2014; Triple Bottom-line-the Ethical Measure of Business, 2019). Perry was concerned whether his small firm had the resources at this stage to develop these more complex strategic evaluations.

Decision Focus for the Strategic Direction of TWS

In the three years since Perry first acquired TWS, numerous changes and challenges had happened. (See Appendix A). Perry reincorporated TWS as a benefit corporation and slowly implemented a new business model that focused more on differentiation, innovations in the provision of estimates, and service, and less on a low-cost, low-price strategy. He also changed his leadership style. The financial status of TWS had improved each year since 2014 (see Appendix B), but with the drop in the first part of 2017 caused proactive CEO Perry to wonder, *“What did I learn from past situations that I can continue to use in our 40-year-old startup?”* Two issues in May 2017 led to an important personal and professional crossroads for Perry as well as his company. The company’s sales figures in 2017 were down and rent had increased 400%. In addition, receipt of an urgent letter stating that his contractor’s license was revoked because of a bureaucratic technicality was a total surprise (see Appendix C). Could Perry continue to rely on past strategic models and managerial actions to improve the current downward trend and what role could leadership play? More importantly, what future strategic management and leadership actions could CEO Perry take to address the major internal and external challenges facing TWS?



George L. Whaley

is Emeritus Professor of Human Resource Management at San José State University. Over the past twenty years, he has authored numerous case studies of companies in the high technology and biotechnology industries. Professor Whaley holds a B.S. in Engineering Mathematics and a M.B.A. from the University of Arizona and Ph.D. in Organizational Behavior from the University of Colorado. He has forty years of combined management, consulting and teaching experience, and serves on the editorial board of several academic journals. His research focuses on Strategic Human Resource Management, Sustainability, Leadership, Diversity and Entrepreneurship, and he teaches Organizational Behavior, Human Resource Management and Organizational Change.



Connie D.M. Allsopp

is a business and education consultant in private practice, the founder of **The World's Registrar** for online training, and a former supervisor and instructor at the University of Victoria, B.C. Canada. Dr. Allsopp holds a B.Ed. in Literacy and Inclusive Education, an M.Ed. in Administration, and a Ph.D. in Leadership Education from the University of Manitoba, along with a Post Doc. in Program Education from the University of Victoria. She has twenty plus years of teaching, consulting and school leadership at all levels while concurrently working as an entrepreneur in product sales and online marketing. Additionally, she serves on the review board of the *Journal of School Leadership*, and has authored several teacher instructor manuals for Scholastic. She has given S.T.E.M. education talks in China, served on a medical team in Dominican Republic, and constructed a public school in Baja, Mexico. Recently, she launched a not-for-profit dental clinic for children and youth, and now works in a family style dental clinic. Her research focus has been on leadership education, knowledge mobilization, entrepreneurship, strategy, project management, and program evaluation.



Keith C. Perry

is Director of Engineering Programs in Community Service (EPICS) for the College of Engineering and Industry Professor for the Department of Computer Engineering at San José State University (SJSU). He has also taught for the School of Management and the School of Global Innovation and Leadership in SJSU's College of Business. Recently, he taught for the Biological Sciences Department in the College of Science and for the College of Professional and Global Education at SJSU. He holds a B.S. in Computer Science (Honors) from the University of Manitoba, Canada as well as an M.B.A. and a Master in Software Engineering from SJSU. His forty years of industry experience spans executive positions at numerous technology companies including a technology global Fortune 500, as CEO in multiple startups, and as partner at a venture capitalist. He currently is CEO and owner of The Window Specialist, BK Sales and Services, and a technology startup. He is a frequent keynote speaker to international audiences on entrepreneurship in Silicon Valley and session chair at international IEEE conferences. His research and publications focus on strategy, entrepreneurship, leadership, mobile cloud, and the environment.



Appendix A

Company Milestones: Key Events that Shaped the Window Specialist

Source: Authors' notes, 2017

- 1979** Tom From started his own window business after starting in construction after obtaining a degree in business. His grandfather had owned a construction company before him.
- 2008** Perry joined San Francisco's Executives Association and met From, a long-term member.
- 2009** Perry was nominated President of the "Execs" by acclamation as they trusted and respected him.
- 2013** He transformed this 95 year-old non-profit by increasing their awareness of the importance of tasks, focusing on the group rather than personal interests, and activating their higher order needs. His treasurer was outstanding and followed him as president.
- 2014:**
- **Mar 31.** From shook Perry's hand to sell the company to him at 10% of the profits over a 5 year period. Perry started coming to work daily shadowing Jim Ford, the general manager.
 - **May 15.** Perry incorporated Keith C. Perry Holdings as a benefit corporation.
 - **Aug 11.** The assets of The Window Specialist were purchased by Perry's holding company. He met with Ford and they did a SWOT analysis.
 - **Dec.** Perry made his first major changes on the 1-year anniversary from commencing the process to purchase The Window Specialist.
- 2015:**
- **Mar.** The company changed the status of the subcontractors, who had been doing all the installations, to employees of the company. The company also hired a marketing consultant to start the process of rebranding the Company and narrow their focus to best-of-breed solutions.
 - **July.** A previous employee came back part-time and subsequently left his full-time job. The company created a new web site and started using Gmail as its email server.
 - **Oct.** The Company purchased the domain name windowspecialists.com then proceeded to change the company name and email domain to reflect this change.
- 2016:**
- **May.** The company added back one of its historical core strengths of replacing windows for entire apartment blocks while continuing to expand its focus on luxury home owners. TWS finalized their new logo as the next step in rebranding the company.
 - **Oct.** Perry began evolving his duties from COO to CEO. The company also added Milgard to their product line following the old adage, "if you can't beat them, join them."
 - **Dec.** TWS given 30-day notice to move as their landlord would raze the building.
- 2017:**
- **May.** Perry noticed sales remained low and he received notice that his contractor license had been cancelled.

Appendix B Annual Financial Statements

Source: Company records, 2017

The following unaudited statements in U.S. dollars are from the company's records. Year 2014 in Exhibit 6, Profit and Loss Statements, includes estimates from January 1st until Perry took over on August 11 as well as results from the time Perry took ownership. As the 2014 information in Figure 4, Balance Sheet Statements ending December 31 requires profitability as of Dec. 31st, Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) is broken down by owner, and Perry's portion is reflected in the 2014 Balance Sheet. As the case ends in May 2017, an estimate for the entire year is provided in both Exhibit 6 and 7. The reason for these estimates is to enable year-over-year comparisons. While 5 years is a normal timeframe to compare results, the timing of the acquisition and decision point does not allow for this type of assessment.

Exhibit 5. Profit & Loss Statements (unaudited)

	2014 *	2015	2016	2017 *
Revenue	261,154	634,961	1,544,672	903,437
Cost of Goods Sold	149,515	489,878	1,126,449	418,578
Gross Profit	111,639	145,083	418,223	484,859
Operating Expenses				
Startup Expenses	9,965			
Payroll Related	109,116	76,946	87,545	128,919
Office Rent & Expenses	19,970	35,449	22,752	42,069
Travel & Entertainment	39,788	43,799	12,207	7,395
Technology	224	3,210	8,176	10,014
Marketing and Sales	12,462	32,183	21,775	47,103
Total Operating Expenses	198,652	224,544	157,422	241,833
Profit EBITDA ***/(Loss)				
Perry	(51,591)	(79,461)	260,781	243,027
Previous Owner	(35,422)			
Combined	(87,014)			

* Estimate

Appendix B cont.
Annual Financial Statements

Exhibit 6. Balance Sheet Statements ending Dec 31st (unaudited)

	2014	2015	2016	2017 *
Current Assets				
Cash	596	29,204	361,403	1,404,101
Accounts Receivable	1,244	57,260	95,814	17,454
Prepaid Expenses	33,926	273		
Inventory		18,169	(69,358)	(39,400)
Other Current Assets			55,300	49,459
Total Current Assets	35,766	104,906	443,159	1,431,614
Fixed Assets				
Total Intangible Assets	85,566	85,566	58,369	47,566
Total Tangible Fixed Assets	2,306	42,406	273	13,052
Total Fixed Assets	87,872	87,972	58,642	60,618
Total Assets	123,638	192,878	501,800	1,492,232
Current Liabilities				
Accounts Payable	3,326	46,514	56,394	99,790
Credit Cards & Line of Credit	6,959	59,714	94,230	386,247
Deposits on Jobs	0	18,113	6,000	146,007
Due to K. Perry	32,788	99,288	97,926	95,351
Truck Loan			(9,000)	(9,000)
Payroll Liabilities	32,146	351	26,299	300,723
Total Current Liabilities	75,219	223,920	271,849	1,019,119
Long Term Liabilities	100,000	100,000	100,000	100,125
Total Liabilities	175,219	323,920	371,849	1,119,244
Equity				
Retained Earnings		(51,591)	(130,830)	129,951
Net Income	(51,591)	(79,460)	260,781	243,027
Total Equity	(51,591)	(131,051)	129,951	372,978
Total Liabilities and Stockholders' Equity	123,628	192,868	501,800	1,492,222

* Estimate

Appendix C. Letter from Contractors State License Board

Source: Company records, 2017



CONTRACTORS STATE LICENSE BOARD
9821 Business Park Drive, Sacramento, California 95827
Mailing Address: P.O. Box 26000, Sacramento, CA 95826
800.321.CSLB (2752) | www.cslb.ca.gov | CheckTheLicenseFirst.com

STATE OF CALIFORNIA
Governor Edmund G. Brown Jr.

THE WINDOW SPECIALIST
DBA TWS WHOLESALE
14733 CATALINA ST
SAN LEANDRO, CA 94577

DATE: 05/15/2017

LICENSE: 1002989

NOTICE OF LICENSE SUSPENSION

Appendix D. Interviews with CEO

Source: Authors' notes, 2017

Interview data was collected from Perry, staff surveys, and company data. It serves to illustrate Perry's decisions and the impact they had on staff, customers and suppliers during his ownership.

Exhibit 7. Interview with Perry

Year	Decisions	Impact for Staff, Clients & Suppliers
2014 March- Start Up	<ul style="list-style-type: none"> -TWS sold after 37 years in business -No \$ down -10% of above average profits for 1st- 5 years go to Tom From -Transfer complete to KCP on Aug 11, 2014 	<ul style="list-style-type: none"> -Retained Jim Ford which provided a smoother transition - Re-offered TWS to Jim Ford before purchasing it -Ownership shift to Perry -2014 Protecting new company from pre-2014 liability claims - Honoring pre 2014 warranty claims -Incorporating as a benefit corporation - Perry opted for no salary
2014 March- Year 1	<ul style="list-style-type: none"> -Tracking Daily Operations -Internal changes 	<ul style="list-style-type: none"> -Shadowed Ford to learn what works or doesn't work -No changes made on white board calendaring, landline phones, or fax machine -Didn't change company website
2015 March- Year 2	<ul style="list-style-type: none"> -Valuing People & Staff Survey -Developing people -Building community -Displaying authenticity -Providing leadership and highlighting staff -Ordering system updated to online for vendor -Building a sales force to scale contracts 	<ul style="list-style-type: none"> -Set financial goals -Acted on staff's feedback -Developed staff and use of technology such as google calendars -Changed contractors to employees -Improved turnaround and accuracy of orders with an online system -Obtained larger contracts to increase profit margins with a "scale, scale, scale" mantra -Helped Cavenecia increase productivity so he could earn more -Used cloud-based phone system -Developed stronger relationships with suppliers, and capitalized on their strengths -Praised employees for individual successes
2016 March- Year 3	<ul style="list-style-type: none"> -Moved as landlord raised rent thus cost went up by 400% -Be a shining light for others -Focus on needs & emotions of others -Selfless leadership consideration 	<ul style="list-style-type: none"> -Improved ethical leadership -Built a sense of community -Helped TV station uncover fraud -Flew Cavenecia to Peru for a family visit -Promoted Martin to crew chief -Hired a salesperson and invested 9 months of training -Bought a pick-up truck for Cavenecia when his broke down -Donated windows to Mexico & created showers for homeless
2017 March- May 1 st Year 4	<ul style="list-style-type: none"> -Ruminate on growth options -Concern for bankruptcy -Desire for turnaround -Questions for Leadership styles & Entrepreneurship models 	<ul style="list-style-type: none"> -Managed time by reducing his teaching -Determine how to grow TWS -Determine what leadership style to use next -Determine what needs attention going forward

Appendix E. Survey Results

Source: Company records, 2019

Below are the results of various perspectives on KCP’s leadership style by from salesperson, installer, and suppliers, specifically related to tasks completed and leadership.

Exhibit 8. Perry’s Leadership Survey Results

Employee	Task-People (T-P) Shared Leadership		Situational Leadership Category Scores			
	T	P	Primary Flexibility	Secondary Effectiveness		
Perry	10	14	S3	S4	20	52
Full time Salesperson	16	13	Not completed			
Installer	14	11	S3	S2	24	51
Supplier	17	11	S3	S1	22	56

Note:

The T score is similar to Theory X and P score is similar to Theory Y

S1 score is similar to Theory X and S3 is similar to Theory Y

The norm range for flexibility scores is 10-18 points with a mean of 14

The norm range for effectiveness scores is 41-51 points with a mean of 46

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