Strategic Management Case

Denise Johnson

[Name of the Institution]

Strategic Management Case

**Introduction**

This paper will put a spotlight on a famous transport company in the U.S named as J. B. Hunt. There will be a thorough discussion on the company's history, its leadership, strategic policies and the analysis of its financial statements. The respective evaluation of the firm's annual reports will include profitability and liquidity ratios. Along with ratio analysis, there will also be a discussion on the effect of IFE (International Fisher Effect) on the transport company.

**Discussion**

**Company Profile and Business Operations**

The year 1960 saw the emergence of Mr. Johnnie Bryan Hunt’s idea of launching a transport company in the U.S state of Arkansas. Mr. Hunt gave his business an identity after his name (Pazour & Neubert, 2013). The business began its operation as a transportation and trucking company with few heavy vehicles in its asset collection to start the firm’s proceedings. However, today J. B. Hunt is now among the major competitors in the transport industry while its revenues are on a high side as well with more than $5 billion revenue generated annually (Simpson, 2018).

The critical strategic events include the building of an integrated and reliable transportation network across the U.S that has achieved brand recognition among their clients. Thus, it has built up brand loyalty among its clients. Moreover, the transportation company is renowned for making timely and important mergers, especially with the technological companies, to develop a reliable Management Information System (MIS) to strengthen its supply chain and inventory management (Chen et al., 2010).

Significant competitors of J. B. Hunt in the U.S transportation industry includes Werner Enterprises, Swift Transportation and Schneider International (Pazour & Neubert, 2013). Therefore, in such a competitive market, J. B. Hunt is required to remain proactive through innovative strategies which at least maintains their market share if it does not increase against such significant competitors.

J. B. Hunt currently can utilize on several opportunities that can provide the firm with a competitive advantage and will put the competition out of their equation of success. Firstly, J. B. Hunt should capitalize on lower inflation rate as it will see a drop-down in the interest rates on credit borrowing, which will provide the company with advantage through International Fisher Effect (IFE). Moreover, due to government agreements; the transport company will be able to penetrate in other emerging markets to explore more options in pursuit making J. B. Hunt a state-of-the-art transportation company (Chen et al., 2010). A decision to capitalize on these opportunities will give the respective firm a strategic advantage that can earn them more clients and an increased market share as a result.

**Financial Ratio Analysis**

This section will cover the analysis of financial statements of J. B. Hunt for the year 2017. It will include the evaluation of a company's current ratio (liquidity) and its total debt to equity ratio (leverage). The calculation and analysis of the ratios mentioned above are as follows:

1. Current Ratio (2017) = Current Assets

Current Liabilities

= $ 1,338,728

$ 921,844

= 1.45:1

The current ratio describes the company’s ability to deal with its short and long-term debts effectively. The higher the current ratio, the better it suggests that the company has enough liquid assets to cover its liabilities (Weygandt, 2015).

The above chart shows the current ratios of J. B. Hunt from the year 2013 to 2017. It depicts that in 2013, the company's short-term debts were more than its liquid assets. However, as the years progressed, the company increased its liquid assets to an extent where it had one and a half times more liquid asset resources than its liabilities. In 2017, the current assets decreased to a certain extent. It may be because of increased spending or less closing inventory available at the end of the year.

1. Total Debt to Equity (2017) = Total Debt

Total Equity

= $ 1,086 M\*

$ 1,839 M

= 0.59:1

Total Debt to Equity is the ratio that analyzes how much debt the company has taken against total equity of the firm. Ideally, the ratio should be as low as possible. A high value of this ratio is nothing more than a risk (Weygandt, 2015).

The above chart suggests that J. B. Hunt relied less on debt in 2013. However, in the later years, the debt to equity ratio increased. This might be due to outstanding payments that the firm will be liable to pay to its suppliers. The situation may have got steady again after an apparent debt clearance when in 2017, the debt to equity decreased to a certain extent.

**Conclusion**

This paper explored the business operations of J.B. Hunt Transport Company and analyzed its financial statements using two key ratios. The financial analysis suggests that the company has a stable financial position due to which it is one of the leading transport firms in the industry. Therefore, it should continue this performance in future as well which will assure their place as market leaders of the industry in the long-run.

**References**

Chen, M. C., Yeh, C. T., & Chen, K. Y. (2010). Development of collaborative transportation management framework with Web Services for TFT–LCD supply chains. *International Journal of Computer Integrated Manufacturing*, *23*(1), 1-19.

Pazour, J. A., & Neubert, L. C. (2013). Routing and scheduling of cross-town drayage operations at JB Hunt Transport. *Interfaces*, *43*(2), 117-129.

Simpson, B. (2018). JB Hunt net earnings, revenue strong in 1Q. *Transport Topics*.

Weygandt, J. J., Kimmel, P. D., & Kieso, D. E. (2015). Financial & managerial accounting. *John Wiley & Sons*.