CPET 575
Management of Technology
Assignment 2, Case Study 1
Matt Hendrickson
Jamie Dillman

Case Study 1: Hughes and the Direct Broadcasting Business
Describe Hughes Electronics? What are its strengths and weaknesses?

- Howard Hughes formed Hughes Space and Communications Company as a subsidiary of Hughes aircraft in 1961
- Merger of Hughes Space and Communications Group and the Hughes Space Systems Division
- Designed and built the world’s first geosynchronous communications and weather satellites
- Designed and built Surveyor 1, first successful Lunar probe
- Designed and built the probe to explore Venus
- Designed and built Leastat

Early Success for Hughes Aerospace Operations

- For 40 years, Hughes Space and Communications was the leader in the satellite market
- By 2000, Hughes built nearly 40% of the satellites in service, worldwide
**General Motors, Hughes Electronics, and Missiles**

- In 1985, GM acquired Hughes Aircraft and its subsidiaries
- Merged Hughes with Delco to form Hughes Electronics
- Hughes Electronics consisted of Hughes Aircraft, Hughes Space and Communication, and Delco
- 1992, Hughes Aircraft purchases General Dynamic Missile Systems, going on to design and build critical technology for the military

**Hughes Ventures Into DBS**

- 1994: Hughes launches DirectTV in North America
- Worlds first high performance satellite service
- By 1997, Hughes had launched six satellite and held close to 4 million subscribers
- By 2001, 10 million subscribers
**Hughes and PanAmSat**

- In 1997, Hughes forms a merger with global DBS provider PanAmSat.
- Creates world’s first private sector provider of global provider of DBS.
- Operating under the name PamAmSat, Hughes holds the majority of shares.
- Strategic combination: Merger combines the strength of Hughes’ domestic DBS, and PanAmSat’s strength in Global DBS.
- Hughes went into the merger with 10 satellites and three under construction.
- PanAmSat went in with four satellites and four under construction.

**Question 2: Risk and Opportunities Associated with PanAmSat Merger**
**Strength of Hughes Electronics**

- The ability to successfully merge its structure and resources with that of other technology based enterprises, combing the two into a viable, highly competitive and successful venture.
- Hughes formed mergers and purchased other enterprises to both tap into new markets, and expand on existing markets.

**Diversity Across Industries**

- Hughes was a leader in satellite technology, military technology, and DBS services.
- Diversity affords strength.
- If one sector weakens, strength in the others would allow an enterprise to remain viable.
Opportunities: Market Expansion

- PanAmSat is largest privately owned satellite company, operating within a global market
- Hughes operates in North America
- Merger allowed Hughes to tap into the global DBS market
- Merger created the 2nd largest DBS provider in the world

Risk

- Thamhain: Risk common to technology-based enterprises are an ever-changing market and new, emerging technologies
- New technology could have greatly decreased demand for PanAmSat’s services, or made them obsolete
- Mergers formed by competitors could create a more powerful enterprise, capturing a majority of the market share.
Survival

- Thamhain: To deal with these risk, companies must build effective business and leadership strategies.
- Consider current business environment, as well as future business environment
- Proactive stance towards market trends and trends in technology

Question 3: What are Hughes distinctive technological competences?

- Late 1990’s: Hughes held two competencies:
  - Satellite design and manufacture
  - DBS service consisting of DirectTV, DirecTV Latin America, and PanAmSat.
- Hughes also was a leader in Military defense technology
- Hughes excelled in all 3 industries.
Hughes, Boeing, and News Corp

- 2000: Boeing purchase Hughes Space and Communications Company, renaming the enterprise to Boeing Satellite Development Center
- 2003: GM sells the remaining entities of Hughes Electronics to NewsCorp
- Viable corporation that built quality and worth to the market and industry

Hughes Electronics? Why it planned to sell the DirectTV business?

- January 2004: Hughes announces restructuring of it’s DirectTV
- 50 positions eliminated
- February 2004: Hughes reports a 20% increase in revenues, surpassing the $10 billion mark
- Operating profit of $ 146 million.
- Chase Carey, CEO of DirectTV: “DirecTV U.S. was the driving force behind most of Hughes’ growth.”
Sale of PanAmSat

- 2004: DirectTv announces sale of PanAmSat to Kohlberg Kravis Roberts & Co.
- Sold for $4.3 billion, with $750 million in net debt.