Luck Companies

Igniting Human Potential

D. Robley Wood, Jr.
Professor of Management
Department of Management
School of Business
Virginia Commonwealth University
301 West Main Street
Richmond, Virginia 23284-4000
Phone: (804) 828-6053
Fax: (804) 828-1602
Email: drwood@vcu.edu

Wallace Stettinius
Senior Executive Fellow
Department of Management
School of Business
Virginia Commonwealth University
Email: wstett@aol.com

Robert S. Kelley
Assistant Professor of Management
Department of Management
School of Business
Virginia Commonwealth University
Email: bob@pureculture.com

Thomas K. Quinton
Research Assistant
Department of Management
School of Business
Virginia Commonwealth University
Email: thomas@pureculture.com

This case was written by D. Robley Wood Jr., Wallace Stettinius, Robert S. Kelly, and Thomas K. Quinton; School of Business, Virginia Commonwealth University. Unless otherwise noted, all data in this case are based on field research by the authors. All persons and events are real. Luck Stone Corporation changed its name to Luck Companies in 2011. To avoid confusion in this case, the name "Luck Companies" is used when referring to the corporate enterprise. "Luck Stone" refers solely to the business unit that operates quarries and sells aggregates. Luck Companies is a family owned corporation and releases only limited financial data. This case was written with the full cooperation of management and is solely for the purpose of stimulating student discussion.

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PART 1

In 1995, Charlie Luck IV became President and COO of Luck Companies, a family owned business based in Richmond, VA. In 1999, Charlie succeeded his father as CEO. A 1983 graduate of the Virginia Military Institute, Charlie earned a degree in Civil Engineering followed by a three-year career as a professional racecar driver on the NASCAR circuit. At the end of 1986, he put his racing helmet aside and began work as a full-time employee for Luck Companies.

When Charlie was appointed to CEO, the company had a long history of success in the aggregate business in Virginia, driven by the business acumen and values of his father and grandfather. The business had been operated over the years in a very thoughtful, measured manner with little or no debt and a solid but not rapid growth rate. The company's operations were all in Virginia and, like many small businesses, the management style was "top-down/command & control" although the owners of the company felt a paternal obligation toward employees. The industry had experienced little consolidation and was primarily filled with family-owned businesses. Built on a "We Care" attitude that emphasized integrity and customer service, Luck Companies became a leader in industry. By the late 1990's Luck Stone was known as a technology innovator and was nationally ranked as one of the top 15 crushed-stone producers in the United States. A given was that the culture that had proven so successful would not need to change, but meanwhile, most everything else was changing.

The new millennium brought with it growing consolidation in the industry and fiercer competition. There was tremendous expansion in the markets, creating faster growth rates, a much larger company, and increased debt to finance the growth. In the mid '90s, Charlie and his leadership team realized that the "top down/command & control" management style at Luck Companies was not ideal for meeting the needs of customers or employees as command & control management centralized decisions at the top of the business. After much deliberation, they determined that there was a need for management decisions to be made closer to the customer. The organizational structure was decentralized and employee duties and responsibilities were changed to enable the company to better handle the growing complexity of sales opportunities.

The company continued to grow under Charlie's leadership, but he understood that he was in a mature industry and therefore needed to diversify. Recognizing the increasing uniqueness of each of the business units, the leadership chose to separate the company into four businesses with distinct brand identities. There was an expectation through the strategic planning process for each to uniquely meet the needs of the marketplace, which resulted in specific strategies, brands and business plans for each.

The Charles Luck IV Years

In 1995, Charles Luck IV (Charlie) was named President of Luck Companies, and his father Charles became Chairman and CEO. At this point the company employed approximately 400 employees, produced over 12 million tons of crushed stone, and was known for their "We Care" attitude toward customers. In addition, Luck Stone established a nationally recognized safety program, which became a model for the industry.

Charlie describes his early years as CEO as follows:

> I really did not fully understand the company at first. I knew that decision-making was centralized and we never shared our profit and loss data with our people in the field. I started sharing revenue, cost data, and profitability numbers with our field managers and I also decentralized our management structure. To begin the development of our management team, I sent our officers to executive business programs and we produced our first five-year strategic plan for the years 1995-2000.

Charlie describes his experience for the first five years as:

1. Learning to see the business in totality from a general management perspective. Up until this point he was seeing it from an operational and functional perspective. He found that being CEO required a very different way of thinking about the business.
2. Building his management team while dealing with a generational management succession of his father's team. The existing senior managers were steeped in the quarry business and some found it very challenging to respond to the demanding needs of running a business that was growing so rapidly and thinking about ways to diversify.
3. Restructuring the business to reflect its increasing complexity and size with an emphasis on decentralization of operations.
4. Learning to manage the numbers in terms of growth and profits.
5. Creating a strategic management process with the first 5-year plan.
6. Realizing that in a more decentralized environment there had to be some overall plan with clear goals and objectives to tie the parts into a coherent whole.

Between 1995 and 2006 the company set new profit and volume records every year. In 2003 it employed 830 employees and produced over 21 million tons of crushed stone. It had diversified into tennis courts, land development and stone centers. It nearly tripled sales, employees, and profitability. This was in contrast to the very deliberate and measured growth during Charlie's father and grandfather's time. By 2005, the company had almost 1200 employees. This rapid growth led to promoting a lot of people quickly and hiring new talent from outside the company. New people were also gained from numerous acquisitions, which took place during this timeframe.

In spite of the fact that the country was in a mild recession in 2002, the company achieved record sales yet again. Three more Virginia quarries were purchased (Culpeper, Spotsylvania and Bull Run), and work was finished on a new North Carolina based quarry that was to produce roofing granules for a 3M factory in North Carolina. The North Carolina quarry entered 2003 ready to produce almost two million tons of production a year for 3M's facility and for the local market.

Despite record sales and rapid growth over the past eight years, not everyone felt Charlie's enthusiasm. Charlie remembers back to 2000 when George Fox came to him (a key employee who had been with the company for a couple of decades) and said that he felt that Luck Stone was losing its way. The culture was starting to splinter as a result of decentralizing, diversifying, and growing the business. Fox said there were many people making decisions in a way that he did not align with the traditional values that the company had held for decades. Charlie goes on to say:

> During this same period of time, we had grown our executive leadership group and I was observing that, although we were getting record financial results, we were not working together as effectively as we could or should as a team. Often, there were the "meetings after the meetings"

> where issues were being discussed that could have, and should have, been resolved and settled in the first meeting.

Conflict increased between the officers as well—conflict over resources, customers, and goals. This tension trickled down throughout the company, creating silos within the business and friction between business units and departments. According to one officer, "I'd make my candle shine brighter by putting yours out." The increased levels of conflict persisted despite the financial success of the company.

Charlie says:

> I felt like we had a team that could be so much more effective in leading our company if we worked together in a high-performing, constructive, but challenging and respectful way . . . We realized that we needed to look at our own personal leadership as it pertained to issues in the company.

Case Analysis Questions for Part 1

1. Before Charlie joined the organization, the management style of Luck Companies was "top-down / command & control." Which leadership theory best describes this management style? How might using this leadership theory & management style have impacted the organization?

2. Describe the changes that occurred at Luck Companies during Charlie's tenure. How did these changes influence the culture of the organization?

3. In the final section, Charlie says that "we needed to look at our own personal leadership as it pertained to issues in the company." If you were consulting at Luck Companies, what leadership theory would you offer as a solution to Charlie? How could Charlie use the theory to make changes within the organization? If Charlie adopted the leadership theory you suggest, what would the likely results be?

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PART 2

The Values Journey – Vision 2010 - Phase I: 2003-2007

Beginning in early 2003, Charlie and the leadership team began working with an external consultant using an approach called values based leadership. The leadership team did not realize that this endeavor would result in a journey that would dramatically transform the organization.

The original values based leadership model evolved in the 1980's and 1990's after the publication of Peter's & Waterman's book *In Search of Excellence.* The main idea behind the theory is to use a set of values to align an organization's culture around a vision or mission. The theory later evolved in response to corporate scandals to include leading around a code of organizational ethics.

Luck Companies' version of values based leadership is derived from Ken Blanchard's book *Managing By Values* as well as his Situational Leadership Theory. In addition to using a set of values to align an organization's culture and leading around a code of ethics, the model includes identifying one's own strengths and gaps by "looking in the mirror," asking for feedback, and using that information to improve one's effectiveness. Additionally, the model includes seeking to understand the needs, personality, and values of others, and adapting one's behavior to be more effective. As a result, values based leaders build transparent and authentic relationships with others, developing them through feedback, direction and support, inspiring them over time, and ultimately helping them reach their potential.

Over the course of 18 months, the leadership team met once a quarter to discuss values based leadership, give one another feedback, and to learn to use various leadership tools.

In one of these private meetings, the leadership team gave Charlie honest and straightforward feedback. During this session, Charlie came to the realization that the values journey had to start with him:

> For two hours I sat in front of the group, while the team filled flip chart pages with comments about what they did and didn't like about my leadership. They then covered the walls with all the pages. At this particular time, I found the negative observations to be painful and I did not see them as gifts but rather as attacks on me. There was a side of me that was extremely upset and mad but I also knew that I had to do something different. Upon returning to Richmond, I talked with my father

> about this experience. He asked me about the feedback and I told him it was the same thing he had been telling me for the past nine years. He then asked me what I was going to do about it and I promised him that I was not going to quit and that I was going to work as hard as I possibly could to be a better leader for our company and for our people. This was clearly a pivotal point that forced me to look in the mirror and figure out how I could be a better leader at Luck Companies.

During this period, the officers also agreed upon a set of values to guide the company:

- Integrity: Earning the trust and respect of others.
- Commitment: Building the long term success of employees, customers and community.
- Leadership: Achieving legendary performance.
- Creativity: Fostering an environment where ideas and innovation add value.

These values would be used to make business decisions, to set expectations for employees, and to align the various business units around a consistent company culture.

In 2004, Charlie decided it was time to unveil the values and Vision 2010 to the entire company. A series of departmental meetings were held where Charlie gave the speech that would change the company forever. In his speech, Charlie told employees that he was no longer worried about just making money but instead how that money was being made. Many employees were shocked at Charlie's newfound Vision 2010, "To be the Model of a Values Based Organization."

The next task was to embed values throughout the company. Charlie and the leadership team knew that in order to achieve the vision, the values would have to become engrained in the behaviors of each and every employee. To ensure the successful implementation of the vision, Luck Companies invested thousands of working hours and hundreds of thousands of dollars to embed it into the organization. Below is an overview of some of the steps taken to achieve the vision:

- The Luck Values Leadership Program: The company implemented a year long leadership development program designed to teach leaders and key influencers how to lead the values journey within the company.
- Values in Action Stories: Each and every meeting started with 10 minutes of values stories.
- Annual Performance Reviews: The employees' performance reviews were revised to reflect values behaviors as well as business objectives.
- Values Curriculum: The company introduced a training regimen designed to increase employees' knowledge of values and how to put those values into action. These classes were attended by employees from all levels of the organization.

- Walking the Talk Awards: Employees submitted examples of employees putting the company values into action.
- Values Coaches: These coaches went into the various locations and coached hourly and salaried employees on their leadership, self awareness, relationships, and use of the values on the job.
- Mentoring: Officers began to mentor 5 senior leaders at a time, and once senior leaders went through the program for a year, they became mentors themselves, cascading the program down through the company.
- Hiring and Performance Management: The company overhauled the hiring and performance management processes to include values-based questions and placed a greater emphasis on cultural fit alongside technical skills.
- Officer Incentive Plan: 33% of the officer's bonuses were based on self-development and leadership of the values journey (the measures of success were 360 assessments).

At this point, Luck Companies was allocating hundreds of thousands of dollars to Vision 2010 per year. However, institutionalizing the values model as the business grew was no easy feat. A number of leaders could not or did not want to adapt to a more values oriented leadership style. Some of these employees left, while others were asked to leave.

It took three years, but by 2006 the values journey had begun to transform the organization. Employees were approaching Charlie at company events to tell him how values based leadership not only benefited their work lives, but their personal and family lives as well. The business also benefited from the values journey. Some business outcomes included:

a. Improved customer loyalty and key account retention through integrity and commitment toward anyone that the company came into contact with.
b. Increased product innovation by focusing and embracing creativity throughout the company.
c. Better efficiency and safety through an unwavering commitment to a best-in-class safety program.
d. Acquisition advantages by gaining respect as an industry leader for operating with integrity as a core value in everyday operations.

Case Analysis Questions for Part 2

4. Compare and contrast Luck Companies' values based leadership model to another leadership theory or the leadership model in Kouzes & Posner's *The Leadership Challenge.*

5. Luck Companies invested a great deal of time, resources, and energy into implementing values based leadership throughout the company. Based on your knowledge of leadership theory or *The Leadership Challenge,* how would you have improved, altered, or rearranged the transformation process the organization implemented?