

Creating a new company culture

Charlie Luck realized that his company had shifted out of alignment with its core vision. After extensive study, he launched a program that emphasized values.

Company managers have observed a major change in the atmosphere.

BY MARGARET STEEN

NEAR THE BEGINNING of Roy Goodman's interview for the position of chief financial officer at Luck Companies in 2008, CEO Charlie Luck posed a surprising question. "Most CEOs ask you about some of your functional capabilities," Goodman says. "One of his first questions was, 'Tell me about your leadership.'"

The question made Goodman, a finance professional who felt he had reached a plateau in his career, pause. He told Luck that he wondered why "many of the people I have worked with in my career would run through walls for me—and many wouldn't."

This exchange was Goodman's first glimpse of Luck Companies' Values-Based Leadership program, an initiative that company officials say has improved morale, decision making and financial performance at the Richmond, Va.-based maker of stone and related products.

Goodman says the emphasis on values helped cement his decision to join Luck Companies. "The opportunity to learn something completely different from my task-oriented background was very appealing," he says. He says he found the atmosphere at Luck to be different from other companies. "There seemed to be a lot more camaraderie" at Luck, Goodman explains. "People used similar language and made similar supportive comments around their peers. It seemed more energetic, more fun."

The values journey

Values-Based Leadership is "a synthesized, pervasive and unwavering commitment to the continuous application of

the core values of the organization, by all members of the organization," according to Holt Development Services, a San Antonio-based firm that created the process in 1988 and counseled Luck Companies on its transformation. Holt Development Services is a subsidiary of Holt Cat, a major Caterpillar dealer.

Family business consultant David Bork, who has advised the Lucks, calls Values-Based Leadership "the next window of development in the whole family business arena."

The values orientation "ups the ante on the quality of behavior inside a family enterprise," Bork says. The efforts of Charlie Luck and his wife, Lisa, stand out because "their behavior matches their words," Bork comments.

"It is not just about lofty words and ideas," Bork says. "There is genuine congruence between what Charlie and Lisa say and do."

Luck Companies (previously known as Luck Stone) operates in Virginia, North Carolina and Maryland. One of its four business units is Luck Stone, which started with the company's first quarry and today operates 19 quarries. The Charles Luck Stone Center division is composed of six retail centers that sell stone for landscaping and home projects such as granite countertops. The company also has a real estate development division, Luck Development Partners. And it owns Har-Tru Sports, the maker of the widely used Har-Tru clay tennis court surface. Other employees maintain equipment and work at the company's headquarters. The company, which does not release its revenues, is owned by Charlie Luck, his parents and his children.

Charlie Luck, 51, and his father are the only two family



Charles S. Luck III, Luck Companies' chairman (left), with his son, president and CEO Charles S. (Charlie) Luck IV.

members who work in the family business. Luck, whose full name is Charles S. Luck IV, took over as president and CEO of the business in 1995. His father, Charles S. Luck III, is the chairman and the son of Charles Luck Jr., who founded the company in 1923. Charlie Luck's three children, who range in age from 16 to 22, have done internships with the company.

"One of our core beliefs is that all people are born with extraordinary potential to make a positive difference in the world," Charlie Luck says.

Luck Companies' Values-Based Leadership program did not begin with such lofty goals; rather, it grew out of adversity. In 2002, the company had been growing rapidly: Sales, profits and the number of employees had tripled since the end of the recession in 1991. Leaders were promoted quickly, and many new executives were hired. The company's centralized management structure was broken up.

"Once we did that, the culture started to fray," recalls Tom Epperson, leadership development manager, who has been with the company for about 13 years. "Mini regions were making decisions their own way—they were really creating their own cultures." This led to vice presidents in charge of different divisions fighting for resources.

"Even though we were incredibly financially successful during that period, it was not a great place to work," Ep-

Mark Fernandes, chief leadership officer and a company veteran of 20 years, admits that his reaction at the start of the program was, 'When do you expect us to work on this, and when am I going to be done?'



person reflects.

The focus on the company's financial success had resulted in a management team that was not functioning well.

"My top 12 executives, including myself, we had lost our way," Luck says. "We were delivering incredible financial results, but when you watched what I call 'the meeting after the meeting,' those were not good conversations. They were conversations of difference, some of backstabbing, of people more interested in themselves than they were in the entire organization."

Luck recognized the adverse effects. "I knew that this was not in alignment with what my grandfather and father had built, and I knew that it wasn't what I wanted," he says. "My father and grandfather had always talked about two things you keep track of: One is the score, and the other one is how you play the game. The score: That was where we were spending our time."

Luck and his leadership team researched potential sources of help and ultimately brought in Holt Development Services. Luck Companies' executive team began by establishing common values and then used various tools and strategies to learn about themselves as leaders. After about 18 months, they shared with company employees their new vision: the company's mission and values, as well as their new leadership strategies.



'Within a year to 18 months, our company and our associates started seeing leaders behaving very differently,' says John Pullen, chief growth officer, who has been with the company for 18 years.

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A values-based reduction in force

In November 2008, Charlie Luck made the painful decision to cut about 125 jobs at Luck Stone after much soul-searching.

"We wanted our employees to say, 'It's an awful thing to do, but you all did it better than anybody else,'" Luck told *Family Business* in Spring 2009. "We wanted people to say, 'This is how a values-based company does this.'" The 2009 article reported

that the company assembled as generous an assistance package as possible for those who lost their jobs, including separation pay, two months of health insurance continuation and access to a resource center (plus \$25 gas cards for those who needed to travel to the center).

In a video shown to workers at all locations, Luck shared how difficult the reduction in force was

for the company leaders. "But this is something that we had to do to make sure that the company survived the recession."

The article noted, "Employees—even some who lost their jobs—expressed concern about how difficult this must have been for both Charlie Luck and his father."

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"Within a year to 18 months, our company and our associates started seeing leaders behaving very differently," says John Pullen, chief growth officer, who has been with the company for 18 years. The unhealthy conversations that took place after official meetings gave way to transparent dialogue, Pullen says.

Luck Companies' tagline emphasizes its commitment: "Igniting Human Potential."

"It is truly a learning culture," says Guy Clumpner, president of Holt Development Services and vice president of human resources for Holt Cat. "I think Charlie feels like he has a calling to take something that has changed him as a human being and leader and parent and husband and share it with other people."

Investment in training

Today, the Values-Based Leadership program is an integral part of Luck Companies' training. It begins with an introduction to Luck values—integrity, commitment, leadership and creativity—for all new employees.

A monthly class on values is open to about 40 associates each year. It focuses on understanding others' values and work styles, as well as how to give and receive feedback. It includes work with a mentor as well. Shorter classes focused on becoming a more effective leader are also offered frequently.

Company officers and the senior leadership team spend at least ten days per year in leadership training, says Wanda Ortwine, who holds the title of chief family officer. Her role involves leadership, "soft skills" and financial training, as well as working on the transition of ownership to the next generation.

With all these hours spent in training—along with "values cards," printed with the company's values and given to all employees—the company's values are front and center.

Luck Companies drew on its values in 2008, when the company underwent a significant reduction in its workforce owing to the dismal economy (*FB*, Spring 2009). The vice president of human resources, Jay Coffman (now retired), "pulled the values card out of his pocket and said, 'OK, how would we want to be treated?'" Ortwine recalls. "We used our creativity value and created an offsite resource center to provide assistance."

Another company value is "doing whatever it takes,"

'This values journey absolutely kept me working here. I was on my way out, but stayed because things quickly and really tangibly turned around,' says Tom Epperson, who serves as leadership development manager at Luck Companies.



Ortwine says. When a customer called late in the day with a request for stone on the spot, employees made it happen, even though the plants had already been shut down. "Maybe that doesn't sound heroic," Ortwine says, "but most people would have said, 'You'll have to come back tomorrow!'"

The values influence how employees handle conflicts with each other, as well.

"We spend a lot of time trying to develop a feedback culture, a culture where people talk to each other and not about each other," Epperson says. For example, if an employee notices a colleague signing off on maintenance that wasn't actually done, the employee is trained to ask the colleague if he or she actually knew how to do the maintenance, and to offer to help, rather than immediately reporting the person to management.

"It's so much more effective to spend some time understanding where they are, what they know, what they value, and then decide together what to do," Ortwine says. "It's a different way of thinking." The results benefit everyone, she asserts. "Conversations between people are so much more effective."

Improving relationships

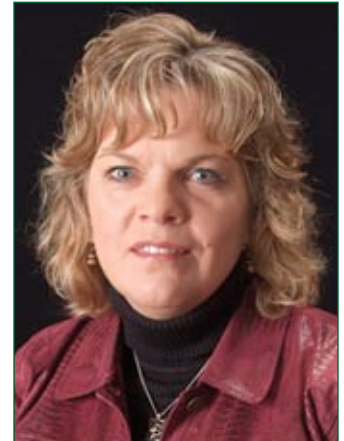
Charlie Luck admits that he had questions about Values-Based Leadership at the outset. "My first question was, 'How much time do I have to invest in this leadership stuff, and what's the return on investment?'" Luck says.

Mark Fernandes, chief leadership officer and a company veteran of 20 years, also says he was skeptical at the start of the program, wondering how he was supposed to find time to polish his leadership skills while also performing his other duties. Fernandes, who now speaks to outside groups about Values-Based Leadership at Luck Companies, says his initial reaction was, "When do you expect us to work on this, and when am I going to be done?"

In the company's "blue-collar, engineering kind of culture," explains Epperson, "this idea that we have to care about one another is completely and totally foreign, and it's really scary."

The results, however, have persuaded employees of the program's worth.

One useful concept, according to Epperson, is the "pause button." "When you get in a tough situation, you mentally pause to give yourself a chance to really consciously decide what to do next," Epperson says.



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At the time the program started, Epperson says, he had his résumé polished and was considering leaving the company. “It was not a good place to work,” he recalls. As the Values-Based Leadership program progressed, though, the atmosphere improved. “This values journey absolutely kept me working here,” Epperson says. “I was on my way out, but stayed because things quickly and really tangibly turned around.”



The Luck family. From left, Charlie, Sarah, Lisa, Margaret and Richard. They now use the Values-Based Leadership approach to making family decisions.

Epperson says the program has given employees tools that help them improve relationships at home as well as at work. “Without a lot of self-awareness, I can go like a bull in a china shop,” he says. “This helps me be a better dad and a better husband—and it also helps me be more effective at work.”

Charlie and Lisa Luck have used the Values-Based Leadership approach with their three children, as well. About six years ago, they worked with Bork to create a list of their family values and a mission statement. Both have now become part of the family’s conversations about making decisions in all aspects of life.

“This kind of exercise opens communication, opens trust, deepens thought and enriches lives,” Luck says.

Impact on performance

Pullen, who is in charge of growth, believes that the program has had a positive effect on Luck Companies’ financial performance. Although the impact is difficult to quantify, Pullen is looking for ways to measure it.

Through the most recent recession and modest recovery, the performance gap between Luck Companies and its competitors has widened, Pullen says. He speculates that Luck’s close customer relationships, which are grounded in its values, are a key reason.

Epperson has a similar take on the connection, saying the focus on leadership “has the effect of helping us run a very efficient, effective, customer-focused and community-focused business.”

Values can affect financial performance in other ways, too, Luck says.

“A lot of companies for years started out with this notion that shareholder return was the first place to start,” Luck says. His company, by contrast, focuses on making sure everyone understands its mission and values. “When you get people that share this same point of view, you begin to ignite the potential in those people,” Luck says. “Then their creativity, their customer service, their excellence begin to grow.” That in turn increases customer and shareholder loyalty, which leads to increasing revenue, he says.

The focus on values isn’t for everyone, and it’s not risk-free. A few executives left the company during the initial ramp-up of the program.

There is also the danger that the focus on values in hiring could produce “an organization of clones,” weeding out those whose ideas are different. Luck says the goal is not to hire a bunch of people who all think alike, but rather to make sure the company’s employees value commitment, leadership, creativity and integrity. His managers seek a diverse workforce,

he says, but they want staffers’ values to be aligned.

The company has found that the values focus helps in recruiting, especially of younger workers. “They’re very interested in how you’re going to participate in society, what are your values and beliefs, and how do you demonstrate those,” Luck says.

Last year, Luck Companies executives began speaking publicly about their experiences with the program. “We want to be viewed by global thought leaders in this field as one of the best companies in the world that know how to build a Values-Based Leadership organization,” Luck says.

Goodman says the program has helped him figure out the answer to his question about why he inspired strong loyalty in some workers but not in others. “People who were highly task-oriented, highly achievement-oriented, fast-paced, I tended to work well with. People that were slow-paced or lacked urgency, I struggled with. But I didn’t know it.”

Now, he says, he understands that if he’s talking to someone who is more focused on relationships, he needs to ask how the person or his family is doing, for example, before announcing that he needs a project done by Friday.

“It’s really changed how I interact with people,” Goodman says. “For people who believe in the program, it makes you more adaptable as a leader as well as a better person.” **FB**

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