A humane approach to a painful decision

The dismal economy made job cuts inevitable at Luck Stone Corp. CEO Charlie Luck and his team were determined to treat those affected by the reduction in a manner consistent with the company values.

BY MARGARET STEEN

On the night of Tuesday, Nov. 11, 2008, Charlie Luck couldn't sleep. Neither could many of his approximately 900 employees.

That afternoon, every employee at the Luck Stone Corp. had watched a 20-minute video. In it, Luck, the 48-year-old president and CEO of the company, detailed how deteriorating market conditions were forcing the company to undergo the first large-scale reduction in force since Luck's grandfather founded the company 85 years earlier.

It was the middle of a tumultuous week for Luck and his employees. Luck had gathered three generations of his family in his son's college town of Lexington, Va., the previous Sunday, to show them the video and prepare them for the inevitable questions they would hear—from the media, from acquaintances and even, for the children, at school—once the news broke.

Employees went home that Tuesday night knowing that some of them would soon be out of work. "People told me stories of not sleeping, of redoing their family budgets," Luck recalls.

On Wednesday and Thursday, managers at more than 30 locations in three states met with about 150 employees who were affected by the announcement—about 125 who were losing their jobs and the rest whose position or location was changing. Then they gathered the remaining staff to "let everybody know that the ones there had jobs, we needed them, we were going to be there to support them," Luck says.

Luck and his father are the only two family 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.

The company, with operations in Virginia, North Carolina and Maryland, has several divisions. (It does not release its revenues.) The core business is the Construction Aggregates division, which started with the company's first quarry and today encompasses 15 quarry locations. 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 Lee Tennis Court Products, the maker of the widely used Har-Tru clay court surface. Other employees maintain equipment and work at the company's headquarters near Richmond, Va.

Charlie Luck, his parents and children own Luck Stone, but his two sisters and other extended family members "are still very connected to the company," he says.

'This is something that we had to do to make sure that the company survived': President and CEO Charles S. Luck IV (left) with his father, chairman Charles S. Luck III.

The company has a long history of being very connected to its employees, which made the reduction in force especially difficult. Company officials note that during the Depression, shortly after Luck Stone's founding, Charles Luck Jr. leveraged heavily to meet payroll.

Ron White Sr., a customer of Luck Stone, says the owners' connection to their employees is evident in their business dealings. "They don't take credit for what happens; they say, 'Our folks do such a wonderful job, they make our jobs easy,'" says White, the CEO of Superior Paving Corp., a family-owned asphalt company in northern Virginia, who has been buying stone products from Luck Stone for almost 33 years.

The company's decision to reduce the size of the staff, White says, was akin to "taking one of your own appendages and cutting it off."

Charlie Luck says the company explored every other option before arriving at this point.

Luck Stone plans for the long term, generally looking 20 to 40 years ahead. The quarries the company operates, for example, can be used for 40 to 100 years. When the company saw demand for its products eroding as early as 2006, it began aggressively managing expenses: not filling open positions, delaying some expansion plans and cutting costs on items such as travel and supplies. In the spring of 2008, the company cut positions at some divisions where business was slowing.

"We felt like 2008 was going to be the bottom of this recession," Luck says. Company executives expected to see slight growth in 2009 and a stronger year in 2010. Then in September 2008, the U.S. economy unraveled. The managers watched as formerly mighty companies foundered and the government struggled to bail them out. "Once that news started coming, we knew that 2009 was going to be worse than 2008," Luck says.

Charles Luck Jr.: The founder, grandfather of current CEO Charles S. Luck IV, started the company in 1923 and had to leverage heavily in order to meet payroll during the Depression.

From late September until mid-November, Luck and his team analyzed dozens of financial models, revising their business forecasts for each. They set cost reduction goals for 2009 based on a sales decline of 24% over a three-year period (2007 through 2009's projected figures). Using the financial models, they tried to make up for this drop by cutting capital spending and slashing expenses. "Lastly, we came to people," Luck says.

They considered cutting personnel costs by reducing everyone's pay or cutting benefits, but "that did not make sense," Luck says. They decided it would be better to have fewer employees "with full benefits and full hours rather than negatively affect everyone at a very significant level," he explains. They did freeze wages, but they made the bulk of the cuts by eliminating positions.

Thus Luck and his team began planning for the company's first wide-scale reduction in force (RIF). They would cut about 125 positions.

A difficult process

It's not easy for any employer to cut staff, but it's especially hard in a business that's known for treating its employees like family.

"How do you do that and still be an employer of choice?" family business consultant David Bork, who has advised the Lucks, asks rhetorically. "Part of the answer is, well, we still have these values. This is how we treat people."

Steve Rosser, general manager of the Charles Luck Stone Center division, who was involved in planning the reduction, says the focus was always on the company's sustainability goal: "to exit out of this recession with our values intact and a strong financial base."

Those values are leadership, commitment, integrity and creativity, Luck says. "As we went through this process, we revisited every one of those values frequently." This applied both to how they chose which employees would lose their jobs, and to how they treated those people.

"Instead of approaching this from, 'How long did you work here?' they're saying, 'What kind of a company are we going to have coming out of this? What kind of people do we need to run that company?'" says Bork. "It's a reframing of a problem-solving process."

Kevin P. Black, whose position as a regional vice president was eliminated in the downsizing but who has stayed on to help with the transition, says the company has a "paternal feel" to it and therefore "truly took the approach of looking out for the associates."

Once the decisions were made, the leadership team focused on developing a plan for communicating the news to people both inside and outside the company. It trained key leaders on "how to conduct themselves in a RIF setting," Luck says. And the company put together separation packages for the departing employees.

"These were all very talented people," Luck says. "We challenged ourselves to give them a financial package that stretched the company. We did not want them to have to take any old job because they were concerned about making their mortgage payment. We wanted them to have a bridge that allowed them to choose a job that they could really get excited about."

The underlying motivation was both concern for the employees who were losing their jobs and concern about how the remaining employees would feel about their employer, Luck says. "We wanted our employees to say, 'It's an awful thing to do, but you all did it better than anybody else.' We wanted people to say, 'This is how a values-based company does this.'"

This goal, as well as the fact that the company was not experienced at letting workers go, meant that cutting the staff required careful planning.

That started with the terminology. "We didn't call it a layoff," Rosser says. "We believed 'layoff' implied they would be called back to work. We didn't want to give false hope."

The team worked on putting together as generous an assistance package as possible for the employees losing their jobs. In addition to separation pay, the company paid for two months of health insurance continuation and set up a resource center to help the newly unemployed workers with their résumés, unemployment benefits and job search skills. Luck Stone gave $25 gas cards to workers who needed to travel to this center, and also held workshops at some of their sites away from headquarters. In addition, Luck Stone timed the cuts so departing employees would be paid for the follow year's vacation, which was accrued as of November 1.

The company planned a communications strategy that included the video of Luck explaining the decision. "We wanted to have the communication take place to the whole company at the same time, so that people got the facts and they did not get taken away by the rumor mill," Luck says. "I shared how difficult it was for everybody in leadership, emotionally and personally. But this is something that we had to do to make sure that the company survived the recession."

Luck's video gave employees "a very rich explanation" of the economic conditions, how they had changed since 2006 and how the company had tried to avoid job cuts, Rosser says. Predictably, employees reacted with "shock, fear and disappointment" when they heard the news on that "very, very sobering afternoon," he says.

The video was one of the things that made this reduction feel different from staff cuts at many other companies.

Rosser, who previously had worked at public companies and seen how staff cuts were handled there, says Luck Stone's communication strategy was a key difference. At a public company, Rosser says, "the communication was as much for the financial community and the press. Not as much attention was paid to communication with the employees."

The aftermath

Luck Stone's leadership team planned carefully for what would happen after the staff cuts—not only helping those who were laid off, but also bringing the remaining staff back together.

"We wanted to make sure that we were present and highly visible," Luck says of his team. They held frequent small-group meetings to listen to employees' concerns and answer questions.

'These were all very talented people,' says CEO Charlie Luck. 'We challenged ourselves to give them a financial package that stretched the company. We did not want them to have to take any old job because they were concerned about making their mortgage payment.'

These meetings were also an opportunity to reinforce key points made in previous communications. "During a time of anxiety, people hear about 30% of what you say," Luck says. "Many of the same messages were repeated over and over."

One question that came up, of course, concerned whether there would be another round of reductions. "We tell them transparently that we're doing the best job we can to monitor the economy and to focus on the sustainability of the company," says John Pullen, vice president of strategic development at Luck Stone. "I think people understand that's what we're trying to do."

Black says the company encouraged the remaining employees to stay in contact with those who had lost their jobs. The ones who were let go "didn't do anything wrong," Black says. "They were still part of the people we care for very deeply."

Luck says the team developed a communication plan for 2009 that is "much more intensive" than previous years' plans. "We are all anxious and nervous, but we also have things to celebrate and accomplishments to recognize," he says.

The increased contact with employees has brought to the forefront not only how much the company cares for its workers, but also how much the workers care about the company, Luck Stone executives say.

"After the downsizing, many, many employees asked me what else they could do, above and beyond, to make this thing work," says Rosser. "It's absolutely incredible to me, the commitment of these associates."

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

"The employees that were getting RIFfed were actually concerned about the employer," Bork says. "You're not going to find that many places."

"That kind of rocked our world—how could they be thinking of us?" Luck marvels. "Frankly, I think it speaks to the caliber of people we have."

More than half of the employees who lost their jobs said during their final meeting with their manager that they would be glad to return to Luck Stone if there are openings in the future, the company reports.

"A lot of our current employees are obviously still keeping in touch with their RIFfed friends, and they're saying, 'How did the company treat you?'" Luck says. The responses have been very positive overall, he says, though "I know there are people out there that are still struggling with 'why me?'"

Luck thinks the company largely succeeded in conducting the RIF in the most humane way possible.

Black, one of those informed that his position was being eliminated, says, "They've made themselves very much accessible to me and touched base with me." FB

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