**INTRODUCTION**

This case is about a family-owned corporation from the perspective of its latest CEO, Charles Luck, IV. It provides an overview of the strategic management processes instituted under his direction, emphasizing the formulation and implementation of value-based leadership initiatives he used to ignite the potential of his workforce and to impact the lives of Luck Companies’ various stakeholder groups.

The case opens with an introduction to Mr. Charles Luck, IV, the conditions in the construction aggregate industry, and the status of his 800-employee company in early 2015. It provides an industry overview and in-depth history and shaping of the four strategic business units that comprise Luck Companies. Charles Luck, IV’s tenure is presented with a heavy focus on the evolution of his value-based leadership system. Following the Value Journey from the inception of the company’s values and initial vision, the key steps to achieve the vision, and the prescribed outcomes, the case progresses through three phases of Luck Companies’ long term planning process, the development of a strategic leadership team, and an unprecedented workforce reduction based on core ideology rather than seniority. As Luck Companies executes the final five-year strategy to achieve Vision 2020, it strives to deepen the company’s impact on lives locally and globally and to achieve the most aspirational expansion goals in the company’s history.

The case is ideal for demonstrating corporate-level strategy on a small scale, multidivisional organizational structures, and strategic leadership concepts. The following prompts are suggested to guide a review and discussion of these principles.

* Characterize the type and level of diversification strategy employed by Luck Companies. Discuss the commonalities and differences of the company’s various divisions.
* Compare the different forms of the multidivisional structure for corporate-level strategies. Explain which form is most suited to meet the needs of Luck Companies.
* Evaluate Charles Luck’s ability to fulfill the strategic leadership responsibilities required of his position. Provide clear examples to support your assessment.Critique his handling of the unexpected events that occurred during the second phase of the company’s Value Journey.
* DescribeLuck’s current five-year growth strategy and objectives. What tools and resources are in place to help the company to achieve its aggressive goals? What are the likely challenges the company will face in executing this strategy?

**ANALYSIS**

* ***Characterize the type and level of diversification strategy employed by Luck Companies. Discuss the commonalities and differences of the company’s various divisions.***

Luck Companies operates four separate strategic business units (SBU’s), each distinctly different in nature and managed under distinctly different brand identities.

Luck Stone – Luck Companies’ largest business unit operates fifteen crushed stone plants, four distribution yards, and one sand/gravel operation. Located in Virginia and North Carolina (or the mid-Atlantic region of the United States), Luck Stone competes in a highly-fragmented industry. Success in the aggregate industry is directly correlated with the growth and economic stability of the construction industry (both private and public segments); and the ability to acquire desirable locations is a vital competitive advantage. Luck Stone is the most profitable division within the corporation, contributing 80% of total enterprise net sales. It uses a differentiation strategy based on superior customer service and logistical excellence in an industry which sees more cost-leadership strategies amongst major competitors. Luck Stone has long been known as an industry leader in technology and innovation, usingin-house engineering resources to build automated production systems and other value-added processes.

Luck Stone Center –Considered a unique enterprise when the company opened its first retail showroom for architectural stone, the division now manages six Architectural Stone Centers, and the builder model is slated for expansion into all target markets. Luck Stone Center also uses a differentiation strategy, sourcing stone internationally and introducing new product offerings through product innovations.Facing increased levels of competition from other contractor stone yards and big-box retailers, the company continues to pursue innovation opportunities to further differentiate and to sustain profitability. In 2007, it rebranded to an up-scale, design-oriented business aimed at attracting affluent homeowners with savvy offerings. As success in this retail sector is 82% correlated with new housing starts, the housing crisis in 2008 significantly impacted Luck Stone Center sales. As the industry recovers, the company has again rebranded, refocusing on middle- to higher-end consumers and adding manufactured products into its product mix.

Luck Development Partners– This division was formed to realize the development and revenue potential of Luck Companies’ land holdings. The real estate development industry is highly dependent on property locations and proximity to population hubs. Because of its relationship with the Luck Stone division, Luck Development Partners operates in the same mid-Atlantic region. The division uses innovative real estate practices to expand potential for long-range sustainable land use, and it strives to create unique settings which incorporate and highlight natural, historical, and environmental elements into its project designs.

HAR-TRU– Luck Companies entered the tennis court surfacing and accessories business by acquiring the industry’s two largest domestic companies, the HAR-TRU brand name, and the manufacturing assets of the original surface material provider associated with some of the finest tennis courts in the world. Now holding an 85-90% market share for U.S. clay tennis courts, the division’s primary competition comes from builders of non-traditional clay substitutes. The smallest of Luck Companies’ divisions, HAR-TRU contributes just 6% of total enterprise net sales. In 2013, the company acquired and integrated Century Sports, adding tennis court equipment to its offerings and enabling HAR-TRU to promote “turn-key” tennis court installations.

The company initially established a diversified portfolio to lessen the impact of the cyclical and mature construction industry.Luck Companies’ corporate-level strategy is a *dominant-business diversification strategy*, because 80% of its total revenues are generated in a single SBU.As history illustrates, dependence on the health of the construction industry remains a powerful determinant of financial performance. Even with a low level of diversification, the corporate strategy offers opportunities for value creation and for sharing knowledge and resources across divisions -- especially regarding the transference of core leadership competencies.

* ***Compare the different forms of the multidivisional structure for corporate-level strategies. Explain which form is most suited to meet the needs of Luck Companies.***

Product diversification increases the information processing, coordination, and control complexities of the firm, as it enters new lines of business. Effective management therefore requires an organizational structure that supports the implementation of distinct SBU strategies and enables corporate leaders to oversee various divisions. A multidivisional structure (M-form) for corporate-level strategies can be devised in three possible ways, including:

* Cooperative Form – facilitates interdivisional cooperation and the sharing of SBU competencies through horizontal integration to develop economies of scope
* SBU Form – is appropriate when few linkages exist between one business unit and another
* Competitive Form – does not promote the sharing of common corporate strengths or utilize integrating devices, but enables independent operations which actually compete for corporate resources and capital allocations

The most suitable structure for Luck Companies is the *SBU Form* of the multidivisional structure, using a moderate level of integration mechanisms, a mixture of strategic and financial controls, and compensation linkages to both corporate and divisional performance goals.

* ***Evaluate Charles Luck’s ability to fulfill the strategic leadership responsibilities required of his position. Provide clear examples to support your assessment.Critiquehis handling of the unexpected events that occurred during the second phase of the company’s Value Journey.***

Strategic leadership is the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary. The capacities to cope with change, attract human capital, manage intellectual capital, and foster internal innovation are crucial leadership skills in today’s complex business environments. Effective strategic leadership responsibilities or actions entail:

* Determining strategic direction
* Managing the firm’s resource portfolio
* exploiting and maintaining core competencies
* developing human and social capital
* Sustaining an effective organizational culture
* Emphasizing ethical practices
* Establishing balanced organizational controls

Evidence suggests that Charles Luck’s performance in each of these categories has been strong.

Luck began his leadership journey by accumulating extensive experience in all levels of the business, building managerial skills and important relationships along the way. He developed a solid understanding of the importance of having sound and innovative business strategies and the role that values and culture play in executing them.

And as he grew the business, he adopted several new management practices.

Luck shared the company’s financial results with the entire organization for the first time, teaching and enabling field employees to produce in terms of growth and profits. He instituted a decentralized management structure to move decision making closer to the customer. Associate duties and responsibilities were changed to help them navigate the growing complexity of sales opportunities. He established the company’s first five-year strategy, using a planning process to enable each division to meet the unique needs of its marketplace and tying specific strategies, brands, and business plans for each division into a coherent whole. To respond to the needs of the rapidly growing business, Luck developedan entirely new management team. And he realigned the firm’s infrastructure to drive future growth.

Under his guidance, the firm set new profit and volume records every year from 1995 to 2006, tripling sales, associates, and profitability. But with record sales and rapid growth, the company soon began to “lose its way”. Decisions were no longer aligning with the firm’s traditional values. With the “We Care” people- and integrity-oriented culture at threat and the executive leadership group not working together effectively, Luck developed a value-based leadership philosophy that would dramatically transform