PLAIN TALK

LESSONS FROM A BUSINESS MAVERICK

KEN IVERSON

CHAIRMAN OF NUCOR CORPORATION

WITH TOM VARIAN

FOREWORD BY WARREN BENNIS

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Foreword

I've written a half-dozen books about Ken Iverson. I didn't *know* I was writing about him. I thought I was writing about leadership. But as I read *Plain Talk*, I realized that Ken is in many ways the leader I've portrayed in the abstract, here in the flesh.

Ken Iverson has intuitively practiced virtually all of what I've preached. I've said, for example, that "*Great leaders instill groups of people with a dream, but it is a dream with a deadline.*" Nucor, the business shaped and led by Ken, is infused with an extraordinary mix of lofty aspirations and a dogged determination to get things done.

I've said that, "*Leaders must be social architects who engineer an atmosphere in which creative dissent is welcomed and in which people are willing to take risks.*" I have seen such an atmosphere. It is Nucor. *Plain Talk* takes us on an intimate tour of this constructively candid business culture.

I've said that, "*Militaristic, command-and-control leadership is an anachronism. Making the transition from the old style of leadership to the new one is a challenge for top management at every organization.*" In retrospect, I might have said, ". . . at every organization *except Nucor.*" Over 35 years, Ken has never practiced (nor tolerated) a command-and-control style. In this regard, as in so many others, he and his Nucor colleagues have long exercised a brand of leadership to which others now aspire. Reading Ken's book, in fact, affirmed a wide range of my beliefs on leadership:

"*Today's leader must maintain sensitivity to the views of everyone who has a stake in the company and realize that each one can make a special contribution to meeting the company's goals.*"

"*Good leaders must also be good followers. Leaders and followers share certain characteristics such as listening, collaborating, and working out competitive issues with peers.*"

"*Specialized management is an enemy of hope and good management. I think what we need, if anything, is deep generalists. I think business schools have played into specialization too much. That's a disservice to institutions.*"

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As you read *Plain Talk*, reflect on your notion of the ideal leader, then prepare yourself to experience some startling flashes of recognition.

WARREN BENNIS
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I also must acknowledge all the people of Nucor who helped with their interviews and comments. They are really what the book is all about.

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Introduction

Molten metal is a wild and restless force. Engineers, supervisors, and production workers will gather around a new caster like kids at the lighting of a bonfire, staring in silent expectation while the maiden melt of steel spits and hisses its way through the apparatus. If the caster works, the long rectangular shells of cooling steel will secure the still-molten core, glowing in its persistent fury, and the onlookers, having caged the beast, will clap one another on the back, celebrating their collective triumph over a power not one of them could hope to master alone.

To my eyes, two of the most fascinating sights to behold are hot metal in motion and a group of peo-

ple in headlong pursuit of a shared purpose. Those images are the essence of Nucor. They convey how we turned a confused, tired old company on the brink of bankruptcy into a star player in the resurgence of American steel.

Along the way, we did something that is probably more consequential for you: We showed that many of the so-called "necessary evils" of life in corporate America are, in fact, not necessary. The people of Nucor stand in sharp, even defiant contrast to the status quo. We're big on informality, caring, freedom, respect, equality, and the simple truth. We have little tolerance for the politics, the pettiness, the fixation on rank and status, and the insensitivity to employees' legitimate needs that people in most big companies endure as a matter of course.

Since I have no special insight into the forces behind what passes for "business as usual" in most large corporations, I won't spend much time trying to explain them. I'll focus instead on presenting an alternative set of assumptions and approaches for running a business. I'll describe how we raised Nucor from obscurity to its current place as America's third-largest steel company, and I'll explore our company's seeming incongruities:

- Our 7,000 employees are the best-paid workers in our industry, yet Nucor has the lowest labor cost per ton of steel produced.

- Nucor is a Fortune 500 company with sales in excess of $3.6 billion, yet we have a total of just twenty-two people working at our corporate headquarters, and just four layers of management from the CEO to the front-line worker.
- Nucor operates in a "rust belt" industry that lost one-out-of-two jobs over a twenty-five-year span, yet Nucor has never laid off an employee or shut down a facility for lack of work, nor have we lost money in any business quarter for more than thirty consecutive years.
- We are in a labor-intensive and technology-intensive business, yet we've built most of our manufacturing facilities in areas that have more cows than people.
- We track and manage costs more closely than just about any business you can name, yet we anticipate and accept that roughly half of our investments in new ideas and new technologies will yield no usable results.
- Nucor pays hourly wages and salaries that run about 66 percent to 75 percent of the average for our industry—the rest of our employees' income comes from "at risk" bonuses—yet we regularly have large pools of qualified applicants for every job opening.

- Our company is broken up into 21 independently operated businesses, each with almost complete local autonomy, yet we have an unusually active and free exchange of ideas and solutions across divisional, geographical, and functional boundaries.
- We have no R&D department or corporate engineering group, yet we were America's first major operator of "mini-mills," the first to demonstrate that mini-mills could make flat-rolled steel (a high-end steel product formerly made only by the Big Steel companies), the first to apply thin-slab casting (a technology Big Steel had written off as impractical), and the first to commercially produce iron carbide (an energy-efficient substitute for the scrap metal from which mini-mills make steel).

This is a book about leadership and life, about business and people and honesty and risk-taking and a whole bunch of things that really add up to how to be successful over the long run. The advice I'll offer isn't fool-proof. But it is tested under fire.

When I joined the company in 1962, it was still called Nuclear Corporation of America. Nuclear was a Johnny-come-lately conglomerate fast approaching the end of a long and twisted road.

The company was launched in 1906 as Reo Motor Car by Ransom E. Olds who, having founded Oldsmobile a couple of years earlier, jumped that ship before it was swallowed up by General Motors. Reo Motor Car stayed independent, building cars until 1936 and trucks until 1957, when it sold off the last of its auto and truck manufacturing business.

In 1955, Reo Holding merged with Nuclear Consultants to form Nuclear Corporation of America, which planned to manufacture nuclear instruments and other electronics, and to hire itself out to conduct radiation studies. The field seemed glamorous at the time, but the business never gained much momentum.

By 1962, Nuclear was dabbling in a variety of businesses with no clear purpose. The company made a bid to acquire Coast Metals, my employer at the time, but the deal was rejected by Coast's board of directors. So Nuclear asked me to help them, part time, to identify other companies in the metals business that they might acquire. I was 37 years old and interested in learning how acquisitions worked, so I agreed to do it. When I recommended they acquire Vulcraft, a steel joist manufacturing firm in Florence, South Carolina, Nuclear asked me to go run it for them.

By 1965, the Vulcraft Division was doing well. Steel joists are a key structural component in indus-

trial, commercial, and institutional construction, and there was a pretty good building boom under way. Unfortunately, Nuclear Corporation as a whole was bleeding money, losing roughly $400,000 on annual sales of $20 million. When the company defaulted on two major loan payments, bankruptcy loomed and the president resigned.

The board approached me to take his place. Apparently, managing the only profitable division in the company made me presidential material. Although I was just 39 years old, I wasn't too flattered. No one else wanted the job. It was mine by default.

I soon learned that Nuclear's shareholders had all but given up hope. They assumed the company was a goner, no matter what I did, so the prevailing attitude was, "If it doesn't cost anything, sure, try it." CFO Sam Siegel and I quickly sold off the half of the company that was unprofitable, then set out to build on our profitable base of Vulcraft operations in Florence, South Carolina, and in Norfolk, Nebraska, where Nuclear had built a second joist plant. Our strategy was what executives now call "focusing on our core competencies," although that's not what we called it. We just placed the few chips we had left on the businesses that were turning a buck. In 1966, we moved Nuclear's corporate headquarters from Phoenix, Arizona to Charlotte, North Carolina. In 1968, we integrated backward, from making joists out of steel into

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