

Corporate Growth and Profit through Servant Leadership

A Case Study

Introduction

The question that is often asked about Servant Leadership is about its practicality. Is it a concept beyond a good thought? Is it applicable in modern day corporate environment? Can organisations make profit and grow in revenue using Servant Leadership as a Leadership Philosophy? There are many case of successful corporate implementation of this concept. The case of TDIndustries is a stellar example.

The first known application of Servant Leadership in the Corporate world happened in TDIndustries, led by its then CEO Jack Lowe Sr.. This Dallas based organisation is still the longest running experiment in implementing Servant Leadership. According to Fortune magazine's annual survey, TDIndustries Ltd. has been one of the top ten companies to work for in America for several years. It was also listed by Levering, Robert and, Moskowitz, Milton (1993) in their best-selling book, *The 100 Best Companies to Work for in America*. Frick, Don. M.,(2004) documents that Jack Lowe Sr picked up copies of the article *Servant as a Leader* and distributed it to all his employees. Jack Lowe Jr, who succeeded Jack Lowe Sr as the CEO continued the application of Servant Leadership in the organisation. Spears, Larry C (2001) quotes Jack Lowe *"Trustworthiness which requires character and competence, can only flourish with leadership that trusts, supports and encourages. At TD we call that Servant Leadership"*. The leaders at TDIndustries saw servant leadership beyond profitability. Spears (2001) quoted Jack Lowe, the past CEO of TDIndustries as saying *"If you do Servant Leadership for the Bottom line, you have already blown it"*.

The Company website claims "TDIndustries strives to model the management style defined by Robert Greenleaf as Servant Leadership. We firmly believe our shift to this culture during the 70s has made us one of the most unique companies in the country – it is this practice that attribute our many years of success" (Frick, 2009, p19)

The organisations essentially faced several decision points. In 1948 it was faced with a severe cash crunch and the leadership resolved it by going to the employees instead of going outside. In 1950s they realized that the growth was slowing down. Jack Lowe's solution involved the employees. Within ten months of its formation, the company took steps that began to establish the relationship between Texas Distributors and its employees—the seeds from which all current TD employee programs grew. On

December 12, 1946, the board established the Texas Distributors Retire Plan which stipulated that the company would contribute to a retirement fund an amount equal to five percent of the employee's monthly salary. In a second action, Jack, Fred Addison, Mrs. Greer, and Jim Pavelka were elected trustees of the Texas Distributors Profit Sharing Trust, which was based on six-months vesting, and the company promised to contribute annually an amount equal to twenty-five percent of its net pre-tax earnings. The money would be invested and credited to each employee based on the amount of his salary. One third of the annual trust contribution could be distributed at Christmas if requested. An employee could collect his accumulated funds after five years, but would forfeit them if he terminated before that time. Jack offered to sell employees stock in the company which, at that point, only he, his officers, his aunt and his mother owned. He explained that the company was in need of additional working capital and that the company could perhaps get the money in other ways, essentially by going into debt, but this plan might keep the company out of debt and thereby benefit both it and its employees. A subsequent meeting of stockholders authorized issuance of an additional 217 shares of stock valued at one hundred dollars per share. The company agreed to loan its employees money to buy the stock with the understanding that they could repay the loans in installments subtracted from their paychecks.

Fifteen employees subscribed to 187 shares of stock that day. In addition, friends of the company pledged to purchase the remaining thirty shares. The company's capital value was more than doubled.

Jack's employee involvement went beyond mere financial measures. In 1970 he came across the Servant Leadership model and decided to implement the same company wide. The results were phenomenal.

Background of the company

TDIndustries, founded in 1946, is a Dallas-based construction and technology corporation that provides commercial and industrial services such as air conditioning, electrical, and plumbing systems primarily through General Contractors. They also have stepped into technology and healthcare by providing process equipment installation at sites such as Texas Instruments. Their service teams provide operation, maintenance and repair of mechanical and electrical systems and provide emergency service.

Services

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TDIndustries provides construction, service and operations for the systems serving new or existing commercial, industrial and institutional building:

Heating

Ventilation

Air Conditioning

Electrical

Life Safety

Facilities Management

Plumbing

Process & High Purity Piping

Building Automation Systems

Refrigeration

Commercial Food Equipment Services

Locations

Physical offices are located in Dallas, Fort Worth, Austin, Houston, San Antonio, and Phoenix; and the company has a project office in Denver.

Ownership

Over 900 of employees and recent retirees own 100% of the company. No single individual controls more than 3% of the company's stock. In fact, the entire senior management team controls less than 25% of the stock.

Milestones in the company's history

- 1946 Texas Distributors Inc. is founded by Jack Lowe, Sr.
- 1948 Partnered with Trammel Crow on first Design-Build project
- 1949 TD is named GE HVAC equipment distributor
- 1952 Offered employee ownership by payroll deduction

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- 1959 Opened office in Fort Worth, Texas
- 1972 First business to adopt servant leadership
- 1975 Performed first DFW large open shop job at Campbell Center
- 1975 Jack Lowe Sr. began serving on the Dallas Alliance
- 1980 Opened office in Houston, Texas
- 1982 Began prefabrication of plumbing services
- 1986 Opened office in Austin, Texas
- 1986 Opened office in San Antonio, Texas
- 1987 Performed two largest thermal storage projects in Dallas
- 1991 Became Charter Member of the Lean Construction Institute
- 1994 Building Automation Systems team is formed (now Building Systems Integration)
- 1996 Began using 3D Standards for all shop drawings
- 1997 *Fortune* Magazine created the "100 Best Companies to Work For" list -- TD is ranked 5th
- 1998 Onsite Facilities Management Services Team is formed
- 1998 TD earns the Texas Quality Award
- 2000 Performed first Texas LEED Project at Sabre Headquarters in Westlake, Texas
- 2002 Started offering Total Tool Delivery Solutions for Semiconductor Clients
- 2003 Opened office in Phoenix, Arizona
- 2003 Reopened office in Fort Worth, Texas
- 2006 Led Industry with 3D BIM Virtual Construction
- 2007 Adopted Hair Testing over Urine Analysis in pre-employment screening
- 2008 45 LEED Accredited Professionals on Staff
- 2009 Partnered with utiliVisor to provide energy oversight

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- 2009 Provided ServiceLink Wireless Technology to service customers
- 2011 Opened office in Weslaco, Texas to serve the Rio Grande Valley area
- 2011 Launched the TDWIKI to facilitate sharing of best practices throughout TD
- 2011 Launched TDSaves program to help mid-sized facilities become more energy efficient
- 2012 TDIndustries selected as the “Top Specialty Contractor of 2012” by *ENR* magazine
- 2012 First 120 TDPartners became LEAN certified
- 2013 Launched TDMobile App to communicate important news and events to every TDPartner
- 2014 17th Consecutive year of being on *Fortune* magazine’s "100 Best Companies to Work For" list
- 2014 Implemented iPad usage for all service technicians to improve response time and communication on-site
- 2014 Began work on the new Atlanta Falcons Stadium, set to open in time for the 2017 NFL season

Accolades received by the company

Fortune Best Companies to Work For

In 1993, best-selling business authors Robert Levering and Milton Moskowitz wrote a book entitled *The 100 Best Companies to Work For in America*, which featured TD as one of those companies. During their research, the authors carefully reviewed more than 400 nominated companies using six major criteria:

Openness and Fairness

Camaraderie/Friendliness

Opportunities

Pride in Work and Company

Pay/Benefits

Security

In 1998, Levering and Moskowitz partnered with FORTUNE magazine to annually recognize and rank the 100 Best Companies to Work For. TD has appeared on that list ever since, often ranking in the top ten.

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FORTUNE publishes a list of their 100 Best “All-Stars,” which consists of companies that have appeared on their 100 Best list since it was first published in 1998. TD is one of only 13 companies on that list.

At TD, it is one of their strategic goals to deserve to stay on this prestigious list of “Best Companies to Work For” as determined by FORTUNE, and the Great Place to Work Institute.

Top 100 Training Organizations

TD believes in long-term, continuous, intensive people-development efforts – a large piece of their mission statement.

Training magazine’s inaugural list of the Top 50 Training Organizations created “a ranking of the industry’s leading companies that have created true learning organizations by adopting training and employee development as a mission-critical strategy.” Training is the leading magazine of those in the training profession. The magazine has expanded its list from 50 to 125 Top Training Organizations over the years.

In Training magazine's inaugural edition, TD was recognized, in particular, for the following programs:

TDTech

Mentoring

Leadership Development

Career Paths

Lean Production and Theory of Constraints Training and Implementation

Cross Training (field, shop, office)

Servant-Leadership Study Groups

Servant-Leadership Culture

Training magazine states, “TD’s commitment to the personal and professional development of each employee is best illustrated in the company’s ‘People Objective.’ This objective promises to ensure that employees will succeed as a ‘total person,’ grow with the company and feel important. Through

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extensive personal and professional training programs, TD cultivates well-rounded employees, while simultaneously enhancing its bottom line.”

National Construction Safety Excellence Award

TD received one of the nation’s top industry awards for construction safety excellence – the Associated General Contractors (AGC) Construction Safety Excellence Award for Specialty Contractors with more than 200,000 safe work hours. During more than 2.4 million work hours in 1999, TD experienced only nine lost-time injuries, which equates to a lost-time incident rate of 0.8; the average rate nationwide for the plumbing, heating and air-conditioning construction industry is 3.9.

A rigorous pre-qualification process was required of all award entrants, which included meeting specific OSHA standards, providing a comprehensive company safety program, and sustaining that commitment throughout the organization.

Receiving this award is very meaningful for TD, as their policy statement on safety includes a company-wide initiative to eliminate all accidents in the workplace and to provide a safe, secure and drug-free place of employment!

National Ernst & Young Entrepreneur of the Year Award for Principle-Centered Leadership

TD is known for its history of success and its unique style of leadership. So when Jack Lowe, Jr., received the National Ernst & Young Entrepreneur of the Year Award for Principle-Centered Leadership in 2000, it was evident that the seeds his father (and TD’s founder) Jack, Sr., had planted had grown to healthy proportions. This award, presented by Stephen Covey, a longtime friend to both generations of Lowes, recognizes entrepreneurs whose personal leadership style has successfully built a top-performing organization through the application of effective leadership principles.

Mr. Covey also recognized Jack for having a part in establishing an empowered culture at TD and epitomizing the philosophy of leader as servant. In his interview with Ernst & Young, Jack encouraged his TDPartners to continue to aggressively improve the way they do things. “For a small company in Texas, we get a lot of recognition,” Lowe says. “It’s tempting to get complacent, but I tell our people, celebrate, but never be satisfied.”

ENR’s Top 25 Newsmakers

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Each year, the editors of ENR (Engineering News-Record) review the significant contributions of construction industry members. Ben Houston, a 48-year TDPartner and company president in 2000, was recognized as one of the Top 25 Newsmakers in the construction industry by ENR.

Howard Stussman, chief editor of ENR, was quoted as saying, “Ben is being recognized by ENR for employing a unique philosophy, ‘Servant as Leader.’ He continually strives to heighten the overall work experience of TDPartners and equips them with a sense of empowerment. This award gives ENR the opportunity to recognize the inspirational and pioneering individuals who are top role models within our industry. Houston was selected as a Top Newsmaker because his dedication and exceptional achievements are what will continue to move our industry ahead.”

While Ben Houston is a leader in the construction industry, he gives 100 percent to his TDPartners. We are all very proud of Ben’s many years of accomplishments and know that he will continue to work to make the construction industry a great place to be.

Texas Quality Award

This annual award recognizes Texas organizations for exemplary achievements in quality and excellence, similar to that of the Malcolm Baldrige National Quality Award.

TD began to study and practice Total Quality Management in the late 1980s. Since then, through required employee training in TQM tools and processes, we’ve been able to achieve:

- Significantly increased partner satisfaction
- Significantly increased customer satisfaction
- Significantly increased productivity
- Dramatically improved safety
- Healthy matching in the combined ESOP and 401(k)
- Significantly increased profitability and stock value

The Texas Quality Award is a significant recognition of the progress TD has made since beginning their quality journey and a collective accomplishment that they can all celebrate.

The Leadership Philosophy that Enabled all this: To Lead, First You Must Follow

TD uses Robert Greenleaf's essay, The Servant as Leader, as a blueprint for Leader behavior.

In essence, this philosophy suggests that every person can become a leader by first serving and then, through conscious choice, leading.

Every TD employee (or TDPartner) completes Basic Servant Leadership training. Those that aspire to lead will spend many more hours in the classroom and get regular feedback on their performance. Our commitment to this philosophy has created an environment where partners trust leadership to listen to their thoughts and ideas. And, in turn, leadership has learned to trust the judgment of partners.

The key aspects of Greenleaf's philosophy that are implemented in TDIndustries were:

- People can and should work together to grow a company. If an organization is to live up to its basic values and vision, a key ingredient will be leadership from all of us.
- Simply and plainly defined, leaders are people who have followers. They have earned recognition and respect.
- Leaders are first a servant of those they lead. They are a teacher, a source of information and knowledge, and a standard setter more than a giver of directions or a disciplinarian.
- Leaders see things through the eyes of their followers. They put themselves in others' shoes and help them make their dreams come true.
- Leaders do not say, "Get going." Instead, they say, "Let's go!" and lead the way. They do not walk behind with a whip, they are out in front with a banner.
- Leaders assume that their followers are working with them. They consider others to be their partners in the work and see to it that they share in the rewards, and they glorify the team spirit.
- Leaders are people builders. They help people to grow because the leader realizes that the more people grow, the stronger the organization will be.
- Leaders do not hold people down – they lift them up. They reach out their hand to help their followers scale the peaks.
- Leaders have faith in people. They believe in them. They have found that others will rise to high expectations.

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- Leaders use their heart as well as their head. After they have looked at the facts with their head, they let their heart take a look too.
- Leaders keep their eyes on high goals. They are self-starters. They create plans and set them in motion. They are people of thought and action – both dreamers and doers.
- Leaders are faced with many hard decisions, including balancing fairness to an individual with fairness to the group. This sometimes requires "weeding out" those in the group who, over a period of time, do not measure up to the group needs of dependability, productivity and safety.
- Leaders have a sense of humor. They are not stuffed shirts. They can laugh at themselves. They have a humble spirit.
- Leaders can be led. They are not interested in having their own way, but in finding the best way. They have an open mind.

At TD, Servant Leadership is a way of life that deeply enhances their culture and our business. It's what makes TD such a great place to work.

TDIndustries used the following steps in growing and developing servant leadership

I: Introduction to servant leadership: It starts with a sense of humility in leader's action. The leader presents the topics by telling various servant leadership stories instead of presenting bullet-point principles. Stories illustrate how, and why, servant leadership is essential to building the shared trust that keeps the company successful.

II: Servant Leadership for supervisors: The training on how to coach difficult behaviors in a servant-leader way, and to conduct an APPLE – an Annual Partner Plan and Evaluation that requires both tact and directedness. Stimulations helped people understand how to address various issues such as getting to work on time, keeping a positive attitude and working safely. Apart from it, how to communicate as effective and accountable servant-leaders was one of the prime focuses of the training.

III. Leadership development for Long-Term Partners: A long-term partners leadership development practicum includes a review of materials in both classes, updates on latest research and best practices, and dialogue on current challenges. It is understood that servant-leadership is not a "soft, touchy feely" topic rather it is necessary to validate people's commitment to this philosophy with findings from management and leadership studies.

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TDIndustries learnt from Synovus Financial Corp., another company that uses servant-leadership as their deepest philosophical base – to measure servant-leadership success by two benchmarks:

- (1) business results and
- (2) acting as a servant leader.

TD believes that the organizational culture where servant leaders believe that servant leadership can help fill the gap between inevitable imperfections and ideal performance and behaviors. The organization culture is such that the TDIndustries sponsors occasional Friday forums where partners gather to hear talks from community leaders. The organization awards individuals who made a difference through their individual servant leadership efforts.

Frick (2009) documented the following key learning that TDIndustries share with others who are interested to know more on how to implement servant-leadership.

- Educate employees, give them a forum to have their say, and take the time necessary to involve stakeholders in reflection about the servant leadership philosophy.
- Top positional leaders communicate their commitment to servant leadership not only by their own behaviors, but by being personally involved with leadership development efforts.
- Use the wisdom of elders.
- Provide servant leadership development courses and follow them up with continuous learning, coaching and conversations.
- Provide fair procedures for accountability.
- Find a trusted assessment that measures important servant leadership behaviors and stick with it.
- Create a sustaining culture of servant leadership: implement congruent policies, tell stories, celebrate, be open to implementing new research and evolving training and development efforts.
- Measure individual, team and corporate success by business results and servant leadership behaviours. Find tools to assess both.

Conclusion

The case of TDIndustries is an interesting case of practicing a Leadership concept that could easily be dismissed as utopian or too ideal. The organisation had other options to fuel its growth and chose to go

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with the Servant Leadership principle to fuel and sustain its growth. Other organisations thinking about the right leadership approach to growth and profitability can learn many lessons from TDIndustries tryst with Servant Leadership

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