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The Ethical Imperative of Competence — *Vulcan's Crucible*

— Dean M. Schroeder, Valparaiso, Indiana USA

The molten liquid gushed from the cupola's taphole and ran down the spout. As the white-hot liquid iron flowed into the transfer ladle, a group of spectators – mostly wives and children of the workers – looked on in rapt reverence from a safe distance. The guests were invited to see first-hand the work their husbands and fathers did for a living. Unfortunately, this was not a celebration, but a wake. Vulcan's Crucible Ironworks, the once proud foundry that at its peak provided a good living to almost 450 families, was closing down. Today was the last day workers would crowd into the plant for its 7am shift; the last day sand would be rammed hard into molds; the last day the cupola would be fired up; and the last day the iron would be melted and poured to make castings. And next Friday would be the last paycheck the workers would receive.

As the cupola operator plugged the taphole with a ball of fireclay, the transfer man activated the hoist and began to push the transfer ladle carrying a ton of the liquid iron along the overhead monorail to the pouring floor. The pouring crews had just finished filling molds with the previous batch of iron and were moving their smaller ladles along the bridge cranes to receive more of the 2700-degree metal.

The young plant general manager (PM) looked on with bittersweet thoughts as he watched the crew working with great skill and efficiency in their well-choreographed dance with the dangerous liquid. There was a natural fluidity and rhythm to everyone's collective actions as they coordinated wordlessly through the intense din of production. This hadn't been the case when he first arrived at Vulcan five months earlier. Having been given the responsibility of turning around the failing foundry, he was just beginning the process of understanding its cash flows and costs when he wandered out into the plant during his first afternoon. The scene he observed was one of complete chaos – something out of Dante's Inferno. The general foreman was yelling orders at the top of his lungs; the melt shop foreman and the pouring foreman were screaming at each other in an intense argument; and the pouring crew was signaling the melt shop for more iron by throwing chunks of molding sand across the plant. Suddenly the side of a large mold burst. Five hundred pounds of molten iron ran across the floor and hit a gas hose. Flames shot twenty feet into the air, and the chaos multiplied.

The next morning, the PM showed up in the plant wearing jeans, steel-toed boots, a work shirt, and safety glasses. He spent the next several days observing, studying workflows and procedures, and talking with a lot of people – managers and supervisors, but mostly front-line workers. He asked questions and listened. It quickly became apparent that the primary problem was managers who were not equipped to be managers. They did not know how to lead others, they played favorites, and they were not knowledgeable about all aspects of their jobs. By the end of the first week, he had a plan, and began its execution. He fired the general foreman, one of his henchmen, and another foreman, and made arrangements to transfer

the second shift foreman to the first shift. Then he pulled the employees together. He told them what was happening, explained the personnel changes, and announced the immediate rationalization of the pay structure to eliminate many discrepancies caused by past favoritism. (Most workers received modest pay increases, and no pay rates were decreased.) The PM continued by pledging to treat everyone honestly and fairly, shared his turnaround plan, and asked for their ideas and help.

The PM was surprised by the support he received. Once the workforce saw that he was serious about being fair and listening, they began sharing ideas to solve problems – many of which the PM didn't even know existed. Within ten weeks productivity had more than doubled, quality was up, scrap castings were reduced by over eighty percent, and the factory floor was clean and well organized. Production was smooth and efficient, and the tension on the floor that he had witnessed the first day was gone.

But despite the radical turnaround on the plant floor, Vulcan's overall performance numbers were not responding as well as they should. With the shop running well, the PM delved into some of the key performance drivers in greater detail. Poor record keeping made this task difficult, but eventually he discovered a number of ethical breaches on the part of the VP for Sales who was draining cash from the company. The VP (a minority owner in the company) was coming in the middle of the night and picking up casting, taking them to a machine shop he owned. No paperwork was being filed so there were no records of the transactions, and the castings could not be invoiced. Low scrap yields led to the PM having every incoming scrap iron (the foundry's primary raw material) delivery weighed; only to discover every shipment was being shorted by 10 and 20%. The scrap iron supplier was a relative of the VP of Sales. Sales "commissions" of more than twice the industry norm were being paid to an agent connected to one of Vulcan's largest customers. It turned out that the extra "commission" was being used for kickbacks to one of the customer's key managers in order to secure the work. In addition, certain Vulcan managers were receiving expensive "gifts" from suppliers. Pricing comparisons showed that these suppliers were not competitive in their pricing. By the time the PM discovered and corrected these problems, the company's cash flow was so bad that its bank called its loan and Vulcan was forced to declare bankruptcy.

The PM was surprised when he began discovering what he considered blatant unethical behavior. The perpetrators just didn't seem the type of people to be so dishonest. When he confronted them about their actions, an interesting pattern emerged. In the beginning, these people worked hard and honestly to make the company a success. It seems that the unethical behavior began largely out of desperation once the company began to be in serious trouble. As the company continued to decline, wages were frozen and performance bonuses disappeared. Then their behavior became more like vultures feeding on the dying carcass of Vulcan in an effort to get their fair share while they could.

The PM speculated about what caused the demise of Vulcan. The nefarious actions on the part of some managers certainly contributed to the demise of the company, particularly near the end. But just as certain, it was not the primary cause. Over the period of several decades poor management decisions put Vulcan in a difficult financial situation. Decisions to delay modernization, cut back on maintenance, move into the wrong markets, promote people based on favoritism (personal loyalty or friendship) rather than professional skills, and all the many shortcuts and daily decisions that cumulatively led to the company's decline.

The PM's attention was brought back to the present by a sudden whoosh as the melt-shop foreman pulling the support for the cupola bottom and the last of the white-hot coke, scrap, and slag dropped onto the floor under the large melting unit. The pouring crews were filling the last mold and upended their ladles to spill the last remnants of iron out. A quiet applause broke out from the visitors as the PM walked over for a brief talk with them. He thanked them for coming and hoped that they enjoyed watching their husbands' and fathers' work. He praised the terrific job the men had done, particularly over the last five months. Then he apologized for the company having to shut down and invited the guests to visit the company canteen for refreshments while they waited for their husbands and fathers to finish, cleaning up, and punching out for the last time.

As the group began to thin, a young woman stepped forward and held out her hand. She carried her one-year-old daughter with her left arm, partially supported by her very pregnant belly. The PM recognized her as Dawn, the wife of his melt-shop lead-man. "I want to thank you for inviting us to watch the guys work, and for everything you have done for Dan. This was special. Now I know why he comes home so dirty and sweaty. He really works hard, doesn't he?" She smiled with great pride as I assured her that he did a great job and was a highly valued employee and friend. As she set down her daughter and led her off to the employee canteen, several other wives and children stepped forward, shook the PM's hand, thanked him, and exchanged a few kind words.

As the last of the guests drifted off, the PM was almost in tears. The wives of the workers that he was laying off were thanking him! Yet they were the ones who were going to experience the biggest hardship from the plant closing. Few well-paying jobs were left in the community, and most of the workforce would end up having to accept significantly lower wages in order to support their families. Certainly, the owners of the company would pay a price financially, but they had other business interests and would not be concerned about where the money for their next meal was coming from, or if they would be able to meet their car payment or next month's rent. The PM himself wouldn't suffer much. He had a good education, a solid work record, and had already been approached about taking on new projects. His managers and professional staff would need to find new jobs, but their skills were in demand and several of them already had good employment lined up.

It wasn't fair! It wasn't just! That thought stuck a cord with the PM. Fairness and justice was one the five ethical frames he had studied in school. While some of the actions by the VP and several other managers were clearly unethical, their nefarious acts contributed little to the failure of Vulcan, and then only at the end. Was there an ethical element to the ongoing bad decisions made by management over decades? While most people would consider the managers who made those decisions to be moral people trying to do a good job, did they suffer some form of ethical breach in their competency? The PM thought about the five lenses through which to view ethics that he had been taught in b-school: fairness & justice, utilitarian, rights, community good, and virtue. Arguments could be made for the application of several of these perspectives in this situation. Surely a virtuous leader needed to be competent. Is there an ethical imperative of competence?

Just then one of the blowers on the cupola was shut off and the PM was pulled out of his musings. He looked at the steam silently rising from the field of cooling molds on the pouring floor. The familiar smells of a foundry assaulted his nose, some mixture of burnt sand, machine oil, cooling metal. He was going to miss this. It was always his favorite time, when

the day's work was done, and its tangible output was solidifying in the molds. His time at Vulcan's Crucible was coming to a bittersweet end. Now that the struggle was over, he suddenly realized he was going to miss it, but most of all, he was going to miss the people. Thinking of that, he had better join the group in the canteen and say his goodbyes. Then he had several calls to make to various employers in the area on behalf of his people.

As he turned and headed off to meet the crew and their families, a thought hit him with the force of a hammer. If there is an ethical imperative of competency, did he suffer an ethical breach? After all, the foundry closed on his watch. If he had been more competent could Vulcan have been saved?

About the Author

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Dean M. Schroeder is an award-winning author, consultant, speaker, and scholar. His work focuses on creating high-performing organizations and improving people's work lives through the application of better management. He is the author of *The Idea-Driven Organization: Unlocking the Power in Bottom-up Ideas* (2014). His best-selling book, *Ideas Are Free: How the Idea Revolution is Liberating People and Transforming Organizations* (2004), co-authored with Alan Robinson, has been translated into nine different languages, was voted the Reader's Choice by *Fast Company* magazine, and selected as one of the 30 best business books of the year by *Soundview Executive Books*. His next book, *Practical Innovation in Government: How Front-line Leaders are Transforming Public Sector Organizations*, will be released in the summer of 2022.

Dr. Schroeder has worked with many types of companies and organizations in North America, Europe, and Asia. Dr. Schroeder was the Herbert and Agnes Schulz Professor of Management at Valparaiso University's College of Business and has taught at the University of Massachusetts, St. Petersburg Technical University in Russia, and at ALBA in Greece. He received his Ph.D. in Strategic Management from the Carlson School at the University of Minnesota, his M.B.A. from the University of Montana, and his B.S. in Mechanical Engineering from the Institute of Technology at the University of Minnesota.

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