

JOB

STRATEGISTS

A DAY IN THE LIFE OF HANK LUNDE

8:55 A.M. It is already snowing outside when I arrive at S-K-I Ltd.'s headquarters, an unassuming two-story building hidden in the parking lots below the base lodge in Killington, Vermont.

"Hank Lunde," the receptionist tells me, "will be right down." Outside carloads of skiers are arriving for the Thanksgiving weekend.

9:15 A.M. Hank Lunde introduces himself with a warm handshake and leads the way upstairs to his corner office. Apparently he has been fielding phone calls without assistance. "My secretary is out selling tickets this morning," he explains, "because she doesn't work for me, she works for the customer."

Lunde's office is as modest as he is. One wall is decorated with pictures of his three kids, a clock, and a photograph of the mountain. The simple bookshelves are neatly stacked with binders for each mountain operation and a dozen management books. Two pairs of ski boots sit in the corner ready for Lunde's habitual morning run with the ski patrol to check on conditions (see sidebar page 36).

Lunde, 51, is just an inch over six feet, but he seems taller. There is still a little of the military in him, a product of several years spent with the U.S. Army Corps of Engineers, but it has mellowed. Whether it's a result of his military training or because he's a native New Englander (born in Barre, Vermont), he's somewhat reserved, almost taciturn, and speaks quietly and directly.

Almost immediately he launches into a description of his role in the new growth mission of the company he joined in 1969, leaving a post as head of the New York City division of the Penn Central Railroad. "I've spent most of my time in the last six months acquiring companies and getting them started," he says, summing up his duties since he was named COO of the largest ski resort company in North America.

S-K-I Ltd. now owns six resort properties—Killington, Mount Snow, and Haystack, in Vermont, and Waterville Valley in New Hampshire, Sugarloaf in Maine, and Bear Mountain in California. The group controls 4.5% of the \$1.6 billion ski industry. Gross revenues at the end of the 1993 season totalled \$96.7 million. Counting this year's acquisitions of Waterville Valley and Sugarloaf, revenues could reach \$130 million.

All this at a time when the U.S. skiing market has reached its maturity: There were 55 million skier-days last year (one full-day ticket equals a skier-day), not many more than five years ago, when the market leveled off.

But, just acquiring companies isn't enough to sustain the kind of growth Lunde

In the past year, S-K-I Ltd. has snowballed into the largest ski resort company in North America—under the guiding hand of strategist Hank Lunde. As COO and president, however, Lunde not only helps to plan acquisitions—he implements corporate strategy on a day-to-day basis.

Rob Cummings

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Photography by Jerry LeBlond



Lunde's office (above) overlooks Killington's main mountains. His other offices (right and below) are heated with small electric motors powered by German gel batteries.



aims to achieve. "We're a public company, and stockholders expect us to expand the bottom line every year," Lunde says. Growth, he notes, also has to come from taking skiers from competing areas.

To grab that market share, Lunde has made some substantial changes in the way S-K-I is run. Lunde has thoroughly reshaped the organization. "You've got to find ways of generating more bottom line," he explains. One of the ways he did it was by changing the nature of the company.

A few years ago, the employees at Killington were arranged around functional groups: mountain facilities, retail, marketing, customer service. Then Lunde rearranged the organization around geographic areas: mountain, village, base, and administration. That worked so well that Lunde has further consolidated the organization into inside and outside functions, governed by individual area managers.

He also changed the culture of the company. The idea of a customer-service department, for instance, has been scrapped, and responsibility for customer satisfaction has been turned over to each employee (during the peak season S-K-I employs 4,883 full- and part-time workers). "Before it was always somebody else's job to take care of the customer," Lunde says.

Happy employees make for happy customers, he reasons. "It's not as if we're making a product that goes into a car," Lunde says. "Our product changes every day."

"You can't define quality in our business. You have to define it in terms of memories."

9:35 A.M. Lunde (it's pronounced Lundy) takes a phone call from the company's insurance man. By way of small talk, Lunde briefs him on the snow conditions and then asks about coverage for S-K-I's newest acquisition, Sugarloaf. Lunde leans back in his chair and stares out the window while he is talking. The snow is driving horizontal now; for a few moments it looks like it might be a blizzard. The insurance figures are unacceptable, but Lunde never appears annoyed. He schedules a meeting with the insurance broker and ends the call cordially.

10:45 A.M. Outside, the snow has stopped. Inside, Lunde fields several phone calls from area managers interspersed with reports from ticket sales, snowmaking, lifts, and parking personnel.

He also sifts through a pile of mail, in-house memos, and notes. From the

fax machine come updates from Mt. Snow, Haystack, Waterville Valley, and Sugarloaf detailing operations and snow reports and providing preliminary numbers from food services, ticketing, ski shop sales, and rentals. His tidy to-read pile includes the local papers, *Fortune*, *Management Review*, *Business Week*, and *Snow Country Business*.

11:15 A.M. We hop in Lunde's black Ford Explorer with the Thule Ski racks and the cellular phone to go check on the progress of the new lift. There is a small notepad affixed to the windshield with a suction cup. Lunde uses this and a pocket recorder to take notes on the various mountain operations.

Each week Lunde spends a day at Waterville Valley, Mt. Snow, and Haystack. He will also make four or five trips out to California this year and visit the operation in western Maine about once each month.

Traveling across the mountain on a dirt road (the distance from Sunrise Mountain in the east to Rams Head in the west is 10 miles), Lunde outlines the snowmaking operation. When conditions are optimal—15 degrees Fahrenheit and not much wind—the snow guns at Killington convert 8,000 gallons of water a minute into snow.

That means blanketing a half-mile-long trail like Outer Limits with three feet of snow in a little less than four days.

Lunde eschews organic water additives in favor of advanced hydraulics. "Every snowflake that comes out of the sky is formed around a dust particle," he explains. Manmade

snow also needs particles to coalesce around, but since most of the mountain's snowmaking water is pumped from streams and holding ponds, additives aren't really necessary.

11:45 A.M. We arrive at the new gondola base station, a futuristic stone and glass structure sandwiched between the base of Skye Peak and U.S. Highway 4.

Lunde parks the truck in a nearby dirt lot and greets a man climbing down from a backhoe. A crew of about 30 men are working in and around the building. At what will be the main entrance, two workers weld anchor points for the tetrahedral framework that will shelter skiers waiting to board the gondola.

All of the construction workers are S-K-I employees. Killington alone has 500 year-round staff who have been cross-

AN ACQUIRING MIND

Nineteen ninety-four has been a busy time for Hank Lunde, the man in charge of running all six S-K-I resorts. "This has been a learning year," he allows.

Things weren't always this hectic. Sherburne Corporation, the company founded by Preston Leete Smith—who's still the CEO—in 1958, was a small enterprise just operating Killington Mountain in 1969 when Lunde signed on as construction superintendent. In the ensuing years, while Lunde climbed steadily up the company mountain, the firm evolved into Killington Ltd. before acquiring Mount Snow and then going public (NASDAQ) in 1985.

In May 1994, Lunde, who had by then been made president of Killington and Mount Snow as well as CEO of Bear Mountain, was appointed COO of the newly re-organized S-K-I Ltd. (formed to unify strategy and operations for all the properties). During the summer, S-K-I, at Smith's direction, bought Waterville Valley, and Lunde was appointed president of that as well.

By October, after S-K-I snapped up 51% of Sugarloaf's operation in Maine, the company had twice as many properties as it had owned the year before, and revenues were up about 30%.

Among Lunde's challenges is to take all these idiosyncratic areas and turn them into profitable assets for S-K-I Ltd. without turning them into Killington clones.

"There are two or three 'cultures'—you have to focus on," says Lunde explaining the gestalt of his job. "The

first is the mountain itself. You focus on what that mountain is."

The second culture is the way in which customers and staff interact. "You have to understand what the customer is there for," Lunde says. "It's the skiing—not hot tubs." The third culture is the financial culture. "We expect the staff as a whole to understand what the budget's about."

Lunde doesn't rely on acquisitions to boost operating revenue. S-K-I Ltd., for instance, has instituted several innovative marketing programs to leverage its assets. The multimountain pass, called Skier's Mountain, packages the company's five New England areas (and Bromley) on a single ticket; the Skiers Dozen, 13 tickets for the price of 12 at S-K-I mountains; college discount cards; a frequent skier program; a S-K-I Ltd. credit card; and a permanent plastic ticket that looks like a season pass are some of the new ways that S-K-I brings its services to market.

The permanent ticket, which has a magnetic strip that can be read by scanner-equipped lift attendants, has become very popular with multiday skiers. These programs, Lunde

intimates, are just the beginning. "We spend a lot of time thinking about how to generate more revenue." Both Killington and Mount Snow have completed the transition to year-round resorts, and plans are underway to convert the rest of the properties. S-K-I also owns a golf resort in Ocean City, Maryland, and Smith is reported to be looking at marinas to buy as well. —R.C.

Lunde tries to see the resorts the way a tourist would. "I know this mountain like the back of my hand," he says, "but on a snowboard it looks much different."



trained to perform a variety of jobs. Lunde cites the foreman of the gondola construction job as an example: During the winter he is on the mountain's first-aid squad. This kind of cross-training applies to all the full-time employees (including non-snow positions like bartenders and rental shop managers) and Lunde feels that the investment is worth the time and money. In fact, he has just raised the stakes with the incentive programs for employees, giving bonuses to those who become proficient in *several* different jobs and offering Caribbean vacations to top employees and their families.

Two electricians move a ladder into place below a junction box. Above them the high ceiling leaves beams and HVAC ducts exposed, making the most of the windows that will wrap around three sides of the building. The basic design for the base lodge is Lunde's. "I'm a frustrated architect," he grins.

The entire gondola project was only begun last spring. The old gondola towers were scheduled to be pulled out in March, but the depth of the snow prevented work from beginning until April. Since then Lunde has overseen an accelerated building schedule, sometimes redrafting plans just a day ahead of construction. The goal is to have the new gondola—the Skyship—up and running by the Christmas holiday.

"We started developing the whole thing without knowing how we'd get it done," Lunde says. "We had a really crazy summer of R&D and new technology," as the gondola team tried to bring new ideas to an old conveyance.

"Nobody thought we could pull this project off in one year," Lunde says, looking around with obvious pride. "The strategy here is to set a mark that moves the level of service up. It's customer centered—outcome focused."

NOON Lunde turns off the mountain road onto a rutted dirt track that follows the gondola line up to the midstation. It has begun to snow lightly again.

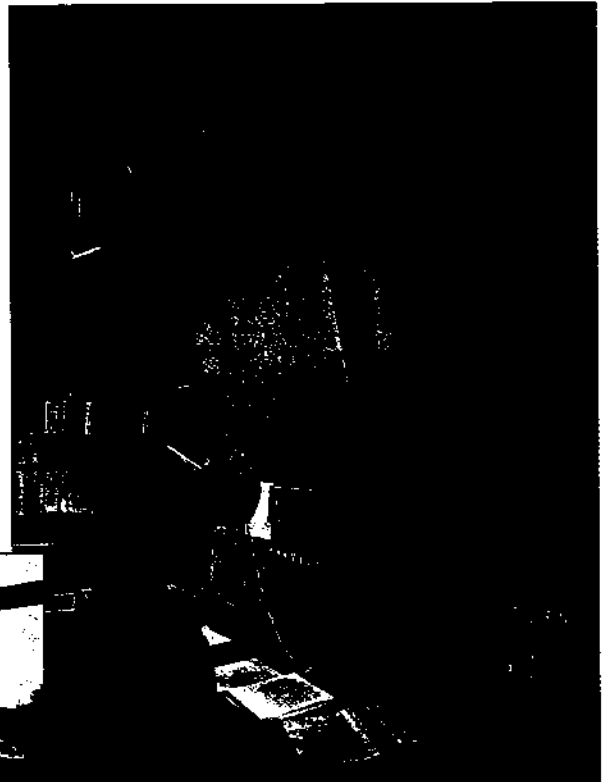
"The new gondola uses hydraulic pistons instead of counterweights," he explains, "just like the shocks in your car." The new cabins will hold eight people and transport 3,000 people per hour to the top of the mountain, double the old gondola's rate. The midstation will serve as a storage shed for the gondola cabins when they are taken off the cable at night. Inside the gondola shed, Dave Moulton, manager of the Skyship base station ski lift, is busy installing heaters in the floors of each of the 140 gondola cabins. The heating method for the cabins was Lunde's idea and is an adaption of the kerosene heaters used on sailboats (when out-of-pocket, Lunde is an avid sailer).

Lunde and Moul-

ton chat about the installation process while Lunde examines several of the units that are already operating. Then we take a tour of the cabins hanging in the cavernous shed like so many multicolored apples.

The gondola graphics were inspired by powerboats Lunde saw while sailing last summer. Designs were commissioned from four different artists and iterations were generated from those canvases with a newly developed 3-D scanning program that prints the computer-modified images onto custom body appliqué. It's not hard to imagine the "gallery in the sky" Lunde talks about when these cabins are gliding above snowy white slopes. And, when he is showing off his creation, it's not hard to see a touch of Walt Disney in the engineer. "There's a little bit of theater that goes into it," he admits.

12:15 P.M. Lunde climbs one of the towers to the engine room. This is also where the cars are rerouted from the lower line to the upper line via an elaborate system of rollers and tracks. Lunde points out the main electric engine that moves the lower cable line. It's about the size of a Ford Fiesta. There are two backup diesel engines should the main engine fail. Similarly, there are three separate braking systems to prevent the cable from being pulled downhill. Lunde has another look at the routing



Though S-K-I has branched out into summer and golf resorts, the real money is still buried in the snow.

tracks and the main brake assembly before we climb back down.

12:20 P.M. The control shack is a brand new building set at the juncture of the upper and lower gondola lines. Lunde pushes the door open (the doorknob has not been installed yet) and greets the men inside. Three of the workers are sitting down having their lunch; an older man stands with his hands in the pockets of his coveralls. The older man is Charlie Neddleship, a Vermont state lift inspector.

"Nice place you got here, Charlie," Lunde says.

"Beats the old shack," Neddleship allows.

"How we doing here?" Lunde asks, eyeing the gutted control boards. "Are we going to be ready for a test run next week?"

"We're working on it," Neddleship says.

It's not likely Lunde will miss the test run—from Thanksgiving to January 1, he works seven days a week. In January, once the season is up and running, Lunde and his family usually take a week off to go skiing someplace else.

"I can't honestly say I have fun skiing at our resorts," Lunde says. "It's transportation. I'm out there looking for problems." During peak weeks, Lunde doesn't schedule any meetings so that he can spend most of his time monitoring operations.

12:45 P.M. We break for lunch at a funky Tex-Mex place on the access road that leads up to the resort.

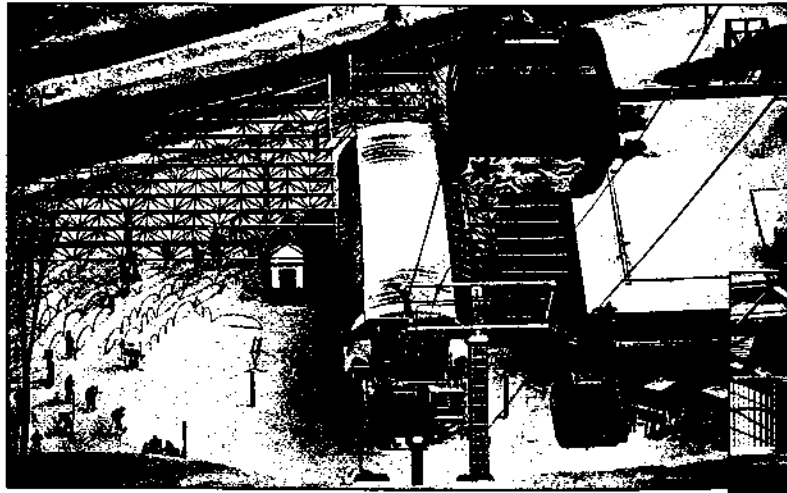
1:45 P.M. After lunch Lunde looks in on the Snowshed base lodge. In the summertime (and increasingly during the ski season), the lodge doubles as a convention center. IBM, Hewlett Packard, Ben & Jerry's, Union Carbide, and NYNEX have all used the facility in the last two years. But now, at the start of the ski season, it is headquarters for many of the beginning skiers who visit the mountain.

The rental area in the basement of the lodge is set up to move volume. At this time of day, it's quiet, only about a dozen customers trying on gear, but on a busy day, the shop can outfit 2,000 skiers.

The employees stiffen up a little as Lunde makes his tour, a few greet him by name. Lunde's leadership style, like his speaking manner, is reserved: He doesn't issue many commands instead he asks a few questions or makes a quiet observation, and things get done.

Lunde makes an inspection of the ski shop, asks the manager about sales (they are "a little slow") and moves upstairs. The cafeteria and common rooms seem crowded, but Lunde says there should be more customers on a holiday weekend.

Outside the lodge, Lunde sees a torn ticket on the



The lift itself is based on a French design, but manufactured in Grand Junction, Colorado. The cabins were made in Switzerland and the graphic appliques were designed by a U.S. firm

ground and picks it up. He pockets the litter and continues to the car.

2:00 P.M. Back at headquarters, Lunde greets his secretary, Mary Rand, who follows him into his office with the new plans for Sugarloaf in a four-foot-long tube.

Lunde unrolls the plans on his desk and points to the flanks of the mountain, where new trails are to be cut. He frowns, and traces his finger along the blue lines that represent the access road to the resort. "It needs a loop road in here," he says. "Right now there's only one road in and one road out. If a bus gets sideways on that road, that's it."

2:10 P.M. Lunde goes down the hall to Dave Wilcox's office for a quickly convened meeting with Wilcox, outside vice president, and skiing manager Leo Dennis to go over the latest weather data and make some decisions about snowmaking for the weeks leading up to Christmas. Outside, it has begun to snow again, lightly.

"You have to assume that there will be no natural snow for Christmas week," Lunde explains. "So, you assume the worst."

Killington's meteorologist, Tony Vazzano, has faxed in his report from Center Sandwich, New Hampshire, and it looks good for blowing snow. Vazzano predicts consistently cold temperatures for the days ahead.

Finally a decision is made to blow snow on the upper trails.

3:00 P.M. Wilcox sticks his head into Lunde's office to report a bottleneck with the multi-day ticketing in the Snowshed lodge.

Lunde nods okay and returns to his paperwork.

3:20 P.M. Rand buzzes Lunde to report a Code 4 on the mountain—some kind of knee injury. Lunde's demeanor darkens visibly with the news. A Code 4 is a serious injury.

Although the resort's first aid personnel are trained to respond quickly and effectively in such situations, there is always the possibility of a lawsuit. Liability insurance accounts for 5-15% of the ticket price, depending on the area's size. With six mountains, S-K-I Ltd. can use

ON THE RUN

A month after our initial interview, Hank Lunde met me at the Skyeship Base Station for a few runs. Lunde arrived toting a brand new pair of Rossingols and wearing a black ski outfit. Except for a small gold nameplate pinned to his chest, there was no indication that this man was at work.

After a quick look around inside the lodge—business was booming; every table was filled—we got on line to ride the new gondola.

The Skyeship takes skiers from the base of the mountain to the top in just 12 minutes, but when you ride the lift it seems faster than that. Once the doors to the cabin had closed behind us, the car was reattached to the moving cable and we shot out of the launch gate like a motorcycle dropping into third gear.

Although it was warm at the bottom, a raw wind was blowing on top of Skye Peak. We stepped into our bindings and Lunde led the way

down, out of the wind.

The intermediate trail was crowded with neophytes. Lunde threaded through traffic with a series of tight parallel turns. Skiers around him wobbled in and out of control, but Lunde never varied the steady oscillation of his wavelength.

At a busy trail intersection Lunde pulled to a stop and bent down to pick up one of two rocks sitting on the surface of the snow.

This year natural snow has been scarce in Vermont, and the man-made cover receives such a churning from skier traffic that stones begin to pop up like dandelions in a newly mown field.

"You wouldn't know it to look at it, but this trail was perfectly groomed this morning," Lunde said, as he pitched one rock and then the other into the woods.

Beneath the quad chair on Bear Mountain the conditions were much better. Lunde led us down a steep, smooth trail with a beautiful view of the mountains stretching away to the northeast.

There wasn't another skier in sight.

This trail was a cruiser, the kind that begs a skier to give up the "S" turns and make 11s—straight down. Lunde, however, was unmoved.

The arc of his turns increased, but their tightly controlled frequency remained constant.

Near the bottom of the mountain, on the way back to the base lodge, I asked Lunde if he ever felt like opening up the throttle and letting his skis race down the hill.

Lunde smiled a mischievous smile. "I do that at other people's resorts," he said. —R.C.



economies of scale to keep that percentage down.

Two years ago a little boy skied off Killington's trails, into the woods. The eight-year-old boy skied so far into the forest that he wasn't found until morning. Fortunately, the boy knew enough to burrow into the snow to keep warm, so he survived the night. Despite an extensive rescue effort launched by mountain personnel that later expanded to include local and state officials, the boy's mother brought a \$4-million lawsuit against S-K-I Ltd. for negligence. She lost, but Lunde is not eager to repeat the experience. Meanwhile, even though emergency procedures are already well-rehearsed, the first-aid squad and the ski patrol call Lunde about *every* severe injury—each a potential lawsuit in the making.

Taking advantage of a brief respite from the phone and the fax, Lunde turns his attention to some other issues such as paperwork relating to S-K-I's growing off-season operation. He buries himself in plans for summer. Although summer business only accounts for about 10% of all revenues, just being open keeps the resorts in the public eye.

Mount Snow, Bear Mountain, and Killington are already open year round, offering mountain biking, golf, fly fishing, tennis, hiking, conferences, heritage festivals, theater, and pro-

fessional bike racing (mountain and road). The Killington location is even the summer home for a flock of sheep, a couple of llamas, and a shepherd.

"Last year, we rented 300 sheep and a shepherd to keep the steep trails clean in the summer," Lunde explains, indicating the same arrangement will be made this year. The idea for the llamas came from a sheep-herding festival that was held at the mountain two years ago. The farmers attending the conference convinced Lunde to use sheep to keep the property's weeds in check. The llamas were added for protection. "The llamas help guard the sheep from coyotes," he adds referring to the increasing problems coyotes are posing in rural areas.

4:00 P.M. Lunde makes a few more phone calls to schedule meetings for the following week.

4:20 P.M. Lunde begins to pack his things in preparation for tomorrow's trip to Mt. Snow. If time allowed, he would take an afternoon run or two to see how the liftlines are moving. Today, however, his ski boots stay in the corner as another matter takes precedence. "I have to go home and feed the dog," he says, looking out at the graceful white trails. ♦