



## **An Interview With CEO Stu Thorn**

**By Carole E. Scott**

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*Stu Thorn, the CEO of the Southwire Company, is a 2006 Executive-in-Residence at the University of West Georgia's Richards College of Business. Carole E. Scott is a Professor Emerita of Business Administration, University of West Georgia and Editor of B>Quest.*

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### **Introduction**

By bringing business executives to the University of West Georgia (UWG) campus, the Richards College of Business Executive-in-Residence program provides its faculty and students with an opportunity to interact with and learn from accomplished business men and women. Past Executives-in-Residence have represented a wide variety of types of business located in various parts of the United States. Thorn is the first Richards College of Business (RCOB) Executive-in-Residence during the 2006-2007 academic year.

The company that Thorn heads, Southwire Company, is a leading North American manufacturer of residential, commercial, industrial and utility wire and cable products in both copper and aluminum. Expanding its reach in North America, it recently purchased a Canadian cable manufacturer.

Many years ago Southwire obtained renown for the continuous rod casting process it developed. Today, it is a leader in the development of superconducting cable, some of which it is using at its plant in Carrollton, Georgia. Currently, half the world's copper rod for electrical wire and cable is made using Southwire's Continuous Rod Method.

Like the University of West Georgia, Southwire's home office is in Carrollton, which is about 50 miles west of Atlanta. The Richards College of Business is named for Southwire's late founder, Roy Richards, Sr.



Stuart Thorn is President and Chief Executive Officer of Southwire, which is one of the world's largest producers of electrical power cables. He oversees staff, operations and strategic direction for the company.

Thorn received a bachelor's degree in economics in 1978, and a master's of business administration degree in 1979, both from the Wharton School at the University of Pennsylvania. He majored in finance and decision science.

Thorn began his business career in 1979 with S.C. Johnson & Son, Inc. Thorn's 16 years with this company included positions in finance, marketing, strategic planning, acquisitions, and international business. He has also been associated with the Campbell Soup Company and Beaulieu of America, a large carpet manufacturer.

In addition to Southwire's board, Thorn serves on the board of Just Care, Inc., a privately owned sub-acute care operation for prisoners in need of medical attention.

During his first year at Southwire, he reorganized the company around its core businesses, culminating with an acquisition that made Southwire the number one producer of building wire in the North American market.

While visiting the RCOB, he told some of its students about his desire to become a generalist and how intensely he focused on his career after graduating from college. He went to work in corporate finance at S. C. Johnson and Son, Inc. in Wisconsin because this company offered him the opportunity to get a lot of experience quickly. At Johnson and Son he held several positions outside accounting. Working with Johnson's international operations took him to Europe and Africa. This is experience that will serve him well with Southwire because it has long had service contracts with foreign companies.

Thorn arrived on the UWG campus at 8:30 a.m. to have breakfast with RCOB faculty and left at 8:30 p.m. after speaking to RCOB classes, sitting for a B>Quest interview, and dining with university administrators. He told students in a class in law and ethics that "Thirty years ago I was just like you, listening to lectures....Ethics," he told them, "start at the top. Leaders need to model ethical behavior."

"Keep in mind you'll spend most of your life at work," he told one RCOB class. "So, it better be fun. And never forget to be human – to be yourself, and to respect the humanity of your employees and customers, as well."

Jon Anderson, Associate Professor of Management and Associate Dean of the RCOB, found Thorn to be "an engaging person" and was "very interested to hear about the direction of Southwire and its global operations and about his experiences at school and raising a family. Thorn, he said, has a unique ability to balance life."(For information about the Executive in Residence program, contact Anderson in the Richards College of Business at 678-839-5031.)

## **The Best Organizational Structure**

Thorn prefers a "flat" organizational structure because it allows him to be in direct contact with the issues and opportunities facing his company. If his company's organizational structure had a large number of levels, he could not have direct connect with many of its operations without going around several levels of managers—not a good thing to do! With a narrow structure, he says, you sort of "lock yourself in a gilded cage". A good leader "helicopters in and out" of his company in order to have direct contact with every aspect of the business,

and, as a result, gets both an overall and a detailed view of the company. He approves of managers having a very wide span of control.

## **The Right Kind Of Competition**

He believes that, regardless of what their function is — engineer, accountant, extruder operator — every employee is a business person. All of them are all on the “same boat” and will sink or swim together. All can be “fired” by their boss, the customer, and they succeed by working together as a team to please the customer. At Southwire, he says, competition is external: all of us as a team against the competition, rather than, as is true in some more bureaucratic companies, internal competition — departments vying with each other, the hourly against the salaried, and so on.

## **Assuring Ethical Behavior**

In response to a question about how a company can avoid ethical problems, Thorn said “ethics start at the top of any company”. By “top” he means its owners, whose ethics or lack of them will be transmitted to its board of directors and from them they will filter throughout the company. Everybody in a company, he says, takes their cues from the behavior of those above them, and those seeking to rise in the company will model themselves on the people they report to. If top management is unethical, others in the company are likely to be even more unethical.

He says that, throughout its history, Southwire, which is totally owned by its founder’s family, has been dedicated to “doing the right thing, and playing by the rules”. Its culture is “do things right, do the right thing”. (Southwire was founded in 1950 to provide the South with locally-produced wire.)

When asked how he keeps informed about whether or not the behavior of his subordinates is ethical or not, he said that he believes that a CEO should be involved deeply enough in the decision-making of his or her immediate subordinates to assure that their behavior is ethical. A flat organizational structure facilitates this. However, below the level of your immediate subordinates, you have to depend on audit and feedback systems.

His company, he says, has a “just ask” system that makes it possible for an employee at any level to ask questions or report such things as unethical behavior straight to the top, either with or without their name being attached. They can communicate either in writing or by email or telephone. If an employee identifies himself or herself, he or she will be contacted about whatever it is that they have asked about or reported. It is the responsibility of all of Southwire’s

employees to report unethical behavior. Thorn will pass onto the company's board any ethical issue that is brought to his attention.

During a day he spent during the fall semester at the RCOB freely sharing his advice and experiences with students aspiring to be successful in the corporate world, he told some accounting and finance students that "There is something more important than money. It's how fair I play. Don't violate the ethical code. On your deathbed, you need to feel good about your decisions that defined you as a person. Isn't that the ultimate goal?"

## **Pros And Cons Of Private And Public Corporations**

When asked about what differences he sees between managing a private corporation like Southwire and a public corporation, Thorn said that the main difference is that a private corporation's management can take a longer-term view. It can be managed for the "next generation." This is facilitated in the case of Southwire by the fact that its owners have either worked in the business or grown up with it; so they know that it is a cyclical business.

He suspects that one of the reasons some public corporations are converting to private status is because they will then not be under pressure from the public investment community to generate targeted, short-run profits. Although, he says, some new government regulation impacting on public corporations is good, some may be a case of "form over substance", and escaping this kind of regulation, too, may be a factor in the decision to convert a public corporation to a private one.

Another advantage to private ownership he mentioned is that, in contrast to a public corporation with a large number of "rotating" owners, the owners of a private corporation are "real people" in the sense that it is possible for you to go and talk with them on a one on one basis. When, he says, you talk to the private corporation's owners, you may find that they believe there is "more to life than money", and you can learn exactly what else they want the company to achieve.

Thorn recognizes that there are some distinct advantages to being a public company, namely, the greater ability to raise capital and the greater liquidity of owners' investment because they can readily sell their shares. Another advantage is that a public corporation is less likely to experience "personality" clashes.

## To Be Or Not To Be: Maximizing Profits

Thorn believes that people's objective in life is probably happiness, and that people wouldn't be very interested in becoming wealthy if that played no role in achieving happiness.

Owners are likely to want to do good things for their employees, suppliers, customers, and the community. He does not believe that doing good things for the community and achieving a good bottom line are mutually exclusive. He provides as an example of how a company can benefit both itself and a community a Southwire program that provides an income and job training to high school students that also widens and deepens the local labor pool Southwire can tap.

The line, Thorn says, between charitable projects that do and do not help a business' bottom line is sort of "blurry", but Southwire aims to contribute to making better every community in which it operates. Clearly, he believes that being recognized as a good "citizen" is going to help a company in some way; if in no other way, by making its employees feel good about the company; thereby improving employee morale.

## Selling A Commodity In A Mature Industry

Today, he observes, markets become mature and products are "commoditized" more rapidly than in the past, and Southwire's greatest challenge is that most of the cable it produces is a commodity, and its industry is a mature one that is easy to enter because of the standardization of cable technology. As a result, price competition tends to be intense, thus making it difficult to grow and make a profit.

Southwire boasts of meeting all its customers' cable needs because it produces low, medium, and high voltage cable for both above and below ground use. To some extent, he believes, this "de-commoditizes" its individual products. Because he expects that in the future utilities will continue to expand their transmission and distribution lines both above and below ground, he expects the demand for both above and below ground cable will grow.

At Southwire, Thorn says, "we think cable is beautiful," but because many people do not believe above ground cable is beautiful, a rapidly growing Southwire product line is non-super-conducting, under ground cable. (All super-conducting cable is buried.) Southwire is the only company to make high-voltage, below ground cable in the United States. This is an example both of diversification within its core business and how his company has maintained the entrepreneurial spirit its founder was known for.



## Diversification To Increase Profitability

Entering new markets provides Southwire with a possible way to increase its profit margin, but it is only interested in diversifying within its core business in areas in which it believes it could be a world leader. We don't, Thorn says, want to get into any new market unless we think we can "bring something special to the party". New markets where competition would be less, he says, would be entered to meet new needs of Southwire's customers if existing technology and channels of distribution could largely be relied upon.

Southwire's motto is, "We deliver power". Therefore, it is not surprising that it was one of the first companies to explore producing super conductive cable. The cutting-edge technology it involves means that in this market Southwire faces less competition than in its existing cable markets and, hopefully, it will, as a result, be more profitable.

In selecting companies to acquire, Southwire looks either for companies lacking the skills its leadership possesses or its access to funds and technology or for ones having a customer base, sales force, or technology Southwire wants. Another advantage an acquired company can bring to Southwire is people with a different point of view. This can be good even if their views challenge prevalent ones at Southwire.

Sometimes a desirable company to acquire is in a start-up or near start-up mode; so it badly needs the financial and other support Southwire can provide. Some acquisition candidates are not as "strategically positioned" as Southwire is.

Desirable companies to acquire are ones Southwire can "bolt on" to its existing core business. The objective is to add "one (Southwire) plus one (the acquired company) and get three," Thorn explains.



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