



# The Transformer



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Ronn Cort | Vistage member

Photo credit: Billy Pix LTD

## Evolving faster than the competition without leaving employees behind

Recently, a millennial-aged engineer shared why he liked working at plastics manufacturer SEKISUI SPI: “This company has been in business for decades, but it feels like a startup.”

“Startup” is a surprising label for the Pennsylvania-based manufacturer, who has been creating thermoplastics solutions for giants like Boeing and GE since 1987. But it is also apt, as President and COO **Ronn Cort** says he has made it his mission to create “an organization that embraces change.” Over his nearly seven years of leadership, he has upended the company’s architecture, introduced radical innovations around process and product, and implemented talent and culture strategies that have kept skilled employees engaged and reduced layoffs.



Cort wasn't always an advocate for change, even if he recognized the need early on in his tenure as president. He had good reason to be conservative: In his first two years as president, SEKISUI SPI had done well, growing from 132 to 312 employees and doubling sales to \$150 million. But it was this growth that started to trouble him.

He explains, "We had become the material of choice for a number of industries, but our architecture was built to do \$72 million, not \$200 million, so the organization was being stressed. With the rate of change in our industry, I feared that we'd eventually be left behind."

## A framework for change

While Cort understood the need for change early on, he questioned his ability to implement it. "I dropped out of college before starting in sales, so I lacked a business school education. I was great at tactics but struggled with stepping back and thinking through big-picture strategy," he says. "I'd actually initially turned down the offer to lead the company, because I didn't feel I was ready. It was my Vistage group giving me a vote of confidence that convinced me to accept."

At the encouragement of now retired Chair Bob Duncan, Cort enrolled in the Vistage-Stanford Executive Leadership Program, hoping to better ground himself in the high-level strategy he'd missed when he had jumped from high school into the workforce. "A key takeaway from the Vistage-Stanford program was the PARC framework, which divides an organization into people, architecture, routines and culture. This made it possible to contextualize a given challenge, and to see how challenges were interrelated."

One of the biggest challenges Cort identified through the framework was related to SEKISUI SPI's architecture. Cort saw the need to not just rework its org chart, but to actually rearrange its physical offices. "I moved teams based on the types of innovation that we were pursuing.

## A framework to address organizational challenges

**People:** SEKISUI SPI predicts market shifts using economic data, and then reassigns and retrains talent before the shifts happen to avoid layoffs and stimulate employee development.

**Architecture:** Cort upended the corporate architecture to align teams focused on iterative innovations in one facility and those collaborating on radical innovation in another. The physical spaces reflect the needs of the two teams, for example, by granting more privacy and huddle spaces for the exploratory innovators to spur creativity.

**Routines:** Reworked KPIs rewarded teams for collaborating on shared goals rather than competing for limited resources to achieve mutually exclusive goals. This has also pushed employees to take on new responsibilities. For example, sales staff with good customer relationships now leverage their relationships to help finance collect on outstanding debts.

**Culture:** A fail-fast culture has encouraged engineers to communicate openly about failures and to take risks. Through celebrating failures, SEKISUI SPI has implemented game-changing manufacturing processes and beat engineering deadlines by months.

\*The PARC framework was developed by Dr. John Roberts, Professor Emeritus, Stanford Graduate School of Business





I grouped those focused on iterative innovation and those focused on radical innovation, as these two types of innovation require different styles of collaboration, and to an extent different cultures.”

He also identified cultural issues that were inhibiting risk-taking, particularly among his engineers. “They only wanted to share what was working. But when testing new ideas, it’s necessary to fail fast and fail cheap. So, we started to have pizza parties to celebrate spectacular failures,” he says.

## Transforming people

At the same time, Cort continued to identify longstanding routines that were creating inefficiencies.

For example, he was aligning performance around KPIs that were causing departments to compete, rather than collaborate. “I was effectively pitting my departments against one another. The manufacturing team was rewarded for high output, while the engineers were rewarded for running trials using the same equipment and the quality team for performing machine maintenance,”

he explains. “The new KPIs reward teams for helping others achieve their goals, for example, by effectively scheduling in time to share equipment.”

Cort reinforced his more efficient workforce by creating a more sustainable one. One challenge particular to the thermoplastics

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industry was the cyclical nature of its business. In the past, this had resulted in periodic layoffs. This is a big problem in manufacturing, where it can be difficult to attract highly skilled talent.

To mitigate this, Cort started to leverage forecasts from ITR Economics, which he’d seen present at a Vistage Executive Summit. “We use the forecasts to predict market ebbs and flows, as our clientele shifts with economic factors. This allows me to reconfigure departments without much drama or turnover,” he says.

Cort says that the organizational changes he’s implemented have increased sales and machine time, dropped manufacturing floor turnover to single digits, and increased throughput by 19% without adding manufacturing equipment. “These gains equate to millions in cost savings and added revenue. Today, our competitors are spending like crazy to keep up,” he says.

For all SEKISUI SPI’s recent success, Cort remains a champion of change. “After Stanford, I started to build the business for where we are going, not where we are,” he says. “If business is changing all the time, that means our business has to change all the time, which means our systems have to change constantly. For that to happen, we all need to know how to reinvent ourselves and be really comfortable doing it.”