

Feature

# The Jay Lapeyre Interview:

## Entrepreneurial Resilience in New Orleans

*James M. Lapeyre, Jr. (Jay), is President and CEO of Laitram, LLC, a diversified global manufacturer of industrial equipment. He is also Board Chairman of ION Geophysical, a NYSE company that provides seismic technology services and solutions to the global energy industry, and past Chairman of the Business Council of New Orleans. After Hurricane Katrina, the Business Council has been a driving force in reform efforts such as consolidating the Regional Levee Boards and the Orleans Parish Assessors, establishing an independent Inspector General, and supporting efforts to improve flood safety, charter schools, and criminal justice.*

### INSIDE:

Letter from the Executive Director  
CEE News  
Student Essay Prize Winners

**Kaizen:** You grew up in New Orleans?

**Lapeyre:** Yes. I spent four years in Europe when I was a kid and four years away at college. Otherwise, I've lived in New Orleans.

**Kaizen:** You've lived in interesting times, as they say—hurricanes, oil spills, Louisiana politics, and other challenges.

**Lapeyre:** Those are just the local disasters [*laughs*]. We also had 9/11 and the economic crisis. But a lot of good things too: the Internet and the fall of the Berlin Wall, so the world is dramatically better today.

**Kaizen:** Were you interested in a business career as a youth?

**Lapeyre:** Yes, but on a small scale. I caught and sold fish in the market, sold products door to door, and started a day camp—I liked kids and sports and was allergic to manual labor. I always liked to make and save money.

**Kaizen:** When you were a teenager, what careers appealed to you?

**Lapeyre:** I leaned toward business but also thought I might be a lawyer. My father started the business, but his extended family invested in and owned over 80%; so it wasn't clear this business was a career path for me.

**Kaizen:** You earned your undergraduate degree from the University of Texas at Austin. Why UT?

**Lapeyre:** I went there on a basketball scholarship and it was the best academic offer I had. I worked hard, but wasn't good enough to play in the games; so I hung around and practiced every day for four years.

**Kaizen:** Did you major in business?

**Lapeyre:** No. I majored in history and dabbled in philosophy and free market ideas.

**Kaizen:** You returned to New Orleans after your undergraduate degree. Did you immediately go to graduate school?

**Lapeyre:** Yes. A joint degree in law and business at Tulane.

**Kaizen:** Why those two degrees, in particular?

**Lapeyre:** They combine for a good background. The legal background gave me the confidence to simplify and not defer to the lawyers when they over-lawyer and complicate. The business training gave me the basics I needed in financial analysis, strategy, and market research. Again, the tools to keep management processes simple and effective.

**Kaizen:** You then joined Laitram, the firm your father was a partner in?

**CONTINUED ON PAGE 2**

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Continuous Improvement

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ROCKFORD COLLEGE

## From the Executive Director



The results of a National Bureau of Economic Research study, as reported in *The New York Times*: “Nearly all net job creation in America comes from start-up businesses.”

The report then makes a disquieting claim about our education system: “If start-up activity is the true engine of job creation in America, one thing is clear: our current educational system is acting as the brakes.

Simply put, from kindergarten through undergraduate and grad school, you learn very few skills or attitudes that would ever help you start a business.”

That is food for thought for us at CEE, where our educational focus is directly upon the knowledge, skills, and character necessary for success in business and life.

Our feature interview is with manufacturing entrepreneur **Jay Lapeyre**. We spoke with Mr. Lapeyre in New Orleans about surviving hurricanes and corrupt politics in Louisiana, leadership, and the state of American manufacturing in our global economy.

In this issue of *Kaizen*, we also report on guest lectures by coffee entrepreneur **Phyllis Johnson** and business ethics professor **Alexei Marcoux**, as well as the excellent work of three students on the morality of business — **Amina Seitahunova**, **Amanda Nicosia**, and **Danielle Taylor**.

At the Center, all of our previous issues of *Kaizen* are available, featuring our news and extended interviews with entrepreneurs in a wide variety of exciting fields—from architecture to technology to marketing to venture capital to sports and more. So please feel welcome to visit us on the second floor of Burpee—or online at [www.EthicsandEntrepreneurship.org](http://www.EthicsandEntrepreneurship.org).

Stephen Hicks, Ph.D.

## Fall 2011 Reading Group



Professors Shawn Klein and Matt Flamm led the Fall 2011 Reading Group, which used Aristotle’s *The Politics* as its text. The group, composed of Rockford College students and professors, discussed such issues as the nature of a political community and citizenship, and the relationship between individuals and society.

## More information about CEE and Rockford College



*Kaizen* is published by the Center for Ethics and Entrepreneurship at Rockford College. Founded in 1847, Rockford College is a four-year, independent, coeducational institution offering undergraduate and graduate degrees in traditional liberal arts and professional fields. One of 81 colleges nationwide designated as a “College with a Conscience” by the

Princeton Review, Rockford College is also among 76 U.S. colleges and universities selected by the Carnegie Foundation for the Advancement of Teaching for inclusion in a “Community Engagement” college classification. Rockford College is one of 11 colleges in Illinois and 280 in the country with a Phi Beta Kappa chapter, the oldest and most prestigious academic honors society, and in 2007 was named a “College of Distinction.” Please visit us online at [www.Rockford.edu](http://www.Rockford.edu).

## LAPEYRE, CONTINUED

**Lapeyre:** I joined the firm in January 1979. At that time, Laitram had a high debt level—one business making money and four businesses losing money; and shortly after I joined the one business making money declined sharply. So, difficult times.

**Kaizen:** Laitram had been started by your father back in 1949?

**Lapeyre:** Yes, he invented a method to peel shrimp automatically. As a boy, my father worked in his father’s canning plant and shrimp peeling was done by hand. Workers would peel the shrimp and machines would pack and pasteurize the cans. The shrimp peeler was a great invention, and the business was highly profitable in the early days. But the business was not well-run, so when the patents expired and competition increased we faced harder times.

**Kaizen:** You mentioned four other business lines that your father started?

**Lapeyre:** Yes, my father had many inventions unrelated to shrimp peeling, and Laitram started divisions to commercialize those inventions. When I joined, he also had a dozen plus undeveloped patents, and the company had other business interests all losing money.

Two of the businesses had been losing money for ten years. I tried to sell both but couldn’t find buyers who would pay an acceptable price. My job was to improve management and turn both into money makers.

**Kaizen:** What were your first positions in the company?

**Lapeyre:** I started as the company’s first in-house lawyer, but there wasn’t much structure or competence, so I quickly moved into consulting with the division managers. My uncle was company president, but he wasn’t involved in operations. My father and I got along very well, so I just got involved and forced some decisions. He had a great capability to see essentials in technology and markets, but he wasn’t a good leader or manager. So I worked the management side and we began to build a team and make improvements. We discontinued one business and we had a big layoff early in 1980, and gradually the business got better.

**Kaizen:** How many people overall were in the company when you joined?

**Lapeyre:** In 1979, Laitram had about 100 employees, and revenues were about \$10 million with debt of about \$10 million.

**Kaizen:** In family businesses, there are sometimes concerns about favoritism. Was that an issue?

**Lapeyre:** No. My father had nine kids, but I was the oldest boy and the only one with the skill set needed at the time. The business quickly fell into desperate shape and many shareholders wanted out, and no one else wanted in. We gradually bought majority control, and we struggled for eight years until around 1988 when we became confident we had turned the corner.

**Kaizen:** You became president of Laitram in 1989 based on your track record in helping turn things around. What was the overall state of the company in 1989?

**Lapeyre:** In 1989, we were starting to become consistently profitable. We had hired some good people and begun building the management team; and we had begun to implement our management philosophy and system of continuous improvement. In 1987 I spent nine months defining the first draft of our management system. Before then, we had lots of conflicts and disagreements on how to manage. Some believed in strong supervision and clear detailed rules, and others believed we needed principles and a culture based on trust and self management. We settled on the principled approach and started to get rid of cultural misfits; we continued to refine the system, training people and working to implement management practices and make the company more effective. By '89 we all believed we could build a successful company, and we were attracting people who had some management experience to build the core of a management team.

By the way, David Kelley has a great article, "A Short Course in Rule-Breaking," that captures the problems of living by rules and not principles, and Charles Koch has an excellent book, *The Science of Success*, that explains the Koch Industries system of principled management.

**Kaizen:** In 1979 you had \$10 million sales, \$10 million debt, and about 100 employees. Where were things in 1989?

**Lapeyre:** By 1989, we had about \$30 million in sales, about \$9 million in debt, and about 250 employees.

**Kaizen:** So by 1989 you had your philosophy worked out and a core management team in position. What were the first major steps to make the culture happen? Because it's more than just being a theoretical philosophy at that point.

**Lapeyre:** Excellent question. We thought if we trained the managers we would inoculate the company from all bad management. So we trained the managers but nothing happened.

We then trained their subordinates and got some small improvements, but the worst managers did not change. So we established an annual survey of employees, asking each employee



Views of Laitram Headquarters in New Orleans

to rate the effectiveness of their managers or supervisors. This was extremely controversial, and we lost a couple of managers who saw this as too "Big Brother." But after the first survey we began to see significant cultural change.

**Kaizen:** What survey results were actionable?

**Lapeyre:** The surveys are anonymous to individuals, but the data can be tracked by department. We ask very specific questions. Is the manager honest? Is he or she a good problem solver? Does he or she make issues or problems clear? What suggestions do you have to help the manager be more effective? We cover the basics of being effective and we tie performance expectations to our management philosophy.

Then we use that information in performance reviews and planning. These reviews give a deep insight into whether someone is introspective, self aware, and committed to personal improvement. Does the person get it and accept responsibility to improve? Or do they complain that it's the others' fault? Over time, the survey results are a huge driver to reinforce and improve the culture.

**Kaizen:** A traditional temptation is for managers to think in principles but to give very specific rules to employees. Are you saying that at Laitram you push the principles right down to the employee level?

**Lapeyre:** Yes. We want every employee to "Think like an owner," so we expect commitment to the philosophy, and we try to align incentives to performance. We put 42% of pre-tax profits after a return on net assets in a pool and distribute the pool based on division performance and who has contributed most to company success. This profit sharing promotes alignment as everyone has an interest in helping the business succeed. When the business does poorly, everyone understands why compensation is down; and when the business does well, most people are focused on trying to improve productivity and maintain or improve profits.

**We want every employee to think like an owner.**

Making money and distributing incentives links everyone to the same goal and has a powerful reinforcing effect on the culture. We want everyone to be motivated and rewarded for pushing issues and working to help the company improve.

**Kaizen:** The 42% number—how did that come up?

**Lapeyre:** There's no magic to the exact number, but the percent needs to be high enough to provide strong incentives for improvement at the margin and not just "share" average returns. So we share profits only after a return on net assets and use a higher percentage than if we shared first dollar of profits. The high incentive percent

is for creating above average returns, and our base wages tend to be lower than market so everyone has significant pay at risk. This increases employee focus and sense

of urgency—everyone knows this is real money, and that makes a big difference. We also have a number of department-level piecemeal, gain sharing, and sales commission plans that put pay at risk.

**Kaizen:** Your management philosophy is called the *Laitram Continuous Improvement Program*. Does it have an explicit connection to the Japanese *kaizen* management philosophy?

**Lapeyre:** Yes. Both systems are principled and team-based approaches for operational excellence and continuous improvement; and both LCI and *kaizen* have some common roots that trace back to W. Edward Deming's work in Japan. Our system was influenced by Deming, but we focus more on individuals and we put less emphasis on statistical analysis. We want people to think first about what they're trying to accomplish. Statistics may be a tool to help solve the problem, but we don't want people to substitute statistical analysis for systems thinking.

Most importantly, each individual is responsible for his or her work, and we want a challenge culture. We want people to think,

CONTINUED ON PAGE 4

## Student Essay Contest Winners

Students in the Business and Economic Ethics course wrote on the topic: Does free-market capitalism encourage or discourage moral business activity?

The essays were judged on their accuracy and depth of interpretation as well as their independence of thought. Cash prizes were awarded for first place and two honorable mentions.

Congratulations to our winners!

### First Prize:



Amina Seitahunova

### Runners Up:



Amanda Nicosia



Danielle Taylor

## LAPEYRE, CONTINUED

reason, and debate before they reach alignment. Alignment is an end goal in the process, but on important decisions we want a structured decision process with the intellectual rigor of first challenging assumptions.

**Kaizen:** One of Laitram's strong elements is its commitment to innovation. One measure of that is your 500 or so patents. How does the innovation happen here? Do you have an R&D department or is it people on the ground?

**Lapeyre:** A combination. Most of the best ideas come from connecting our most productive technical and innovative thinkers with a clear understanding of customer problems. So most innovation is organized by commercial teams, but we encourage group R&D or brainstorming sessions that cross teams.

We need to do more of that, as we frequently find our best thinkers make valuable contributions outside their areas of immediate knowledge and engagement. Our most creative

people are serial innovators, so we want them to understand customer problems and share and challenge each others' ideas for solutions. These innovators are the engine of our business; they develop ideas the rest of us don't see, and everyone benefits from the process and results.

**Kaizen:** Your human capital—you're interested in problem-solving, innovative people, you have an incentive process in place for them, as well as a challenge culture. How do you find those people in the first place or cultivate them when you hire them?

**Lapeyre:** Great question—finding the right people was especially difficult in the early days. Today, it's still challenging, but our culture, size, and track record help attract the right people; and our hiring processes and operating teams help filter out misfits. The work teams want people to help improve productivity and make money—people who focus on doing good work and don't worry about who's right or who gets the credit. Over time, the credit takes care of itself if you have the right people and culture.

**Kaizen:** How many employees does Laitram have now?

**Lapeyre:** About 1,600.

**Kaizen:** That's a lot of growth—about 16 times as many as when you joined the company. How many countries do you operate in?

**Lapeyre:** We do business in and have sales people in all industrialized countries, and we have eight plant locations: North and South America, Japan, China, Australia, the Netherlands, Denmark, and the U.K.

**Kaizen:** If I may ask, what are your annual revenues now?

**Lapeyre:** A little over \$300 million.

**Kaizen:** Another element in your Continuous Improvement management philosophy is transparency. What does transparency mean at Laitram?

**Lapeyre:** Transparency means open books and no secrets, no surprises, and no hidden agendas. We want an ownership culture, so we want everyone to know what's relevant to the business. We don't openly share salary information or information that is valuable to competitors, such as some new product development, acquisitions, etc.

**Kaizen:** Does that mean the numbers are available if people want to look for them, or do you put the numbers out there on a regular basis?

**Lapeyre:** Each division has quarterly meetings with all employees to report on financials, incentives, and performance relative to our Critical Success Factors. We want everyone to understand as much as possible about how we're doing, and we invite comment and challenge to help us improve.

**Kaizen:** Given what you've said, you're not a CEO who has to do everything and be on top of everything. You hire self-motivated people, you manage with incentives and transparency, and you encourage creative problem-solving. How would you describe your leadership style or define your role as CEO?

**Lapeyre:** Every business has different needs at different times. In a crisis, I behave differently than how I manage in a more stable or mature environment. Today, my most important job is making sure we have the right people and that we continue to build a performance culture committed to continuous improvement. The right people and cultural alignment. We then work on basic structure, strategies, and planning process so everyone is clear on his or her responsibilities. Over time, smart people work their areas and think about the business and generate a stunning number of improvements, efficiencies, and innovations.

The external world is changing at an accelerating rate. Customers are changing; technology is changing; needs are changing. So the opportunity for continuous improvement and innovation are huge. So the right people and culture become even more important. We must constantly challenge ourselves to ask, "How can we make this product or service better? How can we improve this process?" Our biggest division, Intralox, is extremely well run, so I don't add much. I get involved to learn and I'm consistently amazed at what they do. I'm much more actively involved in the smaller divisions.

**Kaizen:** It's clearly worked. In 2010, you received an award from CityBusiness in New Orleans as the Best Place to Work. What made them pick Laitram?

**Lapeyre:** I'm not sure how we got on their radar. We were not ranked the year before and not much has changed. Our culture appeals to productive, achievement-oriented team players, so most of our employees appreciate the opportunity they have to achieve, learn and grow, and contribute to and share in our success.

**Kaizen:** Laitram is a privately held corporation. What goes into the decision to be private instead of publicly held? You mentioned Ion Geophysical, which is publicly traded. How is that calculation made?

**Lapeyre:** My experience with ION has reinforced my desire to keep Laitram private. The regulations for public companies are abusive and arbitrary. Regulations are a huge problem for private companies, but they are much worse for the publics. The accounting rules alone add so much waste and complexity they defeat their own purpose. The regulators use thousands of rules to regulate and control that ultimately injure transparency. More rules create more confusion and that brings even more rules. They need fewer rules and a few guiding principles that mandate full disclosure and transparency, with personal liability for fraud and gross negligence in failure to disclose.

As a private company, we still face a huge number of senseless and wasteful rules; but it's much less than if we were public. We've been able to consolidate the ownership, and a dominant majority is long-term owners. That lets employees know that their culture and the comp system will be in place for a long time. We would consider going public if we faced a synergistic acquisition that's too big or risky to finance privately. Fortunately, there are more options today for private capital so the traditional motivation is declining in importance.

**Kaizen:** Your industry is industrial manufacturing. We hear a lot in journalism about the supposed decline of US manufacturing. Do you think there's any truth to that?



The Lapeyre Stair, one of Laitram's products

**Lapeyre:** No. It's analogous to agriculture when technology improved productivity to free up labor and resources to invest in other areas. So we now have cheap food and clothes, travel, tourism, entertainment, and online lifestyle enhancing information and services that didn't exist twenty years ago, much less a hundred years ago.

**Kaizen:** So we are producing more, and we are doing it much more effectively?

**Lapeyre:** Yes. A significant detriment for the US economy is uncertainty and risk of increased regulations. Immigration restrictions are also a big problem. The US would be *the* place of choice for global R&D teams if the immigration restrictions were less onerous. Most industries are becoming global, so this is a huge opportunity.

**Kaizen:** What about the relative costs of skilled and unskilled labor—the standard argument is that unskilled labor is a lot cheaper overseas. Does that not affect you, because you are a skilled labor market?

**Lapeyre:** Labor costs are important, but productivity is more important. Direct labor is a relatively small part of our total costs. I think that's true for most U.S. manufacturers. Our direct labor costs are well under 10% of revenue. Most of our costs are raw material, sub-components, systems and facilities. We can afford to pay more if we get people who own their work and focus on learning and continuous improvement. The soft cost of training and managing people goes up with remote locations and different languages.

**Kaizen:** That reminds me of a line from John D. Rockefeller: "A man's worth a dollar a day from the neck down. But there's no limit to what he's worth from the neck up."

**Lapeyre:** Yes. And it's not primarily about a person's intellectual capacity; it's how the person uses that capacity to be effective in their work.

**Kaizen:** Turning now to New Orleans and its many challenges. Hurricane Katrina was a disaster but also an opportunity to reform and rebuild. For example, the New Orleans school system was dysfunctional, and you've been involved in the reform efforts.

**Lapeyre:** Yes. The school reforms are huge and one of several major post-Katrina reforms. Katrina demonstrated how government corruption devastated a community.

The local levee boards were responsible for inspecting and maintaining the levees and providing oversight on the Corps of Engineers' work. Both the Corps of Engineers and the Levee

Boards failed in their jobs and caused the levees to breach; so Katrina was caused by government failure on the federal and local level.

These government failures created a tremendous level of activism and community engagement that resulted in reform of the levee boards, the assessors, an independent Inspector General, elements of the criminal justice system, and the schools.

Seventy percent of the public schools in Orleans are charter and they have had four straight years of significant improvements in test schools. On this trend, their performance will pass the state average in a few years. Imagine thousands of low income, urban kids exceeding the state average—it's going to happen.

**Kaizen:** That's excellent news.

**Lapeyre:** Yes. It proves that charters aren't about creaming the best kids. Parental choice and having the money follow the child changes incentives and gets everyone engaged. The competition is improving the entire system. These are huge lessons for the entire country.

We also have one of the strongest inspector-general statutes in the country. Our IG has in-

**More rules create more confusion and that brings even more rules.**

## Guest Speakers



Phyllis Johnson

This October, Phyllis Johnson, co-founder and president of the Rockford-based BD Imports, visited Rockford College. B.D. Imports is a supplier of exceptional quality specialty grade coffees and owner of Evolution Coffee. BD Imports has helped to propel Ms. Johnson as a champion of women and women in coffee. She gave a talk on Entrepreneurship, Coffee, and Empowering Women in Africa. A video interview with Ms. Johnson is available on the CEE website.



Alexei Marcoux

Dr. Alexei Marcoux is Associate Professor of Business Ethics at Loyola University Chicago, Senior Research Fellow in the Center for Spiritual Capital at Loyola University New Orleans, and Policy Advisor at the Heartland Institute, spoke at Rockford College in September. Dr. Marcoux gave a talk on Moral Partiality in Business Practice. An interview with Dr. Marcoux is available at the CEE website.

## Vince Chiarelli



Rockford College student Vince Chiarelli has been exhibiting the entrepreneurial spirit.

He restarted the Rockford College Radio Club as an internet radio station after a 17-year period of dormancy. The station boasts a growing listener base and over a dozen programs (with more on the way). "Getting Down to Business," features local entrepreneur Chris Wachowiak, owner of the Kryptonite bar, interviewing other local businesspeople. "Mental Gymnastics," with local entrepreneur Chris McGill, has students talking about philosophical issues. To find out more, visit [www.facebook.com/RockfordCollegeRadio](http://www.facebook.com/RockfordCollegeRadio).

## LAPEYRE, CONTINUED

dependent money and subpoena power to chase every city dollar. He has authority to compel a witness to testify under oath and answer questions related to waste, fraud, and abuse in city government.

**Kaizen:** Not just about schools and levee issues?

**Lapeyre:** Yes. The Inspector General has broad responsibility to inspect all spending of city money. This change has fundamentally disrupted the patronage business model—you can buy political influence and be confident in your investment. So you see a lot of indictments, but this is part of cleaning things up, all positive.

**Kaizen:** What were your roles specifically in cleaning up the graft and the cronyism?

**Lapeyre:** Immediately after Katrina, I became Chair of the New Orleans Business Council—the CEOs of the major companies in the region. We focused on reforms and improved quality of life. We realized that if we couldn't make the New Orleans region a place where people want to live, we would not be successful with business.

**Kaizen:** Was the Business Council involved in the chartering of schools issues?

**Lapeyre:** Yes; but we didn't lead that one. We supported the reforms, and one of our members, Leslie Jacobs, led the effort. The Business Council was part of the leadership coalition driving Levee Board consolidation and reform, the assessor consolidation and reform, the inspector general implementation, and criminal justice reforms.

**Kaizen:** The financial crisis hit in late 2007. What was its impact on Laitram?

**Lapeyre:** The crisis hit us in the fall of '08, and it was big. Our revenues dropped over 30%, our profitability cratered, and our debt/equity ratios skyrocketed. We had our first layoff in 30 years. But we recovered far more quickly than expected. By mid '09, we were growing again with market traction on some new technology.

**Kaizen:** Was the downturn across all four of your divisions?

**Lapeyre:** All except the shrimp-peeling business; shrimp peeling wasn't doing well anyway.

**Kaizen:** What was behind the downturn in revenues? Were people being cautious? Or did they not have the funds? Was it just a chain reaction where they were responding to things further down?

**Lapeyre:** Yes. With any bubble or mal-investment of resources, the market first needs to self-correct before businesses can know what to expect. The financial crisis was caused by a lack of system transparency that created huge uncer-

tainty for commercial lending. Bankers couldn't predict the money available and the criteria they'd need to lend. So everyone went into a hoarding mode: companies cut all discretionary spending, killed major projects, and delayed others and that caused the chain reaction you mentioned with layoffs throughout industry.

**Kaizen:** Was your response to the crisis a matter of quick reaction once the trends were apparent, or were there signs ahead of time so you were able to anticipate and position yourself?

**Lapeyre:** We moved pretty quickly. Our markets crashed in early fall, and we made our layoff decisions in early December of '08. We took time to assess where we could cut with the least injury to our future, and to cut deep enough to be reasonably confident we would not cut again unless things got a lot worse. We wanted to be able to say "There are no guarantees, but this is our team, and we don't expect more cuts." Within four or five months, we had become confident that was the case.

**Kaizen:** In 2009, a year later, things were good again?

**Lapeyre:** Right.

**Kaizen:** Then more disaster — the BP oil spill in 2010. Did that affect you?

**Lapeyre:** It crippled the Gulf oil and gas and seafood industries, so it hurt ION Geophysical and hurt shrimp processing. It did not impact our other businesses.

The spill ultimately caused little enduring environmental damage, but the federal moratorium on Gulf drilling permits is a continuing disaster. Even today, there are no clear criteria and drilling permits are difficult to get.

**Kaizen:** Over the past decade, a series of crises have affected Laitram. Are there any general lessons you can draw about disaster planning for business professionals?

**Lapeyre:** That's a hard problem. Our size and global scope, our experience, and today's information technology help a lot. The best lesson is to make crisis mitigation planning a regular part of the planning process: put the right team in charge and actually do the work to think and develop contingency plans. Ask, "What do we need to plan and test our information and communication systems backups? Be sure our systems and plans for remote locations will work."

This is a really hard problem for entrepreneurs starting out. Small business faces so many risks and problems, they can't cover everything.

**Kaizen:** Having cash reserves, planned places to meet, and diversified assets help. But also your philosophy of employing the kind of people who are invested and who can solve problems creatively?



New Orleans, post-Katrina

**Lapeyre:** Yes. That is a given. Post-Katrina management was mostly remote and communication was difficult, so many people just came to work and began helping wherever they were needed. People figured out how to get here, ordered generators for electricity, and started a service for all meals on site. Some people slept at the plant, and many people were doing jobs they'd never done before. We had a few managers who played critical roles, but much of the work was conducted on the fly before top management could get organized. We were struggling to figure it out.

**Kaizen:** Your employees who were living here post-Katrina—was it because their homes were devastated or because there were no transportation networks?

**Lapeyre:** The roads were mostly back, so the people who lived at the plant or in company trailers had lost their homes, and their families were still mostly living away. With homes, schools, jobs—all of that was dislocated, so they were mostly here without their families. Government moved so slowly, and many believed the best thing they could do was help get this company back up to working.

**Kaizen:** What are you focusing on now for Laitram's future—the next five, ten years or so?

**Lapeyre:** We like our people, culture, and business models, so we'll continue to innovate, improve products and services, and respond to continuing changes in our markets. We organize globally, and mandate English as our company language. Everyone in our commercial teams speaks English, as well as their native language. Our Italians, Germans, or Chinese competitors can't use their native language as a company language, so they tend to organize regionally.

We also need to execute better, be sure the lessons we learned still apply, and be sure we stay focused and intense, keep the edginess to keep and improve our challenge culture. We can't risk a closed mindset. Past success can breed a misunderstanding of what's needed for future success.

**Kaizen:** You've been president and CEO for a little over twenty years now—what's been the thing you most enjoyed or the best thing about being CEO?

**Lapeyre:** The best part of what I've done is seeing a vision I helped create become actualized. We all work for a purpose; I'm motivated by the idea of building a great organization with every person committed to self improvement and to shared values of integrity, innovation, team work, trust, and rewards based on one's individual contributions. To attract people who share these values and to see the impact of these

**It's not about being right, but it's about honoring the facts.**

powerful ideas is tremendously rewarding. Using these ideas to learn from each other, make each other better and literally create better selves while we build a successful business is exhilarating.

I would say very few of us realized we had the potential to play at our current level. I suspect everyone in our senior management team would say, "I'm much better today than I thought I'd be; the team makes me better, and I make the team better. We're not just more productive, but better people."

**Kaizen:** Looking back over the years, in your role as CEO, is there anything that you have consistently struggled with or found challenging?

**Lapeyre:** The hardest part was losing money in the early years. Early in my career, I struggled emotionally with firing people who didn't fit with the skills or culture we needed. Losing money helped me make some hard calls. With experience, you learn that you let the facts control and give people choices. Today I still struggle with limiting priorities and cutting "good projects" to focus and be more effective with the best projects and initiatives. It's part of trying to do too much, but that actually slows progress overall.

## LAPEYRE, CONTINUED

**Kaizen:** The traits of successful leaders—initiative, decisiveness, strategic vision, clarity, resourcefulness, perseverance, and so on. Of those, are there one or two you would say are the most important?

**Lapeyre:** All are important, and I don't know that I can isolate one or two elements of leadership as "most important." Effective leadership is about how one uses one's abilities to assess the needs of the organization, set the vision and action plans, and get alignment and execution. There are brilliant people who make good decisions in a crisis and permit no challenge. They will not do as well building a management team of independent thinkers and institutionalizing a challenge culture. What makes them great is that they have the right vision and people trust them for real time decisions.

I'm an independent thinker; I'm not an original thinker. I like to hear the best arguments and drill down to understand why someone disagrees. I want everyone in the room to remind themselves that it's not about being right, but it's about honoring the facts, searching for the truth, and making sure your ego isn't in the way. Smarter people with better vision could probably get away with less of it than I need. So having that discipline to ask "How do you know?" over and over again can make all the difference.

**Kaizen:** Younger people are still flexible and growing—how can they best cultivate those leadership traits in themselves?

**Lapeyre:** Work with people you trust and respect and think carefully about the kind of person you want to be. You can look at traits you respect and admire in others. Make that trait or habit part of you. You're not trying to be like that person but to learn a skill or habit. Make that trait mine, to become more of the person I want to be. Be the best me.

Any process of improvement starts by thinking, setting a goal and defining what metrics you'll use to assess the process. As you get into the

habit of self-improvement, what you learn is that it's tremendously empowering if you learn to own your own destiny and create yourself. That is a powerful part of what it means to be human and what it means to achieve the potential that you think you can develop in yourself.

So the advice, I would say, is start the process and set high aspirational goals, then break down the first one or two things you want to work on first. Do those exceptionally well, and when you have those mastered and move to the next and next. Remember there is no substitute for hard work and knowing your stuff.

**Kaizen:** Back to younger people who are planning business careers. You got an MBA and a JD. In the current business environment, how important do you think graduate school is in general? Or MBAs or JDs, in particular?

**Lapeyre:** I don't think that the particular field is as important as the thinking skills you learn to apply to your experiences. We have effective managers from many academic backgrounds, and they figure out how to learn from each other and build those skills. You pick up the particular skill that you may not have gotten.

I don't think any one field is as important as that you really learn well what you learn. And have it be fact and reason and reality driven. So you become a good problem solver.

**Kaizen:** And apply that to the goal of creating the best complete life you can?

**Lapeyre:** Exactly.

*This interview was conducted for Kaizen by Stephen Hicks. The full interview will soon be posted at our website, [www.EthicsandEntrepreneurship.org](http://www.EthicsandEntrepreneurship.org). For more information about Jay Lapeyre and Laitram, visit [www.laitram.com](http://www.laitram.com).*

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