

# KAIZEN

CONTINUOUS  
IMPROVEMENT

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FEATURE

## Surse Pierpoint

Entrepreneurial  
Logistics in Panama



ALSO INSIDE:

Career Day

Professor Shawn Klein

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### INTRODUCTION:

*Surse Pierpoint is General Manager and shareholder in Colón [Columbus] Import-Export, a firm located in the Panama Canal Free Zone. Colón provides logistics, warehousing, and customized re-labeling services for a variety of international companies, including Procter & Gamble, DHL, Payless Shoes, Novartis, and Eli Lilly. Pierpoint is a third-generation Panamanian who received his undergraduate and graduate education in the United States before returning to Panama to pursue his business career, which now includes being President of the Free Zone Users' Association and part of a consortium of investors developing a new marina on Panama's Caribbean coast.*

**Kaizen:** Your company is in Panama, which is famous for its canal. What is the significance of the Panama Canal?

**Pierpoint:** The Canal was an idea going all the way back to the 1500s, from the discovery of the Pacific Ocean. People were already trying to figure out how to connect the two oceans. It was evident to Balboa that there wasn't that much land separating the two oceans.

**Kaizen:** About 60 miles?

**Pierpoint:** Yes, sixty miles from coast to coast. It is the narrowest spot in the Western Hemisphere.

It wasn't until Ferdinand de Lesseps in the 1800s that people made an effort to build the Panama Canal. De Lesseps started to raise the capital, but malaria caused that effort to collapse.

The American effort didn't begin until Teddy Roosevelt, who was an accidental president because McKinley was assassinated. Roosevelt became president and, having attended the Naval War College, was heavily influenced by a professor who said that any self-respecting empire needs outposts. Naval power was very important

in the projection of that. The Spanish-American War was in 1898, but by the time the Americans' Pacific Fleet got to Cuba, the war was over. So Roosevelt said, "This can't be. We must have a quicker way of projecting our naval power."

**Kaizen:** So military issues as much as economic drove the idea of cutting the canal?

**Pierpoint:** Yes. Coaling stations also mattered, to resupply shipping vessels as they were going around the world.

**Kaizen:** Your personal story also starts in Panama.

**Pierpoint:** I tracked my name, *Surse*, all the way back to 1833 to a town in Tennessee. Three brothers from there fought in the Civil War on the Confederate side. They wouldn't swear an oath of allegiance, so they left Tennessee for Texas. From Texas, my great-grandfather decided to go to Panama because the construction was the biggest thing happening.

**Kaizen:** The canal was being built at this time?

**Pierpoint:** Yes. He was a doctor specializing in tropical medicine. The public health effort

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## From the Executive Director

Economists speak of the difference between *incremental* and *disruptive* innovations. Incremental innovations are small improvements to existing products, such as adding a music player or airbag to an automobile. Disruptive innovations are transformative, such as the automobile's replacing the buggy.

Transportation has been revolutionized in the modern world, with new types of transportation—trains, airplanes, submarines—and innovations that have dramatically reduced costs.

- Before the invention of James Watt's steam engine, it cost \$5 to carry 100 pounds up the Mississippi from New Orleans to Louisville. But with steam power, the cost "dropped to \$2 by 1830, and soon fell to 25 cents," writes historian Paul Johnson.
- Shipping on the Erie Canal in upstate New York, completed by 1825, was much faster than carts pulled by draft animals and cost about 95% less.
- In the twentieth century, Malcom McLean's invention of the standardized shipping container reduced loading costs by 97%.

Our feature interview is with **Surse Pierpoint**, who runs a logistics company out of the Colón Free Trade Zone, located at the Atlantic entrance to the Panama Canal. I spoke with Mr. Pierpoint in Panama City about his company, the Canal's rich history and huge impact on transportation, and how the Canal's major expansion in 2014 is again poised to shake up shipping patterns the world over.

All of our previous issues of *Kaizen* are available online, featuring interviews with entrepreneurs in a variety of fields—from architecture to technology to marketing to venture capital to sports and more. So please feel welcome to visit us on online at [www.EthicsandEntrepreneurship.org](http://www.EthicsandEntrepreneurship.org).

Stephen Hicks, Ph.D.

in controlling malaria was the important thing before they actually started building the canal. That's how we got here.

**Kaizen:** Where were you born?

**Pierpoint:** In a hospital in Panama City. I lived about a year in Panama City, and then our family moved to Colón on the Atlantic side.

**Kaizen:** What was your education like?

**Pierpoint:** Small-town Americana and very protected. It was great growing up in the Canal Zone—even now on Facebook there are groups of people who are wistful about their time growing up in the Canal Zone, because it was ideal, from our perspective as kids. It's what I imagine growing up in a small town in the Midwest in the 1950s was like.

**Kaizen:** You went to college in the USA?

**Pierpoint:** I went to boarding school and then college in North Carolina. I met my wife there.

**Kaizen:** Where in North Carolina?

**Pierpoint:** Greensboro, North Carolina at UNC. I took the easiest path: liberal arts. I got a double major: Spanish and Latin American Studies and Literature.

**Kaizen:** At this point, did you have strong ideas about what you wanted to do for a career?

**Pierpoint:** During my Communist Worker Party days, I had a Cuban professor, and he and I had some very heated arguments about how bad socialism had been. This is around the time of the civil war in Central America—Salvador, the FMLN.

**Kaizen:** You were arguing the communist position?

**Pierpoint:** Yes. My professor, Sanchez Boudy, was saying, "You don't understand what you are saying." One big satisfaction is that I got to speak to him last year. I said, "Professor, you were absolutely right."

**Kaizen:** Nice. Were you thinking at all about career possibilities?

**Pierpoint:** In my senior year, my father said: "There might be an opportunity. I think I can convince the board." I didn't have anything else going on. My father's precondition was: "Get an MBA and then come back and you can start working."

**Kaizen:** So you went to Thunderbird in Arizona for your MBA.

**Pierpoint:** American Graduate School of International Management, informally known as Thunderbird. Their outlook was that to be a well-rounded, international executive, you had to know not just business but culture and language as well.

**Kaizen:** How long were you in Arizona?

**Pierpoint:** That was a one year program. Then I started working at Colón Import-Export on October 1, 1984.

**Kaizen:** So what was your first position at Colón Import-Export?

**Pierpoint:** In the warehouse. Dad said: "You're not going to be an executive. You're going to learn the business literally from the bottom-up."

That was in pre-container days: goods arrived in a vessel, and they were taken off the vessel and loaded onto a truck, and from the truck into the warehouse, where they were unloaded onto a pallet.

**Kaizen:** All by hand?

**Pierpoint:** All by hand.

**Kaizen:** What services was Colón providing to its clients?

**Pierpoint:** "Third-party logistics" is the technical term, which means that clients hire us for our facilities—warehouses and the people—to receive and ship their orders to their clients in the region, which at that time was mostly Panama and Central America.

**Kaizen:** So manufacturers anywhere in the world who want to sell in Central America will send their stuff to Colón Import-Export, and you will warehouse it and send it on?

**Pierpoint:** The beauty of it is that, because of the Canal, there were a lot of ships arriving in Panama. On the outbound side, you could also re-export those goods. The complexity of dealing with Latin America meant that it was better to have a regional inventory instead of a country inventory. So Panama was an attractive place to have a regional inventory for servicing all of those countries.

**Kaizen:** Colón operates in the Colón Free Trade Zone in Panama. How does the free zone work?

**Pierpoint:** It's a big bonded area which, from the Panamanian perspective, means that it's duty free. As far as Panama is concerned, those goods have not been imported into Panama. They are in transit from where they were manufactured to wherever their final destination is going to be. So it's a fairly easy place to set up operations, it's centrally located, and

your inventory then is that much closer to the final point of consumption.

The free trade zone was an idea that evolved from the Colón Chamber of Commerce. A director of Colón Import–Export was on that board. He was part of the board that created that idea and convinced the Panamanian president to sign it into law in 1948. We were one of the first companies to set up in the free zone.

**Kaizen:** You began in the warehouse off-loading ships and repackaging. How long did you do that?

**Pierpoint:** Dad figured that after four years I had learned enough. I became general manager in 1989, about two weeks before the invasion. I remember because the board meeting where I was approved as general manager was the same day that General Manuel Noriega declared war on the United States. That’s something that gets seared in your mind.

**Kaizen:** Obviously, you had to prove yourself before becoming General Manager of a substantial organization. What were the big things that you had to learn or prove yourself on before you got that position?

**Pierpoint:** Dealing with employees is the biggest challenge that any manager is going to have. Infrastructure—buying forklifts, buying trucks—is easy. Getting people to respond in the manner that you hope they are going to is the biggest challenge—the empathy part of what it is that you want. What it is that I want, and how I can motivate you to do that for the company?

**Kaizen:** How do you do that?

**Pierpoint:** One of my favorite sayings now is: “People respond to incentives.” About fifteen years ago we hired a consultant, who is still working with us. I almost consider him as a coach. He’s an industrial engineer by training.

**Kaizen:** What’s his name?

**Pierpoint:** Humberto Linero. Humberto taught me that you can change processes, but you always have to align those processes to make sure that the triangle of incentives—shareholders, clients, employees—always mesh.

**Kaizen:** It has to be win-win-win.

**Pierpoint:** Really. Because at the end of the day the employees want to earn more, the shareholders want to earn more, but the clients want to pay less. So the challenge is, “Okay, if the shareholders want more dividends and the employees want more salary, but the clients want to pay less—how can you do that?” That seems like a tough nut to crack.

What Humberto taught me is to align your processes so that people want to chase that carrot. His philosophy is that you want to pay what the market is paying; but the additional “oomph” is going to come from people going the extra mile, because at the end of the day they want to earn a little bit of money.

**Kaizen:** You joined the company in the 1970s, on the cusp of the personal computing revolution. Computerization went to a whole new level in the 80s and 90s with bar-coding, the Internet, and all of that. How did that impact your business?

**Pierpoint:** “Warehouse management systems” didn’t exist as a term. We had to create our own software to be able



## Career Day



Nearly 200 high school students from the stateline area visited Rockford University on November 7 for Career Day. The Economics, Business, and Accounting department hosted the event and over 40 volunteers from local businesses and agencies shared their experiences and advice for a variety of career options.

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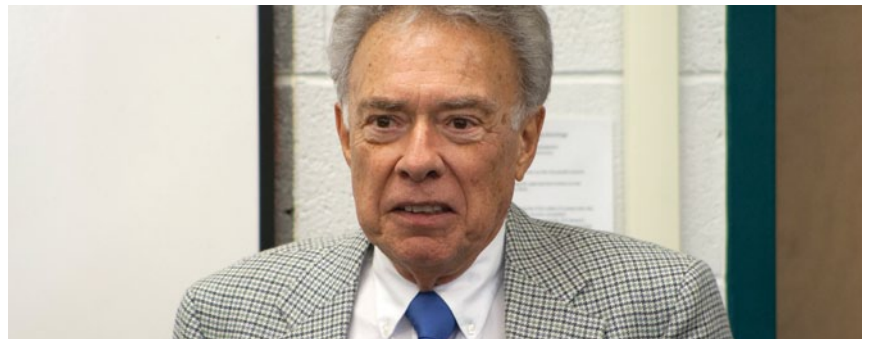
## Profile: Dr. Shawn Klein



CEE professor **Shawn Klein** had a productive year. In addition to his popular Sports Ethics course, Dr. Klein developed a new course — The Philosophy of Sport. Dr. Klein also started the Sports Ethicist Podcast, which already has 17 episodes and is available on iTunes. Dr. Klein is planning a third annual Sports Studies Symposium for April 25, 2014. Finally, he was recently quoted by *Sports Illustrated* on the issue of rules in sport. Details about the above and more can be found at [sportsethicist.com](http://sportsethicist.com).

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## Guest Speaker: Nicholas Capaldi



Dr. **Nicholas Capaldi** visited Rockford University on September 17. He gave a talk entitled “The Lockean Liberty Narrative versus the Rousseau Equality Narrative.” A video interview with Dr. Capaldi is available on the CEE website.



Pierpoint at Colón Import-Export and employees

### SURSE PIERPOINT, CONTINUED

to do that. I was working already when the fax came along, and I told my dad that we needed to get a fax. He said, “Why do we need a fax?” Because we had dealt with correspondence—orders would come in the mail, and then the telex came along, and then the fax came along. Everything sped up.

Then computers came along. My dad had a very clear vision that we needed to be able to provide tracking and other information to our clients. But in the pre-Internet days that meant expensive long-distance phone calls. The Internet meant that we were actually able to fulfill that vision of being able to give our clients visibility online, which was the Holy Grail.

**Kaizen:** How many employees do you have currently?

**Pierpoint:** We have 500 employees.

**Kaizen:** When you came on board in the 1970s, approximately how many employees did you have?

**Pierpoint:** One hundred.

**Kaizen:** If it's not confidential, can you say the sales numbers between then and now?

**Pierpoint:** If we express it as a fraction of sales, our net income is less than one tenth of one percent of sales because of the warehousing component, and we represent about twenty percent of the total Free Zone turnover of \$15 billion (USD) in annual sales.

**Kaizen:** In your role as General Manager, you have people management responsibilities, process management, including all of the technology. Is another part financial?

**Pierpoint:** That's where the board comes in. I'm the warehouse guy, and I will admit my deficiencies on the finance side. Fortunately, the company has always been able to fund itself.

And now in Panama the cost of capital is fairly low. So if you have a good trajectory—the banks have always been very open, and we have a good relationship with the local banks to help us grow.

**Kaizen:** Another job is bringing in clients. Currently you have an impressive roster of clients: Procter & Gamble, Payless Shoes, and the partnership with DHL.

**“GETTING PEOPLE TO RESPOND IN THE MANNER THAT YOU HOPE THEY ARE GOING TO IS THE BIGGEST CHALLENGE.”**

**Pierpoint:** And Novartis.

**Kaizen:** Yes. Do clients seek you out or do you seek them out?

**Pierpoint:** One of the challenges is how to get new clients. My experience is that word-of-mouth is the best way.

**Kaizen:** Two of your major clients are pharmaceuticals?

**Pierpoint:** Yes. Novartis and AstraZeneca.

**Kaizen:** Novartis is out of Switzerland. What do you do for them?

**Pierpoint:** Like everybody else, they ship from their factories all over the world to Panama. From there we service their client-orders for the region, which is Central America, the Caribbean, Venezuela, Colombia, and Ecuador.

**Kaizen:** On the warehouse tour yesterday, Eduardo Lazarus showed me rooms where everything was taken out of boxes and labels

were applied. Is that another part of the service that you offer?

**Pierpoint:** That's a value-added portion of the service that isn't just moving the goods but doing something with the goods. The Standard Export Pack means that when the goods arrive to Panama, our clients don't necessarily know where they are going to go at the moment, so they are holding that inventory.

**Kaizen:** It could go to Peru; it could go to Guatemala.

**Pierpoint:** It could go anywhere. That's the beauty; it takes out the uncertainty of trying to anticipate what each country is trying to buy. But, in general, if you try to project on a regional level, the fact that one country may not meet that budget means that another country might take up that product so you don't have to worry; it smooths it out. You can say, “Okay, I expected to sell this much in this country and it didn't happen, but I have a country over here.” So they just shift that product.

What that means is that product can then be customized. In pharmaceuticals, the number one client in Latin America is the government. So government tenders tend to have specific requirements that require you to identify that the product is property of, say, the Honduran Social Security. So you have to do ink-jetting and labeling and that kind of stuff. That is what we do in that value-add portion that you saw.

**Kaizen:** And Payless Shoes. Did that client also come through DHL?

**Pierpoint:** Yes. At first we thought: shoes? Traditionally we had been a pharmaceuticals company. But that relationship has been tremendous. We've really developed systems: everything gets scanned in and out.

**Kaizen:** Payless is an American company?

**Pierpoint:** Based in Topeka, Kansas.

**Kaizen:** Though the shoes are manufactured in China, and then they come to Panama?

**Pierpoint:** The model before us was China to Long Beach, Long Beach to Topeka, Topeka to Miami, and Miami to the stores.

**Kaizen:** A lot of transfers.

**Pierpoint:** That was a very cumbersome supply chain. They saw Panama as an opportunity where it would be China to Panama and Panama to the stores.

**Kaizen:** Take a standard work week for you as a general manager. How do you typically spend your time? How much cultivating clients, dealing with existing clients, meeting with your board, on the floor?

**Pierpoint:** Dad taught me that the best kind of management is by walking around and visiting clients. One of his favorite things to do was to go see an operation, like Novartis's in

Europe. And he would always pick up something from walking around and just looking from the perspective of “What are you doing that I can copy and use in Panama?”

Once a month I have a board meeting. I will be in the office looking at results; meeting with the managers who handle the different operations. I have five executives under me, and each one is in charge of a different area: finance, quality, operations, technology, and human resources. We’ll review what is happening with the clients. What are the issues? There’s always a problem. We’ve got the push at the end of the month when we need to be able to ship everything out before the last day of the month in order to book sales. The last week is when the pressure is compressed.

**Kaizen:** How much travel is involved? Pay-less is in the United States, as is Procter & Gamble. Novartis is in Switzerland.

**Pierpoint:** In my dad’s days it was a trip to Switzerland to meet with Novartis. What the modern corporate world has tried to push that down to a regional level. So it’s meeting in Guatemala or Costa Rica or Bogotá with the regional managers.

Of course with Skype, email, and phone, there is not so much visiting. Maybe that is an area where I need to improve. There is still a huge value in face time and building relationships.

**Kaizen:** You talked earlier about the free zone and the history of the Panama Canal. There was a failed effort to build it in the 1880s. Why did it not work?

**Pierpoint:** Malaria and yellow fever. De Lesseps was the king of the world because he had done the Suez Canal. He figured, “Heck, I did it in Suez. Panama is the next narrow spot in the world where a canal is needed, and I know how to do canals. So let’s go to Panama and do it.”

**Kaizen:** But he underestimated malaria and yellow fever.

**Pierpoint:** Malaria, from the French *mal air*. People figured that it was the bad air from the swamp that caused yellow fever. Paradoxically, that was part of the lore from my great-grandfather. In the hospitals in Colón it was very typical to have little trays of water on the foot of each hospital bed because you didn’t want the ants to get into the bed. That little pool of water became a place where mosquitoes could breed. But they didn’t know any better.

**Kaizen:** The canal was built successfully and opened in 1914?

**Pierpoint:** Yes.

**Kaizen:** When did the American effort to build the canal begin?

**Pierpoint:** 1905.



Pierpoint overlooking the new Gatun locks construction

**Kaizen:** By then malaria and yellow fever had been figured out?

**Pierpoint:** Yes, during the Spanish-American War in Cuba—by Dr. Walter Reed, who has that army hospital in D.C. named after him. He, along with some Cuban doctors, figured out that the vector was the mosquito. That’s where my great-grandfather got involved, in the public health effort in trying to control the situation so that at least the challenge wasn’t going to be that workers were dying off. Incidences of death by malaria dropped precipitously.

**Kaizen:** Wonderful. There were other engineering challenges. The Atlantic and the Pacific aren’t at the same sea level, and the interior waterways are also at different levels. So they built locks on the Pacific side and on the Atlantic side, and flooded the middle to make a giant lake.

**Pierpoint:** The original design was to copy the French effort to make it sea level. One engineer started the effort, but it was a mess. There wasn’t much digging going on and, of course, the tropical environment made it difficult.

John Frank Stevens, the second engineer, came along. He was involved in building railroads in the American West. I think he worked on the effort to put a railroad through the Rockies, so he was a brilliant engineer. He came through and figured out: “Okay. What we need to do is to get the dirt out of here as quickly as possible.” He came up with some very innovative ideas—steam shovels and trains to move the dirt in a very efficient manner.

But his design was: “We aren’t going to do sea level. Let’s do locks.” The design is that 60% or 70% of the canal is the flooding of a river valley to create Gatun Lake. Then the portion of digging through the Continental Divide and out to the Pacific was the digging challenge.

Parallel to the digging was the creation of the locks and the flooding. That was the inaugural moment—the blowing up of the dyke in Gamboa where the Chagres River met the dyke. Once the digging portion was completed, water flooded in. That was in 1914.

**Kaizen:** Awesome. What was the nature of the business arrangement between the United States and Panama?

**Pierpoint:** There’s an interesting “black” legend of how Panama was created. Was it truly a bunch of Panamanian patriots who wanted to be free from Colombia? Or was it New York money that convinced and funded the revolution, and the United States backed them after Colombia said to the United States: “No. We don’t want to give you an option to build a canal.” The United States then chose the path of least resistance: “Well, if we can’t convince Colombia, let’s let Panama become independent and then we can negotiate with Panama and not with Colombia.”

One of the first acts of the Panamanian government was to sign a treaty with the United States to grant them, in perpetuity, a 50-mile wide by 50-mile long sector of the middle of the country to operate as they saw fit. So it was a piece of the United States in the middle of the Republic of Panama.

**Kaizen:** And that revolutionized world transportation.

How long does it typically take, to go from one end of the canal to the other end? And how much does it cost to send a ship through, depending on the size of the ship?

**Pierpoint:** The transit on average is ten hours. The cost can be all the way up to \$350,000 or \$400,000 for transit. The off-set of that is that, though that sounds like a lot of money, if I had

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Pierpoint (right) with Stephen Hicks

## SURSE PIERPOINT, CONTINUED

to go another way, those days of operation from the vessel makes the amount worthwhile.

**Kaizen:** In 1999 the U.S. formally transferred ownership of the Canal Zone to Panama, and a few years later there was a decision to expand the canal.

**Pierpoint:** Well, the original lock design—the Army Corps of Engineers said, “If this is going to last a hundred years, how big can boats get into the future?” That’s what is really amazing, the foresight of these guys to say, “Let’s make it really big. There is nothing on the drawing boards for that size, but we have to think long term.” So that is what we saw with the expansion: 1,000 feet long by 100 feet wide. People were like, “You’re nuts! That’s crazy! That’s way too big.” “Maybe it is now,” they replied, “but we don’t know what the future is going to be like.” That created what is known as the Panamax type of a vessel with the maximum weight and width that can fit through the locks.

**Kaizen:** The engineers back in the 20<sup>th</sup> century had good foresight, but nonetheless technology has advanced far and there are a significant number of super ships that can’t get through the current canal.

**Pierpoint:** Yes. So a few years ago, there was a national referendum. You know the movie *Cars*?

**Kaizen:** Yes.

**Pierpoint:** The rise of the interstate highway system in the United States meant that Route 66 was no longer the main road. I use that example to highlight the fact that the carriers, especially the container carriers, are looking to lower the cost per container of moving a boat around the world. So from the year 2000, Panama took over the Canal, they started to think: We are coming up on 100 years, and we need to widen the canal because we are seeing the trends in the industry. If we don’t widen it,

we’re going to be Route 66 instead of Interstate 40. In 2006, a national referendum was approved overwhelmingly by over 70 percent of the population.

**Kaizen:** This is a multi-billion dollar project.

**Pierpoint:** About \$5.5 billion. Two new locks and raising the level of the lake to have more water, deepening the draft for the bigger vessels—not just in the lakes, but in the approaches on both the Atlantic and Pacific sides coming into the new chambers.

**Kaizen:** Currently, how many ships can be in the system at a given time?

**Pierpoint:** Between 35 and 40 per day.

**Kaizen:** When the new locks open in 2014 or 2015, the current locks will still be in operation. What’s the anticipated number of ships that will be able to go through?

**Pierpoint:** They expect to be able to double the capacity.

**Kaizen:** Currently how much revenue does the canal generate in transit fees?

**Pierpoint:** It shifted over the years. The Americans always ran the canal on a cost-basis: “We are going to charge whatever it costs.” The Panamanian administration adopted a much more business-like attitude: “Let’s charge what the market will bear.”

One of the proud facts of the Panamanian administration of the canal is that what we’ve gotten from 2000 to 2011 far surpassed what we got from the United States as a stipend for running the canal from 1914 to 2000. We are talking about over a billion dollars last year that the canal gave to the national treasury. It is expected that when we double the capacity, it’s going to be more than two billion.

**Kaizen:** Most of that money gets invested in infrastructure?

**Pierpoint:** It goes into the kitty to deal with infrastructure: security, health, and education.

**Kaizen:** How is the rest of the world reacting to the Canal expansion? For example, it affects the ports on the west coast of the United States.

**Pierpoint:** There is a website called [beatthecanal.com](http://beatthecanal.com), which is an effort by a group of Californians worried about what the Canal is going to mean for Los Angeles–Long Beach traffic. It might mean up to 20 percent less movement through L.A.–Long Beach, which is the largest port in the United States. So they are very concerned about what is called the all-water route: Asia, through the canal, to the east coast of the United States.

Demographically, most of the U.S. population lives east of the Mississippi. China is the United States’ factory. All of those goods have to get to the east coast and right now, L.A.–Long Beach is the preferred destination.

**Kaizen:** Is the east coast of the United States prepared for more traffic and larger ships?

**Pierpoint:** The *Washington Post* had an article recently that is a good summary of the different ports. The Savannah River has to be dredged for the Port of Savannah; the Bayonne Bridge in New Jersey has to be raised because these larger vessels can’t currently come under the bridge. That article mentioned something like \$6 billion in different projects along these major ports, which are all vying to be the destination for these carriers. Miami is investing money; Savannah is investing money; Charleston is investing money; the Port of New York–New Jersey is investing money. They all want to be the place where those big ships will stop and off-load their containers. So they are competing for the L.A.–Long Beach market as well.

**Kaizen:** Fascinating. To come back to you personally: you have been GM at Colón Import–Export for 23 years. What will you be doing over the next few years?

**Pierpoint:** One of the challenges is to do the same thing my dad did. I came aboard right around the time he was looking to transition. Who’s going to replace me?

**Kaizen:** What will the transition involve?

**Pierpoint:** To bring somebody on board who will have five or six good years of training so that he will be in a position to take over.

**Kaizen:** A significant amount of what is done in your warehouses now is by hand. Do you see improvements in technology on your horizon?

**Pierpoint:** Kiva Systems was bought by Amazon. With Kiva, instead of a packer going to the product, the product is brought to the packer. Part of what I do as well is keep abreast of what is happening in the industry. It’s still the cost of the robot versus the cost of labor, and it’s still heavily in favor of the cost of labor.

**Kaizen:** You have interests outside of work, including your busy family, and you are on the Free Zone Users’ Association Board (FZUA).

**Pierpoint:** I got on the board in 1988, and I was very honored.

**Kaizen:** What is the FZUA’s function?

**Pierpoint:** It was created in 1980 as a place where all of the users could get together and have a channel to talk to the government. Every five years a new administration comes in, and that new administration, unfortunately, doesn’t know much about the free zone. The perception of the free zone is that we all have gold bricks in the warehouse and the streets are paved with gold—that there is a whole lot of money and it is the natural place to come get money.



*Allure of the Seas, the world's largest cruise ship, compared to the Titanic, and travelling through the Panama Canal*

**Kaizen:** Is educating each new administration straightforward? They can see the economic impact?

**Pierpoint:** We need to educate them because, while it is true that we're part of the country, we're not immune from losing competitiveness as more fees are tacked on. Then people start saying, "Why are we shipping to Panama? Why not just let it go through?" And you can do that today—China direct to Venezuela—without having to unload the container. And if that happens, you are talking about 30,000 people working in the Free Zone. The Canal's labor force is around 11,000 people. So we are three times the size of the Canal.

**Kaizen:** So you make the economic case, and typically administrations understand, but it has to be redone on a regular basis.

**Pierpoint:** Exactly. Every five years.

**Kaizen:** What have you enjoyed the most about being GM at Colón Import-Export?

**Pierpoint:** I accidentally got into logistics; but what is interesting to me is the international nature of the business, and how what you read in the newspapers impacts what we do. It really is a globalized world, and I'm a fan of current events.

**Kaizen:** Is there one area in your job as GM that you've consistently struggled with or found challenging? Or you wish that you didn't have to do it?

**Pierpoint:** The most important part is dealing with people, and that is the challenge. You have to be careful about everything that you say because it can be misinterpreted.

**Kaizen:** The skills and character that people need to be successful in business: people skills, clear communication, aligning incentives. Also being able to deal with frustrations, make gutsy decisions, admit mistakes, and so on. Which traits, in your experience, stand out?

**Pierpoint:** One thing that I've learned is that if you've made a mistake and it's going to be really expensive, you still have to say, "I screwed up." That's a hard decision. It's in line with business ethics: at the end of the day, you have to be as good as your word.

And the skill-set, I think, is just to be a guy who is very transparent and doesn't have a hidden agenda and is sincere. So one of the things I've tried to develop is empathy and try making the other guy understand what my situation is and to try establishing a relationship.

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**"I HAVE BEEN HERE FOR ABOUT 30 YEARS, SO YOU WOULD THINK, 'ISN'T THAT ENOUGH TIME TO HAVE LEARNED?' NO."**

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I think as you get older, you get tired. There is this natural cycle, and I'm an anachronism in the sense that I've been at the same job all of my life. What you need to do is be energized, and that is where innovation comes in.

**Kaizen:** You've mentioned several people who have been mentors to you in various ways. Is there any one piece of advice or a mentor who stands out in your mind?

**Pierpoint:** My father, obviously. It was a blessing to be able to work with him. Also Humberto, the life coach, and the Board of Directors who have been very supportive. Those constant conversations are especially important; they are always giving insights.

But one thing I learned from my father is: You have to be on time and you have to go the extra mile. Finish the job.

**Kaizen:** What advice would you give to young people about their careers and lives ahead of them?

**Pierpoint:** One thing I've struggled with—and I've realized I'm an old-fogey—is the fact that in the résumés you see today, young kids jump around. I have to understand that today that is good because you have to keep your options open.

But there is that saying that to be an expert at anything, you have to have spent 10,000 hours doing it. That's a long time. So you have to pick something that you like—and I'm not saying that I've loved being a logistician my whole life—but you learn to like it because you see the challenges and the opportunities to get better at it.

I don't know if you've seen the documentary, *Jiro Dreams of Sushi*. I highly recommend it. It's about a Japanese gentleman who owns a sushi shop in a subway station in Tokyo. It has a Michelin three-star rating, I believe. In the Michelin guide, that means it's worth going to that country to eat at that restaurant. He says, "I've been making sushi for 60 years, but I still feel like I'm not as good as I could be at making sushi."

I still feel like that: I have so much to learn. I have been here for about 30 years, so you would think, "Isn't that enough time to have learned?" No.

**Kaizen:** Always striving for excellence; always striving for improvement.

**Pierpoint:** Yes. Kaizen. [Laughs]

*This interview was conducted for Kaizen by Stephen Hicks. For more information about Surse Pierpoint, please visit his company's website (<http://www.colimp.com>). Our full interview with Surse Pierpoint will be posted at <http://www.ethicsandentrepreneurship.org/>.*



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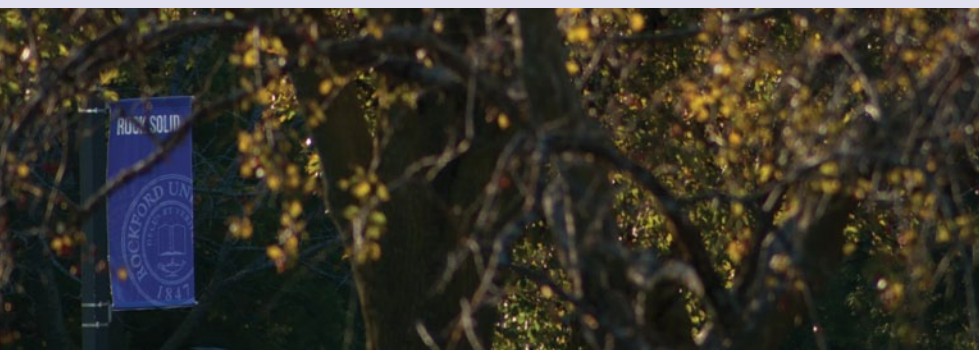
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