

KAIZEN

CONTINUOUS
IMPROVEMENT

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**GUILLERMO
YEATTS
INTERVIEW**

Page 1



**BERNARDITA
JENSEN
INTERVIEW**

Page 5

ALSO INSIDE

Entrepreneur Day
Professor Lewis
Guest Speakers:
Martin Coleman
Carrie-Ann Biondi

Newsletter of the Center for Ethics and Entrepreneurship at Rockford University

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INTRODUCTION: GUILLERMO YEATTS

Guillermo "Billy" Yeatts was born in Buenos Aires and studied at New York University and the Harvard Graduate Business School. He has worked for many companies, as an entrepreneur in SOL Petroleo S.A. (refining and marketing), Diamond Shamrock Boliviana S.A. (Bolivia; exploration and production of crude oil and gas); Cadesa S.A. (Tierra del Fuego; petroleum drilling), Joss S.A. (Buenos Aires; petroleum transportation) and as Chairman of Massey Ferguson Argentina (agriculture machinery), Ford (Dearborn and Buenos Aires), and Citibank (New York). He is the author of ten books about the petroleum industry and about the causes of poverty in Latin America. He was the recipient of an honorary doctorate in philosophy from Universidad Francisco Marroquín in 2013.

Kaizen: You've had a long career as an executive, entrepreneur, and author. But your story starts here in Buenos Aires?

Yeatts: Yes. I finished primary school in the United States in Danville, Virginia. My dad was born and raised there. My parents came to Buenos Aires in the early fifties. I finished my middle school and high school here in Buenos Aires.

I then spent two years in the University of Buenos Aires. Later I decided to go to the United States for college.

Kaizen: Where in the U.S. did you first go?

continued on page 2

STEPHEN HICKS, Ph.D.



FROM THE EXECUTIVE DIRECTOR:

Over 620 million people live in the twenty-six countries and territories that make up Latin America—almost twice the population of the USA.

The state of entrepreneurship in those countries varies widely—as do the prevailing cultural ethics—so it is appropriate that our featured interviewees can provide some insight.

Billy Yeatts of Buenos Aires, Argentina is a serial entrepreneur in manufacturing, finance, oil and gas, who has worked in a dozen countries. Bernardita Jensen is an education entrepreneur who has founded several schools in and around Santiago, Chile.

In this issue of *Kaizen*, we also report on our guest speakers, conferences, and publications in ethics and entrepreneurship, as well as the new entrepreneurship minor.

Stay tuned for news about our upcoming conference on *Educating for Entrepreneurship*, to be held at Rockford University in the spring of 2016.

At the Center, we continue to build up our collection of resources on entrepreneurship and business ethics. All of our previous issues of *Kaizen* are available there 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 also feel welcome to visit us online at www.EthicsandEntrepreneurship.org.

Yeatts: To New York University, where I got a bachelor's degree (B.S.) in finance and a master's degree in economics. Later, I was accepted as a Ph.D. candidate in economics, but I never completed it because I accepted a job in Argentina.

Kaizen: During your time in New York, you were also working?

Yeatts: Yes, I worked for Citibank in New York at their head office for six years in the commercial credit department, afterwards in the European district covering Italy and Vatican accounts.

Kaizen: What was your master's work on?

Yeatts: My master's thesis was on the automotive industry in Latin America, because the strategy in

“THIS IS WHAT CONSTITUTES CRONY ENTREPRENEURS PROTECTED FROM COMPETITION WITH A CLOSED MARKET.”

the 1960s was substitution of imports to create jobs and reduce imports from abroad. The effect of this was you had low sales volume and huge costs and therefore the creation of artificial industries that were non-competitive in the world markets.

Kaizen: Why did you pick the automotive industry for your thesis if you were working in banking?

Yeatts: I went on vacation to Argentina and saw about 30 assembly plants that were allowed to import provided they started manufacturing in a closed economy. As a result of this observation I said, “There is no way these will survive,” and in the end only five started manufacturing facilities. This was why I wrote my thesis on the auto industry. Later that year Ford came to interview college graduates, so I asked to be interviewed by them to inquire whether they were looking for college graduates in Argentina.

Kaizen: Why was Ford interested in a graduate student from Argentina?

Yeatts: I was an Argentine married to an Argentine and had lived there, so my potential relocation should be rather simple, and I knew a bit of the industry because I did some research for my master's thesis.

Kaizen: What did you see as a strategy in Argentina for the growth of an infant industry, and why would Ford be interested?

Yeatts: The thing I found interesting was the strategy of import substitution because you create local employment, reduce import requirements of the balance of payments. As a result, the cost of the vehicles was two or three times higher than in the States. The

reason for this was that local content requirements were between 70% and 90% for each vehicle, and in many cases you had a one-source supplier. This is what constitutes crony entrepreneurs protected from competition with a closed market. Close to the government, far from the market. This strategy was developed by the think tank CEPAL headquarters in Chile and applied throughout Latin America.

Kaizen: Was this the law that required local content and banned imports to allow local manufacturing to prosper?

Yeatts: Yes, this was a law. Under this scenario you create millionaires because there is no competition.

Kaizen: It becomes a seller's market—the person who has the regulation in their favor.

Yeatts: Correct. It's like going to the zoo to hunt.

Kaizen: Ford eventually sent you to Buenos Aires. What were you to do for them?

Yeatts: I was named supervisor of cash management and insurance. One of the first things I did was try to reduce our insurance cost. I cancelled 20 insurance

“THREE MONTHS LATER ON A SATURDAY, I SEE HAIL COMING DOWN. I WAS LIKE, ‘OH NO!’ I HAD CANCELLED HAIL INSURANCE.”

policies and started self-insurance. I received a lot of praise for reducing our cost on risks which were self-financing after a period of time.

Three months later on a Saturday, I see hail coming down. I was like, “Oh no!” I had cancelled hail insurance. [Laughs] There were about 1,000 cars out there. I called everyone in to look at what we had left as insurance coverage. We still had thunderstorm insurance, so we tried to understand if the hail caused the damage or the wind which had propelled the hail against the vehicles. We built a case that it was the wind and thunderstorms that caused the damage, not hail. We had a lot of evidence in the district that wind had thrown many trees, lampposts, and advertisement signs.



An oil rig in Tierra Del Fuego, Argentina.

Kaizen: You were trying to squeeze it under your thunderstorm policy since you didn't have the hail insurance.

Yeatts: We had the hindsight to keep thunderstorm and wind. We told the pilot insurance company that the damage was coming under thunderstorm policy and it was for them to challenge it; but if they did, they might suffer from a claim of unrealized profits because of the delay in sales of the damaged inventory.

Kaizen: Did the insurance company go for it?

Yeatts: Yes, I had proof of the damage caused by the wind and storm. They accepted our evidence, and we got the check for the damage.

I went to see my boss, thrilled with the check. He looked at the check and asked me, “What am I supposed to do with this? Stop the production line and the paint tunnel to get these cars fixed? You better get your act together if you do not want to be a satellite.”

Kaizen: So you were almost back to first base?

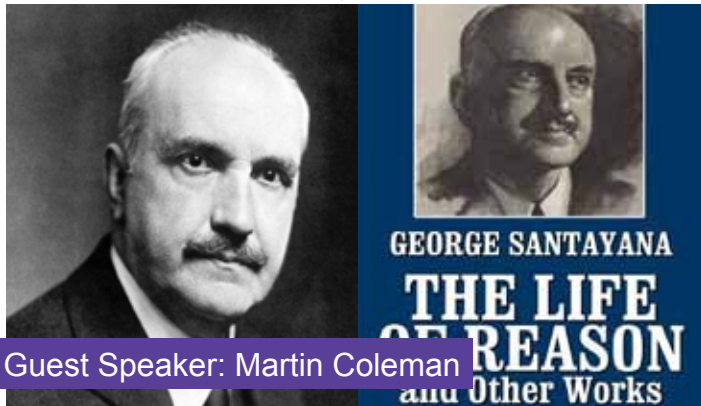
Yeatts: Yes. I could not sleep that night, but the next morning I said, “I have the money”—the check was not deposited—and figured out that this represented a 35% discount of the price list for a new Falcon. I saw the marketing director and said “Let's have a sale with a 35% discount.” The options would be that the dealer or the customer fixes the bumps, and they individually negotiated the split of the discount. Let the market work it out. The plan was accepted, and it increased market share and future sales of the after-market for more vehicles.

CEE NEWS



High School Entrepreneur Day

At the annual High School Entrepreneur Day, over 100 Rockford-area students participated in workshops with Rockford University professors and area entrepreneurs. Students learned about entrepreneurial traits and the business tools needed to start one's own business successfully.



Guest Speaker: Martin Coleman

Dr. Martin Coleman, an expert on philosopher George Santayana (he of "Those who cannot remember the past are condemned to repeat it" fame) visited RU from the Indiana—Purdue University in Indianapolis and spoke on "Celebrating the Death of Another Person."



Guest Speaker: Carrie-Ann Biondi

Dr. Carrie-Ann Biondi, winner of Marymount Manhattan College's 2012 teaching excellence award, spoke at RU on "Mike Rowe and Ayn Rand: Somebody's Gotta Do It." Her talk focused on actor Mike Rowe of "Dirty Jobs" and "Somebody's Gotta Do It" and what those programs show about productiveness as a virtue. According to Professor Biondi, "There is no such thing as clean or dirty work, but rather work done either well or poorly."

Kaizen: So everybody ended up happy. Did you also reinstate the hail insurance?

Yeatts: No. In the previous 30 years there was no hail.

Kaizen: It was a one-off then. How long were you with Ford?

Yeatts: Six years. I went back with Ford to the Dearborn Head Office to the Profit Analysis Department for Latin America. That's the area where the affiliates come up from Latin America to review performance of the past year against the approved budget and submit next year's budget for approval.

Kaizen: Your wife is Argentine?

Yeatts: Yes, and we had four small children. My wife wanted to go back to Argentina. Ford did not want to send me back.

Kaizen: Were you locked in?

Yeatts: No. It's a free labor market. I sent out about 100 résumés.

Kaizen: To companies here in Argentina?

Yeatts: No, to companies based in the U.S. with operations in Argentina.

I got three job offers, and I finally took a job with Atlantic Richfield as Overseas Financing Manager, after turning them down twice because I did not like the Vice-President in charge of Personnel. At the time I turned them down, I had two job offers (Massey Ferguson and Xerox). I later called them to tell them I had accepted Atlantic Richfield.

Kaizen: How old were you at this point?

Yeatts: I was 38.

Kaizen: Did you ever see the Vice-President in charge of Personnel?

Yeatts: No, I never did.

Kaizen: How did you get back to Argentina?

Yeatts: A year later they called me from Massey Ferguson. MF had bought the company Hanomag Argentina, which we had discussed previously, and they offered me the job of Financial Director and Board member. The salary was 50% of my existing salary. I said I was not interested in the job or the salary. I said I would accept the offer of Chairman of the Board and a salary twice the amount offered, plus a defined performance bonus. ...

To read the rest of the interview with Guillermo Yeatts, visit www.ethicsandentrepreneurship.org/kaizen/. This interview was conducted for Kaizen by Stephen Hicks.

INTRODUCTION: BERNARDITA JENSEN

Bernadita Jensen is founder and rectora of the Pucalán Montessori School in Colina, Chile. Before founding Pucalán Montessori, Jensen studied at the Houston Montessori Center and founded three other Montessori schools in Chile. We met with Jensen to discuss her passion for education and the Montessori method.

Kaizen: Where in Chile were you born?

Jensen: In Santiago, but I lived in southern Chile in my childhood and adolescence in Temuco. It's beautiful and similar to western Canada.

Kaizen: Chilean Patagonia.

Jensen: Yes, near Patagonia. As a young child I lived on a farm in a beautiful place with trees, volcanoes, and lakes. It was marvelous.

Kaizen: What was your education like?

Jensen: My schooling was traditional. Nevertheless, for me the farm environment was very important, and my mother had a significant role in my education. She gave me more confidence. She was a very creative woman. In my childhood I played a lot, read a lot, imagined a lot, and dreamed a lot.

Kaizen: Was it a small town or big town?

Jensen: It was a small town.

Kaizen: And so your formal education was traditional Chilean schooling?

Jensen: Yes. It was a typical traditional education with very little space for personal initiative. However, in high school I had a very fantastic teacher who was Japanese. His name is Josuke Kuramochi. My life changed with this teacher.

Kaizen: What did he teach?

Jensen: Spanish literature.

Kaizen: And you were reading a lot, so you were the right student for that class and that teacher?

Jensen: Exactly.

Kaizen: You say it was life-changing. In what way? When you were a girl, were you thinking that you would become a teacher or go to university?

Jensen: My life was changed because he was a teacher who truly knew me and helped me to develop a deep sensitivity. He helped me learn to love reading and also brought out in me leadership skills. I learned from him to love what I do. I also learned to value diversity from him, being the open and accepting person he is.

When I was a girl, I liked education and psychology.

I'm not sure, but I think I studied education because of the influence that my teacher had on my life.

Kaizen: And what age were you when you took the course with him?

Jensen: I was seventeen.

Kaizen: In that time, were you thinking about becoming a teacher?

Jensen: Though I wasn't sure I would be a teacher, I had by that point begun thinking about teaching. My passion was always to work with people, even better with children or adolescents.

Kaizen: Did you go to university immediately?

Jensen: Yes, in Santiago at the Catholic University. I studied psychology for two years and studied education for four years.

Kaizen: And you graduated with a diploma that enabled you to become a teacher?

Jensen: Yes.

Kaizen: Did you at this point have any work experience other than on the farm?

Jensen: I had, as a young adult, some experience working as a volunteer in areas of social work.

Kaizen: Did you immediately become a teacher after finishing university in Santiago?

Jensen: Yes, and I also began to study Montessori education in Santiago and then in Mexico. I was simultaneously working and studying: both in the field of education.

Kaizen: How did you first hear about Montessori?

Jensen: At the university. In a methodology course, I had to study a current pedagogy and, by happenstance, the topic that chose me was Montessori education. I had been intuitively drawn to Montessori studies and had even found a book by Maria Montes-





Students in music class at the Pucalán School in Colina, Chile.

sori in the library and had resonated with it.

Kaizen: Completely independently?

Jensen: Yes. I found that book and read it—and then I read all Montessori books in the library every day.

Kaizen: Were the ideas in Montessori similar or different to your formal education for teaching?

Jensen: Completely different. Despite amazing and sincere professors my university courses on pedagogy weren't true for me, but Montessori changed all that.

Kaizen: So you wanted to be a teacher, but you didn't like what you were being taught and you were looking for other alternatives.

Jensen: Yes. I loved the kids but not the curriculum in university.

Kaizen: You said you got some formal Montessori training in Santiago. Where?

Jensen: Exactly. I studied in Centro de Estudios Montessori Chile with Mexican or North American teachers who came to Chile to teach us. This would have been in the early '90s.

Kaizen: And then you went to Mexico for further training?

Jensen: That's right.

Kaizen: There is a formal certification process for Montessori?

Jensen: Yes. In the United States I studied for three years. I travelled during my vacations in the summer program to the Houston Montessori Center. I studied

in the middle and high school program there.

Kaizen: Your interest as a teacher was at the high-school level primarily?

Jensen: Somewhat. I did study the Montessori Method for elementary and middle school as well as high school students. My interest, more than a specific age, was to see the complete development of the child. I understood from this that Montessori is not just a method but an educational philosophy.

Kaizen: So you were working in Santiago and self-studying Montessori

and then going for formal training as well. How many years altogether did this take from university to the time you finished your training in Houston?

Jensen: I studied at university from 1984 to 1990. From 1990 to 1995 I worked and studied Montessori. I studied in Houston from 1999 to 2003.

Kaizen: That's a long time. During all of that time when you were working were you teaching in a high school in Santiago?

Jensen: No, first I taught upper elementary, ages nine to twelve. And then I studied the adolescent program and worked with adolescents. Before the current Pucalán School, I co-established three other Montessori schools in Santiago.

Kaizen: When did you start your first Montessori school?

“MY INTEREST, MORE THAN A SPECIFIC AGE, WAS TO SEE THE COMPLETE DEVELOPMENT OF THE CHILD.”

Jensen: In 1991.

Kaizen: Soon after finishing university. Who were your partners?

Jensen: Elena Young. She had a solid background in Montessori for young children, after having studied in the United States. She was an important woman in Chile promoting Montessori education. Elena and I formed one of the first Montessori schools in Santiago: Huelquen Montessori School.

Kaizen: Were other people involved?

Jensen: Yes, there were three other teachers. It was very small. There were only twenty students in a little house with no back yard for play, so we would go to the town square for recess and the children would climb the trees, play hide-and-seek and other games.

Kaizen: You said you founded three schools. Did the first one fail?

Jensen: No, it's still operating. I took time off because I had my first child, and then I formed the other schools with other people. The second was formed in conjunction with the Boy Scouts. Are you familiar with Boy Scouts? Montessori and Boy Scouts—they have ideas that work quite well together.

Kaizen: Starting chapters and different troops?

Jensen: Yes, with the Chilean Association of Boy Scouts.

Kaizen: So you started one in Santiago, and that was successful. Then you had your child and took a year off before starting your second one.

Jensen: Yes, exactly. I was also always studying and deepening my understanding of Montessori education.

Kaizen: Who were your partners for your second one?

Jensen: I started the second school with Paola Bianchi. She was another Montessori teacher, who had studied Montessori for elementary age children with the AML in the United States.

Kaizen: Was this school similar to the first with just a few teachers?

Jensen: Yes, it was the same.

Kaizen: And how long before you started the third one?

Jensen: Three years.

Kaizen: Same story? The second school was also successful so you started a third one?

Jensen: Yes, pretty much. I moved from Santiago to a more rural area outside of the city, and the parents knew me and asked me to start a new Montessori school there. ...

To read the full interview with Bernardita Jensen, visit www.ethicsandentrepreneurship.org/kaizen/. This interview was conducted for Kaizen by Stephen Hicks.



Professor Caleb Lewis on the new Entrepreneurship minor:

What is the entrepreneurship minor?

The minor consists of classes covering topics in business and coursework in the student's

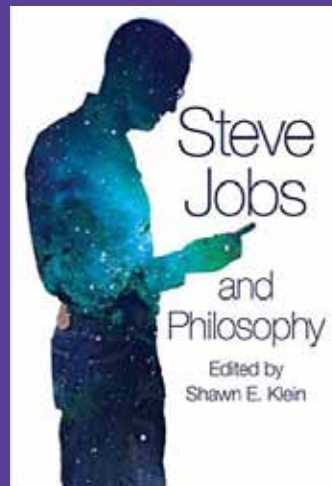
major. It is intended for the non-business major who would like to learn more about the business world and the role of their major in that world.

Why should non-business majors consider minor in entrepreneurship?

The fact is that all students will participate in the economy to one extent or another. The would-be shop, studio, or restaurant owner does so very directly but so does the employee of any business or not-for-profit. This minor helps students translate their skills into the work world and improves their ability to pursue their professional goals.

What does the minor require?

The minor requires 19-20 credits, one course of which can come from a student's major. The goal is to expose students to key ideas from management, economics, and accounting which will help students participate in today's modern business environment as entrepreneurs and professionals in their fields.



Publications:

Professor Shawn Klein published an edited volume titled *Steve Jobs and Philosophy*. "Jobs was an outstanding achiever and a complex man with serious faults. This book is neither demonization nor hagiography. It is not intended as indictment or apology. The chapters are philosophical examinations

from different points of view, of Steve Jobs's life and work, and their impact on our culture and the way we live." The book includes 16 essays and is part of Open Court Publishing's Popular Culture and Philosophy series. Professor Stephen Hicks contributed the essay "How Can We Make Entrepreneurs?"

In the next Kaizen



Feature

Entrepreneurship
in England

Lall Singh

Also

Guest Speaker

Douglas Rasmussen
Conference
Entrepreneurship and
Education

Kaizen is published by the Center for Ethics and Entrepreneurship at Rockford University. Founded in 1847, Rockford University is a four-year, independent, coeducational institution offering undergraduate and graduate degrees in traditional liberal arts and professional fields. The University offers over 80 majors, minors and programs, a return-to-college program in management studies, and masters programs in business and education. For more information, please visit us at Rockford.edu.