

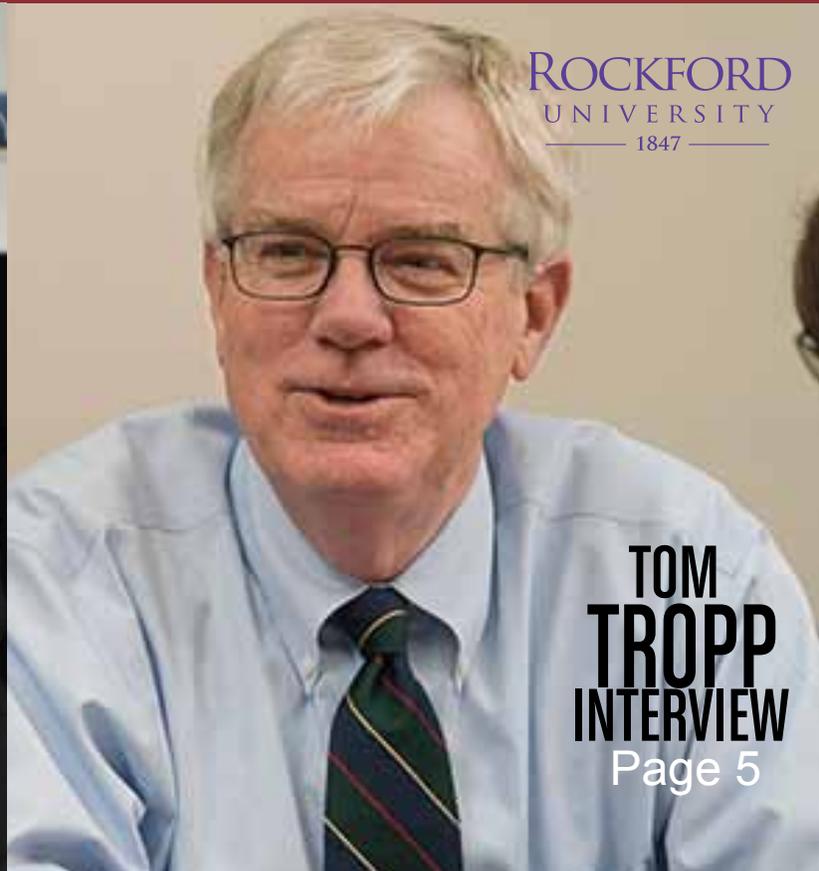
# KAIZEN

CONTINUOUS  
IMPROVEMENT

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Newsletter of the Center for Ethics and Entrepreneurship at Rockford University

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## INTRODUCTION: ROBERTO SALINAS-LEÓN

**Kaizen:** Did you grow up in Mexico City?

**Roberto Salinas-León:** Yes, in Mexico City. I went to high school here under a British system at a school called Green Gates. It's a very fine school.

**Kaizen:** Is there a business background in your family?

**Salinas-León:** Strong business background. We're from Monterrey originally. My grandfather became a very important figure in Mexican business. He was basically the man who introduced popular retail here in Mexico through a chain store called Salinas y Rocha, with the Salinas and Rocha families.

He was a very brave man—he ran a series of almost-secret seminars, because it was very unpopular in the late 70s and early 80s to be talking about freedom ideas when the banks were nationalized.

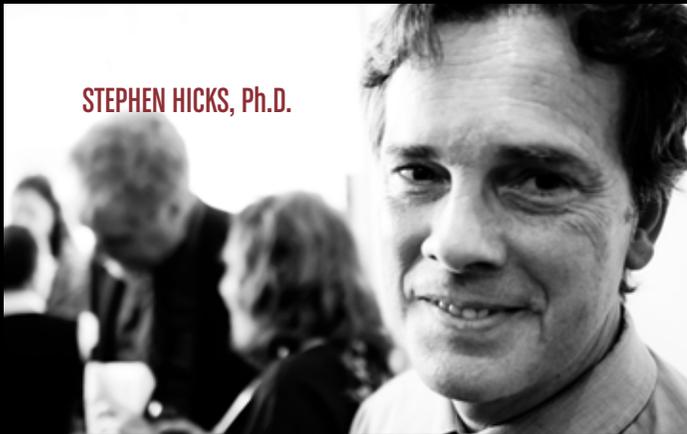
**Kaizen:** How repressed was the political environment then?

**Salinas-León:** It was the perfect dictatorship, because it was repression without seeming to be so—an indirect and sophisticated form of repression. If you said anything against the president or something they didn't like, it could be anything from a tax audit—to being kidnapped for three days without knowing why—to outright violence.

**Kaizen:** Your family was in Monterrey but you're now in Mexico City.

**Salinas-León:** My grandfather came to close a store that was not doing well in Mexico City. Instead he started opening more. He had an out-of-the-box entrepreneurial spirit.

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STEPHEN HICKS, Ph.D.

## FROM THE EXECUTIVE DIRECTOR:

We have two feature interviews in this issue of *Kaizen*—one with entrepreneur Roberto Salinas-León, whom I met with in Mexico City—and one with corporate vice-president Tom Tropp, whom I talked with after his guest lecture here at Rockford University.

In this issue of *Kaizen*, we also report on our recent guest speakers: Dr. Gregory Sadler on Stoic ethics and leadership, and Dr. Laura Grube on how communities do (and sometimes do not) recover from disasters such as Hurricane Katrina.

Our second Entrepreneurial Education conference had speakers from Argentina, England, Canada, and five US states. Plans are in the works for our third Entrepreneurial Education conference, so mark your calendars for March 2018.

At the Center's site, we continue to build up our collection of resources on entrepreneurship and business ethics. All 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 visit us online at [www.EthicsandEntrepreneurship.org](http://www.EthicsandEntrepreneurship.org).

## STEPHEN HICKS'S PUBLICATIONS:

*Nietzsche and the Nazis* was translated into Portuguese in 2017.

"Entrepreneurship's Relationship to Corporate Social Responsibility" was published in Hualiang Lu, René Schmidpeter, Nicholas Capaldi, and Liangrong Zu, editors, *CSR, Sustainability, Ethics & Governance: Building New Bridges between Business and Society*. Springer Books, 2017.

"Nancy MacLean's Postmodern Rhetorical Strategy" was published by the Foundation for Economic Education, August 2017.

"Does Kant Have a Place in Classical Liberalism?" was published by *Cato Unbound*, October 2016.

Selling household goods to the popular levels of society seemed counterintuitive, but he discovered an important niche.

**Kaizen:** As a teenager, was your idea to go into the business?

**Salinas-León:** I had no idea. Originally I wanted to study Geography or History. My education was geared toward the liberal arts. I didn't want to leave Mexico, but I also wanted to enjoy the opportunities the USA afforded, or perhaps apply to a university in Britain.

**Kaizen:** You went to Hillsdale College in Michigan for a liberal arts degree, and then to graduate school in philosophy at Purdue University, Indiana.

**Salinas-León:** That was also an unusual episode. I wanted to go to law school, but I was never good at standardized testing. And despite having an excellent

**"Today's entrepreneurial spirit has to be out of the box and innovative. Think of the impossible"**

academic record, some of my targets did not accept me. In philosophy, I got a scholarship at Vanderbilt and at Purdue. Purdue was also close to Hillsdale.

**Kaizen:** You took a break after you Master's?

**Salinas-León:** By a very unfortunate coincidence, this was the year of the Mexican earthquake in 1985. I went back home. I took a year off and worked for my father. Purdue called and said to come back. I didn't want to go back, and my parents sat me down and told me to go back and finish. So I did.

And at that time Luis Pazos, probably the most important classical liberal in Mexico, had become a superstar because of his predictions about what would happen if you nationalized the banks, controlled the exchange rate, and printed money. All those catastrophes came true, and he became a source of wisdom. I came back to Mexico to work with him, just at the time the Salinas de Gortari administration came into power, and instead of talking about nationalizing industries they were talking about privatizing industries. Instead of regulating, they were talking about deregulation. And instead of protectionism, they were talking about NAFTA and free trade. I wasn't prepared in economics at the time.

What marked my difference was that I grew up bilingual. I was the only one at the institute with command of the English language. So NAFTA comes along and CNN and *Time* wanted interviews, and I was the guy.

**Kaizen:** Let's pause. What would you advise young people when they're thinking about their education experience?

**Salinas-León:** Not to predefine your interests and to let trial and error take place and learn what you like.

**Kaizen:** Our Center emphasizes entrepreneurship. Should students think of their education as entrepreneurs?

**Salinas-León:** To be a successful entrepreneur, you need a broad scope. A course on Shakespeare's political plays can also teach you a great deal. A course on Lao Tzu's philosophy can too. So can learning to read Hume because it broadens your mind.

Today's entrepreneurial spirit has to be out of the box and innovative. Think of the impossible. Think of the heroes of today, whether it's Steve Jobs and the magic he created, or Elon Musk wanting to travel to Mars and everyone laughing at him. Those are the people who today are changing the world.

**Kaizen:** Let's transition to the Mexico Business Forum. You were its president.

**Salinas-León:** The Mexico Business Forum was part of the Economist corporate network and the Economist Intelligence Union. For thirteen years I ran their conference program here in Mexico. The idea was to transmit themes that we wanted to permeate policy action, whether it was a flat tax being a good idea or a sound currency or central bank independence or flexible or fixed exchange rates. We had healthy debates and a tremendous amount of exposure.

**Kaizen:** What about grassroots entrepreneurship?

**Salinas-León:** Very much so. Much more in the past, especially the small-sized entrepreneur. One future project I have is to develop a series of cases and show anecdotally why Mexico doesn't grow at the rate that it has the capacity to. We should be growing at seven or eight or nine percent.

**“The tragedy of an informal economy is that it's incredibly innovative but it's necessarily local.”**

Many young men and women here who go out into the streets and sell you entertainment, or if it's raining sell you an umbrella, or if it's September, the month that we celebrate our independence, they'll sell you flags. Right now it's Halloween so they'll sell you masks of Donald Trump or Dracula or Batman. They're extremely innovative and inventive, and they do it at the margin of the law. Even cars that park here and sell taquitos and cerveza—instead of going to the Four Seasons restaurant you come here and have a beer and a paper plate of taquitos.

But those people need light and water and police protection.



Roberto Salinas-León

Now, the tragedy of an informal economy is that it's incredibly innovative and has a tremendous entrepreneurial spirit, but it's necessarily local. It will never expand. You can't capture economies of scale. If you get into a dispute, you can't have access to the legal system.

**Kaizen:** What about corruption?

**Salinas-León:** Something as simple as: Why do the 3,800 local municipalities in Mexico have the right to issue construction permits? That's become a medium of extortion. All the stories you've heard about Wal-Mart bribing here in Mexico are absolutely true. And it wasn't just one, it was every single one of them. Otherwise you cannot get ahead.

**Kaizen:** It's systemic corruption at the local level.

**Salinas-León:** Yes. Construction permits should be issued by an independent and credible decentralized or non-profit organization with very specific tracking mechanisms. In the USA there are cities where you can go online and track permits like you can track a package being shipped. We need that technology in Mexico.

**Kaizen:** About Mexico's ties to the US: From our perspective we get many entrepreneurial Mexicans. From the Mexican perspective, is that a brain drain problem?

**Salinas-León:** No question about it. Despite the odds and having to cross the border illegally and swim across the river and go through the coyote industry, which is extremely dangerous, like the mafia, that cross you over the border. You have the danger of suffocating in the Arizona desert because you're left inside a truck when the coyote escapes to save his own skin.

One took himself and his mother and grandmother's recipes into the USA and ended up in Chicago. He started off as a dishwasher. Chicago has a huge Mexican population. Mexico City and then L.A. and then Guadalajara, and then the fourth largest Mexican populated city is Chicago. He started as a dishwasher and became a cook and discov-

# ENTREPRENEURIAL EDUCATION CONFERENCE

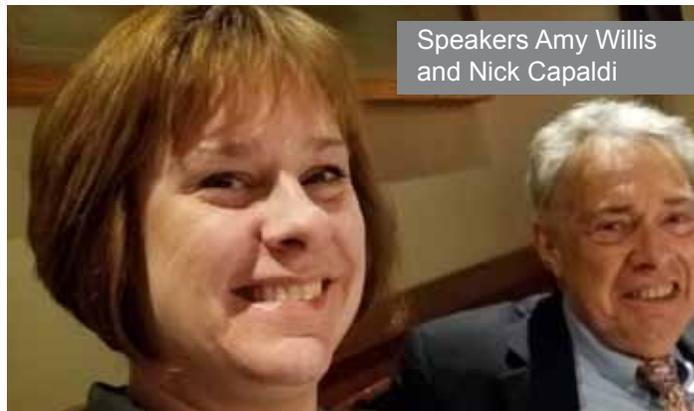
The conference  
in Regents Hall



Speaker Peggy O'Neil



Stephen Hicks and  
speaker Terry Noel



Speakers Amy Willis  
and Nick Capaldi

75 students and other guests attended our second annual conference on **Entrepreneurial Education** in March. The two-day conference featured nine educators and entrepreneurs from the U.S., Canada, England, and Argentina. The conference was made possible with support from the John Templeton Foundation and the Institute for Humane Studies.

ered he has a flare for it. Years later he gets a group of investors and starts his own restaurant called Mexique. It's the only Mexican restaurant in the world with a one-star Michelin.

**Kaizen:** Wow.

**Salinas-León:** Another example is a man they call Dr. Q. He was a tomato picker who went from Mexico where he picked tomatoes to California where he picked tomatoes. Turns out he had enormous knowledge of neuroscience and medicine, and today he's a globally famous expert at a hospital in San Diego where those same hands that used to pick tomatoes are now going into brains to operate and take out cancer.

Tell me, do I want that human capital in my country? We don't need a wall. We need incentives to bring them back.

**Kaizen:** What about business opportunities for young American and Canadian entrepreneurs coming to Mexico? Do you recommend finding a local partner?

**Salinas-León:** Definitely. I'd say two things. Don't listen to what you hear, and study the facts. Mexico is the second

largest trading partner of the United States. Mexico is the number one supplier of auto parts to the United States in the world. Mexico trades more with the United States than Germany, Britain, and Japan put together.

Instead of thinking of North America as three different countries, think of it as one integrated zone. That's what NAFTA was supposed to be. We could have an integrated energy corridor could supply the rest of the world energy for the next 150 years.

**Kaizen:** To bring things to a close, is there a lesson that has been useful to you over the years?

**Salinas-León:** Come back to first principles. The mental clarity about economic principles, for instance, has been incredibly useful. Excuse my French, but it really sharpens your nose for bullshit. Sticking to first principles, but not because I know more than everyone else.

*To read the rest of the interview with Roberto Salinas-León, visit [www.ethicsandentrepreneurship.org/kaizen/](http://www.ethicsandentrepreneurship.org/kaizen/). This interview was conducted for Kaizen by Stephen Hicks.*

## INTRODUCTION: TOM TROPP



*Tom Tropp is the Vice President for Ethics and Corporate Culture at the AJ Gallagher Corporation based in Chicago, an international insurance firm with over \$5 billion in revenue annually.*

**Kaizen:** Thanks for being here to talk about how you do ethics and corporate culture at Gallagher.

**Tropp:** You're welcome.

**Kaizen:** Insurance provides a valuable service to people, but is an industry that sometimes has a shady public reputation. What steps do you take at Gallagher to counteract that notion?

**Tropp:** The insurance industry has that image. There's a joke about how solitary confinement for a month is punishment, but worse than that is to be locked in the cell with a life insurance salesman for a month.

**Kaizen:** It would feel like eternal punishment?

**Tropp:** Right. The business does have that impression because people don't like to buy insurance, but they know they have to. And a huge percentage of people that buy insurance never claim, so they look at that money as going out the door and of no value.

The actual fact is no business in existence can operate without insurance. It's not a matter of if you'll have a claim, it's when you'll have a claim. Businesses simply always have claims of various types, whether it's worker's compensation or fire damage or liability suits.

One thing you assume in our business is that you will have some negative feelings toward what you do, but then it's

**"In our business you will have some negative feelings toward what you do, but it's offset when the claim happens."**

offset when the claim happens. If you have good coverage, and the broker has done a good job, and you're brought back to whole again, then you appreciate it.

**Kaizen:** Absolutely. You work for AJ Gallagher, the third largest insurance brokerage firm in the world. Tell me about the company.

**Tropp:** The company is publicly traded, New York Stock Exchange. 25,000 employees in 34 countries. We have four divisions in the company. One division does property casualty insurance. One does employee benefits insurance, health insurance, life insurance. One does surplus

lines insurance, which is a term that means secondary market, so insuring a dynamite factory. Normal insurance companies don't do that. Surplus lines carriers do. Then, that group moves into things like Lloyd's Coverage, Lloyd's Brokers in London. We have about a thousand people in our London office doing nothing but Lloyd's Brokerage throughout the world.

Then, the fourth division is a claim handling division called Gallagher Bassett. Gallagher Bassett handles claims for captive insurance programs, for self-insured programs, very large companies that actually form their own insurance company and then hire Gallagher Bassett to do the claims. Structured in that fashion, 90 years old. Started in 1927 and still going strong.

**Kaizen:** About \$5.6 billion in revenue?

**Tropp:** We'll be five billion in revenue this year.

**Kaizen:** You threw out a market capitalization number.

**Tropp:** \$9.9 billion market cap as of 3:00 this afternoon.

**Kaizen:** Moving into 10 billion.

**Tropp:** It's going to need a couple more points and we'll be there.

**Kaizen:** A couple of interesting things about Gallagher: One is Gallagher is unique in how it handles ethics within the corporate context. Another is that you are a unique individual. You came to Gallagher through the insurance business but you also have the formal ethics background. Tell me your insurance story. How did you get your start in the business?

**Tropp:** After college I taught school for four years and then went to work for an insurance brokerage firm for seven years.

**Kaizen:** In Illinois?

**Tropp:** Yes, Chicago.

**Kaizen:** You went to Loras?

**Tropp:** I went to Loras College in Dubuque, Iowa, as an undergraduate.

**Kaizen:** What was your major?

**Tropp:** Speech and Drama.

**Kaizen:** Ah, a natural fit.

**Tropp:** Yes. Works perfectly for the insurance business.

**Kaizen:** You can be a sales guy.

**Tropp:** Right. After teaching, I went to work for an insurance brokerage firm in Evanston, Illinois. I worked there for about seven years and then left in 1981 to start my own





Tom Tropp

company from zero.

**Kaizen:** You were in your 30s?

**Tropp:** Thirty five, I guess. I was at that company for 26 years and built it up. In 2007, I sold the company to Gallagher, but five years before that, in 2002, I went back to school at the University of Chicago.

**Kaizen:** This is the ethics side.

**Tropp:** Yeah. I worked on a Masters of Religious Ethics from the Divinity School. I think it's important studying ethics that you study theologians as well as philosophers because for so many years, in the Middle Ages, there were no philosophers. There were only theologians writing about thinking and values. I spent five years, part-time, at Chicago. I finished that degree in June of 2007 and, at that same time, sold the company to Gallagher. Pat Gallagher, our CEO and Chairman of the Board, and I had

**"I began hearing, 'It's unethical that you're sending jobs to India.' That's not what we were doing."**

been friends for many years. We grew up in the business together. He knew the work I was doing, the writing and the speaking I was doing on corporate ethics, the work I was doing at the university.

He did not have an ethics officer. He had a legal officer and that's where ethics was handled. He and I really experimented with this. We created the job that I have, but we didn't know what it was going to do. I started out by just going around visiting some offices and talking to people about ethics and listening.

**Kaizen:** This is around 2007?

**Tropp:** Yes. By 2008 we were pretty much in full swing.

I would sit people in a room and ask them about ethics and are we an ethical company and then talk a little bit about what that means. All kinds of other issues were coming up. Things that don't fall into the area of ethics.

Problems about our computer system: "You know what? The computer system, they didn't give us good training on it so we don't know how to use it," or, "We don't have good vacation," or, "Our vacation packages are confusing. They're difficult to deal with," or, "My supervisor is incredibly rude to the other employees and that shouldn't be." These things were surfacing in these meetings in the offices. I would go

back and sit down with Pat and say, "Here's what's going on out there." It was intriguing because communication in a big company—vertical communication—is not good. There are roadblocks.

Here was an opportunity for someone representing the CEO to come and sit in the office and have people talk to me. The thing that tipped it over more than anything else was, at about that same time, we began a small backroom service operation in India to do backroom processing for various different parts of the company. That had just gotten started, and I began hearing in probably 50 to 70% of the offices people say to me, "I think it's unethical that you're sending jobs to India." That's not what we were doing. We weren't sending jobs to India. We were enhancing the work that folks could do to raise the level of what they were doing, taking that processing stuff off their hands. As I would come back and share that with Pat, he would say, "Really? Unethical?" Yeah. What that told us was that it wasn't being communicated properly.

**Kaizen:** It's an optics issue.

**Tropp:** Yeah. All of a sudden, the things I was hearing in the field went way beyond what we originally thought they would.

**Kaizen:** May I interrupt you? In 2007 and 2008, you're feeling your way around what the position might be, and what you're doing is a lot of listening. You don't have a top-down agenda for how you're going to do ethics. You're exploring the territory, seeing what kinds of issues there are.

**Tropp:** Yeah.

**Kaizen:** That's interesting.

**Tropp:** The job began to form itself. The first thing we realized was that people would talk to me when I went out. There are several reasons why they would. Number one, I'm not a hired person to talk to. Number two, I was coming

# GUEST SPEAKERS

from the Chairman's office, so people figured this is a guy you better talk to because it's getting straight to the top of the company. We determined this is valuable to have someone out there, and not just some person buried in the HR Department. Someone from the Chairman's Office coming in and saying to people, "I want to hear what we're doing well but I also want to hear what we're doing poorly." An interesting thing began to happen. The company was half the size of what it is now.

Word spreads quickly in companies no matter how big they are. I would go to an office in the early years and people would say, "Well, this is a real problem for us. Is there any way we can get this fixed?" I would say, "Let me look into it." Two weeks later, it was fixed.

**Kaizen:** You're an expeditor.

**Tropp:** That's right. Now, I'm scheduled to go to an office in Oklahoma City. Someone in Oklahoma City talks to someone in Boston who will say, "He's coming out? Hey, when he was here, he fixed that problem for us in two weeks." "Really?" Now, all of a sudden, credibility begins to build. Then you get a little bit of a backlash from certain managers who say, "Wait a minute. He's coming in here and stirring up dust."

**Kaizen:** A turf issue.

**Tropp:** Yes. As a matter of fact, I am coming in to disturb dust. If you don't like it, call Pat. It began to build on its own.

The next thing we did was to try to see what other companies were doing. I started looking out to see what's out there, resources that are out there, and began to find different organizations that were studying and publishing in the subject of corporate ethics. Your own *Kaizen* here, good example—Boston College for Corporate Citizenship, big resource—the Ethisphere Institute.

As I found these other outside organizations and began listening to them and reading their material, it did become obvious that we could do more in the business community than we were doing to reinforce what we were doing in-house.

**Kaizen:** The position was evolving. Initially you said that a lot of the stuff wasn't necessarily ethics-related. It was computer system training, the vacation package, and so forth. The position you ended up creating was partly business ethics but also sounds a bit like cultural builder or troubleshooter.

**Tropp:** It's an ombudsman. One of the questions on the Ethisphere survey that we complete every year, asks is: Do you have a corporate ombudsman? They always answer that "No, but yes" because we don't use that title but it's basically what I do.

I'll give an example of this still moving forward from 10 years ago. We have an 800 number that employees can call and make anonymous ethics reports. We got about half-a-dozen calls a year in the beginning. After 10 years of doing this, I get somewhere between 20 to 30 contacts from people around the world every week.



Guest speaker:  
Gregory Sadler

Dr. Gregory Sadler visited Rockford University in October. He gave talks on Stoic ethics, leadership, and entrepreneurship. Dr. Sadler is President of ReasonIO, an organization focused on putting philosophy into practice.



Guest speaker: Laura Grube

Dr. Laura Grube visited in April to talk about her book *Community Revival in the Wake of Disaster: Lessons in Local Entrepreneurship*. She is Assistant Professor of Economics at Beloit College, Wisconsin.

**Kaizen:** Email?

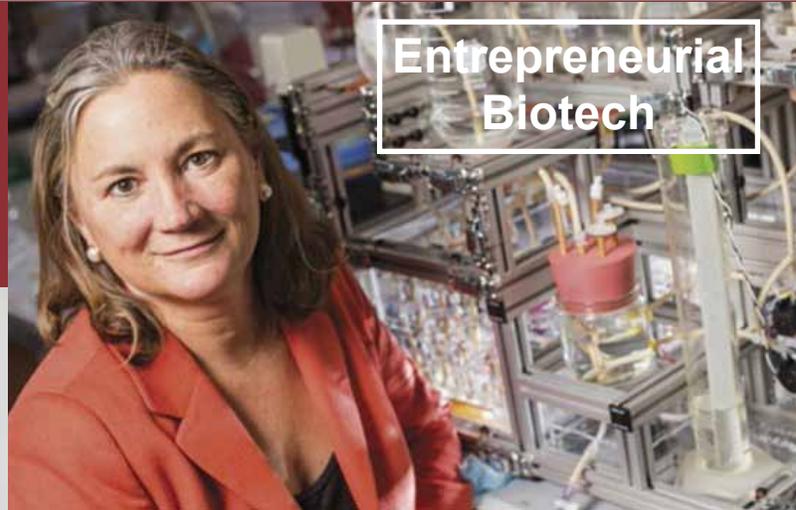
**Tropp:** Emails from somebody. Emails that say, "Tom, you were here six months ago. You said if we have an issue, we could contact you. Here's something I'm dealing with, and I don't think it's fair the way I'm being treated." When I'm in offices, I always tell people, "Anybody can contact me at anytime on any subject, and there'd be no political fallout. If you want it to be confidential, it will remain confidential."

To read the rest of the interview with Tom Tropp, visit [www.ethicsandentrepreneurship.org/kaizen/](http://www.ethicsandentrepreneurship.org/kaizen/). This interview was conducted for Kaizen by Stephen Hicks.

# In the next Kaizen



Entrepreneurship  
in Poland



Entrepreneurial  
Biotech

## Feature

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