

KAIZEN

CONTINUOUS
IMPROVEMENT

Newsletter of the Center for Ethics and Entrepreneurship at Rockford College

Editor: Stephen Hicks, Ph.D. Managing Editor: Virginia Murr Designer: Christopher Vaughan

ISSUE 25
MAY 2013

FEATURE

André Loiferman: Entrepreneurship and Infrastructure in Brazil

ALSO INSIDE:

High School Business Day

Guest Speaker Arielle
John

Film Discussion Group

INTRODUCTION:

André Loiferman is president (CEO) of Brasília Guaíba, an engineering and construction firm based in Rio Grande do Sul, Brazil that has built roads, power plants, dams, ports, pipelines, bridges, airports, and other projects in Brazil and other South American countries. Mr. Loiferman is also active with Junior Achievement Brazil, an educational outreach organization that teaches entrepreneurship to young people.

Kaizen: Brazil is hosting the World Cup of Soccer in 2014, the Olympics in 2016, and it is



experiencing an entrepreneurial boom. It's an exciting time to be in Brazil?

Loiferman: That's true. After many years, Brazilian society has come to understand the importance of investing in the infrastructure, and nowadays it has become a consensus. The government is making an effort, as the society demands it, to make all these investments in infrastructure.

Kaizen: And you are in the construction business, so that is just perfect for where you want to be. Turning to your career and how you came to head Brasília Guaíba. Where were you born and raised?

Loiferman: I was born in Porto Alegre and studied here. My father is an engineer and he founded the company in the early 1960s in Porto Alegre. And in the late 70s, we established a joint venture with a French company called Spie Batignolles, which was one of the world leaders in engineering then.

Kaizen: The joint venture was established by your father?

Loiferman: Yes, it was. My father had his own company alone for a long time. Then in the late 70s, they made the joint venture with this big French company (which lasted until the early 90s). That's why our company has been more than 80 years in Brazil; the French came here in the 1920s to make a port facility in the north of Brazil and they stayed there.

Kaizen: Did you also go to university in Porto Alegre?

Loiferman: Yes, I studied engineering and business administration at two different universities and at the same time; I was a full-time student.

Kaizen: A double full-time student.

Loiferman: Yes. I sometimes had more than ten courses per semester.

Kaizen: Impressive. I assume the engineering was civil engineering?

Loiferman: Yes. Civil engineering.

CONTINUED ON PAGE 2



From the Executive Director

This is our twenty-fifth issue of *Kaizen*. As I look back over our series of interviews with entrepreneurs—in sports, art, science, marketing, architecture, education, technology, venture capital, manufacturing, and more—I am struck by how many fascinating stories there are in so many dynamic fields. (All twenty-five interviews are available at <http://www.ethicsandentrepreneurship.org/kaizen/>.)

This issue's feature interview with entrepreneur **André Loiferman** takes us to the south of Brazil and the challenges of infrastructure. As Brazil prepares for soccer's World Cup in 2014 and the Olympics in 2016, upgrading its airports, roads, ports, and other facilities is a top priority. Mr. Loiferman and I discuss his company's role in that process, as well as his work with Junior Achievement Brazil to train his country's next generation of entrepreneurs.

In this issue of *Kaizen*, we also report on our recent activities at Rockford College—the **student-faculty film discussion group**, the **High School Entrepreneurship Day**, and a guest lecture by **Arielle John**, a native of Trinidad, graduate of George Mason University in Virginia, and currently professor of economics at Beloit College, Wisconsin.

We've started a new feature, the ***Kaizen Weekly Review***, a round-up of news about innovation, entrepreneurship, business ethics, and leadership—check it out online at <http://www.ethicsandentrepreneurship.org/category/kwr/>.

Stephen Hicks, Ph.D.

ANDRÉ LOIFERMAN CONTINUED

Kaizen: Did your education in civil engineering prepare you for your career?

Loiferman: I studied engineering at the Federal University of Rio Grande do Sul, which is considered one of the best in Brazil. In engineering you have to solve problems the whole time. So you learn how to address the problems, how to manage them, where you have to look for solutions. This is the main learning from an engineering school.

Kaizen: Are you saying this is how education should be or how your education was?

Loiferman: I believe that is how education should be. The main thing is that during the course you are solving different problems. And when you are tested, you have other different problems to deal with. And that is how you learn to address them without being afraid of doing it.

Kaizen: Did your other degree in business administration also prepare you for understanding how business works?

Loiferman: Yes, it gave me a lot of knowledge. But I have learned more from real life; I have learned much more from working than from school.

Kaizen: Did you choose those two degrees with a career path in mind—that you were going to go work in your father's company and that this was preparation?

Loiferman: Yes, absolutely. I chose those two because when I was a kid my father used to say “Who's going to be the engineer of the family?” “Who's going to run the company?” I was prepared to be an engineer and the leader of an engineering company since I was a kid.

Kaizen: After graduation, did you work for your father's company right away?

Loiferman: I intended to do an MBA, maybe in the United States. But at that time, my father's company was affected by history. In the beginning of the 1980s, France had its first socialist government. And my father's joint venture was with Spie Batignolles, which was part of the Empain Schneider Group, the largest entrepreneurial group in France. But then it was nationalized by the socialist government. So Spie Batignolles decided to remain only in a few countries around the world where they had big investments. It was not the case of Brazil at that time.

Kaizen: So the joint venture was finished?

Loiferman: They sold us their part of the company. So at the exact time that I was re-

ceiving my degrees, my father was buying their part of the company and taking over the whole company.

Kaizen: What year was this?

Loiferman: 1981–1982.

Kaizen: How old were you?

Loiferman: I was 22 or 23. So instead of going to the States to get an MBA, I went to work in Brazil in the new business.

Kaizen: Fortuitous timing. What was your first job at the newly expanded company?

Loiferman: First of all, I was an engineer. Since I was a student, I was like a trainee in many of our projects.

Kaizen: Were you working there and training all through your college career?

Loiferman: Even before.

Kaizen: High school?

Loiferman: Yes, since high school. I went through many positions: administration, engineering, and for a long time I was kind of my father's secretary for the whole business.

Kaizen: Working directly with your father, you could see all of the areas of the business, how your father thinks about things, and how he makes decisions.

Loiferman: Yes. He has always been my coach.

Kaizen: Like an apprenticeship right at the top? Perfect. For how long did you do that, and when did you become president?

Loiferman: For about 20 years. I became president around 2000.

Kaizen: Did your father retire?

Loiferman: No. He went to the Board.

Kaizen: About that time, this would be about twelve years ago now, how big was the company? Annual sales? Number of employees?

Loiferman: About that time, it was \$100 million in sales.

Kaizen: Now, 12 years later, where are you?

Loiferman: \$200 million.

Kaizen: So you've doubled. Has your number of employees also doubled?

Loiferman: We have many joint ventures, so it would be hard to measure. Sometimes we have more than 2,000 or 3,000 people working for us. It depends on the size of the project.

Kaizen: How many projects do you have on the go at any given time?

Loiferman: Right now we have 10 to 15 projects going on.

CEE NEWS

Guest Speaker: Arielle John



On January 31, Professor Arielle John visited Rockford College to give a lecture on cultural influences on entrepreneurship. Ms. John is the Miller Upton Teaching Fellow in the Department of Economics at Beloit College, a Ph.D. candidate in the Department of Economics at George Mason University, and a Mercatus Center Graduate Student Fellow.

High School Business Day



Nearly 200 area high school students attended the Fall 2012 Business Day at Rockford College. The presenters included local businessmen and Rockford College professors. Students learned about such topics as career planning and interview skills. Attendees received a gift bag from CEE containing a variety of our publications.

Film Discussion Group



This spring, the Film Discussion Group explored philosophical themes in the Bill Murray comedy *Groundhog Day* and the cult classic *Fight Club*.



Mr. Loiferman with Yeda Crusius, former Governor of Rio Grande do Sul

ANDRÉ LOIFERMAN, CONTINUED

Kaizen: What are the projects?

Loiferman: We have road projects, projects for industries; we have just started oil and gas projects for Petrobras. And sanitation plant projects as well. We are also investing in shopping centers (real estate). Regarding the sanitation projects, we build and lease for many states and many cities; we build and lease the whole sanitation system.

Kaizen: When do you decide to take on another project? Is it “Here we can make money, and we can bring the talent in,” or is it “We have the talent to take on this project?”

Loiferman: First of all, we focus on some interest areas. Second, we must know well our clients. We like to know how to deal with the money. And third, we need to have a structure to guarantee the payments.

Also, I would say nowadays engineering is more a commodity. You can hire what you want from the market. We are not specialists. At Brasília Guaíba, we know how to deal with governments and how to solve their problems. If they need to build a prison or they have a sanitation problem—and we have all these problems to solve in Brazil. So we at BG know how to manage, how to get the money, investors, and how to make the project. We know how to *do* it and make things happen.

Kaizen: So give me a standard project. Suppose there’s a city that needs a new sanitation facility. Do they decide they need a new sanitation facility and then put it up for bids? And then you would bid on it?

Loiferman: We study and understand the city’s problem and we can help them build a good project and get investors . . .

Kaizen: You put the whole package together for them?

Loiferman: The whole package. That’s our job. Even with the guarantees for the investors.

Kaizen: To return to your transition to president. After working directly with your father in all areas of the company, was becoming the president a smooth transition for you?

Loiferman: Yes. Very smooth.

Kaizen: What does your typical work week look like? How much time are you on construction sites or talking to finance people or doing research and so on?

Loiferman: I think half of the time I’m looking for new projects; I am the sales director. I’m in charge of talking to governments, of arranging the whole deal.

“I ASK FOR 100 PERCENT COMMITMENT. I GIVE THE EXAMPLE OF WORKING HARD TO GET THE JOB DONE.”

Kaizen: Does this mean you’re going to meetings, or you’re on the phone? Email?

Loiferman: Yeah. And every week I’m traveling all around Brazil. Here in Brazil and Rio Grande do Sul I belong to many entrepreneurial associations. I am the vice-president of the National Construction Association, where the big construction companies are. We have a monthly meeting in Brasília. We have weekly meetings of our association here in Porto Alegre. I am in other associations and I go to all these meetings.

Kaizen: How about internal organizational matters at Brasília Guaíba: talking with your senior management, doing finance, and so forth?

Loiferman: I have weekly meetings with our senior management; also, I am in constant communication through e-mail and Skype.

Kaizen: Part of your job as president involves strategy. How do you make the deci-

sion whether to pursue roads, sanitation, or bridges?

Loiferman: First, we have lots of good information. Here in south Brazil, I’m a director of the Industrial Federation, where I’m involved with the Council of Infrastructure of the state of Rio Grande do Sul.

Kaizen: A big time commitment?

Loiferman: It’s a big commitment. But it’s part of my work. There I meet other entrepreneurs, I have all the information about the finance, investments of the state, and private investments. I have all the information that is needed.

Kaizen: You’re also leader of your people, senior management, and everyone. How would you characterize your leadership style, particularly since you travel a lot?

Loiferman: My leadership is by commitment and example. I ask for 100 percent commitment. And I give the example of working hard to get the job done.

Kaizen: You lead by example?

Loiferman: Yes. I like everybody focusing on the job and if someone has a different focus instead of work, they will understand that is not the way I like it.

Kaizen: How much is it your job to keep up on the many innovations in engineering and construction? Are you reading trade journals? Research papers? Do you have engineering people who keep you up to speed on things?

Loiferman: Our main job is to put all of the things together: to solve problems as I learned in school, to understand the problems, to know how to address the problems. Innovation is another thing that we have to know where to get it. Today, engineering sometimes becomes a commodity. And as a commodity, it can be easily found in the market; that’s why it can have little revenue.

So we are searching for special areas where the benefits can be bigger. These are the areas that demand innovations. But, for us, the main issue is to innovate in solving problems like creating those financial solutions.

Kaizen: Your primary focus is on business innovation?

Loiferman: Right.

Kaizen: What do you enjoy most about working so hard? You push yourself and you ask for 100 percent commitment. And you are now very successful financially. What else do you get out of it?

Loiferman: That’s tough. That’s a good question.

Kaizen: Because presumably you could just retire. You could read books and go sailing and so forth. Would that be satisfying for you?

Loiferman: No, no. I don't plan on having so big a company. Right now I have a plan to work for the next 10 or 15 years.

Kaizen: You're about 50 years old?

Loiferman: Yes, 53. So I have a plan for the company for the next 15 years. We are changing many things: oil, gas, and sanitation. These are new areas for us.

Kaizen: You've set that 15-year plan as a goal and what you're enjoying and what's making you work is that you want to achieve that goal?

Loiferman: Yes. My whole life I have moved towards goals.

Kaizen: Set the goal and make it happen. Is there anything in your job as president—finance, marketing, dealing with people, hiring—that you find challenging or difficult or don't particularly enjoy?

Loiferman: Of course. I think that I'm not the best one to deal with people. Besides, it takes too long. Dealing with people ... it's a full-time job, you understand. And as I have to address so many things, I have a little time for each thing. So I don't have enough time to do it in the right way.

Kaizen: You then have someone who is your people manager?

Loiferman: Yes.

Kaizen: Turning to the Brazilian economy more broadly: Brazil has been growing, I understand, at about twice the rate of Western European countries, and in 2011 Brazil became the world's sixth largest economy. What is Brazil doing well to fuel those growth rates?

Loiferman: That's not true. Last year Brazil did well, but if you are going to take the average of the last ten years, Brazil has no more than three percent of GDP.

Kaizen: The statistic isn't accurate?

Loiferman: No, Brazil is doing well. First, Brazil is a new field for investments. We have political stability. We are a Western country (culturally speaking). Second, we have China buying our natural commodities such as iron and agriculture, so we have a lot of dollars coming in. But there are still many problems to solve.

Kaizen: Are the economic growth areas spread out across the country or are some of Brazil's 27 states doing much better?

Loiferman: Some are doing much better. Brazil's a big country, like the United States. We have different people and cultures. Just as



Some of Brasília Guaíba's construction projects

you can't say "America is like this," you can't say, "Brazil is like this." São Paulo has 35 percent of the whole GDP of Brazil and the city of São Paulo has all of the big fortune companies. Rio has the petrochemical industry.

Kaizen: What are the strengths here in the south?

Loiferman: Here in south Brazil we are basically an export state and we have strong agriculture. We have the second biggest metal mechanic industry in Brazil. We have footwear, leather, and furniture industries. Also, we have petrochemical. We have a population of German and Italian immigrants and better educated people.

“HERE IN BRAZIL THE STATE COMES BEFORE THE PEOPLE.”

Kaizen: A big part of an economy is its human capital: people's willingness to work hard and their entrepreneurial spirit. Does Brazil have the entrepreneurial spirit or is it working hard to develop it?

Loiferman: Yeah. The Brazilian people are entrepreneurial by nature despite all the bonds and impediments established by the state bureaucracy.

Kaizen: Are there problems or disadvantages to doing business in Brazil? Things you wish could be fixed so things would go more easily?

Loiferman: Brazil is a very complex economy. Also, you have to understand the government is everywhere; there's a lot of bureaucracy.

Kaizen: Is corruption an issue for you in making bids or getting contracts?

Loiferman: The level of corruption is directly proportional to the size of the state. And here the state is all over. It's a historical problem

because in Brazil the law and the norms came before the people; the Portuguese brought their norms before having the people.

It's difficult for you in the United States to understand because for you the people make the state. In the United States you have "We the people; We are going to make this." Here in Brazil the state comes before the people.

Kaizen: About the world financial crisis that started in 2007: how has it affected Brazil and Brasília Guaíba in particular?

Loiferman: Not so much. The government was prepared for this. Of course, one year we had a decrease in investments, but it was no more than that.

Kaizen: That's good to know. Over the last century, Brazil has had many boom and bust periods and things are looking good now. Are you confident that that pattern will remain for the next ten years or however long into the future one can look?

Loiferman: Yes. We are in a boom, but we can't say that this will remain.

Kaizen: Are you worried or are you confident that the boom will continue? You have political stability. You have good human capital and resources.

Loiferman: I am worried.

Kaizen: What is the biggest worry?

Loiferman: The size of the state, its expansion. We need fundamental reforms that are constantly postponed.

Kaizen: Reforms because of the large amount of corruption or that the state is in a growth phase?

Loiferman: The problem is not corruption, in my point of view, but the size of the government and the corruption of ideas. If you

CONTINUED ON PAGE 6



Loiferman (front row, third from left) with other members of Junior Achievement Brazil

ANDRÉ LOIFERMAN, CONTINUED

see the government budget in which social security represents an important part of the deficit and pays public servants a full pension when they retire, this deficit takes all resources from the society and strongly impacts on the smaller growth.

As an example, the federal government has around one million public employees. These one million employees cause a deficit of about US\$35 billion per year in Brazil's budget. In the private sector, there are 24 million former employees in the Social Security system. Their deficit is about US\$10 billion. So one million public employees cost twice as much as 24 million employees from the private sector for the country per year.

Kaizen: It also gives people more incentive to leave the private sector for jobs in the public sector. Turning back to your business, what projects outside of Brazil are you and Brasília Guaíba involved in?

Loiferman: Brazil is the leader of construction in Latin America. We have here the Brazilian Development Bank (BNDES) with a government's policy on promoting the export of Brazilian products and services; and that also works for engineering and infrastructure projects. This way those countries finance part of their investing plans through Brazil and they must buy the engineering service from Brazilian companies.

Kaizen: A wonderful opportunity for you, then. Going the other way, many North American and European companies are looking to invest in China and Brazil. What should they be aware of coming in to Brazil? Learning some Portuguese? Other things?

Loiferman: Portuguese is quite the same as Spanish, so speaking Portuguese or Spanish is quite important. I think for them it is better to have an agreement with a Brazilian company, to have a local partner.

Kaizen: On top of all your work at Brasília Guaíba, with all the travel, trade associations, and so forth, you are one of the co-founders of Junior Achievement Brazil?

Loiferman: Yes.

Kaizen: When was JAB started? About 20 years ago?

“HOW ARE YOU GOING TO BE THE ENTREPRENEUR OF YOUR OWN LIFE?”

Loiferman: Yes, in 1994.

Kaizen: What was your goal when starting JAB?

Loiferman: We have—not only Brazil, but the whole world—a great education problem. Our education does not prepare people for modern life. Junior Achievement can complement the traditional education.

Kaizen: What does Junior Achievement focus on? I know a prepared curriculum is developed and you bring in business leaders like yourself to talk with the students and lead them through the program. What are you trying to teach the students?

Loiferman: First, it's philosophy—the philosophy of Junior Achievement. It says that we (parents, business leaders) have responsibility for our children's (employees) learning. In South America we let the State and religious

community to be in charge of our children's education and that causes big problems.

Kaizen: And, in your judgment, this isn't sufficient for modern life, particularly modern business life?

Loiferman: Yes, we have to go back to schools and take over our children's education.

Kaizen: The curriculum: is it teaching kids bookkeeping, how to raise money, how to sell, management, leadership?

Loiferman: JA is not for someone who is going to work in a company or be an entrepreneur: it is for everyone: “How are you going to be the entrepreneur of your own life?” You have an idea, you figure out how to make this idea work and how to plan and how to make a strategic plan. And this is for everyone.

Kaizen: Has JAB been having an impact? You are in all 27 Brazilian states now.

Loiferman: Yeah. We have reached more than two million students since our beginning. Now our goal is to have one million a year.

Kaizen: How many students a year go through JAB programs?

Loiferman: Today I think we have around 600,000, from six-year-old kids to first-year university students.

Kaizen: That's a huge organization.

Loiferman: You have to see the whole program that Junior Achievement is. Amazing. Amazing.

Kaizen: Wilma Araujo Santos has been very instrumental in running JAB and making things happen?

Loiferman: Yes, she deserves much of the credit.

Kaizen: You have accomplished a lot, and you are still relatively young. Can you say more about your future plans?

Loiferman: I work for goals. I have many of them. I like very much history and issues of education and entrepreneurship. The problem is that I don't have enough time.

Kaizen: And you have your 15-year plan for Brasília Guaíba. Is that plan private?

Loiferman: I would like the company to be established in many fields. I think our company is in good position to greet new business, and in the future to do the same as our business of leasing sanitation construction in other fields.

Kaizen: Oil and gas?

Loiferman: Yes. Since we are not specialists in administering those projects, our plan is always to sell them in the future. We build the projects in two years and then lease them to banks and investors. We are good at creating the business, and then we say "When the plane is at ..."

Kaizen: Cruising altitude?

Loiferman: Yes, cruising altitude—to put it in cruise control. After this, it's not our business anymore. We have to sell it in order to devote ourselves to new projects. Our focus is to locate the problem and find solutions; these solutions include the financial part, engineering, insurances, that is, the full package. It's a great opportunity in Brazil and in the world.

Kaizen: And there are only a small number of people who have the skill-set to understand the business side and the engineering side, the finance side, and to have the strategic vision.

Loiferman: Yes, to arrange all of these.

Kaizen: So you are in a good position. Is part of your "cruising altitude" plan to move yourself up to the Board of Directors and bring in someone else as company president?

Loiferman: Yes. If it runs well, yes. And then I could listen more to jazz music.

Kaizen: Listening or playing?

Loiferman: Listening, but I would like to play. And I would also like to sail more, to ski more, to be with my children more. But also, I would like to get more involved with Junior Achievement, and other things we have here—Instituto de Estudos Empresariais (Entrepreneurial Studies Institute) of which I was one of the first presidents.

Kaizen: I can't believe how many different organizations you've been involved in.

Loiferman: Lots of things to do.

Kaizen: When you think about being a successful entrepreneur in terms of character traits: you have to have vision; you have to be willing to work hard; you have to have courage; you have to be able to make difficult decisions; when you make mistakes



Junior Achievement Brazil

you have to be able to bounce back from them. Is there anything that stands out as the most important thing?

Loiferman: You have to like what you do.

Kaizen: If you like what you do, the other things fall into place?

Loiferman: These leaders—they love to be leaders.

Kaizen: What advice then do you have for younger people about how to find that passion? How to find that thing that they really like?

Loiferman: We say to the youngsters in Junior Achievement that they have to have their dreams. Their dreams are particular. They are special for each one. They don't have to be small or big; it doesn't matter.

Kaizen: As long as it's theirs?

Loiferman: Yes. They have to have their dreams and they have to go for it. But after, they have to understand that there is a method of how to put these dreams into a plan. This is a big transformation—how to change a dream into a plan. Of course we teach strategic plans on how to do this. We try to show them experience and how others have done it: the difficulties and the hard work.

But there's something important: you don't need to make the old errors. There are always a lot of new errors to make.

This interview was conducted for Kaizen by Stephen Hicks. For more information about André Loiferman and his company Brasília Guaíba, please visit their website, <http://www.brasiliaguaiba.com.br/eng/index.html>. Our full interview with Mr. Loiferman will be posted at www.ethicsandentrepreneurship.org.

改善

Junior Achievement 2012 Statistics

10,077,552

JA students worldwide

4,230,036

JA students in the U.S.

1,190,782

JA students in S. America

337,044

JA students in Brazil

397,264

Classes worldwide

402,815

Volunteers worldwide

141,670,197

Total contact hours

Source: http://www.jaworldwide.org/inside-ja/Reports/2012_JA_Worldwide_Annual_Report.pdf



IN THE NEXT KAIZEN

FEATURE

Larry Abrams Entrepreneurial Investing

ALSO:

2nd Annual Sports Symposium

Guest Speaker Marta
Podemska-Mikluch

Student Essay Prize Winners



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. The College offers over 80 majors, minors and programs, a return-to-college program in management studies, and masters programs in business and education. Due to its growth, Rockford College will become Rockford University in July, 2013. For more information, please visit us at www.Rockford.edu.