



*The Robert P. Maxon  
Lecture  
2011*



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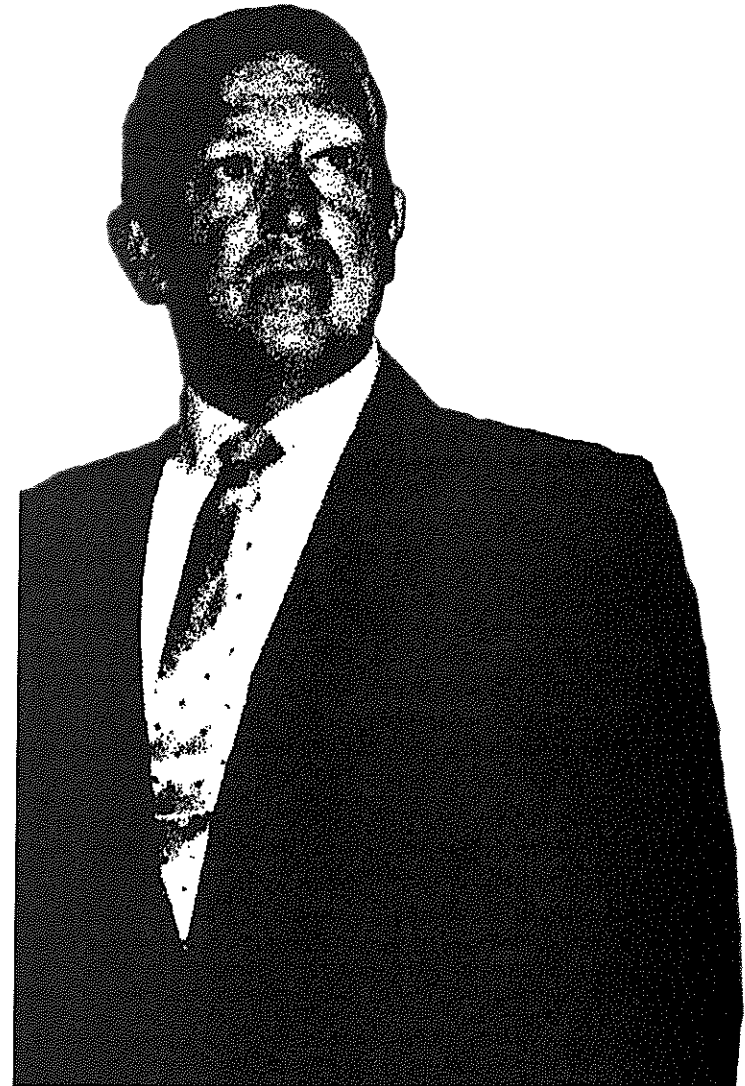
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## **The Robert P. Maxon Lectureship**

### **The Robert P. Maxon Endowed Lectureship in the School of Business**

*The* Robert P. Maxon Lectureship was established through Mrs. Dorothy Maxon's generous gift to the School of Business in honor of her husband, Robert Maxon. The GW School of Business oversees the Lectureship and all related events. The endowment underwrites an annual distinguished lecture that adds depth to the business management understanding of the next generation of global business leaders.



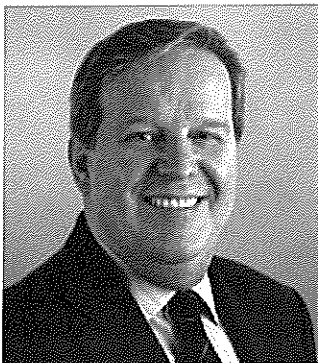


**Robert P. Maxon (BA'48)**

*Mr.* Maxon, a highly decorated World War II veteran, earned a degree in business administration from The George Washington University in 1948. He began his career in the energy field shortly after graduating, working in India and later in Japan, at a time when the Japanese were not accustomed to conducting business with foreigners. According to his peers and business associates, Robert Maxon knew how to work with people and build loyalty, and he developed an acute sensitivity to cultural differences. As an executive with Mobil Oil Corporation, he was appointed to a series of increasingly senior posts in Singapore, Thailand, Malaysia, and Indonesia. He later became Vice President of Mobil's U.S. real estate ventures, and retired as the company's General Manager for worldwide corporate public relations in 1983.



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**Ian Cook**  
**Chairman, President and Chief Executive Officer**  
**Colgate-Palmolive Company**

Ian Cook is Chairman, President and Chief Executive Officer of Colgate-Palmolive Company, a leading global consumer products company whose quality products are sold in more than 200 countries.

Mr. Cook joined Colgate in 1976 in the United Kingdom after graduating from London University (Guildhall) and progressed through a series of senior management roles around the world. He became Chief Operating Officer in 2004, with responsibility for operations in North America, Europe, Central Europe, Asia and Africa. In 2005, Mr. Cook was promoted to President and Chief Operating Officer, responsible for all Colgate operations worldwide. He was elected President and Chief Executive Officer and a member of Colgate's Board of Directors in July 2007. He became Chairman in January 2009.

Mr. Cook has been a long-time champion of Colgate's global oral health improvement initiatives. Through the "Bright Smiles, Bright Futures" oral health program, Colgate has reached more than 500 million children in over 80 countries and in 30 languages with oral health education programs recognized by dental health agencies around the world. In the United States, this program of in-school curriculum, mobile dental vans and community awareness reaches millions of children and is complemented by a commitment to promote professional education in underserved communities.



George Washington University

12th Annual Maxon Lecture

**Doug Guthrie:** Good evening.

**Audience:** Good evening.

**Doug Guthrie:** That's what I like -- a hearty response. I'm very happy to see a good crowd to come out for this.

Over the last 40 years, two trends have dominated business development in the American economy and more generally in the global economy. The first was ushered in 1970 by Milton Friedman and it gained power and stature over the course of that decade until it reached its heyday in the mid-1980s, and that was the notion of shareholder value, and the basic concept was that organizations are truly only responsible to the shareholders that they are answering to nobody else. It doesn't matter who the stakeholders are. It doesn't matter about the communities that they're embedded in. What matters is are you delivering value to your shareholders?

About a decade later, when I usually mark the beginning of this era is when Jack Welch took over at GE, we saw the real ushering in of the age of globalization. Organizations started talking more and more broadly, and thinking more and more broadly, about what their global footprint was. And both of these trends were important for defining business education and what corporations do over the course of the late '80s and 1990s. The world was shaken up a little bit with the accounting crises in the early 2000s, and we were shaken, maybe to our core, in the most recent fiscal crises. However, there are some strands of good news that have been percolating over the course of a decade and have found their way into both academia and into the corporate boardroom.

On the academic side, we have leading lights in people like Tim Fort, who's the director of The Institute for Corporate Responsibility and the Lindner-Gambal chair of Business Ethics. This man is truly a visionary individual. All deans like to say that their faculties are stars but I think Tim is more than a star. I think he is somebody who actually truly changes the way we think about certain ideas, and he is so committed to this issue of corporate social responsibility, and corporate responsibility more generally, that I think he's



a true visionary in this space. The Institute for Corporate Responsibility has been sponsoring the Maxon Lecture for the last 12 years, and that brings us people who actually think about these issues in engaging ways in the corporate boardroom.

Now tonight you're going to get to hear from somebody who I also think is a visionary person, not just on thinking about the embeddedness of business in society but also in thinking about what it means to run a global corporation. And so it's a wonderful opportunity to be engaged in these kinds of conversation and to welcome senior people from the business community to come and help us further our message in thinking about the relationship and the embeddedness of business in society and business in politics, and here we are in Washington, D.C., to have another exciting conversation on those issues.

Now, to introduce our speaker, I would like, ladies and gentlemen, for you to join me in welcoming the president of the George Washington University, Dr. Steven Knapp.

**Steven Knapp:** Thanks, Dean Guthrie. Good evening. Ladies and gentlemen, it's a pleasure to be here for the 12th Annual Maxon Lecture, an event that showcases the best practices in international business and corporate social responsibility. Events like this one are central to George Washington's efforts to engage the world from this nation's capital. They provide our students with unparalleled opportunities to witness the power of knowledge in action. And it's a special honor to have Ian Cook with us to deliver this year's Maxon Lecture.

Mr. Cook is Chairman, President and Chief Executive Officer of Colgate-Palmolive. He joined the company in 1976, and before assuming his current position, held a series of senior marketing and management roles around the world. Founded more than 200 years ago as a soap and candle enterprise, today Colgate-Palmolive is a global manufacturer and marketer of consumer products serving millions of customers worldwide.

Under Mr. Cook's direction, Colgate-Palmolive has been recognized as a leader in the fields of sustainability and corporate social responsibility by the Dow Jones sustainability index and by Goldman Sachs. I'm also delighted to note that Mr. Cook has a special connection to the George Washington University. His son, Andrew, who's with us today, received his Bachelor's degree from the School of Business this past December. Ladies and gentlemen, please join me in welcoming Ian Cook.



**Ian Cook:** Thank you very much for those kind remarks, and welcome to this evening's lecture. I'm delighted and privileged to have been provided the opportunity to deliver this 12th lecture in the Maxon series, and look forward to a lively question-and-answer session after I have finished my prepared remarks. Before I get into them though, I'd like to put my comments in the context of the changing world we are living in, a world in which markets are becoming more global and more interdependent with one another. A world where the pace of change is accelerating, and in some cases, accelerating in unpredictable ways, as we have seen with events over the last several weeks. A world, certainly, where speed and transparency of information is increasing, and, in my view, a world in which values and the ethics that underpin them are more important than ever. And I think those forces, in the broadest sense, force us to consider what this means for companies and individuals.

My remarks this evening try to tie all this together by looking at succeeding in a global marketplace. There will be three parts to the presentation. First, a little bit of background on Colgate to put us in context. Secondly, learnings we believe we have gathered from operating a global business for many, many years. And lastly, some personal thoughts about what success might look like for individuals like yourselves as you advance your lives and your careers in our global world.

So, first a little bit of history about Colgate-Palmolive. As was mentioned earlier: humble beginnings, downtown Manhattan, soap and candle maker, we bound into 2011 a spritely 205 years old. Today, we are truly a global company. And indeed many of the markets we now operate in internationally, we moved into as a U.S. based company before the First World War, in many cases, significantly ahead of our competitors. Today our products are sold in 223 countries and we have operations on the ground in 90 countries around the world.

We do business in four basic categories, including oral care, personal care, home care, and our Hill's Pet Nutrition business. We are a \$15.5 billion company, that has grown over the last 20 years at a compounded rate of just over five percent, and our operating profit or EBIT return over that same 20-year period has grown at a compounded ten percent rate in terms of sustainability of economic performance in that changing global marketplace.



From an investor point of view, whether you take the long-term view or a nearer-in view, again we have consistently delivered solid returns. If you look at total shareholder return for a 25-year period -- as you well know, this is share price appreciation plus dividend-- you can see that we have out-paced handsomely both our proxy peer group and the S&P 500.

If you look at 15 years, you can see the same trend. If you look at five years, you see the same performance, and even over the three-year period which includes the worst financial crisis since the Great Depression, continued sustainable return to share investors in the company. And if you distill all that together in terms of after-tax return on capital, you can see that in the mid-30-percent area, the company is substantially ahead of both our proxy peer group and the S&P 500.

So that's a snapshot of the company and the kind of consistent performance over an extended period of time it has delivered. Now, how does one do that and what have we learned from the actions taken over many years to deliver those results?

Next, I will go through those key learnings. First and foremost, is the vital importance of a simple, well-understood strategy. In the case of our company, it's represented in two parts. The first part is a very simple financial strategy, which is understood around our world. A strategy that focuses on increasing gross margin because that gives you the most leverage in an income statement, reducing overhead as a percentage to sales in order to free up investment funds for community and advertising activities to healthily grow operating return and the cash flow that goes with it.

Secondly, we maintain a very sharp focus on our category strategies. We selected our four core businesses over 20 years ago because we liked their growth characteristics and their gross margin characteristics. We knew we could expand these four areas and grow them around the world, and that's what the management of the company focuses on today with no distractions.

Finally, you need innovation to grow a company. Innovation is not just product; it's a business process as well. But in terms of building the sales of the company, you need relevant innovations that meet people's needs, both rationally and emotionally, to maintain the growth of a company. And when you're a global company, you have the opportunity to approach innovation in two ways. There are some innovations for disease conditions that are truly universal and there are others that are local. You have the opportunity to take advantage of both of these.



Among the examples I plan to discuss this evening, I'd like to start with a global innovation - a product called Colgate Sensitive Pro-Relief, which offers instant relief from tooth sensitivity when applied topically and then long-lasting relief when you brush with it regularly.

The condition of tooth sensitivity is felt the same way by everybody around the world. You know when you've got it and you know when you don't have it, and that allowed us to use a consistent global advertising platform to reach consumers around the world. And what I'm about to show now is a compilation of different advertising spots we used in different parts of the world, but as you'll see, in combination, it delivers the same message that we used everywhere.

[Video Presentation]

So: global innovation, same advertising, same disease condition.

Alternatively, you have the opportunity to take advantage of local insights. For example in India, as in other parts of Southeast Asia, you will find that salt is used to deal with mouth pain and mouth bleeding. This insight provided us with an opportunity to introduce an active salt toothpaste in India and other Southeast Asian countries. Let me show you the Indian ad for that product.

[Video Presentation]

So: local innovation, local advertising.

And the final point is that, particularly when you think about emerging markets, it's important that those innovations are delivered at price points that consumers can afford. You will find in many of the emerging markets around the world, we offer low-cost packaging like "sachets" at mom-and-pop style stores. This packaging allows us to provide toothpaste at the price of pocket change for consumers who are harboring their resources and buying on a daily basis.

So you need both global innovation and local innovation.

Next are strong relationships. This is something we have deployed consistently around the world whether it's with consumers, retailers, strategic suppliers with whom we partner, the dental or veterinary professions who recommend and explain our products to consumers, and the very differ-





ent government and regulatory agencies that you encounter in managing a global business.

Next is the concept of “continuous improvement.” We believe that businesses are built by improving a little bit every year. Perhaps the single biggest area of continuous improvement we have focused on as a company is in gross margin. Over a period of 26 years we have increased gross margin from 37 percent to 60 percent. And it’s that focus on delivering a little bit better gross margin, year-in, year-out, which has allowed the investment to maintain the consistent top and bottom line growth of the company.

Successfully managing a global business requires active leadership from global leaders. If we take a look at our company today, we have two chief operating officers that govern our operating businesses around the world. One is Venezuelan with seven years experience with Colgate, 21 years before that, who speaks several languages. The other leader is French, with similar years of experience with our company in different parts of the world and again, also speaking several languages.

This diversity continues throughout our operating divisions. Our Latin American division is run by a Brit, 28 years with the company, fluent in three languages. Greater Asia is led by a New Zealander who speaks five languages and has 27 years with the company. Our North American business, run by an American, has over 20 years experience and speaks two languages. Leading Europe we have a Frenchman, who speaks four languages and proudly has nearly 40 years with the company.

The importance that global leaders deliver to an organization, in our view, is as follows.

Number one, they master what they do. They don’t just learn the job, they define the job and apply experience from different parts of the world, to each new responsibility. They have an enterprise-wide view; so their professional decisions for their geographies take into context this enterprise-wide strategy.

Next, they have lived and worked in cultures outside of their own. There is a big difference between living in and absorbing a culture and just visiting a culture - and we have for many years put a premium on that experience set for our executives. They understand the power of teams, both locally and globally. They also know how to engage, align, direct - and they are



excellent communicators. Much strategy is lost in poor or unclear communication and great global leaders must have strong communication skills. Leadership diversity brings all these skills to a global organization. So it’s these skills that leadership diversity brings to a global organization. And vitally important, and it has always been vitally important to our company, is our values-based culture underpinned by the highest integrity.

Culture, in the end, is what drives a company. You could say that culture is “how we get stuff gets done.” Good culture drives consistently good results, which reinforces good governance, and good governance pays back to the culture. As I said, culture is underpinned by the highest ethical standards. At Colgate we operate a program where we communicate to our worldwide organization our three precepts of ethical governance: learn, act, and speak up. **Learn** what it means in terms of our code of conduct and the management behaviors we endorse. **Act** when you see something that is inconsistent with that, either with your peers, your subordinates or your superiors. And **speak up**, to ask for help and support in addressing situations.

Every year, we convey to our global organization communications about living our values, which forms the framework for ethics. Colgate’s core values, established 30 years ago, continue to be: **Caring** for people in our company, for the consumers we serve, and the communities in which we live and operate; **Global teamwork** to get the best results on a global basis; and **Continuous Improvement**, as I exemplified earlier with gross profit.

Our values communications are translated into many local languages, over 40 today, and we bring values and ethics training to all 38,000 Colgate employees around the world. Training is either available face to face or online, in local languages, and certifies that people have conducted and understand the training. We offer values and ethics training annually and for any new employees of the company.

And finally, we have learned that a focus on the future is vital to maintaining the consistency of performance over time. In our world, if you take a step back, sustainability is the frame to look at that. We brand sustainability internally as “Giving the World Reasons to Smile” and we look at it quite broadly. We look at it in terms of **People, Performance and Planet**: people in our company, people we serve, and the communities in which we live; Performance, because economic performance, consistently delivered, underpins all of this; and Planet in terms of what we use to generate our business and the waste we create in managing it.





So these are our three areas of focus. And one example I'd like to show this evening has been durable for us over 15 years and is a community program that we believe passionately in.

[Video Presentation – Bright Smiles Bright Futures]

This for us is an example of where community meets business and both prosper. So those are the learnings we have garnered over the international journey that we have undertaken and what it takes to succeed on the business side in our fast changing global marketplace.

This is our global toothpaste share and it compares our global market share of over 44 percent with our three principal multinational competitors and, of course, it is our intention to keep moving that share up as the years unfold.

Moving from what succeeding means from a company point of view, I'll turn to some observations, personal observations, on how you can be successful in that global marketplace. In the end it boils down to two things -- it's what you do as an individual and how you get things done.

In terms of "*what you do*", in whatever field you're in, it's about delivering results that are helpful. What you do should advance that field consistently, and be done in a way that demonstrates managing with respect.

How you conduct yourself and get something done is equally important as what actually gets done. Again in our company, this is how we define "managing with respect." Every year, Colgate people go through their annual performance review. In this process, they are rated on our *managing with respect* principles and if they receive a negative rating, it negatively reflects their salary increase for the following year. So we apply pay for performance against respectful behavior.

More broadly in the area of "*how do you do it*", my observations include—"keep calm under stress." A lovely quiet Monday and a screaming Tuesday does not lead to an aligned organization or promote good workplace behavior. I think folks who are successful manage to keep calm no matter what stress is around them. I think people who are successful and good leaders are often optimistic and resilient. They face the truth, but they are optimistic that they, as individuals together with the organizations they lead, can work their way through it, and have the resilience to deliver their goals.



Make personal contact. In literal terms, that's getting away from e-mail, that's getting out of the office, and that's connecting with human beings. People have different styles, there's no one cookie-cutter style. But it's important that people make authentic personal connections as they proceed in life. I mentioned it earlier in discussing global leaders – they all communicate well. Sometimes communicating well delivers a little bit of the unexpected. Here is an ad that we think communicates well.

[Video Presentation]

I'm glad that got a laugh because my next point is that it's important to have a sense of humor and not take yourself too seriously. Life will go on without us and a sense of humor can bring great energy to a group and diffuse tensions.

[Video Presentation]

Lastly, my closing thought would be a challenge to "get outside." Get outside yourself as you push yourselves forward. Definitely get outside your country and get beyond your culture to obtain broader experiences that can make you a stronger professional and broader individual. Because a global world needs global leaders.

So, those are my prepared remarks and now I would be delighted to turn the floor open to questions.

**Question 1:** I would like to know if you're a mid-sized firm with a capacity to, let's say, produce or manufacture, how would you approach an international corporation to develop a strategic partnership?

**Ian Cook:** I would pick up the phone. I think first I would say, if you're looking for that partnership, one would hope it's grounded in a strategy that shows benefit to both sides of that partnership. In other words, there would be an idea and there would be a plan, and then I think the simplest way in life is to pick up the telephone on the assumption you have done your homework and contact the prospective companies and ask for a meeting and have a discussion about the plan with honesty and transparency, and if the lawyers insist, put a confidentiality agreement around it, but I think you talk.

**Question 2:** Ian, okay. First of all, thank you for coming to speak to us today. I thought your lecture was very interesting.



I have numbers. *Business Week* in 2009 reported your salary as being \$1.25 million. But in addition to the stock options they say you have as well as one-year awards, the total compensation comes as something like \$17 million, and I did a few quick calculations, that comes to like \$20,000 a day. So I was just wondering if you could tell us a bit about, like as a CEO, what do you do in one day that's worth \$20,000 because it just sounds really cool to have.

**Ian Cook:** I make very important speeches with universities that cost less than your tuition. That's a loaded question and frankly a little bit of a cheap shot, loaded question.

I could take you back to the performance of the company. I could show you data that would show my return, if you will, at the low end of my peer group. I could tell you that I have not taken a salary increase in over three years and no one's going to cry in their beer. So I think what one would say is that the performance of the company speaks for itself, that investors in our company have taken a very healthy return, and more than that, as I tried to demonstrate, the purpose that we try and deliver to communities around the world means we are bringing benefit beyond the economics to people's health and well-being, and you can rest assured that I invest every ounce of my being in trying to make that happen. And if that doesn't make all of the people happy, then so be it.

**Question 3:** I know you just wrapped up a large sustainability effort. There's an eight years' sustainability effort that just wrapped up from my understanding. There were some pretty large goals that were met including reduction of greenhouse gas emissions, waste, and reduction of water use. I just kind of wanted to get a sense for what's the big next step for you all and what direction you're taking now.

**Ian Cook:** Well, let me -- can I go to that -- I don't know where you're going but I hope it's the right place. So, this is perhaps a bit broader than that because it was a broader sustainability piece. We have a lot of backup sections in our investor presentations which one can call on in response to questions like that.

I talked earlier about this piece, this defines how we define sustainability in the broadest terms within the company -- I assume everyone has read that -- and we deliver it through products and we deliver it for caring for the environment, and these are the goals we set for ourselves, and in each case,



we exceeded the goals. This was particularly important, we believe, in the world we're in. And in these particular goals, we will be announcing new goals precisely six weeks from today at a global meeting, and we will have every bit as challenging goals going forward for the next five years. So I guess the answer is, it's more of the same.

We have been very deliberate in our manufacturing strategy to accomplish this. We started maybe 15 years ago with over a 100 factories around the world, 130-something. We have today less than 60 servicing that \$16-billion company. We have equipment that is allowing us to produce more tonnage of our product and using 30 percent less water and putting out 30 percent less water rate. So when you reduce the number of factories you have around the world, your ability to deploy efficient capital is much higher because you have less places to go and that helps you deliver these kinds of numbers. So it'll be more of the same with the goal for the next five years through 2015.

I think earlier mention was made of the Dow Jones sustainability index, but we also have the same kind of goals on people, not just on environmental emissions. This, I hasten to say, is not a reduction in the number of Colgate people. This is a reduction in the lost-day rate due to accidents that we have delivered over many years. We are now in the top quartile of all companies that submit their data in this space. So we do it in the environmental area and we do it in the area of our employees. And in that same employee space, you can see the kinds of recognition we get for programs beyond basic health and safety but in terms of advancing people's ability to be leaders and indeed the company being a best place to work. So the answer is new goals, as ambitious, next five years -- go on the internet six weeks from today and you'll see what they are.

**Question 4:** With your financial information before, you showed continued growth with Colgate-Palmolive especially over the past three years when there was kind of negative growth or not as much success as your competitors; would you say this is based in your values or other parts of your strategy? What would you say the strongest reason for this?

**Ian Cook:** The older I get, the more I believe in culture. And I think culture is discriminating and determines the consistent strength of a company. It takes a long time to build a culture, a robust culture; it takes one thoughtless act to destroy it, and it is very difficult to recover both internally and externally if you do destroy it.



Now, the culture needs to be supported by a strategy that is smart and execution that is as flawless as you can make it on the ground around the world. But if I had to force rank, I would say that a culture is what drives a company's ultimate performance. It permits brilliance or it permits mediocrity or worse.

**Question 5:** My question is, you mostly work with consumables, however, you also have a big emphasis on sustainability; where do you see the company in 20, 30, 50 years from now when you have to, maybe, switch from consumables to re-usables? How is that transition going to happen and is that a likely future for us?

**Ian Cook:** Candidly in that area, I would say anything's possible. I see a couple of intersections. One intersection I see is community with business. You take that "Bright Smiles, Bright Futures" program that I showed you and you look at Facebook, there's no reason we couldn't sign up 600 million people to work with us in country on that kind of a program with Colgate providing the ammunition to get that done. So I see an intersection between the way business is done and the way communities operate may be facilitated by our digital world, Facebook being the example of today.

On the product side, I see no end of opportunity. Not everything in life can you ultimately predict will be re-usable, and I think our view is that we have steadfastly avoided the notion of green marketing, if you will, to tout an idea because it has currency today but it doesn't change the fundamental underpinnings of your sourcing, your packaging, or your product strategy on the rest of the business, so our approach has been more holistic. And indeed you see new technologies becoming available every day that can certainly make packaging re-usable, that can certainly reduce waste, and we will mine all of those technologies to the fullest extent we can so long as it's real, that's not just green marketing. So I wouldn't say anything is off the table and we keep a very open mind as to how far ultimately one could go.

**Question 6:** My question is that, over the last decade there have been large leaps in the tech industry and with a company like Colgate, which is so much based on your products that have been expanding over the last 100 years or so, I would say, are you still looking for innovation in your products or are you looking to aim for the next new product? Are you trying to still expand? What is Crest -- sorry. What is Colgate's main focus looking forward into the next decade?



**Ian Cook:** Well, it sure as hell isn't Crest. It's all of the above. I think in the end -- and I know this sounds awfully trite -- but you have to be driven by the consumer. That's what the tech guys are doing today. They're responding to what the consumer says they want because the consumer is now ahead of workplace technology and leading technology, so you have to listen to the consumer. Setting up with inward-looking goals to only have the next big innovation is a mistake.

We have a product called Soft Soap. It is a simple liquid hand soap that you pump. We have a version that has a 3-D character inside the bottle. This is not Phi Beta Kappa science, believe me. It happens to be patented and moms love it because when the little kids come in from the yard, they think it's cute so they wash their hands. As far as I'm concerned, that's innovation because it serves a need for consumers, and I'm just as excited about that as I am about the Pro-Relief, which actually is patented, world-beating science in terms of sensitivity relief. So the answer is you should deliver to the consumer what the consumer either needs and can't define or expresses a desire for.

And as I said earlier, innovation is not just in product. Innovation is how you engage with consumers and innovation is how you run and operate the company. And we have found over the years many inventive examples of changing the way we operate to accrue benefit and certainly -- I just came back from the West Coast visiting many of the digital companies out there -- there are limitless opportunities to use some of those capabilities to engage with consumers, both rationally and emotionally. So the simple answer to your question is, all of the above. Most importantly, you have to keep an open mind and you have to stay curious and candidly change your mind if the facts show that you should be changing your mind. Many businesses struggle because they create a model and then they are unprepared to go outside the model even if the world is changing around them.

**Question 7:** You spoke a lot about the values and the culture and how important it is to have strong values to create a strong culture. I had this question about all these new emerging markets you are able to take advantage of across the globe; have you had any difficulties having those values be adapted with all the employees, or in terms of any political issues as you enter different markets, and how you overcome those and what kind of things you predict could happen in the future?



**Ian Cook:** There are certainly cultural differences country by country, and indeed there are some regulatory labor governance issues that you have to manage, but in the end, ethics are ethics and right is right and wrong is wrong. And whether it's ethics in general or whether it's the quality, for example, that we seek to put into our products, we have one standard for the world. There's no, kind of, we'll give them a pass because it's a little bit early in their development. So our standards are universal. How you communicate them with the appropriate cultural sensitivity is something we do adjust. I showed you a simple language change, now we've got these things in over 40 languages, but they're delivered differently in some cultures. An online training or communication program would be uncultural and so we make sure it's person to person and the delivery can be different country by country. So yes, you navigate the culture in terms of how you execute it but you don't change your standards in terms of the ethics of behavior or operating quality for the company.

**Question 8:** I work for a nonprofit here in D.C., and we are always trying to strategically reduce our overhead and I noticed that was one of your main points in your presentation, so I was wondering if you had or could share any examples of reducing overhead at Colgate.

**Ian Cook:** Yes. One I've already talked about and that is we now operate many of what I would call the support services globally. So if you go back 20-odd years ago, Colgate, no different than many companies, was basically a feudal empire, right? The king of France did what the king of France wanted to do, and if the king of England thought it was a good idea, they probably copied. And each of these general managers had their own factory, their own human resources group, their own finance organization, totally self-sufficient; and as the world changed, that became impractical. The EU arrived and hopefully will stay, and that meant we started to source our products now more regionally than we had done before. Now we have moved our global supply chain to a global organization. So for example we source toothpaste sold in Colombia in China. We source toothbrushes for the U.S. from Vietnam and Mennen products from the U.S. to over 70 countries outside the U.S. because that's more efficient from a global point of view, and we have been able to reduce the number of factories we have. We have done the same with research and development, managed as a global resource. We have done the same with information technology now managed globally rather than having separate IT groups in each of our countries.



Now, we've now gone beyond that to what I would call this notion of shared services, which is certainly not a new concept, and one of the most recent examples is six months ago in Europe we opened a shared services center in Poland, and that shared service center is managing the back office financially for 27 of our operating units in the greater European area, Western and Eastern Europe. That has reduced the number of administrative folk we have at the subsidiary level but gives our operating folk better quality of information. And interestingly when you aggregate all of that stuff, you start finding efficiencies in the aggregation that you can take kinks out of some of the locally developed process and get even more efficiency. So my two answers would be globalization of what is not essential to win on the ground, and winning on the ground in our case is converting consumers and building market share, and then the idea of grouping services so you can get better-quality talent to deliver better-quality human resource, finance, legal services to a group of countries rather than, again, having those resources in the countries. So they have been two aspects of our strategy.

**Question 9:** I think I speak on behalf of all of us here if you wouldn't mind sharing your personal story of how you went from a college student like all of us here to one of the top executives in one of the most prestigious companies.

**Ian Cook:** Slow down, slow down. Actually, I didn't think that would be asked but I had done a presentation somewhere else about that. Do you have the slides or whatever it's called?

Yes, so this is the beginning. As you could probably tell by the accent, I joined in the UK, in the marketing organization. Marketing was then fashionable -- I'm not sure where it sits on the pecking order these days -- and then I moved to New York. It was interesting because I had started, again, at a time when subsidiaries were single entities, we had all of the resources we needed, and when I moved to New York, we had just started a global strategy group. We were just beginning to say, "Hang on a minute. Colgate is a worldwide name and we'd better put some buffers around it so that we know strategically how we're going to manage that name for the next 50 or 100 years. That we're not going to let general managers put the Colgate name on toilet soap even though it would sell well, because Colgate is an oral care equity." So for me, this was an opportunity, A) to get to the headquarters -- and I met people that I worked with for the rest of my career -- and B) back to that point I made on global leaders, started to take an enterprise-wide view in terms of how we should think about our brands and the way we did business around the world.





Three years later, and broke, I left New York and went to the Philippines. I was there three years. I guess one way of characterizing it is I was there for a revolution and five coup attempts which was an interesting social journey -- I was watching it on CNN like everybody else -- but I learned a new culture and I learned that people don't operate to western standards everywhere and that you have to be attentive as much to what people don't say as what they do say, and you have to start forming a view on human body language, as people expressed themselves in different ways in different rooms, and you have to take yourself away from the natural instinct to engage in a pretty forthright conversation if you know that's going to close down a room, or you need to start meetings ten minutes earlier to get people to arrive on time which was my first big frustration. You need to start thinking differently to get the best out of people in different cultures. And I guess the learning I took away from the Philippines is one of the biggest skills an executive must fight to keep is an ability to listen.

It becomes too easy to stop listening, particularly the more senior you get in an organization. You get fixed in your ways, people try and keep, "Well, let's not bother him with that." So you have to become very attentive to listening. And from the Philippines, apart from the great business experience and the ability to see Southeast Asia and enjoy a great culture and learn new histories and have our kids see that -- in fact, Andrew was born in the Philippines, Charlie, the eldest, was born in New York -- was that single thing. The recognition that the fact that cultures are different doesn't mean they're any lesser or they have to conform to the way we were educated or brought up, and listening was the biggest thing I picked up from the Philippines.

Then the Dominican Republic, where I ran -- that was my first general manager assignment, heading up the Dominican Republic and Haiti-- which I have read more about than any other place on earth which has always been saddening for me, but again, a different culture. And then, now you are responsible for a company; you are no longer responsible for a function. It's not about how smart you are. You have to think about: are the bathrooms clean in the factory? How does the trade union feel? Are our bonuses fair? Are our work conditions fair? What's happening outside the workplace that one can influence? And you really started as a general manager to feel your way in to community, recognizing that a company is bigger than the business it produces and sells.

Then to Fort Collins, Colorado. I had never heard of Fort Collins, Colorado. Frankly, I don't think I'd even heard of Colorado. One of the most beautiful



places we ever lived. This was a business we had acquired from the outside and was an opportunity for me to integrate three disparate businesses we had around the United States in one location. And in order to do that, I had to go through the pain of restructuring two companies. And when you have to look people in the face and say, "I'm sorry, we're closing down the business here because we're consolidating it somewhere else because that's more strategically correct," if ever as a human being, that doesn't pain you at whatever stage in career you're at, you should get out of the business because that should always pain you. And it led, for me, an enormous learning about preparation and sensitivity. Even if the news is bad, people deserve a fair accounting and they deserve human and personal treatment and you can't hide behind other people.

Then back to Denmark. I was in fact responsible for the Nordic Group of companies, managing disparate geographies and, of course, I went in with a view that it's Scandinavia and you learn that actually Danes and Swedes have history too, and the Danes are the Danes, and the Swedes are the Swedes, and the Norwegians are the Norwegians. But it was a multi-country experience and an opportunity to try and bring different cultures together to create the best for this grouping of geographies.

And then back to New York which is where I have been since. I headed up marketing in the U.S. Company, and then ran the U.S., then the U.S. North America, in Europe and then kind of the rest of the world, I guess.

So that was the journey. Great personal learning. I believe, great growth for our kids. Met some great people along the way, some of them here this evening, and I wouldn't have traded it for the world. But if you don't go into those experiences with a curiosity to grow personally and professionally, if you're only doing it because you know the organization you are working with or for wants you to tick that box, don't do it. I would encourage you not to do it.

So that's, I guess, the Cook's tour. So, what else?

**Question 10:** I graduated from the Business School here, and since I did, I spent a lot of time in China doing sourcing and manufacturing, I've seen a lot of MNCs turn a slight blind eye to the standards, if you will. A couple of questions ago you answered and mentioned that Colgate has one standard for the world, and I've seen a lot of MNCs not necessarily have the same standard when you're producing product in China, both as it relates to



environmental sustainability and social sustainability. So again, your one standard for the world comment was more in the context of the products that you sell, the quality, and that makes sense, but do you have the same standards for the world as it relates to your supply-chain relationships? For instance, are the environmental, political, and social standards of your suppliers here in the States, for instance, the same as they are in Colombia, China, and elsewhere? And, if not, why not?

**Ian Cook:** Luckily I don't have to answer the why not. They are, and we audit them. And we audit them. And we audit them from a human point of view. We audit them from a labor-practices point of view. We audit them from a base material sourcing point of view. And in some cases, we do random surprise audits with those suppliers. And we have moved to a place where we are now taking our Code of Conduct, so now broader than the -- how do I say -- the frame of sourcing, even though it includes labor and human aspects to get an acceptance from our supplies -- difficult in many countries of the world to get certified agreement but they understand our Code of Conduct and are prepared to abide by it. Now, you can't audit all aspects of that but to ask that seemed like the next logical step to bring them within the framework of our company.

And I would go back to the comment I made on our global supply chain and sourcing. We have, over the years, reduced the number of suppliers that we are sourcing from. So many of the cost benefits or savings that we today enjoy are the result of cost-sharing and negotiated investment to structurally lower cost, not simply wage arbitrage by putting one bid against another bid. So we have reduced our supplier base and focused on strengthening the quality of the relationship, and then frankly, the quality of what we can demand from those suppliers. Did that answer your question?

**Continuation of Question:** Yes. Still though, isn't there some sort of way arbitrage is happening?

**Ian Cook:** Of course, it is. Yes, of course, it is. And in a global world, I don't think there's anything wrong with that. We make a great degree of our products here in the United States. I'm saying that it is not a wage arbitration discussion in 2011 followed by a successive wage arbitrage discussion. When you move to an international sourcing strategy, by definition, there are wage differences around the world, but once we've made that decision, we stay with that decision and we continue to source and build the relationship over the time. And in many of these geographies, Eastern Europe would be



a classic example. What may have been wage arbitrage five years ago is no longer there, but we're still there with a great quality workforce and now getting the efficiency from the capital investment we put in the facilities.

So yes, there's one-time wage benefit but what I'm trying to suggest is we don't jump from one to the other. It's a strategic choice. Wage is a component of it, but distributing our strategic sourcing sites around the world thinking of risk management is another very important part of it as well.

**Question 11:** I was just wondering how you've been able to manage, balancing your personal life with such a demanding professional commitment throughout all the years that you've been working.

**Ian Cook:** Okay, I guess. I guess it's you have to decide what's important and that changes as your life evolves. And there are times when you don't have children and you can "dive in" and there are times when you do have children and you have to be present in perhaps the important points in their lives. So, of course it's not easy in today's world. We all carry around at least one, if not three, portable devices, depending on how hooked you are on gizmos, and that keeps you pretty involved 24/7. And if we have an oil spill in Australia at three o'clock in the morning, guess who gets the phone call? So those things happen.

I think what you have to do is to try and manage, if you will, that work/life relationship. I'm not sure there is such a thing as balance these days. It's how you integrate the two, and I think it's being thoughtful and choiceful about where you need to spend your time at specific points of time. So you may not be able to be at every family event, but you try not to be looking at the BlackBerry under the table because otherwise you might as well not be there. So when you're there, be there whether that's a business issue, a family issue, or some other community issue that's important to you. So I guess it's time management and it's being disciplined about how you allocate the time. Time is, after all, the most precious resource.

**Doug Guthrie:** I have to ask -- it's the chair's prerogative to ask one more question before I invite Dr. Knapp up here and then we present you with the plaque of thanks.

So, I'm actually fascinated about how you guys have maintained such focus. I mean, it's really part of your message of maintaining an absolute focus on a core set of principles, a core set of products, when I imagine that the tyr-



any of capital markets is constantly pushing you guys to think about P&G and Unilever and you could, of course, grow and grow and grow by acquisition, when it seems like you all have maintained such a clear focus in the face of what I'm sure has happened. I'm wondering, do you have to educate the people who are on the other line of the investor inquisition with you or, how does that work actually?

**Ian Cook:** Investor debate, perhaps. The answer is yes. From an internal point of view, the reason we provide that focus is that we think that is reinforcing and building a culture for the long term. We want to be around another 200 years and we think that's important to do that.

I'll give one classic example. Before the subprime crisis, I can't tell you, in fact, it was probably every investor meeting I was at, the suggestion was -- we're a very underleveraged company, we take about nine percent of our equity in debt, our cash flow basically could cover the debt in just over a year -- and the suggestion was, "Geez, interest rates are so low. Why don't you guys leverage up and either do a big one-time dividend or make an acquisition just to grow?" And the answer is, we're not in the business of making money for money. We're in the business of selling one tube of toothpaste at a time, and we're not in the business of making rash acquisitions. Acquisitions for us are a strategic process. Strategic at one end, and as your grandmother always said, "Don't pay too much at the other end," and we all know how many companies have been destroyed by imprudent acquisitions. And we received criticism during that period. You can rest assured, when the day came, nobody ever mentioned why we had not leveraged up. So I think you have to have principles. You have to communicate them effectively, and you have to stay true to them.

**Doug Guthrie:** I have to say, for me it's just such a beautiful and heartening part of the discussion because typically when we think of sustainability and ethics, we think of it in relatively narrow terms, but you guys are thinking about sustainability in the face of immense pressure from capital markets, and in a sense, maintaining a mission that is a core mission that allows you to deliver on that good and, in a sense, it's a great story for market capitalization and for corporate sustainability. So thank you so much.



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