

"Gullible's Travels"

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Kingston Fletcher

As a kid I was always intrigued with the idea of adventure, particularly in faraway lands with strange tongues. I papered the walls of my room with National Geographic maps and took pride in memorizing the capitals of exotic countries. Such yearnings of adolescence never subsided, and I launched my career in what was then known as "overseas work" shortly after college. The next twenty-two years found me living in seven different countries. I then returned to the United States in a position of oversight for the final fifteen years with frequent visits to various foreign operations. Along the way I did find adventure, including some curious encounters with people who spoke different languages and had different customs. Here's a sample.

Early in my career my wife and I were transferred by P&G to Mexico City. We moved into a spacious building with four rental units in the desirous Lomas de Chapultepec area. We had been warned that home security was always a high priority issue in any part of Latin America. Yet we were struck by the extremes the apartment owners had employed. For example, all the windows were padlocked shut without any keys available. Great for keeping the bad guys out but questionable in time of fire. To meet the security needs of the Mexican populace, multiple police groups sprang up - some official and some unofficial. We were re-assured during the nighttime hours by the whistles blown by these assorted cops who patrolled the area. Perhaps they were keeping their courage up, signaling their fellow gendarmes that all was well and that they themselves had suffered no harm.

One day we were visited by a representative of a new security force that would pay special attention to selected buildings, but for a price. The members of this group were decked out in good looking uniforms (much better than the local police) and seemed to know their business. There were forms to fill out, including details on the layout of the apartments and, of course, payments to be made for this extra service. The three other occupants of our building (all foreign executives) signed on. But for some reason my wife and I held back. We both had had previous international experience and chose a "wait and see" attitude.

All went well for the next few months, but then some mysterious break-ins started to occur. And before you knew it, all three of the apartments with the extra protection had been burglarized. Ours was the only one that survived intact. And while we could never prove a correlation between the freelance force and the robberies, there seemed to be compelling circumstantial evidence that what you see is not what you get.

Such concerns also extended to the business world. In an effort to trigger consumer interest in our major brand, we introduced an age old marketing device from the U.S. with a special twist. This was a coupon printed inside the top of every sixth package. The offer was a rich one, with the coupon worth one added box free. The outside of the package splashily announced this game of chance, challenging customers to purchase on the basis that they'd hit the lucky one.

In typical fashion, the promotion was tested in a couple of towns with considerable success and then expanded across the country. Mexicans love to gamble, and this was right up their alley. Based on test results, we budgeted that 20% of the coupons would be redeemed. The deal generated a lot of buzz with both the housewives and the grocers. Suitable advertising hyped the offer via local and national media.

The whole thing seemed a great success with cries for more product from the sales department. However, about two months after the start of sale and just as the coupons were starting to trickle in, we received an unsettling phone call. It came from a printing company that, by chance, was very friendly. In the recent past, they had been in a bind for a certain raw material which often was difficult to obtain in the government directed economy. Our Buying department had been able to help them out, and the owners of the print shop were very grateful.

They alerted us that a couple of young men had just placed an order for a very large number of our special free box top coupons. These buyers had not left their names, but an alert employee had noted their license plate. A massive fraud was in the air.

Our next call was to the Mexican police (the good ones - not those who guarded houses). Their advice was simple, "Have the phony coupons printed as ordered so we can have evidence for a Mexican court when we seize the culprits." Also, the police said they would run down the owner of the car. We were in for a surprise. The automobile was registered in the name of Procter & Gamble Mexico. The action then played out in dramatic form. When the individuals came to pick up and pay for the bogus coupons, several cops stationed themselves behind the machines with handguns ready. So when the bad guys arrived, the scene was straight out of a B movie. The cops rose up to surprise the purchasers with a dramatic cry of "manos arriba!" (hands up). The two nervous perpetrators were dumbfounded. Taking a chance, the cops quizzed, "Where are the others?" They blurted out, "Waiting for us in the car outside." In Keystone Kops fashion, the police made a mad dash for the car and nailed all five of the gang.

When we unraveled the plot, we found that the entire central unit of our Mexico City sales force was behind it. Since they handled a disproportionate share of our business, the potential

losses were huge. It's doubtful that we would ever have been able to catch up with them, as it looked like a perfect crime. The reason was that all such coupons were picked up by the sales force, which redeemed the grocers for their value and then charged them to the company on their individual expense accounts. The scheme which the bad guys had devised would have allowed them to gradually mix the false coupons with the real ones, pocketing the difference.

We would have realized the defalcation only when the redemption percentage reached an alarmingly high point well above that originally budgeted. By that time the perpetrators would have resigned, leaving little trace of their handiwork.

There was a footnote to the story. After the five culprits were roughly seized by the cops and carted off, we ran into a storm of anti-American protest. A few days after the incident, some thirty to forty angry, gesticulating and shouting Mexicans stormed the lobby of our offices. They were the family members of those who had been apprehended, and they wanted to know what had happened to their men. For all practical purposes, their loved ones had disappeared.

On investigation, we learned while Mexican law pays lip service to the concept of habeas corpus, in practice, they have found a neat way to sidestep this. The police take the position that an apprehended criminal can be sprung from jail only if the document is presented at the location where he is being held. Since Mexico City had cells in some thirty different precincts at that time, the authorities would regularly shuttle prisoners from one location to another, thus foiling efforts to find and release those under indictment.

American firms are often suspect of dire activities in Latin America, so the relatives had come to our offices seeking redress or even retribution. Somehow, some of our senior Mexican managers were able to pacify the crowd and get them to leave.

The case of the potential felons came up for trial a few months later. But under the elasticity of Mexican law, none of them ever served time. Needless to say, that was the last coupon promotion we ever ran.

And now let's fast forward ten years to another Latin country, Venezuela, and another money challenge. The attitudes of the country, in general, and the grocers, in particular, were similar to those of Mexico. Very few people or small businesses ever paid a bill by mail. To get your money you had to collect it yourself (primarily cash). In the case of P&G, this meant that our sales force did double duty as bill collectors and salesmen. We set aside every Monday as collection day, and the amounts of cash were considerable.

This brought about a couple of danger points. First, the salesman was at hazard because of the large amount of money in his possession. We tried to lessen this risk by insisting upon periodic

deposits in nearby banks during the day. But this was not always possible, since bank locations were often few and far between. Some salesmen working in the more dangerous areas sought protection by purchasing handguns, which they ostentatiously placed on their hips on Monday collection days. At one point they requested that the company provide them weapons as necessary equipment for doing the job. But we demurred, as it looked like a hard sale to Cincinnati management.

The second problem was that the temptation was very strong for a salesman making a nominal salary to abscond with the receipts from a typical Monday collection day. And sure enough, this happened regularly, so much so we built the possibility into our cost structure. The experience showed that on average there would be one defalcation every six weeks some place in the country. And so it was with some irony that we became increasingly nervous every time six weeks passed and no theft was reported. We knew it had happened but didn't know where.

Now let's hop on our flying carpet and travel halfway around the world to Iran. This was the time of the Shah, and we had an apparently flourishing business with leading brands in various categories. But there were special challenges.

In a fit of nationalistic fervor, the government had decreed that all foreign firms had to have local investors with 50% of the equity. After much trial and error, we had settled on two local businessmen who were the least difficult to deal with. But unfortunately, even they had a rug merchant mentality, penny wise and pound foolish. Furthermore, the suspicious nature of their society proved a handicap.

The case in point revolved around payments to be made to P&G service centers located outside of the country. These costs were for work primarily on product research but also included other functions that the local company was not staffed to handle.

The trouble arose when a bill came in from the support center in Europe seeking payment for the development of a new, improved formula. Such expenses were billed out at cost on the principle that profit (or loss) should be the responsibility of the operating company, not the support center.

Under our operating agreement, any check for payment of a substantial bill had to be co-signed by two people - one of the partners and the company manager, a P&G man. More times than not, the Iranians simply refused to sign, suspiciously claiming that we were trying to siphon off profits by overcharging for these services.

To convince them that all was well, we supplied detailed time studies from the support center listing hours worked on each project and the cost involved. The information was

authenticated by a well-known international auditing firm and then presented as back-up for the bill. But this "proof" was not sufficient for the Iranians. Looking to their own customs, they insisted we must have falsified our records and bribed the accounting firm to cheat them out of their profits.

In exasperation, we threw up our hands and stated we could shift the major portion of the work to third parties like Arthur D. Little in Boston or the Stanford Research Institute in California. We added the caveat that their charges would probably be eight to ten times those of the P&G service center and the work not nearly so good since these third parties were not familiar with our formulas and general production procedures. At that point, the partners capitulated, muttered a curse or two in Farsi, and signed the checks.

We had to go through such confrontations time and again. They only ended when the Ayatollah Khomeini and his followers confiscated our factory after the Shah fell, and the partners fled for their lives.

And now let's turn to a less turbulent environment. Early in my career, I spent two years in Great Britain at P&G's headquarters in Newcastle Upon Tyne, not far from the Scottish border. I hadn't been in the country very long when I was told to check out a market situation in the town of Stoke-On-Trent, known both for fine china and the literary works of George Eliot. To get there one had to travel down the main road to Nottingham, about halfway to London, and then go west some thirty miles. In the late Fall the sun goes down early in northern England, which is on the same latitude as the middle of Hudson Bay. So it was already growing dim when I left mid-afternoon on my first extensive trip, driving on the left hand side of the road. While I'm sure an accustomed driver could have made the journey without much trouble, I found myself under severe stress and driving slower than normal. So I did not reach the area of Nottingham until well into the evening hours, and by then I was starting to fall asleep at the wheel. I knew I couldn't make it to my destination that night, so I sought shelter. My efforts were rewarded when I found the central railroad station and the adjoining station hotel. The place looked grim — reminiscent of the "House of Usher".

But my travails were not over. The clerk at the hotel desk put on a mournful face when I sought a room.

"So sorry, but everything's booked." "But isn't there some less desirable small room that you can let me have?"

"Not really, but we do have one room that is seldom rented."

I thought, well, it's only for a few hours since I would have to get up very early to make it

to my

breakfast appointment. "Okay, I'll take whatever you've got." "But sir, it's more expensive than the other rooms."

Again I thought, "What the hell, this is no time for haggling." So I insisted on taking the seldom rented pricey quarters, sight unseen.

Finally, the clerk blurted out the truth. "Sir, I'm sorry to tell you, but you will have the only room in the hotel with a private bath. That's why it's so dear."

I grandly paid the bill in advance, including the five extra pounds for the bath. This seemed to warrant a celebration. So I set my alarm thirty minutes early. And when I arose, I filled the tub with steaming water, popped in and luxuriated for twenty minutes, and then was on my way,

It was my first experience in British understatement, or in this case underselling.

Now the scene shifts to Communist Russia in the late Sixties. I was stationed in Germany, but curious about visiting the Soviet Union during the height of the Cold War. My wife showed no interest in the trip, so I recruited my seventeen year old nephew, who had done well in his Russian studies, to accompany me. With my German and his Russian, we had few language problems as we traveled alone. Our itinerary included the Black Sea resort of Sochi. It was mid-summer, and Russians and East Europeans were crowding the beaches in the customary search for sea, sand, sun, and sex. The Russian authorities were not worried about the morals of their citizens, but they were very concerned about political contamination. So mixing with outsiders, even fellow Communists from Eastern Europe, was curtailed.

In practice, it meant our hotel was physically divided with Russians only in one part and all others in a second area. This segregation applied not only to rooms but also the restaurants, bars, and other tourist accommodations.

With this scenario, at lunch one day we found at the next table an attractive middle-aged couple conversing in German. By then I had worked very hard to learn that language. So with more chutzpah than tact, I stopped to converse with them. They stated they were from Berlin, and I, without thinking or hesitating said, "Hopefully from West Berlin." There was an awkward pause, "No, we are from East Berlin." He was the most popular band leader in East Germany and on a tour of Russia. She was a very attractive TV newscaster. They were having a good time together. He had a soft spot for Americans and took us into his entourage, including the fourteen members of his band. During the next few days, I happened to mention to him that P&G Germany had a sizable amount of excess product from a less than successful brand which we wanted to dispose of. Did he have any contacts in the east Communist hierarchy with whom we could deal?

He claimed that he knew all the bigwigs in the East German government and could arrange something.

I returned to West Germany, heard nothing, and forgot the matter. But then, some three months later the phone rang with a call from Karl Marxstadt, better known today by its restored title of Chemnitz. Calls across the Iron Curtain were rare. And sure enough, it was the band leader saying that some sort of barter deal was possible for our excess product if I would come to East Berlin to meet with the proper authorities. So off I went with one of our sales executives carrying samples of our wares. We crossed the wall at Checkpoint Charlie and faced the grimy and dimly lit facade of the People's Republic. At the East Berlin hotel where we met the government representatives, one of the glum participants identified himself as "the one time owner of the local soap and detergent company".

Getting down to business, the East Germans wanted us to take religious candles in exchange for our detergent. Curiously, the atheistic Communists were the major purveyors of such fat candles that feature angels, cherubs, etc. and are sold broadly throughout Western Europe at Christmastime. After some discussion, it looked to both sides as if a deal were possible. Back in Frankfurt, it took some time to persuade our Sales Manager to add religious candles to the product line, even for a short period of time.

The stage was set. We cabled the East German State Purchasing authority our agreed original test order for some 200,000 Deutschmarks (about \$50,000 at that time) in religious candles with the proviso that we would receive a return order for an equivalent value of our detergent. No money would change hands. It would be a straight swap.

And then silence. It was like a John Le Carre novel. The whole scheme evaporated despite frantic follow-up cables.

I could not understand why until I talked a few months later with a knowledgeable German who understood the workings and values of the Communists. His view was that the performance of our product would be so superior to those of East Germany that the State authorities would be worried of a potential backlash when their consumers would be forced back to using their customary old, poorly performing brands.

Whether that was the proper explanation or not, we never knew. But everything came to a dead end.

The scene now shifts to the Far East. A different financial challenge that involved cultural sensitivity arose in Japan. As background, P&G had a very tough time getting established in that country in the face of not only the expected stiff opposition from local competitors, but also from

an antagonistic government bureaucracy. The Japanese are all for exporting their products and establishing plants and operations outside of their country, but they are very loathe to tolerate outsiders coming in except on their terms. These were not legal requirements but strong suggestions. This called for a joint venture with the foreign investor holding, at most, 50% of the stock and ceding de facto control to the Japanese. But we did not play this game, seeking our normal 100% ownership and management. A further, and the most important, obstacle to success was learning how to do business in a culture so different from that encountered in the rest of the world. The upshot was that P&G lost substantial sums of money for many years before establishing strong brand franchises and turning a profit. It was my lot to be involved in some of the heavy loss years.

To fund the mountains of red ink, we relied heavily on financing from major Japanese banks. And thereby hangs the tale.

We decided to institute periodic luncheons with senior executives from the Japanese banks to build a better relationship. This was the reverse of the usual practice of banks wooing the local P&G subsidiaries to offer their services and financial help.

Their support was essential as the cumulative losses mounted. So when the largest Japanese bank that we used learned of the imminent arrival of my immediate boss, their CEO issued his own invitation to entertain us Japanese style at one of the leading geisha houses in Tokyo.

When the time came, there were four P&G representatives paired with four members of the bank hierarchy. All was protocol, as we sat across from our immediate opposite numbers at one of the low lying tables where the Japanese squat for a formal dinner. Our host spoke rudimentary English, so the conversation was fairly desultory. As the night wore on, the pain in our legs increased due to lack of circulation. There were numerous courses, much sake drinking, and a musical presentation by one of the geishas. She performed on an atonal 3-stringed instrument. The sound was excruciating, but we felt the evening worthwhile if we could cement our relationship.

As the affair came to a close, the head of the bank slid two small gift wrapped packages across the table - one for my supervisor and one for me. To show our gratitude, we tore off the wrapping to see what item was being bestowed. Such action, it turns out, is a no-no in Japanese society. You should never open a gift before the giver on the chance that possible disappointment could show in your face, thus causing anguish for the donor. However, we charged ahead, ignorant of such niceties, and found some spectacularly expensive Japanese watches.

They were festooned with special knobs and switches and featured exotic dials, which

provided more information than one could cope with. The cost, obviously, was very high.

But there was a problem — a big problem! For guidance in its far flung empire, P&G has a policy book that includes, among other things, how to handle gifts from suppliers who do business with the company. One caveat is brief and to the point, i.e. one can accept only "nominal items with an estimated value of no more than \$25. Any other gifts should be returned to the sender forthwith". I could see our financial relationship with this major bank crumbling if I slid the watch back across the table to the bank CEO, explaining my regrets through the translator. But before taking action, I looked to my superior, the P&G board chairman. To my surprise, he ostentatiously fastened the watch to his wrist and uttered profuse thanks. Given that lead, I did the same.

As we left the party in a cab, I asked him how we could square the acceptance of these gifts with company policy. He said, "That's easy, King. I'm going to make a leather wastebasket in my basement workshop with the P&G moon and stars emblem on the side. And you are going to give it to the banker." I was still puzzled, but then he added, "At my salary and bonus, the hourly cost of preparing this wastebasket will be substantially higher than the worth of the watches. We can rest easy on this quid pro quo."

And so it came to pass. Three months later on my next visit to the Far East I toted the leather wastebasket and saw that it reached the right hands. What the Japanese bankers made of this curious exchange is unknown.

As a postscript, my watch was too cumbersome and gaudy to wear, so it still rests in the safe deposit box some twenty-five years later.

Now let's return to Venezuela and an event that a Sherlock Holmes fan would dub "The Case of the Weeping Secretary". In an earlier paper I outlined the efforts by Fidel Castro to undermine by force the democratically elected government of that country in the early 60's. As a reminder, at the P&G factory we established a military style defense with twenty-five armed men on the payroll in a 24/7 mode to repel any terrorists. Eight reinforced firing points were set up circling the plant with overlapping fields of fire for semi-automatic weapons. In addition, there were search lights that moved continuously at night to spot any attempt to break through the perimeter. Inside the fence we dug up the ground and let it be rumored that we had planted mines. And in front of each firing point rolls of concertina barbed wire were placed to prevent any stealth attack. Finally, we let loose two strong and menacing police dogs that roamed the open areas at night on the lookout for potential intruders. There were further refinements. But in any case, you get the idea that we were prepared for any Venezuelan Castro followers who wanted to cause trouble. For advice and counsel, we sought out the army attaches at the American Embassy and

had them inspect our work. Their judgment was that it would take a company size attack forty-five minutes to break in and seize the plant.

As you might imagine, all this effort attracted comment and attention from the populace. People were curious. And so it happened one Sunday afternoon that a Volkswagen with two people in it came cruising down one side of the plant, stopped, and a woman got out with what appeared to be a sophisticated camera and started taking pictures through the fence. Immediately, our walkie-talkie system was alerted, and the trooper in the closest firing point reported the situation to the command post located in the basement.

The woman re-entered the Volkswagen, which then proceeded to the corner and turned down the other side of the factory, stopping again to get out and take more pictures. By this time the guards were in an agitated state. Their life was one of constant tedium, as no terrorist in his right mind would dream of attacking the place. So the guards sat day after day, hour after hour, in the confines of their cubicle-like spaces. We had given strict instructions that no one was to fire his weapon without approval from the command center connected by the walkie-talkies to each of the locations. But alas, the tension proved too much for one of our stalwarts. John Wayne style, the man rushed out of his post and with the weapon at his hip started blasting away. Fortunately, Venezuelans are very poor shots. And so, he missed his target but sent her scurrying back to the car, which swerved off in great haste to avoid any added gunfire.

The next day I received a call from the general manager of a large insurance firm that occupied a couple of floors in our building. "King," he said, "I don't know what your people have done, but my secretary is weeping all the time and babbling about a horrible experience at the Procter & Gamble plant." Investigation proved that she had been the curious photographer, who wanted to send pictures to friends in the United States to illustrate the measures some companies were taking to protect themselves from the bad guys. The driver was her husband, and unfortunately for them, their car of choice, a Volkswagen, just happened to be the same type that the terrorists regularly used. Next I was contacted by her spouse, a seasoned American expatriate. When we met, he requested, almost begged, that we intervene in the case so they could go about their normal lives. He realized that during the picture taking someone had probably noted the license plate and that the state police must be on the lookout for it. Consequently, he had locked the car in the garage and had no plans to drive it until there was some resolution. It turned out his fears were correct, and that there was an all-points alert for a Volkswagen with that license plate.

He added that he was sure that we had a very close connection with the state police (that was true) and that we had the power to intervene with them on his behalf, including lifting or

destroying the file on this case (which we doubted).

But lo and behold, the state police, who had a considerable respect for our military prowess, agreed to hand over the file to us, which we duly destroyed. Presumably, the secretary stopped weeping and went on with her life.

Our next scene took place right here in Cincinnati. During the 1970's I had returned to the States and was encouraged to play a role with the Cincinnati Chamber of Commerce. Since the American mind set at that time was that any foreign investment should be one way, i.e. U.S. companies establishing themselves overseas, the local Chamber of Commerce was stumped for a name for a committee to welcome such interest when foreigners started putting their own capital into subsidiaries or outright purchases of American firms. Finally, it was dubbed the "Reverse Foreign Investment Committee". It was awkward phrasing, but fit the American mind set.

Concurrently, the efforts of Nixon and Kissinger were paying off with the entente with Communist China. You may recall the ping pong diplomacy of the time and some trade missions to Chinese provinces to drum up business. Big Jim Rhodes, Ohio's governor, was never one to miss a good photo op with reporters in tow. And so, as part of his effort to encourage Sino-American trade and amity, he packed a plane with two or three of his associates and some twenty reporters to fly off to China. While the results did not turn up any immediate business leads, they certainly helped the governor's reputation and vote getting ability. And sure enough, the Chinese decided to accept an invitation to reciprocate, and that's where the Reverse Foreign Investment Committee comes in.

A Chinese trade delegation set out to visit cities, large and small, in the State of Ohio. Cincinnati was on the list. A fancy dinner was arranged for the visitors in the upstairs dining room of the now defunct Maisonette. Committee members plus a few councilmen, including Ken Blackwell, hosted some ten Chinese guests. The visitors were all decked out in Mao suits, looking like a Broadway chorus line. And they included a couple of similarly clad ladies to serve as translators. Making conversation with foreigners with a language barrier is an arduous social task. And so I was grasping for some common ground when I spotted a large, rather garish pin on the chest of one of the guests. It was festooned with blue, red, and white designs plus a few stars. Turning to the translator, I inquired if the gentleman could tell me how he had earned this award, imagining that it was some sort of Order of Mao or a celebration of the great Communist revolutionary victory. I knew something was up when the translator's jaw dropped, but she proceeded to pose my question. The Chinese official turned and looked at me in wonderment, and then his reply came back, "Mr. Fletcher, this is the sacred symbol of the State of Ohio that was

awarded to me by Governor Rhodes personally in his office yesterday." I took a closer look, and it was the Ohio State flag jammed onto a round surface. So there was Jim Rhodes again, featuring a flag button as an icon to be cherished by foreign dignitaries.

Before I could stammer a reply, the translator continued, "And in addition, Mr. Rhodes has promised that he will make available a special booth at your grand annual trade exposition in Columbus." Then the nickel dropped. Rhodes was passing off the Ohio State Fair as some type of international business opportunity. I mumbled my apologies.

Many of these vignettes of international work feature unusual, even bizarre, incidents. But let me reassure any P&G stockholders in the audience that I have selected them for dramatic effect. There were many more hits than misses. The international side of P&G's business has grown and grown over the years. Sales outside the U.S. represented 8% of company volume when I was hired and reached 40% when I retired. They now stand at 60%.

So what does one take away from such international experiences? For me, there were two major conclusions.

First, one is enriched by living and working abroad. You can better understand and admire, although not always condone, the actions of foreign people and countries if you have spent time on the ground and tried to learn the language. It gives you a broader view of the world.

Second, and most important to me, is that you learn to know and appreciate your own country better - its strengths and even foibles. For there is always an instant comparison as you meet the challenges of daily living in a foreign atmosphere.

Finally, all in all, it was a grand adventure.