



AT THE VERY CENTER OF BUSINESS™

W. Edwards Deming Center for Quality,
Productivity, and Competitiveness

2016 DEMING CUP FOR OPERATIONAL EXCELLENCE

AWARD CEREMONY SUMMARY



2016 AWARDEES



David M. Cote
Chairman & CEO
Honeywell

Indra K. Nooyi
Chairman & CEO
PepsiCo

Paul H. O'Neill
72nd Secretary of the
US Treasury



The 2016 awardees: David Cote, Paul O'Neill, and Indra Nooyi

DEMING CUP 2016 AWARD CEREMONY

Dear Friends,

On October 25, 2016, the W. Edwards Deming Center for Quality, Productivity, and Competitiveness honored David M. Cote, chairman and CEO of Honeywell and Indra K. Nooyi, chairman and CEO of PepsiCo, with the 2016 Deming Cup for Operational Excellence at



Professor Nelson Fraiman

Columbia University. In addition, the Center bestowed its inaugural Lifetime Achievement Award to Paul H. O'Neill, 72nd Secretary of the US Treasury, former director and chairman at Alcoa, and former president of International Paper, for his legacy of leadership across the public and private sectors over five decades.

Both awards represent Columbia Business School's drive to honor practitioners who promote excellence in operations and foster lasting impact through their leadership. Through their outstanding achievements these winners inspire our students—the next generation of business leaders—to embrace excellence as a core guiding principle of their activities. We could not maintain the high caliber of our awardees and the integrity of awards without the guidance of our Center's leadership and thank our Advisory Board and Judging Committee for their involvement in all stages of the selection and review process.

We are grateful for the enduring generosity of our supporters that made this celebration possible—Alcoa, Ali Dođramaci, American Express, Citi, Fiat Chrysler Automobiles, G100 Companies, GE Capital, Honeywell, IBM, International Paper, Muni Jaitly, Daniel Kaplan, Land O'Lakes, Macy's, Inc., Mattel, *New York Times*, Paul O'Neill, PepsiCo Foundation, SC Johnson, Stifel, Dina & Andrew Wallach, and Zoetis.

It is my pleasure to share highlights of this evening with you.

The festivities of October 25 began with a reception in the Faculty Room, where guests had the opportunity to meet with the evening's awardees and mingle with faculty, members of the Deming Center Advisory Board and Judging Committee, and special guests from other universities and organizations.

Dean Glenn Hubbard commenced the evening's proceedings by welcoming the gathering and extending the School's sincere thanks to the faculty and board members of the Deming Center for their efforts to recognize excellence in operations and leadership. Saluting the three awardees for their remarkable accomplishments, he reinforced their role as exemplars for the next generation of leaders.



Dean Glenn Hubbard

The proceedings commenced with welcome remarks by **Nelson Fraiman**, director of the Deming Center, who called upon **David Niles**, chairman of the Center's Advisory Board, alumnus of Columbia Business School, and chairman, G100 Companies, to address the



"We are in the midst of a transformation in business and years ago Deming got this right. The transformation can be accomplished only by skilled, driven, creative individuals...not hardware."

—David Niles

gathering. Niles congratulated the winners, noting that their stature as awardees cemented their legacy of excellence and mandated their continued “obligation to build the leadership and operational skills of the next generation.” He mentioned the critical need for the programs of the Deming Center at this moment in time, when “we are in the midst of a transformation in business.” He noted the Center’s initiatives that nurture connections between academia and business—research support for faculty and students, best practices training for practitioners, and the creation of forums for dialogue between researchers and practitioners that allow for the productive exchange of ideas across boundaries.

Following Niles was **Shelly Lazarus**, chairman emeritus, Ogilvy & Mather, and a member of the Center’s Judging Committee, who was the master of ceremonies for the evening. Lazarus emphasized the sterling caliber of all the Deming Cup winners—past and present—calling them “luminaries” in the field for whom she had “enormous respect.”



Lazarus remarked that she “knew Dave, before she knew Dave,” from her role on the board of GE, where, even after his exit, “They talked about him all the time,” said Lazarus, “with respect and with love. They even tried to buy him once, but he had gone to Honeywell.” She congratulated him for a “career’s worth of driving operational excellence...everywhere you go, you are respected, loved, and lauded.” She ended her cordial introduction by welcoming **Gordon Bethune**, former chairman and CEO of Continental Airlines, to present Cote.

*“The people who have won the
Deming Cup in the past are stars.
They are luminaries.
And this year is no different.”
—Shelly Lazarus*



"Honeywell was always a good horse. We just needed a world-class jockey. We have him here tonight—David Cote."

—Gordon Bethune

Bethune began by reviewing the history of Honeywell's condition in 2002 when he first met Cote.

"We were a fractured company without a leader... had endured a 'poorly handled' merger with Allied Signal, had been bought by GE. After 18 months of stagnation and insecurity, the merger was denied, (so we)... looked for someone strong enough and smart enough to restore Honeywell's stock. We found him, and he is one of the honorees here tonight," he said.

He went on to highlight how Cote restored Honeywell's performance by instituting "One

Honeywell" as the core driver of business culture and performance. Since then, "One Honeywell has been implemented around the globe, utilizing six sigma in every segment of its 130,000 employees—including 22,000 engineers and scientists—and the \$40 billion company increased shareholder value by 400%....It was like turning water into wine...a miraculous story," he ended, to hearty applause, as Cote took the stage.

Accepting the award on behalf of "Honeywell's 130,000 employees," **David Cote** highlighted that the award celebrated a "commitment to operational excellence that has helped to propel our growth and has made our company one that customers want to do business with, employees want to work in, and investors want to invest in...the company that won the Deming Cup."

He traced the company's journey in implementing the One Honeywell credo to successfully deploy a "best in class" business model focusing on the three pillars of portfolio, process, and culture. This drove Honeywell's growth into a \$40 billion global giant with an impressive portfolio of solid positions in different industries, with a current market cap of \$85 billion—up from \$20 billion in 2003.



A longtime admirer of W. Edwards Deming, Cote attributed Honeywell's success to the Deming-based focus on commitment to operational excellence and continuous improvement, both supported by unwavering "quality focus," which, he noted, made the evening's award particularly significant for him.

"This award is a celebration of our commitment to operational excellence and continuous improvement...two things that have helped propel Honeywell's growth."

—David Cote

He concluded by drawing upon his interpretation of organizational Darwinism as being the "Survival of the Most Flexible," reinforced by Honeywell's flexible culture that allowed it not only to evolve and adapt to changing environments but also enabled it to thrive through transitions and consistently succeed in diverse contexts.

Cote received the Deming Cup from both **Richard Barakat**, MD, deputy physician-in-chief at Memorial Sloan Kettering Cancer Center and a member of the Center's Advisory Board, and **Mary Boyce**, dean of the Fu Foundation School of Engineering and Applied Science at Columbia University.

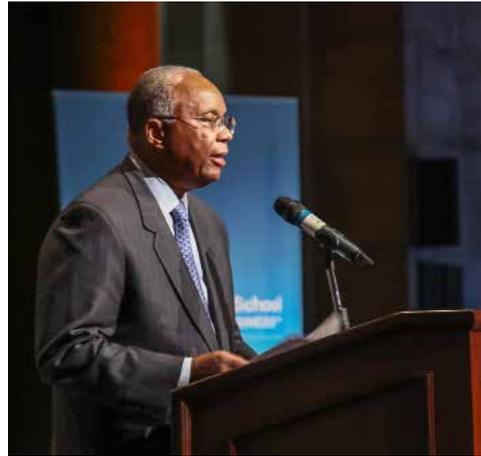


David Cote receiving the Deming Cup from Gordon Bethune, Dean Mary Boyce, and Rich Barakat



David Cote with Nelson Fraiman

The ceremony progressed over dinner with remarks by **Larry Thompson**, former general counsel at PepsiCo and former United States Deputy Attorney General, who noted what a particularly special privilege it was for him to introduce “his friend, former client, and former boss, Indra Nooyi.”



Drawing upon his personal experience in working with Nooyi, Thompson highlighted how, for him, it was not what she has done in her 10 years as CEO to transform PepsiCo’s worldwide operations, making it a \$22 billion brand, but rather, his admiration for how she went about doing it.

“In so many ways, Indra helped make PepsiCo a model, I think, for how a great, global company should conduct itself in the 21st century.”

—Larry Thompson

“Because she is doing it in a way that ensures that her company is making a positive impact in the world and redefining what it means to be a responsible and effective corporate citizen. Through Indra’s vision of Performance with Purpose, PepsiCo is proving that simply doing the right thing...can go hand in hand with doing the right thing for business,” said Thompson.

He concluded by articulating that not only had Nooyi managed to make PepsiCo a “good company,” but had proven that “her vision was the right one to accomplish long-term growth and shareholder value, while making certain that PepsiCo has the license to operate all across the world.”

Thanking Thompson for his kind words, **Indra Nooyi** said that she was “honored and humbled” to accept the award on behalf of all her colleagues at PepsiCo whose dedication, passion, and commitment to continuous improvement served as her inspiration each day.



“We are committed to advancing the Deming-based principles of quality, productivity, and competitiveness in a way that is good for business and good for the communities they serve.”

—Indra Nooyi

“The contributions the Deming Cup recognizes are deeply important not just to me, but to all of PepsiCo....,” said **Nooyi**.

She explained how their guiding mantra, Performance with Purpose, drove their work with a sense of responsibility to multiple stakeholders and the planet by “advancing the interests of business and society together... because we are trying to define how we make the money differently, not just spend the money we make in a corporate social responsibility program.”

Quoting Deming—*All anyone asks is for a chance to work with pride*—she noted that while she pushed her team hard to adhere to the values of excellence and continuous improvement, she

believed that everyone at PepsiCo had a strong sense of pride in their work. “By honoring us with the Deming Cup, you are making our sense of pride that much more deeply felt,” she ended.

Nooyi received the Deming Cup from **Matteo Del Vecchio**, chief administrative officer of Brooks Brothers and a member of the Center’s Advisory Board, and **Katherine Phillips**, senior vice dean of Columbia Business School.

Up next was **Ashley Martin**, PhD candidate in Management at Columbia Business School, and recipient of a 2015 Doctoral Fellowship from the Deming Center to support her research in diversity and inclusion in businesses. She highlighted key findings from research conducted under the auspices of her fellowship, namely how a nuanced



Indra Nooyi with Shelly Lazarus, Larry Thompson, Matteo Del Vecchio and Sr. Vice Dean Kathy Phillips



Indra Nooyi and David Cote with Dean Glenn Hubbard and Nelson Fraiman

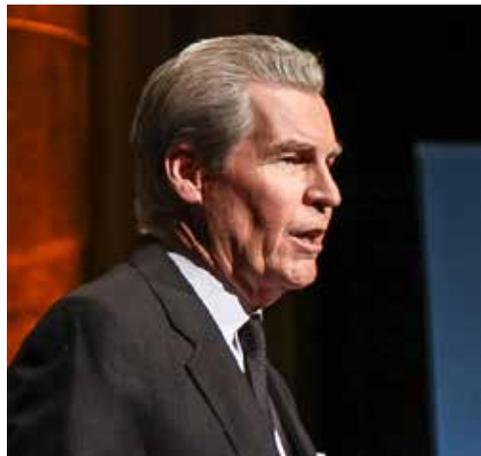


Ashley Martin

understanding of diversity in gender-related contexts can allow practitioners to know when to emphasize differences vs commonality to foster fairness in hiring practices. These findings enabled **Martin** and her advisor to design a strategy with the potential to impact organizational policy in the long run—which may not have been possible without the Center’s research support.

Presentation of the Lifetime Achievement Award to Paul O’Neill, 72nd secretary of the US Treasury, began with a video tribute by the **Honorable George P. Shultz**, former US Secretary of State (1982-89) and former Secretary of the US Treasury (1972-74) congratulating O’Neill on his numerous achievements. **Klaus Kleinfeld**, chairman and CEO of Alcoa, and a member of the Deming Cup Judging Committee, also celebrated O’Neill with a video tribute for the “legacy he left behind at Alcoa—an uncompromising one of safety that remains the number one priority at our company.”

Terry Lundgren, chairman and CEO of Macy’s, Inc., co-chair of the Deming Cup Judging Committee, and a 2012 Deming Cup recipient, explained how the Lifetime Achievement Award deepened the Center’s commitment to salute excellence by recognizing lifelong visionary leaders “whose ethical standards and broad-ranging accomplishments have had impact beyond their own particular spheres of



Terry Lundgren

operations—an impact which spans across public and private sectors, and beyond.”

Noting that this award not only honored their accomplishments, but also cemented their legacy of leadership, he called upon **Ron Suskind**, Pulitzer Prize-winning journalist and author of *The Price of Loyalty: George W. Bush, The White House and the Education of Paul O’Neill*, to speak.



Calling O’Neill a “ferocious, clear-eyed American” who “understood in a deeper way than many of us what makes the country what it is,” Suskind observed that he was a “Deming guy probably before he even knew who Deming was....He always felt good process creates good outcomes. That’s what he did in government, and that’s what he used as a guide throughout his life.”

“Paul is a signature actor of this era and I think history will agree with me on that. My wife sent me a note saying—give my love to ‘Mr. Integrity.’ That’s Paul O’Neill.”
—Ron Suskind

Rejecting the general fallacy that Deming reduced individuals to statistical models, Suskind highlighted how O’Neill’s unwavering emphasis on worker safety at Alcoa—disregarding industry averages and focusing instead on continuous process improvement to keep each and every worker safe—exemplified the profoundly humanistic essence of Deming’s philosophy.

Suskind said that “In business school, people are taught that caring is expensive, caring is messy. Paul taught us otherwise. The key to showing you care...is that you actually have to care. And what he did as Treasury Secretary is that he cared...and that took extraordinary courage based on Deming principles. That’s why he is a hero. Truly. The



*"I'm not done yet!
I'm still out there pushing...to get
people to adopt ideas that can
liberate people in our society."
—Paul O'Neill*

country could use these lessons." Quoting Abraham Lincoln who said that character is like a tree and reputation like its shadow, Suskind concluded, "The shadow is what we think of. The tree... is the real thing. And so, today we honor the tallest tree in the forest—Paul O'Neill."

Paul O'Neill thanked all of the presenters for their generous remarks, extending a particularly special thanks to his wife of 61 years, Nancy, for her enduring support.

Citing the alarmingly high rates of workplace-related injury in the healthcare sector as not just

unfathomable, but, unconscionable, he pointed out that operational excellence was a value embedded in the Deming Principles, such that "organizations are either habitually excellent or they are not. So if (one) has a workplace injury rate that's 50 times worse than Honeywell or PepsiCo, you better be critical about what else they do badly. If they are not able to take care of their own people...you need to look out."

He said that when he got the call informing him that he was the recipient of the inaugural Lifetime Achievement Award, his response was, "I'm not done yet! I'm still out there pushing every day to get people to adopt what I know are ideas that in so many ways can liberate the people in our society." He ended by emphasizing the importance of decency in people and accountability in industries as crucial for the practice of Deming's philosophy in today's world.

O'Neill received GE's custom-3D printed award from **Keith Sherin**, vice chairman, GE and chairman and CEO, GE Capital, and **Brent James**, executive director for the Institute for Healthcare Leadership at Intermountain Healthcare, and a 2011 winner of the Deming Cup.



Paul O'Neill with Terry Lundgren, Nelson Fraiman, Ron Suskind, Keith Sherin & Brent James



David Cote, Paul O'Neill & Indra Nooyi with Brent James, Nelson Fraiman, Kristin Peck, Sr. Vice Dean Kathy Phillips & Ron Suskind

Closing remarks were made by **Kristin Peck**, executive vice president and president, US operations at Zoetis, and a member of the Center’s Advisory Board.

Congratulating the honorees, Peck noted that their inspiring achievements reminded her of a particularly meaningful quote of Dr. Deming—*It is not necessary to change, because survival is not mandatory.*

She observed that both winners had displayed the wisdom to embrace flexibility as a key strategy for survival, thus ensuring their organizations’ long-term viability and success. And they had done so without compromising on the values of



“People-focused leadership is about making everyone feel that what I do actually matters, and that my contribution would count.”

—Kristin Peck

people-focused, “purpose driven leadership that’s about Deming...about doing what you do with pride...making everyone feel that what I do actually matters, and that my contribution would count.”

Peck remarked that her engagement with the Center allowed her to “connect her company to great ideas,” given the Deming Center’s unique ability to foster “progressive collaboration between academics and business...a really unique value proposition.” She congratulated Nelson Fraiman for being the driving force behind the Center’s impact in operational excellence, commending his “energy, optimism, and... ability to bring new ideas to the team.”

* * * * *

Once again, I extend my deepest gratitude to all our sponsors. Your gifts support our efforts to foster operational excellence in academia and industry through interdisciplinary initiatives such as research fellowships, industry forums, study tours, speaker opportunities, and the creation of case studies.

Our vision is sustained—and our mission is furthered—not only by your gifts, but also by your engagement and involvement with our work. Should you know of an organization or individual who would like to partner with us in the journey of deepening Dr. Deming’s legacy in theory and practice, please let me know.

I would like to thank my colleagues in the Decision, Risk, and Operations division, and faculty across all the divisions of our School for their support. Special thanks goes to our School’s leadership for their vote of confidence that enables us to work with integrity and excellence.

I would also like to acknowledge our business partners—Deb Romain and Simon Pearce—who created custom-made Deming Cups for both winners. A special thank you goes to GE for using their additive manufacturing expertise to design and print the Lifetime Achievement Award for Paul O’Neill.

Please take a few moments to enjoy the following photographs to get a sense of the celebration on the evening of October 25.

I hope to see you at the 2017 Deming Cup award ceremony on **Thursday, October 12, 2017!**

Warm regards,



Nelson Fraiman
Professor of Professional Practice
Director, Deming Center
Columbia Business School

PHOTO HIGHLIGHTS



Two Deming Cups, Deming Winners Plaque, and Lifetime Achievement Awards



Terry Lundgren (second from left) with the guests from Macy's, Inc.

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Dennis O'Neil (far right) and the team from Alcoa



Kristin Peck (fourth from left) with the team from Zoetis



Maureen Kelly & David Cote



Janet and Keith Sherin



Meyer Feldberg—former dean of the School—with Nelson Fraiman



Professor Nachum Sicherman, fourth from left, with current EMBA students



Richard Jaffe, Stifel



Ron Suskind with Paul O'Neill



Andrew Wallach with Larry Thompson



Craig McKenney, far left, with guests from Citi



Paul O'Neill with guests from Alcoa



CBS faculty members Mark Cohen & Paul Glasserman with former dean, Meyer Feldberg



Nelson Fraiman & Ron Suskind



David Cote & Paul O'Neill



Indra Nooyi & Bennett Nussbaum



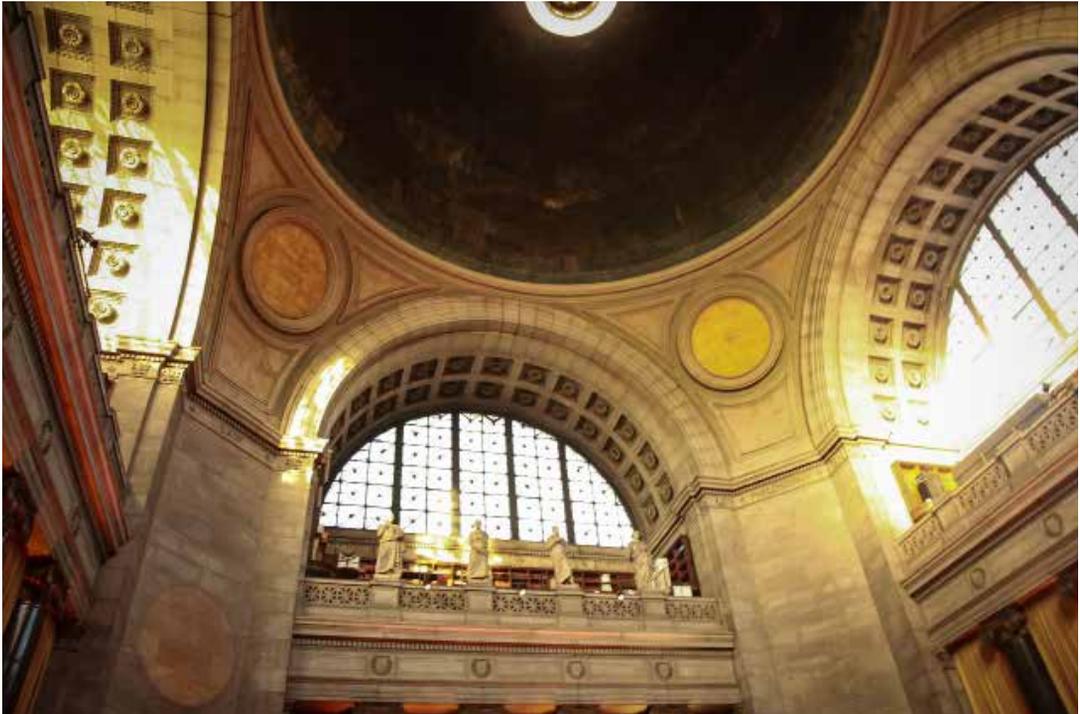
CBS faculty member Fanyin Zheng



Paul O'Neill with the 3D printed GE award



Brent James and David Niles



View of Low Rotunda ceiling



Shelly Lazarus with Matteo Del Vecchio, Sr. Vice Dean Kathy Phillips & Larry Thompson



Gordon Bethune & David Cote



Larry Thompson & Indra Nooyi

DEMING CUP 2016
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Terry & Tina Lundgren



Dina & Andrew Wallach with a guest (far left)



Jessica Rossman & Gordon Bethune



David Cote & Maureen Kelly



Guests enjoying dinner and the ceremony



Matteo Del Vecchio & Alessandro Delfino



Burt Steinberg



Daniel Kaplan with Paul & Nancy O'Neill



Jill & Jim Peterson



Ron Suskind & Paul O'Neill



Bennett Nussbaum & CBS faculty, Medini Singh & Nelson Fraiman, with EMBA students



David Cote & Paul O'Neill with CBS faculty and students



The Deming Cups



Paul O'Neill and his award presenters



David Cote, Paul O'Neill & Indra Nooyi with Brent James, Nelson Fraiman, Kristin Peck & Kathy Phillips



Abigail Schlaifer, Saphia Najafee, Angela Quintero and Kalpana Kanthan with Nelson Fraiman & Medini Singh

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2017 DEMING CUP AWARD CEREMONY

Save the Date
Thursday, October 12, 2017





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