

BLUEPRINTS

THE PRODUCE PROFESSIONALS' QUARTERLY JOURNAL

Blue Book Services

Phone: 630 668-3500 Fax: 630 668-0303 E-Mail: info@bluebookprco.com Web Site: www.bluebookprco.com

The Importance of INTEGRITY

BY PAUL ROGERS

There has been continued focus on integrity in today's business environment and, especially in the produce industry, this issue remains the cornerstone of long-term success.

Integrity is defined by the *American Heritage Dictionary* as 'steadfast adherence to a strict moral or ethical code.' The Blue Book characterizes integrity as a facet of moral responsibility, embodying 'reliability, honesty and trustworthiness.'

"When it's all boiled down, integrity is doing what you say you're going to do, everything from returning a phone call to getting back to people on a timely basis to making sure your products [perform]."



Reprinted from *Blueprints*, the Produce Professionals' Quarterly Journal, published by Blue Book Services. Copyright 2004.

says Chris Nelson, president and CEO of Mixtec Group, based in Pasadena, CA. "Honesty and integrity are the lifeblood of any business."

Over the past couple years, news reports have been replete with stories of mismanagement, excess and deceptive accounting practices. At the root of it all is a breakdown in integrity.

Desire for personal gains or to meet stockholders' expectations can lead to decisions to distort numbers or look the other way when business deviates from established ethical standards. Such tactics have proven difficult to maintain over the long haul.

"The point of a for-profit business is to generate returns to shareholders and offer a viable place of employment to employees. But business is long-term. If you take a short-term view to maximize profits to the detriment of integrity, you are not going to be around for very long," says Bryan Silberman, president of the Produce Marketing Association (PMA), located in Newark, DE. "You can't afford to sacrifice integrity on the altar of profits. Look at where it will leave you."

Integrity in produce

For the produce industry, Silberman's words assume even greater significance. Since the early 1900s, agricultural trade has relied on integrity to function. With millions of dollars in product traded weekly, based on little more than a telephone call, buyer and seller honesty, reliability and trustworthiness are vital for the efficient movement of goods in this industry.

BLUE BOOK

USE

Blue Book Services can provide comprehensive tools relating to this topic. Read how in the Blue Book Services Department.

Companies that have demonstrated that they cannot be trusted do not have a place in a system that relies on trust. Businesses that believe the rules do not apply to them will soon find few buyers, shippers, wholesalers, brokers or growers willing to trade with them.

Integrity on Display

Integrity may soon be institutionalized if the National Steinbeck Center, Salinas, CA, gets the funding for a new integrity exhibit in its Valley of the World Agricultural Wing. The scope of the exhibit is still being developed, but the center says it will reflect the eight characteristics of an integrity-centered agribusiness company as developed by Salinas Valley agriculture leaders.

The 6,500-square-foot Valley of the World wing opened in September 2003 to celebrate the agricultural heritage of the Salinas Valley. The wing includes a number of hands-on exhibits that examine both the human element of farming and evolving technology. Its goal is to present the history and complexity of the nation's agricultural industry in a fun and interesting manner (visitors can vote for their favorite vegetable, play the "Produce Game" or design their own crate label). For more information, visit the Valley of the World online at www.steinbeck.org or call 831-796-3833.



Courtesy National Steinbeck Center. © Bob Blockwell

In another industry, a company may be able to survive a deficiency in integrity. One example is a management consultant who has been paid to improve a company's profitability, collects a handsome fee and knowingly deceives his clients by not completing his assigned task. Then he can pack his computer and cell phone and relocate to New York to work for a whole new universe of clients.

But the nature of the produce industry does not allow someone to nonchalantly shrug off a lost customer and find new partners. "Try to put 10,000 or 15,000 acres in the trunk of your car and move on," says Jim Bracher, founder and president of the Bracher Center for Leadership in Integrity, Monterey, CA. "Growers say, 'We're not moving this land, therefore, our entire reputation is dependent on how we treat the soil and the people who are there.' They know they are stewards of the earth and can't run away. This is not a short haul enterprise. Agriculture is not for today, it's forever."

The produce industry has a different set of stakeholders: the industry itself. Produce companies, therefore, have less motivation to tinker with earnings to

boost share prices or keep stockholders happy. Instead, the motivation by and large has been long-term mutual success. "Everybody's a partner in this industry. Many competitors also are customers who also are suppliers," says Bracher.

"You don't have to outsmart the person you are doing business with. Business is a two-way street. A deal has to be good for me and good for my customers," says the director of a California-based broccoli shipper. "There are times when business opportunities present themselves and I have to wave them off. I need to ask, 'Am I profiteering, am I taking advantage or is that just a smart business decision?' I have to ask, 'am I doing the right thing for the right reasons?'"

Managing relationships

The produce business is relationship-based, and integrity is the only way to build long-term relationships, says Bracher.

Unreliability, dishonesty and the tendency to rate the dollar above all else is especially damaging in these days of consolidation. Losing a single customer

because of failing to deliver on an obligation can be a critical blow to business. “Consolidation has totally changed the business in the last five years. If you get crossways with one of the big six retailers, how do you replace that business?” asks Nelson. “You could replace a small chain in the old days, but if you mess with integrity and ethics and gouge them, where do you replace Sysco, Yum Brands and McDonald’s or Wal-Mart, Kroger and Safeway? Today, you cannot afford to get painted with that paintbrush in any way, shape or form or you will be out of business.”

TRADE TERM:

Forward Price - Usually involves contracting to sell a commodity in the future at a predetermined price.

To avoid such a whitewash, integrity needs to be more than a phrase on the mission statement. It must be practiced by those at the company as well as buyers, brokers, shippers and growers with whom a firm works. The truest tests of a company’s integrity are how it honors obligations and how it deals with problems.

There is a fair amount of forward pricing in today’s produce industry, says the CEO of a Florida-based fruit and vegetable grower/shipper. “When the price gets as high as heck, you’ve still got to honor that contract no matter what, which gets to be harder to do if volume declines.”

As you work together, differences will arise, he adds. “As you work those out, you will discover what kind of people they are and they will find out what kind you are. You will see whether they sacrifice profits to keep their word and reputation.”

Unanticipated quality problems can arise with perishable products, generally due to breakdowns in the cold chain [substandard refrigeration]. “We sell everything F.O.B., which means the risk in transit belongs to the buyer,” says the president of a California-based fruit and vegetable grower/shipper. “Sometimes the temperature is not held.

The buyer usually looks to the trucker or whoever hauled it for resolution. But sometimes it’s in a gray area, and you need to work things out as two fair-minded people. So you might split the loss or take part of it.”

Over time, adherence to obligations (paying on time, delivering on time, delivering the expected quality) and problem resolution are what keeps you together or what separates you from your partners in this business, says the Florida grower/shipper.

Selecting the right partner is key. Growers and shippers say there are ways to glean insights into a buyer’s commitment to integrity and, hence, whether that relationship will be strong before making that deal over the phone. “We use the Blue Book extensively to evaluate whether we are going to do business with a particular broker, grower or shipper,” says the president and CEO of an Ohio-based produce distributor. But intuition

plays a role as well. “I always like to give any new person the courtesy of a call and try to sum up personally whether there is a possibility of doing business. There are always good traders and growers falling on hard times, and they may need an occasional boost to try to get back on their feet.”

The industry can be a relatively close circle of players, every one having a reputation. “There are people around who will give their individual opinions of that person. There is nothing wrong with going out and asking them to tell you about John Jones and listening to what they say,” says the California-based broccoli shipper. “But you have to look at who you are asking [to know if there could be a bias]. You have to have a gut feeling about people.”

Looking inward

Customer feedback mechanisms are essential tools to monitor how well a company and its people are doing and whether customers feel they are being treated fairly. If there are any gaps in integrity within an operation, feedback will come fast and furious, say executives.

“It’s very easy to see. Disgruntled customers normally aren’t very bashful,” says the president of a Pennsylvania-based produce wholesaler. “They will voice it, or they will go away. You need to monitor for both situations. And don’t be bashful about letting them know it if you have a problem with them.”

“It only works because of integrity and willingness to work within the system,” he says. “Generally, bad apples don’t last very long.”

To ensure that a customer is treated with integrity, a company must clearly

highlight the importance of honesty and dependability within the organization, say the experts. That attitude must come from the top and demonstrate that the company will not tolerate dishonesty.

“The culture a person sets in his or her own

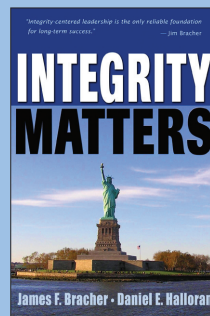
Growers and shippers say there are ways to glean insights into a buyer's commitment to integrity and, hence, whether that relationship will be strong before making that deal over the phone.

organization is critical because that’s going to determine how that organization treats customers,” says Silberman.

“If leadership is saying one thing and doing another, employees will pick it up quickly because they see it every day. If you don’t treat employees with integrity, how can they treat customers with integrity?”

Supervisors and everyone down the line are responsible for measuring and monitoring compliance with integrity standards with every transaction. And bosses must be willing to admit mistakes when they miss the mark, says Bracher.

The Road to Integrity



Integrity is the kind of word often quoted by management consultants as a business necessity. But few go on to outline what exactly it means or suggest tangible ideas to achieve it. Salinas Valley agribusiness leaders sought to change that when they got together last year with Jim Bracher, founder and president of the Bracher Center for Integrity in Leadership, Monterey, CA.

Bracher and 16 produce industry leaders met over the course of six months and developed a vision for "The Integrity-Centered Agribusiness Company." That vision focuses on eight core values that, taken together, comprise integrity. In addition, each attribute is accompanied by a question, as posed to employees, that moves each attribute from concept to concrete.



The eight core values are as follows:

- 1. Character:** Demonstrating a consistency between word and deed. Do your organization's leaders exhibit congruence between what they say and what they do?
- 2. Honesty:** Communicating truthfully. Do you have confidence your leaders would never engage in or sanction misrepresentation?
- 3. Openness:** Running a transparent operation. Is appropriate information about your organization readily available?
- 4. Authority:** Encouraging employees to handle customer problems. Are you able to correct a customer problem?

Do you have confidence that your actions will be supported?

- 5. Partnership:** Honoring obligations. Does your organization pride itself on timely fulfillment of all commitments?
- 6. Performance:** Establishing accountability throughout the organization. When individuals, including senior executives, underperform repeatedly are they given fair warning and, if necessary, replaced?
- 7. Charity:** Promoting generous community stewardship. Does your organization reach out to those in need?
- 8. Graciousness:** Offering respect and maintaining discipline. Does your organization demonstrate care and concern for all stakeholders?

The eight attributes of an integrity-centered company complement Bracher's earlier developed "Integrity Arch." The arch is meant to symbolize integrity as the keystone of leadership.

"Integrity is congruence between what you say and what you do, as well as what you say about what you did. Integrity is the keystone of leadership. The keystone holds the enterprise together at its most critical junction, where ideas, products and services meet the customer," says Bracher. "Integrity is the strength, unity, clarity and purpose that upholds and sustains all of the activities of the enterprise. Integrity provides this stabilizing dimension by never, ever, compromising. Integrity recognizes risks and assumes responsibility. It drives the realization of vision toward the enterprise's destination. Leaders exude integrity."

The eight core values are explored in-depth in Bracher's new book *Integrity Matters*, which hit shelves in May 2004. For more information, visit the Web site www.brachercenter.com.

"This is not about perfection, but about holding up the mirror."

Performance reviews should not just be tied to numbers, but to honesty and integrity. It doesn't matter if salespeople post record sales if they cheat on expenses, says Nelson. "Those things are the tips of the iceberg. You've got to watch for the small stuff and nip it in the bud."

Core to the integrity culture is showing a willingness to make hard decisions rather than take the easy route, like holding the line on price despite short supply. "Set that example and it starts to permeate the entire organization," says Nelson. "Leading by example is the critical thing, and holding people accountable."


Although it has taken a few black eyes over the decades, many agree that the produce industry has done a first-rate job of operating by principles of integrity. But as major corporations outside agriculture have shown, it's easy to slip. "The

POINT OF FACT:

Better Business Bureaus (BBBs) in the United States and Canada logged 56 million instances of service in 2003. This is the first year that data for both countries was collected and compiled into one report.

Source: Better Business Bureau

vast majority of people are ethical, but you can't take anything for granted," says the California grower/shipper. "You need to keep instilling those values. All of a sudden, excessive desire for money can sometimes tempt people to go off the deep end. None of us are immune to temptation."

The bottom line, he says, is that "you are going to be right here facing the same people tomorrow. It is in your best interests to treat people fairly." 

Paul Rogers is a Chicago-based freelance writer specializing in the food industry. His work has appeared in the *Chicago Tribune*, *Crain's Chicago Business* and numerous food industry publications.