

## **Keynote Address: The Pieces of the Puzzle**

Dennis Mullen

President and Chief Executive Officer  
Agrilink Foods, Inc.

*Note: The following is a summary of Dennis Mullen's presentation edited by Velvet Nelson.*

Agrilink is a six hundred-member cooperative with a diverse portfolio of products, including peas, beets, and corn for the Birdseye label; southern greens and peas for the McKenzie label; and pie fillings for the Comstock label. It is an agricultural-based business, linked with the grower so that the business needs the grower as much as the grower needs the business. CEO Dennis Mullen's presentation was intended to: 1) build an understanding of Agrilink's mission and core values and how they guide their work, 2) build an understanding of their strategic direction and how Agrilink intends to achieve it, and 3) provide examples as to how these initiatives may help others in their businesses.

Mullen indicated that those in development have the responsibility of helping the community to think outside the box, what he termed "busting paradigms". An issue facing this region, and one of the key issues for the conference, was that the paradigms were not "busted" when the negative publicity on tobacco became a problem. It was a change in consumer trends, and although consumer trends change all the time, the region suffered because this change was not understood as well as it should have been. A primary challenge he identified for the economy, state, and agricultural region then, was the need to redefine its vision and answer the question: what are we going to be because tobacco has become less and less important to us in our society?

The Agrilink cooperative has been in existence for forty years, and has outperformed most traditional cooperatives. Mullen attributed this success to four factors. First, cooperatives have often been designed, particularly in the food industry, to take in everything from the farm, but this creates an imbalance in supply and demand. Prices are suppressed as new crops continue to come in while the warehouse is still full. Agrilink, however, under a raw product plan, only takes in from their members what they can sell. The second factor is crop valuation as agreed to by members upon entering the cooperative. Agrilink never pays the highest or the lowest price but the average price on a weighted basis. Third, there are four outside directors out of a board of seventeen, and as CEO, Mullen also sits on the board with a vote. Most farmer cooperatives do not use outside directors or allow management to sit on the board with a vote. Fourth, the owners have liquidity. Over the past forty years, the owners have received an average return on their deliveries of 15%, which stays within the cooperative for five years, non-interest bearing. After five years, it is revolved out into a preferred stock instrument traded on NASDAQ, and at that time the owners can sell the stock if they choose.

Agrilink can be thought of as an always-evolving company with the need for flexibility as new expectations replace old ones, and with the idea of improving the owners' well-being and employees' opportunity for viable employ-

ment. Mullen stressed that Agrilink is always striving to communicate for understanding—the “why we do what we do”. They are committed to improving the way information is shared and received, and to communicating in a way that will “pave the path” to a vision. Vision, combined with mission and core values, strategic direction, and strategic thrust, make up the four key issues discussed by Mullen.

1. Agrilink’s **vision** entails two ideals. First, to *embody what it takes to be a Fortune 500 company*, without becoming overly consumed by getting to that particular size. Mullen indicated that Agrilink would like to be a Fortune 500 company, though it would require doubling their sales. More than size, however, he discussed what it takes to be a Fortune 500 company. It includes motivated customers, inspired employees, owners and employees working together in an ethical manner to meet shared goals, respect for meeting stakeholders’ needs with mutual trust, and respect for the company. The second aspect of Agrilink’s vision is their effort to *redefine the meaning of the word commodity*, which Mullen noted is a challenge for everyone.

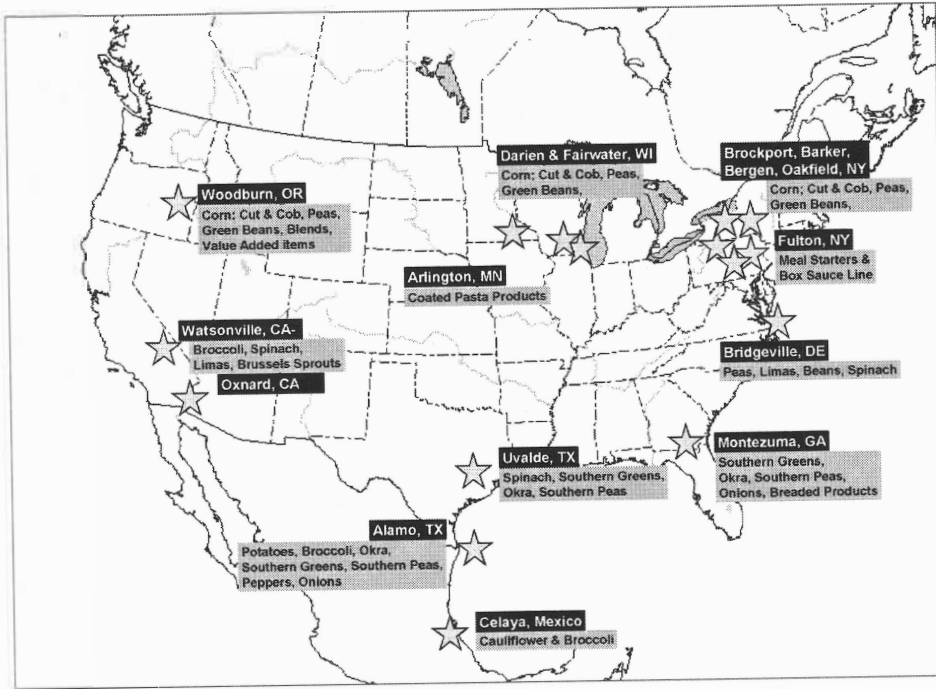
2. **Mission and core values** are basic for any business. Agrilink’s mission is “*To be widely recognized for leadership and accomplishment as a food processing and marketing cooperative by using all our members’ and employees’ talents.*” When this mission was implemented, Mullen spent three months meeting with groups of employees to discuss it with them, and he estimated that 50% of employees would now be able to describe the guidelines of that mission. Their core values include: *do what is right, excellence in performance, commitment to objectives, and teamwork.*

3. For Agrilink’s **strategic direction**, all significant initiatives and activities are evaluated to be consistent with four objectives: financial viability, focus, member preferences, and consumer trends. *Financial viability* is to be self-sustaining, while the *focus* is on becoming one company and maximizing the utiliza-

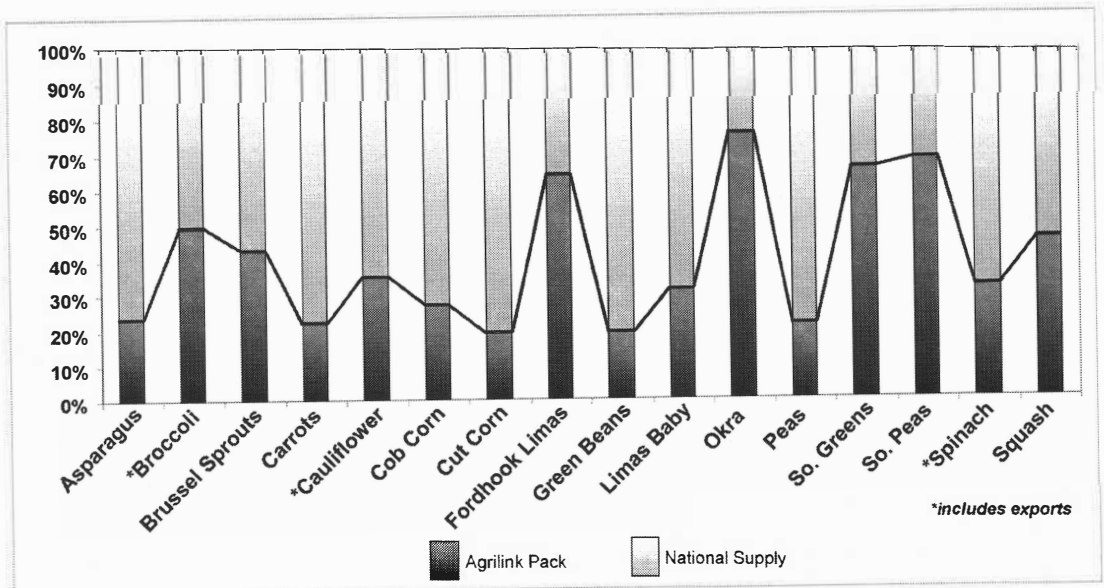
tion of assets including plants, property, equipment and human resources. This may require “busting paradigms”. *Member preferences* involve a healthy capital structure, a balance in what is bought and sold, and a good price-value relationship in the marketplace, as capitalization is a challenge for any cooperative. Lastly, *consumer trends*, or adapting to changes in the marketplace, are significant. Some examples of Agrilink’s changing consumer involve older consumers driving demand for health and nutrition, while younger consumers are “smarter” about diet and nutrition. Mullen indicated that seventy percent of US consumers believe that organics are better for their health, therefore indicating that consumers are buying foods with a health message. Additionally, within twenty years, forty-five percent of children under nineteen will be of a diverse ethnic background. Consumer habits are changing as well, as we have become a “snacking” culture. Meals need to be assembled rather than cooked, eaten anywhere, and at different times. Also, more food dollars are going to restaurants. The industry has also changed, with fewer grocery stores and more outlets where some groceries can be purchased.

Mullen offered innovation and differentiation as potential answers. Coming quickly from changing technology, innovation can provide products when, where, and how customers want them, create value for customers, and provide services to customers that set the business apart from others. For example, Agrilink has implemented an Agricultural Services Information System (ASIS), which allows the organization to access information, such as: the field a product was grown on; what was grown on that field for three previous years; what was sprayed on that field; who harvested the product; and who transported the product.

Agrilink’s geographic diversification also provides them with differentiation. It is the only vegetable company that is sourced from every major growing region in the country (see Figure 1). In addition, Agrilink has created critical



**Figure 1.** Agrilink Foods Frozen Vegetable Processing Facilities



**Figure 2.** Agrilink and National Frozen Vegetable Supply

mass in the size of the company and in the processing side for efficiency, which offers more ability in pricing. In total pounds produced on a national basis for each major commodity, Agrilink processes as much as seventy percent (see Figure 2).

4. **Strategic thrusts** were also outlined in four parts. First is to be a *low cost operator*. This means that Agrilink will be the lowest cost provider of products and services that meet customers' needs, through a program of relentless improvement, investment in innovation, and the development of supplier partnerships. Second, *total customer service* means that Agrilink will listen carefully and respond effectively to customers' needs, anticipating future requirements, building close relationships with trust, flexibility, and reliability, and extending

the same principles to "internal customers" or team members. Third, a *totally effectively workforce* means one that is well-trained and operating as one, highly-effective team. Everyone in the organization should be focused on the customers, driven to achieve personal, group, and organizational goals, and empowered with an entrepreneurial attitude as they actively participate in the business process. Fourth is the *pursuit of profitable growth*. This final thrust means that Agrilink will seek to build the business by pursuing profit-building opportunities through new distribution, new geographies, and new product development. In conclusion, the mission and core values, the strategic direction, and the strategic thrust are what tie the business to its vision.