

## **Strategic HR at Pro-food International Corporation: The World Class Philippine Brand**

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**Abstract:-** *Profood International Corporation is the forefront of processed fruit products from the Philippines. Being a family corporation, the company has prioritized developing its own family members to manage and expand the company. The brothers and sisters were given shares in the company, thus making them all part owners of the company. Juan thinks that family business can be successful if there is team spirit within the family circle. The company is pioneer and leader in the export business and always remained the apple of the eye of competitors in the same business line. "In order to climb the top you must be ready in all aspect of business, Mr. Juan added. Anchored with his plan for business expansion, he thinks that everything is possible if you want to achieve something in life. And when the operational plan starts, Mr. Juan saw many flare and he said there's no turning back." Juan reflects that due to competition the role of HR should be strategic in nature that is capable of adopting and sustain future challenges and changes in the society.*

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### **I. Introduction**

Profood International Corporation was founded in 1980 by Mr. Juan Dela Cruz. Being the 4<sup>th</sup> child of 11 siblings of the family, at a very young age he was involved in selling candies and cigarettes in the streets of Cebu. From that starting point of business, the family decided to put up small sari sari store (store with many things to offer) in order to have daily income. Due to the fact that there are many stores in their area the family business cannot sustain its operations and became bankrupt. Anchored with passion, Mr. Juan borrowed money to his relatives and explore the shell craft business. For years the family was able to put their kids at school and believe that education will be their passport for success in the near future. Due to local legislation and ordinance the shell craft business in their area was forced to stop and the family needs to look for another means of living. Due to the unfortunate circumstances, Juan and his brother were able to convince his relatives to please give them another chance to borrowed money. One of Juan's older brothers Kevin was a background in poultry business and they started another journey together. While busy in the small business the siblings are motivated to study despite the struggles they faced. The business gained acceptance in the community as the demand for chicken and eggs in community are rising. Because there are 11 siblings in the family needs to study as a consequence they use the profit for their personal expenditures. In the long run the family business goes down again because of much bigger poultry shops nearby. The business in poultry should be in full time but the siblings need to go school for their studies. This was the deadlock that the family is facing since his parents are sick and needs medical attention. One of the properties acquired by father of Juan needs to be sell so that they can sustain their studies and expenses for the whole family.

Despite the circumstances and failures that Juan encountered in his young career as an entrepreneur he is still motivated that the best years may come pretty soon as long as you never lose hope and faith. This was his motivation to study hard despite they are struggling financially in their day to day life. Juan excels academically and was among the top in his class. He is determined to finish the chemical engineering course and he thinks that other engineering course is already saturated and may not give him work after graduation. He encourage also his brothers and sisters to finish their studies as it the only wealth that no one can take from you. This golden advice by Juan was praises by his parents as he acts as the eldest siblings in the family. His leadership role is extra ordinary as his age and his knowledge in life is something to treasure with.

### **II. Background**

One day, at the age of 19, he saw his aunt making dried mango in their kitchen. During that time, fresh mangoes were abundant during the summer months. Whereas the egg poultry business would lose money during the summer months since fish was cheaper during the summer months and this would cause the price of

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eggs to go down. Thus, this gave the brothers the idea of venturing into a home scale dried mango production. However, due to lack of knowledge in food processing, in less than 2 years' time, the venture failed because of poor product quality. By this time, the brother's owed money to the bank and to friends from whom they borrowed money to invest into this dried mango business. With the passion to succeed, Juan, armed with a 2 years Chemical engineering course, continued to research and improve the process, and took over the management of this business. With the determination that "where there's a will, there's a way" and with a firm belief / trust that God would honor the honest work of his hands, he lobbied on in this venture.

Knowing that the only way to succeed is to increase efficiency and to produce consistent good quality product, he started creating drying machine and conveyor to fulfill these goals. Lacking financial support didn't deter him from his goals. He went to junkyards to pick up motor parts, scrap conveyor belts thus enabling him to make his own conveyors. In 1983, he finally graduated from Chemical engineering and also passed the board exam that same year. In 1986, the small, single proprietorship business was formally incorporated into what it is today, Profood International Corporation. In the early years of 1983, Profood, despite the lack of financial support, was able to introduce the conveyor system into its dried mango production. They are the first one in the dried mango industry to do so. Juan believes that quality products are one of the many priorities of business if they want to establish total quality management practices. Good employee relations and advanced infrastructures are components of TQM he added. But most of all the point of reference to do it is their major problem as they are in a trial and error practice and needs to have standards in both processes.

### **III. Organization and Management**

**Profood International Corporation**, being a family corporation, has prioritized developing its own family members to manage and expand the company. In the 80's, visualizing the growth of the company, Juan asked his younger brothers and sister to study technical courses to help with the company's operations. The brothers and sisters were given shares in the company, thus making them all part owners of the company. This decision of Juan was a huge step for the company's ownership and leadership role which is a very challenging task. Juan thinks that family business can be successful if there is team spirit within the family circle. This move was praise by his brothers and sisters considering he is not the eldest of the siblings. Thru his leadership he is able to manage the company in right direction. Typical failure of family business is jealousy among members as to the position and budget. He asks each to volunteer for the position in the company so that there is no pressure as to the task assigned. Relying on his experiences Juan started to study leadership and management studies because he admits that relying only from experience is not enough arsenal in managing business and its operations. He learned from his college days the principles of Kaizen and he wanted that principles to be practice in life and business in general. Juan reflects that due to competition the role of HR should be strategic in nature that is capable of adopting and sustain future challenges and changes in the society.

#### **Profood International Corporation Today**

Since its inception in 1980, Profood International Corporation has remained steadfast in its commitment to product excellence. This strict adherence to superior quality has earned not only satisfaction from discerning Filipino and foreign customers but also recognition from industry partners worldwide. Profood International Corporation is the largest Philippine based dried fruit producer and the standard bearer of world class processed fruit products from the Philippine Islands. From the small company that once catered only to the local market, Profood International Corporation has grown to become the leading producer of various dried fruit, preserves, purees, concentrates, and juices. Their products are available all over the Philippines and exported to many countries in Asia, the Middle East, Europe, North, Central, and South America, the Caribbean, and Oceania.

#### **Manpower and Employee Relations**

Since its humble beginning the company started its operations thru the help of family members who act as employees. The company started to grow and expand rapidly and hired 50 employees as its initial manpower. Thru the years Profood International Corporation is an instrument for nation building as the business grows they generate and contributed for local employment. Juan believes that bringing back to the community is one of the best things that company can do. In fact as part of their expansion they constantly trained their employees to bring their best in their work. They tap Technology and Livelihood Resource Center (TLRC) to conduct training and development courses for their employee due to the nature of work that requires skills and technical knowledge. Juan always believes that better efficiency comes with better compensation. Thus, the company

offers profit sharing scheme to key people running the company. During the company's early stage, Juan asked his brothers and sister to study technical science courses with the promise to give them company stock shares, enabling them to be part owners of the company, if they join the company. The company implements performance incentive systems from workers to manager's post. Establishing a good culture for Profood will add a positive image for the company which includes productivity, continuous improvement and staff development. Mr. Juan advocates that staffs must enhance their knowledge, skills and abilities in order to grow both personally and professionally.

### **Local and Global Consumer**

The demand and market for dried fruits business in the Southern part of the Philippines is very promising and growing. There are many local travelers across the Philippines visiting the island of Cebu and this market little by little started to grow. Since the products are concentrated in the south they started to work in partnership with different supermarket in the central area (Manila and nearby city). Because of that move the product gain substantive acceptance in the capital of the Philippines (Manila). The distribution channel was the challenge they faced considering the goods must be stored in a cool and ventilated place. The company took at least 10 years before it gains sustainable markets in the metropolis. Juan believe that offering other dried fruit aside from mango will definitely makes their product line better as other local brands started to have their market share in the competition. Anchored with his research and development background, Juan suggests having pineapple, guayabano, guava, banana and other tropical Philippine fruits will give Profood better product line. To improve its efficiency and increase sales, the company produced a wide range of fruit products, as well as several by-products from dried fruits to fruit purees (both consumer & industrial), jams, jellies, puddings, nectars, juices, canned fruits & frozen fruits. In order to gained valuable share in the local market, the company decided to tie up with leading malls that carries Philippine native crafts and goods which serve as souvenirs. Because Juan has friends in Korea and USA, this gave him the idea to penetrate the market there. The company are able to shipped their products in leading stores in US like Costco, Walmart and Sam's Club. Filipino community in both countries is his contacts and in return he gave them sales percentage. Since there are many OFWs (Overseas Filipino Workers) abroad Mr. Juan is thinking the possibility of tapping their services in marketing the products.

### **Processing Plant and Infrastructure**

Since Profood is a family business, Juan asks advice from his parents and older brother and sister to what will be the best for the company. Engr. Jerry a civil engineer is one of his brother is responsible for all company's infrastructure development. He was given responsibility to handle and manage the construction of more than 15 hectares of the company's plant facilities. Mr. Juan considers venturing in real estate business in the future in order to diversify their family businesses. Juan employs hands on leadership style and he empowers other people around him. In fact he suggested Eng. Jerry to take charge in the company's purchasing and logistics department aside from previous post given. Right now, he manages the Luzon factory which runs our company's biggest puree plant, as well as doing most of the toll packing business for Del Monte, Nestle, Selecta Walls & RFM.

Engr. Joven, a chemical engineer, helped set up the company's aseptic processing plant, canning plant, evaporator plant and all machinery expansions. He started working as a supervisor in the company, then as the maintenance & production manager. Right now, he oversees all the company's product and quality management systems. Both Engr. Jerry and Joven work together as they are almost in the same field.

Because of the Agrarian land reform program, corporations are not interested to plant mango trees. Planting mango trees requires a large land area and also takes quite a long time before one can recover one's investment. Thus, we are facing lack of raw materials for our processing requirements. We are addressing this problem in 2 ways. First, we set up fresh fruit buying stations all over the country that produce mango fruit. This way, even the small scale farmers can sell their produce to us. Second, for long term results, we are encouraging big and small land owners to plant mango trees. We supply them mango seeds for free so that they can establish their (seedlings) nursery. These are the suggestions of his brother to Juan in order to sustain their business. He suggests adding other fruits aside from mangoes that is very popular across the Philippines.

### **Quality Policy**

Jean, a chemistry graduate, started as a production supervisor & QC manager. She set up the quality control & quality assurance systems of Profood. She is currently the general manager of our Davao factory which consists of an aseptic fruit puree plant, fruit canning & evaporator plant. Because Juan has trust and confidence to his brothers and sisters they are able to show their capability in handling task assigned to them. Other siblings are given position to assist Juan in their family business. Jason, an architect graduate is responsible for the architectural designs of company infrastructure developments. Engr. Jerome, an electronics engineer, also started as a supervisor, then maintenance manager in the company. His style is very similar to Juan, a fast learner and ambitious man.

Being unique and innovative not only in products but in other aspect of operations and practice is very important. Profood is the first company to introduce "laminated" packing for its product and have created a wide range of packaging innovations. To have a secured raw material supply, the company set up fresh fruit buying stations all over the country rather than waiting for suppliers to deliver their fruits to the factory, which was the normal practice of our competitors. To improve efficiency and quality, the company set up four manufacturing sites in strategic areas all over the Philippine archipelago. To improve the company's quality management, Profood is the first and only mango processing company to achieve the following certifications: ISO 9001:2000, HACCP, Kosher and Halal.

To improve efficient utilization of its plant facilities, Profood toll packed for Nestle, Coca Cola, RFM & Del Monte as benchmark. This way, the multi-national companies trained Profood staff to have international quality standards in producing their products. The company accomplished an ISO 9001:2008, HACCP, KOSHER, HALAL, and NSF certified company, their main headquarters are based in Cebu, Central Philippines. This makes it strategically accessible to source mangoes year round from throughout the country. At present, the company has four manufacturing sites located in the north, central, southern, and western parts of the Philippines to be close to the sources of various regionally grown fruits.

In return, the company can produce quality products and 'just on time' deliveries to buyers. Most of our clients / buyers have been doing business with the company for decades. This is a proof that the company is able to satisfy their requirements. Profood future plan is to continue expanding its food business and to start / venture into the real estate development business and resorts. In the food business, Profood plans to expand more into the pineapple, banana and coconut fruits processing where the Philippines is lagging behind from its other Asian neighbors. Last 2007, the company has already started processing canned pineapple, canned fruit cocktail and also pineapple concentrates. This year, Profood has set up another dried fruit plant in Davao to help produce other types of dried fruits aside from Mango. With our sophisticated automated systems, fruit is processed efficiently in a highly sanitized environment. In the aseptic process, the fruit puree is heated to sterilizing temperatures then immediately cooled to. Profood International Corporation continues to maintain market leadership driven by the passion of quality and professionalism that brings Filipino Brand in the world map.

### **IV. Strategic Planning at Profood International Corporation**

Juan feels that Profood is already ripe to explore other boundaries of trade so he called for a meeting to discuss the priority list of the company. The meetings with the department head including his brothers and sisters lasts for three hours. The discussion was very intense and serious because there are many disagreements among siblings as to the priority and road map of the company. After serious consideration and deliberation they come up with three priority projects for Profood which Juan thinks will be the best solution in sustaining and maintaining their market leadership and dominance. The group identifies three important points/focus areas in order to capitalize on the opportunities. First the infrastructure needs upgrade capable of producing same world class products they are offering since they operate. If we have the best infrastructure and facilities available then we can tap available talents to grow with us and share their expertise.

Secondly, the manpower must be compensated properly as they are the reason why the company gained its success and lastly, the quality policy as the priority of Profood. He added that you cannot established a good "Total Quality Management" if the infrastructure and manpower is weak". He suggested that the company must focus on those three important points in order to be competitive in the global market. Juan believe that "Quality is never an accident but it's the result of care". Sales and income may come and go but if the product is quality then it's now up to the people to buy it or not. The most important is that there is no substitute for quality. He defined total quality management as "the totality of activities that company did for its products and services. The customers, stakeholders and community should be satisfied accordingly.

One day Juan became tired and is considering passing the leadership to another family member. Juan saw the differences of old and new practice in HR so he thinks that the role of next leader should think strategically. He started to evaluate the knowledge, skills and abilities of his brothers and sisters. "After I step down in the position I should be relax because the company is in safe hands he added."

### **Case Question**

Do you agree or disagree to Mr. Juan Dela Cruz's statement that the role of HR is becoming more on strategic function due to competition? Discuss the issues, challenges and changes faced by family business and its relationship to HR?

Profood lay down their strategic plan and identify three (3) major projects/focus area of their strategy. Rank the identified strategies according to value and support your answer. Prepare a matrix in order to highlight the advantages and disadvantages of the strategies and give recommendation.

Mr. Juan may soon vacate the post he occupied for more than 25 years. Among the persons mentioned in the case, who do you think is the most qualified for post and why? Defend your answer by citing relevant facts and information. Is succession a future issue in Strategic HR? Why or why not? Explain fully.

### **Acknowledgements**

Special thanks to **Profood International Corporation** for allowing the author to use the company as an example for this case study. The owner, employees and staffs are among the best in the industry. MABUHAY!

This case study was written by **Fermin G. Castillo, Jr.**, an International Professor of Human Resource Management and Quality Management currently a faculty member at Canadian University of Dubai, United Arab Emirates. This case was solely for the purpose of class discussion and was not designed to illustrate neither correct nor incorrect handling of Management problems. Names, figures, and places have been disguised, some details modified/improved. No portion of this paper will be reproduced without written consent from the author/publisher.

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