

The GraceKennedy Foundation Lecture, 2012

**Jamaica and GraceKennedy  
Dreams Converging, Roads Diverging**

*James Moss-Solomon*

The GraceKennedy Foundation

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## The GraceKennedy Foundation

The GraceKennedy Foundation was established in 1982 on the 60th anniversary of Grace, Kennedy and Company Limited. The Foundation expresses, in a tangible way, GraceKennedy's commitment to Jamaica's development by making grants to deserving community groups, in support of its stated objectives, which are as follows:

1. To develop and promote the arts, health, environment, culture, and sports;
2. To establish and carry on programmes for the development of education and skills of people in Jamaica;
3. To develop programmes aimed at the upliftment of the spiritual well-being of individuals.

Guided by clearly formulated policies, the Directors have focused on assistance in four areas: community service; heritage; environment and education; the last receiving the greatest emphasis. The Foundation's scholarship and bursary programme is, therefore, an important component of its work.

By supporting capable and talented people and those who contribute to the development of their communities, the Foundation works towards achieving its main purpose, the development of Jamaica's human resources, on which our future as a nation depends.

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*“Copies of the Lectures are available online at [www.gracekennedy.com](http://www.gracekennedy.com) or from the GraceKennedy Foundation, 64 Harbour Street, Kingston.*

## The GraceKennedy Foundation Lectures

The annual GraceKennedy Foundation Lecture has, since 1989, developed a stellar reputation for selecting topics that highlight significant and pertinent issues with which the nation and, indeed the region, have been dealing. In 2012, the national focus on the observation of 50 years of independence and GraceKennedy's own celebration of 90 years of service to Jamaica suggested to the Lecture Committee that it would be appropriate for this year's Lecture to address a topic that would highlight the similarities and differences in development of a nation. We, therefore, decided to present a comparative analysis between the development of Jamaica and that of GraceKennedy.

In an attempt to identify an appropriate lecturer we looked for several attributes: someone with an in-depth knowledge of GraceKennedy's development and with an insight into some of the decisions taken; someone with an understanding of national and economic affairs; someone who was able to present his or her analysis in a lucid and engaging way and, of course, someone who was eloquent. We did not have far to look, as James Moss-Solomon, Jr., had all the requisite credentials.

We are excited at the prospect of a Lecture which is certainly unique in its approach. As we complete this important landmark of 50 years of independence, we recognise the need for a new and innovative approach to nation building. We trust that this Lecture will succeed in helping us to bring creativity and imagination, as well as the requisite knowledge, to bear on the decisions we make in moving into another 50 years of national development.

The Foundation is confident that this Lecture will continue in the tradition of previous Lectures and will become an invaluable resource for all who seek a deeper understanding of national issues.

The Foundation distributes copies of the Lecture book to schools and public libraries across the island, and provides an e-book version online at [www.gracekennedy.com](http://www.gracekennedy.com) in the hope that the Lecture's reach will extend beyond those present at its delivery. The Foundation, as always, welcomes and looks forward to your comments.

Caroline Mahfood  
Executive Director/Company Secretary  
GraceKennedy Foundation



**GRACEKENNEDY FOUNDATION LECTURE, 2012**  
**Jamaica and GraceKennedy:**  
**Dreams Converging, Roads Diverging**

In this year, 2012, Jamaica marks its 50th anniversary of Independence, GraceKennedy Ltd. celebrates its 90th year and the GraceKennedy Foundation is 30 years old. Significant anniversaries like these trigger retrospection, introspection as well as visioning for the future and forward planning. When, as now, such significant anniversaries coincide, these processes provide an opportunity for considering, comparing, contrasting and evaluating the choices made and paths followed by the different entities. Our 2012 Lecture seeks to do this in respect of our nation and our parent company, GraceKennedy Ltd.

The complex of historical forces which have shaped the nature of the options and pathways available to the nation and the Company over the past 90 years are part of the retrospective analysis undertaken by our lecturer, Mr. James “Jimmy” Seivright Moss-Solomon. He was specially selected because of his intimate knowledge of both GraceKennedy Ltd., the social and economic development of Jamaica and the many insights that his extensive experience allow him to share with us. Jimmy has always been involved in Jamaican life and his motivation for achievement was triggered when at 10 years old, he was the youngest swimmer to complete the Cross the Harbour Race. His achievements in swimming included national representation in the Commonwealth Games and in the Central American and Caribbean Games where he captained the Jamaican water polo team and established national records as well as being Caribbean champion in specific events. His achievements in water sports were matched by his athletic prowess in track and field, hockey and football; he represented his school, Jamaica College, in all these sporting competitions and his leadership promise was recognized in his appointment as Head Boy of Jamaica College in 1969–1970. He has maintained a close link with Jamaica College,

serving as Chairman of the Board of Governors for 16 years – from 1989 to 2005.

Within GraceKennedy Ltd., Jimmy Moss-Solomon has held significant and influential managerial positions including being General Manager, GraceKennedy, and Director of Corporate Affairs. He has been Divisional Director of the International Division and also of Industrial, Retail and Trading and his “hands-on” knowledge and experience of the Company and its subsidiaries are extensive and thorough. The Grace and Staff Community Development Foundation and the GraceKennedy Foundation benefit immensely from his roles as Chairman and Director respectively. His involvement in GraceKennedy and his leadership skills have led him into positions outside the Company and he has made an indelible mark on the business community in Jamaica and the Caribbean. He was a founding private member of the PSOJ and served as its Vice President; as President of the Jamaica Chamber of Commerce his “make your mark against violence” initiative gained the signatures of 75,000 individuals and 120 organizations, resulting in the establishment of the Office of the Political Ombudsman. In 2000, he was named the Jamaican Institute of Management Businessman of the Year and his business acumen was shared with young business professionals and entrepreneurs while he was Executive in Residence at The University of the West Indies, Mona School of Business.

Regionally, Jimmy Moss-Solomon has served as a Private Sector Advisor to the Caribbean Regional Negotiating Machinery (CRNM), as President of the Caribbean Association of Industry and Commerce (CAIC) and Chairman of the Regional Investment in Agriculture Forum. He has also been a member of the CARICOM Task Force on Governance and the Regional Development Fund. His regional outreach has also included his role as founder and Vice President of the Caribbean Golf Association, this initiative benefitting from experience gained during his two-year stint as President of the Jamaica Golf Association.

Jimmy's concern for and involvement with activities and initiatives which can benefit Jamaicans led to his participation in the 1976 Peace March in West Kingston and his always thought-provoking weekly column in the *Sunday Observer* newspaper. He has given leadership in critical areas of the society, serving as Deputy Chairman of the University Hospital of the West Indies, as Chairman of the Universal Access Fund and of the Scientific Research Council.

In accepting the "daunting challenge" of comparing the growth and progress of a company with that of a nation over 90 years, Jimmy faced an onerous task. His ten points of focus and comparison are well chosen. The outcomes of the difficult choices made over the years provide us with lessons on the critical importance of overcoming resistance to change and moving out of one's comfort zone in order to stimulate progress, while remaining relevant and effective in the face of rapidly changing social and economic needs and demands.

Looking ahead, Jimmy identifies change in the nature and quality of educational offerings as well as an emphasis on business ownership rather than employment as critical strategies in achieving the goal of national growth and development. The opportunities that these recommendations present and the threats that can undermine efforts in this regard, particularly the threat of corruption, are acknowledged. The Lecture ends by pointing out that no "physical constraints" or "structural obstacles" prevent the attainment of the converging dreams – the vision of "what's good" for Jamaica and GraceKennedy; the solution rests with us, the people of Jamaica, and Jimmy urges us to recognize this and take charge of our destiny.

The GraceKennedy Foundation thanks its Director, Mr. Jimmy Moss-Solomon, for accepting the challenge of being the 2012 lecturer, and for giving us such a stimulating lecture.

Elsa Leo-Rhynie, C.D., Ph.D.  
Chairman, GraceKennedy Foundation  
February 2012



*James S. Moss-Solomon, Jr.*

## THE LECTURE



The proposition of comparing the evolution of a country, over a 90-year period, to that of a company, is a daunting challenge. To begin with, it is a rare opportunity to be able to make such a comparison over *any* time period. It would certainly have been an impossible task in a very large country, where intra-country variations in climatic regions, time zones, social systems, economic markets and/or governmental structures would have introduced several complications. But, even amongst small countries, this exercise is essentially a novel one. Few corporations are large enough, with significant enough linkages to their domestic economy, to justify analyzing the two as comparable organisms. In addition, very few corporations have had sufficient longevity to facilitate a 90-year period analysis.

This work is intended only as a useful start, to be revised and extended by scholars in the future; the volume of material that would need to be digested in order to produce a thorough comparative analysis of Jamaica and GraceKennedy would require several years and several publications.

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## Introduction

Most casual onlookers would assume that either GraceKennedy was named after a woman, or the company was originally a family concern. It was neither. Michael Grace and Fred William Kennedy were good friends but not relatives. Up until his death, Michael Grace was the country manager at Grace Ltd., a subsidiary of the public multinational W.R. Grace, which was headquartered in New York,<sup>1</sup> and Fred William Kennedy was a manager at the United Fruit Company, the United States multinational. Both had little or no experience as sole

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1 W.R. Grace was started in Peru in 1854 by an Irish migrant fleeing the potato famine.

proprietors; they had been schooled in the disciplined financial conformity of a large international company. The early and untimely death of Michael Grace in 1920 brought together Fred William Kennedy and Dr. John Grace (brother of Michael Grace, previously living and practising medicine in Hawaii). The two formed Grace, Kennedy & Co. Ltd on February 14, 1922. When James Seivright Moss-Solomon was invited to join the Company as the accountant, he had similarly only worked for the United Fruit Company, and came with no private ownership experience or background.

Partly due to its peculiar origins, from its inception the Company has escaped the usual characteristics of a family firm and has behaved very much like a public company,<sup>2</sup> despite the fact that it did not become such until much later, when the number of shareholders approached the maximum allowed under the law for employee shareholders. Yet, what is most special about GraceKennedy is that it is not just a public company – it is, quintessentially, a *Jamaican* company, from incorporation to operation. Over a span of several decades, the Company has lived by the philosophy: “Take what is good for Jamaica and make it good for GraceKennedy.”<sup>3</sup> At critical decision-making crossroads, the organization has consistently adapted to the changing external conditions while keeping sight of this central ethos, or “compass”, which gives it its sense of direction. As simple as it is, the fact is that this compass has guided generations of managers

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2 This deduction is based on the start of the Company on February 14, 1922 (the birthday of F.W. Kennedy’s wife), a year end of December 31, 1922, and the presentation of the Audited Accounts to the Board on January 22, 1923. This would have been out of context for most family firms.

3 This approach diverged from that of the Peruvian company, W.R. Grace, which had developed amidst controversial environmental concerns and several hundred thousand lawsuits resulting from their harvesting of bat guano (which was very profitable during the Great War) as an essential nitrate source for gunpowder and fertilizers.



and staff to make the choices that have, as it turns out, led to GraceKennedy achieving an unrivalled degree of success among local companies over the 90 years. And, to me, the existence of this particular ethos enhances the value of this comparative exercise.

Ironically, over the very same period that the Company was able to thrive using a compass inherently designed to select the interests of the country, Jamaica didn't do very well for itself. The country exhibited a *faint* impetus for change and, even worse, no sense of direction. Decisions taken at critical crossroads were generally designed to maintain, as much as possible, the "comfortable" but ineffective *status quo*. The result, turn after turn, has been that the conditions have deteriorated and our desired location remains out of sight.

One can usually see it coming (the deterioration in conditions). Nonetheless, more often than not, the country insists on staying in its "comfort zone", no matter how *uncomfortable* it gets. Yes, we do get a sense, on occasion, that some ground is being covered. But that impression never lasts for long. The passengers in the vehicle are now becoming increasingly frightened over the amount of resources that are being exhausted, to no avail. Sooner or later we will have to realize that if we stay in our "comfort zone," the path that we take will inevitably lead to nowhere.

**Figure 1<sup>4</sup>**  
**Jamaica vs GraceKennedy:**  
**A Simple Quantitative Comparison (J4)**

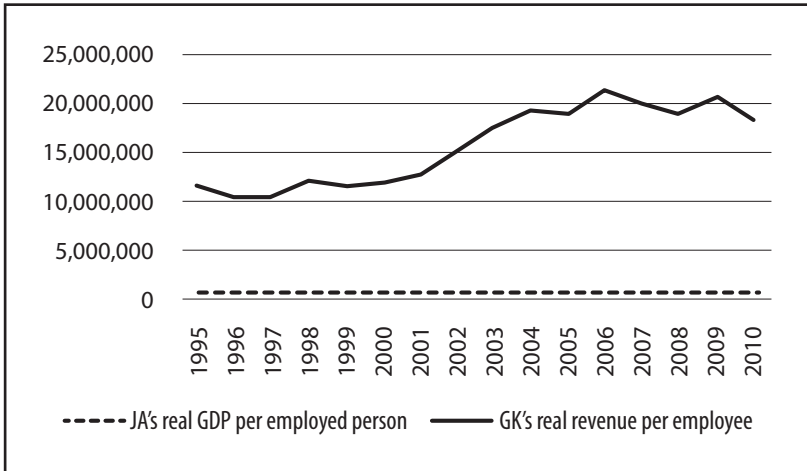


Figure 1 is an attempt to illustrate, in quantitative terms (and as far back as the Company’s electronically-stored employment records allow), how significantly the divergent approaches to decision-making have affected the relative performance of the wider Jamaican economy when compared to that of GraceKennedy. From 2001 to 2010, GraceKennedy’s revenue per employee grew by 38.2 per cent (from about J\$13 million to almost J\$18 million). This reflected an average growth rate of 3.3 per cent per annum.<sup>5</sup> Over the same period, Jamaica’s real GDP per employed person declined by 8.9 per cent. Even more astonishingly, over the 30-year period spanning 1981 to 2010, Jamaica’s real GDP per employed person grew by less than half a

4 To enable this comparison, the real value of the Company’s output per employee was estimated by deflating annual revenues using the Consumer Price Index and dividing by the number of permanent employees. “Real value” refers to the revised figure arrived at after the effect of price fluctuations has been removed.

5 That is, the effect of the various year-to-year growth rates that the Company experienced over the last decades was equivalent to growing at a steady rate of 3.3 % per annum.

percent (hovering below J\$500,000 for the entire time). With all of the knowledge advances that took place in the world during these three decades, how could this have happened? Or rather, how could economic growth *not* have happened?

This work is an effort to mentally retrace the major thematic crossroads that I believe Jamaica and GraceKennedy have both faced, at which the country has been making the wrong turns, repeatedly. As may be gleaned from the highlights presented at the end of each Chapter, I have identified ten such crossroads.

## CHAPTER 1

### The First Dispensation: Solidarity (1914–1929)

The establishment of Grace, Kennedy & Co. is an event best grasped within the context of the last years of the First World War (The Great War, 1914-1918) and the local and international conditions that affected Jamaica and the conduct of business.

#### When Sugar Was Still Sweet

Our story begins in 1917, and as the World War is still raging, there has been a reduction in safe trade routes across the Atlantic. Shipping routes were concentrated in the Caribbean, Central America, South America, the North American east coast, and the west coast (via the Panama canal). The *Gleaner* Reports on shipping and travel (generally one and the same) reflects a consistent traffic of schooners and steamships involved in external trade and local coastal transport around the island.<sup>6</sup>

The War had a positive impact on the dominant local industry, sugar. With the demand for the basic commodity persisting, amidst restrictions on shipping on account of security concerns, sugar prices surged. The planters would have been restricted in their capacity to capitalize on the boom, as hurricanes devastated sugar production and affected planters' wealth for three years in a row (1915, 1916 and 1917). Still, they would not have been able to take full advantage of the conditions given that their technology was outdated and they were, increasingly, uncompetitive.

In the first quarter of 1917, Grace Ltd. (still a subsidiary company at the time) initiated discussions with planters in Spanish Town via the Legislative Council for the purpose of

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<sup>6</sup> The *Gleaner* Archives provide a great opportunity for looking at commerce, government, international and social events in a single source, thus allowing for the news to be compared in context. Travel and shipping information and the detailed recording of government policy, come together to paint a vivid picture of the developing love story of Grace, Kennedy and Jamaica.

establishing “a modern sugar factory” on the plains of St. Catherine. On March 26, notice was given of a meeting to be held to discuss the offer, which was printed in full (*Gleaner*, March 26, 1917). The offer included a guaranteed market and a fixed payment to farmers. In return, the planters would commit to keep the lands under cane and to improve farming practices. They would also be required to state the variety of cane to be planted in advance. The offer specified the time of delivery, the condition of the cane, and the general best practices that would be accepted. At the same time, it provided for financing of the planters’ efforts, if required.

On the face of it, this offer was an early demonstration of the commitment of the Company to local farmers. It was essentially a proposed partnership to increase production and productivity. Mr. T.H. Sharp of Spanish Town, a member of the St. Catherine Legislature, made a fervent appeal for the planters to accept the offer, stating that, “I am urging them to accept quickly or they will lose the opportunity of having a modern factory by Grace Ltd.” The possibility exists that the lack of interest was actually symptomatic of some conflicting interests. The proposal would have included the small cane farmers and could potentially have removed them from the hegemony of large planters. More importantly, it would have precluded a bailout for the sugar industry by the government; a reality that happened before 1930.

The involvement of Grace Ltd., or even of the sugar industry, is merely coincidental to the underlying storyline which is the country’s historical and recurring failure to use a viable private sector route to solve a local problem which had been brewing for decades (noted in the findings of various Royal Commissions in this particular case).<sup>7</sup> This is my first observation of a “right”

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7 The inclusion of a class of small proprietors had already been suggested as one route to solving the difficulties in the sugar industry at the time. It would be mentioned again in the reports of the Royal Commission to the West Indies in 1897 (the first such commission). It would be mentioned again in the reports of the 1929 West Indian Sugar Commission, and again in the West Indies Royal Commission of 1938-39 headed by Lord Moyne (Moyne Commission).

turn that the country refused to take.<sup>8</sup> Further evidence of the reluctance to pursue private initiative in sugar is found in the Minutes of the Legislative Council of 1918. For decades, the government had been urged by a number of “private” investors and local interest groups to develop modern, central factories across the island. For example, Herbert G. DeLisser, General Secretary of the Jamaica Imperial Association, in a letter addressed to the Colonial Secretary on the matter of the establishment of central factories, wrote:

This question has been thoroughly studied and discussed by our Executive Committee, and with it is associated the Hon. Phillip Cork, Chairman of the Jamaica Sugar Committee. Our committee ... feels that it is imperative in the interests of the island that definite steps should be taken at once to place the sugar industry on a firm and broad foundation; and though much time has elapsed since the matter was first taken up (which delay has disheartened many people here) yet our executive committee believes that if His Excellency will heartily interest himself in the project of sugar resuscitation now, the old staple of Jamaica will assuredly be established on a scale which will put the colony in a far safer and more prosperous position than it has ever occupied.<sup>9</sup>

Four years later, Mr. Fred L. Clarke, of Worthy Park, commented on what he considered to be the essential steps to ensuring the long-term viability of Jamaica’s sugarcane (*The Gleaner*, March 15, 1922). He advocated the conversion from

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8 Quite incidentally, the headlines of that same date, May 14, 1917 reads: “YOUNG JAMAICAN IS THE CENTRAL FIGURE IN REPORTED NEW ARMY SCANDAL IN MOTHERLAND. Undue feminine influences are hinted at.” This, too, seems to be a recurring decimal.

9 “Letter to the Hon. Colonial Secretary” (August 1918) in, Minutes of the Legislative Council (Jamaica), 1918, Appendix No. XXIII, p. 4. Other enclosed documents in the appendix include recommendations made by the West India Committee of London from as early as October 1914.

rum production to industrial alcohol (for use as an alternative to gasoline) as a means of securing greater profitability and rescuing the industry from the effect of price controls associated with rum. He also advocated a reduction of the duties on rum locally and asked for increased duties on imported liquor.

In spite of this personal vision, Mr. Clarke concluded grimly,

Personally I have no faith in the planters doing anything to help themselves. I can only conclude that due to the harassing circumstances under which they work such as oppressive taxes, labour troubles, droughts, floods, fires, and unremunerative prices, we are suffering from what is called by the medical profession neurasthenia. I feel like this myself, but so long as I can kick, I will kick (The *Gleaner*, March 15, 1922).

On the same date, the Merchants' Exchange and Chamber of Commerce, and the Jamaica Imperial Association, jointly mounted a protest against the stated intention of the Canadian government to remove the dumping clause of their trade agreement. Such a move would reduce preferential access to British Commonwealth countries and allow for easier access from Central and South America. This was a very early warning about the dangers that would come as trade liberalization continued to develop; the need to become competitive was becoming increasingly urgent. Every commission that looked at the sugar industry would identify that modernization, inclusive of technological upgrades, was an important factor for success when compared to other countries in the region such as Trinidad, Barbados, Cuba, Puerto Rico and British Guiana (Guyana). This failure to adopt new technology would continue to haunt our major agricultural exports, sugar and bananas.

### **The Great War Comes to an End**

On November 27, 1918, local merchants held a function on the Royal Mail vessel *S.S. Quillota* in honour of its brave Master, Captain Duncan, who had made 14 round trips across the

Atlantic during the war. Captain Duncan was highly lauded and presented with a “suitably inscribed silver mug” in appreciation of his valiant efforts in crossing the very dangerous passage. In return, Captain Duncan related some of the dangers especially posed by German U-Boats. This signalled the end of the war and the changes that would take place as a result of the cessation of hostilities (The *Gleaner*, November 28, 1918).

*Sugar prices plummeted.*

The loss of lives during the war left a significant gap in terms of human capital and industrial infrastructure in Europe. The German technological class, which had been on the leading edge of innovation, was virtually decimated. This created a global vacuum that was to be filled by the United States with the help of Frederick Winslow Taylor, the father of modern scientific management. It is difficult to fathom Jamaica’s failure to quickly adopt these techniques. Our closeness to the United States would not have made us strangers to these new ideas that would eventually change the face of business organizations. In fact, the frequency of trade and travel would have provided local businesses with opportunities for direct exposure to the concepts involved and direct contact with the people executing them. So, during this time of world trade reorganization, Jamaica adamantly sat still. Little attempt was made to venture beyond producing primary agricultural crops (specifically, sugar and bananas), save for cash crops and ground provisions for local consumption. A review of the post-World War I era in shipping arrivals in Jamaica confirms a resumption of trade with Canada, the USA, Britain, Germany, and most of Europe via trans-shipment through England and Bremen.

But even as the country stayed over-invested in primary agricultural industries, little effort was put into being competitive. It is probable that policy directives of that time did not foresee the need for a change in strategy related to the changing global



imperatives of an emerging technological age. The effect was that an economy built on premises and conditions that no longer held true was left behind in old ways and practices. The island literally held on to the decaying remnants of the British Empire and would not take timely advantage of current technologies. So, naturally, when the war ended and sugar prices plummeted, the situation for sugarcane deteriorated into crisis. Looking back, it is striking that Mr. Fred L. Clarke of Worthy Park Estates (in the quotation presented earlier in this Chapter) had expressed deep pessimism regarding the likelihood of the necessary actions being taken at any time; to date, the sugar “crisis” is still raging.

Though the fate of the sugar industry’s younger sibling was not as grim, the banana industry similarly fell victim to the country’s sluggish and half-hearted response to impending crises during this era. It was reported in the *Gleaner* on Friday, August 17, 1922 that, on the preceding Wednesday, a meeting was held in Gayle, St. Mary to address the scientific findings on the dreaded Panama disease. It was noted that the disease had been identified and classified from around 1911 or 1912.<sup>10</sup> But there was lethargy, even in the face of scientific certainty. Consequently, in 1929, the Legislative Council turned to a resolution to ban the export of the fruit and to seek to develop alternative resistant varieties so as to prevent the extinction of the industry.<sup>11</sup>

Taken together, the failure to adopt new technologies or to invest private funds in business evolution, or to act on an imminent threat, suggest an already high resistance to change. Even in the face of incontrovertible scientific evidence, action to avoid future disaster was avoided for as long as possible, and the government would pay for such folly. Its origins (historical and/or socio-psychological) may be not definitive, but there clearly was a chronic resistance to change.

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10 Minutes of the Legislative Council (Jamaica), (March 22, 1912), 140. [Extract from Governor Sydney Olivier’s address to the Legislative Council.]

11 In the article “Department of Agriculture Estimates Are Being Scrutinized”, The *Gleaner*, Thursday, April 4, 1929.

At the other end of the business spectrum, primary importing merchants, wholesalers, retailers and small rural shops were the order of the day. The importers were representatives of major international brands (or commission agents) for products not manufactured in the island and customs duties represented a major source of government revenues.

### **Grace, Kennedy & Company Is Born**

For some, like W.R. Grace Ltd., the end of WWI meant consolidation; a withdrawal from those overseas operations that had only been viable prior to or on account of the war and an increased focus on major business areas was evident in the company rationalizing their revised strategy. For others, the spirit of solidarity and local business cooperation, which had emerged across the regions of the Caribbean, North America, Central America, and South America, opened a new era of opportunity. In Jamaica, there were at least two aspiring entrepreneurs who embraced the challenge.

Apparently, it was the death of Michael Grace (who had established the Jamaican subsidiary), during the immediate post-WWI years, that prompted the aspiring entrepreneurs to forge a path of self-determination and cut the umbilical cord. Fred William Kennedy had stepped in to act as Managing Director and Dr. John Grace invited him to join him in the succession plan for the establishment of a local entity. Thus, on February 14, 1922, the parent company sold the local merchant firm to Dr. Grace and F.W. Kennedy, and Grace, Kennedy & Co. Ltd. was born at 64 Harbour Street, Kingston.

In the Gleaner of April 2, 1920, there had been a report of a dinner reception to welcome Dr. John Grace. His reply gave his audience a glimpse of his past, as well as of his impressions of Grace Ltd. and Jamaica at the time. He remarked:

We had a soda water company and a bank... the latter was helpful to the soda water business. We had some cane lands

which were useful to the bank. I think for one very hectic month we ran a laundry (laughter). To anyone coming to Jamaica for the first time it looks like an undeveloped estate: it seems impossible that it could be so, and one would say that perhaps the onlooker is wrong, but it is not impossible if one remembers that it was only after the Spanish American War that the American people discovered that in the Southern States they had an empire at their doors! It is quite possible therefore that Jamaica has been neglected.

The future of Jamaica lies with the development of the sugar industry; with the cultivation of larger acres in cane she will become the 'Emerald isle of the West' and her future prosperity be assured. If this island exported as much as the Sandwich Islands do, the income from that would be ten million pounds sterling, and it is not impossible for this island to do so.

We see that despite the popular resistance towards pursuing private initiative, Dr. Grace maintained optimism regarding the sugar industry based on his confidence in its genuine viability. He continued:

I rather wonder what my future in connection with this firm is going to be. I look into each department and see that each is perfect, and I wonder what I can do. It is quite different in my case from what it was in the time of my brother; the business grew with him and he could fit into every niche. It will be some time before I can hope to get to the position of esteem and affection that he occupied in your hearts.

In Kingston I have noticed that between 11 and 4 there is a breeze blowing, sometimes gentle, sometimes boisterous, but always invigorating; I believe it is called the Doctor. I hope I will be able to take a cue from nature, and be able to occupy the place in Grace Ltd., that the Doctor does for Kingston. I hope I shall always be stimulating and invigorating, and seldom or never be boisterous.

Therein was formulated a simple but honest statement of intent to a country, colleagues, staff, citizens, and growth that helped to become a directional guide for succeeding generations. It spoke to vision, quality, respect for employees, growth, and humility in leadership. Decades later it would be expressed as “Grace: We Care.”

### **Marcus Mosiah Garvey**

The WWI period had been characterized by a nascent nationalism, which was grounded in a spirit of solidarity and even public-private cooperation in the face of disruptions in international trade. Left behind, were permanent changes in local perspectives regarding trading relationships, including the relatively free movement of people between Jamaica, the other Caribbean countries, and Central America. Not surprisingly, then, the activities of the Diaspora took on a new level of significance. Peacetime opened the way for Marcus Garvey, and other new leaders of the era, to formulate intricate plans for the advancement of people of African descent that connected regions and stretched across hemispheres.

The *Gleaner* of January 5, 1921, carried a detailed article and account on Marcus Garvey from his arrival in the United States during the war, and his influence on four million people. It described him in several ways and with several titles, but the most intriguing was, “President of the Black Star Line of Ocean Going Steamships.” The reference confirmed that profitability on the steamships, which were built for both cargo and passengers and were modelled on the White Star Line,<sup>12</sup> was expected. The expectation was consistent with the magnitude of world trading that Jamaica found itself in the midst of by dint of its location, and of which the established shipping interests known by merchants and shipping agents were quite aware. Garvey simply extrapolated the business model in a bid to harness this advantage for new owners/entrants and increase their wealth.

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12 This was the famous British shipping company to which the Titanic belonged.

Fabricated charges laid against Garvey would be the undoing of the Black Star Line but not of the validity of the model. Jamaica remained the most strategically located English-speaking country in the Western hemisphere. Yet, the country would not seek to capitalize on its geographical advantage. Grace, Kennedy & Co. and Jamaica Producers saw the opportunities in shipping and moved accordingly.

No doubt, in Jamaica, the sense of isolation from the so-called “Mother Country” during the Great War had provided favourable conditions for new ideas that invoked self-determination, to contend with old ones rooted in dependency. The overarching aim of all of Garvey’s plans was for us to control our own destinies. But, this new way of thinking was not widely embedded. Instead, Jamaica held firmly to its dependency syndrome, soon to grow into mendicancy.

### **Teacher, Teacher**

The *Gleaner’s* article on Garvey appeared immediately beside a report on the Jamaica Teachers’ Union’s Annual Conference held at St. George’s School, where the guest speaker, a Mrs. Randall, spoke in favour of compulsory education. Notably, among the persons present was Vice President J.J. Mills, later to become a legendary educator. The resolution was tabled and debated, resulting in a paper being sent to the Colonial Office’s Board of Education.

The resolution was ignored by the colonial government. This unwillingness to improve the quality of human capital ensured that the Jamaica population would not have the wherewithal to achieve the high levels of higher-skill employment that could have occurred during the period of mass production of value added that followed on the heels of WWI. It would also have inhibited the country’s ability to take timely advantage of opportunities that could only be accessed via current technologies.

The report to the Colonial Office Board of Education went on to support the recommendation of Mr. W. Cowper, Headmaster of Jamaica College, that candidates for the Rhodes scholarship should be boys who had all their education in Jamaica. The debate pointed out the relative disadvantage of those students solely educated in Jamaica in relation to those who could afford to go overseas.<sup>13</sup> The 1914 winner was admitted to the bar in England in 1921 and opened practice in Jamaica in 1922. His name was Norman Washington Manley. This was surely an era of awakening of the dreams of national pride beyond colonialism, forged by the fires of a world in conflict.

### **Grace, Kennedy & Company's Toddler Years**

While the world was undergoing rapid transformation, the fledgling local company Grace, Kennedy & Co. Ltd., was far from sitting still. The Company searched carefully for opportunities in established trade agreements within the British Commonwealth that provided advantageous pricing via duty regimes that benefitted their trade with Jamaica. This was a precursor to understanding the economies of scale necessary for world trading.

It was in this way that Canada became an important partner especially for wheat, as well as pickled and salted fish from Halifax. By seizing these opportunities early, the Company was able to form alliances that would last through the generations and even established a credit relationship with Canadian banks that would later prove very beneficial.

The war years 1914–18, had affected the North Atlantic trade with Europe and the Eastern Provinces of Canada, with their traditional maritime industries being severely devastated economically. The exceptions, however, were massive increases

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<sup>13</sup> It is noteworthy that the scholarship winners of 1911 and 1912, Daniel P. Stephenson and Kenneth William Calder respectively, died from war wounds in 1915.

in international trade in food and industrial products for the war. But the end of the war induced a sudden downturn in the trade of these goods between 1918 and 1921. Canada's recovery strategy involved shifting its industrial base to focus more on the production of consumer goods based on new technologies in radio and in home appliances. This resulted in a boom to that economy that would last from 1921 to 1929, the beginning of the Great Depression.

The development of the railway across Canada opened vast new productive opportunities and cheap transportation to their ports on either the Atlantic or the Pacific coast, and southerly to the United States. Wheat, corn and other staples benefitted greatly from this, as did shipping via the Panama Canal, and so freight rates became an important part of business competitiveness; few appreciated this as well as Grace, Kennedy. In the meantime, the colonial government of the time seemed more concerned with keeping its Empire than looking at new trade markets.

At home, the Company took important strategic steps in the post-war years. As early as 1923, the Company paid a regular 8 per cent dividend and a second and final dividend of 15 per cent (the interest rates of the time seemed to hover around 5–6 per cent based on information on debentures). In 1924, the wharf expansion was completed on time and within budget, but the overall projections for operations were not met, as there was less freight. The laying of the new tram lines was seen as a development that would enhance business in the future.

It was critical that from as early as 1922, Grace, Kennedy employed a system of accurate and precise accounting practices and controls that mirrored international standards. This provided a discipline not usually synonymous with family-owned structures and was perhaps a positive legacy of the United Fruit Company, renowned at that time for their control systems. James Moss-Solomon, Sr., was at the forefront of these accounting

procedures; he brought a standard that is still required today in the keeping of proper books.

From the Company's inception there seemed to have been a flexible approach to extending ownership to other Jamaicans and, by 1924, a stake was offered to staff members and others. This significant move to engage the "small man" instead of restricting ownership of the Company to a few privileged elite preempted the ownership structure described 50 years later by Michael Manley as "worker participation". By Mr. Manley's time, the Company had become a public company.

In 1926, the Company's business in Montego Bay was sold to the management there (notably led by Mr. Walter Fletcher). There was a realization that there were loss-making businesses that could become successful for new owners, if divested. Many of them would become the Company's lifelong allies. This would prove true again in the 1960s and later, when the Company helped employees to own supermarkets and rural wholesales.

The 1927 minutes noted the delay in the arrival of the promised modern Canadian ships that were scheduled to use the Company's leased wharf facilities. By then, R.P. Galway (Secretary) and James Moss-Solomon (Snr. Accountant) were listed as shareholders. The level of the staff's general commitment to the Company would become legendary as, although these persons and others were not among the highly educated of the society, it was appreciated that sometimes common sense and a strong work ethic were more important for the Company's success. Indeed, through loyalty and long service, experience was built into the Company's DNA and repetitive conditions became challenges already overcome.

The year 1928 seemed to have been a good year and £3,587 were added to the reserves and dividends of 15 per cent interim and 8 per cent final were approved and paid. In 1929, the Company purchased the schooner *Admiral Beatty* and fitted her with a motor engine in order to protect their interest in the salt trade. This



trade was to include Pigeon Island and Turks Island. The wharf operations were extended by purchasing the adjoining premises from Lindo Brothers, which allowed for a 150ft. expansion. The purchase was funded from retained earnings and the issuance of preference shares. Shares were also issued to employees Miss Elsie Abrahams and Mrs. Dorothy Hamilton at £100 per share (then well below the other shares which had previously been sold at £150 each). This reflected the birth of a new model of collective ownership and employee reward. It is worthwhile to note that as early as 1927, Sydney Payne Cargill, John Henry Cargill and Harold Herbert Dunn were sold shares and became what is now referred to as External Directors. Interestingly, they are noted as reviewing the remuneration of the management at the Board. This early indication of what would later become known as corporate governance occurred long before its time, and was a path intentionally taken.

The expansion from commission agents to importers, exporters and shipping and insurance agents situated the Company in a business stream that earned from several sources. The Company had a stake in all of the sectors of the economy and therefore was able to ride the rise and decline of the major industries. The policy of diversification was to prove sound, as the Company enjoyed the benefits from healthy areas of the economy, but was also buffered against sudden declines in their fortunes. It is true that most of the Company's ventures were based on the movement and selling of goods. However, the salt production in Pigeon Island and in Turks Island was a manufacturing operation.

### **Human Capital: The Foundation**

In the 1920s, university graduates did not run large businesses owned and operated as family firms (or as pseudo-family firms). Such businesses were normally run by male children, with expatriate roots, who had not pursued the "noble professions"

such as law or medicine. The graduates in areas such as law and medicine often migrated, leaving their less educated siblings to run businesses. Failure of the business was the dreaded outcome that normally occurred after one or two generations and beyond which entire families would sooth their pride by attempting to fade into a metropolitan society, as they simultaneously attempted to relegate Jamaica to a fading memory.

The founders of Grace, Kennedy & Co. had a clear advantage. Although neither Fred W. Kennedy nor James Moss-Solomon, Snr., were university graduates, both had more than the equivalent years in prior practical business experience.<sup>14</sup> The decision to run the Company in a manner which was distinct but clearly consistent with this intellectual heritage, would prove to be an ideal recipe for survival and renewal.

The reality was that educational opportunities, in the 1920s, were limited. The workers who were employed in warehousing activities or on the ports would generally be regarded today as “unskilled labour”. They were chosen largely on the basis of physical ability and many were illiterate. The clerical workers came from high schools or commercial colleges but, nonetheless, they were inadequately prepared to meet the Company’s day-to-day objectives. To compensate for these conditions, all new staff members were trained via apprenticeship. Persons with practical experience, usually managers, carefully imparted their knowledge in an informal way to the incoming young men and women (many of whom were teenagers when they started).<sup>15</sup>

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14 In this context, the fact that Dr. Grace was a medical doctor was actually of diminished significance.

15 Among the 5th form graduates who joined the company, in 1933, was a 16-year-old boy who had lost his father and who started to work early in order to help to support his family. His name was S. Carlton Alexander, and his aunt was married to Copeland Moss-Solomon, the brother of James Moss-Solomon Snr., and the rest is history. That young man was nurtured under the apprenticeship system to James and Luis Fred, and he would become the Chairman and CEO in 1976. He has been widely acknowledged as one of the greatest business leaders in the latter half of the twentieth century.

The process of development via apprenticeship took a long time but the impact was permanent. It resulted in a tendency towards long service and the buildup of strong institutional memory, or an “experience bank” for future generations, which encouraged an inclination towards adhering to rules and systems, and avoiding previous mistakes. For some time the approach had an extra benefit, as there was no real salary differential between the public and private sectors. Young people who aspired to go to university preferred to start out in the civil service because a British tertiary education was available to those who excelled. The private sector then had to compete for the best of those remaining, who sought the perks and glamour associated with a career in sales and, ultimately, management.

Astonishingly, by the end of this era, the country had already faced seven of the ten key decision-making crossroads that I have identified over the 90-year period. Due to a proactive management approach, the Company had already faced all ten. But with both country and Company facing nearly the same crossroads, the fundamental difference was simply that the country consistently took the wrong turn.

## *Highlights of the First Dispensation: Solidarity (1914–1929)*

<b>Crossroads on the Journey to Lasting Economic Success</b>	<b>Choice made by Jamaica</b>	<b>Choice made by GK</b>
<p><i>Invoke self-determination</i> OR <i>Cling to dependency</i></p> <p>Right Direction: <i>Invoke self-determination</i></p>	<p><i>Cling to dependency</i> Evidence: The sugar planters lobbied for preferential treatment to sustain a sugar industry that was merely the remnants of the British Empire.</p>	<p><i>Invoke self-determination</i> Evidence: The establishment of the locally-owned Grace, Kennedy and Co. Ltd. via the purchase of the Grace Ltd. subsidiary from its parent company, W.R. Grace Ltd.</p>
<p><i>Pursue private initiative</i> OR <i>Demand public underwriting</i></p> <p>Right Direction: <i>Pursue private initiative</i></p>	<p><i>Demand public underwriting</i> Evidence: The sugar planters refused the Grace Ltd. offer to partner in the establishment of a modern sugar factory and subsequently attempted to get the colonial government to assume all the risk in a similar venture.</p>	<p><i>Pursue private initiative</i> Evidence: No attempt was made to seek government grants or loans to support the establishment of the Company.</p>
<p><i>Prioritize human capital development</i> OR <i>Condemn labour to low-skilled tasks</i></p> <p>Right Direction: <i>Prioritize human capital development</i></p>	<p><i>Condemn labour to low-skilled tasks</i> Evidence: The Colonial Government ignored Jamaica Teachers' Union's resolution that education should be compulsory.</p>	<p><i>Prioritize human capital development</i> Evidence: A policy of on-the-job training and apprenticeship was instituted to counteract the scarcity of educational opportunities.</p>

<p><i>Engage the small man</i> OR <i>Indulge the privileged</i></p> <p>Right Direction: <i>Engage the small man</i></p>	<p><i>Indulge the privileged</i> Evidence: The colonial government prevented the masses from gaining access to formal land ownership, while encouraging wealthy expatriates to acquire public lands.</p>	<p><i>Engage the small man</i> Evidence: The general staff were offered a stake in ownership.</p>
<p><i>Grasp opportunities quickly and decisively</i> OR <i>React sluggishly and half-heartedly to crises</i></p> <p>Right Direction: <i>Grasp opportunities quickly and decisively</i></p>	<p><i>React sluggishly and half-heartedly to crises</i> Evidence: The country did not take advantage of current technologies so as to maximize the competitiveness of the sugar industry and ensure profitability when sugar prices inevitably plummeted with the end of WWI.</p>	<p><i>Grasp opportunities quickly and decisively</i> Evidence: Alliances were formed within the British Commonwealth based on existing trade agreements, the foremost of which were with Canadian food manufacturers and banks.</p>
<p><i>Diversify into new positions</i> OR <i>Overinvest in old positions</i></p> <p>Right Direction: <i>Diversify into new positions</i></p>	<p><i>Overinvest in old positions</i> Evidence: Little attempt was made to venture beyond the production of sugar and bananas.</p>	<p><i>Diversify into new positions</i> Evidence: The Company transitioned from being commission agents to being importers, exporters, salt manufacturers, and shipping and insurance agents.</p>
<p><i>Use geography strategically</i> OR <i>Disregard geography</i></p> <p>Right Direction: <i>Use geography strategically</i></p>	<p><i>Disregard geography</i> Evidence: Despite the fact that Jamaica was the best strategically located English-speaking country in the Western hemisphere, the pursuit of an international shipping line based in Jamaica ended abruptly with Marcus Garvey's demise.</p>	<p><i>Use geography strategically</i> Evidence: Canadian ships were invited to utilize the Company's wharf facilities that were leased from W.R. Grace.</p>

<p><i>Require accurate information</i> OR <i>Be guided by sentiment</i></p> <p>Right Direction: <i>Require accurate information</i></p>	<p>Evidence: None noticed.*</p>	<p><i>Require accurate information</i> Evidence: Accounting practices were established that mirrored international standards.</p>
<p><i>Defend integrity</i> OR <i>Bow to corruption</i></p> <p>Right Direction: <i>Defend integrity</i></p>	<p>Evidence: None noticed.*</p>	<p><i>Defend integrity</i> Evidence: External Directors were appointed.</p>
<p><i>Vigilantly protect long-term interests</i> OR <i>Always gratify short-term wants</i></p> <p>Right decision: <i>Vigilantly protect long-term interests</i></p>	<p>Evidence: None noticed.*</p>	<p><i>Vigilantly protect long-term interests</i> Evidence: The Company decided from the outset to “Take what is good for Jamaica and make it good for Grace, Kennedy.”</p>

*\*This is not to suggest that no evidence exists, but rather that I did not come across any within the limited timeframe of this research.*

## CHAPTER 2

### The Second Dispensation: Survival (1930–1945)

#### The Ride Down

There are many theories of the causes of the Great Depression and also its relationship to the 1929 crash of the stock market on Wall Street. Although these are important to world history, what is more relevant to our discussion is the gravity of the impact that the occurrence had on our major trading partners. The magnitude of the fall-off in wholesale prices, industrial production and foreign trade, and the surge in unemployment in the world's major economies (see Table 1) provide an indirect indication of how demand for Jamaican exports would have been affected, especially for our main exports, sugar and bananas.

**Table 1: The Impact of the Great Depression on Major Economies<sup>16</sup>**

	<b>United States</b>	<b>Great Britain</b>	<b>France</b>	<b>Germany</b>
<b>Wholesale prices</b>	-32%	-33%	-34%	-29%
<b>Industrial production</b>	-46%	-23%	-24%	-49%
<b>Foreign trade</b>	-70%	-60%	-64%	-61%
<b>Unemployment</b>	+607%	+129%	+214%	+232%

The adverse impact of the Depression was compounded by other events. With disposable incomes shrinking dramatically, Great Britain was not in a position to continue maintaining tariffs that ensured preferential treatment to the British West Indies

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<sup>16</sup> See Jerome Blum, Rondo Cameron, Thomas G. Barnes, *The European World, A History* (2nd edition) 1970, p. 885.

and so bananas from Central America were allowed equal access. At the same time, income taxes and import duties in the USA climbed as the Hoover Plan was agreed and so, in 1931, Allied payments to the United States were suspended, along with war reparations from Germany to France. The higher taxation would have created a strain on our exports as well as constraints on our imports.

Also in 1931, Panama enacted legislation directed at preventing access to “Chinese, Syrians, Indians, and non-Spanish speaking Negroes” and the Panamanian government urged the United States to repatriate those persons as the canal neared completion. The problem seemed to have been the fact that these persons appeared to leave Panama regularly with money and return with none.<sup>17</sup> So, Jamaica suffered its first setback to legitimate sources of foreign exchange derived from the export of skilled labour. Happily for some, the US gave citizenship to children born in the Canal Zone. Still, the treatment meted out by the Panamanian government was a slap in the face to the Jamaican workers.

The strategy employed to build the Panama Canal was consistent with the United States’ overall development strategy following the World Wars. They were vigorously recruiting the brightest of the vanquished in Europe to expand their technical knowledge base. In the case of the Canal, engineers and builders from Jamaica also assumed a role. Some of them would move on to major cities in the United States to build up a significant influence in the rapidly developing industries.

In Jamaica, the loss of skilled persons to more advanced nations was a setback from at least one perspective. It reduced the already small pool of high-skilled labour that was being produced under conditions of limited access to education. On

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<sup>17</sup> This activity was an early example of the impact of repatriation or remittance of funds from migrant workers, at all levels, on our earnings. Indeed, the popular sentiment towards our returning residents is captured in the folk song, “One, two, three, four, Colon-man a come.”



the other hand, trained persons found more immediate, more consistent and more rewarding demand for their skills abroad. Thus, the “brain drain” cycle was perpetuated, alongside increasingly significant contributions to local disposable incomes and standards of living by way of remittances.

### **Rising to the Occasion**

At the outset of the Great Depression, the Company was faced with the dual challenges of a sudden need for succession in management and declining global demand. The year 1930 would see the death of Fred William Kennedy, the passing of the baton to James Moss-Solomon, Sr. and the simultaneous entrance of Fred William’s young son, Luis Fred, into the Company.<sup>18</sup>

The death of Fred William Kennedy and R.P. Galway would have been devastating to most companies, as Dr. Grace was advancing in years and had serious health issues. The early decisions to widen ownership and to adopt the strict financial practices of an international company provided a strong foundation in these turbulent years. The sense of the Company becoming a family of its own encouraged a high level of staff retention and loyalty, and the prudent management practices ensured that losses were curtailed. Government bailout was not an option considered. Bold, but informed, investments were made and the Company was ultimately able to achieve a growing market share in an adverse environment.

The records of Annual General Meetings show that James Moss-Solomon, Sr. chaired them and that Luis Fred Kennedy was the Secretary. The records for 1931 noted the purchase of the wharf in partnership with Jamaica Fruit and Shipping, and note that the wharf operations continued to perform well but that it would be almost impossible to forecast the next year due to the Depression. Still, the decision to own the wharf was a timely one.

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18 J. Moss-Solomon Sr. would guide the young L.F. Kennedy to become one of the most astute businessmen of the century.

The Panama Canal opened up significant trade from western Canada in many basic commodities (mainly wheat) and shipping tonnages grew as a result. At the same time, Canadian export potential was significantly enhanced by railroad construction that lowered costs and added Vancouver in the west to Halifax in the east to the already well established Montreal, allowing for year-round shipping prior to the opening of the St. Lawrence Seaway and later when it was frozen. This proved extremely important for two major reasons that would evolve. First, the ability to source and secure competitive prices changed the focus of the Company from being price takers to price negotiators, and allowed for multiple supply sources. This in itself developed a keen world trading ability within the Company that rapidly expanded its world view and communication, and would lead to overseas investments. Second, the western access to the Pacific provided a safe route for goods that was never really impaired even after the entry of Japan into the Second World War. Therefore the routes and relationships between Canada and the Company grew rapidly and would enhance trade in goods as well as shipping and wharf operations.

And so it was that the Company extended focus to the operations of the wharf (concluded by a joint venture) while it continued to pursue the expansion of merchandise operations. This was an important adjustment in the strategy of the Company in the face of uncertainty brought about by the Great Depression.

The 1932 Annual General Meeting described the prior year as a challenging one due to bad debts in the Motorcycle and Cycle supplies department. As a result, no addition was made to reserves but an 8 per cent dividend was paid. The year 1933 recorded a small profit in the face of losses in the salt operations at Pigeon Island. An addition was made to the reserves and a dividend of 8 per cent was paid. A 50 per cent increase in turnover was reported in 1934, which was a good year for wharf operations, and which saw healthy growth in merchandise sales.

All in all, by 1935, the outlook of the Company was bullish and the tone was set for decisive action in all areas of business development and controls long before the country ever dreamed of the discipline of a public corporation. The minutes of the Directors' meetings reflected a positive outlook with regard to investment, expansion, banking arrangements and governance. Investment with Mr. James Gore to form Standard Soaps, a manufacturing company, the lease of the Gore Block Factory, the registration of the trademarks and a contract of employment for Mr. Gore as a specialist salesman, were approved. Standard Soaps would later be the foundation of Seprod. Also, the lease of 4 Princess St. for additional storage was approved and stamped. Stern instructions were issued to the Canadian Imperial Bank of Commerce (CIBC) requiring that the Bank honour all cheques, and note the names and signatures of the signing officers. Other matters pertaining to banking arrangements seemed to have been forcefully handled by the Company and not the bank. This seems unusual when compared to the current time when banks seem to be the controllers.

The Company has kept to its decision of not pledging assets on the parent company's balance sheet to this day, and bankers who do not understand this are not included in the financing of the Company's growth. The policy allows for subsidiary companies to raise loans on their own balance sheets but does not require more than the reputation of the parent as an assurance. Another significant development was that the Company authorized the appointment of the auditors as internal auditors and agreed the fees for that service. This was further evidence of an early adoption of what is now called corporate governance and risk control and management.

It is worthwhile to note that the Company was growing significantly even in the middle of the Great Depression, and this legacy has continued over the years in that the Company culture has always been to be pro-active, and it has never really waited

on the government to figure out what is good for the country (such a strategy was viewed as doing too little, too late). It has proven to be a very healthy approach.

Through the Great Depression and the Second World War, the “experience bank” that the Company had built up within its team using the apprenticeship approach would prove to be of great value. The hard times would force more young people to join the ranks of the working world earlier than planned and, as competitors folded, many young men and women were able to find a secure means of survival at Grace, Kennedy & Co. This served to bolster their commitment to the “company family”.

Notwithstanding all of this, on the ports and in the factories the company-employee relations became more complex. With the emergence of labour leaders came the uprooting of the old labour culture. The original target was the traditional private sector, which was designed to perpetuate the exploitation of agricultural workers. But the initiatives taken would eventually spread to the factories, the civil service, the private professions, and even the University of the West Indies. The rapidly transformed labour environment was redefined as a representational workplace with mass-negotiated wages, especially with regard to unskilled workers. The Company had to learn how to embrace these sudden changes but, fortunately, they were not disruptive. Its human relations practices did not foment mistrust and, as the environment evolved, agreements were honoured. Also, the popular movement did not spread to the clerical or mid-managerial ranks. In retrospect, this appears to have been a reward for the open style of management.

### **This, Too, Shall Pass**

The Sugar Industry Control Law was put into effect in December 1937 and the Governor commented that, “It is confidently believed that one of the attendant results will be assured prices for cane farmers.” This was a clear indication that no effective

action to increase competitiveness had been taken by the planters since the discussions of 1917 and 1925. The introduction of bulk purchasing of produce at guaranteed prices by the British government seemed to revive the sugar industry and also helped local economic recovery but this, too, was to prove short-lived and offered no long-term solution.

The report of the Governor, Sir Edward Denham, carried on March 19, 1938 by the *Gleaner*, sets out an annual quasi-budget and performance commentary with several poignant points. Of particular note is the policy of building main roads and bridges as the priority. As for farm roads, his view was that it “is useless to give a sick and uneducated man, who cannot earn enough to keep himself out of the alms house at the end of his life, a road for the transport of produce which he has neither the money nor the strength to cultivate.” Why, then, weren’t health and education the priorities?

The policy of denial of land access to poor, formerly enslaved, masses continued to deprive them of the means to access education and better their economic conditions. This policy and its continuation have continued to be a severely limiting factor on the growth of the country. It has served to keep the poor in the same conditions that would allow for fulfilling the objectives of extractive industries that rely on cheap labour. On the other hand, the Governor outlined plans for broadening local agricultural production, especially in products that would have reduced our dependence on imports. There was an assignment of scientific agricultural expenditures to identify and facilitate those efforts. Perhaps he was taking the minimum steps to reduce the impact of the winds of war.

Concerning education, he had acknowledged, “There are only two schools in the Colony and neither of them in Kingston where there are Physics laboratories.” This would have been, in part, a direct reference to Cornwall College, which was established in 1896 as the Montego Bay High School and re-named in 1921. It

was the first government school (as opposed to Trust or religious schools) to offer the complete sciences in the West Indies. In a previous paper, I concluded that this revolution in education on the part of the colonial government was not entirely altruistic. The British, having lost many of their educated young men in the two Boer Wars, found themselves facing a shortage of skilled scientists to further their industrial development and to provide medical skills in the event of new wars yet to come. So, although seemingly innocent, the ulterior motive behind the establishment of the schools was cheap sources of skills to serve the Empire.

The Governor's report also noted that tourism stopover visitors in December to mid-February 1938 had increased by a mere 700, while cruise passengers decreased by 2000. He also made references to the pride our sportspersons had brought us, specifically referring to a polo tour led by Lord Mountbatten and the performance of our athletes in Panama. Of significant note as well, was the decision to build an airport at Palisadoes.

The year 1938 was replete with the signals of another world war as tension gripped Europe and alliances were being formed. The build-up of these actions and reactions were diligently reported, and the climax would come as no surprise to Jamaican businesses and the colonial government. The striking observation here was that few precautionary actions seem to have been considered and life continued as usual despite the experience garnered in the First World War.

In the latter part of the year, the *Gleaner* (October 22, 1938) reported on a tour undertaken by Bustamante following the dishonouring of an agreement with the Conciliation Board negotiated by him and N.W. Manley in the previous year. These meetings were focussed on negotiation before action and in particular the need to avoid wildcat strikes. In spite of the restraint promoted by Bustamante, the events of civil labour uprisings would not be quelled. It was a decision point that

pushed management and labour into a situation of mistrust and conflict, a direction that was not based on good sense, and that would continue to plague productivity for decades. This entire sequence was a direct result of government taking a supercilious attitude towards the uneducated but resilient and resolute labour force. It made confrontation seem to be the only way forward and brute force a superior method when compared to the option of peaceful negotiation. It was Morant Bay, repeated.

In the same newspaper the story was carried side by side with the news of swastikas being shipped in large quantities towards Czechoslovakia in anticipation of the triumphal entry of the German troops. In Geneva, Britain and France were accused of “avoiding problematic war today for a certain one tomorrow”. France refused to call its parliament back to session from vacation and, along with Britain, was accused of not reaching an agreement with Russia in order to resolve the situation with Czechoslovakia, and of bending to the will of Hitler’s Germany.

Wars of different kinds were brewing, both of which would have the potential to bring massive changes to the Jamaican political and business landscape, and Grace, Kennedy & Co. was firmly in the midst.

### **From Depression to War**

The economic situation for the country and the Company seem to have become more difficult during WWII (1939–1945), with even more challenges than those of the Great Depression. The combined factors included man-made restrictions of imports and exports, price controls, shipping delays and trading with the enemy that would soon extend to all German-occupied Europe. Available records of banana export for the period reflect real downturns at the wharf after 1939 when the war started and once again after 1941 when the United States and Japan entered the war (see Table 2). Of course, perishable goods would have been particularly affected since refrigeration was not yet available on the ships.

**Table 2: Banana Exports 1938-1948<sup>19</sup>**

Year	No. of Stems ('000)
1938	23,811
1939	18,772
1940	6,849
1941	5,589
1942	1,349
1943	289
1944	1,117
1945	1,797
1946	5,900
1947	5,800
1948	6,300

The Company recognized that its strategies would have to change. The restrictions on the time and conditions of harbour access and the unavailability of marine insurance forced a change in cargo types and sources of supply. The previous trade relationships built with Canada would prove beneficial and the opening of routes from western Canada via the Panama Canal was safe until the entry of Japan and the USA into the war in 1941. Even after 1941, the routes were sufficiently safe to be used as a route to transport wheat flour and other staples.

Still, the Company found that supplies out of the eastern and southern USA were falling off, as ships were diverted to the war effort. L.F. Kennedy therefore made arrangements for basic commodities to be shipped to Havana and transported overland by train to Santiago. The Company purchased the yacht *The Dauntless* and carried much-needed supplies to Kingston. It is notable that in the height of a period of shortages the colonial government refused to partner in this initiative, which

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<sup>19</sup> From B.W. Higman, *Abstracts of Caribbean Historical Statistics*. Revised edition. Mona: UWI Department of History, September 1985.



was clearly a vital area of national interest, and the Company had to go it alone in securing supplies in quantities that went beyond what would have been justified by the immediate profit opportunity. These supplies were not only for the Company but included products for its competitors. This was good for Jamaica! This revision of the supply strategy would combine with other factors to actually improve the Company's position.

In general, the aggressive, pragmatic and proactive efforts of the Company in the earlier years came to bear more fruit as basic food quotas were issued and it received the lion's share as quota allocations were established based on pre-war performance. The wharf, warehousing and the confidence of Chinese merchants across the island provided a return on investment especially in market share that would continue to grow for decades.

The various paths taken had removed the Company from the clutches of a basically extractive policy of colonial rule to being an independent and forthright advocate of private enterprise. An important public benefit was that the management was able and willing to speak out against unfair public policy as well as private sector practices that were less than fair. This would emerge forcefully in the post-war era in a leadership role started by Luis Fred Kennedy and emulated by every succeeding Chairman – S. Carlton Alexander, Rafael Diaz, and Douglas Orane.

## *Highlights of the Second Dispensation: Survival (1930-1945)*

<b>Crossroads on the Journey to Lasting Economic Success</b>	<b>Choice made by Jamaica</b>	<b>Choice made by GK</b>
<p><i>Invoke self-determination</i> OR <i>Cling to dependency</i></p> <p>Right Direction: <i>Invoke self-determination</i></p>	<p><i>Cling to dependency</i> Evidence: The sugar planters continued to lobby for preferential treatment.</p>	<p><i>Invoke self-determination</i> Evidence: The Company remained locally-owned while it expanded and met increasing capital needs.</p>
<p><i>Pursue private initiative</i> OR <i>Demand public underwriting</i></p> <p>Right Direction: <i>Pursue private initiative</i></p>	<p>Evidence: None noticed.*</p>	<p><i>Pursue private initiative</i> Evidence: A number of bold, but informed, investment decisions were taken to survive the Great Depression and WW II. (See 5 and 6 for two examples.)</p>
<p><i>Prioritize human capital development</i> OR <i>Condemn labour to low-skilled tasks</i></p> <p>Right Direction: <i>Prioritize human capital development</i></p>	<p><i>Condemn labour to low-skilled tasks</i> Evidence: Governor Denham's report in 1938 implicitly acknowledged deficient health and education sectors but instead of offering solutions, he disingenuously used the incidence of illness and ignorance as the justification or his exclusive bias towards building main roads and bridges, rather than farm roads.</p>	<p><i>Prioritize human capital development</i> Evidence: The training and apprenticeship programmes were sustained, in the face of the persisting scarcity of education opportunities.</p>

<p><i>Engage the small man</i> OR <i>Indulge the privileged</i></p> <p>Right Direction: <i>Engage the small man</i></p>	<p><i>Indulge the privileged</i> Evidence: The Governor saw no need to provide roads for poor farmers. Hence, new roads and bridges were allotted disproportionately to the benefit of the privileged. Also, the Conciliation Board dishonoured the labour agreement negotiated by Bustamante and N.W. Manley.</p>	<p>Evidence: None noticed.*</p>
<p><i>Grasp opportunities quickly and decisively</i> OR <i>React sluggishly and half-heartedly to crises</i></p> <p>Right Direction: <i>Grasp opportunities quickly and decisively</i></p>	<p><i>React sluggishly and half-heartedly to crises</i> Evidence: The colonial government failed to invest in any alternative trading arrangements in the face of restrictions imposed by the war.</p>	<p><i>Grasp opportunities quickly and decisively</i> Evidence: The yacht, “The Dauntless,” was purchased to facilitate an alternative trading arrangement in the face of restrictions imposed by the war.</p>
<p><i>Diversify into new positions</i> OR <i>Overinvest in old positions</i></p> <p>Right Direction: <i>Diversify into new positions</i></p>	<p><i>Overinvest in old positions</i> Evidence: The economy continued to rely predominantly on primary agricultural products.</p>	<p><i>Diversify into new positions</i> Evidence: The Company purchased the wharf which it had previously leased from W.R. Grace, in partnership with Jamaica Fruit and Shipping.</p>
<p><i>Use geography strategically</i> OR <i>Disregard geography</i></p> <p>Right Direction: <i>Use geography strategically</i></p>	<p><i>Disregard geography</i> Evidence: Still, no significant investment was made to allow Jamaica to tap into the wealth flows from world trade or protect its trading interests.</p>	<p><i>Use geography strategically</i> Evidence: During WWII, basic commodities were shipped to Havana, transported overland by train to Santiago, and then lifted to Jamaica via “the Dauntless.”</p>

<p><i>Require accurate information</i> OR <i>Be guided by sentiment</i></p> <p>Right Direction: <i>Require accurate information</i></p>	<p>Evidence: None noticed.*</p>	<p>Evidence: None noticed.*</p>
<p><i>Defend integrity</i> OR <i>Bow to corruption</i></p> <p>Right Direction: <i>Defend integrity</i></p>	<p>Evidence: None noticed.*</p>	<p><i>Defend integrity</i> Evidence: Internal auditors were appointed.</p>
<p><i>Vigilantly protect long-term interests</i> OR <i>Always gratify short-term wants</i></p> <p>Right decision: <i>Vigilantly protect long-term interests</i></p>	<p>Evidence: None noticed.*</p>	<p><i>Vigilantly protect long-term interests</i> Evidence: Basic supplies for the country were secured via the Dauntless in quantities that went beyond what would have been justified by the immediate profit opportunity.</p>

*\*This is not to suggest that no evidence exists, but rather that I did not come across any within the limited timeframe in which the research had to be conducted.*

## CHAPTER 3

### The Third Dispensation: Alignment (1946–1962)

#### A New World Order

The aftermath of WWII brought several changes to the entire world, most notably the decline of the British Empire, an unstable shift in the geopolitical balance and the metamorphosis of world trading systems. But Britain was highly indebted to the USA for the costs associated with the Second World War and this added to the decline in the importance of the dependent Commonwealth. Britain's emancipation would ultimately be pitched as our independence. This subtle reality may not have been noticed or understood, or perhaps the thought of our own power base was irresistibly flattering to the egos of those who would be heralded as liberators and national heroes, even if this was to be without adequate preparation.

In response to lobbying, Britain's preferential treatment to Commonwealth agricultural crops was returned. Meanwhile, the shifting direction of our trade effectively made us the province of the USA and later of NATO. The new world abandoned the Gold Standard in favour of a new system of financial controls that would allow for an expansion of money supply, seemingly, based on the whims of the International Monetary Fund and the International Bank for Reconstruction and Development (the World Bank). The verdict as to whether this has proven to be good for Jamaica is not straightforward and is far beyond the scope of this short work.

Under the umbrella of the League of Nations, the failure to decisively reprimand Italy for using mustard gas on the Ethiopians set a trend that might was right, and giants would close their eyes to atrocities in order to secure supremacy over the "evil communist bloc". Indeed, the Cold War was a boon for those positioned to manufacture the weapons of modern warfare. But the political impasse over communism and the rise

of Russia to become the centre of the Soviet Union resulted in a military expansionism that did nothing that benefitted Jamaica.

### **Wuk fi Nutt'n? Wuk fi Sup'n!**

Professor Douglas Hall opined that St. William Grant kept Garvey's message alive and served as a vital link between the philosophy of Garvey and Bustamante. Garvey's ideas of self-reliance and initiative would ultimately translate into the concept of Jamaica as an independent nation, taking its place in the world and gaining the respect of others through economic prowess; a real interpretation of the Jamaican dream.

Bustamante was more of a populist, beloved by the common man. N.W. Manley, on the other hand, as Hall put it, "was representative of the middle class intelligentsia". The latter group ostensibly revered doing things for the less fortunate. But the conflict that would arise within some of them was that sincere concern for the poor actually required enabling the poor to relinquish that relative status. The Company had no such dilemma while it sought to "take what was good for Jamaica and make it good for Grace, Kennedy." "Its approach was to establish wider opportunities for citizens to partake in the fruits of economic growth, to mutual benefit. The expansion of distribution networks was clearly targetted towards the rural poor and resulted in the establishment of a food infrastructure that no longer required those populations to come to Kingston for goods. This, in turn, supported the growth of some towns into centres of commerce and trade.

In the formal domain, Luis Fred Kennedy and William Alexander Bustamante may have seemed to be serious antagonists but they enjoyed a deep relationship built on mutual trust, respect and honest dealings, fuelled by their love of development and new ideas. Their friendship and love of partaking in good whisky on each other's verandah was legendary. Both would have found Garvey's philosophy to be acceptable in a basic sense, as they

expected progress through diligence, hard work, and investment. Their roles in the employer-union space did not separate them. Both were committed to better working conditions and healthy labour relations. Similarly, both were committed to Jamaica's development; and so they formed a real friendship, remaining firm friends until they died.

In 1954, two Cabinet members approached L.F. Kennedy and offered to sell him information on Cabinet discussions. He immediately went to Alexander Bustamante, who dismissed both persons and instituted legal proceedings against them; records indicate that at least one was sent to prison. This was a path taken together that eventually brought an alliance of giants, not in a political way but with a sense of nationalism and mutual trust that would seemingly become lost to the country's leaders by the advent of 1970s.

Kennedy and Bustamante both formed unions that served to avoid or resolve conflicts on the ports. The Company's union was only moderately successful but served to show Bustamante that the Company was not going to acquiesce to unreasonable threats. In the end, Kennedy sold his union to Bustamante and formed an amalgamation of employers that became the Shipping Association of Jamaica. This enabled significant investment from the public and private sectors and brought some common rationality to port operations, which were at that time very labour intensive.<sup>20</sup> The steps laid the basis for considerable modernization and vastly increased cargo handling. The move also paved the way for the Joint Industrial Council to become a mediatory body between management and labour in 1952. The joint cooperation was the first significant path taken together that would later be responsible for a major technological change from break-bulk to containerized cargo in the 1970s. In general, the Company maintained an enlightened attitude, implementing

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20 This was long before the introduction of container shipping and boats were loaded and unloaded by labour and simple derricks or slings.

an employee benefit programme that exceeded the standard demands of the time. This further encouraged strong employee loyalty.

### **“To the World!”**

The 1950s were particularly strategic and remarkable years for the Company. The establishment of a subsidiary in Montreal, Canada in 1951 was not immediately successful but with a capital base of C\$50,000, it would provide a basis for expansion in the following decades. The bold move brought Grace, Kennedy into the realm of understanding world trade agreements, taking advantage of overseas trade incentives and trading products across the world that did not originate in Jamaica and were never sold in the island.

The Company learnt these lessons the hard way in the first few years but, after losing half of its capital, rebounded rapidly and started to export canned products from Canada to Europe, and secure better pricing as a Canadian domestic exporter. This assisted in raising the competitiveness and created a base for the Grace brand in products made in Canada such as canned Vienna sausages, maraschino cherries, bacon, tomato ketchup, and apple juice. At the same time, GK Montreal had the agency for Pickapeppa Sauce and a brand of guava jelly for sale from Jamaica to Canada. In addition, shirts originating in Hong Kong were marketed in Canada.

The trade in Jamaica, Canada and Europe was further enhanced by the establishment of GK Europa Ltd. in Rotterdam (1958); this helped to secure the best prices for flour and pickled and salted fish for Jamaica, and canned vegetables for Britain. The operations were largely financed through the Montreal office and this started the establishment of a good credit rating and access to banking.

The strategic importance of these decisions came as the investment in the bauxite industry commenced, creating more



jobs and local disposable income. The outcome would be the establishment of considerable market demand in Jamaica that would take the Company further into manufacturing and brand ownership, this time with food products that would become household names for the next six decades. These included canned juices, jams, ackee, callaloo, tomato ketchup, and a few “exotics” such as Solomon Gundy and Seville orange marmalade.

The Company eventually increased its focus on solidifying an islandwide distribution system that could provide a reliable service to rural wholesalers and urban retailers. The strategy placed it firmly in the largest market segment and away from what would become the declining sector of the upper middle-income markets. The mass market provided an easily predictable and faster turnover that would provide free cash flow for expansion.

The rural expansion strategy assured large volumes of basic foods that would serve as a basis for the introduction and development of the Grace brand, which would eventually displace several international brands. The Company chose to make Jamaica its own and did so in a reliable way that appealed to the largest segments of the market. Competitive pricing, reliable supplies and timely deliveries provided by familiar staff members, were the basis of growth. The Company reaped the benefits of consumer loyalties that proved enduring.

The brand’s development can be noted through the slogans “What a great way Grace taste”, “Grace - We care”, “Quality since 1922”, “First family of fine foods”, and “Bringing good taste to life”. The Company’s image gradually became irrevocably tied to Jamaican consumers at home and abroad, and has grown with Jamaica’s positive image in leadership, sports, culture and music in international markets.

It was a risk; the protection of being a manufacturers’ representative was given up once the Company made its first move to be an independent brand owner. It, however, brought a greater focus on quality as the products had to adhere to

the principal values of the Company and the interests of its consumers. The Company supported those efforts by putting in place an international infrastructure that would reduce the risk of having a single financial source to facilitate trade, whether to Jamaica or outside of the island. Through foreign establishments, more activities were conducted that capitalized on bilateral trade agreements between other countries and impediments in Jamaica could be circumvented as they arose. The overseas entities provided a capital presence for banking facilitation and an addition to normal suppliers' credit, which eased local cash flow needs.

### **Finally, Jamaica Becomes Jamaican**

At the close of the decade of the 1950s, the country was taking a short-lived path towards the West Indies Federation. The origin of the idea of the West Indies Federation was not indigenous to the Caribbean; rather it was born out of British desire to make efficient its colonial administration in the region. It was Hugh Springer who noted that, "From the earliest days of settlement in the seventeenth century, the idea of unifying two or more islands for administrative convenience or economy has appealed to the British Government..."<sup>21</sup> Federation, therefore, had always been a "hot topic" for the British and was much discussed during the disturbances of the 1930s as a prescription to regain order in the region. "The Royal Commission of 1882-83, whose assignment was to inquire into the financial conditions, with a view to the more economical administration, of Jamaica, the Leeward Islands, and Tobago, recommended the closer association of all British territories in the Caribbean, with a federal union as the ultimate goal."<sup>22</sup> However, there was not much talk among

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21 Hugh W. Springer, "Reflections on the Failure of the First West Indian Federation," Harvard University Centre for International Affairs, *Occasional Papers in International Affairs*, number 4, (July 1962), p. 1.

22 *Ibid.*, 3.

West Indians themselves prior to the 1930s about federation. It was not until the idea was linked with the possibility of securing political independence from Britain in the post-WWII era that it gained the support of West Indians. Thus, from the perspective of the West Indian demographic, federation was a political move rather than an economic one. Notwithstanding this, the benefits of the economic cooperation promoted by the colonial authorities gradually became more obvious in a changing global economic climate and, of course, the economic turmoil of the Great Depression years were still fresh in the minds of the local populace. The demise of the West Indies Federation would prove to have been, as it was in the beginning, a move of political sentiment rather than conscious economic rationale.

It is important to note that the economy was still reported to be favourable due largely to the start-up jobs associated with bauxite development. This moderate success seems to have been significant amongst the factors that bolstered our decision to leave the Federation and seek our independence. The rise of bauxite in Jamaica and oil in Trinidad might have given the impression that all would be great forever and independence would be an easy economic undertaking.

However, there appears to have been mixed reactions in the discussions reported in the minutes of the Legislative Council of 1960 especially by two men (Edward Seaga and Dudley Thompson) who would later find themselves in a more violent confrontation in spite of their important cautions. They gave a reasonable forewarning that new responsibilities would emerge with independence and that, possibly, these had not been fully appreciated. The following is an excerpt from a discussion in 1962, recorded in the proceedings of the Legislative Council:

Seaga: Mr. President, Independence has come upon this country in a rush... We are now going forward into Independence and there are still vast areas of the country that do not quite know what Independence means or what it should mean. To them

it is a word, and it is a word that has been connoted with freedom. But what else does it mean, for it must mean more than this. There are still sections of the country that fear the word Independence. They fear it because to them the word freedom does not mean the free power to create and to build, but freedom to destroy.<sup>23</sup>

As a new democratic nation, Jamaica proceeded to sign on to the generally accepted global financial system. In the minutes of the Senate of 1962, Senator Grant introduced the second reading of a bill and gave an interpretation of the Breton Woods Agreement (which established the IMF) and the International Bank for Reconstruction (World Bank) and the conditions of membership. He made a simple statement regarding the ease of the ability to borrow, that the future would prove ironic. In response to Grant, Dudley Thompson stated:

I accept my honourable and learned friend's statement that there is great merit in being able to borrow millions of pounds but we know from history that where there are facilities to borrow, we have a duty to repay.<sup>24</sup>

The reality was that the country remained locked into basic agriculture and little investment except the foreign inputs in the bauxite industry and the short-term proceeds of mining land acquisitions. At that time we were the largest producers of bauxite in plants that were not ours, thus continuing with the mindset of "workers rather than owners". Douglas Hall contends that these decisions would later come back to haunt us as the slowing of the benefits of the early bauxite construction, the increasing population, and the failure to anticipate rising food and gas prices, all combined to bring about a decline in the economy.

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23 Minutes of the Legislative Council, January 19, 1962, pp. 51-52.

24 Minutes of the Honorable Senate (Jamaica) 1962, p. 11.

By this time, Grace, Kennedy had long since taken the road towards internationalization, world trading and establishing a wide product base that would be extremely strong for production, marketing, and the earning of foreign exchange. The latter would prove invaluable in succeeding decades. The Company had transformed itself from representing other people's brands and set a stage for its own independence, as the country aspired to national independence. However, the strong distribution network would attract overseas brand owners to use the services of the Company once again.

The apprenticeship approach to human capital development at the Company continued but modification was necessary. This was largely as a result of the Company's overseas subsidiaries in Canada and Europe. The world was certainly moving more rapidly while it became more complex. There were changes in communication processes in business, from letters to cables and telegrams, and into the age of the telex and international calling. Ship transit times were shorter, international payments were faster, and the Company's ability to maintain creditworthiness required new financial controls in order to satisfy the more sophisticated international banking world. Specialist skills were clearly required that could not be satisfied by the apprenticeship system alone but there were still limited education options in Jamaica.

To address the deficiency, the Company began to use overseas-based trainers in Jamaica and also to send potential managers to learn new skills from our overseas principals. Young Jamaican employees were assessed by industrial psychologists in an effort to predict areas of aptitude for further training. The employment of Boerries Terfloth to manage the Canadian office led to a new wave of training evaluation and specialization through the Company.

An awareness of the emergence of business as a genuine university pursuit gradually took hold across the country and

the local branches of British and Canadian banks became leaders in this activity. Grace, Kennedy's close association with them proved beneficial as they served as an additional source of information for the increasingly sophisticated training.

The Company's managers resisted the temptation to get into agriculture or bauxite at this time and contented themselves with providing goods and services that would gain the trust of the local consumer. The Company went as far as to support local manufacturers with contracts for processing the Grace products. Later, the conditions would require the purchase of some of these factories as there was a decline in the quality of management, partly as a result of the migration trend (fleeing on the "five flights a day" as taunted by Michael Manley) – evidenced by poor financial results and over-commitment to bank loans.

These acquisitions brought the Company into closer ties with the agricultural sector, particularly small farmers already familiar with the Grace image, and paved the way for expansion into the sale of agricultural supplies and contract farming. Thus, the Company went into an even closer relationship of trust with the solid roots of Jamaican rural society, and a sharing of the Jamaican dream and ambition.

All in all, it seemed as if the people of Jamaica were becoming one, and shared the values of honesty and integrity. This, however, would not prove to be the political path taken over the long term. Soon after the initial N.W. Manley/Bustamante era, the common sense of virtue would dissipate and an escalation of party-sponsored tribalism would challenge authentic Jamaican beliefs, goals and dreams. Dependency would rebound far stronger than before to replace self-reliance and initiative, taking the country on a path that the Company would not go down.

### **Entering the Game**

Following World War II, the emergence of the Soviet Union as a major super power divided the loyalties of some countries

into either a closer relationship with the capitalists (USA) or the communists (Russia). This divided much of the trading flexibility, especially with regard to Cuba in the Caribbean.

Thus, politics again posed a challenge to developing countries in the region that really should have been focussed on growth rather than ideology. Ideology constrained trade with Cuba, the largest Caribbean market and potential supplier of raw material inputs. The relationships built with the supply chain via the Cuban overland route died, and so did access to this traditional ally. The close historical relations with the Jamaican Diaspora in Cuba quickly deteriorated, and the benefits of prior Jamaican migration were useless. Many family connections were suddenly lost and Jamaicans lost entire generations of family to the sharp sword of ideology. (I must note that China remained outside of our purview at the international level although the giant nation was growing, even under our radar here in Jamaica.)

The compulsory alignment to the two major blocs led to the inevitable frustration of many countries that later aspired to be non-aligned nations. It became almost impossible to separate ideology and diplomacy, yet alignment did not equate to sufficient expansion of trading markets and development opportunities. This was true irrespective of the side to which one was exclusively aligned but, in our case, alignment did not exactly endear Jamaica to our major trading partner, the United States. As for “South-South” trade with the developing countries labelled “friendly”, neither the country nor the Company was sufficiently technologically advanced in products and transportation to make that viable. It was not surprising, then, that a new leader emerged who was convinced that exclusive alignment was hindering economic development. He would attempt to pave what he called a “third path.”

The country appeared to have started to move in the right direction during this period. As shown below, the right turn was taken in five of the eight crossroads noticed.

## *Highlights of the Third Dispensation: Alignment (1946-1962)*

<b>Crossroads on the Journey to Lasting Economic Success</b>	<b>Choice made by Jamaica</b>	<b>Choice made by GKs</b>
<p><i>Invoke self-determination</i> OR <i>Cling to dependency</i></p> <p>Right Direction: <i>Invoke self-determination</i></p>	<p><i>Cling to dependency</i> Evidence: The country became the largest producer of bauxite in plants that were not its own.</p>	<p><i>Invoke self-determination</i> Evidence: The Company remained locally owned while it expanded and met increasing capital needs.</p>
<p><i>Pursue private initiative</i> OR <i>Demand public underwriting</i></p> <p>Right Direction: <i>Pursue private initiative</i></p>	<p>Evidence: None noticed.*</p>	<p><i>Pursue private initiative</i> Evidence: High priority was placed on maintaining competitiveness by becoming a domestic exporter in other countries that had advantageous bilateral agreements.</p>
<p><i>Prioritize human capital development</i> OR <i>Condemn labour to low-skilled tasks</i></p> <p>Right Direction: <i>Prioritize human capital development</i></p>	<p><i>Prioritize human capital development</i> Evidence: The University College of the West Indies (later the University of the West Indies) was established at Mona in 1948, in special relationship with the University of London, based on the recommendations of the Asquith Commission (1943).</p>	<p><i>Prioritize human capital development</i> Evidence: The training and apprenticeship programme was enhanced to meet the needs of new international activities.</p>
<p><i>Engage the small man</i> OR <i>Indulge the privileged</i></p> <p>Right Direction: <i>Engage the small man</i></p>	<p><i>Engage the small man</i> Evidence: Alexander Bustamante established the Bustamante Industrial Trades Union.</p>	<p><i>Engage the small man</i> Evidence: The Company engaged labour effectively through the Joint Industrial Council and instituted employee benefit programmes which exceeded standard demands.</p>



<p><i>Grasp opportunities quickly and decisively</i> OR <i>React sluggishly and half-heartedly to crises</i></p> <p>Right Direction: <i>Grasp opportunities quickly and decisively</i></p>	<p><i>React sluggishly and half-heartedly to crises</i> Evidence: The country failed to raise sufficient foreign exchange to meet its appetite for consumption of foreign goods (especially oil) as it continued to rely on the extractive investment approach in seeking to develop the bauxite industry.</p>	<p><i>Grasp opportunities quickly and decisively</i> Evidence: The Company took advantage of world trade agreements to oversee trade in goods that neither originated from nor were destined for Jamaica, and to raise foreign exchange from alternative sources. A subsidiary was established in Montreal, Canada in 1951 and another was established in the Netherlands in 1958.</p>
<p><i>Diversify into new positions</i> OR <i>Overinvest in old positions</i></p> <p>Right Direction: <i>Diversify into new positions</i></p>	<p><i>Diversify into new positions</i> Evidence: The development of the bauxite industry. However, in my view, the long-term benefits were stifled by an extractive approach that did not maximize the potential for technological transfer.</p>	<p><i>Diversify into new positions</i> Evidence: The Company went into food manufacturing and independent brand development, and established its own island-wide distribution system. Also, shirts originating in Hong Kong were marketed in Canada.</p>
<p><i>Use geography strategically</i> OR <i>Disregard geography</i></p> <p>Right Direction: <i>Use geography strategically</i></p>	<p>Evidence: None noticed.*</p>	<p>Evidence: None noticed.*</p>
<p><i>Require accurate information</i> OR <i>Be guided by sentiment</i></p> <p>Right Direction: <i>Require accurate information</i></p>	<p><i>Be guided by sentiment</i> Evidence: The decisions to enter and to leave the Federation.</p>	<p>Evidence: None noticed.*</p>

<p><i>Defend integrity</i> OR <i>Bow to corruption</i></p> <p>Right Direction: <i>Defend integrity</i></p>	<p><i>Defend integrity</i></p> <p>Evidence: Alexander Bustamante dismissed two Cabinet members who had offered to sell L.F. Kennedy information on Cabinet discussions and instituted legal proceedings against them. Records indicate that at least one was sent to prison.</p>	<p><i>Defend integrity</i></p> <p>Evidence: L.F. Kennedy informed Bustamante that two Cabinet members had offered to sell him information on Cabinet discussions.</p>
<p><i>Vigilantly protect long-term interests</i> OR <i>Always gratify short-term wants</i></p> <p>Right Direction: <i>Vigilantly protect long-term interests</i></p>	<p>Evidence: None noticed. *</p>	<p><i>Vigilantly protect long-term interests</i></p> <p>Evidence: Local manufacturers were supported with contracts for processing Grace products.</p>

*\*This is not to suggest that no evidence exists, but rather that I did not come across any within the limited timeframe in which the research had to be conducted.*

## CHAPTER 4

### The Fourth Dispensation: Separation (1963–1976)

#### The More Things Change...

It would seem that in spite of the move towards nationhood we failed to undergo any fundamental shifts in our economic perspective. “Independence” was yet another opportunity for broadening economic diversity and establishing a self-determined development agenda but the country did little to mitigate its risk exposure to price fluctuations in primary export products and final goods imports or to nurture domestic private initiative. But how could the country have failed to learn from the experience of the two World Wars and the Great Depression? It seemed more like “Separation” than “Independence”.

The bailouts associated with sugar and bananas continued, along with a reluctance to risk personal capital. The only exception was the solidly performing Jamaica Banana Producers which augmented their sources of supply with produce sourced from Central America and later extended their operations to establish themselves in the wholesale industry in Britain. For those who did pursue the private route, the family firm approach still seemed dominant. So, private sector growth continued to depend almost exclusively on loans rather than the widening of ownership (notwithstanding that the Stock Exchange was yet to come). For most of the population, then, private ownership remained a foreign concept.

Earlier efforts to lure foreign investments continued and even accelerated. Whereas in the 1950s these were targeted towards mining, manufacturing and tourism, in the 1960s, banking and insurance were added. Investment incentives were given to foreigners and yet, not to our own citizens who may, arguably, have been in need of education and some cleverly engineered impetus to unlearn their reluctance to invest in productive capital. The disadvantage to the local private sector

was not to be mitigated by the implementation of an import substitution strategy, which mostly resulted in foreign firms establishing factories here to produce goods for the Jamaican market, in addition to some exports. The operations appeared to thrive mainly because the import of competitive finished goods was prohibited.

On a positive note, a major technological achievement that took place in the 1970s was the change from break-bulk to containerized cargo on the wharf. With the Joint Industrial Council, the country and the Company had taken a step together (continued by succeeding Prime Ministers Sangster, Shearer, Manley, Seaga and Patterson) that would pay off well for both, creating profitable offshoots in the maritime industry specifically with transshipment cargo. There would, finally, be some active recognition of the importance of the physical location of Jamaica as strategically placed for North/South and East/West cargo transfers. The step may have created a space for Hugh Shearer and Michael Manley to firmly establish their popularity through the labour union movement during the 1960s. Both ultimately became prime ministers, in 1967 and 1972, respectively.

Not surprisingly, the political agenda (determined mostly by populist demands in search of short-term or immediate gratification) did little to change the pre-existing colonial intent of extraction during this era of Separation. Jobs were created in some areas but the foreign companies' ties to Jamaica were weak. Predictably, as our focus was on employment rather than partnership or ownership, they extracted the greater part of the wealth we created. On top of this, the share left behind in the domestic economy was minimized by avoiding the show of profits through clever disguise in the costing of raw material imports. In reality, "manufacturing" was mainly a "screwdriver" operation with little value-added. Local workers lacked indigenous technical capabilities, following naturally from the fact that our educational system greatly favoured the purely academic over

the technical, the latter of which would have been valuable for industrial development. But the bigger mistake was the fact that the slew of incentives were to be accompanied by very limited transfers of technology, ensuring no long-term benefits if the companies left.

Global economic fallout would eventually result in Jamaican bailouts to *foreign* investors in manufacturing, bauxite and, eventually, tourism. Some might argue that some of these events were buyouts and not bailouts but the essence of the point is that the foreign investors were not required to absorb the losses during the bad times (as the private market would have forced them to). In that sense, these were all bailouts.

In an analysis of the economic development model proposed by Arthur Lewis, Andrew Downes states, “With the low levels of per capita income, the low levels of savings will be insufficient to meet the level of industrialization needed to resolve the unemployment problems.”<sup>25</sup> He also echoes the opinion that the local capitalists were risk-averse and preferred the distributive trade to manufacturing for export. The attempts of government to fill that void resulted in narrow attempts to pick winners. In hindsight, their choices were extremely poor and often either naïve or corrupt. The framework for the 1960s, “Industrialization by Invitation,” was not a true representation of the Lewis model as some might have purported. It appeared more to be an attempt to copy the Puerto Rican industrialization model. But a critical missing component of the analysis was that Puerto Rico was, in fact, a part of the United States and so additional taxation benefits were available to US capital beyond what the local authorities offered, in addition to full market access.

After all the choices were made, the major industries mostly remained what I call the historically “extractive” industries.

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25 Andrew Downes, “Arthur Lewis and Industrial Development in the Caribbean: An Assessment.” Paper presented at the conference The Lewis Model after 50 Years: Assessing Sir Arthur Lewis’s Contribution to Development Economics and Policy, University of Manchester, July 6-7, 2004.

These were sugar (having been established during slavery), bauxite, the short-lived garment industry and tourism (to be followed in the new millennium by ICT). For those that came post-emancipation, the capital still originated overseas and the profits were not retained locally but their difficulties and failures did attract the taxpayers' money to provide for their relief on top of the generous incentives. The consistent giveaway across all of the extractive industries has been cheap labour, with workers being condemned to low-skilled tasks.<sup>26</sup>

Of course, the obvious must be reckoned with: it has never been difficult for disingenuous leaders seeking to retain power to mislead the country using numbers and timeframes designed to give a short-term, "feel good" about these "foreign"-branded initiatives rather than to rise to the challenge of the difficult route of inspiring and nurturing domestic private pursuit. Douglas Hall explained our irrationality well:

The most damaging consequence of powerful colonialism such as the British exercised is the encouragement it gives to imitation and the deterrence to creativity. Authority lies in the metropolis. Colonial action is subject to that authority.... and since the metropolis is most likely to approve attitudes and institutions which are similar to, or at least not incompatible with, its own, colonialism breeds a tendency to imitation rather than creativity.

Seaga had expressed the view that the country was not ready for independence. If he was right, then it simply meant that "the locals" had not adequately prepared themselves to be independent. Without mental preparation, confidence was lacking, the clearest sign of this being the fact that the nation would continue to refer to its colonizer as "the Motherland".

Consistent with the earlier quotes from Fred Clarke about sugarcane and Douglas Hall about bauxite, the situation

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26 I will elaborate a bit more on my concept of "extractive" industries in the next Chapter.

regarding self-determination (which requires change, creativity/innovation and initiative) seems to be persistent – there are real impediments in the minds of too many of those who could lead the charge for the growth of the economy. We find it hard to see ourselves as successful owners producing valuable goods and services. Meanwhile, the standard practice of government bailouts has handicapped the development of the private sector. But there is obvious political benefit to perpetuating a culture of individual dependency on the state (which encouraging foreign, over local, ownership certainly facilitates). It has made the people chattels to be manipulated according to political winds, whims and fancies; very favourable conditions for deteriorating moral governance.

### **On a Different Path**

The accumulated experiences of the Company would take it further down a path that was rapidly advancing and open to change. The management team saw a choice between investing directly in the so-called “hot” industries or limiting their engagement to support roles for those ventures and their beneficiaries by supplying food, shipping, insurance and hardware supplies. These activities would provide a good return, while not tying up liquidity in these heavily capital-intensive and subsidy-reliant ventures. This allowed the Company to have cash available for timely, more attractive start-up and acquisition investments when those opportunities arose. It proved to be a great direction, and it was later said internally that, “cash is king”. But it was also a path that necessarily brought the Company into a closer relationship with citizens across all economic strata, resulting in mutual endearment and strong consumer loyalty.

Overall, the Company’s actions seemed to have taken far more recognition of the economics of Sir Arthur Lewis than the country’s actions did. First, they were much less risk-averse with

regard to truly value-added manufacturing. Second, there was a commitment to export in addition to supplying local markets. The Company recruited an export manager and put in place a dedicated unit to deal with earning foreign exchange by that route. Third, the Company recognized and pursued niche product markets targetted at the Jamaican and wider Caribbean Diaspora, then succeeded in building those niches into mainstream distribution in North America and Britain, through product differentiation and branding. And, fourth, such ventures were formed locally as would attract foreign partnerships, alliances and franchises that would transfer valuable technology and processes. But it was of foremost importance that local capital was raised as well and that the Company remain locally-owned.

### **Divided We Fall**

According to Downes (2004 p. 11), although Caribbean political leaders recognized the validity of Lewis' proposals, they chose to ignore the conditionality of working together; they decided to go it alone. They failed to adopt the unified approach and did not implement the vital common Customs Union. Recall my conclusion that Jamaica's decision to withdraw from the West Indies Federation was significantly influenced by the sudden, positive impact of investment in the bauxite industry and a political euphoria boosted by a belief that we had finally "arrived". It was a mistaken belief, proven to be so when growth of benefits to the local economy started to decline as early as the mid-1960s.

Unwillingness to alter the internal political structure seems to have been a supporting factor in Jamaica's decision to withdraw. Juxtaposed against the productive sector's fear of opening up our markets, this represented an easy opportunity for leaders to mislead as followers failed to take charge of their long-term business interests through full consideration of the issues.



Trinidad and Tobago also experienced euphoria with their additional oilfield finds and investment in more refineries. Although oil had been identified several decades earlier,<sup>27</sup> the process that developed from crude wells and the extraction of oil from pitch was tremendously enhanced by modern technology. The profits from increased natural gas usage added greatly to the energy from the fossil fuel industry and other derivatives of the oil industry. Natural gas, in fact, has proven to be the major contributor to their industry.

It cannot be understated that oil and natural gas were more valuable resources to have and that Trinidad's position would continue to be strengthened by the continuous increases in global oil prices. The existence of this industry was not only inherently valuable; it had massive implications for the cost of production and the competitiveness of the rest of their economy. Without question, to date, in the modern world, there has been an extent to which nations with oil can afford to be less efficient and still operate at a lower cost than their competitors.

The chronic failure to rely more on a unified approach to development represents a wrong road taken by Caribbean countries. The decision may have been especially costly for Jamaica during the 1960s (where it took the form of the dissolution of the Federation), when the country's manufacturers were still ahead in Caribbean markets. In some ways the successor to the Federation, CARICOM, has demonstrated some degree of capability in harnessing political unity to affect international diplomatic policies. But this has not translated into commensurate benefits with respect to Jamaica's trade with either the region or the rest of the world due to a restrictively high cost of production and generally low productivity (in my view, strongly reflective of ineffective management more than anything else) and a lack of export initiative.

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27 Oil was identified in Trinidad from as far back as 1907 and during WWI the country became the major source of oil for the British Royal Navy.

## **“It’s One Side or the Other”**

Global polarization played an important role in the politics associated with oil supplies in the 1970s. It led, literally, to the manufactured crisis that plunged most oil-dependent economies into turmoil. Jamaica was to be no exception. The major price increases for oil-based energy consumed much of the foreign exchange needed for investment in sustainable sectors. It changed the parameters for both the country and the Company. According to one American historical account published in 1987:<sup>28</sup>

- “On August 7, 1962, the day after independence, Prime Minister Bustamante described Jamaica as pro-Western, Christian, and anticommunist, and he announced ‘the irrevocable decision that Jamaica stands with the West and the United States’ ”
- “Jamaica moved out of the United States orbit for the first time when it abstained on the 1971 vote to admit China into the UN. According to a survey by academic researchers, favorable attitudes toward Jamaica’s alignment with Western nations declined from 71 percent in 1962 to 36 percent in 1974”
- “Relations between Jamaica and the United States, Canada, and Britain remained generally friendly. Tensions arose occasionally, however, over the dominance of foreign firms in the Jamaican economy in the 1970s, continuing colonial patterns of trade, racial antagonism, emigration of well-educated Jamaicans to the United States, and the nation’s ambivalent attitude toward the United States as a global power”
- “Jamaica’s foreign policy orientation shifted again under Michael Manley, who decided that Jamaicans, in order to solve their economic problems, needed to break out

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28 See <http://countrystudies.us/caribbean-islands/36.htm>

of their traditional reliance on the United States and the Commonwealth of Nations. Jamaican-United States relations were strained after the Manley government established diplomatic relations with Cuba in late 1972, at a time when a majority of the Organization of American States (OAS) had voted against such recognition.”

The ascendancy of the Michael Manley-led PNP government in 1972 was widely embraced by the middle and upper classes who saw an opportunity to do the social good that would fulfill their dreams of philanthropy. The so-called “Up-towners” were fully engaged in teaching the “less-fortunate” to read and write, inspired by the glorious vision of one of the most compelling speakers in the world. It was a temporary bubble that would soon burst. Naturally, education inspired social unrest within the ranks of previously subjugated people. As far as I see it, it all came to a head when superficially benevolent citizens came to the realization that household helpers and gardeners really wanted their children to be doctors, lawyers and other professionals in the society. This was a rude awakening for many.

The effects of a deteriorating access to foreign exchange due to lower bauxite revenues and increasing world oil prices resulted in financial controls and surveillance. The revelation of the term Democratic Socialism as an official policy drove real fear into the upper social groups. This was coupled with upsurges in political violence and supported by a strong rumour mill that sent the society into a panic. The fact (as Edwin Allen had commented) that this was not confined to only segments of the Corporate Area but extended across the island, was unnerving. It was, to many of them, like the early stages of a re-birth of Nazi Germany, or the communist crackdowns. Frightened people left in droves on the infamous “five flights a day” to Miami, as recommended by Manley. The Jamaican description of the country’s grim outlook is perfectly captured in the adage, “Tek sleep an’ mark death.”

Women and children first was almost the country's lifeboat drill and the men stayed to keep businesses going to support their "refugee families" in North America. This presented a major drain on productive resources, capital flight, and a severe challenge to the healthy family structure. It also served to establish a "black market" for foreign exchange. There was, however, a more insidious downside to those experiences and those were evidenced in social changes. In the first instance, the "black market" encouraged Jamaicans to adopt illegal activities and to pass these off as justifiable. Second, since a major source of US dollars was to be found in illegal ganja trading, many persons became complicit with drug dealers who spread throughout the "high society" like poisonous weeds. Illegality became a term that was conditional only if caught, and left a wide passage for the entry of further illegalities that would pass as normal. A whole society's values were quickly destroyed.

### **No Place Like Home**

Many companies closed and local capital fled in the face of the perceived "communist threat of the 1970s". Being an exception as a well-established, locally-owned manufacturer with high-quality management, the Company was in a good position to buck the trend of capital flight and to attract capital without sacrificing its interest in Jamaica. In fact, in an opposite move, Luis Fred Kennedy announced his intention to the Board that preparations should begin for meeting the requirements for listing on the London Stock Exchange. The encouragement to manufacturing through legislation in the 1960s and government policies of import substitution, had increased the Company's attractiveness as a potential partner for major multinational corporations as evidenced by the franchises obtained to manufacture foreign brands and other ventures. The format of these relationships ensured that a transfer of some technology took place and that the Company would develop an expertise in

manufacturing. Ultimately, there was a purposeful continuity of product sales in the face of government policies of restricting imports (inclusive of raw materials), notwithstanding that the level of sales was low.

The Company did not list on the London Stock Exchange. However, the impact of the discussion was that it raised its reporting and control systems standards. The Board recognized that further improvements in controls and structure were required to meet the high international standards of the major stock exchanges. This would prove important when “going public” on the Jamaican Stock Exchange became a reality in the mid-1980s.

In terms of human capital, from the early 1960s to the late 1970s, there was some advancement in local opportunities for relevant training and education. The most notable were the establishment of the College of Arts, Science and Technology (later, the University of Technology) and Jamaican Institute of Management. Consequently, the Company began to select loyal, bright young workers to pursue university degrees. Many of the persons selected did not have Higher School Certificates or GCE “A” levels but were able to matriculate as mature students with practical experience. At the same time, the Company started its recruitment of university and professional graduates as new staff. The efforts had to be supplemented with the recruitment of foreign-trained talent, as the scope of local programmes was still relatively limited.

Business school graduates, chartered accountants, engineers, food technologists, agriculturalists, insurance professionals and many others, were poised to take the Company to new venture heights, albeit under the watchful eyes of the architects of the apprenticeship model. There were tensions. The newcomers often came with a “superior attitude” and didn’t mix well with those who had “learned-by-experience”. But, for the most part, change took place without chaos. Many of the new persons

did not find the Company family to their liking and went into professional practice or opened their own businesses. Many were also lost to the panic of migration to North America. However, these persons usually remained “family friends” and still refer to their experiences at “the University of Harbour Street”.

Indeed, notwithstanding the Company’s resilience, migration was just one of many events of the 1970s that challenged the very core of the Company. Carlton Alexander had to call on every ounce of leadership in his body to conquer them. He determined, through previous experience, that the hard times could not last forever and decidedly kept experienced and loyal staff employed even in the face of the precipitous decline in business. The strategy was to protect and deepen relationships within the trade and to calm the fears of those who were in a rush to escape the “socialist regime” and the “communist threat”.

Although the Company had little to sell, and distribution was largely by allocation, there were no layoffs. Sales persons visited customers as usual and made every effort to keep relationships vibrant. The continual visits served to dispel all rumours that the Company was being taken over in a “wave of Communism”. It was an action that was good for Jamaica and good for the Company, which benefitted from a strong customer loyalty that translated into greater market share as the economy resurged. It also fostered an even greater loyalty of the employees to the Company as they came to realize that others had not been as fortunate. The Company cared for its family and many activities and outings were focussed on keeping morale high. The love generated by this internal and external “We Care” has been phenomenal in establishing goodwill and trust. Meanwhile, several owners left their businesses to be disposed of on their behalf by Grace, Kennedy & Co. Employees who wanted to try out their entrepreneurial skills filled many of the spaces. The successful ones remain loyal customers up to the present.

To meet the imperatives amidst the confusion of the time, several managers were transferred to lower-level jobs (without

loss of pay) so that the Company could prevail over the growing bureaucracy of the democratic socialist agenda. In an all-out thrust to survive, the previously clerical-staffed interfaces with the State Trading Corporation, the Trade Board, the Prices Commission and the Bank of Jamaica, were now attended to by senior and middle managers. This reinforced the commitment of the wider staff to go the extra mile that would enable the Company to survive and later prosper.

The crucial effort to build up employee morale was led by Carlton Alexander, “the Chief” himself. He was the “General” who was at the front line where all his troops could see. There was no staff function or celebration that did not enjoy his full participation and, beyond this, the staff was proud to watch as he fully took on the leadership of the Company and the private sector, and put up resistance to those government policies that were unnecessary or plainly injurious to the country. Many were motivated to join him in the struggle for the country; a sentiment that still pervades the Company. He led the Company as an entrepreneur and as a deeply committed Jamaican patriot.<sup>29</sup>

The decision of the government at the time to take control of buying basic commodities was disastrous, notwithstanding that the Company’s prior performance gave it a major market share. Inexperience made for numerous costly mistakes in government procurement, and consumers reeled from shortages (then commonly called “shartridge”). This often led to serious confrontations in the retail and wholesale trades. Many rural wholesalers (mainly Chinese Jamaicans) felt particularly threatened in the early years, as many had strong memories of unrest in China and later, of the decimation of relatives in the so-called Maoist Cultural Revolution. They were not about to become victims again and so many migrated.

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29 The Company established the first sponsored professorial chair at The University of the West Indies – the S. Carlton Alexander Chair in Management Studies – in his honour, later followed by the James S. Moss-Solomon, Sr., Chair in Environmental Management.

The migrations left a large gap in the distribution chain which had been carefully nurtured by the Company. The Company saw this as a major challenge for the country and itself. On the ground, senior officers of the Company were re-assigned to fill the gap by opening Cash 'n' Carry outlets. This was a temporary assumption of the wholesale role. The Company opened six outlets in 18 months in a massive effort to alleviate the desperate situation. This action kept over 25,000 small shops alive across the nation. In 1981, these were no longer strategic for the Company and were sold to their managers who continued to build them into profitable, long-term ventures and who remained loyal customers.

The government had used the breakdown in the distribution chain as an excuse to try to “nationalize” the distributors. Thankfully, the Matalon-owned ICD and Grace, Kennedy & Co. were too Jamaican in outlook to acquiesce to that misguided notion. Instead, S. Carlton Alexander and Meyer Matalon (two school friends who would later be accorded high national honours) stood resolutely in the face of a misguided and inexperienced government. The rest was history that will need to be told in a more complete presentation.

## **Hooked on Oil**

The economic performance of the country in the 1970s was adversely affected by the world recession and oil price crises. The imposition of the bauxite levy in 1974 has been identified as an important marker in the development of the industry in Jamaica. The levy was imposed to increase Jamaica's share of the income in that industry. The Bauxite Act, which provided the legal basis for the government's collection of the funds “was drafted without any input by the industry, as they had not, up to the time of drafting, accepted the levy, and were only prepared to pay under protest.”<sup>30</sup> The drafting of the act and its

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30 Carlton E. Davis, *Jamaica in the World Aluminum Industry volume II, 1974-1988: Bauxite Levy Negotiations*. (Kingston, Jamaica: Jamaica Bauxite Institute, 1995), p. 189.



subsequent imposition was met with negative reactions, much of which seemed to have been reactionary to the Manley policy of social democracy and attempts of the government to control the commanding heights of the economy. Carlton Davis noted that,

There were more national reactions to the levy even after more than ten years had elapsed since its imposition. These came in 1985, at a time of quite possibly, the worst recession in the history of the international industry, which had adverse consequences for Jamaica including the closure by Reynolds of its bauxite mining operations in December 1984, and by Alcoa, unilaterally, of the Halse Hall alumina operations. Some saw the levy as the reason for Jamaica's plight.<sup>31</sup>

Indeed, the country was placed in a precarious and fragile position. Our decision to leave the Federation would come back to haunt us, if for nothing else than the fact that we, like every other nation that did not have it, were hooked on oil. The bauxite industry had whetted our appetite. Although we couldn't afford it, price was no object. Our penchant for extractive industries gave us no leeway in being able to weather these international storms. The overseas-owned businesses quickly deserted us in favour of their own self-interests. Agriculture, bauxite and tourism suffered greatly, and our foreign reserves were severely threatened.

So we surrendered to the IMF, then explained in political rhetoric as "Is Manley Fault". The prescriptions were not socially palatable as the changes that they would require were a sense of fiscal responsibility and that flew in the face of a well-developed political dependency. Both parties criticized the programmes suggested on the basis of "protecting the poor," but what they really meant was either retaining or gaining power. This did not bode well for future improvements in governance, and would again encourage indecisiveness with regard to meaningful but sometimes painful change.

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31 Carlton E. Davis, *Jamaica in the World Aluminum Industry volume II, 1974-1988: Bauxite Levy Negotiations*, 203.

## Highlights of the Fourth Dispensation (1963–1976)

<b>Crossroads on the Journey to Lasting Economic Success</b>	<b>Choice made by Jamaica</b>	<b>Choice made by GK</b>
<p><i>Invoke self-determination</i> OR <i>Cling to dependency</i></p> <p>Right Direction: <i>Invoke self-determination</i></p>	<p><i>Cling to dependency</i> Evidence: The nation continued to refer to its colonizer as the “Motherland” and to look to preferential treatment for its economic survival.</p>	<p><i>Invoke self-determination</i> Evidence: The Company remained locally owned while it expanded and met increasing capital needs.</p>
<p><i>Pursue private initiative</i> OR <i>Demand public underwriting</i></p> <p>Right Direction: <i>Pursue private initiative</i></p>	<p><i>Demand public underwriting</i> Evidence: Industry bailouts continued, extending beyond traditional agricultural sectors to foreign-owned entities in the wider private sector.</p>	<p><i>Pursue private initiative</i> Evidence: Local ventures were formed to attract foreign partnerships, alliances, and franchises that would transfer valuable technology and processes.</p>
<p><i>Prioritize human capital development</i> OR <i>Condemn labour to low-skilled tasks</i></p> <p>Right Direction: <i>Prioritize human capital development</i></p>	<p><i>Condemn labour to low-skilled tasks</i> Evidence: Despite the expansion of education opportunities, high-level skills were not generally reinforced or nurtured on the job. The perpetuation and encouragement of extractive industry structures effectively set a task (and income) ceiling for local workers in the dominant industries.</p>	<p><i>Prioritize human capital development</i> Evidence: As the Company started its recruitment of university and professional graduates it also began to select loyal, bright young workers to pursue degrees locally. Business school graduates, chartered accountants, engineers, food technologists, agriculturalists, insurance professionals and many others, took the Company to new heights.</p>

<p><i>Engage the small man</i> OR <i>Indulge the privileged</i></p> <p>Right Direction: <i>Engage the small man</i></p>	<p><i>Engage the small man</i> Evidence: In the Manley era in the 1970s, a number of fundamental social rights and opportunities were secured such as the minimum wage, maternity leave, the outlawing of the stigma of illegitimacy and the establishment of the National Housing Trust.</p>	<p><i>Engage the small man</i> Evidence: The Company opened six Cash 'n' Carry outlets in 18 months in a massive effort to compensate for the erosion of the distribution chain that occurred in the 1970s on account of mass migration. The action kept over 25,000 small shops alive across the nation.</p>
<p><i>Grasp opportunities quickly and decisively</i> OR <i>React sluggishly and half-heartedly to crises</i></p> <p>Right Direction: <i>Grasp opportunities quickly and decisively</i></p>	<p><i>React sluggishly and half-heartedly to crises</i> Evidence: Failure to shift away from a pre-independence economic approach in which extractive industries were made dominant, ensured high vulnerability to a depletion of foreign exchange holdings when the international oil crises occurred.</p>	<p><i>Grasp opportunities quickly and decisively</i> Evidence: The Company recruited an export manager and put in place a dedicated unit to deal with earning foreign exchange by that route. This ensured autonomous access to sufficient foreign-exchange.</p>
<p><i>Diversify into new positions</i> OR <i>Overinvest in old positions</i></p> <p>Right Direction: <i>Diversify into new positions</i></p>	<p><i>Overinvest in old positions</i> Evidence: The economy remained extremely reliant on primary production.</p>	<p><i>Diversify into new positions</i> Evidence: The Company recognized and pursued niche markets targeted at the Jamaican and wider Caribbean Diaspora, and succeeded in building those niches into mainstream distribution in North America and Europe.</p>
<p><i>Use geography strategically</i> OR <i>Disregard geography</i></p> <p>Right Direction: <i>Use geography strategically</i></p>	<p><i>Use geography strategically</i> Evidence: The modernization of the wharf. Especially the shift from break-bulk to containerized cargo and the accommodation of transshipment cargo.</p>	<p><i>Use geography strategically</i> Evidence: The modernization of the wharf was facilitated by public-private partnership.</p>

<p><i>Require accurate information</i> OR <i>Be guided by sentiment</i></p> <p>Right Direction: <i>Require accurate information</i></p>	<p><i>Be guided by sentiment</i> Evidence: Whether or not the final decision to leave the Federation was the right one, the decision was clearly rushed via the referendum. It appeared to have been driven more by the egos of local leaders and by overconfidence in the bauxite find, than by objective analysis. Later on in the era, a number of Manley's initiatives failed largely due to a lack of proper due diligence and inadequate planning and management.</p>	<p><i>Require accurate information</i> Evidence: The Company raised its reporting and control systems to keep up with international standards. This would have made input information more reliable when making decisions.</p>
<p><i>Defend integrity</i> OR <i>Bow to corruption</i></p> <p>Right Direction: <i>Defend integrity</i></p>	<p>Evidence: None noticed.*</p>	<p><i>Defend integrity</i> Evidence: Several owners left their businesses to be disposed of on their behalf by Grace, Kennedy &amp; Co. in the 1970s. This was a testament to the Company's reputation.</p>

<p><i>Vigilantly protect long-term interests</i>  OR <i>Always gratify short-term wants</i></p> <p>Right Direction: <i>Vigilantly protect long-term interests</i></p>	<p><i>Vigilantly protect long-term interests</i>  Evidence: Manley was clearly convinced that the country would benefit in the long run from his radical and disruptive decisions. Despite the fact that, for some of them, I adamantly disagree as to whether they were in fact in the country's long-term interest, I must also gracefully concede that others proved to have lasting and positive effects, and that he had the guts to shake things up.</p>	<p><i>Vigilantly protect long-term interests</i>  Evidence: Although the Company had little to sell and distribution was largely by allocation during the time of the panic over the "communist threat", there were no layoffs. Sales persons visited customers as usual to keep relationships vibrant.</p>
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*\*This is not to suggest that no evidence exists, but rather that I did not come across any within the limited timeframe in which the research had to be conducted.*

## CHAPTER 5

### The Fifth Dispensation: Adoption (1977–present)

#### Room Service

After bauxite, the next “pillar” of the economy was tourism; a formerly minor industry predating the turn of the twentieth century. Again, policy favoured foreign investment through incentives and the major focus was on employment rather than ownership or partnership. The path was therefore leading towards yet another extractive industry, similar to primary agriculture and bauxite.

Just like the bauxite experience, tourism expansion created jobs in construction for a limited duration and, upon completion, most of those workers were unable to find permanent employment in the ongoing operations. New low-wage workers were introduced to carry out day-to-day tasks. Then there were the spill-over jobs, mostly in micro-scale vending of low-value craft items. The construction plans did not include the foreseeable increased need for proper housing and social amenities. This led to new squatter communities that would eventually fuel breakdowns in law and order, in an unbridled scramble for existence in squalid conditions.

Cruise shipping has turned out to be an even greater sacrifice than the hotels in that government investment in new port facilities have been made that could never produce an adequate return for the repayment of the loans. Part of the problem is that we deluded ourselves and lived in denial that the number of persons coming ashore was the same as those listed on the ship’s manifest. Therefore, as ship sizes increased we reported an increase in visitor arrivals, not being willing to admit that the number of persons who actually came ashore was not large or increasing. The private sector has blindly accepted the illusion of growth, as small entrepreneurs in shore attractions, transportation and craft vending risked their capital on the basis of passengers who generally do not leave the ships!

The problem has been exacerbated at times by the fact that when cruise shipping interests wish to negotiate new conditions, they simply reduce vessel calls, driving us deeper into debt, in order to strengthen their negotiating position. We have given concessions on berthing, port charges and water supply, and on many occasions towns have been left without water during cruise ship calls (whereas the squatter communities have none most of the time). The lack of earnings have created such a dilemma that, over time, we really haven't just been subsidizing the cruises but, indirectly, we have been bailing out the linked domestic sectors by giving the cruise lines more and more incentives. And it seems that each time this has occurred we traded upgraded port facilities for lower passenger fees, and as a consequence lost a considerable portion of the revenue streams. On top of this, land tours are sold on board for prices that do not reflect the cost of the local land-based tours, which are yet required to continuously upgrade and incur other costs despite no guaranteed numbers. Shopping on board has become a direct competitor to local stores, and duty free shopping on-board is highly promoted to their captive audiences. Finally, craft items that originate from the Far East take advantage of the strong Jamaican cache, especially on t-shirts and woven products.

At the current estimates of the retention rate of the total industry, we are at less than thirty cents in the dollar. The majority of this pays salaries, utilities and maintenance expenses. The industry is majority foreign or off-shore owned, and the incentives ensure that the owners enjoy a long-term tax exemption. How can we justify a decision to invest taxpayers' money in these blatantly losing public concerns, and just ignore the absence of any real supporting figures? Well, it was done in agriculture, mining, and now the third leg, tourism. It seems to be a circular path taken.

It has become too frequent that we set our projections based on wrong figures and make commitments to infrastructure expenditures that lack the ability to raise the return to repay the loans used in their development. National budgets repeatedly crafted on the erroneous information leave us unable to accurately forecast public revenue figures, hence the need for so many supplementary estimates. The result has been fewer worthwhile capital projects, misguided increases in certain categories of recurrent expenditures, higher levels of debt financing and little improvement in sight for the long-term.

Currently, the tides are moving in favour of the information, communication and technology (ICT) sector but in a manner that is only employing language ability (English) and, thus, cheap labour. Yes, even with a sector that has technology in its name and has such huge potential for human capital development, Jamaica's labour force is being condemned to the relatively low-skilled tasks! We are again a destination of convenience as we can commit tertiary-level trained persons to call centres and data input.

There is an undeniable need for jobs based on the unemployment rate and the need for basic survival. However, in terms of real growth and development, we seem to be failing to properly utilize education to raise our portion of the value chain. Human capital development must be facilitated prior to and on the job.

### **Today's Triangular Trade**

My concept of extractive industries is simply this: cheap labour here, capital in, raw materials out, and profits earned in another country. The local ingredient and common driving factor in the extractive industries in Jamaica has been cheap labour and/or raw materials. In the case of basic agriculture there was convenient shipping, fertile land and free (enslaved) labour. In bauxite, it was ore availability, easy (near surface) mining, easy

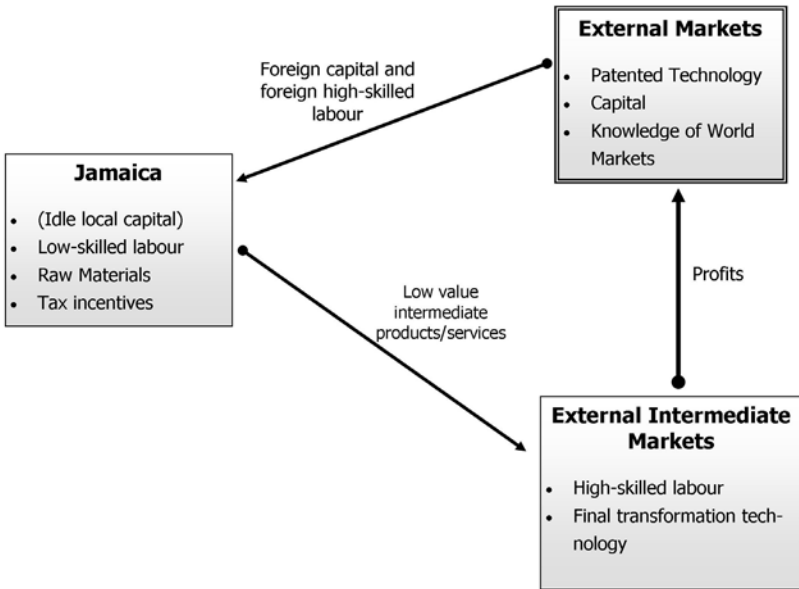


shipping, and cheap labour (mostly at the construction stage). In tourism it has been location, climate, easy transportation access and cheap labour.

The structure of the more recent extractive industries seems reminiscent of what was called the triangular trade in the dark past. Whereas under that dispensation, labour was abducted, transplanted, enslaved and “maintained” at a cheap cost, today, labourers ostensibly have the freedom of choice to work if, when and where they choose. But, in reality, most receive meager pay out of which they must barely cover their basic needs, having been deprived of high-quality education and/or high-skilled job opportunities. Thus, labour has been consistently exploited as cheap labour.

The capital represented by plant, machinery and processing are still inputs from external sources and the ownership structures of these industries do not dispose any commitment to long-term local development; nor are they designed to transfer high-level knowledge or permit lasting access to final markets. The focus is on a usage of local (Jamaican) under-developed resources at the very basic level in order to provide a low value-added product or service that is cheap to extract locally but, when transformed in other countries, becomes a much higher value item. Thus, capital comes in, the cheap resources are utilized, final products are transformed elsewhere, and profits are conveyed to external investors. So, the fundamental nature of today’s triangular trade industries is the same as the historical one – exploitation in pursuit of grossly inequitable wealth accumulation.

**Figure 2: Today's Triangular Trade**



With bauxite, the initial outlay on plant and machinery spurred some growth during the brief period of construction but, thereafter, it failed to produce substantial local income on a sustained basis. The payments for bauxite and alumina pale in comparison to the wide demand for aluminum for finished products in cars, home construction and wiring, many of which we purchase and import at the higher prices of the value chain.

In the case of services such as tourism there is a capital inflow for construction and outfitting, usually accompanied by liberal waivers and exemptions in excess of ten years (the normal expected payback period for a commercial property investment). Thereafter, less than 30% of the revenue is retained locally, and this is represented by wages, utilities and maintenance. This is often subsidized by the strategic use of airlines at the country's cost. Then, the largest return for the value-added travel services rendered may be collected before the fact, overseas.

The ultimate effect is always that we receive jobs at the lowest levels, and when the extractive industries meet hard market conditions they close or threaten closure. The country is usually “forced” to use its resources for a bailout. This has been true of sugarcane, bauxite companies, hotels and airlines.<sup>32</sup> A similar experience seems to be awaiting the new and presumably “exciting” ICT sectors. Unless high-skill jobs are pursued, this will be a *déjà vu* experience in that the most promoted “paths to prosperity” to date, have done little to advance the development agenda beyond cheap, unstable employment and a minor share of income.

### **Reaching Hearts**

Circumstances in the 1970s had really tested the abilities of the Company’s factories due to scarce raw material supplies. However, the Company compensated by widening its range of the Grace brand and using third-party contract manufacturing. The technology expanded beyond traditional methods of packaging to include glass, plastics, pouches and aluminium cans. The Company was forced to accept that traditional offerings were becoming redundant in developed markets.

In the 1980s, under the Seaga regime, the beginning of a new round of globalization started to emerge and Jamaica and the Caribbean were not exempt from its effects. Professor Patrick Bryan remarked:

Globalization has always been a companion of production specialization, from the sugar plantations of the past, to the tourism enclaves of today. Since the late 15th century, the Caribbean has been integrated into the world economy through trade and investment. What is different today is the increased vulnerability of the Caribbean’s political economy.

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32 Although the sugar industry is no longer foreign-owned, it remains extractive in the sense that the vast majority of potential wealth accumulation from the use of high-skilled labour and value-added processes takes place abroad.

The Company, through S. Carlton Alexander, was an important part of an initiative with the US government to provide non-reciprocal access to their markets through the Caribbean Basin Initiative. This duty free access provided what should have been nationwide benefits to manufacturers here in Jamaica that most failed to capitalize on. Most did not wish to modernize and they held on to the old paradigm that Fred Clarke warned about in 1925.

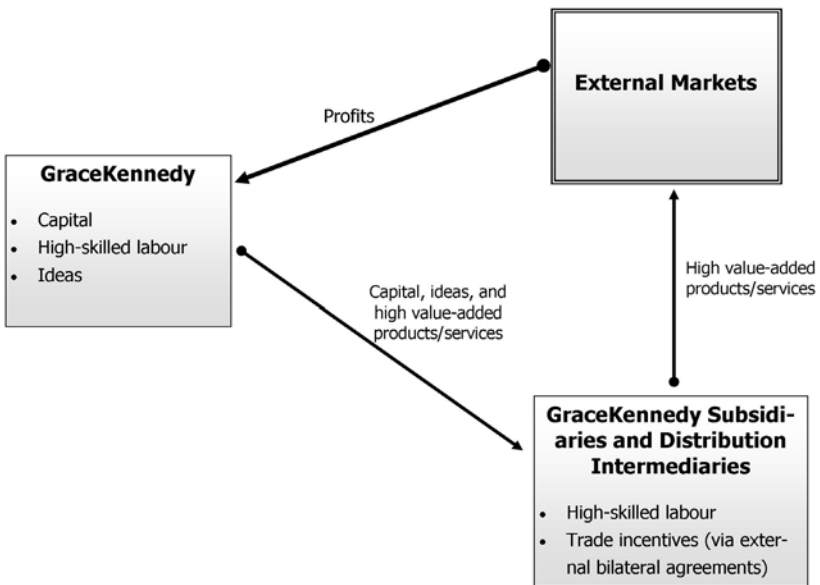
As a major element of its overall expansion strategy the Company had decided to pursue the offshoots of the industries through food distribution. Although the strategy had to be modified to meet the changing conditions, this basic goal was the focus. The *initial strategy*, from 1917, had been to expand distribution outside of the urban areas to include wholesalers in rural communities. This strategy focussed on the agricultural areas especially around sugar, bananas, and subsistence agriculture. An important factor in this was recognition of the essential barter economy in remote areas where shopkeepers extended credit in exchange for coffee, cocoa beans, pimento, and other exportable produce. In the *second stage*, as bauxite mining developed townships and strong urban centres such as Mandeville, May Pen, Ewarton, Linstead and a large part of St. Ann, the Company's focus had expanded from wholesalers (as a means of reaching small over-the-counter shops) to the emerging supermarkets, "big shops," and smaller self-service retailers. In the *third stage*, as tourism expanded along the North Coast, the focus was on the supermarkets and wholesalers as the "big shops" and smaller self-service retailers became rare.

The stages of development called for differing product strategies:

- In stage one, the products were largely basic food bulk items such as rice, flour, cornmeal, and pickled fish and meats. Few places had refrigeration so there were few products.

- In stage two, the retail needs began to favour consumer-sized packaging, and the concept of the branded product became firmly entrenched, starting with the former bulk commodities in pre-packaged sizes. This required a move towards manufacturing and packaging locally.
- In stage three, the branded presence grew substantially and so did the manufacturing, and this included sizes geared towards the needs of the growing hotel and tourism sectors. This also facilitated an entry into restaurants and industrial catering facilities.

**Figure 3: GraceKennedy's Global Growth**



Ultimately, the Company began to focus on high-volume production and to outsource the low-volume items. The economies of scale facilitated competitive pricing and the Company accelerated its expansion in export markets. Still,

regular capital expenditures were necessary so as to keep local factories competitive. Today, the Company trades in 67 countries. All this was achieved without forgoing local ownership and majority profit retention. From this and other obvious angles of analysis, the Company's survival and growth strategy stands in stark contrast to the still trending triangular trade of today.

### **Staying Power = $k \times$ Upgrades**

It doesn't take rocket science to figure out that an industry's staying power is directly related to its frequency of upgrades. To put it in less mathematical terms – upgrades are technological events that help to keep industries competitive. In direct contrast to Jamaica, Trinidad and Tobago developed and implemented a set of incentives for manufacturing that virtually forced its industry to re-tool with state of the art technology. This allowed for the development of new industries in wood products, boat building, iron and steel, cement, printing, chemicals and non-metallic products and bottling that proved successful. The expected unemployment that had been anticipated with the decline of construction in the 1970s was averted.

Clearly, Trinidad and Tobago had no intention of taking for granted the clear advantage that they had gained via oil. They almost overnight became super-efficient, and in tandem with low cost and stable electricity sources, quickly outgrew their small local market and turned their focus to exports where real profits were to be made. In so doing, they started a move that would see them not only enter new US markets but also eventually dominate Caribbean markets in a wide range of categories.

By the late 1980s, Jamaica moved towards a situation that saw the closure of many entities that had manufactured goods for overseas brand owners (that had started due to import substitution policies along with the restriction of finished goods imports).<sup>33</sup>

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33 The period saw the closure of the Goodyear factory, several products from Beecham, Unilever, Nestlé, Colgate-Palmolive, and many other popular consumer brands.

Trinidad was a major beneficiary of some of these closures through the consolidation of international brand manufacturing into low-cost production facilities. Traditional North American and European manufacturers also benefitted. Later, beneficiaries would include Central and South American countries which also became sources of raw material and finished goods.

Most packaging industries suffered as a result of our inability to change from old packaging to new, despite the expressed thoughts of Edward Seaga for a plastics industry predicated on low-cost energy. Government changes placed these plans firmly in file 13. The long-closed Michael Manley-promoted tetra-pack “long life milk” had been similarly ignored at the end of the 1970s, while the rest of the world made these into standards for new product introductions. An inability to transcend party lines and ideas attributable to political opponents seemed to ensure dependence on metal cans and heavy glass bottles that would soon have no relevance in international trade.

It should be acknowledged that with specific regard to relative manufacturing success in Trinidad and Tobago, there was consistent tax conformity. In a sense, the record of both corporate and personal returns reflected high levels of tax compliance enhancing the fiscal space for incentives to be extended. The policy might be viewed as a reward to the private sector for transparency in company reporting, accessible under certain conditions. Some specific incentives in the 1980s meant that if companies previously showing profits did not upgrade their productive capital then it might actually cost them money (in the form of taxes for no individual gains). The resulting modernization caused their capacity to outgrow their domestic markets and the only way forward was to turn to vigorous export efforts. It was an example of a reluctant, but positive, change forced on the private sector in Trinidad and Tobago, and can in hindsight be seen as a major time of change in that country. The policies did not result in a political reward for then Trinidad and Tobago Prime Minister, George Chambers. However, in

retrospect, he is regarded as a visionary and bold man who put his country before personal political gain. It was election lost, country won.

In Jamaica, neither the compliance nor the impact of the incentives (upgrades) has been duplicated at a comparable scale to that of Trinidad and Tobago. So very little increase in value-added is being achieved and it is hard to justify the incentives awarded. Meanwhile, the market conditions for traditional primary exports have become even more competitive, as global events forced an end to preferential arrangements that were disqualified in the World Trade Organization.

### **The Survival of the Fittest**

Starting in the late 1980s Grace, Kennedy moved quickly (and accelerated throughout the 1990s to the present) to re-visit all existing distribution arrangements in the United States with a view to ramping up distribution through more mainstream chains. This necessarily included a revision of products, packaging and sources, to establish a wider and more relevant range.

The Company also saw the possibility of free trade expanding to Canada, and bought its first overseas distribution company in Toronto. The importance of this move was to pave the way for a wide range of Caribbean products from countries outside of Jamaica, and to grow further access to the larger Chinese, Indian and African ethnic markets. With this development, the staff in Canada has become increasingly diversified and common languages include English, French, Mandarin, Cantonese, Korean, and several Indian dialects. The distribution eventually successfully crossed into the major supermarket chains across Canada and in North America, most recently to Wal-Mart.

The path of international diversification in the face of increasing globalization has not been vigorously pursued by the general private sector. In addition, the cooperation within



CARICOM has been downplayed in favour of some nebulous idea of “sovereignty”. Thus, the path of the country has been to move backwards to a notion of insularity and a dependence on inwardly-focussed political dependency. It has been a path chosen that has thwarted new exports and overseas expansion, and has placed the country in the path of rapidly widening trade gaps.

The combined effects of poor decisions on manufacturing, exports and competitiveness came to exacerbate the balance of payments and worsened our foreign exchange availability. The low retention of the tourism and bauxite dollar earnings and the failure to develop suitable alternatives threatened the country’s ability to repay foreign debt and decrease borrowing.

Grace, Kennedy recognized the dangers as they seemed similar to those that had prompted them to diversify their international financial holdings from as early as 1951. The export arms of the Company were strengthened and an International Division was formed to facilitate the expansion of hard currency earnings. Business expanded to subsidiaries in Trinidad and Guyana in addition to Belize and North America.

The pattern of lower and also controlled foreign exchange access that had reached epic proportions in the 1970s remained as a real potential danger. US dollars were increasingly utilized for oil importation and debt payments. The Company realized that earning to satisfy our own needs was a top priority and again re-organized to fulfill the new imperatives.

On the financial side, the quick decision to seek the alliance with Western Union for money transfer bolstered the trade efforts to meet the objectives of being self-sufficient in foreign exchange to a rapid improvement. In addition, investments in financial ventures across the Caribbean supported these efforts. The quick moves enabled the Company to continue to improve cash flows and release funds for investment in re-tooling and marketing. It was a careful diversification strategy that would

insulate the Company against the vagaries in different segment performances.

The 1980s saw the beginnings of a new wave of education outside of the UWI (which was strongly focussed towards the social sciences, natural sciences and medicine). The College of Arts, Science and Technology (later, the University of Technology) and Jamaican Institute of Management started to emerge as prominent trainers in basic business skills. Professional training in insurance, accounting and banking, among others things, was also available.

But the scope of the local programmes remained quite limited relative to the increasingly complex needs of an international company. To compensate, the company engaged short-term courses at Harvard, Stanford and Wharton, as well as specialized degree programmes. The Company also opened an in-house training department, for which the focus included an internal quasi-MBA programme built on case material from the Company and delivered in conjunction with the UWI. At the end of the 1990s, the numerous offerings of MBA programmes by local and overseas universities here in Jamaica, brought about the closure of the internal training school. Graduates were there for the hiring and there seemed to be no need for the additional expenditure.

GraceKennedy's leading role in encouraging the unilateral trade access under the CBI and CARIBCAN, and the development of a private sector participation in CARICOM, saw persons being assigned to ensure that we could take advantage of the new access to global trade. This brought several changes in staff and managerial assignments in order to meet the global imperatives of quality and consistency. The company adopted Total Quality Management (TQM), pursued the ISO 9000 (becoming the first to acquire certification in Jamaica), and later Hazard Analysis and Critical Control Points (HACCP).

After a ten-year break, the company is again re-examining the strategy of relying more on internal than external education

programmes. The HR initiatives were intended to focus on growing intellectual capital that would remain with the Company and grow. This may be at odds with the current desire of many persons to get to the top fast, not realizing that the top is reflective of many skills such as exceptional leadership, and other important attributes such as honesty and trust. The Company was not built on technical skills of a short-term nature but rather, by experience built over the years and passed down through the apprenticeship programme. Exactly what will emerge is at this time debatable but the need to have trusted and loyal staff is never in question. The HR strategies seem to be still focussed on living the core values of honesty, integrity and trust, even as those seem to be losing importance in the wider society. Leadership and caring are still foremost in the strategic direction.

The summation of the Company's people development strategy over the decades has been to compensate for the shortfalls of available public education and to design programmes that would fit the skill gaps that were being experienced, or to predict those and take early action. It has been a dynamic journey and often may have seemed unnecessary to the casual observer but it has been a commitment towards understanding that "people are our most important assets."

### **Chasing Fairy Tales**

In stark contrast to Grace, Kennedy's ventures, for the greater part of the last 20 years, most financial enterprises paid unrealistic interest rates. In the mid-90s, this meant that many would succumb to financial ruin and precipitate the FINSAC tragedy. Earlier profits proved illusory. Paper profits had become the order of the day. Little was produced in terms of either goods or services to create real foreign exchange earnings that were sustainable and necessary to ensure a cost of living affordable for the vast majority of the society.

But even after that financial crisis, the culture of paper profits continued to take root. Consequently, an entire generation of Jamaicans failed to learn the habits of earning real profits. An appetite for unearned luxury built on illusions has continued to permeate even the fortunate survivors and new entrants. This culminated in brief stints by intricate Ponzi schemes, the most prominent of which met their demise a few years ago.

In sum, the country has continued to focus internally and, with the unbridled appetite of the elite for spending other people's money, the necessary impetus for reducing our dependency on loans evades us. The result has been a basic imbalance in the resources needed for development. The recurrent items direct the country on a circular path with dwindling resources.

That system will run out of the cash necessary for self-determination and any changes to that direction will be imposed by others. Exactly who "the others" may be runs far beyond the current IMF directives, and any future assistance from others may lead us towards a dependency not far removed from that of slavery.

### **The Truth Shall Set You Free**

The biggest hurdle that threatens the future of the country and the Company, because of its residence, is corruption. The rapidly spreading culture of ambivalence to law and order has grown. In the process of that growth, the lines between honesty and dishonesty, truth and lies, self and community, and many other areas that require definitive action, have become blurred. The concept of a national interest has become totally debased. Legitimate endeavours have been ridiculed in preference to illegally gotten gains. The behaviour of the individual is now allowed to impinge on the rights of the citizens. Rules are applied selectively and in a discriminatory manner.

This growing situation affects the Company's ability to recruit young persons who can fit easily into the basic rules

of honesty, integrity and trust that have been the immovable foundations for its development over 90 years. The situation requires heavy expenditure to protect the Company's assets, and diverts resources from further investments and marketing. It is a very dangerous path as in general, it separates the needs of the law-abiding from the lawless.

As corruption grows in the balance, the possibility of a win-win outcome for country and Company becomes increasingly difficult to achieve. At some stage, if the country continues on this particular path of divergence, there will be the need for a split, which would bring an end to a Jamaican dream that has been loyal to the goals of the country and its citizens. For love to continue to grow, the paths taken must keep the parties in adequately close proximity to each other. At too far a point, divergent paths could eventually lead to a divorce that would be painful for both parties.

Jamaica's future must lie along a serious path; identified, but yet to be taken.

### **The Way Forward**

It is not difficult to empathize with those who skeptically ask, "Is there a path that will take the country forward" and "Can it be sustainable"? In the midst of harsh global economic conditions it may already seem to be a daunting task. That, however, is not my conclusion.

It is evident that the Company has performed more satisfactorily than the country over the past 90 years, when one reflects on the quality of life that most Jamaicans have experienced compared to the GraceKennedy company family. But there is hope in the fact that the causes of the divergence have not been any insurmountable circumstances that necessarily force us to take certain decisions. We have been confronted by the same choices over the decades, and most of them simply require changes to the *status quo*.

The profound truth is that change is not an easy choice as it challenges the accepted norms and learned behaviours that form the basis of our decision-making culture. Whether at the personal or national level, our bad economic decisions have historically been rooted in these unhealthy preferences. The good news is that our preferences are not set in stone. They are subject to our own selves, of which we have been advised to become the master by Marcus Garvey and many others. This is exactly the sort of thing to which they were alluding. Mastering self is for the specific purpose of changing our preferences to match what is truly in our best interest. But this is less of a physical challenge and more of a mental one.

Both the country and the Company have faced the same economic and social imperatives that have arisen due to humankind's relentless search for new discoveries. Capital has been available locally, as evidenced by the World Bank's Country Economic Memorandum 2011. From 1960 to 2008, total fixed investment in Jamaica averaged 25 per cent of GDP (with the ratio averaging 28 per cent in the last two decades). This compared favourably to the Latin American and Caribbean regional average of 20 per cent per year, and is on par with the amount of investment which took place in Asia (the world's fastest growing region) over the same period.

But the attitude towards investment for public and private gain remains the same as described by Fred Clarke in 1925. We seem to be reluctant to take any responsibility for our own well-being. Few seem interested in shared ownership, yet we publicly admire the Fortune 500 companies and speak of the New York Stock Exchange as if we were heavily invested. This is a world of self-deception. The self-reliance of Garveyism was firmly rejected in favour of colonial bailouts and, subsequently, the "vote for me and I will look after you" pick up line.

The political system has not changed in the paternalistic nature from British rule to Independence, especially with

regard to locally sustainable wealth creation. There has been a purported focus through the decades, inclusive of those under British colonial rule, on the poor. But there is little evidence of converting this sentiment towards significant wealth creation for the same poor. A tinkering around the edges approach continues to be taken towards correcting the situation, which is rooted in unequal access to opportunities. Hence, where moderate economic gains are made, instead of being distributed equitably according to effort, the lion's share of income continues to go to only a few.

To the present day, the dream of “universal education” continues to elude us. It seems reasonable to deduce that, under a colonial government, extending quality education to the majority of the population would not have been seen as worthwhile given the cheap labour model and the extraction of profits objective. But it is difficult to believe that such a deficient approach to education would continue to haunt the country half a century after claiming independence. Today, as it did then, it shows up in our lack of comparative productivity, it shows up in the limited number of value-added industries, and it shows up in a general lack of willingness of our people to take moderate risks in pursuit of private initiative (because the self-defeating culture of dependency tends to be reinforced by low quality education).

Finally, the physical attributes of the country and its advantageous geographic location in world trade remains valuable. In fact, technological advances in communications, logistics and shipping have greatly improved our relative importance. This is to be added to the fact that clean sources of water are still abundant (albeit endangered due to our unsustainable development practices) and we are in a time when fresh water is becoming a highly valuable commodity, appreciating in value at rates comparable to oil or natural gas.

The only barriers the country has faced are failures to make correct choices at regular intervals. Many wrong turns have been

taken repeatedly, and yet we expected different outcomes. In an analogy, the journey of the country has been to set out from Kingston with a final destination of Port Antonio via Ocho Rios. Each time we arrive at Ewarton we turn left through Worthy Park, Chapelton, May Pen, and then come back to Kingston. After an interval, usually defined by local or international political considerations, we embark on our journey again and turn left at Ewarton. It is for us a more comfortable route by which we will not reach our destination. The country's simple task is to embrace difficult but positive changes and leave behind any thoughts that staying within our own comfort zone can produce the desired results.

GraceKennedy has been able to overcome some of the challenges by changing products, industries, markets and management over the past 90 years. The underlying strategy has been to utilize local talent, enhance skills by accessing world class training and popularizing a culture of high quality performance protected by institutional memory. The evolution of GraceKennedy Ltd., from Grace, Kennedy and Co. Ltd.,<sup>34</sup> was part of the mental preparation. It brought a new image as a corporation as distinct from the woman or the family-owned firm and a feeling of professionalism.

The move from being a private company to a listed public company was a major part of the journey. The move from an average, moderately educated staff, to one with a preponderance of university graduates and to a more gender-balanced workplace was another. Embracing the practices necessary for access to 67 markets worldwide, from a single one in 1922, has been yet another. The latest move into markets with distinctive cultures has been challenging for the Company. It has led to the rude awakening that, irrespective of our proud Jamaican heritage,

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34 The name change paved the way for a separation of brand ownership where food retained the traditional Grace brand and the non-food activities utilized the new "GraceKennedy" brand image.



other people use identical products in entirely different ways and volumes, and recognizing this is a part of the process of gauging new markets. But challenges are there to be conquered.

The main point worth noting is that there isn't really anything remarkable or mind-boggling about what GraceKennedy has been doing. The Company has simply stuck to its belief in "taking what is good for Jamaica, and making it good for GraceKennedy." The words have been a powerful watch-phrase. They have served as a guiding light whenever doubt may have set in and decisions were difficult, and the resultant core values of honesty, integrity and trust have proven to be sound foundations through all the eras. I know that the Company is resolute and will continue to lead the charge for development in Jamaica in the areas of business and corporate civic responsibility. But, even more importantly, I know that the time has arrived for our great nation to "take what is good for Jamaica and make it good for all Jamaicans."

I am heartened by the fact that our failure to realize our dreams together has not come from physical constraints or structural obstacles. The main causes of our divergent paths are rooted in indecision, a resistance to change, a desire for popularity even for a short time, and a misguided belief that the country can succeed in spite of ourselves. This tendency to "bet on good luck," without corresponding effort, is not set in stone. The resolution is definitely, completely in our own hands. Marcus Garvey still rings strongly in my ears. "Up, ye mighty race, you can accomplish what you will!"

## *Highlights of the Fifth Dispensation: (1977–present)*

<b>Crossroads on the Journey to Lasting Economic Success</b>	<b>Choice made by Jamaica</b>	<b>Choice made by GK</b>
<p><i>Invoke self-determination</i> OR <i>Cling to dependency</i></p> <p>Right Direction: <i>Invoke self-determination</i></p>	<p><i>Cling to dependency</i> Evidence: Again, this time in tourism, policy has favoured foreign investment through incentives, with the major focus being on employment rather than ownership or partnership.</p>	<p><i>Invoke self-determination</i> Evidence: The Company remained locally owned while it expanded and met increasing capital needs.</p>
<p><i>Pursue private initiative</i> OR <i>Demand public underwriting</i></p> <p>Right Direction: <i>Pursue private initiative</i></p>	<p><i>Demand public underwriting</i> Evidence: Tourism. (From hotel construction, to cruise ships, to stage shows, to overseas marketing, among other things.)</p>	<p><i>Pursue private initiative</i> Evidence: To maximize long-term competitiveness the company adopted TQM, and pursued the ISO 9000 (becoming the first to acquire certification in Jamaica) and later pursued the HAACP. The Company now trades in 67 countries.</p>

<p><i>Prioritize human capital development</i> OR <i>Condemn labour to low-skilled tasks</i></p> <p>Right Direction: <i>Prioritize human capital development</i></p>	<p><i>Condemn labour to low-skilled tasks</i> Evidence: The perpetuation and encouragement of extractive industry structures continue to effectively set a task (and income) ceiling for local workers in the dominant industries, despite the expansion of education opportunities. At the same time, universal education seems to be eluding the country, many of the primary-level and secondary-level schools are of low quality, and the tertiary programmes are limited in scope relative to current local and international realities.</p>	<p><i>Prioritize human capital development</i> Evidence: The Company opened an in-house training department, for which the focus included an internal quasi-MBA programme built on case material from the Company. This was discontinued when MBA programmes became widely available in the early 2000s. However, the internal education strategy is again being considered due to dissatisfaction with the preparation level of these graduates.</p>
<p><i>Engage the small man</i> OR <i>Indulge the privileged</i></p> <p>Right Direction: <i>Engage the small man</i></p>	<p><i>Indulge the privileged</i> Evidence: The taxpayer is now burdened with the recurring bill for a slew of incentives targeted at big business. Thus, the small man is now paying more taxes than he would need to if those incentives did not exist. This impedes his ability to start and grow businesses.</p>	<p>*Evidence: None noticed.</p>
<p><i>Grasp opportunities quickly and decisively</i> OR <i>React sluggishly and half-heartedly to crises</i></p> <p>Right Direction: <i>Grasp opportunities quickly and decisively</i></p>	<p><i>React sluggishly and half-heartedly to crises</i> Evidence: The failure to bring public spending under control before the inevitable downturn in the world economy and sharp decline in revenues.</p>	<p><i>Grasp opportunities quickly and decisively</i> Evidence: The timely decision to seek the alliance with Western Union. This supported the Company's objective of being self-sufficient in foreign exchange.</p>

<p><i>Diversify into new positions</i> OR <i>Over-invest in old positions</i></p> <p>Right Direction: <i>Diversify into new positions</i></p>	<p><i>Over-invest in old positions</i> Evidence: The economy has remained overly reliant on agriculture, bauxite and tourism, notwithstanding that the service sector expanded rapidly relative to the goods-producing sector during this era.</p>	<p><i>Diversify into new positions</i> Evidence: The Company bought its first overseas distribution company in Toronto, Canada.</p>
<p><i>Use geography strategically</i> OR <i>Disregard geography</i></p> <p>Right Direction: <i>Use geography strategically</i></p>	<p><i>Disregard geography</i> Evidence: An upgrade of the ports to better capitalize on Jamaica's strategic location is long overdue. However, if recently announced plans for expansion are in fact completed over the next few years, this will be a major step in the right direction.</p>	<p><i>Use geography strategically</i> Evidence: The establishment of overseas distribution companies has facilitated more complex but more efficient logistics. Geography has become a key determinant of the routes chosen to buy from or to supply to particular markets.</p>
<p><i>Require accurate information</i> OR <i>Be guided by sentiment</i></p> <p>Right Direction: <i>Require accurate information</i></p>	<p><i>Be guided by sentiment</i> Evidence: Huge incentives have been granted continuously to big business on the basis of erroneous estimates of return.</p>	<p><i>Require accurate information</i> Evidence: The Company realized that gaining an understanding of distinctive cultures was part of the process of gauging new markets, and therefore rose to the challenge to carry out the necessary reconnaissance missions.</p>

<p><i>Defend integrity</i> OR <i>Bow to corruption</i></p> <p>Right Direction: <i>Defend integrity</i></p>	<p><i>Bow to corruption</i> Evidence: Several scandals related to contract procurement and public spending, the rise of organized crime and the metastasizing culture of ambivalence to law and order.</p>	<p><i>Defend integrity</i> Evidence: The Company has become more careful about hiring, as the deterioration in the wider society is recognized as a real impediment and a growing threat to the culture of honesty and integrity that has been fundamental to the Company's success.</p>
<p><i>Vigilantly protect long-term interests</i> OR <i>Always gratify short-term wants</i></p> <p>Right Direction: <i>Vigilantly protect long-term interests</i></p>	<p><i>Always gratify short-term wants</i> Evidence: The size of the public debt.</p>	<p><i>Vigilantly protect long-term interests</i> Evidence: The GraceKennedy Foundation and the Grace &amp; Staff Community Foundation were established. Also, the underlying strategy gradually developed over the years - to utilize local talent, enhance skills by accessing world-class training and popularizing a culture of high quality performance (protected by institutional memory and healthy values) – is being reinforced daily.</p>