

Yes We Have No Bananas - Compliance Lessons from the Banana King

In an article in the June 2 edition of the **Wall Street Journal** (WSJ) author Rich Cohen previewed his upcoming book, “*The Fish That Ate the Whale: The Life and Times of America’s Banana King*”, which is about Samuel Zemurray, but known to friends and foes alike as “Sam the Banana Man”. His business genius was to see opportunity where others only saw waste and capitalize upon it. He went from a non-English speaking immigrant to the owner of the United Fruit Company. In between, as noted by Cohen, Zemurray was a fruit “hauler and a cowboy, a farmer, a trader, a political battler, a revolutionary, a philanthropist and a CEO.” Not too shabby a résumé.

During his lifetime, Sam the Banana Man competed against and eventually took control of the behemoth United Fruit Corporation. In writing about all of this, Cohen distilled Sam the Banana Man’s business acumen into five lessons which I found as insightful for the compliance practitioner today as they were when Sam the Banana Man employed them in the 1920’s and 1930’s. They were as follows.

1. ***Go see for yourself.*** This means more than simply getting out into the field. When Sam the Banana Man decided to become a fruit grower, he moved to Honduras so he could learn the business from the ground up. The executives of United Fruit never left the corporate headquarters, then in Boston.

For the compliance professional I think that this is something that is needed, to go out into the field more often. It can be for a variety of reasons such as training or meeting with local business unit personnel but the key is to get out of the corporate office and meet folks in the field. But you must remember to *listen* while you are out there.

2. ***Don’t try to be smarter than the problem.*** This point also ties in with No. 5 below. Once, when faced with two sets of competing owners who claimed to own the same land on which United Fruit wanted to buy to construct a banana-growing plantation, the company commenced a month long study to determine the right owner. Sam the Banana Man’s solution was to purchase the property from both sets of competing owners for the same price. The extra money he spent paying twice was more the made up for in the time he saved from studying the problem.

For the compliance professional I would urge that this translates into making management understand that compliance is a risk. As such, it can be measured and managed. If your risk is high, more risk management is required. That means in a high risk country, you need to perform more due diligence, have stronger contract language and then manage the relationship more closely.

3. ***Don't trust the experts.*** When company stock went into free fall, as the largest single stockholder of United Fruit and before he took over the company, Sam the Banana Man went to the company's primary point-of-entry port in the US, New Orleans, to talk with both sea captains and dock workers about what they understood the problem to be. They reported that the company had required all boats bringing cargo from Central America to cut back to half-speed to save on fuel but the bananas were ripening on the boats so that they often spoiled on the docks awaiting transport within the US.

For the compliance professional I believe that this point can be translated into using business unit expertise to do business in a compliant manner. If you get out in the field and listen to your company's employees, you will gain a host of new ideas on how to accomplish things in a compliant, yet effective business manner. Your employees know the day-to-day workings of how to do business and you should use them as resources.

4. ***Money can be made again, but a lost reputation is gone forever.*** (I hope Wal-Mart is listening to this one.) At one point in his career, Sam the Banana Man went into a partnership with United Fruit where he provided ships to transport the company's bananas out of Nicaragua. Unbeknownst to Sam the Banana Man, United Fruit used his boats to break a strike of dock workers. This caused the dock workers to believe that Sam the Banana Man and not United Fruit was breaking the strike and made his name hated in Nicaragua.

Do I really need to say anything about this point? If so, think Wal-Mart and Avon and what their reputations may be about now.

5. ***When in doubt, do something.*** You do not have to over-think everything. You do not need to form a committee to study something. Sometimes you just need to take action. I was privileged to hear Paul McNulty speak Monday night. I asked him if the McNulty Maxims (What did you do to *prevent* it? What did you do to *detect* it? What did you do to *remedy* it?) were still valid? He said that they were but added one additional component, and that is What was your *response*, when you initially found out about it? He explained that by this he meant that what was your company's response when it initially determined or found out about a potential violation of the Foreign Corrupt Practices Act (FCPA). Did you perform some type of initial triage regarding the issue? Was there a preliminary investigation? Did you obtain and secure the relevant documents in a timely manner? Did you instigate a document hold? In other words, sometimes you just need to take action.

Sam the Banana Man was quite a colorful character. Cohen ended his article with the following philosophy that he gleaned from Sam the Banana Man's rules. It is "Power comes from knowledge, information and experience, which grow from the ground like a banana stalk. If you lose touch with that, you are ripe for the taking." With that I am off to munch on a good ripe

banana and think about how I can use some of this wisdom going forward in a compliance program.

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