

The *Dairy Foods* executive interview:

One-on-one with Jim Frank of Litehouse Inc.



As an employee-owned company, Litehouse Inc. has 700 owners. CEO Frank talks to *Dairy Foods* about the challenges of making sure everyone's voice is heard; achieving SQF Level 3 certification at all three food plants; and the plans to ensure Litehouse continues to grow.

By Jim Carper, editor-in-chief

Photos by Vito Palmisano

Litehouse Inc. President and CEO Jim Frank is the first nonfamily member to head the Idaho-based manufacturer of refrigerated salad dressings and blue-veined cheeses. The Hawkins family founded the company more than 50 years ago, and starting in 2006 the owners began selling shares to employees. By 2014, the conversion to an Employee Stock Ownership Plan ESOP was completed. Today, Litehouse is 100% owned by 700 employees in Idaho, Utah and Michigan.

Company revenue grew more than 10% in 2015 to \$215 million, placing it at No. 79 on the Dairy 100, this magazine's ranking of the largest dairy processors in North America.

In July *Dairy Foods* Editor-in-chief Jim Carper traveled to Sandpoint, Idaho, and sat down with Frank to talk about how Litehouse does business. They met in the company's corporate headquarters, the former home of Coldwater

Creek, a catalog and online specialty retailer of women's apparel and home décor. Following is an edited transcript.

Dairy Foods: Tell me about your guiding principles. They're faith-based.

Jim Frank: In 1958 or thereabouts, Ed Hawkins Senior created our chunky blue cheese dressing. [Up to then] there was only the vinaigrette type. As the story goes, he was working in a restaurant and his boss challenged him to find a better kind of dressing. He went home and prayed about it.

So that's part of it. We're a faith-based organization and we're proud of that. We like that fact. Our company has room for all people, all diversity, and all walks of life. But that's the direction we choose as a company.

Dairy Foods: How does that influence the company and the way you do business?

Frank: There would always be this temptation to increase your sales or get some profits or do this or that that might borderline be in the integrity of how you do that. We always shy away from that. We'd rather maybe not have that sale or that profit if it doesn't feel right to us as individuals. We make the decision to go the other way.

Stewardship's about our communities. We're very active in our three communities in which we have plants. We support both through treasure and through volunteer hours. We feel that from that stewardship, taking care of our communities and taking care of the people that work here just creates a better life and a better community to live in for everyone.

Dairy Foods: Litehouse is employee-owned. How did that come to be?

Frank: The whole basis for it connects way back to our early founders and through

■ Executives gather at the Litehouse Inc. corporate headquarters. From left: Elizabeth Hawkins-Williams, QA technical manager; Kelly Prior, Executive VP and CFO; Jay Peters, cheese plant manager; Dan Hoffman, Sr. VP operations; Dan Munson, VP of foodservice and deli; Jim Frank, President and CEO; Brent Carr, Sr. VP sales & marketing; Margi Gunter, brand manager; and Lee Batrak, buttermilk plant manager.

those guiding principles of stewardship and community. It's all interconnected.

Our founders had a deep care and passion for Sandpoint. Back in the day, if the logging industry was going down, people really suffered in the community. So part of the reason that they were excited about selling Litehouse dressing was to provide jobs for many of the people in the community.

Stewardship of the community and the people that lived here, by giving them great jobs, was always in the DNA of our founders. So it was a really easy transition for them to [say]: "Why don't we turn the company over to our employees?"

What the owners sold the company to the employees for was considerably less than they could have got in a strategic sale with another company. It really shows their dedication to the employees and the communities which we live and work in.

Dairy Foods: Where did the employees come up with the funds to buy the company?

Frank: We take the money the company makes, and we use that money to buy the company from [the owners]. So it's a pretty cool thing in that regard. It comes from the funds of the company. Then we can redistribute those shares that have cycled back in, back out to future employees to keep the granting of shares going for years or generations to come.

Dairy Foods: What are the challenges that you're facing as business leaders of this company?

Frank: It's growth. Our company is growing rapidly. We're doing a great job on the selling and marketing side in cheese, deli, produce, dressings throughout the nation. We're expanding our footprint. We used to be almost non-existent in the East. We've got great distribution out there now.



So our biggest challenge as a company is to support that growth and continue to grow and serve our customers without interruption. It's a challenge but we're on top of it.

Dairy Foods: So how do you grow?

Frank: Through sales growth, and that sales growth requires that we grow on the manufacturing side. So equipment, people, facilities, all of those things have to grow. We own our own transportation company, so we haul most of our own goods, so that's got to grow. And so everything has to grow to support that sales growth.

Dairy Foods: I understand you had to make some investments to achieve SQF Level 3 certification in the cheese plant.

Frank: We've actually taken that strategy across our whole business to get SQF Level 3 certified in all of our locations. In the last year, we made a big push to finish up the requirements to get the cheese and dairy plant certified. And they were granted certification just in the last couple quarters.

It wasn't as hard as you may think because we had a lot of certifications in our plants already. And our documentation base is really solid. We found that we would always pass desk audits for high-level certification. It took some work, but it was well within our grasp.

Dairy Foods: What channels do you see as growth opportunities for you? Is it retail, or foodservice or as an ingredient?

Frank: The retail channel is always our primary focus. We really want to grow that channel. We want to grow the Litehouse brand. We got our sights set on deli. To really grow our deli business through our cheese. We just feel we make a great, great blue cheese, and we want to get that great experience into more people's mouths.

Another one that's growing leaps and bounds would be a little bit like a business to business for us. That's our value-added channel. We'll make products that go inside somebody else's product. Because of the quality of products we make, the innovation we have, and the services we provide, they really want to do business with Litehouse.

We do a lot of that in the deli department. It's called Behind the Glass, with different sauces and applications. So that's a big part of our plan.

Dairy Foods: Is the dairy case a place for you to be in the future? Or is blue cheese not a dairy case kind of product?

Frank: We consider ourselves a pretty innovative company. We don't put ourselves in a box. So the dairy is open, grocery is open. We keep everything open. But then we pick and choose what to focus on at any given time. The dairy department in the grocery stores isn't a focus for us right now.

DIGITAL EDITION BONUS CONTENT

Our belief and devotion to Christ gave us the strength to persevere, the knowledge to lead and the humility to serve. While we recognize that our relationship with our Lord is personal, the virtues that guided us in the beginning forged the foundation of this company. These same principles of perseverance, leadership and service guide us today and it is in this spirit that we deliver these guiding principles. Use them to lead, serve and to persevere for generations to come.

*Doug Hawkins Edward Hawkins
Wendell Christoff*

■ The company's guiding principles are printed on one side of a laminated business card. The other side (above) states Litehouse's faith-based message, written by the company founders.

You never know. If blue cheese becomes an item that fits in somehow over there, maybe. The area of the store that seems more consumer-driven would be the deli for any kind of soft cheeses. I think most consumers head for the deli to shop soft cheeses and those type of things.

Dairy Foods: You have award-winning cheeses. How do you position yourself price-wise?

Frank: We're more in the mid-range. There are a lot of cheeses that are higher-priced than us. We consider ourselves pretty much in the middle of the road on price. We feel we're able to do that with still the highest quality cheese based on the way we make it, produce it, one location.

Dairy Foods: Do you have enough milk for your needs and for growth?

Frank: Absolutely. If you're familiar with southern Idaho, it's one of the biggest milk-producing regions of the country actually

today. And so we have a source out of the Magic Valley for all of our milk. We have a second source in Washington that's not far away as well. We've got no issues with our milk supply.

Dairy Foods: The state of Idaho is pretty friendly towards the dairy industry.

Frank: Idaho, in general, when it comes to the food business is very progressive. We've had visitors here from [various government agencies] and they provide a lot of incentives for our business as they support the growth in food and dairy.

Dairy Foods: What attracted you to Utah? Why did you site something there?

Frank: We're kind of hooked on small communities and people, a little bit. We like that, because again, it goes back to the basis of our roots. The southwest was strategic as far as geography from manufacturing and distribution. We knew we needed another plant so we chose the southwest.

We liked the community, we liked the people, we liked the potential workforce that was there. And it's worked out very well for us.

Dairy Foods: I noticed, talking to people today, is that you're very team-oriented. You really interact and you're not siloed with, "This is operations, this is sales, this is marketing, this is R&D." It seems like everybody's working as a team. Has it always been that way or is it a management initiative?

Frank: We try every day to make it stay that way. There's always some tendencies as our company gets bigger [to become siloed but] not necessarily purposefully. It sometimes just can evolve that way. Our philosophy is just that that's probably not the best for business. Collaboration, all teams work together. We call it "hooked at the hip."

Our business [involves] the three channels [deli, produce and third-party], manufacturing, innovation, selling, marketing and transportation. All of those things combined are so cross-functional that if you've got one part of the company operating without the other piece knowing what's going on or supporting or helping, you're just not going to move along as fast as if everybody's aware what's going on, supporting the general vision or direction that we're going.

Dairy Foods: Being located in Sandpoint, does that help you with your perspective? Or does it hinder you in the recruitment of talent?

Frank: It's a little bit of a hindrance in recruitment. It's a small area. You have to find the right person who wants to live in a small town. We've also had lots of prodigal sons. So kids who've grown up, left to go to the big city, get their education, and then come back here.

Dairy Foods: Do you see any shift away from dairy products as a company focus, towards non-dairy? Or do you think you'll always be with milk?

Frank: We'd never say always, or never say never. But I would definitely say no. Milk and dairy is a big thing for us and going to be for a long time. Like I said, we're trying to build our cheese business and are not looking for a nondairy outlet.

One of the big trends is organic dairy. So in addition to common dairy, we see ourselves moving a lot of our product lines towards [organic]. I think the big opportunity in milk is on the organic supply side. I think the opportunity's huge in organic food. ■



■ Litehouse's guiding principles are faith, stewardship, integrity, commitment to excellence and accountability. They are printed on a laminated business card that Frank carries with him.