Florida Ice & Farm:

Sustainability Champion from an Emerging Economy

Management Education and Teaching Cases

triple bottom line strategy
sustainability
organizational change

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Abstract

Florida Ice & Farm, Costa Rica's leading beverage company, develops and implements a triple bottom line strategy. The company's CEO initiates changes to bring FIFCO's productivity to industry standards. In the first phase, he focuses on operational excellence. In the second phase, he challenges the company to double sales and earnings in two years. Having achieved this goal, the CEO focuses the organization's efforts towards a "triple bottom line" strategy. As a result of it accomplishments, FIFCO is awarded the title of "sustainability champion". FIFCO's analyses how to expand the triple bottom line strategy along its value chain.

Case Study

Ramón Mendiola, CEO of Florida Ice & Farm Company (FIFCO), was seated in the front row of the packed auditorium where the "Annual Meeting of the New Champions" was taking place. He could not overcome his surprise at finding himself in Dalian, China, participating in this world event. It was September 2011 and Mendiola had been invited to the meeting, organized by the World Economic Forum in conjunction with the Boston Consulting Group, to receive an award. FIFCO, Costa Rica's largest beverage group, was chosen as one of the "16 New Sustainability Champions".

In a rigorous contest, the company was selected among one thousand organizations from emerging countries. Participating firms were using innovative practices to achieve not only economic results but also improvements in the communities where they operated. Selection criteria included sustainability, innovation, and scalability. It was FIFCO's "triple bottom line" strategy, initiated by Mendiola three years earlier, that placed the firm among the winners. The company's development and use of a sustainability balanced scorecard to implement the strategy played a key role in the process.

While satisfied with the results achieved over the past three years, Mendiola was already looking ahead to new challenges. Many of the company's suppliers and customers had not yet adopted sustainability practices. Should FIFCO work with its business partners to extend these practices to other participants in the company's value chain?

Company background

FIFCO was founded in 1908 as an ice plant and tropical farm in Limon, Costa Rica by four brothers of Jamaican descent. The company acquired a brewery and with capital from local investors and soon came to dominate the national beer industry. Considered a great employer for its generous benefits and working conditions, FIFCO became a source of pride for Costa Ricans. Employees described the culture as "brotherly and democratic," where everyone shared Costa Rican values of solidarity and egalitarianism (a briefing on Costa Rica is presented in **Appendix A**).

The company enjoyed a leadership position throughout the past century, with the only locally-produced beer brands in the Costa Rican market. However, the early 2000's saw the entry of global giants in the surrounding countries of Central America. The world's largest brewery, a Brazilian-Belgian consortium, was challenging established local brands in Guatemala and Nicaragua with aggressive prices, but with limited success. In El Salvador, Honduras, and Panama, the national breweries were acquired by South African Breweries, which had merged with Miller Breweries of the U.S. to become the world's second largest producer.

In 2003, FIFCO's Board of Directors announced the sale of 25 percent of the company shares to Heineken N.V. of the Netherlands and the retirement of its long-time general manager. He was replaced by Ramón Mendiola, a young Costa Rican executive with an MBA from Northwestern University's Kellogg School of Management. Mendiola was formerly Regional Vice President of Kraft for Central America and the Caribbean. He was an avid tennis player, with an energetic and competitive personality.

After spending his first week on delivery trucks, Mendiola concluded that the company needed a better sense of its priorities. His first action was to replace the functional organization with four strategic business units: beer, non-alcoholic beverages, sales and distribution, and finance and corporate services. He then proceeded to hire managers with the profiles required by the new decentralized structure.

At Mendiola's suggestion, FIFCO's Board of Directors hired the international consulting firm, McKinsey & Co., to validate the new structure. The scope of the consultancy was later broadened, at his urging, to include a search for efficiencies "at every link in the value chain." McKinsey initially identified savings opportunities of US$6 million (of total costs of $116 million), but working together with FIFCO's management team, the consulting firm uncovered additional savings of $16 million, including a workforce reduction from 2,480 to 2,025.

Mendiola invited former colleagues from multinationals in Mexico to share their experiences with the latest technological advances that industry leaders were pioneering worldwide. "This was a wake-up call," he recalled. "We realized how far behind we were, so we began an in-depth diagnosis of our organization to find areas needing improvement." In September 2003, a strategic planning workshop was organized to discuss the results of the diagnosis. The company's 60 managers committed themselves to the long-term vision of becoming the most important beverage company in Central America in terms of volume and profitability while maintaining corporate values of innovation, responsibility, passion, recognition, and teamwork.

Fiscal year 2003-04 (ending September 30th) was dedicated to reorganization. The company turned a small operating profit but showed a loss in economic value added (EVA) when the cost of capital employed was subtracted (income statements and balance sheets for the years 2003-2011 are shown in **Exhibits 1** and **2**). Mendiola promptly announced that for the first time in the company's recent history, there would be no year-end bonus. "Not a cent, for any of us," he said. "We wanted to send a clear message."

In September 2004, the company organized a strategic planning retreat in which ambitious cost-cutting goals were set for the next two-year period. The budget became a firm commitment by all 60 managers participating in the retreat. Actions included the installation of SAP, an enterprise resource planning tool and a change in the compensation system for sales employees from 30% to 70% variable. "There was strong resistance to this change," recalled Mendiola, "so we told salespeople that they could keep the 30% system during a trial period, but we also showed them what they would have earned under the 70% variable system during that same period. Within two months they were all convinced that the change was to their benefit."

In September 2006, a second strategic planning retreat was held. Having met cost reduction goals, Mendiola challenged the management team by setting a goal of doubling sales revenues and profits in two years. This came as a surprise, since it had previously taken the company seven years to double sales. This ambitious goal was partly achieved through acquisitions such as Kern's in Guatemala and Pepsi bottling company in Costa Rica. The former was a food and beverage company with a strong presence throughout Central America. The latter was purchased from South African Breweries, along with Reserva Conchal, a real estate project that included a beach hotel and resort on the Pacific coast. Much of the company's growth during this two-year period was generated internally, through organic growth of the beer and non-alcoholic businesses. The company's business units and major brands, including an investment division, are shown in **Exhibit 3**.

The Triple Bottom Line

By August 2008, FIFCO had achieved its goal of doubling sales and profits, and Ramón began to search for a new goal. Not satisfied with generating economic value, he began to consider the company's social and environmental impact. Influenced by John Elkinson's book, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, he incorporated a triple bottom line strategy in FIFCO's business model. This strategy would require the integration of the firm's environmental and social performance to the company's financial results. In Elkinson's view, the wealth generated by business could not come at the sacrifice of the planet or the abuse of its inhabitants. Companies accepting this view recognized that the triple bottom line had important implications for strategic resource allocation. If an investment did not meet one of the three criteria—economic, environmental and social—it would not be approved.

Gisela Sánchez, a young Costa Rican woman with an MBA in strategy and marketing from Kellogg Graduate School of Management at Northwestern University, was hired as FIFCO's Director of Corporate Affairs. Before joining FIFCO, Gisela worked as a consultant for governments, NGOs and companies in the areas of competitiveness and corporate social responsibility. She also worked in the AVINA Foundation supporting the development of social entrepreneurs in Latin America and as a researcher and project coordinator for the Latin American Center for Competitiveness and Sustainable Development at INCAE Business School in Costa Rica.

As Director of Corporate Affairs, Gisela reported directly to Ramón, was a member of FIFCO's Executive Committee, and supervised the Environmental Management area. She was also responsible for managing FIFCO's social investments and coordinating the firm's relationships with its many stakeholders, and she was given responsibility for leading FIFCO's triple bottom line strategy. Working directly with Ramón, she developed a five-step process to implement the strategy:

Step 1: Consultations and dialogue with stakeholders. The purpose was to understand public perceptions and expectations regarding FIFCO's social and environmental footprints. Interviews and focus groups were conducted among four stakeholder groups: business partners (including suppliers and employees), clients and consumers, civil society groups, and government and regulatory agencies. While there were concerns among some stakeholders about the company's environmental impact, the major footprint identified by all stakeholders was the social impact of irresponsible alcohol consumption.

Step 2: Strategic planning. In September 2008, FIFCO organized the third strategic planning retreat, held at the newly-acquired hotel resort on the Pacific coast with the participation of the company's 90 top managers. At this event, Ramón laid down the challenge of the triple bottom line, supported by data from consultations with stakeholders. The mood was one of optimism. The company had just completed the most successful year in its 100-year history, and despite rumblings in the U.S. financial markets, the future of Costa Rica seemed bright.

FIFCO managers took up the challenge of the triple bottom line, spending one day working on each of the three dimensions. The retreat ended with the participants' commitment to communicate the strategy to the other 2,200 members of the organization in what Ramón called "the evangelization." Rolando Carvajal, Director of the Beverages Division, explained, "We are not imposing this, but rather looking for ways to get people enjoying, innovating, and supporting the design of the program, before defining any performance indicators."

A new mission statement also came out of this strategic planning meeting. FIFCO was to become the industry leader in beverages and food conserves in the Central America region not just in volume and profits, but "in terms of economic, social, and environmental value added, exceeding consumer expectations in benefit of its clients, workers, shareholders, and communities where it operates."

Step 3: Definition of strategic objectives. A major outcome of the workshop was the setting of 12 strategic objectives. Three objectives were defined for the economic dimension; three for the environmental, and six for the social dimension, which was subdivided in internal objectives (related to the company's responsibility to employees and their families) and external objectives (involving responsibility to the broader society, including the promotion of responsible alcohol consumption). The objectives are shown in **Exhibit 4**.

Step 4: Measuring impact. In 2006, FIFCO introduced a balanced scorecard that was used by the Department of Human Resources as a means of aligning employee performance with strategic objectives. Under the triple bottom line strategy, this tool was adapted to monitor goal achievement along each of the three dimensions. The Director of Human Resources Department, Scarlet Pietri, explained that "…based on the new company vision, we set the goal of migrating from a traditional Kaplan & Norton[1] scorecard to a triple bottom line model."

The HR Department began by identifying those indicators already monitored at the plant level, which were consolidated in a macro indicator known as "Eco-Florida" and were used to evaluate the company's environmental performance (See **Exhibit 5**). "The organization already had experienced on measuring something besides purely economic variables," commented Scarlet. "There is this idea that initiatives in the social and environmental areas can't be measured; that they are ethereal and not tangible like sales or profits, but that is just not true. We are measuring such indicators as water usage throughout Florida's operations."

With the new sustainability balanced scorecard, the variable portion of employee annual compensation was tied directly to meeting economic, social, and environmental goals. In the case of the CEO, this variable portion was 65 percent. "Top management has a very high percentage of variable compensation, because we should *walk the talk,*" Ramón commented.

Step 5: Accountability to society. As a publicly-traded company, FIFCO made its financial statements available to the general public. After adopting a triple bottom line strategy, the company decided to communicate its social and environmental performance to its stakeholders. For greater credibility, the company chose to adopt the Global Reporting Initiative (GRI) standard. The GRI established uniform sustainability reporting practices worldwide, using grades of A, B, or C depending on the number of indicators reported. When a plus sign (+) accompanied the grade, it meant that the company sustainability reports were audited by an external firm.

The double crisis

In late 2008, the financial crisis affecting the U.S. still seemed remote to most Costa Ricans. With their savings protected by a nationalized banking system with strong regulations, growing trade relations with China, a continuing influx of European eco-tourists, and an economy unburdened by defense expenditures, most citizens had little knowledge or

1 Refers to the authors of the original book on the concept "The Balanced Scorecard", by Robert Kaplan and David Norton.

concern as to what was happening on Wall Street. The first warning signs were the drop in exports of gourmet coffees and the sudden cancellation of construction projects on the beaches of Guanacaste, a preferred destination for U.S. retirees. Afterwards, the Costa Rican banks' international credit lines began to dry up. Still, as the December holidays approached, beer sales continued to flow smoothly. Mendiola and other FIFCO executives could leave on vacation for a well-deserved rest.

When Ramón returned to work on January 5, 2009, he encountered a double crisis. Costa Ricans, awakened by the credit shortage and the growing economic uncertainty, had cut back on consumption in the New Year. But it was the second crisis that had been the major contributor to this decline in beer consumption. On December 23rd, the National Congress had suddenly passed several articles of a new traffic law enforcing heavy fines and penalties for driving under the influence of alcohol.[2] Ramón was aware of the bill before the Congress, which had been under discussion since March 2007 and which was aligned with his initiatives for responsible alcohol consumption. However, approval had not been expected for another ten months.

The bill imposed penalties that were among the world's most severe. Penalties of up to ten years imprisonment could be imposed for driving under the influence of alcohol and causing physical injury to a third party. The law imposed the loss of one's driver's license for driving under the influence of alcohol, plus fines that were equivalent to over a month's salary of a middle class Costa Rican.

In the face of this double crisis, Ramón asked FIFCO managers to find savings and efficiencies in their respective areas. The goal was to maintain the same operating profit as in 2008, which meant reducing total operating costs by 20 percent. In February 2009, they presented an eight-point plan to (1) increase operating efficiency, (2) reduce non-strategic costs, (3) improve employees' productivity, (4) negotiate better input prices, (5) rationalize capital investments, (6) strengthen the client and consumer base, (7) protect cash, and (8) reduce risk, particularly in the company's Pacific real estate investments. The cost reductions meant laying off 430 employees, in direct contradiction to the social (internal) dimension of the triple bottom line strategy. Ramón asked Scarlet Pietri, Director of Human Resources, for ideas to reduce the number of layoffs.

Implementation, 2009-2011

One alternative to the massive layoff was to decrease the number of working hours, reducing everyone's take-home pay. The HR Director, Scarlet Pietri, discovered an article in the Costa Rican labor law which allowed for such a reduction,

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2 *Proyecto de Ley, Reforma de los Artículos 44, 111, 123, 124 y 125 del Código Penal.*

but only if employees unanimously voted to do so. A company appeal for solidarity was successful, and the final number of layoffs, while not eliminated altogether, was reduced to 130, which was the usual number of employees who left the firm each year as a result of the company's rigorous performance review process. As a part of the reductions in working hours, the company closed on Fridays at noon. To further reduce salary costs, executives' variable pay was eliminated, which represented up to 50 percent of total compensation for top management.

In the face of the double crisis, Mendiola made an announcement to demonstrate commitment to the triple bottom line strategy: in 2009, the social dimension in the new corporate sustainability balanced scorecard would count for 30 percent of the company-wide performance evaluation and by 2011, the environmental dimension would count for an additional 10 percent, with the remaining 60 percent for the economic dimension. In later years, the distribution would be 20 percent environment, 30 percent social and 50 percent for the economic goals.

These percentages would apply to the corporation as a whole—including the CEO. Additionally, managers had a customized scorecard with indicators from the three dimensions that were relevant to their individual responsibilities. Managers' variable compensation was subject to the achievement of the goals established in the sustainability scorecard--both at the corporate as well as at the individual level. The goals established in the scorecard were firm commitments and did not change during the year. As Rolando Carvajal explained, "we did not impose goals for our employees, but we set them together with our teams. After people became involved in the first stage of this process of change, the rest was a smooth ride. FIFCO managers are very serious about committing to goals." The example of a sales manager's sustainability balance scorecard is shown in **Exhibit 6.**

By 2011, 580 of company's 2,300 employees were included in the sustainability balanced scorecard, representing the top 13—out of 24—hierarchical levels in company. Each year, FIFCO published annual sustainability reports under the standards of the Global Reporting Initiative, audited by Deloitte. The company's first report, issued in 2010 (with data from 2009), was "B." Its second report, issued in 2011, was "A+." Out of 583 reports submitted worldwide in 2011, FIFCO's was one of the 135 companies (and 19 in Latin America) to achieve this grade.

The sustainability reports included a broad range of initiatives in non-economic dimensions. Three of the firm's programs which both Ramón and Gisela believed were representative of the triple bottom line strategy, were: a) responsible consumption, b) a volunteer program, "Choose to Help," and c) water neutrality. The first two programs belonged to the social dimension, while the third one was environmental. These programs addressed some of the firm's most visible footprints, according to the feedback gathered in the consultations and dialogue with stakeholders.

1. **Responsible Consumption**

Stakeholders reported that the company's most highly visible footprint was excessive alcohol consumption. Data showed that alcohol consumption in Costa Rica was infrequent and was associated with festive occasions where drinking could be excessive, sometimes resulted in automobile accidents or domestic violence (see **Exhibit 7** for data on beer consumption in selected countries).

Since 1999, FIFCO sponsored "designated driver" campaigns in which groups of friends going to party at night would select one of their numbers, who would not consume alcohol, to drive back. Some company executives felt this was a passive approach, but they were unsure how to encourage responsible alcohol consumption without damaging business in the long term. Research on international best practice revealed a successful program, Éduc'Alcool, in Québec, Canada. According to José Pablo Montoya, manager of alcoholic beverages,

> *These people have been able to enter into dialogue with government authorities and to establish programs for consumer education. When you look at the indicators for Québec vs. those for Costa Rica, you see that Québécois have a higher consumption per capita than Costa Ricans, but with a more moderate consumption pattern. We found in Éduc'Alcool a model that we should replicate because it will allow us to continue growing as an industry while minimizing the social footprint of excessive alcohol consumption.*

Based on the Canadian experience, FIFCO conducted a baseline study to measure patterns of alcohol consumption in Costa Rica in 2009, and changes in these consumption patterns were monitored annually. The company also launched a campaign entitled "Moderation as a Value" with the goal of reinforcing the moderation value within the Costa Rican culture, and not just in alcohol consumption. This campaign was launched through a strategic alliance with the Ministry of Health, with FIFCO inviting other participants in the alcoholic beverage industry to participate in the creation of an organization equivalent to Éduc'Alcool in Costa Rica. All activities were coordinated by the Department of Corporate Relations and the strategic business unit for alcoholic beverages. The former was in charge of the educational component and of managing relations with stakeholder groups; the latter was responsible of sales and marketing of the company's major brands (some of these activities are described in **Exhibit 8**).

In one case, a promotional campaign for one of FIFCO's beers was cancelled because the theme of the campaign ("pay for one, take three") was inconsistent with the moderation value that the company was trying to develop among Costa Rican citizens. Juan Chinchilla, a sales representative, estimated that around 7% - 8% of beer sales in festive occasions were lost by eliminating this type of promotions. This decision created some confusion and discontent in the Sales and

Distribution Division, whose members were responsible for achieving both the "frequency of consumption" goal and the sales goal established in the sustainability balanced scorecard. Tensions were felt among members of the sales force, who were expected to meet short-term volume quotas while also promoting moderation.

2. The "Choose to Help" Program

Florida developed a volunteer program for its employees called "Choose to Help" because it offered an array of options for offering community service. According to FIFCO managers and employees, this program added a human element to the triple bottom line strategy by allowing FIFCO staff to "live the company's footprints." Some believed that it was through this volunteer program that FIFCO consolidated its social and environmental practices through an array of twelve programs that captured the essence of the triple bottom line strategy.

"Choose to Help" was officially launched after a devastating earthquake destroyed the home of a FIFCO employee in January 2009. The company provided time off and resources so that co-workers could rebuild the house. This effort was expanded to help other families in the region, and soon involved 1,100 employees--including CEO Mendiola—who donated a total of 8,880 hours as volunteers in the reconstruction of 13 houses near the earthquake's epicenter.

Following this emergency response, the company developed a portfolio of strategic projects. Any volunteer project had to contribute to a given social or environmental goal of the firm's triple bottom line. For instance, the project "aqueduct in the indigenous community of Gavilán Canta" contributed to the goal of water neutrality (described below). The project "remodeling the driving education center" contributed to the goal of highway safety (see **Exhibit 7** for more information on road safety program). In most volunteer programs included in the portfolio of options, FIFCO worked or coordinated efforts with other businesses, NGOs or government organizations to leverage the project's impact.

By 2011, the company's employees were providing two days (16 hours) of voluntary work each year. Participation in this program was scheduled during working hours and it was compulsory for all staff members—including the CEO. "Volunteer hours" was an indicator included in every employee's individual balanced scorecard. FIFCO's annual number of volunteer hours reached 48,715 in 2011, showing a significant increase over 2009 (when it was just below 25,000 hours) and making it Costa Rica's number one company in corporate volunteerism. FIFCO's volunteers were known as the "blue tide" because they would arrive uniformed with their blue company T-shirts.

The volunteer program contributed not only to achieving the social and environmental goals, but also to increasing the identification of the employees with the company values and with the triple bottom line strategy. "We no longer see volunteer activities as a sacrifice, but as a duty," a company financial analyst explained proudly. According to an organization climate survey done by Price Waterhouse Coopers, among FIFCO's five values, "responsibility" showed the largest improvement between 2007 and 2009, increasing from 56% to 74%. The survey also showed that cultural alignment increased from 53% to 61%. FIFCO directors attributed a great deal of these results to the "Choose to Help" program (see **Exhibit 9** for more information on the volunteer program).

3. Becoming Water Neutral

As a beverage company, water was a strategic resource for FIFCO. Water was used not only in the composition of its products but also in its production process. Water usage also had significant environmental implications for the communities where FIFCO operated. Therefore, the company set as a goal to become water neutral in 2012.

FIFCO used the method known as "measure-reduce-compensate" to achieve this and other environmental goals such as the reduction of solid waste and carbon neutrality. The company followed three steps: (1) monitor the current situation and measure the operational footprint, (2) reduce usage of the resource to the lowest possible level, and when further reductions were no longer possible, (3) compensate by generating or saving the resource externally, outside company operations.

In Mendiola's first year as CEO, FIFCO consumed 14 liters of water for every liter of beverage produced according to the plant-level indicator used at the time. Efforts to reduce water consumption began immediately, reaching 8:1 by 2008. These efforts were accelerated with the introduction of the triple bottom line strategy. By 2011, the figure stood at 4.72:1, approaching the world benchmark of 3.5:1, which FIFCO adopted as its own goal.

To compensate for water usage in its operations, FIFCO used the Water Footprint Assessment Manual, published by the Water Footprint Network, which included definitions and accounting methods. Using the Manual, FIFCO implemented community initiatives for water compensation such as the construction of the aqueduct Gavilán Canta, an indigenous community located near Costa Rica's Caribbean coast. As a result of this project, 500 villagers no longer had to walk more than two kilometers to access clean water.

Another way to compensate water usage was through a national program of environmental services, through which payments were given to private owners of forest areas who undertook conservation projects. FIFCO had selected to 449 hectares (1,123 acres) of forest in the upper basin of the Segundo River and 370 hectares in Santa Cruz as areas for providing environmental services.

The Future

Having received global recognition as a Sustainability Champion and reviewing the achievement of goals for 2011 (shown in **Exhibit 10**), it was now time to consider the next great company goal. One option was to promote the triple bottom line strategy among the company's suppliers and/or its distribution channels, thus ensuring that the gains made by the company were not lost in other parts of the total farm-to-final customer value chain. It was also a way to continue the "evangelization" process outside the boundary of the company. However, it would be necessary to develop a business case for the Board of Directors and for the entire management team, not all of whom would agree that this was the responsibility of the company.

The company had already developed a manual of social responsibility for suppliers, a code for responsible suppliers and had even evaluated 90 suppliers with sustainable business practices. Gisela Sánchez commented:

> *Before the triple bottom line, we had an ABC for our suppliers which told us how much they bought and how important their material was for the uninterrupted operation of our business. Now our ABC tracks which among these suppliers least affect our water and carbon footprints because we want to work with these suppliers.*

On the distribution side, FIFCO worked with networks of large retail chains such as Walmart and AutoMercado, a Costa Rican supermarket chain. On the other end of the spectrum, the company distributed to thousands of small liquor stores and traditional mom-and-pop stores, called "pulperías," located throughout the country. FIFCO had already begun point-of-sale recycling initiatives with all types of retailers, and the employees of some outlets even participated as volunteers in recycling programs.

Some supporters of the triple bottom line within FIFCO, while not opposed to spreading this philosophy to business partners in the value chain, believed that priority should be placed on further consolidating the strategy inside the company.

Exhibit 1

Florida Ice & Farm Company, S.A. and Subsidiaries:
Statements of Income and Expenses, 2003-2011

(years ending September 30th, in billions of Costa Rican colones)

Statements of Income and Expenses	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales:									
Beer and beverages	68.8	75.1	93.2	116.8	163.7	198.6	208.2	231.1	258.7
Foods	-	-	-	4.4	27.7	33.4	34.4	34.4	35.8
Real estate	-	-	-	-	12.3	45.6	33.4	22.3	19.9
Other	0.0	0.0	0.6	1.1	0.8	2.1	1.7	2.0	2.6
Total sales	69.0	75.4	93.8	122.3	204.6	279.7	277.8	289.8	317.0
Cost of Goods Sold									
Beer and beverages	19.9	21.8	33.8	42.6	64.1	77.2	81.6	85.9	95.9
Foods	-	-	-	3.3	19.8	24.0	25.9	25.1	26.0
Real estate	-	-	-	-	4.1	22.4	14.6	10.0	9.7
Other	0.0	0.0	0.5	0.7	1.2	1.6	1.4	1.4	1.7
Total cost of goods sold	19.9	21.8	34.3	46.7	89.2	125.1	123.5	122.4	133.3
Gross Profit	**49.1**	**53.6**	**59.4**	**75.6**	**115.3**	**154.6**	**154.3**	**167.4**	**183.7**
Sales and marketing expense	24.1	22.3	25.6	33.2	47.8	64.4			
Administrative expenses	8.7	8.3	9.6	10.9	21.8	32.3			
Total Operating Costs	32.8	30.6	35.2	44.1	69.6	96.6	95.6	101.1	112.8
Operating Profit	**16.4**	**23.0**	**24.2**	**31.5**	**45.7**	**58.1**	**58.7**	**66.3**	**70.9**
Other income / expenses (net)	64.6	0.0	0.8	3.2	16.1	-11.4	-11.2	-4.8	-6.8
Profits before taxes	**81.0**	**23.0**	**25.1**	**34.7**	**61.8**	**46.7**	**47.5**	**61.5**	**64.1**
Taxes	3.5	6.8	6.5	8.1	13.6	14.1	15.8	21.9	22.1
Net after-tax profits	**77.5**	**16.2**	**18.5**	**26.6**	**48.2**	**32.6**	**31.6**	**39.5**	**42.0**
Less: minority interests	1.2	2.9	3.4	4.8	10.5	8.4	8.7	12.8	12.8
Net profits for shareholders	**76.3**	**13.3**	**15.1**	**21.8**	**37.7**	**24.2**	**22.9**	**26.7**	**29.2**

(1) Note: The extraordinary income in 2003 was due to gains in the sale of shares.

Exchange rate, average (Set. - Set.)	388.2	427.5	466.8	503.0	518.1	533.0	566.1	542.2	506.6

Source:
(1) Financial statements published on the webpage of Florida Ice & Farm Co. (www.florida.co.cr)
(2) Exchange Rate: Banco Central de Costa Rica (www.bccr.fi.cr)

Exhibit 2

Florida Ice & Farm Company, S.A. and Subsidiaries:
Balance Sheets, 2003-2011

(years ending September 30th, in billions of Costa Rican colones)

Balance Sheets	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assets:									
Cash	7.2	3.2	1.6	3.0	6.3	7.5	6.7	34.3	54.3
Financial assets	-	-	-	39.3	15.3	12.9	29.1	12.6	-
Accounts receivable	6.7	8.2	10.4	17.9	24.1	34.7	28.7	29.1	30.6
Inventories	11.7	8.2	8.8	16.0	25.1	34.7	32.3	31.3	34.0
Properties for sale (short-term)	-	-	-	-	13.8	7.6	5.4	2.1	1.7
Other current assets	80.6	62.0	64.7	3.0	5.5	8.0	9.2	9.5	20.6
Total Current Assets	106.3	81.6	85.4	79.2	89.9	105.4	111.4	118.9	141.2
Plant & equipment; real estate	61.4	59.9	57.7	65.6	161.1	171.6	183.6	168.2	172.0
Other fixed assets	37.8	54.9	63.2	100.5	148.7	158.9	167.4	157.7	156.3
Total Fixed Assets	99.2	114.8	120.9	166.1	309.8	330.5	351.0	326.0	328.3
Total Assets	**205.4**	**196.4**	**206.3**	**245.4**	**399.7**	**435.9**	**462.3**	**444.9**	**469.5**
Liabilities and Capital:									
Short-term debt	5.0	3.8	5.1	37.9	74.2	44.3	16.3	12.4	18.8
Accounts payable	9.6	7.2	8.2	8.2	19.8	20.1	14.0	16.6	22.4
Other current liabilities	7.9	9.7	12.1	17.1	45.4	31.1	25.8	30.9	27.2
Total Current Liabilities	22.5	20.7	25.4	63.2	139.4	95.5	56.1	59.9	68.4
Long-term debt	25.2	12.8	9.5	6.0	30.6	87.8	124.3	108.6	108.6
Deferred taxes	-	-	-	-	4.9	12.8	16.1	9.1	10.8
Other long-term liabilities	6.4	8.0	9.4	13.2	0.0	0.0	0.0	0.0	0.0
Total Long-Term Liabilities	31.6	20.8	18.9	19.2	35.5	100.6	140.4	117.8	119.4
Capital shares in circulation	39.2	38.5	39.1	39.0	38.8	38.8	38.8	38.3	38.2
Additional paid-in capital	0.0	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Reserves	5.9	6.0	28.8	33.0	63.2	61.8	73.8	58.7	61.5
Undistributed profits	82.4	79.4	80.5	74.7	97.6	108.8	119.5	134.8	145.3
Minority interest	11.7	13.0	13.4	16.2	25.2	30.3	33.7	35.3	36.7
Other capital	12.0	16.9							
Total Capital	151.2	154.3	161.9	162.9	224.9	239.7	265.8	267.2	281.7
Total Liabilities and Capital	**205.3**	**195.8**	**206.2**	**245.3**	**399.7**	**435.9**	**462.3**	**444.9**	**469.5**
Exchange rate US$, as of Sept. 30th	407.77	446.98	486.40	519.73	516.39	549.59	582.49	502.55	508.36

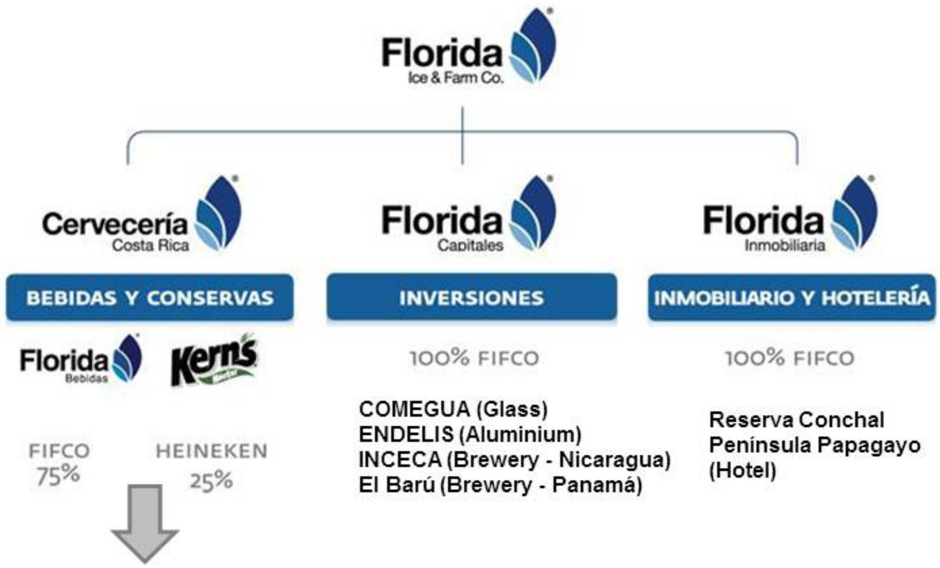
Source:

(1) Financial statements published on the webpage of Florida Ice & Farm Co. (www.florida.co.cr)

(2) Exchange Arte: Banco Central de Costa Rica (www.bccr.fi.cr)

Exhibit 3
Florida Ice & Farm Co.

Business Units and Major Brands



DIVISION	CATEGORY	BRAND
Alcoholic Beverages	Beer	Imperial, Imperial Light, Pilsen, Bavaria Gold, Bavaria Light, Bavaria Dark, Heineken, Rock Ice, Rock Ice Limón y Kaiser.
	Flavoured Drinks	Smirnoff Ice, Bamboo y Cuba Libre.
	Wines	Concha y Toro
Non Alcoholic Beverages	Water	Cristal
	Fruit Drinks, Nectars, Te,	Tropical, Tampico, Kern´s, Lipton
	Carbonated	Pepsi, Pepsi Light, 7 UP, Evervess, Mirinda, Milory
	Others	Maxi Malta, Gatorade, Maxxx Energy y Adrenalina
Food	Tomato Sauce and Pasta	Kern´s
	Beans	Ducal

Source: Adapted from Florida Ice & Farm Co's Triple Bottom Line Presentation, April 2012.

Exhibit 4
Florida Ice & Farm:
Strategic Objectives and Goals

Dimensions		Goals	Strategic Priorities		
1. Environmental		Improve Florida´s environmental performance	1. Efficient use of water resource	2. Efficient use of energy and decrease of transmission of greenhouse gases	3. Proper management of solid waste
2. Social	Internal	Improve the quality of life of our employees and their families	1. Aim Culture: Live the company´s values	2. Occupational health and safety	3. Talent Development
	External	Have a positive impact in the communities where we operate	1. Promotion of responsible alcohol consumption	2. Social Strategic Investment	3. Transparency and Ethics
3. Economic		Generate economic value for our shareholders and other stakeholders	1. Creation of economic value	2. Market Leadership	3. Growth in sales and profit

Source: Florida Ice & Farm´ s Annual Sustainability Report 2010

Exhibit 5
Eco-Florida: Macro Indicators for Environmental Goals

Indicator	Specific Metric	Environmental Goal
Water consumption	• hl water / hl produced	Become water neutral in 2012
Consumption of Electric and Thermal Energy	• kWh o Mj / hl produced	Become carbon neutral in 2017
Emissions of Greenhouse Gases	• Ton CO2 / hl produced	
Post-Industrial Waste	• Kg / hl produced	Become a leader in solid waste management
Packaging Recovery Post-Consumer Non Returnable	• % of packages sent to the market	
Environmental Policy / ISO14001	• Certification award	

Source: Florida Ice & Farm's Annual Sustainability Report 2009

Exhibit 6

Example of FIFCO's Sustainability Balanced Scorecard

As shown below, all employees were able to keep track of their performance and that of their subordinates regularly through the company's intranet system. When a person logged onto the system, he or she found the following information:

Sustainability Balance Scorecard for Sales Manager, Costa Rica

For example, for this person, 15% of his balanced scorecard correspond to corporate goals whilst individual performance weighted 85%.

Indicator | Weight | Goals | Results | Objective | Dimension

Anotador posicion

Indicador	Peso	Meta 80	Meta	Resultado	Nota	Logro	Objetivo	Perspectiva	Dimension
0307 - Star: (ECO - Planta)	10,00%	80	86	86	100,00%	10,00%	Mantener los procesos de negocio en armonía con el ambiente	Procesos Internos	Ambiental
0251 - Ejecución plan de iniciativas y/o proyectos	10,00%	80	100	95	95,00%	9,50%	Evaluar el desempeño cuantitativo y cualitativo del recurso humano	Aprendizaje y Crecimiento	Económica
0065 - Cumplimiento del plan de presupuesto	5,00%	1.473,96	1.431,03	1.436,32	97,54%	4,88%	Reducción de costos y gastos	Financiera	Económica
0095 - Cumplimiento de plan de ahorros / productividades	5,00%	208,29	219,25	345,42	120,00%	6,00%	Reducción de costos y gastos	Financiera	Económica
0317 - Star: Calidad	5,00%	60	65	68	120,00%	6,00%	Desarrollar exitosamente nuevos productos y/o negocios	Procesos Internos	Económica
0301 - OPI NONA (Indicador de Rendimiento Operativo) Botellas	10,00%	57	61	60	95,00%	9,50%	Producir eficientemente	Procesos Internos	Económica
0302 - OPI NONA (Indicador de Rendimiento Operativo)_Lata	10,00%	59	63	62,2	96,00%	9,60%	Producir eficientemente	Procesos Internos	Económica
0304 - Productividad Total (Cervecería)	5,00%	7.500,00	7.850,00	7.347,00	0,00%	0,00%	Producir eficientemente	Procesos Internos	Económica
0310 - Auditoria TPM – Pilar de Mantenimiento	10,00%	65	70	73	120,00%	12,00%	Producir eficientemente	Procesos Internos	Económica
0311 - Auditoria TPM – Pilar de G. Autónoma	5,00%	71	76	76	100,00%	5,00%	Producir eficientemente	Procesos Internos	Económica
0102 - Satisfacción de Funcionarios (Cultura Florida)	10,00%	80	100	100	100,00%	10,00%	Forjar la cultura corporativa meta	Aprendizaje y Crecimiento	Social
0204 - Incidencia de accidentes laborales	5,00%	4	3,2	1,72	120,00%	6,00%	Forjar la cultura corporativa meta	Aprendizaje y Crecimiento	Social
0320 - Voluntariado	5,00%	14	16	16	100,00%	5,00%	Forjar la cultura corporativa meta	Aprendizaje y Crecimiento	Social
0135 - Hallazgos de Auditoria Interna no resueltos en tiempo	5,00%	80	95	100	100,00%	5,00%	Cumplir con leyes y regulaciones	Procesos Internos	Social
Total	100,00%					98,48%			

Detailed view of three lines:

Indicator	Weight	Goal	Result	Score	Accomp lishment	Objective	Perspective	Dimension
0320 - Volunteerism	5%	16	16	100%	5%	Forging corporate culture	Learning and Growth	Social
0307 – Star (ECO – Pla0nta)	10%	86	86	100%	10%	Keeping business processes in harmony with the environment	Internal processes	Environ-mental
0065 - Budget Compliance	5%	1.431,03	1.436,32	97,54%	4,88%	Reduction of costs and expenses	Financial	Economic

Source: FIFCO's Balanced Scorecard System. April 2012.

Exhibit 7
Data on Beer Consumption

A) **Beer Consumption per capita in Latin American Countries**[3]
(Liters / Total Population)

Country	2008	2009
Argentina	43.22	42.65
Bolivia	35.56	33.74
Brasil	52.79	45.21
Chile	35.88	35.55
Colombia	42.61	41.40
Costa Rica	35.39	32.71
Ecuador	35.04	37.98
El Salvador	12.01	11.17
Guatemala	11.44	10.48
Honduras	14.88	15.48
Mexico	60.64	59.76
Nicaragua	17.82	16.38
Panama	65.71	62.36
Paraguay	35.33	37.97
Peru	43.17	39.72
Dominican Republic	39.81	38.38
Uruguay	25.17	25.54
Venezuela	89.95	81.15

Average, Latin America: 37 lts / total population.

B) **Patterns of Alcohol Consumption, Costa Rica vs. Québec**

Country/Region	Costa Rica[4]	Québec[5]
Consumers (%)	57%	82%

3 Source: Adapted from "Statistical Information of the Beer Industry - Index 2010"

4 FLACSO: Facultad Latinoamericana de Ciencias Sociales

5 Éduc'Alcool Quebec

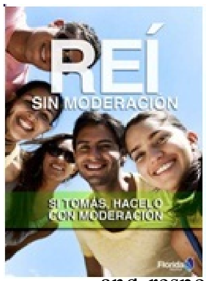
Dangerous Consumption	4%	2%
Occasional Excessive	16%	3%
Consumption (drinks/per time)	5	2.5
Frequency (days/week)	1.75	4
Association	“Party”	“Pleasure”

Exhibit 8

…keting Activities in FIFCO's Responsible Consumption Campaign

- **…n as a value"**: In the period 2009-2010, FIFCO launched a campaign with the …aim: "moderation: our next step," in alliance with the Ministry of Health and several … initiative was very successful because according to an external firm, the audience … 93.7%, 89% of the people who watched a commercial remembered the central message, and more than 75% of them considered it relevant.

- **"Formula 2 3 4 0":** A campaign to promote responsible consumption among adults, by explaining the different guidelines for men and women. Also, there are groups of individuals for whom "0" applies, meaning they should not consume alcohol at all. For example, pregnant women, teenagers under 18 and car drivers. FIFCO mainly used brochures, posters and billboards to reach the target audience.



… promote moderation and responsible consumption. By 2011, more than 300 employees from the areas of marketing, sales, and beer manufacturing have graduated from this program.

- **Initiatives with customers**: Florida launched several campaigns to promote responsible consumption in the distribution channels. For example, in more than 200 points of sale, they implemented the program "I am responsible, I do not sell alcohol to people under 18." Additionally, the company created another program called "Responsibility in action" to encourage their customers (liquor stores, groceries, others) to reduce dangerous consumption.

- **Highway Safety Programs:** Florida worked in alliance with the Ministry of Public Works and Transport to develop several initiatives as part of the "Choose to Help" program. For example, Florida invested more than US$100.000 and 100 employees collaborated with volunteer hours, to rebuild the center for driving education, and to offer l lessons, especially oriented to children.

Source: Adapted from Florida Ice & Farm's Annual Report 2010-2011

Exhibit 9

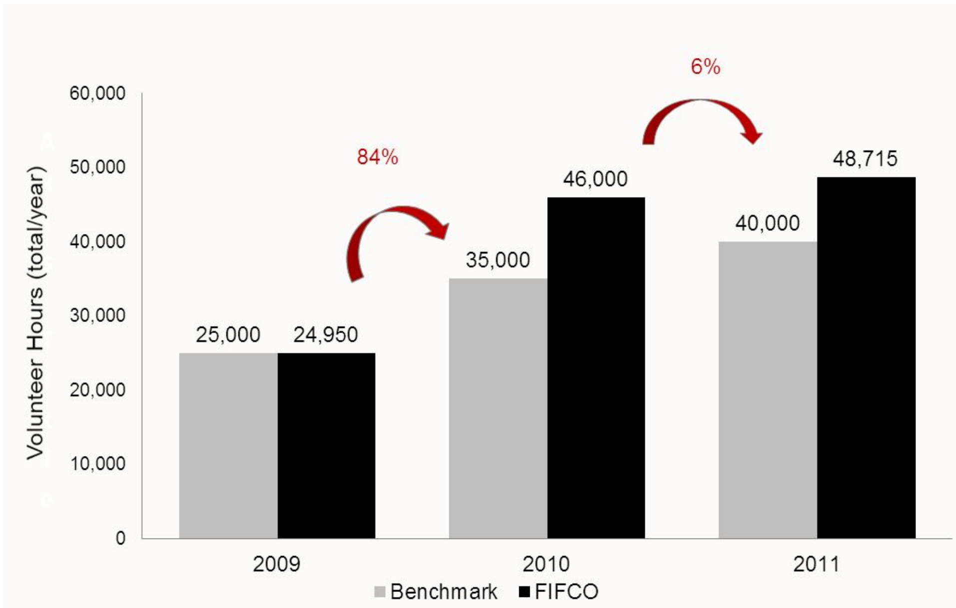
Data on the "Choose to Help" Volunteer Program

How does the program work?

- FIFCO has a variety of projects to choose from in the social and environmental field
- Employees also propose projects which they consider relevant and strategic.
- The company offers 2 working days per year to everybody to do volunteer service.
- The indicator "volunteer hours" is included in the social dimension of the balanced scorecard of every single employee of the company.
- After every activity, a survey is carried out by the Manager of Social Investment.

Proud of the achievement of its division, Arnold Prada, Supply Chain Manager, explained that his team was highly motivated:

"According to the "Choose to Help" program, every employee has to complete at ***least 16 hours of volunteer service****, during their working schedule. Last year, the supply chain team completed 939 additional hours"*



Source: Adapted from Florida Ice & Farm 's Triple Bottom Line Presentation. April 2012.

Exhibit 10

Matrix of Goal Achievement – Year 2011

Strategic Objective	Results 2011	Savings vs. 2010	Unit Cost	Economic Impact 2011 (US$/year)	Additional Comments
Reduce the environmental footprint and become the first neutral company in Central America.					
Efficient use of water resource (hlwater/hlproduced)	5.05 (Costa Rica)	1,156,836	0.013 US$/hl	15,198	Savings from water distribution and treatment. It does not reflect the impact in the cost of water, as FIFCO pays a concession fee.
Efficient use of energy and decrease of carbon emissions					
Thermal Energy (MJ/hlp)	161.12 (Costa Rica), 83.8 (Guatemala)	(1)			
Electric Energy (KWh/hlp)	10.95 (Costa Rica), 8.79 (Guatemala)	208,161	0.053 US$/kWh	11,033	
Emissions of CO2 (tonCO2/hlp)	0.0163 (Costa Rica), 0.0095 (Guatemala)	(1)			
Proper management of solid waste					
Reduce to zero our post-industrial waste (Kg/hlp)	0.119 (Costa Rica)	0.100 (Costa Rica)	24.509 US$/MT	610,843	Disposal cost avoided by not sending waste to a landfill. It does not include transportation costs.
	98.5% waste recovery			549,342	Income from selling the recoverable post-industrial waste. It does not include post-consumer waste.
With the support of our customers, we recycle 100% of our post-consumer packaging	42.10%	31% (in 2010)		-128,917	Recycling post-consumer waste has an independent P&L statement. In 2011, revenues were US$ 2.6 million, but the overall operation showed a loss of $130K.
Improve the quality of life of our employees and their families					
Occupational health and satefy (incidence and severity)	Incidence: 2.68%, severity: 0.72 days (2)	Incidence: 3.8%, severity: 0.8 days (in 2010)		180,000	Decrease in the amount of the insurance premium for the past six years.

(1) No savings were reported between 2010 and 2011.

(2) Incidence is the percentage of employees that suffered an accident while working. Severity is the number of working days the employee loss due to the accident

Source: Florida Ice & Farm Co. (May 2012)

Appendix A. Briefing on Costa Rica (2011)
During the past 60 years, Costa Rica has enjoyed political stability and a consolidated democratic regime. The government abolished the army in 1949, and invested heavily in health and education. As Latin America's oldest democracy, Costa Rica has been an oasis of stability in a region that has been constantly degraded by war. The 1987 Nobel Peace Prize awarded to former President Oscar Arias for his role in the Central American peace accords is a point of pride for Costa Ricans and confirms their general appreciation for peace.

Costa Rica has consistently been among the top Latin American countries in the Human Development Index (HDI), ranked 69th in the world in 2011. It was also cited by the United Nations Development Program (UNDP) in 2010 as one of the countries that has attained much higher human development than other countries at the same income levels. Its health care system is ranked higher than that of the United States, despite having a fraction of the U.S. GDP. By the year 2000, social health insurance coverage was available to 82% of the Costa Rican population. The literacy rate in was 94.9%, one of the highest in Latin America. Elementary and high schools are found throughout the country in practically every community. Universal public education is guaranteed in the constitution. Primary education is obligatory, and both preschool and high school are free.

Due to the country's political stability and relatively high education levels, as well as the fiscal incentives offered in the free-trade zones, Costa Rica has attracted one of the highest levels of foreign direct investment per capita in Latin America. Costa Rica used to be known mainly for its production of bananas and coffee. Even though, coffee, bananas, pineapple, sugar, lumber, wood products and beef were still important exports in 2011, such industries as electronics, pharmaceuticals, financial outsourcing, software development, and ecotourism have become the prime industries in the country's economy in recent years. Since 1999, tourism earns more foreign exchange than the combined exports of the country's three main agricultural exports.

In 2011, Costa Rica was highlighted by UNDP for being a good performer on environmental sustainability, and for having a better record on human development and equality than the median of their region. The country is ranked fifth in the world, and first among the Americas, in terms of the 2012 Environmental Performance Index. According to the New Economics Foundation, Costa Rica ranks first in the Happy Planet Index and is the "greenest" country in the world.

Costa Rica developed a system of payments for environmental services where the government offers incentives to farmers or landowners in exchange for managing their land to provide some sort of ecological service. In May 2007, the Costa Rican government announced its intentions to become 100 percent carbon neutral before the year 2030.

Costa Rica Basic Information:

Land area	51,100 km²
Capital City	San José
Neighboring Countries	Panama (South) Pacific Ocean (West) Nicaragua (North) Caribbean Sea (East)
Population	4.4m (based on the 2000 census)
Official Language	Spanish
Currency	1 colón (C) Average exchange rate in 2011, C508.4:US$1;

Comparative Economic Indicators 2010:

Economic Indicators	**Costa Rica**	**Guate-mala**	**Nicara-Gua**	**Hondur as**	**El Salvador**
Nominal GDP (US$ m)	35.8	41.2	6.4	15.4	21
Real GDP growth (%)	4.2	2.8	4.5	2.8	1.4
GDP per head (US$ at PPP)	10,650	7,187	3,039	3,806	6,398
Consumer prices (end-period; %)	5.8	5.4	9.2	6.5	2.1
Lending interest rate (av; %)	17.1	13.3	13.3	18.9	7.6
Exports of goods fob (US$ bn)	9.4	8.6	3.2	5.7	4.6
Imports of goods fob (US$ bn)	-13	-12.9	-4.8	-8.6	-8.2
Cur-account balance (US$ m)	-1,299	-878	-963	-955	-488
Debt stock (US$ m)	8,593	14,340	4,787	3,748	11,069

Source: Economist Intelligence Unit

Florida Ice & Farm:
Sustainability Champion from an Emerging Economy

Teaching Note

Synopsis

This case involves the efforts of Florida Ice & Farm Co. (FIFCO), Costa Rica's leading beverage company, to adopt a "triple bottom line" for measuring its performance not only in financial returns to its shareholders but also in social and environmental responsibility to society. This initiative was adopted at a time of financial crisis, severely testing the resolve of the company's leadership.

The case traces the history of the company from its founding as a small agricultural enterprise in 1908 through its achieving a near monopoly as the country's leading brewery. A new CEO, Ramón Mendiola, initiates radical changes in 2003 to bring FIFCO's productivity into line with the world industry leaders. In the first phase, from 2004 through 2006, he focuses on operational excellence, increasing efficiency and improving financial returns. In the second phase, he challenges the company to double sales and earnings in two years, which is achieved through a combination of internal growth and new acquisitions in foods and beverages.

Having achieved this goal, Ramón presents his executive team with a new challenge: to perform with excellence in the social and environmental, as well as the economic sphere. The case describes the five-step process designed by the company to implement the "triple bottom line" strategy. Additionally, the case focuses on three of the twelve objectives set by the company management: becoming "water neutral" in 2014; changing the cultural of alcohol consumption in Costa Rica; and the "Choose to help" volunteer program implemented at the organization. The issue facing Ramón at the close of the case is what should be the next challenge for the company. He could continue to consolidate the triple bottom line within FIFCO, or he could spread the philosophy to his business partners in other parts of the value chain.

Learning Objectives

1. Be able to evaluate the trade-offs in continuing versus abandoning the triple bottom line in a time of economic crisis.
2. Be able to identify the advantages and barriers to expanding the triple bottom line to other actors in the value chain, such as distribution channels.
3. Understand the importance of appropriate performance measures to achieving the non-economic goals of the triple bottom line.

Readings

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Use of the case

This case may be used in courses on Organizational Change, Leadership, Strategy Implementation, or Managing the Sustainable Enterprise (including specialized topics such as "creating shared value.")

Class plan

A typical 80-minute class may be organized in five parts of roughly 15 minutes each: (I) understanding how the change process led by Ramón Mendiola and how it has affected the company culture; (II) analyzing the structures and processes used to implement the triple bottom line in a time of crisis; (III) identifying shared value creation; (IV) recommending a "big goal" and an action plan for the next two years; and (V) exploring ethical dimensions. Depending upon the course objectives, any of these sections may be expanded or eliminated.

I. The change process at FIFCO

A good way to begin the discussion, especially if the topic is change management, is to ask: why did Ramón Mendiola choose to implement a triple bottom line strategy at FIFCO? This will immediately create an energized discussion, much of which will revolve around FIFCO's responsibility to society as a beer company. It should be recognized that there are both business and personal motives. The more general business case of why firms get into sustainability can be discussed in this section (to secure the operations in the long run, reputation, innovation, employee engagement, better relationships with governments, etc). Personal reasons of why a CEO would push a sustainability agenda in his firm might also be discusses: it is the right thing to do, religious beliefs, hubris, leadership.

At some point, the instructor should turn this general discussion back to the case: How did Ramón turn a complacent, happy but slow-moving monopoly into a results-oriented competitor, able to fend off the global giants that have taken over in other Latin (and Central) American countries? Important points in this discussion include the adoption of a goal-oriented structure (by business unit), aggressive benchmarking, use of external consultants, and a strategic planning process that set two-year stretch goals. It should be clear from this discussion why he first concentrated on cost reduction (much low-hanging fruit) and only after he had gotten the house in order, launched on a growth strategy that included both organic growth (in a mature industry) and acquisitions to diversify into food and non-alcoholic beverages. Doubling revenues and operating profits in two years, when it had previously taken seven, was a major company milestone which energized the company, but once achieved, the CEO needed to challenge his management team with a new stretch goal. If he did not, there was a danger that the company could lapse back into complacency.

If the case is being taught in an organizational change course, more time should be spent on this section with questions such as: How did Mendiola create a sense of urgency in this complacent monopoly? How did he get salespeople to accept a 70% variable compensation package? This discussion of the change process at FIFCO should leave no doubt as to the why the triple bottom line was adopted (both business and personal values), and the discussion can now turn to how it was implemented.

II. Implementation of the triple bottom line strategy

This section might begin with the question, "What is the triple bottom line?", but the discussion should quickly move to the question of how it was implemented, beginning with the structure. Who was responsible for the triple bottom line strategy? What did she need to be able to do her job? Was it a good idea to put this responsibility in the Corporate Relations Department? The pros and cons of such a structure should be explored.

The discussion should then turn from structure to processes. The instructor might ask what students think of the five-step process and which of the steps do they think were determinant to a successful design and implementation of the strategy within FIFCO. It should be recognized that the consultations with external stakeholders about their footprints. What would have happened if Ramón and Gisela had decided which projects to engage in on their own? What did they gain from engaging civil society organizations, customers, governments, and other stakeholders? It should be clear from this discussion that one of FIFCO's most important programs, responsible consumption, was driven by stakeholder expectations and demands.

It can be expected that students will comment on the "double crisis" and how the rapid decline in beer sales affected the implementation of the TBL strategy. Role-play can be used effectively in this part of the discussion. “As a banker on FIFCO’s Board of Directors, how do you feel about paying for 25,000 hours of volunteer time when company sales and profits are rapidly declining?” Or, “Should Ramón recommend to the Board to cut dividends, something the company has never done in a hundred years? If not, how do you explain to workers that they must take a cut in take-home pay?” These discussions may be highly charged with emotion. One way to bring some closure is to ask, “Looking back, what was the impact of the double crisis on the implementation of the TBL strategy?” Perceptive students will understand that the situation facing the company in late 2008 and early 2009 provided an important test of commitment, strengthening the resolve of everyone in the company. The unanimous vote to take a cut in hours worked (and in pay) contributed to the spirit of solidarity.

III. Results: has the TBL strategy created value for FIFCO?

One way to begin this discussion is to ask students to interpret the data in Exhibit 10. What does it tell us about cost savings? Savings of water usage and electricity appear minimal at $15k and $11k, but savings of not sending solid waste to landfills ($611k) and income from the sale of recoverable waste ($549k) appear substantial, as does the $180k savings in insurance premiums resulting from improved occupational health and safety. Recycling generates revenues of $2.6 million, but this is mostly captured by other parties in the value chain and prodices a net loss of $128k for the company. The total of these savings in 2011 (over 2010) is $1.238 million or 0.6% of total operating costs of $220 million in 2011 (112.8 billion colones / exchange rate of 506.6). In discussing these numbers, the water usage savings appears very low given that the company has gone from 14:1 (ratio of water to final product) to 4:1, but this was accomplished over the longer term, beginning in 2003, and the company is now pushing the limits of operating efficiency in this area.

Some students may point out that there has been a reported decline of 7-8% of been sales in festive events, but this is part of a conscious company strategy to change consumption patterns in Costa Rica, with fewer beers consumed at a time but with increasing frequency, as occurs in Quebec. No data are yet available, but the idea is to create value by increasing overall consumption while limiting that which is harmful to health, causes accidents, or leads to domestic violence.

Another area of discussion is the impact of the TBL on employee identification and engagement, which is not measured in Exhibit 10. It can be argued that the Sustainability Balanced Scorecard allows for making better decisions by setting goals, tracking results, and linking performance with compensation. Linking the variable compensation to the performance in the three dimensions motivates managers to care about these goals. Would they be able to make this link if there were no objective measures and goals in each dimension? However, other students may argue that the Sustainability Balanced Scorecard creates "confusion" and "tension" as sales representatives try to balance competing objectives.

This session can come to closure with the question, "Is the bottom line the only measure of company results?" Here students may point to the GRI report. They should understand what these reports are and what methodology they employ, including clarification of what the "letters" and signs (+) mean. What would happen is FIFCO does not publish such a report? Where are the benefits of publishing such a report?

IV. It appears that FIFCO has achieved some positive results. What would you recommend to Ramón as the "big goal" for the next two years?

This links back to Mendiola's leadership, in which he challenges the organization with stretch goals to avoid falling back into complacency. Most students are likely to support the idea of extending the TBL to other business partners in the value chain, but they should be challenged by asking the question, Is FIFCO responsible for what happens outside its boundaries? Why? Once this issue has been discussed, the instructor can say, "Let's suppose that FIFCO decides to go ahead. In what part of the value chain should they concentrate? To whom and how? While there is only limited information in the case to guide these choices, students may be asked: would you concentrate your resources in working with the Wal-Marts or with the thousands of "tienditas"? The former provide enormous scale economies, enabling FIFCO to interact with just a few individuals who make decisions over large volumes of product. However, it is likely that Wal-Mart, given its high visibility, already has its own version of TBL in place (students may be encouraged to browse the Internet for information on this).

Other students will argue that the company has a responsibility to educate the owners and employees of thousands of "tiendas" that may not now be practicing responsible environmental management. If students have been exposed to the concept of the "sustainability frontier," they may be asked; which of FIFCO's distributors and retailers are closest and furthest from the frontier?

V. Ethical dimensions

Some students may feel that social responsibility in a company dedicated to producing and selling alcoholic beverages is an oxymoron. This is an issue that deserves discussion. One way to approach it is with the following question: "As the representative of the business sector, you are invited to participate as a judge of a CSR contest. Would you support a prize for FIFCO even if its most important business unit is dedicated to the production and distribution of alcoholic beverages? This will polarize the discussion, with students taking positions on the effects of alcohol in society. To students with immovable positions, the debate can be broadened with such questions as: Would your position change if FIFCO only sold carbonated drinks? Is there a social footprint for carbonated drinks? How could a prize influence FIFCO's motivation to decrease its social footprint?

If time permits, the instructor can show the video of campaign "moderation: as a next step": http://www.youtube.com/watch?v=r3CobdvkBWQ. The question can then be asked, Does the responsible consumption campaign and goals discussed in the case sufficient to address FIFCO's social footprint?

For a brief concluding section, one can use the picture of the three rocks in balance to close the session (see **Exhibit 1 - Teaching Note**). A brief discussion of the trade-offs and balance between the different dimensions (economic, social and environmental) can provide a powerful closure.

Questions for Class Preparation

1. What is your evaluation of the change process led by Ramón Mendiola in FIFCO during the 2003-2009 period?

2. Why does Mr. Mendiola want to implement a triple bottom line strategy?
3. What were the major obstacles encountered in implementing the strategy in 2009-2011? How were these overcome?
4. What results have been achieved with the triple bottom line strategy? (Please refer to Exhibit 10.)
5. What would you recommend to Mr. Mendiola for the next two years? Why?

Supplementary material (optional): A video of Ramón Mendiola presenting to a group of executive MBAs is available upon request (please contact any of the authors). In this video, the CEO of Florida Ice & Farm explains important milestones in the company's history. It includes Ramón's explanation of the challenges faced by the firm by 2003 and 2009, as well as the design, implementation and results of the triple bottom line strategy. The video is available in Spanish only.

Exhibit 1 - Teaching Note.

"Our businesses have always been three-dimensional, we managers simplify them to manage them and understand them better. In a few years, the best companies in the world will not be the ones with higher sales and profits only, but those that will lead and focus on achieving excellence in the three dimensions: economic, environmental and social, those that are leaders with purpose".

- Ramón Mendiola, CEO of Florida Ice & Farm Co.