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Coca-Cola FEMSA's Contribution to Peace

In August 2011, Jose Antonio Fernandez Carbajal, Chairman of the Board and CEO of FEMSA, watched the faces of the audience as they listened to Alvaro Perez, a demobilized combatant of the *Fuerzas Armadas Revolucionarias de Colombia* (FARC, Revolutionary Armed Forces of Colombia)-- where he used to make uniforms under the command of Mono Jojoy¹ --and now a clothing manufacturer and business leader in Bogota and a FEMSA supplier. Although he had heard his story several times before, he did not cease to be amazed at the impact that Alvaro's testimony and that of other individuals who had decided to abandon the armed conflict caused on different audiences.

Four years earlier, at the request of Alvaro Uribe, the then-President of Colombia, Fernandez had accepted the challenge of involving Coca-Cola FEMSA Colombia in a project of collaboration with the *Alta Consejería para la Reintegración* (ACR, High-Council for Reintegration)² in an initiative known as the Time Bank.³ Since then, a growing number of company employees had been donating their time to train and help the former members of the guerrilla of the (FARC) and the *Ejército de Liberación Nacional* (ELN, National Liberation Army) and right-wing groups such as the *Autodefensas Unidas de*

¹ Victor Julio Suarez Rojas, alias Jorge Briceño Suales o "Mono Jojoy", was a Colombian guerrilla fighter, commander of the military operations and a member of the Secretariat of the Revolutionary Armed Forces of Colombia. Extracted in May 2012 from the Wikipedia webpage http://es.wikipedia.org/wiki/Mono_Jojoy

² In September 2006, Former President of Colombia Alvaro Uribe created the *Alta Consejería para la Reintegración* (ACR, High Council for Reintegration) in the Presidency of the Republic to coordinate the reintegration efforts of the Government and appointed Frank Pearl González as High Counselor for Reintegration in 2007. The current President of the Republic of Colombia, Juan Manuel Santos, appointed Alejandro Eder Garces as High Counselor for Reintegration, who assumed the position on September 21, 2010. On November 3, 2011 the High Council was renamed *Agencia Colombiana para la Reintegración* (ACR, Colombian Agency for Reintegration) pursuant to Decree 4138, and Alejandro Eder Garces was ratified as Director. Extracted in May 2012 from <http://www.reintegracion.gov.co/Es/ACR/Paginas/resena.aspx>

The information for this case was gathered in August 2011, when the government agency in charge of the reintegration efforts was still called the *Alta Consejería para la Reintegración* (ACR, High Council for Reintegration). For the sole purpose of this case and with a view to respect the time-line of the research, we will refer to this organization by its former name.

³ Like the ACR, the Time Bank program has undergone a series of changes and by the time of writing and publication of this case, it had been renamed "Contributing Time". In a similar manner, for the purposes of this case and with a view to respect the time-line of the research, we will also refer to this program by its former name: Time Bank.

This case was written by Professor Rosa Amelia González, from the Instituto de Estudios Superiores de Administración (IESA), Professor Gerardo Lozano and Researcher Francisco Layrisse from the EGADE Business School - Instituto Tecnológico de Monterrey, as part of the SEKN Case Collection. SEKN cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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Colombia (AUC, United Self-Defense Forces of Colombia), in topics related to job market reinsertion and entrepreneurship/starting new businesses. Fernandez appointed the Director of Corporate Affairs of Coca-Cola FEMSA Colombia, Felipe Marquez, to be in charge of this initiative.

Although it was not easy to overcome the fears and resentment brought on by the conflict, Marquez and the rest of the people working for Coca-Cola FEMSA were very pleased with the results attained up to that point. The Time Bank program had expanded to several other cities and had grown to more groups of participants. FEMSA's peace promoting activities had spread to other parties affected by violence: government military forces were supported by the donation of special prosthesis and devices to troops suffering from disabilities as a result of their involvement in the conflict; people who had suffered violence in their territories at the hands of the guerrilla and paramilitaries, such as the inhabitants of El Salado, a village that had been totally devastated during the conflict, was being rebuilt through the joint efforts of a group of companies; moreover, reintegration was being promoted among the demobilized combatants, the victims and the military in the seven *Centros Comunitarios de Aprendizaje* (CCAs, Community Learning Centers) – located in even the most remote places.

Reviewing the activity of the company and its accomplishments, Marquez had no doubt that the private sector could contribute decisively to the peace process in Colombia, but greater participation of businesses was still required. According to data provided by the company, by mid 2011 approximately 30 companies had joined these efforts, so there was yet much work to be done. While the dissemination of Coca-Cola FEMSA's experience had helped to stimulate some businessmen, it seemed that the work performed up to that point was insufficient.

The following week the Steering Committee would meet in order to evaluate the 2012 plan and budget. Government officials had hinted that they would be very pleased if Coca-Cola FEMSA would publicize its activities more intensely to favor the reintegration process, which up to that time, had been disseminated exclusively through cost-free press. Marquez had to bring his team together as soon as possible to examine the options the company had, and present them to Fernandez. Should they continue with the same profile or embark upon a more systematic communications campaign? If they chose the second option, what would the risks be and how would they manage them?

Colombia and the armed conflict

The Republic of Colombia is located in the northwest of South America, and is the fourth largest country in the region. The Caribbean islands of San Andres, Providencia and others are part of its territory and so are the islands of Gorgona, Gorgonilla and Malpelo, in the Pacific. To the north it borders with the territorial waters of Honduras, Jamaica and Haiti, to the east with Venezuela and Brazil, to the south with Peru and Ecuador, to the west with the territorial waters of Costa Rica and Panama, and to the northwest with Panama.

The Colombia mainland is crossed from north to south by the great Andes mountain range, which in turn further subdivided into three chains: West, Central and East. Almost 50% of the national territory is covered by great virgin rainforests.⁴

⁴ Colombia, *Perfil comercial, empresarial y gerencial de Colombia*. Business Colombia. Extracted in November, 2011 from: <http://www.businesscol.com/comunidad/colombia/colombia01.html>

The estimated population for 2011 was almost 45 million. Although the *per capita* GDP in 2010 was US\$ 9,800 per year, 45% of the population lived below the poverty line while the unemployment rate had held fast at about 11% since 2003.⁵

As it was the country with the longest-standing guerrilla in the world, Colombia had been afflicted by a situation of extreme violence for many years. It was estimated that over the last 20 years the conflict had claimed 70,000 lives, most of them civilians, killed out of combat. Tens of thousands were abducted, "missing", and tortured, while more than three million people were forced to leave their homes. In the course of 40 years of conflict, security forces and paramilitary bodies -- supposedly assisted by the army-- had confronted the guerrilla groups in a struggle for control of territory and economic resources, where civilian populations were the most affected. Not only had they been trapped "in between two lines of fire" but also, because they were often placed in the bull's-eye directly and deliberately --e.g. to get rid of those who were thought to be supporting "the enemy" or to sow terror with the purpose of "cleaning up" strategically or economically significant territories of interest to the armed groups or those who supported them.⁶

While the origins of the conflict dated back to the end of the nineteenth century, the critical flash-point for this violence occurred in 1948 with the assassination of liberal leader Jorge Eliecer Gaitán. This event known as the "*Bogotazo*" [Bogota Strike], marked the beginning of a violent escalation that resulted in the assassination of 300,000 people between 1948 and 1953, triggering the proliferation of subversive armed groups.

During the 1960s several armed groups were formed, among them the Revolutionary Armed Forces (FARC), comprised mostly of peasants claiming an agrarian reform, and the National Liberation Army (ELN), heir to the student movement that inspired the Cuban revolution. With the creation of these groups, violence escalated and the large landowners who lived in places where the presence of the State was weak, responded by fostering the formation of right-wing paramilitary organizations.

In the face of such escalation in violence, the first steps toward pacification were taken in 1982 -- during the administration of President Belisario Betancur-- with a general amnesty declaration for armed groups of the opposition. The FARC agreed to a ceasefire in 1985, but due to the lack of support from the political parties and the elimination of thousands of demobilized guerrilla combatants, they took up arms once more.

In 1990, between the administrations of Virgilio Barco and Cesar Gaviria, agreements were signed with other minor rebel groups joining the political opening set forth in the Constitution of 1991. Regarding the rest of the rebel groups, the decision was to declare an "all out war" on them, which would be continued by Ernesto Samper (1994-1998).

Then, towards the end of 1999, with Andres Pastrana in office, the Colombia Plan would be launched. This was an ambitious comprehensive project that was also supposed to eradicate drug trafficking and promote the social and economic development of the country. During the first few years of his administration, Pastrana showed great willingness to negotiate with the guerrilla groups,

⁵ Colombia. Index Mundi. Extracted in November, 2011 from: <http://www.indexmundi.com/es/colombia/>

⁶ Colombia: *cuerpos marcados, crímenes silenciados*. Amnesty International published in *Revista Futuros* No. 14, 2006 Vol. IV. Extracted in November, 2011 from: http://www.revistafuturos.info/futuros14/colombia_violencia_m.htm

but after a very lengthy and not-too-fruitful process, he felt that the strategy had failed and finally decided to break negotiations with the guerrilla at the beginning of 2002.

That same year, with the arrival of Alvaro Uribe, and his "order and authority" program, negotiations were again resumed with the insurgent groups.⁷

According to the ACR "Colombia has been a victim of the scourge of illegal armed groups and terrorist organizations which have caused great suffering to the Colombian people, hindering the country's economic and social development. These groups, especially the left-wing Marxist organization, FARC, and the Castrist ELN, which had in their inception been driven by ideological motivations, have abandoned their political ideals and are currently engaged in illegal activities such as drug trafficking". The ACR goes on: "Since he became President in August 2002, and until the end of his administration, President Alvaro Uribe Velez implemented the *Política de Defensa y Seguridad Democrática* (PDSD) [Democratic Defense and Security Policy] to fight against the illegal armed groups, while seeking to protect human rights and strengthen democratic institutions. This policy, which has been continued by President Juan Manuel Santos as of 2010, has managed to significantly decrease the size and capacity of illegal armed groups and the number of abductions, homicides and other criminal activities in the country has declined. Terrorist attacks against towns and cities have been practically eliminated. The PSDS was forceful against the groups and individuals who insisted in continuing their involvement in terrorist activities, but at the same time offered an exit to all those who opted to relinquish their groups and reintegrate to civil society as citizens respectful of the rule of law. The process of reintegration played a key role in the implementation of this aspect of the PSDS, by opening an outlet so that combatants who would demobilize collectively with their armed groups or those who decided to abandon their groups voluntarily and individually could live in lawfulness."⁸

FEMSA

FEMSA participated in three industries: soft drinks, convenience stores and beer.

Through Coca-Cola FEMSA, the largest bottling company in the Coca-Cola system in the world, the company reached more than 200 million consumers in 9 Latin American countries (Mexico, Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil and Argentina), with more than 1.5 million points of sale, 31 bottling plants and 210 distribution centers.

Through OXXO, the largest and fastest-growing convenience store chain in Latin America, it served more than 7 million customers daily in its nearly 10,000 convenience stores in Mexico and 6 in Colombia.

Additionally, it had a very important interest in Heineken, one of the leading brewers in the world. It also had an area for strategic inputs, which provided its businesses with logistics, cooling, packaging and other services.

⁷ *Conflictos armados en Colombia*, (2007) Accion Ciudadana. Extracted in November, 2011 from: <http://accionciudadana.wordpress.com/2007/07/08/conflictos-armados-en-colombia/>

⁸ *Datos de Colombia. Alta Consejería para la Reintegración*. Extracted in November, 2011 from: http://www.reintegracion.gov.co/Es/proceso_ddr/Paginas/datos_colombia.aspx

Its history began in 1890 with the foundation of the Cuauhtemoc Brewery in Monterrey, Nuevo Leon, Mexico, at the initiative of a group of businessmen in the region.

Over more than a century, FEMSA had stood out as a pioneering company in the simultaneous creation of both economic and social value. It had managed to attain remarkable growth in its businesses, and had also created a legacy of a corporate social responsibility culture, beginning with its employees and their families, the communities where it operated and caring for the environment. With the creation of companies and institutions such as Sociedad Cuauhtemoc y FAMOSA (SCyF), Clinica Cuauhtemoc y FAMOSA (CCyF) and the Tecnológico de Monterrey university, FEMSA stood-out for its commitment to the comprehensive development of its people and the communities where it was present.

The mission statement of the company proclaimed: *Our philosophy is furthered by the desire to attract and satisfy the needs of consumers, consistently generate financial value for stockholders, as well as greater social development. Over the years, we have synthesized our philosophy into a simple Mission: "Satisfy and please the beverage consumer with excellence"*⁹

As dictated by its mission, its business behavior was founded on the values that comprised the FEMSA Culture, which had guided the actions and decisions of each one of its companies over the years.

FEMSA's Sustainability

At FEMSA sustainability was an integral part of its corporate culture. They recognized the importance of operating their businesses in order to create simultaneously economic, social and environmental value for their people and the communities where they had operations, as well as preserving the planet for future generations. Their sustainability framework was defined through four axes, each axis with specific fields of action: quality of life in the company; health and well-being; community outreach; and caring for the environment.¹⁰

Economic Value Creation

FEMSA had a diversified product portfolio comprising more than 100 brands of soft drinks, juices, coffee and water. In 2010 they reported total revenues in the amount of \$ 169.7 billion pesos (US\$ 13.7 billion), assets for \$ 223.5 billion pesos (US\$ 18.05 billion) and direct jobs for more than 150 000 people.¹¹

They knew that in order to have a better environment, their operations had to foster the development of their stakeholders. Therefore, they sought to produce positive economic effects in the places where they were present by properly and promptly meeting their fiscal obligations, hiring

⁹ Mission and Vision. FEMSA. Extracted in November, 2011 from: [http://www.femsa.com/es/about/philosophy/misin-y-
visin.htm](http://www.femsa.com/es/about/philosophy/misin-y-
visin.htm)

¹⁰ By the end of 2011, FEMSA added a fifth axis to its sustainability platform, dedicated explicitly to ethics and corporate values. Even though these principles had always been present in all its actions, the company thought it was important to make the commitment to its promotion and compliance explicit.

¹¹ Number of employees until December 2010. Includes only Coca-Cola FEMSA and OXXO.

local employees and using suppliers from the local community, as well as creating direct and indirect jobs. In this way, for each direct job in the beverage industry, they would generate five indirect jobs.¹²

Social Value Creation

The company had received a number of awards in recognition for its corporate social responsibility. For seven consecutive years, Coca-Cola FEMSA, FEMSA Retail, FEMSA Packaging and FEMSA Logística had been recognized by the *Centro Mexicano para la Filantropía* (CEMEFI, Mexican Center for Philanthropy) as a Socially Responsible Corporation, while FEMSA Corporate received this award for the fifth time. In like manner, the company had received the Ethics and Values in Industry prize awarded by the *Confederación de Cámaras Industriales de los Estados Unidos Mexicanos* (CONCAMIN, Confederation of Industry Chambers of Mexico), the National Safety Award given by the Transportation Association, and others.

In addition to its social sustainability programs, in 2008 the company created the FEMSA Foundation whose mission was *"To be a social investment instrument that supports education, science, and technology in the areas of water conservation and sustainable use, as well as the improvement of the quality of life within communities through applied Education, Science and Technology"*. The primary objective was to create long-term social value for the Latin American communities.

Coca-Cola FEMSA

In 1979, FEMSA acquired some refreshment bottlers, which at the time had 13 distribution centers, 701 delivery routes and production capacity for 83 million cases, with which it established its first Coca-Cola franchise. In June 1993, through a partnership with The Coca-Cola Company (TCCC) Coca-Cola FEMSA was created when a TCCC subsidiary subscribed 30% of FEMSA's capital stock in shares. Later, in September 1993, FEMSA made an initial public offering, amounting to 19% of its capital stock and began trading in the Mexican Stock Exchange and in the New York Stock Exchange. Sometime after that, in a series of transactions between 1994 and 1997, FEMSA acquired territories in Argentina and new territories in southern Mexico.

In May 2003, FEMSA acquired Panamerican Beverages, or Panamco, and began producing and distributing Coca-Cola brand products in other territories in the Central and Gulf zones on Mexico, as well as in Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela and Brazil, in addition to bottled water and other beverages in some of these territories. As a result of this acquisition, TCCC increased its interest in FEMSA from 30 to 39.6%. With this operation, Coca-Cola FEMSA turned into the largest Coca-Cola franchise in Latin America.

Coca-Cola FEMSA Colombia

Economic Value Creation

Coca-Cola FEMSA in Colombia was the company that controlled *Industria Nacional de Gaseosas, S.A.* (INDEGA), which comprised affiliates *Embotelladoras de Santander, S.A.* (EMSA); *Embotelladora Roman, S.A.* (EMRO) and *Embotelladora del Huila, S.A.* (EMHU), who were responsible for producing and distributing the products of The Coca-Cola Company in the entire country. They served their Colombian consumers through a full brand portfolio comprising: Coca-Cola, Coca-Cola Light, Coca-

¹² Economic impact today. FEMSA. Taken in November 2011 from: <http://www.femsa.com/es/social/economic.htm>

Cola Zero, Kola Roman, Premio, Schweppes, Quatro, Sprite, Sprite Light and Crush, Crush Sabores, Manantial water, in addition to other beverages and juices such as Powerade and Jugos del Valle. In February 2009, it successfully closed the transaction to acquire the Brisa bottled water business from Bavaria, a SABMiller subsidiary. This operation enabled Coca-Cola FEMSA to increase its presence in the purified water business in Colombia, diversifying its product portfolio even further (see Exhibit 1 for highlights on Coca-Cola FEMSA Colombia).

Social Value Creation

Since its arrival, the company dedicated part of its profits to carry out corporate social responsibility actions. Between 2003 and 2010 they allocated between US\$ 200,000 and US\$ 400,000 per year, but in 2011 this amount rose to a little over one million dollars. (See Exhibit 1.)

In congruency with Mexico's philosophy, Coca-Cola FEMSA in Colombia had projects and programs that sought to create economic, social and environmental value. From 2003 until 2007, the following different initiatives were pursued:

1. Environment

1.1 Water Resources: to promote the responsible use of water. From here, different projects arose, such as:

1.1.1 A water-purifying vehicle to provide relief in cases of disaster. It was a vehicle whose service was donated by the FEMSA Foundation to "Colombia Humanitaria" [Humanitarian Colombia], which consisted of a mobile purifying plant capable of supplying in case of disaster, the daily needs of 4000 people. The investment in this project was US\$ 100,000.

1.1.2 Potable water for villages, consisting of water-purifying equipment installed in deprived communities. Until 2012 this program had benefited some 40,000 people in six communities. The investment had risen to US\$ 417,750 including the contributions of the FEMSA Foundation and Coca-Cola Services of Colombia.

1.1.3 Water for Education, Education for Water, this program consisted of providing water purifying plants to schools in Antioquia, where 60 purifying plants had been installed, 30 by FEMSA Foundation and Coca-Cola FEMSA Colombia and 30 by the Public Companies of Medellin (EPM) benefiting a total of 6,000 people. The investment was US\$ 270,000.

1.2 Solid Waste Management: to promote recycling. The projects in this initiative were:

1.2.1 Everyone for water, cleaning campaigns, rivers, beaches and wetlands where they involved different organizations in the recovery and cleaning of 13 sources of water.

1.2.2 Recycling's Got Value, a program implemented in chain retail stores which purpose was to promote the comprehensive management of solid waste after consumption.

1.3 Climate change, this initiative sought to decrease the carbon footprint of the company's operation. The programs in this initiative were:

1.3.1 Green Trucks, contributed to mobility providing environmental benefits by using 29 100% electric trucks producing zero emissions and zero pollution.

1.3.2 Taking Care of Myself, and Caring for the Environment, this program was nurtured with the volunteered resources of the company's workers and the company, which promoted the provision of libraries with textbooks focusing on protecting the environment.

2. Well-being

- 2.1 **Beverage Benefits**, a program consisting of promoting the characteristics and attributes of each one of the products marketed by FEMSA. Within the company, it was implemented under the Brand Ambassadors platform.
- 2.2 **Lifestyles**, promoted physical activity and a culture of healthy active living. The programs in this initiative were:
 - 2.2.1 **Sign Up and Play**, sought to promote comprehensive development in children through physical activity and wholesome eating.
 - 2.2.2 **Cycle path** was developed by the District Institute of Recreation and Sports (IDRD) of Bogota, which found an ally in FEMSA to raise the levels of physical activity through programs fostering and supporting sports.
 - 2.2.3 **Sketching My Own Destiny**, a program for developing competencies and tools for life.

3. Community

- 3.1 **Food Bank**, they supported 14 food banks in the entire country, donating product destined to the poorest populations in each city.

4. Social Development

- 4.1 **Family**, helped employees and their families understand that they were a strongly developed and integrated beachhead for education.
 - 4.1.1 Employee-Family-Company integration program with activities such as: tours of units, courses and vacation programs for children, housing fair, talent development, such as manual arts and crafts and education (for wives) and cultural and entertainment activities.

High Council for Reintegration (ACR)

"We are as willing to embrace those who abandon violence as we are determined to defeat terrorism. Just as we will not relent until we have defeated the last of the terrorists, we welcome into our demobilization program all those who wish to make a speedy peace with the Colombian State. We call upon young people both from the countryside and from the cities who have been tricked or forced into joining the terrorist organizations to lay down their arms and stop the suffering they inflict on society and their own families. We have seen how the families of farmers suffer, how the urban families grieve when their children are forced by these organizations to join their ranks. We are prepared to take in all those who abandon violence, to provide them with security and educational opportunities so that they may re-enter society."

Letter from Former President of the Republic of Colombia, Alvaro Uribe Velez, 2003

"The reintegration policy continues to be the fundamental policy within which the entire process we are experiencing in this country to restore so many people to normal life, who had dedicated themselves to an abnormal life.

Those demobilized continue to be a priority for the National Government, but the responsibility is not only the Government's, it is everyone's responsibility: the private sector's (we have told them this in every way) and yours too, governors and mayors, include this reintegration policy in your development plans, because it is extremely important. Because that is related to the first point in the Development Plan: security.

To the extent that we can really reintegrate so many thousands of people who are looking for this opportunity, and truly re-insert them into society, we will save ourselves many, many headaches."

Address of the President of the Republic of Colombia, Juan Manuel Santos

Governors and Mayors Meeting, 2012

As part of the PDSD (Democratic Security and Defense Policy) through Presidential Decree 128 of 2003, the program of voluntary demobilization of the members of illegal armed organizations (guerrilla groups and self-defense groups) was enacted. It provided an alternative so that those individuals could get a fresh start on life, and definitely abandon illegality. The process of demobilization contemplates two paths (see Exhibit 2): the individual one, which corresponds to individuals deserting from an armed group, and the collective one, which results from negotiations of the National Government with the armed groups.

Until 2006, the Colombian Government offered a reinsertion program focused on the individual, which sought to reform and prepare demobilized combatants through psycho-social counseling, academic training, and access to the national health system, in addition to monthly financial aid. The program was called *Programa para la Reincorporación a la Vida Civil* (PRVC, Program for Reinsertion into Civil Life) and was run by the Ministry of the Interior and Justice. In the beginning, when the demobilized population was relatively small, the Program worked very well; however, when the results of the policy of democratic security began to arise and the rate of demobilizations grew significantly, the needs of the process exceeded the capabilities of the PRVC (see Exhibit 3).

With the creation of the *Alta Consejería para la Reintegración* (ACR, High Council for Reintegration) in September, 2006, the short-term re-insertion model was exchanged for a long-term re-insertion model stressing training and education of the demobilized combatants, which had no time limit, but conditioned the social and economic benefits to the commitment of the demobilized individual to the route of reintegration and to remaining within lawfulness.

"Many of these people were born in the guerrilla; they only know the jungle and the rifle. If four out of every 10 do not know how to read when they enter the demobilization program, how can we expect them to be working within two or three years and not be fired six months later? It is important that they go to school, but that is extremely difficult for people who come from families where no one has gone to school for two or three generations. Besides, by participating in subversive groups, they have seen that financial success can be achieved without schooling; for the majority of them a five-year projection is as eternal as an entire lifetime. How does one get them to school? (...) We were pragmatic. We said... let us condition the aid to their going to school and trust that in time, they will understand the value of schooling" (Frank Pearl, Former High-Commissioner for Reintegration).

For the above mentioned reasons, this new council had to go beyond and in its mission it established: *"Impel the return of the demobilized population to lawfulness in a sustainable manner, through joint, comprehensive and responsible application of the National Policy for Social and Economic Reintegration of Illegal Armed Groups and People, thus contributing to peace, security, citizen coexistence and leading to reconciliation actions in different receiving contexts."*¹³

¹³ About the ACR, Mission, Vision and Objectives. ACR. Extracted in November 2011 from: http://www.reintegracion.gov.co/Es/ACR/Paginas/objetivo_funciones.aspx

Within the framework of reintegration, the ACR provided the following services to the demobilized combatants:

Social Reintegration. It was articulated with the national offering, with the understanding that it was neither possible nor desirable to create a para-government for the demobilized combatants. It included the services of psychological counseling, education, adult education and a subsidized public health regime. During this stage, the person was paid a stipend that did not exceed 400 thousand Colombian pesos per month (US\$ 210. 52 at a rate of exchange of 1,900 Colombian pesos per dollar).

Economic Reintegration. This comprised two processes: training for a job and earning income.

- **Training for a job.** Once a person completed the education route, training for a job would begin through the *Servicio Nacional de Aprendizaje* (SENA, National Learning Service)--in the places where it was being offered. If the SENA did not have coverage there, the offering would be taken to them inasmuch as possible.
- **Earning Income.** After a person completed the route of education and training for a job, the individual could have access to two lines to earn income: entrepreneurship, for which seed capital was granted to start-up a business, or getting a job. After the failure of 30% of the productive projects financed by the PRVC, the ACR redesigned the whole framework, limiting seed capital access only to projects deemed to be viable, after the submittal of the corresponding business plan; the amount granted was 8 million Colombian pesos (approximately US\$ 4,200) for demobilized individuals, and 2 million Colombian pesos (about US\$ 1,050) for demobilized groups. It was also permitted to use the seed money for housing or higher education, after the demobilized person produced evidence of having completed the reintegration route.

Regarding employability, the ACR also modified the operating framework. Placement on a job was no longer practiced; rather, the participant would have to compete under equal conditions against other candidates for the job. The ACR would open the door to the company and submit the respective resumes, but the company would decide freely.

Community Interventions. These were performed in the municipalities receiving demobilized populations. This was done through operators, linking NGOs, community leaders, local authorities, etc. Given that the interventions were very brief (10 months), it had been necessary to repeat them in several areas of the country.

For the ACR the participation of the private sector was fundamental in the reintegration route, because re-inserting 53,000 people into society was a gargantuan challenge, a task impossible to achieve by government effort alone. However, they were aware that it would not be easy, because businesses had been the victims of the continuous attacks of these groups. To minimize the risks and facilitate the inclusion of the private sector, ACR designed a portfolio of possibilities, which could be attached to the Corporate Social Responsibility lines and programs of each organization (see Exhibit 4). Depending on the interests of the company and the needs of the organization, the ACR could formulate a joint project; supervise its execution, and follow-up on its results.

The Meeting between Coca-Cola FEMSA and the High Council for Reintegration (ACR)

In 2007, President Alvaro Uribe appointed Frank Pearl as High Counselor for Reintegration. Pearl came from the private world —he was President of Valorem, an important investment fund— and he joined the government to design a program, with a private perspective, that would allow different business organizations to collaborate in the process of reintegration. As part of this effort, one of the first companies Pearl wanted to call on was Coca-Cola FEMSA. During the meeting, Pearl, presented the senior executive group with a series of options from which the company could choose: hiring demobilized individuals; participating in the Time Bank program; investing seed capital in a project that could be managed by participants in the reintegration process; contributing to an investment fund --that would produce the same returns as any other fund of the same type-- that would be managed independently of the Government and which would be destined to social investments; linking the company's Corporate Social Responsibility programs to the High Councils programs; and allowing business practice internships¹⁴ in the Company to be done by demobilized combatants.

Before listening to the High Counselor, the managing group had been prepared to reject the invitation, because they had the expectation that the only thing that could be placed on the table would be the request to hire a certain number of people. The proposal of a range of options was not only a real surprise, but also made it more difficult for them to decline participating. Nevertheless, after the meeting, they agreed that Felipe Marquez' task would be to find the "most elegant" way of saying no.

The feeling in the company--and many Colombians shared the same view-- was that the reintegration process was an obligation pertaining only to the State. The company felt it was a victim of the conflict. It had been the target of several attacks from the ELN, the FARC's and the AUC on its facilities (see Exhibit 5). Also, they had suffered extortions from the three groups, which led to a significant drop in sales, when the company decided not to give in to the pressure. Moreover, there had been kidnappings and deaths among its personnel. In sum, the company felt that it was not its role and that participating in the process would be extremely dangerous as it entailed the risk of becoming a military target for the guerrilla or the self-defense forces.

Towards the end of 2007, Jose Antonio Fernandez Carbajal, Chairman of the Board and CEO of FEMSA was in Colombia on account of the 80th Anniversary celebrations of Coca-Cola in the country. Jose Antonio commented: it was an outstanding event, very nostalgic and pretty, they brought live musicians that played old 40s, 50s and 60s Coca-Cola Jingles. President Uribe really outdid it. After the public ceremony, Fernandez asked President Uribe during a private meeting what FEMSA could do to help Colombia; the President answered without delay that the Company could collaborate in the reintegration process. Fernandez asked Marquez for more information about the matter and, after learning about the different options that the High Council had offered; he did not hesitate to accept the invitation. Fernandez added: *"we already had presence in Colombia, a country with enormous potential for business, but we wanted to continue investing a lot in it and these peace initiatives became a part of this investment."*

As of that moment, Coca-Cola FEMSA reestablished contact with the High Council and it became the first private company to collaborate with the Government in the peace processes. They decided

¹⁴ In Colombia, it was mandatory to go through internship practices in companies. All companies with more than 50 employees had to open positions, depending on the number of employees, for students and other people who were beginning their work life to be able to do practical internships.

that the investment of the company would not be in financial terms, but rather in image, time and capabilities. For the Government, Coca-Cola FEMSA's participation was of paramount importance: to show that a company that size could overcome fear and be willing to get involved, could pave the way for many others to participate.

The dangers of each option to act were carefully weighed. While the least risky option would have been to contribute money, that choice was discarded because it meant a very low degree of involvement; on the other hand, the Time Bank initiative implied moderate risk and greater participation. The decision was to start the execution of the latter program immediately in the city of Bogota.

Coca-Cola FEMSA and the Time Bank Program

The Time Bank program was the result of an initiative that had the same name, which was created by the *Colombia Presente* Foundation, a non-profit organization founded in 1993, and chaired since its inception by Dr. Ana Milena Muñoz de Gaviria, former First Lady of Colombia. The mission of the Foundation was to promote values such as Social Responsibility, citizen participation, coexistence and tolerance, in order to build a better country. When it was created, the Time Bank had the purpose of inviting Colombian citizens to contact non-government organizations requiring professional assistance in specific projects and programs, and contribute their talent and knowledge.

Given the success of the program, the ACR decided to contact the foundation and between the two they adapted it to support the demobilization process: instead of common citizens, they wanted executives and employees so as to include the business sector in the peace process and instead of non-profit institutions they supported entrepreneurial demobilized individuals who needed special advice in order to make their business or business plans work and prosper.¹⁵

Once the decision was made that the Time Bank would be the initiative that best matched the corporate social responsibility strategies of the company within the axis of The Community, the team appointed to execute the project began to think about the best way to attract the employees of Coca-Cola FEMSA to this project. At the beginning, the same fear that the company had when the ACR had approached them arose. They thought the employees would not want to participate because of the allegedly predominant feeling among the people: "Reintegration is an obligation of the State, I am a victim and there's no reason I should help." There were even deliberations about the need to make it mandatory within the company.

Consequently, the company began a strong internal communications campaign, which lasted for two weeks, based on producing curiosity. To that end, ads were placed all over the company, in places such as office doors and restroom mirrors, with the message "Two hours of your time a week for a better country" (see Exhibit 6). Additionally there were massive mailings to all employees and they invited ACR officials to give awareness talks and explain the process of demobilization and its implications.

The pilot program started at the head offices located in Bogota, and it had been designed for 20 volunteers. Once the registration process was opened, 60 people enrolled. The result was a surprise

¹⁵ By the date of publication of this case, the program was being executed directly by the Colombian Agency for Reintegration and had adopted the name *Aportando Tiempo* (Contributing Time) for working with demobilized combatants.

and Felipe Marquez remarked: *"Now the problem is what to do with so many people? For us it was like a slap on the face because we had believed what some still believe today: that there is a sort of collective fear and that there is no desire to leave the problem behind. Actually, the opposite is true. Who are the ones not allowing companies to enter the peace process? The company owners! Why? Because they believe that the front lines will not allow or support it, but that is not true. People do want to contribute."*

As if to increase the bewilderment even more, among those enrolling were two people who had been affected directly by the guerrilla: one had been kidnapped, and the other's father had been kidnapped for a long time. One of them shared the following: *"I was kidnapped by the FARC for five months in the year 2000. I was 15 and I turned 16 while I was in captivity. This gave me the possibility of looking at the other side, and getting to know different people and their stories. I could see a social problem that went far beyond the armed conflict. When some of them finally opened up to me, I heard their stories; they all led to a blind alley where people ended up in the guerrilla because there was no other alternative. People had no option. I realized that I could not blame those people for being there. The strongest ideology within the guerrilla is survival, if they did not join the guerrilla they would die. In the city, we believe that they are people who are born with some sort of evil gene, but that is really not true."*

Once the convening stage was completed, the team in charge of the project --together with the volunteers, ACR, the Colombia Presente Foundation, and the National Learning Service of Colombia (SENA)-- began to adapt the Time Bank to the realities of the demobilized combatants and the company. From the beginning, the volunteers feared they would not know how to deal with the ex-combatants, nor how to relay their knowledge. It was clear to them that the information had to be grounded, practical, and useful in a simple understandable language for the entrepreneurs.

Hence, a decision was made to divide the project into five key phases: i) instructor preparation, ii) training the trainers, iii) content development, iv) meeting with the participants, and v) training and evaluation.

What stands out about the initial phases was that as a result of the partnership with the SENA, all of the volunteers received introductory workshops, with which different level company executives acquired new skills to be able to coexist and convey the knowledge to the demobilized adults. Additionally, with the purpose of portraying the spirit of the original Time Bank program, teams were made based on profession and specialty, i.e. all volunteers coming from marketing worked together to develop the sales module, all of the lawyers got together and prepared the module dealing with legislation, and so forth until the full curriculum was developed, which was taught in two-hour session per week for six months. (See Exhibit 7.)

Once the design of the courses was complete, the time came to receive the first class of demobilized participants. The night before the first day of training, mixed emotions were rampant. One of the volunteers remarked: *"When the day came, and they finally told us they would introduce us, I couldn't sleep. It is not easy to stand in front of a battalion of 40 people. I imagined I would get very hard looks. I was frightened. It led me to think a lot, but I took the chance."* In a similar manner, one of the program beneficiaries shared: *"In all honesty, I was afraid. I thought that the Coca-Cola gentlemen were going to look down on me and they would reject and judge me. Besides, I was not sure what I was going for."*

According to those in attendance, the following day went by normally although there was a little bit of tension, but as the time passed, the relationship between beneficiaries and volunteers became warmer and the fears were overcome. However, even though both parties had been previously sensitized, it was difficult to make the beneficiaries understand the purpose of their visit to the plant. The human resources manager in charge of the project said: *"They're not getting anything tangible in*

return and that is the most complicated thing. You have to convince them that they are coming here to receive training. They do not come here to get money, or a cooler or Coca-Cola products. Moreover, they come here to give us their resumes, their mothers, their grandparents, cousins, etc. It is complicated to learn to handle those expectations for them, but it is part of the training. These situations have already been foreseen."

They continued with the rest of the modules and the demobilized participants began to feel increasingly confident, and their learning grew. One of the beneficiaries commented: *"There's something special about this training, something that makes it different because they make it very dynamic, they involve you directly and they ask you for your opinion. The teachers impart theory, but they also give you practice, and thus you get more knowledge. I remember they used to tell me: 'so, you didn't understand? Fine, don't worry. We're going to practice it and everyone will have to leave this room with all this knowledge'."*

Likewise, the volunteers overcame their fears; each one heard from the previous instructor that the experience had been good and that the feeling was warm. And so it was, that the initial anxiety was gradually decreasing and trust began to emerge. One of the volunteers commented: *"It helped me heal my wounds, we were willing to go through the experience and we generated forgiveness for ourselves. Before starting, we took a course for trainers so that we could learn how to teach, how to handle a group, how to speak in front of an audience, and this has been very good for me. I had been shy, but with that training, I can now hold my own."*

Not only the volunteers and demobilized participants were being positively affected, the company was also reaping unexpected benefits. The human resources manager in charge of the project said: *"the volunteer came in as one person and came out of the program as another. As a result of their involvement, the employees became more participative, they started making suggestions, their leadership qualities began to shine, and it was becoming evident that they had more self-confidence."*

Six months went by, and the first class of entrepreneurs was getting ready for graduation. To celebrate the event, a grand ceremony was held attended by the then-President of Colombia Alvaro Uribe, the senior managers of the company, the leaders of ACR and some other public and business figures. The event placed Coca-Cola FEMSA in the limelight of the media, and the Time Bank initiative was all over the press, TV, radio and digital media (see Exhibit 8). That was invaluable for the ACR. Having the support of a great company like Coca-Cola FEMSA for one of its reinsertion programs gave it the image necessary for other companies to join the peace process and thus achieve its goals.

Thus, the bond between ACR and Coca-Cola FEMSA became stronger and the program grew. By the year 2011, the Time Bank program was in six cities: Bogota Medellin, Monteria, Barranquilla, Valledupar, Bucaramanga; and by 2012 there was talk of expanding it to eight with the inclusion of Villavicencio and Cartagena. Each plant adapted the program to the local needs and as the first classes began to graduate, they made adaptations and adjustments thought necessary for the sustainability of the program. An example of this occurred in Bogota, where the first and second classes of beneficiaries received financial aid from the company for transportation, but the third class did not enjoy this benefit; the company preferred to attract only those demobilized people who were really committed to the process, even though that would mean a reduction in the number of students (see Exhibit 9).

As a result of the program's progress and replication, the total number of graduates increased and some of them managed to get their businesses to produce positive outcomes. There was even a number of approximately 35 reinserted entrepreneurs that became part of the micro-businesses that had been included in the company's supply chain in areas such as textiles, caps, T shirts, pants,

wooden pallets, promotional items and others. At first, the company generated several conditions that made feasible the entrance of these businessmen. But as time passed and the small companies achieved certain stability, Coca-Cola FEMSA raised the bar and set equal market conditions, i.e. without subsidies or price considerations.

Some of the more successful cases were Cesar Augusto Flores, a former combatant in the AUC and founder of the company *Tejidos Manos de Paz* [Hands of Peace Weaves] which manufactured purses, belts, and other accessories using the Arab macrame technique, and Alvaro Perez, a former tailor in the FARC, and founder of the apparel company called *Colfepaz* [short for: "Colombia, Faith and Peace"]. On the one hand, Cesar had managed to keep his business prosperous through a good presence in arts and crafts fairs and selling to order. On the other, Alvaro had become a supplier at FEMSA after having graduated from the program. He said: *"For us it was very helpful to have graduated from the program and have a customer like Coca-Cola FEMSA that helped us a lot to get established and not to experience as many complications as other fellow students who had a harder time getting their first customers."* Notwithstanding, as every micro-businessman knows, there were lots of problems: *"We came from the rainforest into the cement jungle, and to be honest, sometimes it's tougher here. For us it's very difficult to grow because we work with companies that take 30 to 60 days to pay us after we deliver the product. No bank will give us credit and it's very hard for us to make ends meet on a daily basis."* Then he added: *"There even was a company that cancelled an order after finding out that we were demobilized combatants. But, its Ok you know, we're still here, workin' away."* For the company, working with Alvaro did not only imply having high-quality products, but also they continued supporting the reinsertion process since *Colfepaz* only hired demobilized combatants, and in that way they continued to contribute to the peace process.

After the success of the first initiative in favor of demobilization, the company felt that there was still a lot left to do. Felipe commented: *"Our program had a flaw: we were helping those who had been bad, who then decided to become good; but we were not helping the people who had been good all along, nor those who had been the victims of violence."*

The New Initiatives of Coca-Cola FEMSA

In keeping with the same strategy behind all its sustainability programs, FEMSA decided to expand its initiatives for contributing to peace and supporting the demobilization process from several fronts.

For the company it was clear that the following logical step was to help those who had always defended the homeland and the Colombian nation. And for this reason, the "Heroes in Action" program was started, and destined to provide special prosthetic devices to the members of the national armed forces who had been injured in combat. The objective of this program was to facilitate the recovery of the soldiers through effective rehabilitation.

Later, the company continued to expand its efforts and, as part of the Heroes in Action program, supported the remodeling of the facilities of the *Tolemaida* Battalion, donated a series of special computers for the blind at the *Sanidad* Battalion, sound amplification equipment, and school uniforms for the children of the national police. Felipe commented: *"We closed the circle; we supported the good ones and those who once were bad. We sent out a very clear message to the public that our interest was in promoting peace as a whole. The message was unequivocal, we, the companies, are part of the solution."* However, Felipe went on to say: *"We were going forward and as we did, we realized we were still missing one leg of the stool: What about the victims?"*

By then, other companies had caught on to the idea of contributing to peace. One of them was the weekly paper *Semana*, which through its foundation started an ambitious project in 2009. The project's goal was to reconstruct the village of El Salado, which years earlier had suffered a terrorist attack that severed dozens of lives and forced the survivors to flee their homes.

The *Semana* Foundation had set out to reconstruct one of the many villages that had been very much affected, not only to serve as a symbol of the reconstruction of peace for all citizens and restore happiness and joy to the inhabitants, but also to turn it into an insignia of union and forgiveness through the participation of all Colombians. So they began a great national campaign that was aired in all the communications media and consisted in the "sale" of a bracelet with the purpose of collecting the necessary funds for the physical and social reconstruction of the village.

Additionally, the foundation summoned the business sector and the third sector. Coca-Cola FEMSA was one of the first organizations, out of 83, to respond to the call. This project fit with the needs of FEMSA to begin to work for the victims and decided to help by donating a water-purifying plant that allowed the village to have a reliable and safe source of water. Nevertheless, that was not enough.

FEMSA, of Mexican origin, had a very strong partnership with the *Tecnológico de Monterrey Institute*, one of the most recognized institutions of higher education in that country. Among their multiple projects, both players had (jointly with other companies) worked to bring on-line education to remote low-income areas in the country. The project was called *Centros Comunitarios de Aprendizaje* (CCA, Community Learning Centers) and due to their acceptance and success in Mexico, FEMSA thought it was feasible to replicate them in Colombia.

Thus, Coca-Cola FEMSA started working with *Tecnológico de Monterrey Institute* in Mexico and began the necessary procedures to bring the program to the Colombian reality. As opposed to the rest of the peace projects of the company, the CCAs involved more complexity because they required the participation of more players such as the local governments with which they had not worked yet.

One of the first places selected to work on this project was Medellín given the fact that the city had been a victim of great waves of violence. In this city it was necessary to work with the municipal government and specifically with the *Centro de Formación para la Paz y la Reconciliación* (CEPAR, Center of Training for Peace and Reconciliation), which was already working on issues of basic and middle education. For FEMSA, CEPAR represented the ideal venue to introduce its initiative because the center was not only a place where the citizens could start, continue and/or complete their elementary and middle-school studies until the ninth grade under an accelerated study model, but it also represented a place to reconstruct the social fabric; ex-combatants, victims of the conflict and population with high risk of violence could coexist in the same classroom.

With the support of ACR, negotiations began between Coca-Cola FEMSA and CEPAR. As a result, it was agreed that the company would take care of all matters regarding licenses for use with the *Tecnológico de Monterrey*, and CEPAR in turn, would provide the computer center for implementing the project, in addition to promote, administer and tutor the different courses for interested users. The educational director of CEPAR stated: "For us, introducing on-line education was a significant change which supplemented our current programs very well. Many of our users had never had access to a computer, and therefore it was not a surprise that the most demanded course was "Introduction to the World of Computing and Basic Information Technology Skills"." (See Exhibit 10.)

The CCAs enabled an accessible distance education model, without time or space limitations, using information technology to close the technology gap and convey knowledge, skills and useful capabilities for today's world so that graduates would have a real chance at getting a dignified job.

Like the Time Bank, the CCAs spread and sites were opened in different parts of the country with significant results (see Exhibit 11). In the same way, the launching of the CCAs triggered great interest that again placed Coca-Cola FEMSA in the limelight of the media with which the intentions of the ACR were further enhanced to stimulate and involve ever more companies in the reinsertion process. (See Exhibit 8.)

All of the efforts of the ACR were producing positive results, and through joint participation, they seemed to be contributing significantly to the transition to peace. The world watched the demobilization process with great interest, and it caught the attention of the US Secretary of State, Hillary Clinton, who was interested to know more about the process of disarmament and reinsertion. During her visit in 2010, Secretary Clinton observed the results of the ACR and highlighted the involvement of businesses as one of the great pillars of the pacification process. The ACR wanted to give Coca-Cola FEMSA a featured role, and the Secretary was able to learn about the Time Bank and CCA programs, and met some of the graduates and their respective businesses. This episode strengthened the partnership between the company and the Government even more, and, with the enactment of a new law related to the peace process in 2011, FEMSA and the ACR sought new alternatives for collaboration.

The new law seeks to: *"dignify the victims of the armed conflict through measures that will relieve their suffering, compensate the social, moral, and material losses, and restore their civil rights, as well as contribute to clarifying the truth, the reconstruction of historical memory and the enforcement of justice. Additionally, it contemplated that the demobilized combatants --with the purpose of repairing some of the damage caused-- would carry out community social work, contribute to the reconstruction of some community asset and perform public acts of forgiveness."* This exercise was called "Spaces for Reconciliation" and was intended to act as a symbol of forgiveness in each town affected by the armed conflict. FEMSA was evaluating how to participate in this new initiative to continue contributing to the peace effort, and several ideas came up such as promoting these spaces and donating materials and resources for the execution of some of the actions agreed between victims and offenders. However, this was still not defined.

Recommendation for the Steering Committee

For the ACR, Coca-Cola FEMSA was a key partner because the company had turned into the most important advocate of the private sector's cooperation with the reintegration process (see Exhibit 8). Recently, with the participation of large companies such as Unilever, Bancolombia, Argos, Smurfit Kappa, Ercos, Kraft Foods, Harinera del Valle S. A. and Almacenes Exito, the ANDI Foundation¹⁶ had decided to replicate the Time Bank model initially thrust by Coca-Cola FEMSA. In the opinion of Santiago Angel, Secretary General of ANDI, without the promotion of Coca-Cola FEMSA it would have been impossible to enthruse other companies:

"The first task was to remove the fear from the companies, because it is not easy to work with the demobilized people. We made a survey at ANDI on the subject of peace and the greatest negative numbers were related with being in contact with these persons. The business owners

¹⁶ Foundation of the *Asociacion Nacional de Empresarios de Colombia* (National Association of Business of Colombia).

said: I'll pay any tax; I'll take on any levy, but do not force me to work with those people. However, the process has been easy to sell because Felipe (Marquez) has sat down with businessmen and has told them that it can be done, that in the case of Coca-Cola FEMSA the program has been successful. A businessman does not like to venture alone. Knowing that someone else has done well generates a lot of confidence. On the other hand, the ACR really needs help, regardless of how many resources it dedicates to this; the Government cannot support these people indefinitely. They have to get a job or become business owners."

The Plan of the ANDI foundation was to complete the training phase in 2012 and to have a first group of demobilized people with jobs or their own business in 2013. Meanwhile, in order to continue sensitizing the business sector, they decided to highlight the topic of reintegration during the 67th National Meeting of the ANDI in Cartagena. During the closing ceremony two Colombians that had laid down their weapons and whose life stories were examples of tenacity, work and reintegration to society, Euclides Ramirez and Lisbe Granada, received the "Carlos Arturo Angel" Award from the hands of the President of Colombia, Juan Manuel Santos and the President of the ANDI, Luis Carlos Villegas (see Exhibit 12).

These breakthroughs raised the hopes of Alejandro Eder, High Counselor for Reintegration¹⁷ of the new President of Colombia Juan Manuel Santos, because they highlighted the importance of having a validator of the message:

"What would I ask Coca-Cola FEMSA for now? To advertise and push reconciliation, peace, this I would ask for in earnest, unabashedly. They manage public opinion quite well and that is the key to this matter. The work of the ACR has taken its toll... we've been doing it for seven years already. We need to understand that it's thousands of people, that they are young (average age 26) and that they are going to be with us another 50 or 60 years. It is important to understand the fears of the companies and the citizens with regard to these people, but we need to know that it is peace that's at stake. The risk of not doing this is much greater than the risk of trying it."

Despite the progress made, Felipe Marquez acknowledged that the response of the business community was too slow. According to company records, a little over 30 large companies were supporting the ACR thanks to Coca-Cola FEMSA's promotion, but at this advanced stage, he would have liked for all of them to be involved. He could not understand why there still were reluctant companies; since they had been collaborating with the process they hadn't had any threats, acts of extortion, or anything out of the ordinary. Quite the opposite, for the company it had all been gain.

"We have had gains in different fronts: with the Government; both President Uribe and President Santos have publicly recognized that Coca-Cola FEMSA has been a strategic partner against one of the most difficult problems they have had to face. Economically, because it is the only way to guarantee a sustainable operation in Colombia. If we let all these people who are being demobilized to return to the FARC, the ELN and the UAC, we are going to have a situation in the market like we had six years ago where there were many areas to which we could not have access and sales will again go down. In our image and reputation: because of certain unfair accusations a long time ago, PANAMCO (the company that was here before) was alleged to have links to the paramilitary. This program has helped us to show the people that we did not have links with anyone, that we are willing to relate in a good equal manner with any group."

¹⁷ Current Director of the Agencia Colombiana para la Reintegración (Colombian Agency for Reintegration).

Marquez also recognized that just the exposure in the media (publicity, i.e. *free press*) had meant a significant return for the investment made: *"All these arguments should suffice to convince any business owner."* He wondered: *with so many companies in Colombia, how can we not resolve it? In a country of 45 million, the demobilized population accounted for about 0.1 per cent. If each company gave the opportunity to one participant, the problem would be solved immediately.*

In order to meet the objective, the message had to be taken to all. He recalled an earlier interview that he had had with Frank Pearl, Former High Commissioner for Reintegration, which was broadcast by the Institutional Channel of Colombia several times. Unfortunately that program did not have a massive audience. What would happen is something similar was aired in other communications channels?

From several sources, he had been receiving comments about the Government's interest in a more structured and massive public opinion campaign; he suspected that other members of the Steering Committee had too. The following week they would meet and it would be best to prepare a document where the different options and implications would be evaluated. He called his secretary to ask her to convene his team and begin to work on this at once.

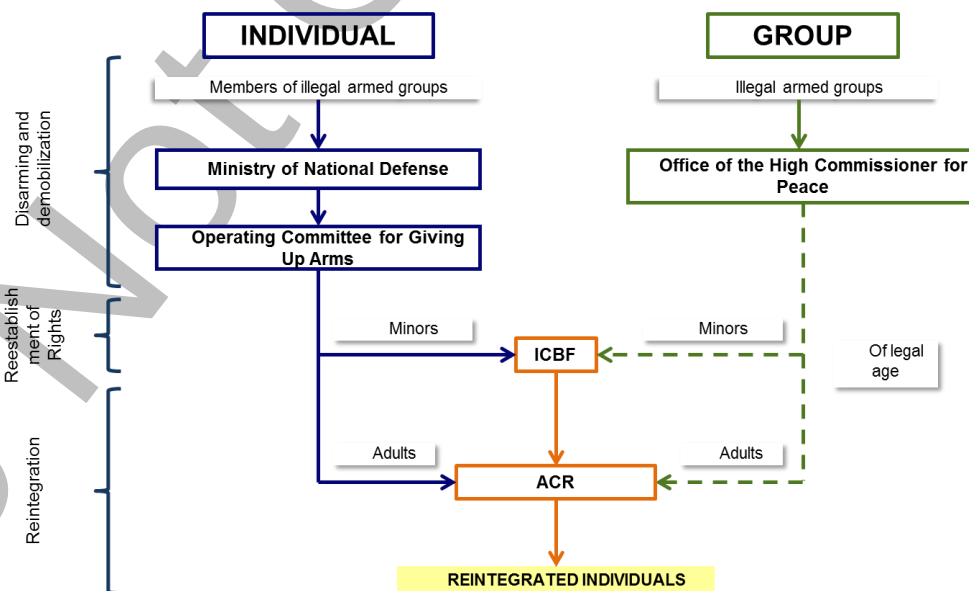
Exhibit 1 Operational Highlights of Coca-Cola FEMSA, Colombia
(In millions of US\$ except direct employment)

	2003a	2004	2005	2006	2007b	2008c	2009	2010
Investment	51.00	43.70	55.30	70.70	85.20	69.90	151.20	93.30
Sales	621.10	591.50	534.00	695.80	753.40	701.70	804.20	911.30
Taxes	45.00	40.80	44.40	46.40	68.60	79.30	87.70	84.40
Social Responsibility	0.20	0.20	0.20	0.30	0.30	0.40	0.40	1.02
Direct employment	8408	8089	7826	7765	7803	7740	8373	7786

- a. Coca-Cola FEMSA arrived in Colombia through the purchase of PANAMCO, S.A.
- b. Coca-Cola FEMSA began to support the reintegration programs
- c. Coca-Cola FEMSA acquired Agua Brisa de Bavaria.

Source: Elaborated by authors with estimated company data based on Latincentro public information.

Exhibit 2 Path to Disarmament, Demobilization and Reintegration in Colombia



Source: www.reintegracion.gov.co

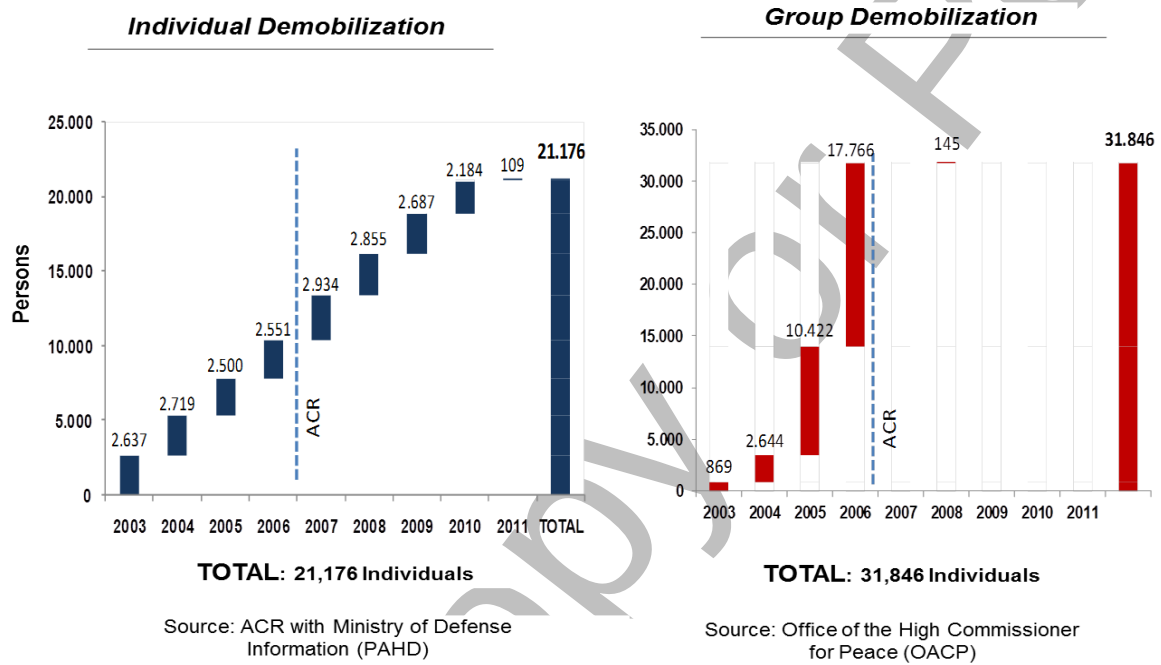
Exhibit 3 Individual and group demobilizations (period 2003–March 2011)

Exhibit 4. Outreach Mechanisms of the ACR with the private sector and the general public

Apprenticeship contracts. A special form of linkage within labor law, without subordination, with a term not exceeding two (2) years in which an individual receives theoretical training in an authorized entity (SENA or Training Entity with courses recognized by SENA) under the auspices of a sponsoring company that provides the means for the students to acquire professional training.

Internships. It is the practical application of knowledge acquired through a training process, conducted in real productive contexts. The practice of the trade allows for the development of technical, labor and corporate skills by the participants in the reintegration process. It does not constitute a labor relationship or the payment of a salary. Its duration cannot exceed 440 hours, in a maximum schedule of 6 hours a day.

Employability. Job offers in the public and private sector for participants in the reintegration process.

Time Bank. It is a place where businesses and professionals donate their time, talent and expertise to support the projects for the demobilized population. The Time Bank's objective is to link companies and individuals in the reintegration process through their contribution to the structuring, development and monitoring of projects developed by demobilized combatants. This is an opportunity for companies and self-employed people to contribute to this process.

Corporate Social Responsibility initiatives. Projects developed in partnership with foundations and private companies seeking to support the reintegration process according to their experience and corporate social responsibility strategy.

Fondos de inversion para el beneficio social (FIBS, Investment Funds for Social Benefit). It is a mechanism for investment in sustainable, cost-effective, and inclusive business plans with vulnerable populations (participants in the reintegration process, victims of violence and displaced persons) that allows, through the direct contribution of private capital in the investment trust, coming from local or multinational companies, to maintain and recover the capital with financial and social returns.¹⁸

Source: www.reintegracion.gov.co

¹⁸ At the time the ACR approached Coca-Cola FEMSA, this was the list of existing linkage mechanisms. By the date of publication of this case, certain modifications took place that included the elimination, modification and creation of other figures. For example, FIBS no longer exists and another two mechanisms were created:

- Business plans: sponsorship of productive projects through financing, strengthening and monitoring of initiatives of the demobilized entrepreneurs.
- Education Fund for Peace, *Edupez*: Companies contribute resources or sponsor scholarships for participants in the process of reintegration programs to be able to access technical and higher education.

Exhibit 5 Summary of actions documented by Coca-Cola FEMSA of conflicts with armed groups**Attacks against the company**

- 1998: Three dynamite charges exploded at the Barrancabermeja plant.
- 1998: Grenades exploded at the Bucaramanga plant.
- 1998: Over the course of 50 days, production and distribution were suspended at the Barrancabermeja plant due to pressure from armed groups.
- 1998: Bomb at the distribution center in Northern Cali, and the Apulo warehouse was burned.
- 1999: Distribution was suspended at the Cucuta plant for 8 days, due to pressure from armed groups.
- 1999: Paramilitaries prevented the entry to the North of Tolima and part of Magdalena Medio for two and a half months
- 1999: Bomb at the Barranquilla plant
- 1999: Explosive charge exploded at the Cartagena plant.
- 1999: Paramilitaries prevented the distribution of soft drinks in Acacias, Granada and other towns for two months.
- 2000: Explosive charge outside the Pasto plant.
- 2001: Paramilitaries prevented the distribution of soft drinks in Acacias, Granada for 4 months.
- 2001: Armed groups prevented the distribution in the department of Arauca, Casanare, Norte de Boyacá, Region of Ariari in Meta and in the regions of Sumapaz, Tequendama and Nilo Cundinamarca.
- Over the years, there were some murders and kidnappings of company employees.

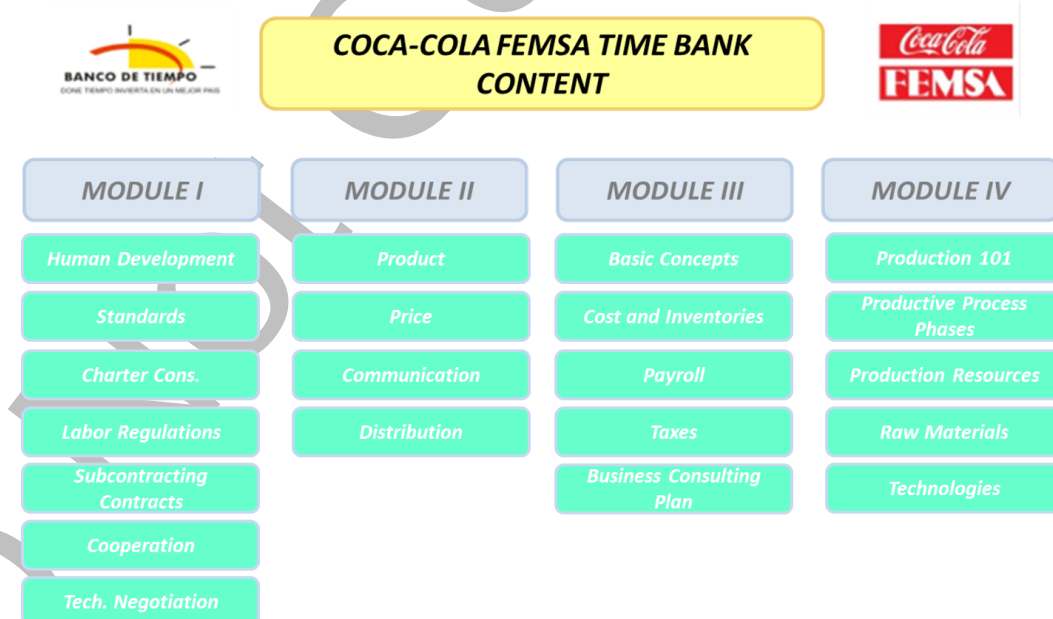
Source: information provided by Coca-Cola FEMSA.

Exhibit 6 Internal Time Bank campaign



Source: Information provided by Coca-Cola FEMSA

Exhibit 7 Training content, Coca-Cola FEMSA Time Bank



Note: Each FEMSA plant adapted the program to its local needs

Source: Information provided by Coca-Cola FEMSA

Exhibit 8 Media Coverage of Coca-Cola FEMSA peace initiatives



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JUNE 30, 2009

SOCIAL BALANCE

Refreshing contribution to reintegration in Colombia

Through the Time Bank program, Coca-Cola professionals train ex-combatants in corporate topics.

Two cases to show

Modesto Pacaya joined the Time Bank, then he set up his own minimarket, and now he distributes, among other products, non-alcoholic beverages produced by INDEGA in Colombia. He and other ex-combatants receive instruction from the

bottler in topics such as production, marketing and accounting. In turn, Alvaro, in the Colfepez clothing company, is a provider in the design and making of uniforms and equipment for the company.

The Mexican company Coca-Cola FEMSA believes that one of their best businesses is their Time Bank, which is part of social responsibility programs. And not because of the revenue that can be brought economically, but because this is the means that can instruct ex-guerrillas and ex-paramilitaries on how to return to civilian life through training courses, which have even led to business deals.

The system gives them the tools necessary to carry out productive activities and create economic and social value in communities.

As every project has a story behind it, it was born in 2007 after a visit to

Colombia by FEMSA director José Antonio Fernández Carbajal and other executives to celebrate 80 years of the presence of Coca-Cola in the country.

In the middle of a cocktail party held at the Club El Nogal in Bogotá, the Mexican executive asked President Alvaro Uribe how he could Colombia could help his organization. "With the demobilized," the president responded quickly.

Although the manager was pleasantly surprised

with the response, the plan was included in the four central themes of Corporate Social Responsibility in the organization in the country.

The corporation, one of whose leading companies in the country is Industrias Nacional de Gaseosas (Indegsa) knew something about the conflict in Colombia, but the order of the company head and his love for the country shown publicly facilitated the program.

Through the plan, about 50 professionals from the company in the country donate their business knowledge to projects developed by participants in the reintegration process.

In the first phase they trained 30 people in Bogotá and in the following month, activities started in Medellín, and Valledupar.

In addition, the Time Bank program also has the support of the Tecnológico de Monterrey, one of the most recognized university centers in Latin America.

"Representatives of Coca-Cola FEMSA defined the project with the President's High Presidential Council for Reintegration."

Through the Community Distance Learning Centers (CCA), the Tecnológico de Monterrey allows participants access to quality educational programs and interaction with tutors who advise them throughout.

During this year they hope to open 12 centers in different locations with vulnerable populations, providing specialized databases to enable rapid integration into the society of knowledge and information.

Another endeavor by this company to facilitate the reintegration of demobilized combatants into civilian life are the direct and indirect job opportunities in the company, through the FEMSA Jobs program. The company has managed to incorporate four of the reintegrated persons into different processes.

[photo]

Modesto Pacaya, former guerrilla, now businessman, and the vice president of Corporate Affairs, Coca-Cola FEMSA, Felipe Márquez

Source: Coca-Cola FEMSA newspaper archive. Refreshing contribution to reintegration in Colombia. (June 30, 2009). *Portafolio* newspaper, p. 26

Coca-Cola FEMSA Time Bank media coverage¹

Media type	Appearances	Observations	Commercial cost (US\$) ²	Editorial value (US\$) ³
Written press	123	National and regional newspapers. Includes notes on the Internet	256,872	770,615
Radio appearance	25	National and local radio stations. AM and FM	87,315	261,946
Television appearance	28	National and Local Television Stations	328,556	985,668
Total	176		672,743	2,018,229

Source: information provided by Coca-Cola FEMSA.

¹ Documented appearances from April 2009 to December 2011

² Amount that would have to be paid to the media for advertising (expressed in US\$ calculated at the rate of COP 1,900 per USD).

³ Value given to the credibility generated by the fact that the media discloses the content on its own; in the U.S., it is estimated that it is equivalent to 5 times the commercial cost, while in Latin America, it is calculated that it is 3 times the commercial cost (expressed in US\$ calculated at the rate of COP 1,900 per USD).

Coca-Cola FEMSA CCA launch media coverage¹

Media type	Appearances	Observations	Commercial cost (US\$) ²	Editorial value (US\$) ³
Printed media	9	National and regional newspapers.	50,737	15,221
Digital media	22	National Internet web pages	1,446	4,339
Radio broadcasts	5	National and local radio stations. AM and FM	3,833	11,499
Television appearance	12	National and Local Television Stations	203,653	610,960
Total	48		259,670	779,010

Source: information provided by Coca-Cola FEMSA.

¹ Documented appearances from June 3 to 13, 2010.

² Amount that would have to be paid to the media for advertising (expressed in US\$ calculated at the rate of COP 1,900 per USD).

³ Value given to the credibility generated by the fact that the media discloses the content on its own; in the U.S., it is estimated that it is equivalent to 5 times the commercial cost, while in Latin America, it is calculated that it is 3 times the commercial cost (expressed in US\$ calculated at the rate of COP 1,900 per USD).

Exhibit 9 Relevant data from the results of Time Bank as of June 2011

- Total participants: 321
- Total volunteers: 218
- Cities impacted: 6
- Bogota (3rd generation), Bucaramanga (2nd generation), Barranquilla (2nd generation), Medellin (3rd generation), Monteria (2nd generation) and Valledupar (2nd generation).
- Hours spent: 1,404
- Entrepreneurs impacted: 250
- Participation in international forums: Forum for Peace, Disarmament and demobilization forum.
- Sponsorships: two cultural events for reintegrated people.
- Recognitions received: CEMEFI, Embassy of Mexico, Emprender Paz, ACR - First promotion Time Bank Presidency of the Republic.
- Strategic Partners: ACR
- Investment, years 2008-2011 (Includes volunteer training hours): US\$223,400.

Other relevant data of Time Bank**Participants advised with active business plan**

Service Center	2010		2011	
	Participants with business plan	Participants without business plan	Participants with business plan	Participants without business plan
Community	0	3	0	5
ACR Barranquilla	13	11	*	*
ACR Bogota	25	50	7	4
ACR Medellin			10	4
ACR Monteria	12	8	12	11
ACR Valledupar	12	1	3	10
Grand total	62	73	32	34
Total participants advised	135		66	
Percentage of participants with active business plan	45.93 %		48.48 %	

* At the time this case was written, this information was not available

Source: information provided by Coca-Cola FEMSA.

Participants advised who are formally employed

Service Center	2010		2011	
	Participants with formal employment	Participants without formal employment	Participants with formal employment	Participants without formal employment
Community	0	3	0	5
ACR Barranquilla	4	20		
ACR Bogota	9	66	3	8
ACR Medellin			2	12
ACR Monteria	5	15	2	21
ACR Valledupar	1	12	1	12
Grand total	19	116	8	58
Total participants advised	135		66	
% of employed participants advised	14.07 %		12.12 %	

Source: information provided by Coca-Cola FEMSA.

Exhibit 10 The most popular courses at the CCAs (Community Learning Centers)

Ten courses with the greatest participation	Participation
Introduction to the Computer World	2435
Basic Computer Skills 2009	1266
Use of the Physical Components of the Computer	1139
Managing the Windows Operating System and Its Utilities	970
Basic English for Daily Life	932
Introduction to the Computer World, child version	696
Navigating the Internet	397
Basic Computer Skills	394
Introduction to Mathematics	341
Webtec – Students' Manual	297

Note: Data compiled as of May 2011

Source: information provided by Coca-Cola FEMSA.

Exhibit 11 Relevant data of the CCA as of May 2011

CCA			
Headquarters	Enrolled	Tutored	Self-learning
Yopal	119	65	54
Medellin	316	82	234
Aguachia	247	28	219
Santa Marta	323	25	298
Santuario	323	42	281
Cerete	129	0	129
Guapi	331	27	305
Total	2219	381	1838

Source: information provided by Coca-Cola FEMSA.

Exhibit 12 National Association of Businessmen in Colombia Foundation) delivers award to demobilized persons



The Board of Directors of the ANDI Foundation presented the “Carlos Arturo Angel” Prize to two Colombians who laid down their arms and are today an example of perseverance, work and reinsertion into society. Euclides Ramirez and Lisbe Granada, received the award from the hands of the President of the Republic of Colombia, Juan Manuel Santos and the President of ANDI, Luis Carlos Villegas during the Closing Ceremony of the 67 National Meeting of ANDI in Cartagena.

After a rigorous selection process the Board of Directors of the ANDI Foundation in partnership with (ACR) of the Office of the President of the Republic of Colombia chose two of the five finalist life stories that demonstrated the possibility that embarking upon one's own business, rebuilding their lives and serving society is a real alternative for change detached from the use of arms.

“Undoubtedly, the most important challenge for the future of the country after the great number of reforms is to attain peace and reconciliation. The private sector cannot remain disconnected from this and that is why ANDI is presenting the Carlos Arturo Angel award today, to recognize those individuals who through a serious and excellent process of reintegration have been capable of setting the example and prove that they can be welcomed in the Colombian society. Carlos Arturo Angel was the person who brought to Colombia the concept of social balance, and that is why it is also a good tribute to his memory”, said the President of the ANDI, Luis Carlos Villegas.

Today Euclides Ramirez, manager of the Ramimotos Repair Shop, in the midst of tools, tires, and oil has found his new battlefield in customer service, and Lisbe Granada, an enthusiastic woman with life experience, left the ranks of the paramilitary to dedicate herself fully to the manufacturing of beauty products made with her hands. Hands that at another time, wielded weapons –in error, says she with repentance.

Note: to watch the award ceremony, go to: <http://www.youtube.com/watch?v=uXTBlzIDwu8>

Source: www.reintegracion.gov.co. *Noticias de la ACR* (August 2011)