

New Belgium Brewing: Ethical and Environmental Responsibility¹

Although most of the companies frequently cited as examples of ethical and socially responsible firms are large corporations, it is the social responsibility initiatives of small businesses that often have the greatest impact on local communities and neighborhoods. These businesses create jobs and provide goods and services for customers in smaller markets that larger corporations often are not interested in serving. Moreover, they also contribute money, resources, and volunteer time to local causes. Their owners often serve as community and neighborhood leaders, and many choose to apply their skills and some of the fruits of their success to tackling local problems and issues that benefit everyone in the community. Managers and employees become role models for ethical and socially responsible actions. One such small business is the New Belgium Brewing Company, Inc., based in Fort Collins, Colorado.

History of the New Belgium Brewing Company

The idea for the New Belgium Brewing Company began with a bicycling trip through Belgium. Belgium is arguably the home of some of the world's finest ales, some of which have been brewed for centuries in that country's monasteries. As Jeff Lebesch, an American electrical engineer, cruised around that country on his fat-tired mountain bike, he wondered if he could produce such high-quality beers back home in Colorado. After acquiring the special strain of yeast used to brew Belgian-style ales, Lebesch returned home and began to experiment in his Colorado basement. When his beers earned thumbs up from friends, Lebesch decided to market them.

The New Belgium Brewing Company (NBB) opened for business in 1991 as a tiny basement operation in Lebesch's home in Fort Collins. Lebesch's wife, Kim Jordan, became the firm's marketing director. They named their first brew Fat Tire Amber Ale in honor of Lebesch's bike ride through Belgium. New Belgium beers quickly developed a small but devoted customer base, first in Fort Collins and then throughout Colorado. The brewery soon outgrew the couple's basement and moved into an old railroad depot before settling into its present custom-built facility in 1995. The brewery includes an automated brewhouse, two quality assurance labs, and numerous technological innovations for which New Belgium has become nationally recognized as a "paradigm of environmental efficiencies."

Today, New Belgium Brewing Company offers a variety of permanent and seasonal ales and pilsners. The company's standard line includes Sunshine Wheat, Blue

¹ © O.C. Ferrell 2006. We appreciate the work of Nikole Haiar in helping draft the previous edition of this case, and Melanie Drever who assisted in this edition. This case was prepared for classroom discussion, rather than to illustrate either effective or ineffective handling of an administrative, ethical or legal decision by management. All sources used for this case were obtained through publicly available material and the New Belgium website.

Paddle Pilsner, Abbey Ale, Trippel Ale, 1554 Black Ale, and the original Fat Tire Amber Ale, still the firm's best-seller. Some customers even refer to the company as the Fat Tire Brewery. The brewery also markets two types of specialty beers on a seasonal basis. Seasonal ales include Frambozen and Abbey Grand Cru, which are released at Thanksgiving, and Christmas and Farmhouse Ale, which are sold during the early fall months. The firm occasionally offers one-time-only brews, such as LaFolie, a wood-aged beer, which are sold only until the batch runs out.

Until 2005, NBB's most effective form of advertising has been its customers' word of mouth. Indeed, before New Belgium beers were widely distributed throughout Colorado, one liquor store owner in Telluride is purported to have offered people gas money if they would stop by and pick up New Belgium beer on their way through Ft. Collins. Although New Belgium beers are distributed in just one-third of the United States, the brewery receives numerous e-mails and phone calls every day inquiring when its beers will be available elsewhere.

With expanding distribution, however, the brewery recognized a need to increase its opportunities for reaching its far-flung customers. It consulted with Dr. David Holt, an Oxford professor and branding expert. After studying the young company, Holt, together with Marketing Director Greg Owsley, drafted a 70-page "manifesto" describing the brand's attributes, character, cultural relevancy, and promise. In particular, Holt identified in New Belgium an ethos of pursuing creative activities simply for the joy of doing them well and in harmony with the natural environment. With the brand thus defined, New Belgium went in search of an advertising agency to help communicate that brand identity; it soon found Amalgamated, an equally young, independent New York advertising agency. Amalgamated created a \$10 million advertising campaign for New Belgium that targets high-end beer drinkers, men ages 25 to 44 and highlights the brewery's image as being down to earth. The grainy ads focus on a man rebuilding a cruiser bike out of used parts and then riding it along pastoral country roads. The product appears in just five seconds of each ad between the tag lines, "Follow Your Folly ... Ours Is Beer." The ads helped position the growing brand as whimsical, thoughtful, and reflective. In addition to the ad campaign, the company maintained its strategy of promotion through event sponsorships.

New Belgium Ethical culture

According to Greg Owsley Director of Marketing for New Belgium Brewing beyond a desire for advertising and promotion ethics there is a fundamental focus on the ethical culture of the brand. Although consumer suspicion of business is on fully raised eyebrow, those in good standing- as opposed to those trading on hype- are eyed with iconic-like adoration. From this off polarization comes a new paradigm in which businesses that fully embrace citizenship in the community they serve can forge enduring bonds with customers. Meanwhile, these are precarious times for businesses that choose to ignore consumer's looking at brands from an ethical perspective. More than ever before, what the brand says and what the company does must be synchronized. NBB believes the mandate for corporate social responsibility gains momentum beyond the courtroom to the far more powerful marketplace, any current and future manager of business must realize

that business ethics are not so much about the installation of compliance codes and standards as they are about the spirit in which they are integrated. Thus, the modern-day brand steward- usually the most externally focused member of the business management team- must prepare to be the internal champion of the bottom line necessity for ethical, values-driven company behavior.

At New Belgium, a synergy of brand and values occurred naturally as the firm's ethical culture- in the form of core values and beliefs- and was in place long before NBB had a marketing department. Back in early 1991, New Belgium was just a home-brewed business plan of Jeff Lesbesch, an electrical engineer, and his social worker wife, Kim Jordan. Before they signed any business paperwork, the two took a hike into Rocky Mountain National Park. Armed with a pen, and a notebook they took their first stab at what the fledgling company's core purpose would be. If they were going forward with this venture, what were their aspirations beyond profitability? What was the real root cause of their dream? What they wrote down that spring day, give or take a little wordsmithing, was the core values and beliefs you can read on the NBB website today. More important, ask just about any New Belgium worker, and she or he can list for you many, if not all, these shared values and can inform you which are the most personally poignant. For NBB branding strategies are as rooted in our company values as in other business practices.

New Belgium's Purpose and Core Beliefs

New Belgium's dedication to quality, the environment, and its employees and customers is expressed in its mission statement: "To operate a profitable brewery which makes our love and talent manifest." The company's stated core values and beliefs about its role as an environmentally concerned and socially responsible brewer include:

- . ■ Producing world-class beers
- . ■ Promoting beer culture and the responsible enjoyment of beer
- . ■ Continuous, innovative quality and efficiency improvements
- . ■ Transcending customers' expectations
- . ■ Environmental stewardship: minimizing resource consumption, maximizing energy efficiency, and recycling
- . ■ Kindling social, environmental, and cultural change as a business role model
- . ■ Cultivating potential: through learning, participative management, and the pursuit of opportunities
- . ■ Balancing the myriad needs of the company, staff, and their families
- . ■ Committing ourselves to authentic relationships, communications, and promises
- . ■ Having Fun.

Employees, believe that these statements help communicate to customers and other stakeholders what New Belgium, as a company, is about. These simple values developed 15 years ago are just as meaningful to the company and its customers today even though there has been much growth.

Employee Concerns

Recognizing employees' role in the company's success, New Belgium provides many generous benefits. In addition to the usual paid health and dental insurance and retirement

plans, employees get a free lunch every other week as well as a free massage once a year, and they can bring their children and dogs to work. Employees who stay with the company for five years earn an all-expenses paid trip to Belgium to “study beer culture.” Perhaps most importantly, employees can also earn stock in the privately held corporation, which grants them a vote in company decisions. New Belgium’s employees now own one-third of the growing brewery. Open book management lets employees see the financial costs and performance.

Environmental Concerns

New Belgium’s marketing strategy involves linking the quality of its products, as well as their brand, with the company’s philosophy toward affecting the planet. From leading-edge environmental gadgets and high-tech industry advancements to employee-ownership programs and a strong belief in giving back to the community, New Belgium demonstrates its desire to create a living, learning community.

NBB strives for cost-efficient energy-saving alternatives to conducting its business and reducing its impact on the environment. In staying true to the company’s core values and beliefs, the brewery’s employee-owners unanimously agreed to invest in a wind turbine, making New Belgium the first fully wind-powered brewery in the United States. Since the switch from coal power, New Belgium has been able to reduce its CO2 emissions by 1,800 metric tons per year. The company further reduces its energy use by employing a steam condenser that captures and reuses the hot water that boils the barley and hops in the production process to start the next brew. The steam is redirected to heat the floor tiles and de-ice the loading docks in cold weather. Another way that NBB conserves energy is by using “sun tubes,” which provide natural daytime lighting throughout the brew house all year long.

New Belgium also takes pride in reducing waste through recycling and creative reuse strategies. The company strives to recycle as many supplies as possible, including cardboard boxes, keg caps, office materials, and the amber glass used in bottling. The brewery also stores spent barley and hop grains in an on-premise silo and invites local farmers to pick up the grains, free of charge, to feed their pigs. NBB even encourages its employees to reduce air pollution by using alternative transportation. As an incentive, NBB gives its employees “cruiser bikes”— like the one pictured on its Fat Tire Amber Ale label—after one year of employment and encourages them to ride to work.

New Belgium has been a long-time participant in green building techniques. With each expansion of the facility they have incorporated new technologies and learned a few lessons along the way. In 2002, NB agreed to participate in the United States Green Building Council’s Leadership in Energy and Environment Design for Existing Buildings (LEED-EB) pilot program. From sun tubes and daylighting throughout the facility to reusing heat in the brewhouse, they continue to search for new ways to close loops and conserve resources.

Reduce, Reuse, Recycle- the three 'R's of being an environmental steward. The reuse program includes heat for the brewing process, cleaning chemicals, water and much

more. Recycling at New Belgium takes on many forms, from turning “waste” products into something new and useful (like spent grain to cattle feed), to supporting the recycling market in creative ways (like turning their keg caps into table surfaces). They also buy recycled whenever they can, from paper to office furniture. Reduction surrounds them – from motion sensors on the lights throughout the building to induction fans that pull in cool winter air to chill their beer – offsetting their energy needs is the cornerstone to being environmentally efficient.

Social Concerns

Beyond its use of environment-friendly technologies and innovations, New Belgium Brewing Company strives to improve communities and enhance people’s lives through corporate giving, event sponsorship, and philanthropic involvement. Since its inception, NBB has donated more than 1.6 million dollars to organizations in the communities in which they do business. For every barrel of beer sold the prior year, NB donates \$1 to philanthropic causes within their distribution territory. The donations are divided between states in proportion to their percentage of overall sales. This is their way of staying local and giving back to the communities who support and purchase NB products. In 2006, Arkansas, Arizona, California, Colorado, Idaho, Kansas, Missouri, Montana, Nebraska, Nevada, New Mexico, Oregon, Texas, Washington and Wyoming received funding.

Funding decisions are made by the NB Philanthropy committee, which is comprised of employees throughout the brewery including owners, employee owners, area leaders and production workers. New Belgium looks for non-profit organizations that demonstrate creativity, diversity and an innovative approach to their mission and objectives. The Philanthropy committee also looks for groups that involve the community to reach their goals.

NBB also maintains a community bulletin board in its facility where it posts an array of community involvement activities and proposals. This community board allows tourists and employees to see the different ways they can help out the community, and it gives nonprofit organizations a chance to make their needs known. Organizations can even apply for grants through the New Belgium Brewing Company Web site, which has a link designated for this purpose.

NBB also sponsors a number of events, with a special focus on those that involve “human-powered” sports that cause minimal damage to the natural environment. Through event sponsorships, such as the Tour de Fat, NBB supports various environmental, social, and cycling nonprofit organizations. New Belgium also sponsored the MS 150 “Best Damn Bike Tour,” a two-day, fully catered bike tour, from which all proceeds went to benefit more than five thousand local people with multiple sclerosis. NBB also sponsored the Ride the Rockies bike tour, which donated the proceeds from beer sales to local non-profit groups. The money raised from this annual event funds local projects, such as improving parks and bike trails. In the course of one year, New Belgium can be found at anywhere from 150 to 200 festivals and events, across all fifteen western states.

Organizational Success

New Belgium Brewing Company's efforts to live up to its own high standards have paid off with numerous awards and a very loyal following. It was one of three winners of Business Ethics magazine's Business Ethics Awards for its "dedication to environmental excellence in every part of its innovative brewing process." It also won an honorable mention in the Better Business Bureau's 2002 Torch Award for Outstanding Marketplace Ethics competition. Kim Jordan and Jeff Lebesch were named the recipients of the Rocky Mountain Region Entrepreneur of the Year Award for manufacturing. The company also captured the award for best mid-sized brewing company of the year and best mid-sized brewmaster at the Great American Beer Festival. In addition, New Belgium took home medals for three different brews, Abbey Belgian Style Ale, Blue Paddle Pilsner, and LaFolie specialty ale.

According to David Edgar, director of the Institute for Brewing Studies, "They've created a very positive image for their company in the beer-consuming public with smart decision-making." Although some members of society do not believe that a company whose major product is alcohol can be socially responsible, New Belgium has set out to prove that for those who make a choice to drink responsibly, the company can do everything possible to contribute to society. Its efforts to promote beer culture and the connoisseurship of beer has even led it to design a special "Worthy Glass," the shape of which is intended to retain foam, show off color, enhance the visual presentation, and release aroma. New Belgium Brewing Company also promotes the responsible appreciation of beer through its participation in and support of the culinary arts. For instance, it frequently hosts New Belgium Beer Dinners, in which every course of the meal is served with a complementary culinary treat.

According to Greg Owsley Director of Marketing although the Fat Tire brand has a bloodline straight from the enterprise's ethical beliefs and practices, the firm's work is not done. They must continually re-examine ethical, social and environmental responsibilities. In 2004, New Belgium received the Environmental Protection Agency's regional Environmental Achievement Award. It was both an honor and a motivator not to rest on our naturally raised laurels. There are still many ways for NB to improve as a corporate citizen. They still don't produce an organic beer. The manufacturing process is a fair distance from being zero waste or emission free. There will always be a need for more public dialogue on avoiding alcohol abuse. Practically speaking, they have a never-ending to-do list. NBB also must acknowledge that as their annual sales increase, the challenges for the brand to remain on a human scale and culturally authentic will increase too. How to boldly grow the brand while maintaining its humble feel has always been a challenge.

Every six-pack of New Belgium Beer displays the phrase, "In this box is our labor of love, we feel incredibly lucky to be creating something fine that enhances people's lives." Although Jeff Lebesch has "semi-retired" from the company to focus on other interests, the founders of New Belgium hope this statement captures the spirit of the company. According to employee Dave Kemp, NBB's environmental concern and social responsibility give it a competitive advantage because consumers want to believe in and

feel good about the products they purchase. NBB's most important asset is its image—a corporate brand that stands for quality, responsibility, and concern for society. Defining itself as more than just a beer company, the brewer also sees itself as a caring organization that is concerned with all stakeholders, including the community, the environment, and employees.

Questions

1. What environmental issues does the New Belgium Brewing Company work to address? How has NBB taken a strategic approach to addressing these issues? Why do you think the company has chosen to focus on environmental issues?
2. Are New Belgium's social initiatives indicative of strategic philanthropy? Why or why not?
3. Some segments of society vigorously contend that companies that sell alcoholic beverages and tobacco products cannot be socially responsible organizations because of the nature of their primary products. Do you believe that New Belgium Brewing Company's actions and initiatives are indicative of an ethical and socially responsible corporation? Why or why not?
4. What else could New Belgium do to foster ethical and responsible conduct?

Sources: These facts are from Greg Owsley, "The Necessity For Aligning Brand With Corporate Ethics," in Sheb L. True, Linda Ferrell, O.C. Ferrell, "Fulfilling Our Obligation, Perspectives on Teaching Business Ethics," Kennesaw State University Press 2005. p. 128-132. New Belgium website <http://www.newbelgium.com/sustainability.php> and <http://www.newbelgium.com/philanthropy.php> (accessed May 17, 2006) Peter Asmus, "Goodbye Coal, Hello Wind," *Business Ethics*, 13 (July/Aug. 1999): 10–11; Robert Baun, "What's in a Name? Ask the Makers of Fat Tire," [Fort Collins] *Coloradoan*, Oct. 8, 2000, pp. E1, E3; Rachel Brand, "Colorado Breweries Bring Home 12 Medals in Festival," *Rocky Mountain News*, www.insidedenver.com/news/1008beer6.shtml, (accessed Nov. 6, 2000); Stevi Deter, "Fat Tire Amber Ale," *The Net Net*, www.thenetnet.com/reviews/fat.html (accessed Apr. 29, 2003); *DirtWorld.com*, www.dirtworld.com/races/Colorado_race745.htm (accessed Nov. 6, 2000); Robert F. Dwyer and John F. Tanner Jr., *Business Marketing* (Irwin McGraw-Hill, 1999), p. 104; "Fat Tire Amber Ale," *Achwiegut* (The Guide to Austrian Beer), www.austrianbeer.com/beer/b000688.shtml, (accessed Jan. 19, 2001); "Four Businesses Honored with Prestigious International Award for Outstanding Marketplace Ethics," Better Business Bureau, press release, Sept. 23, 2002, www.bbb.org/alerts/2002torchwinners.asp; Del I. Hawkins, Roger J. Best, and Kenneth A. Coney, *Consumer Behavior: Building Marketing Strategy*, 8th ed. (Irwin McGraw-Hill, 2001); David Kemp, Tour Connoisseur, New Belgium Brewing Company, personal interview by Nikole Haiar, Nov. 21, 2000, 1:00 PM; Julie Gordon, "Lebesch Balances Interests in Business, Community," *Coloradoan*, Feb. 26, 2003; New Belgium Brewing Company, Ft. Collins, CO, www.newbelgium.com (accessed Apr. 29, 2003); New Belgium Brewing Company Tour by Nikole Haiar, Nov. 20, 2000, 2:00 PM; "New Belgium Brewing Wins Ethics Award," *Denver Business Journal*, Jan. 2, 2003, <http://denver.bizjournals.com/denver/stories/2002/12/30/daily21.html>; and Dan Rabin, "New Belgium Pours It on for Bike Riders," *Celebrator Beer News*, Aug./Sept. 1998, www.celebrator.com/9808/rabin.html