

Chapter 5

Germany: 20 Years of Corporate Development of Frosta AG – From Thought Leader to SDG#12 and Category Leader

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Introduction

Pioneering achievements consist of steering an entire industry into a sustainable direction based on strategic and entrepreneurial convictions. This cannot be only measured by collecting administrative metrics (Anderson, 2021). The following empirically supported case study reflects this notion and shows how Frosta AG anticipated the future and achieved SDG#12 leadership in the German fast-moving-consumer-goods (FMCG) segment of frozen food with a household reach of 98% (Lebensmittelverband Deutschland e.V., 2019). The family business has been able to pioneer responsibility and sustainability in food production and consumption starting about 15 years ahead of, for example, the Paris Climate Agreement and has thus given the industry and the value chains a strategic impetus for pioneering change.^{1,2}

¹This case study is prepared as part of a qualitative research project. The content is based on company documents as well as on personal interviews with the current family CEO Felix Ahlers, his sister Friederike Ahlers, Public Relations, and their father Dirk Ahlers, former CEO.

²Verbatim quotes refer to the joint personal interview conducted by the authors on 9 December 2021, with the CEO Felix Ahlers and his sister Friederike Ahlers. Quotes from the interview with the former CEO Dirk Ahlers on 17 March 2022, are referenced separately.

Attaining the 2030 Sustainable Development Goal of Responsible Consumption and Production, 51–65



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Corporate Background

The company was established in 1957 through the use of open sea blast freezing of fish fillets. The initiator of this venture was Adolf Ahlers, an entrepreneur in the textile industry. Under the leadership of his son, Dirk Ahlers, the Frosta brand was registered in 1961 and the company developed into a market-leading manufacturer of frozen fish, ready meals, vegetables and fruit. Since 1988, the company has been operating as a corporation (plc). The main shareholders and key decision-makers in the operational management are members of the Ahlers family, today in the third generation, Felix Ahlers (CEO) and Friederike Ahlers (Public Relations). Looking ahead, succession from a fourth generation is a conceivable option (Uhlig, 2020). The company is family-owned with a family share of just under 50%. However, it is managed and controlled by the Ahlers family. Frosta AG generates sales of €552 million in Europe with around 1,800 employees in six countries, with international sales accounting for over 40% of the business (Frosta AG, 2021a).

Mission, Vision and SDG #12

The Initial Situation

‘In the beginning, everything was far away for everyone’ says Felix about the transformation of the company from a conventional manufacturer of frozen food to a sustainability leader. In 2000, Frosta AG was in an economically critical situation. The Frosta brand had no relevant value proposition in frozen ready meals, fish, vegetables and herbs. The company lacked a competitive advantage, which had consequences for the earnings situation: turnover, EBITDA, and group results showed negative trends (Frosta AG, 2002, 2003). Continuing would have ‘led to the decline and possibly collapse of the company and brand. It simply could not go on like this’ (Hetzer, 2018, Section 1).

A new strategic course had to be set: ‘We want to implement this [the change in strategy towards sustainable production and consumption] now. . . and as a family business we have the luxury of having a longer time horizon’. Their intention relates to SDG#12 target 12.1 suggesting a long-term orientation: The company was to be ‘completely repositioned’ (Frosta AG, 2002).

At that time sustainability was not yet a big issue: neither politically, socially or economically. Sustainability also had no high relevance in the context of end consumers’ purchasing decisions. While today 62% of all consumers consider sustainability critical for the purchase of consumer goods (Ott, 2021), a sustainable lifestyle in the sense of SDG#12, target 12.8 including aspects such as product origin or animal welfare did not play a significant role in 2003 (Frosta AG, 2004). Even today – 20 years later – Chairman of the Supervisory Board, Dirk, still states that ‘Frosta has the value proposition of the future’.

The Motivation

Family businesses pursue non-financial goals with higher priority than non-family businesses (Kemp, 2009). Family managers Friederike and Felix report that corporate goals such as ‘maximising profit’ and ‘high dividend payments’ are ‘less important’ from a family perspective. Their father, Dirk, who was approached with merger and acquisition offers during his time as CEO, also holds this view: ‘Maximising profit is not the goal’. A higher priority in corporate management is, for example, ‘employee satisfaction’ and ‘social commitment’.

Family businesses are systemically influenced by family owners (Tagiuri & Davis, 1992). Building and maintaining ‘Socio-Emotional Wealth’ (SEW) is a major quality of family businesses (Berrone et al., 2012). SEW refers to the stock of accumulated non-financial affective value in the family business (Gómez-Mejía et al., 2011). Empirical SEW measurements often show the deep integration of family businesses into their communities (Berrone et al., 2012). The owner’s family’s desire for identification with the business, meaningful relationships with stakeholders and transgenerational control play an important role. Combs et al. (2022) show that SEW can generate corporate resources. Therefore, the integration of the firm into its environment is not a ‘romantic weakness’ but a strength of family firms (Combs et al., 2022). This transforms the integration of family businesses from an economic to a social construct (Baumeister & Leary, 1995), whose operating principle is based on systemic reciprocity – put another way: sustainability.

The Purity Law

Felix’ background includes training as a chef and economist. As a chef, Felix is familiar with sourcing and preparing ingredients in high-end cuisine. When Felix joined the family business in the late 1990s, he noticed that the doctrine of industrial food production differed from traditional preparation methods using natural ingredients without additives. Industrial food production uses many additives, substitutes, and auxiliary substances. He wondered if there could be more authentic alternatives for the industry. ‘Why can’t we actually do that [traditional preparation methods] as a company? The [Purity Law] is a real distinctive feature that can give the brand differentiation power’.

What exactly is the Purity Law about? The considerations within the company regarding the planning and implementation of the Purity Law are at the core of the ‘complete realignment of the company’ (Frosta AG, 2002). This means consistent sustainability orientation and alignment in the sense of SDG#12, agreed upon by the UN some 14 years later. Frosta embarked on a long-term development journey in line with and beyond SDG#12, Target 12.1, suggesting a 10-year framework. Frosta’s long-lasting strategy is an attitude shift towards the spirit of the SDG#12 targets 12.1–12.9 and 12.B. At the heart of the Purity Law, introduced to the market in 2003, is to abandon any food additives. ‘We only use purely natural ingredients without any additives because we do not want to make our products optimal for the machines, but optimal for the people’. In 2008,

measures to reduce CO₂ emissions are added to the corporate agenda (Frosta AG, 2009). 2010 marks the beginning of a holistic environmental and climate balance sheet (SDG#12, target 12.6) again prior to the creation of the UN SDGs (Frosta AG, 2011). Thus, the corporate mission ‘We believe in real food’, which was created about 20 years ago with the Purity Law is as valid today. This attitude is supported by the sustainable corporate mission, valid since 2003: At that time, this mission already corresponded with the UN’s overall goal SDG#12. Today, Frosta is ‘in tune with the times’ (Frosta AG, 2021a).

The Environment

‘We were working on a large scale [on the Purity Law and its implementation] rather than with a group of [just] five people. The entire company was part of the initiative, and this is how the enthusiasm was developed’ says Felix about the first steps towards the new sustainability strategy. However, the desired transformation generated internal scepticism. Additives were an integral part of the industrial food doctrine and part of the educational background of, for example, food technicians and mechanical engineers. Felix and Friederike report a phase of about 2 years ‘at the end of which most of the employees were convinced because they had the opportunity to work on it themselves, and to convince themselves of the Purity Law’. At Frosta, owners, managers, family members, employees, and ‘suppliers were, of course, involved very early on’.

Business Model and SDG #12

Frosta’s business model is based on a strong brand business with high differentiation power for its frozen products. Since then, different targets of SDG #12 are addressed by the company’s operations and products.

Frozen food is showing significant growth, due to greater health awareness of consumers in modern societies. Frosta AG develops and produces frozen products at four international locations (Frosta AG, 2021a). These production sites serve the sales markets in Germany, Poland, Austria, as well as Italy, and other parts of Eastern Europe. Customers in the markets are not only food retailers, but also business customers (e.g. food service operators) and end consumers. Fish, vegetables and fruit, as well as ready meals, form the product portfolio (Frosta AG, 2021a). With the launch of the Purity Law in 2003, Frosta has stopped adding any additives or flavour enhancers. Through this, Frosta positions itself as a premium brand for healthy frozen food and promotes SDG #12 target 12.4. Hence, artificial additives are omitted to reduce their adverse effect on human health. The fundamental focus on consumer needs for healthy and natural frozen food is core to the value proposition. Recent developments supported this orientation. Frosta pays special attention to ‘transparency and honesty’ towards its customers. Dedicated ingredient lists going beyond legal requirements are intended to build consumer trust.

When Frosta questioned its product range fundamentally at the beginning of the 2000s, 'we saw that with frozen food it is technically possible to reproduce the traditional cuisine that people like to cook at home just on a larger scale'. When Felix says Frosta 'makes 100%, so 100% declaration', this means that collective terms like 'spices' in the ingredients list are taboo. In addition to the food itself, the packaging is also subject to continuous improvement efforts. To support SDG's target 12.5 of waste reduction, the company only uses recyclable plastic bags and aims for the introduction of an alternative paper bag packaging. The product portfolio was reduced by about 50% and it was clearly communicated internally that now there would be a clear focus on cooking high-quality food. Since 2008, the publication of the CO₂ footprint of the production process has been a key element of the group's internal sustainability practice together with the aim of setting up a climate-neutral vegetable plant. Hence, the company addresses SDG targets such as avoiding wasteful consumption of fossil fuels (SDG#12.c) and efficient use of natural resources (SDG#12.2). Frosta operates vegetable and herb farms at two locations in Germany. The processing plants are owned by Frosta and employ around 300 people. They are certified, in accordance with the EC regulation for organic farming. The Frosta Group's business is divided between 57% in Germany and 43% abroad. The Frosta brand achieved the greatest growth with +13.5% on an annual basis (Frosta AG, 2021a). Nevertheless, dedication to sustainability has always been important to the company's management. Since 2015, Frosta donates 2% of the total dividend amount to social projects. Frosta's results stagnated in the early 2000s due to its fundamental change of strategy.

If we had set the goal for making the fundamental change to only one or two years, then we would perhaps not have done many of the far-reaching things in the beginning and missed the strategic intention.

The 'Purity Law' achieved an unexpected effect. Sales of the Frosta brand plummeted by around 40% and one in 10 employees had to be laid off. The existence of the family-owned company was at risk (Terpitz, 2022). The CEO at the time, Dirk, also states that marketing decisions made at the time almost ruined the company (Hetzer, 2018). However, especially as a family business, they had the opportunity to pursue a longer-term strategy. A turnaround was achieved after three unsuccessful years. Nevertheless, the result of the realignment is positive on a ten-year roadmap measured in terms of EBITDA, earnings almost tripled over the period from 2004.

Stakeholder Relation to SDG #12

One of the tools frequently used to analyse the environment of organisations is stakeholder analysis. Of particular interest is the identification of the stakeholder groups and the assessment of their ability to influence the organisation. The

objectives of every company should be aligned with the interests of the stakeholders.

Overview

While inventing its sustainability strategy, Frosta has identified the main stakeholders: Value chain partners, customers, target groups, regional institutions, representatives from the social and institutional environment and its own employees. Thus, the sustainability report states, referring to SDG#12.8: ‘Since 2003, we have been fully committed to the topic of sustainability. And by us, we don’t just mean Frosta itself, but the entire ecosystem in which we operate. To meet all needs, we are in close exchange with our stakeholders’ (Frosta AG, 2021a).

The management of Frosta AG has made the stakeholder approach a central topic. Workshops with employees at international locations identified and prioritised action areas. The action areas differentiate between economic, ecological and social aspects in accordance with the three dimensions of sustainability, which are summarised by a significance matrix (Fig. 1) and address SDG goals 12.2 (efficient use of natural resources), 12.3 (food losses) 12.5 (waste reduction) and 12.8 (awareness).

A particular characteristic is not only the diversity of the action areas but also the interesting approach of involving many employees in the development phase (Frosta AG, 2021b). Local and international aspects are captured. Overall, this process increased the likelihood of wider acceptance by employees and local management.

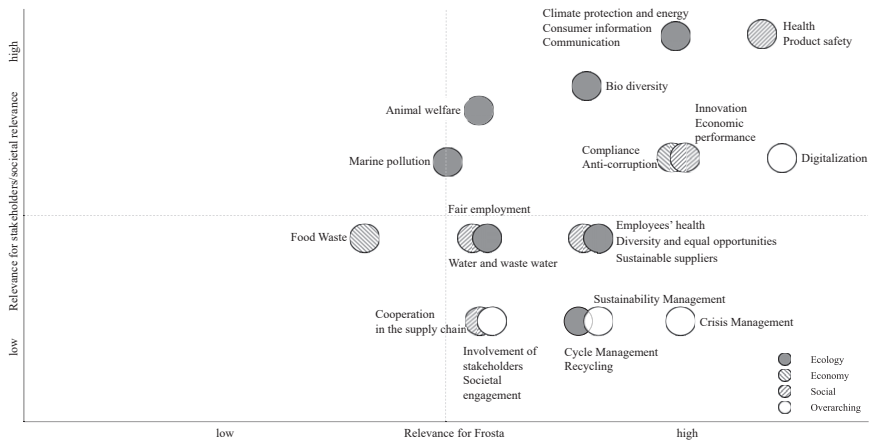


Fig. 1. Significance Matrix of Frosta (Frosta AG, 2021b).

Suppliers

Clear objectives and measures, in particular referring to SDG#12.2 and SDG#12.3, were developed for each action area. For example, product quality and safety are measured by the complaint rate of the Frosta brand. The target is to reduce this rate by 20% compared to the previous reporting period. In the context of environmental and climate protection, the reduction of the total meat content of all ingredients is to be reduced by 20% in the same period. Frosta also wants to strive for a legal standardisation of the labelling of the CO₂ footprint on the packaging.

An overarching long-term goal until 2024 concerns biodiversity, under which the measures for the protection of biodiversity and the conservation of ecosystems in agricultural landscapes are summarised addressing SDG#12.5. Here, Frosta wants to engage in the process of new developments of a scientific calculation standard for biodiversity.

Packaging, especially plastic, is an important topic in the ecological discussion. Therefore, Frosta specified strategic guidelines for all packaging clearly focussing on SDG#12.2 and SDG#12.5:

- No packaging material made from potential food products
- Multiple single-variety recyclability
- Biodegradability

To comply with the guidelines, Frosta must involve suppliers along the value chain. For this reason, a code of conduct has been developed that defines ethical and social standards. Regular audits and certifications ensure compliance with the standards that follow the idea of SDG#12.6 and SDG#12.8.

However, the partnerships with suppliers go further beyond. Packaging that does not yet exist on the procurement market (for example, recyclable paper bags for frozen food) is set up as a standalone research and development project (Frosta AG, 2021b).

Clients and the Market

From Frosta's point of view, two strategic groupings can be distinguished: Retail organisations as trading partners and consumers. Thus, it is not at all surprising when Felix says

The most important stakeholder groups are clearly the customers, i.e., the buyers, the retailers, and [then] the consumers.

However, unfavourable experiences in the company's transition towards sustainability and the launch of the Purity Law also play an important role here. Frosta realised, however relatively late, that intensive communication with its sales channels is critical to success. All too often, Frosta saw itself as a producer that creates and manufactures products. The highest priority was given to recipes

and the refinement of ingredients according to the self-imposed Purity Law. Neither the trade nor the customers had understood the new concept and its benefits deriving from the products and brand strategy change. Convincing the central and regional buyers of key accounts and getting them on board now became the ad hoc task for the entire management board. Regardless of the respective department, all members of the Executive Board had to approach and engage customer groups to promote the Purity Law concept with its benefits to make up for what had been missed ‘My team and I relied on the market researchers’ and overlooked the fact that ‘people [consumers] no longer recognized the brand[. . .]’.

Several measures have been taken to immerse consumers, support their loyalty and provide transparency. The ingredient declarations on the packaging go far beyond the legal requirements, for example in terms of origin and the level of detail (SDG#12.8). Another demonstration of transparency is the opening of a ‘transparent factory’ for fish sticks in Bremerhaven, which provides a panorama view of ongoing productions. In addition, public relations work – actually the customer approach – is supported with intense multi-channel media work. Of course, social media is used intensively and consumer-generated content including reactions of any kind is reflected on the website (<https://www.frosta.de>). Frosta is also transparent here and engages with customers consistently and honestly. Ahlers confirms that customer statements, praise and criticism are published uncensored in forums such as the Frosta blog (SDG#12.8 can be recognised here).

Politics and the Public

Of particular significance for Frosta are the stakeholder groups of politicians and the public (referring to SDG#12.8). The food industry is characterised by various forms of regulations and legal framework conditions, which also have an impact on the public. These primarily concern the labelling requirements of ingredients. For Frosta, these regulations apply without restriction, which as such is nothing special. However, Frosta uses the regulations as a minimum benchmark indicating the differentiating features of its products transparently and beyond the legal requirements. As such, the ingredient list should become a differentiation factor for Frosta. However, the approach also implies a risk for Frosta. For example, Ahlers says: ‘The legal regulations do not help us, but actually make it difficult for us to differentiate ourselves from others’. The background to this assessment is that Frosta considers the legal regulations to be too imprecise and vague: An example is the ingredient salt. Silicon dioxide, which is used as an additive and anti-caking agent, is not subject to separate labelling requirements in ready meals because it has no technological effect on the end product. For this reason, an exemption from the labelling requirement applies which allows the ‘concealment’ of silicon dioxide under the generic term salt, which in the eyes of Frosta is potentially not in accordance with SDG#12.8.

Similarly, solvents and carriers for additives, flavours and vitamins such as alcohol, edible oil, sugar or maltodextrin. They are not considered ingredients, provided they are used only in the technologically required quantity.

In a high-profile letter to the responsible federal minister, Felix says: ‘we need more food and less fake - and above all, we need a transparent declaration not only for additives but also for flavours and additive imitations’ (Frosta AG, 2021b). Ahlers’ position is that, in his view, the federal government is giving priority to further research projects for the development of substitutes. Therefore, Frosta supports petition initiatives such as ‘Ehrlich isst besser’³ (Frosta AG, 2021), which demand a complete listing of all ingredients in food, provide for a uniform labelling requirement of flavoured foods, and call for clarity and comprehensibility in the declarations of additives (Frosta AG, 2021b).

Retrospective: Lessons Learnt ‘SDG#12 Perspective’

A retrospective review identifies various ‘lessons learnt’ that accompanied the process towards Frosta’s current level of sustainability. The most important factors are:

- (1) Participation of employees as early as the conceptual design stage (SDG#12.8)
- (2) Sustainability as the central point of strategic orientation (SDG#12.6; SDG#12.8)
- (3) Consistent implementation (SDG#12.3; SDG#12.4; SDG#12.5)

Truthful reflection and agile response, as mentioned above, is of paramount importance. The family management admits having paid too little attention to the ‘most important stakeholder’ during the implementation phase and market launch, which explains the economic slump in 2003. Although the abandonment of flavour enhancers and other additives was the inevitable step to implementing the Purity Law, it met an unprepared stakeholder environment. Neither the trade nor consumers responded positively to the changes. While the natural taste resonated well with consumers, the price increase of about 0.30€ per ready meal triggered the rejection. Improved communication and transparency (SDG#12.8) opened the way to winning back the acceptance of consumers and also of retail partners. Even today, this stakeholder group is at the centre of brand communication around health as well as product safety and quality.

Business and Greater Good

Frosta has donated 2% of its dividend sum to charity since 2015. This is used to support projects in the areas of youth development. At its locations in Germany, Frosta pursues various projects, for example, equal rights for young women during International Women’s Day or multicultural cooking events to promote social cohesion. However, especially in an international context, Frosta is involved in the local environment of its locations and the countries of origin of its

³‘Ehrlich isst besser’ can be translated as ‘The taste of honesty’ and refers to an initiative for transparent lists of ingredients.

ingredients. ‘Half of the donations go to the countries we work with, especially to developing countries’, states Felix.

In cooperation with the aid organisation Plan International, Frosta supports a social project to build job prospects for young people in Ecuador. 900 young people have now benefited and participated in over 100 educational workshops (Frosta AG, 2021b). Hence, the SDG’s target 12.8 is addressed by providing relevant information and an awareness of sustainable development via education. During the COVID-19 pandemic, seven tailoring workshops were able to emerge and produce 11,000 masks for the local population. Among the track record in Ecuador, Frosta now records 209 jobs created, 27 small vegetable farms and 4 bakeries.

Diemand (2022) names animal welfare, assortment design and food waste as essential aspects in the context of an industry check and review of retailer value propositions (see Fig. 1). The following will review these aspects to Frosta’s respective engagement.

Animal welfare deals with the keeping, transporting and slaughtering of animals. To ensure animal welfare on land, Frosta always requires access to its suppliers and, if necessary, to obtain audit certificates. In parallel, Frosta is committed to animal husbandry at sea. To counteract overfishing of the oceans, Frosta only processes fish and seafood from certified fisheries and aquacultures. Hence, the sustainable use of natural resources as per SDG target 12.2 is an element of Frosta’s operations.

In addition to the selection of suppliers based on aspects such as regionality or organic quality, the assortment design considers ecologically produced and marketed foods. In addition to screening its suppliers, Frosta sources its demand from cultivation areas around the world. Thus, improved growing conditions avoid the use of pesticides and prevent a larger CO₂ footprint due to the transport route. Furthermore, Frosta tries to switch its packaging to paper in the next few years. Hence, the SDG’s targets of preventing chemical usage (SDG#12.4), a reduced carbon footprint (SDG#12.2) and recyclable packing (SDG#12.5) are addressed.

As per the SDG’s target of food waste (SDG#12.3), companies are trying to counteract the wastage and waste of food with their own or partnership initiatives (see Fig. 1). Frosta sees itself in a good position as a frozen food producer, as the products can often be stored for months and there is, therefore, less risk of the best-before date expiring than with items that may only last a few days. Any surplus resulting from changes in the product range, for example, is donated to social projects as far as possible. These donations increased from 20 tonnes in 2019 to 28 tonnes in 2020 (Frosta AG, 2021b).

In summary, Frosta’s social and environmental commitment covers a wide range of projects with a variety of stakeholders along the entire value chain. From the choice of suppliers to food production and consumption – i.e. beyond the company’s direct sphere of influence – sustainability aspects form the guidelines, Frosta is credited with having defined a new industry standard early on with the creation and launch of the Purity Law and with making a benchmark and social contribution with its own initiatives.

Measurements

National and International Standards

Frosta's sustainability strategy is subject to quantified measurements that are in formal accordance with the standards of the 'German Sustainability Code' (Frosta AG, 2021b). This state-financed framework comprises 20 criteria and measurements that make sustainability initiatives transparent (<https://www.deutscher-nachhaltigkeitskodex.de>). Corresponding reports fulfil the legal requirements of the German CSR legal guideline, which imposes reporting duties on German companies depending on revenue, total assets, capital market orientation and a number of employees. However, Frosta is not required to report as per this guideline. Therefore, Frosta's sustainability reporting is voluntary.

Measurements of SDG#12 Aspects

Frosta reports regularly in the form of a sustainability report under their motto 'Frosta for Future' on the objectives and status of its many sustainable initiatives. Frosta has defined sustainability goals according to the categories shown in the significance matrix (see Fig. 1). Under the perspective of SDG#12 measures, we highlight the following examples structured in five clustered categories. (1) 'Product quality and safety' is measured by customer complaint rates, which are to be reduced by 20%. (2) 'Environment and climate' has the goal of reducing specific greenhouse emissions and achieving climate-neutral manufacturing processes in the long term. (3) 'Biodiversity' focusses on protecting and preserving ecosystems in agricultural landscapes. (4) 'Digitalisation' focusses on reducing electricity consumption and CO₂ emissions through digital solutions and transformations. The category (5) 'Packaging Characteristics' aims as a general goal to achieve no long-term negative impact on people and the environment through packaging. In each of these listed categories, specific target contents are defined quantitatively and qualitatively which are summarised below (cf. Table 1).

Table 1. Measures and Timetable for Achieving SDG#12 Targets based on Frosta's Sustainability Report (Frosta AG, 2021b).

Category	Goal	Schedule
Product quality and safety	Reduction of the complaint rate (for products of the Frosta brand) by 20% compared to 2018	Long-term
Environment and climate	Reduction of the total meat content by 20% compared to 2018 in the production of the products	2022
	Promotion of legally standardised labelling of the CO ₂ footprint on packaging	Continuously

Table 1. (*Continued*)

Category	Goal	Schedule
Biodiversity	New development of a scientific calculation standard for biodiversity	2024
	Creation of 100,000 m ² of ecologically valuable habitats and further development of the biodiversity area.	2022
Digitalisation	Reduction of power consumption by 80% compared to 2018 due to migration of telephony to MS teams	2025
	Reduction in the use of air conditioning by switching to cloud servers	2025
	Reduction of business travel including company vehicles by 40% compared to 2020 due to remote workplaces and online communication	2025
Packaging characteristics	No packaging material made from food (e.g. corn-based bioplastics)	2025
	Multiple and unmixed recyclability	2025
	Biodegradability	2025
	Conversion of secondary packaging (outer cartons) to 100% recycled paper	2023

Family Aspects

This case study suggests that legal reporting requirements may insufficiently reflect the sustainability orientation of a company. The Paris Climate Agreement and SDGs date back to 2015, and the CSR guidelines date back to 2017. Still, Frosta pursues its sustainability strategy since 2002. At that time, Frosta was ahead of the curve. This meant that sustainability orientation goes beyond the preparation of reports into the area of the owner's family's values and attitudes and perhaps the desire for an emotional return.

Business Aspects

Frosta's Purity Law has proven to be a distinctive feature that gives differentiation power to the brand. Realigning the strategy towards a sustainability orientation reversed the business odds. In 2003, Frosta's reason to exist was in question, yet in 2021, it maintains its market leading position and a contemporary value proposition. Long-term and current business measurements suggest that Frosta's sustainability strategy secured the commercial continuity of the business strategically and that it still does. The business strategy delivers commercial return and therefore seems to have paid off.

Bottom Line

The reflection of measurements related to Frosta's sustainability strategy suggests that the more recent quantifiable sustainability measurements and the measurement of the business impact are necessary conditions for stating the course of the company. However, the strategy's origin and execution have not been driven by legal requirements or by a desire for maximum profitability. The values and attitudes of the owner's family and the willingness to move ahead of the curve were and still are the original driving force. Thus, in this case, emotional returns and commercial returns are the pioneers of what is measured as a legal requirement today.

What's Next?

CEO Dirk Ahlers explains that, in his view, the legal form of a public limited company guarantees management continuity and a strong management team.

The separation of the Executive Board and the Supervisory Board is an organizational guideline that avoids conflicts by clearly assigned roles and responsibilities. Therefore, it is particularly useful for family businesses.

The management is committed to innovative product development, which will remain a key differentiator for Frosta:

We are convinced that there is no other brand that pursues a concept so consistently. If you then take a close look at [the competition] [..], you can see that no one does it as completely as we do.

'We have the value proposition of the future', says Dirk Ahlers, 'I believe that we are not lacking ideas'. Frosta classics are offered as vegan variants without additives or flavours. This ties into Frosta's sustainability strategy, as vegan dishes reduce the CO₂ footprint by up to 30%. The overall aim is to reduce the meat content of all ingredients by 20% (Unknown Author, 2022). Hence, Frosta continues to address SDG#12 targets such as 12.2 and 12.8.

Sustainability will remain at the core of Frosta's way of engaging with stakeholders. At Frosta, sustainability is not a technical execution of standards and laws but an attitude. In that sense, we observed connections to other SDGs including, but not limited to, Climate Action (SDG#13), Life below Water (SDG#14) and Life on land (SDG#15).

Epilogue

Of course, Frosta is subject to generic business risks such as unpredictable cost developments or changes in customer preferences. The following challenges were identified to be specific to Frosta's economic sustainability.

Strategic Challenge: Product Imitations

Maintaining sustainable differentiation is a strategic challenge because the guiding principle of the Purity Law can be imitated. Meanwhile, sustainability is likely to have arrived at all levels of the supply chain, so it can be assumed that the entry barriers for competitors will be lower over time.

Politics: Today's Differentiators Become Tomorrow's Standards

Policy plays an important role. Frosta's unique selling proposition is based on exceeding legal requirements, dealing and communicating transparently with the customer. This enables Frosta to play a unique leadership role. However, what happens if the political framework changes in such a way that Frosta standards evolve into an industry standard? The Purity Law would lose its differentiation power.

Challenge Procurement Markets: Dependencies

Not without pride, Felix refers to the selection of suppliers who (must) follow Frosta's specifications. Although this is not the standard in the areas where R&D is carried out, this is a double-edged sword because it can lead to dependencies. The more specific the product or service, the more supplier power tends to increase. Therefore, if exclusive agreements exist, disadvantages for Frosta can also develop from this (for example, price dependencies and delivery conditions).

Our concluding reflection is an aspect of family business research arising from this case study. We suggest that family businesses could be 'born sustainability leaders'. The proposition is that environmental integration and sustainable action are related concepts that correspond in meaning and impact. This could even increase the importance of family businesses in attaining the sustainable development goals.

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