

TOKS GROUP: ARE RESPONSIBLE COMPANIES GOOD BUSINESSES?¹

In 2019, Toks Restaurants, founded in 1971, completed 47 years of existence in Mexico. It had 207 units distributed throughout the country, competing in the family restaurant format, serving 32.4 million clients a year, with 10,700 employees. Toks was part of the Gigante Group, where the restaurants represented one of the strategic business units. Its value proposal to the customer consisted of providing the best product, service and ambience at an adequate price, but in a sustainable and responsible manner. In the following link and QR code, you can visit Toks' web page and see its concept and note at the end of its menu the offering of products made by indigenous communities that can be purchased and taken home.

<https://www.toks.com.mx/>



The Human Factor and Social Responsibility (SR) were key elements at Toks. Since 2015, Toks adopted as a strategic framework the UN's Sustainable Development Goals, the first of which was ending poverty in all its forms around the world. In this respect, its efforts were oriented toward supporting indigenous communities in the country, inspiring others to take action in this regard. These goals and how Toks fulfilled most of them can be seen in Exhibit 1.

Toks had achieved the distinction of being a Socially Responsible Company, and its adherence to the Global Compact and its Productive Projects, where it integrated into its supply and value chains products with no artificial colorings or preservatives, made artisanally and organically in the country's indigenous communities, was highlighted in the international sphere. These activities were called Inclusive Businesses.

Toks was one of the most recognized and award-winning Mexican companies because of its SR, and also one of the most profitable in its sector. The company could be considered as the SR model in its sector in Mexico. It had a SR Department, headed by

¹ This is a case of the Research Division of San Telmo Business School, Spain. It has been written by Professor Miguel Angel Llano Irusta and research assistant Guillermo Ortíz, of San Telmo Business School, and is intended as a basis for class discussion only and not to illustrate any judgment on the effective or ineffective management of a specific situation.

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Gustavo Pérez Berlanga, with more than 18 years of experience at Toks. The company's SR strategy appeared to be successful. However, past success was no guarantee for the future, since SR was a tough challenge for Toks. At the end of 2018, Gustavo had completed his presentation of the SR report to the Management Committee. Toks' CEO, Juan Carlos Alverde Losada, said to him: *"We have made Corporate Social Responsibility (CSR) a Competitive Advantage up to now. However, we must look toward the future. Come up with a Strategic Plan to consolidate our leadership in the coming years as a Socially Responsible and Sustainable Company in the Mexican restaurant sector."*

GIGANTE GROUP: MORE THAN FIVE DECADES ON THE MEXICAN MAP

Toks Restaurants was a company that, since its founding, belonged to the Gigante Group (GG), a conglomerate of companies organized in three divisions: real estate, retail trade and restaurants. GG traded on the Mexican Stock Market since 1991.

Ángel Losada, a Spanish immigrant born in Soba, Cantabria, started a small store in 1940 in Apan, in the Mexican state of Hidalgo. Twenty-two years later, this modest beginning was the starting point for the operation of the first self-service store called Gigante, on November 28, 1962, that at the time was the largest in Latin America.

Losada was a man of strong social commitment who responded generously to requests for help from numerous associations. Juan Carlos Alverde Losada stated that SR had been a priority since the founding of GG. For Ángel Losada, said Alverde: *"The business had always been accompanied by a genuine interest in people, in understanding their needs, involving itself in the lives of its employees and their families and giving them the tools to overcome their wants."*

Throughout its history, the Group had acquired certain commercial chains and sold off others. In 2008, after disinvesting from the self-service stores, GG turned to businesses that it considered had greater profitability and efficiency. The chronological evolution of Gigante Group can be followed in the following link and QR code.

<http://grupogigante.com.mx/historia.html>



THE CHANGE OF DIRECTION OF CSR AT TOKS

In 2003, Gustavo Pérez Berlanga was director of purchasing, marketing and logistics at Toks, when he was invited to The University del Carmen, in Campeche, to talk about the SR projects that the company was participating in. There, two people asked him, in a challenging tone, what Toks was doing to support indigenous communities in the region. Gustavo explained that the company was looking for national causes, not local ones, but his answer did not satisfy the audience, which insisted on the topic.

In the face of such marked interest, he asked attendees to give him their proposals and promised to take them to the company's board. *"I received so many that we decided to do something: the seed had been sown of what is today Toks Productive Projects, as a differentiator of our food offering, with positive impacts in the social, economic and environmental dimensions, not only for suppliers but also for customers, employees and stockholders."*

Toks' General Management, headed at the time by Federico Bernaldo de Quirós, was the main driving force behind this initiative. *"Some area directors at Toks thought that it was an excessive effort to acquire a supplier who did not belong to the traditional supply chain, but I believe it has been the best path that we could have chosen to evolve toward social responsibility beyond philanthropic actions."*

Juan Carlos Alverde Losada, then director of operations at Toks Restaurants, explained: *"Until that moment, CSR had taken the form of aid or welfare, financially supporting foundations or associations that tended to the needs of marginalized groups and vulnerable populations, burned children, those affected with cancer, etcetera. But, from that moment on, Toks recognized that it was not enough to stimulate economic development by generating jobs and benefits in places where it established its restaurants. We were missing an essential step: linking the company with the community, because the important thing about CSR is not how the money is spent, but rather how money is made for all those involved."*

WHAT WAS CSR FOR TOKS?

With regard to CSE, Gustavo pointed out: *"You have to begin by defining what CSR is, and this is very easy, because it's how we respond to everything we provoke with our decisions, omissions and actions. For example, how often do we order a coffee free in which no child labor is involved? Each one of our decisions affects the entire value chain. And we are always having an impact. So CSR means how we respond to all of this."*

He added that for several years Toks had understood what it implied for a company to be socially responsible, without feigning, pretending or purely for marketing reasons. *"And when we realized the impact we were having, we knew that we could be part of the solution or the problem, so we then began to understand how to remedy the problem and, later, we began to generate the actions. That's what we did and that's what CSR is for us."*

At Toks, they realized that it was possible to combine the generation of economic benefits with being a good corporate citizen and involve social and environmental aspects in the business strategy. In October of 2003, Toks created the Productive Projects program for the purpose of sharing with its internal and external clients and shareholders the successful experience of various communities in their development as suppliers of Toks of artisanal products of the highest quality. *"Since then, we began to*