Entering a New Age

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If you asked Ken Baker, CEO of NewAge Industries of Southampton, PA, why he thought his company was a great place to work, he wouldn't answer you with metrics, platitudes, or generic corporate speak. In fact, Baker doesn't seem capable of the stereotypical "canned answer."

So when nominated for the 2009 Top Small Workplaces competition—a joint effort between not-for-profit consultants Winning Workplaces and *The Wall Street Journal*—The NewAge team came back with an application full of what Baker refers to as "the soft side of the business."

Tell It Like It Is

NewAge Industries, a manufacturer and fabricator of flexible plastic tubing and hose, molder of silicone, developer of RFID tagging technology, and a supplier of fittings and clamps, has been family-owned and operated since 1954. Current CEO, and son of the founder, Ken Baker, has consistently taken a proactive approach to employee relations, and has seen the dividends pay off in low turnover, a solid company culture, and most recently, as one of 35 finalists for the 2009 Top Small Workplaces Award. So how does one "win" as a winning workplace?

"They were asking for some financial stuff," says Baker, "but also the soft stuff—how we treat our people, what our benefits are, and how those benefits affect motivation."

NewAge boasts an average employment of 8.14 years for team members, and 15 years for team leaders—numbers, they say, that are skewed slightly based on new hires for its expanding AdvantaPure line of products for the pharmaceutical industry.

“I kind of felt like we were an unusual company, based on some of the practices that we do on a day in and day out basis,” Baker says. “So we decided to nominate ourselves because I guess we thought we were pretty good. And no one from the outside knows all the aspects of the organization; it’s really only the team members that truly understand what we’re doing.”

The Road To ESOP

There are lots of reasons the NewAge employees stick around, and many stem from outside the box benefits and a level playing field between management and the rest of the team.

“An employee can go anywhere they want. Theoretically, they are free agents. What makes the difference between one employer and another? What is the anchor to keep them there? I think it’s about having respect for a person’s dignity, reward, incentive, paying people properly, giving people a piece of the action… We have two huge incentive programs that pay a lot of money to people. I feel you’ve got to give them a piece of the action too,” Baker says.

Basic Guiding Principles

Perhaps one of the ways NewAge Industries is such a “winning workplace” has to do with its accessible and enforceable guiding principles for its team members. Instead of a stale mission statement, or filed away code of conduct, this list is full of specific, actionable points of reference—and it’s for all team members to follow.

Highlights from NewAge’s Basic Guiding Principles:

- Hold yourself accountable for your own work.
- Never be afraid to ask for assistance.
- Speak positively about team members, our company, and our competition.
- Fellow team members are customers. Treat them as you would like to be treated.
- Attempt to maintain an even disposition, regardless of the impact of a problem.
- Communicate negative information as quickly as you would communicate positive news.
- Spend capital and expense money as if it were your own.

- Do a day's work in a day.

CEO Ken Baker is not exempt from these principles, and relayed a recent incident where he lost his temper and was subsequently written up for breach of the principle. "In traditional business, there is a chasm between ownership and the CEO and everybody else," he says. "You'll never close it, but if you try to bring it closer you get more team effort, more commitment, and more understanding. These rules are not for everybody else and not me. They're for everybody."

"We did TQM (Total Quality Management) training in the early 90s, right when Baldrige came on the scene. We wanted to increase our use of statistical process improvement, or soft skills, with our team members. So we decided to hire a consultant to come in and do TQM training. We spent a fair amount of money and put everybody through it. Some of it is in the Basic Guiding Principles (see sidebar below), and some of it is all over the organization—how we communicate, and how we talk about mistakes. I knew that after we did that, I probably wouldn't get 100 percent buy-in if I didn't give equity."

Thus hatched the idea for one of the more compelling benefits to New Age—its ESOP (Employee Stock Ownership Plan) program. In 2006, Baker sold 30 percent of the company to team members. After a gradual vesting period of five years, an employee becomes 100 percent vested in the ESOP. Says Baker, "Since the ESOP owns 30 percent, if there is a dividend paid, the ESOP gets 30 percent of the dividend… and every year the employees are getting more shares."

The corporate tax breaks that come with this employee ownership structure are enormous, and have proven to be "a heck of a competitive advantage," says Baker. In times like these where every penny counts, NewAge can feel the buffer of a business that is 30 percent tax-free.

Know Your Approach

Baker also had other plans for how to attack a down economy.

"At the beginning of the recession, I made a commitment to the organization: do not cut inventory. There is an opportunity with inventory. I said let's keep the inventory high, because I know some people are going to lower their inventory. They're going to be shopping around, and we may be second or third source, but we'll get the sale because we have the product on the shelf," says Baker.

The inventory was one way; the personnel was another—not letting good people go who were well trained in the processes. According to Baker, it's about "keeping the team together and coming up with new products, even though it's a downturn. And

not stopping your marketing in that downturn as well; making sure your name is out there.

"You need to keep pushing and looking for opportunities, because there have been some opportunities that have come to us, in terms of people as well as products, because of the economy. There are opportunities in a downturn, and if you think your strategy is solid, and you feel you have a strong organization from a customer service standpoint, and good depth in customers, then you've got to weather it out. I think hunkering down, selling your inventory, and turning it all into cash like a lot of people have done—when the customer wants to come and buy something, they don't have it on the shelf and it's going to be 3 days to get it, then you have problems.

"We've actually upped the ante with our distributors as a strategy. Because a lot of the distributors chose to decrease their inventory, they can utilize our inventory and our drop-shipping capability in order to keep their costs down. We will drop ship for our distributors directly to their customer, we can blind ship it, and they can keep the business and service their customers the next day. We've been doing more and more of that for our customers."

An Incentive To Win

Employee ownership and keeping a balanced business environment have been cornerstones, but a lot of NewAge's success has come down to knowing and valuing its team.

In typical New Age fashion, the company has even turned the Winning Workplaces nomination into an incentive for its employees. The company has arranged for a competition where team members can submit a short essay on the reasons they think NewAge is a winning workplace. A committee will judge the submissions, and the winner will be rewarded with a trip to the awards ceremony in Chicago in October.

This approach to incentivizing is consistent with the types of hands-on employee relations that NewAge has been instituting for years. Part of its recognition includes rewarding employees after a certain number of years of service with a monthly gift card to a local five star restaurant. "This is a good reward for the team members, but also for the woman or man behind the team member that pushes them along and helps," says Baker.

Employees are also rewarded monetarily with a new hire referral program. This works well in NewAge's performance-based environment because "when you share in the profitability with one another," explains Baker, "they're not going to bring in somebody that's not a quality person."

Quality people, and management's recognition of them, is at the core of NewAge's success. They'd be right to keep moving with these forward-thinking strategies and, according to Baker, "great, open and honest conversations without fear of criticism. Because of that, you get good results."

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