



“ Just because you have a family business, where you may have a second generation running the business, a family atmosphere does not come easily. You have to work it all the time. Our deep investment in employee development and our incentive pay structures are key to fostering great team behavior. It puts the responsibility on all employees to be responsible for the well being of the organization and for their own pay. Everybody is locked together, creating and sharing in the wealth. ”

– Ken Baker, CEO

NewAge Industries

Celebrating A Half Century of Wealth Creation & Employee Engagement

NewAge Industries, founded in 1954, has lived up to its name by continually reinventing itself. Founded initially as a distributor of flexible plastic tubing, it transitioned into manufacturing the product nearly 20 years ago. Today, NewAge has a diverse customer base and is known as a premier provider of disposable pharmaceutical processing systems.

While the industrial tubing market took a downturn in 2009, NewAge continued to prosper, increasing its inventory to become the “go-to supplier” – a strategy that was met with great success. The share price of NewAge and its two biggest, publicly-traded competitors was about even in 2005.

NewAge Industries Southampton, PA

- Founded 1954
- Privately-held; 30% owned by ESOP
- Revenues: \$ 22.3 Million
- 86 employees
- Average turnover over 3 years: 10%
- Average tenure: 8 years
- 2010 Finalist for Top Small Company Workplaces as awarded by Winning Workplaces & Inc. Magazine

www.NewAgeIndustries.com

Over the following three years, NewAge’s share price increased 219% while those of its competitors dropped substantially. The company has been profitable every year of operation, never carried debt and 2009 was its sixth record-breaking year in a row.

For over 55 years, this family-owned business has steadily followed its core values, focusing heavily upon customer appreciation, respect for others, high ethical standards and sharing the wealth. This formula has paid off.

NewAge is a lean and efficient operation with a tenured workforce known for its innovation, commitment and agility.

The Direct Production Workforce

NewAge’s entire workforce is very diverse: nearly 30% are women, staff’s ages range from 18-75 years old and over 30% are minorities. Many employees have long tenures at the company, averaging over eight years.



This report focuses on NewAge’s direct production employees which make up approximately 50% of its entire workforce. These employees work in warehousing, manufacturing and quality inspection. Nearly 40% of the direct production workers are minorities, of which a large number are Cambodian.

NewAge pays a great deal of attention to its recruitment practices, frequently bringing on temporary employees for up to three months before production hiring decisions are made. The company looks for a strong cultural fit, a good work ethic and dependability.

Starting wages for production employees range from \$9 - 12 an hour depending on their experience and the position. Along with scheduled merit increases, employees can increase their wages through the company’s progressive performance incentive structure.

Incentives That Drive Performance

The company offers two incentive programs that pay out generously to all employees – profit sharing and the Employee Stock Ownership Program (ESOP). Management believes that by giving employees “a piece of the action” it focuses the workforce on business priorities and creates an atmosphere where everyone has a clear stake in the company’s future.

Gain Sharing

NewAge’s profit-sharing program is called gain sharing, a bonus plan that is paid out quarterly and based on gross profit, salaries and benefits. When profits exceed those of the same period in the previous year, gain share is paid. While nearly 50% of the entire workforce have salaries under \$40,000, through gain sharing and overtime hours, these employees usually claim a sizable annual bonus. For the last five years, this bonus has averaged 15% of their salary, bringing all but a dozen or so employees above the \$40,000 annual earning range.

To help employees understand how gain sharing works, company-wide and departmental meetings are held on a regular basis to share financial data, sales numbers and achievements. At all times, employee can access the daily sales activities, compare the numbers to previous months and discuss them among team members.

Employee Stock Ownership Program (ESOP)

In 2006, NewAge adopted an ESOP ownership plan, a retirement plan designed to reward long-term employees and protect the company from any future competitive buyout. An ESOP committee, made up of employees from each department, oversee the



program, education and communications. The success of the ESOP has surpassed expectations with just three years of ESOP contributions having eclipsed 30 years of pension plan investments for many of the participants. The ESOP now owns approximately 30% of the company and the plan is for it to own 100% in the future.

In the recent year, when the economic downturn became the center of news coverage worldwide, NewAge management

addressed employees’ anxiety by bringing the whole staff together for a discussion of the company’s standing and the staff’s personal finance concerns.

Together with the accounting department, the CEO presented – to all staff – five one-hour sessions with workbooks, homework and PowerPoint presentations on the ESOP and personal retirement strategies. Using spreadsheet models, employees construct a retirement plan customized for their own situation. Employees found these sessions useful in helping them identify areas where they could be spending less and ways to close the gaps in their personal finances. To this day, many employees continue to use the tools developed for the sessions to monitor their personal finances.

Providing such incentives and helping employees understand their own and the firm’s finances have gone a long way toward retaining employees, especially the new hires and lower-wage production staff. *“These incentive programs provide us security within the company. There is a real sense of longevity here despite tough times in this country,”* says Receptionist Kippy Baird.

Workforce Development

Sustaining a lean, motivated workforce takes the proper performance incentives, but it also takes a deep investment in developing employees so they are able to succeed in their current jobs across the organization, and in the future. NewAge accomplishes this through a mix of on-site internal cross-training and external education opportunities.

Internal Development

New product development and increased quality standards demand new skills, knowledge and work behaviors. For the last several years, NewAge has placed a heavy emphasis upon cross-training across the entire manufacturing operation for two important reasons:

1. for maximum efficiency and productivity, its leaders believe all employees must learn about the entire manufacturing operation
2. employees are acutely aware that gain shares increase when there are fewer employees because there is more to go around

Ensuring higher bonuses occurs through its highly cross-trained, agile workforce where employees are able to seamlessly fill in for one another. *"We work very well as a group and anyone passing by can check and confirm your work. That's not a threat, that's insurance,"* says Warehouse employee Maria Notafrancesco.

NewAge takes a long time to hire and when they do, they make it clear to the new recruits that they will be performing many different tasks across

departments including molding, extrusion, coiling, fabrication and tubing. *"One day an employee may work in the mold shop and when it is slow, I may transfer him to fabrication. What's different*

about NewAge is that we seldom lay people off. We don't over hire when we are busy and then lay them off in slow times. That's not how we do things," says Production Scheduler Matt Bauer.

On any given day, a core group of experienced production employees can be seen moving throughout the manufacturing operation

ensuring things are running smoothly. Changing jobs keeps employees engaged and helps to avoid stress-related issues like carpal tunnel syndrome.

Over 90% of the employees in manufacturing are referrals from current workers – a practice encouraged by management as they pay out a \$1,000 bonus for successful referrals. Management has found that this practice helps to reduce hiring costs and results in higher quality applicants as employees are very conscious not to recommend substandard workers since everyone's compensation is linked through the incentive systems.

In addition to cross-training across departments, NewAge offers an abundance of on-site training in other areas such as: safety/hazard training, product training, process improvement methods, negotiation skills, etc. Periodically, on-site English classes are held for its Cambodian staff to help improve their language and communication skills.

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"The ESOP and gain sharing combination is great. All employees work with that in mind, knowing the better we do, the more we'll get out of it."
– Maria, Warehouse Employee

Workforce Development

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External Education

A guiding principle of NewAge states *“When presenting problems, always bring forth your best solutions.”* This principle, deeply embedded in its culture and reinforced by management, has the effect of empowering employees to be creative and investigate new tools (software and manufacturing equipment) or attend any outside seminar they believe will help them perform better. To support this curiosity, NewAge encourages employees to take advantage of their tuition program which reimburses up to \$2,500 annually. Unlike most firms, however, at this company tuition can be used for any type of learning, whether or not it is directly related to one’s job. Their rationale is that the act of learning anything new and different can spark innovation – not to mention foster employee loyalty.

One such example involves a 19-year-old woman, Liz, who began working at NewAge in 2000, right out of high school. She started in fabrication and quickly moved from one department to another, becoming a very knowledgeable and flexible worker. One day the CEO was informed that Liz was crying and ready to walk out. She was upset and told co-workers that she did not want to remain a “blue-collar worker” forever. After sitting Liz down, the CEO inquired what it was she did want to do. After taking a month to survey the entire corporation for other options, Liz admitted that what she really wanted was to pursue her dream of becoming a nurse. After making a quick calculation, the CEO went on to offer her tuition for nursing school if she would commit to working for NewAge during that five-year period – an offer she could not refuse. After five years, right on schedule, the company threw her a retirement party to celebrate her graduation and to say goodbye, presenting her with a new laptop to launch her nursing career.

Retaining and Grooming Leaders

NewAge places a high premium on promoting from within and has numerous examples of entry-level production employees who’ve accessed development opportunities to advance within the company. In fact, 75% of all current supervisors and managers at NewAge were promoted from within, many from entry-level positions. A few examples include:

- Shipping clerk to Accounting clerk to Credit manager
- Warehouse worker to Quality control inspector to Director of Quality
- Warehouse worker to Quality control inspector
- Mold shop worker to Mold shop supervisor
- Extrusion worker to Extrusion shift supervisor

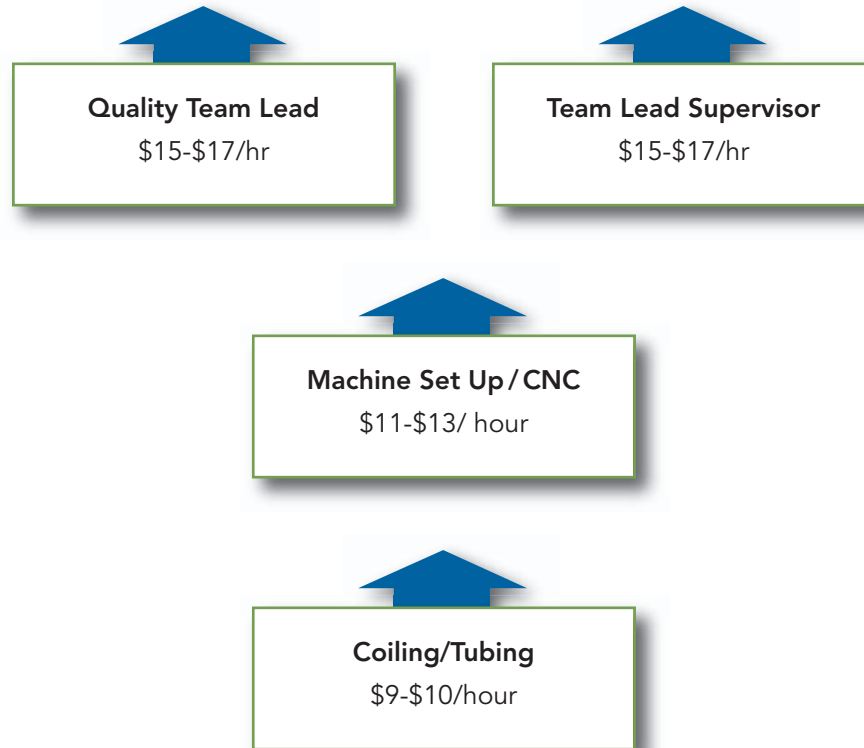
Production employees promoted into supervisory positions participate in a series of on-site, customized development sessions to help them acclimate to their new roles. The sessions, some of which are presented by top-level management, include topics such as: Leading vs. Managing, Delegating, Dealing with Defensive Behavior and Listening Skills. In addition, new supervisors hold monthly Lunch-and-Learn sessions where they support one another, share goal-setting information, address difficult employee situations and provide project updates.

All managers are tasked with the goal of identifying and preparing their replacement with priority given to promoting from within and carefully hiring from the outside when necessary.



Career Progression – One Scenario

NewAge employees are widely encouraged to move around and test out other jobs within their own or other departments. While there are few “typical” paths, here’s one example of a progression track for production employees.



Success Story



“When I started as a temp at NewAge my job was picking orders,” says Chris Kourelias. From there, he went on to learn many other facets of the business, from shipping and receiving to logistics. After three years, Chris accepted a job at Coca-Cola. On his first day he noticed three managers and six supervisors on the floor. “Someone was always watching and pressuring you,” Chris says. “That same day, I went back to NewAge to ask if I could get my job back. At NewAge we have one manager in the warehouse who keeps us informed with what’s going on. He never pressures us, because he knows each employee knows

their role. I felt like I was just a number at Coca-Cola, but not at NewAge.”

Still a young man, Chris sees many more opportunities at the company, one of which is to replace his current manager who may retire soon. “Now they are talking about sending me to school for a logistics degree and I am only 24,” he says. When Chris began with NewAge five years ago, he never thought he’d be with the company as long as he has. “NewAge is a father-and-son operation and they care about their employees. I can see I have a long career at this company,” he says.

Benefits At A Glance

A solid benefits package, offered to all employees, is one way NewAge maintains a stable and productive work environment.

- **Health Insurance:** 90% employee premium paid by employer
- **Health Insurance:** 74% dependent premium paid by employer
- **Dental Insurance**
- **Vision Insurance**
- **Employee Assistance Program**
- **Life Insurance**
- **Long and Short Term Disability**
- **401K**
- **Paid Time Off:** 10 vacation days, 3 personal days, unlimited sick days and 11 holidays per year
- **Tuition reimbursement:** \$2,500 per employee per year
- **Employee Wellness & Fitness Program**
- **Interest-free computer purchase loan program**
- **Interest-free personal loans in times of need**
- **One paid day off per year for volunteering**
- **All employees receive a charge card worth \$720** per year for dining at a local five-star historic restaurant
- **Recognition for long tenure:** includes 10 and 15 year service awards; 20 year award includes weekend getaway at a bed and breakfast



Success Story



Chris Boytim provides a good example of one production employee's journey to leadership. Chris was hired as a picker and order filler in 1998. Chris was quick to learn the process and the products and was soon moved into the receiving department. As NewAge grew, the Quality Department Manager recruited Chris to the Quality Department in 2002 and after one year – and much additional training – he was promoted to Quality Supervisor. He continued to grow, thriving in the job and when the Quality Manager position

opened up in 2007, Chris was the logical choice to fill the position. Since then, Chris has been receiving extensive training on Leadership, Product Process, Writing, Mathematics and Business Introductory courses. NewAge also hired in an experienced Quality Manager for a temporary assignment to shadow Chris and teach him valuable lessons about Quality Control, Audits, Training, etc. Chris's salary has more than doubled and the firm's investment in this employee has paid off many times over.



Conclusion

In a time when manufacturing firms across the nation are struggling to remain competitive, NewAge steadily grows, even thriving in difficult times. The firm will continue to innovate, developing new products in response to the pharmaceutical industry's ever-evolving needs, and will focus on new markets, even wind energy. To be successful, the company must continue

to change. Its employees have no fear of this – they have done it many times before.

Leadership will work to maintain its high-performing culture and the majority of employees will stay because of the collaborative work environment, the short and long term awards and the security they feel working for a firm that is financially sound and invests in its future.



www.WinningWorkplaces.org

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