

Study of new belgium
breweries
environmental
responsibilities and
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Introduction

Our group has written this report to explain New Belgium breweries unique approach to conducting business. The following paper will attempt to illustrate why New Belgium has opted to run their business with environmental responsibility and employee participation at the forefront of their strategic planning process.

There are certain questions that need to be asked to fully explore New Belgium's approach to business. The areas that we are going to address are

Operational Management at New Belgium Brewing

Importance of engaging employees to improve quality and efficiency

How they are alternatively powered

Environmental Stewards

Efforts

Environmental responsibility and sustainability

New Belgium Breweries started in 1991 by Jeff Lebesch and his wife Kim Jordan in the basement of their house. They were declined a loan from the bank so they had to start with limited capital. They had a goal in mind to become one of the leading breweries in the United States. From delivering beer in their station wagon they went on to increase their production to 436,000 barrels of its various labels in the year 2006 and this increase in production helped them in increasing their distribution to 19 states in the

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year 2008. With the profits they generated their company soon outgrew the besetment, and moved to another location in a railroad depot, and finally in 1995 they built a state of the art custom facility which cost \$21.5 million. They spent \$11.5 million on a 55,000 square foot building, and \$10 million on new equipment.

Question 1

How would you describe operations management at New Belgium Brewing?

Until 2005 NBB's most effective form of advertising has been 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 on their way through Ft. Collins. While NBBC has not deviated from its original principles, the methods and people who operate the brewery have become more formal and professional. Production managers and continuous-improvement experts from outside the craft-brewing community have been recruited. As they reshape the manufacturing practices and identify projects with the best returns and highest impact, they're careful not to squelch staff involvement.

By starting in there basement as a small company they were able to focus on the quality of the beer rather than the quantity of it. New Belgium ensures that quality at the plant is monitored closely. Throughout the manufacturing process the quality of the inputs as they are transformed into the finished product is examined. Quality assurance is a critical element of the operations management, however it is difficult and a challenge to maintain a consistent

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product. The quality of the product should never suffer as a result of the size of the company. When a company is large it is more important than ever that the quality of the product stays the same, because the product is sold to more people. At New Belgium the entire process from receiving the hops, to brewing, and bottling is monitored constantly, to insure that the product is at the highest quality. Even though the quality of the inputs change, the quality of the product should not change. They maximize productivity by fully utilizing their technology. Implementing a compassionate business model that aims to conserve environmental resources and nourish its employees, New Belgium has also been successful in maintaining healthy financials. Sustainable production is not merely a feel-good effort; it's a pocketbook issue for NBBC's 350 workers: After one year of employment with the company, the employees become employee-owners. All employees are considered area leaders, and everyone is responsible for ensuring that the quality remains high. The employees of New Belgium own 43% of the company through their " Employee Stock Ownership Plan" or ESOP. While giving employees ownership in the company sets the foundation for an engaged workforce, the real connections occur beyond the Share Statements. The reasons for New Belgium's success are the companies Purpose and Core Values & Beliefs Coupled with the structure and support at the executive level, employee engagement is the key ingredient in High Involvement Culture. With their employees connected to the key functions of the business, they solicit ideas from over 300 unique perspectives. This helps the brewery to operate more intelligently while recognizing everyone's unique gifts. These are the practices they have used to build New Belgium's distinctive culture. New Belgium opens all of the books to its employs and <https://assignbuster.com/study-of-new-belgium-breweries-environmental-responsibilities-and-employee-participation/>

provides financial training so people can understand the business of doing business. At monthly All-Staff meetings they review the financials, and employees have the opportunities to ask questions and provide feedback. Each employee makes decisions in his or her role that affects New Belgium's profitability, whether it is about a capital expansion project or leaving a faucet running while they wash their hands, it all adds up. When an employee is connected to the higher purpose of the company and educated on the financial outcomes of their actions, they are empowered to make decisions that benefit the business as a whole. Trusting each other with this level of detail also helps us to feel appreciated, empowered, and ultimately more fulfilled. These practices galvanize coworkers to be engaged in New Belgium, to claim the company's Core Values and Beliefs which calls them to "honor nature at every turn of the business". What is good for the environment is ultimately good for business. They don't want to leave the faucet running or the lights turned on because it costs money and natural resources. In addition to the practices which promote High Involvement Culture, they also work to engage employees in environmental stewardship.

The first two beers that they produced were Fat Tire, and Abbey, which are still sold today. The new building will feature an automated, high-speed bottling line which will increase output to 700 bottles a minute compared to the 300 bottles a minute. The current production is at 400, 000 barrels per year, with expansion that is expected to increase up to 800, 000 barrels per year. Since 2008, they have opened up distribution in 7 new states: Georgia, North Carolina, North Dakota, Indiana, South Carolina, South Dakota, and Tennessee. Added to their existing states of distribution (Arizona, Arkansas,

California, Colorado, Idaho, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, Oregon, Texas, Tennessee, Washington and Wyoming), New Belgium now sells beer in 26 states, but all of this beer is brewed in Fort Collins, Colorado. New Belgium receives numerous e-mails and phone calls everyday inquiring when it will be available elsewhere.

In 1995 when the Philanthropy program was conceived, they began donating 1 dollar for every barrel of beer produced to non-profit organizations in the communities where they do business. Since its inception, New Belgium Brewing has donated more than \$2.5 million through our Philanthropy program. Their coworkers have also donated many volunteer hours to non-profits organizations in the region. Their coworkers are given one hour of (paid time off) for every two hours they volunteer with philanthropic organizations.

Question 2

Why is it important to engage employees in ownership to enhance quality and efficiency?

In today's economy, brewing fine ale and creating a valued trademark in the competitive brewing industry is a hard task to achieve. You need to ensure uniform quality in the countless bottles you produce, have dedicated and hardworking staff to ensure smooth and efficient operations, and always look for better methods of exceeding the consumers' expectations. New Belgium Brewery understands this, and came up with a simple solution that would ensure all of these points are met. After one year employment at New

Belgium, an employee's status is upgraded to employee-owner and they are rewarded with company shares.

New Belgium realized that the pros of making their employees into owners were countless. The promotion alone insures employees come into work motivated to do their assigned duties to their full potential, and creates a more productive work environment with everyone focused on meeting the same goals. The incentive being that if the business does well, their pay increases. With this incentive, employees will ensure the quality of the beer is exceptional and will strive to exceed standards; this helps maintain the company's vision in creating higher quality brews. The employee-owner incentive program used at New Belgium not only gives the company a competitive edge with enhanced quality but also aids in employee retention which in turn reduces the costs of hiring and training employees.

Now, not only does New Belgium have hard working, dedicated employees, they have a large workforce concentrated on how to improve the business. As part owners, an employee can bring up any idea on what could make the company sell more, produce more, or in some cases what needs to be fixed and how it could be done. It wouldn't matter what department you're in, if you have an innovative idea on how to help the company, you have the ability to voice your ideas to senior management. For example, if they produced a new ale with a full bodied smooth taste yet it is somehow not selling as much as predicted; the marketing team could have overlooked the fact that their label could be mistaken for a crude picture, employees who have no knowledge of marketing could set up a meeting and bring light to the marketing misstep as the probable cause for lack of sales.

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We believe there is still one additional reason why New Belgium has made this decision. A major problem companies have is creating an integrated workforce where the issues and concerns employees are promptly addressed and correctly handled. New Belgium has ensured the safety and continuation of the company's day to day business operations and the happiness of employees by introducing employee-owners. It also thwarted the possibility of added costs from employees who would have to use walk-outs or union representation to be heard by their managers.

The question most businesses ask is why should you give employees partial ownership? Yet New Belgium proves that it should be, why would you cripple your business by not?

Question 3

What does alternatively empowered mean to you?

After reviewing the information provided by the New Belgium Brewery website, I have come to view alternatively empowered as a means of giving back to the environment by stressing conservation and including environmental responsibility in the strategic planning process. In today's modern industrial society, companies who grow bigger usually do so at the cost of the environment, because in most cases as companies grow the costs related to environmental stewardship increases as well. On the other hand New Belgium Breweries continues to expand at an impressive pace; their ranking in the US Beer industry has been getting better and better as they age, while their growth has been ahead by at least 1% in comparison to

other craft brewing companies in the industry, all the while keeping their carbon footprint at a low. This is what being alternatively empowered means.

Comment on what New Belgium Beliefs are related to being “ Environmental Stewards”.

The New Belgium Beliefs are eight guidelines that define what “ environmental stewardship” means to the company. More specifically in terms of what New Belgium believes it has to do as a company to be considered environmental stewards. These include caring for the environment, minimizing waste, so that the least amount of natural resources are used, and reducing dependence on non environmentally friendly methods of electricity, through means of self generating power and purchasing clean wind power; conservatively using the rocky mountain water resources. New Belgium strives to maximize conservation and efficiency through the use of new technologies.

New Belgium Brewery is working towards achieving these guidelines through their “ alternatively empowered” initiative. They have nine efforts that incorporate these guidelines. These include increasing efficiency by using new technologies such as Steinecker’s Merlin, which reuses the energy from the last batch in the next in the form of heat. They try to minimize the use of lighting by taking advantage of three hundred and sixty days of sunlight and the cooling needs are satisfied through evaporative cooling rather than electricity guzzling compressors. They also use wastewater treatment to reduce load on environment and get by products. This process also provides them with a source of electricity. By making environmental decisions only with the consensus of the employees they ensure that nobody feels they are

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being forced to do something that they do not want to. (New Belgium Brewery, 2010)

In the subsection entitled “ Alternatively Empowered Efforts”, Choose two of the efforts and discuss how they fit into overall sustainability mandate of the company as outlined in the 2007 sustainability report’s “ Letters from the Sustainability Director”.

One of the most important factors discussed in the directors letter is that though they claimed that the energy used by them is 100% wind generated it is instead less than half and this will change through their efforts[1]. The two efforts most closely linked to this mandate are the following:

On-Site Energy Production

Any industry today requires a large amount of electricity to operate and it is next to impossible to get all of it from wind generated sources as they are not so readily available and costly. On-Site Energy production would reduce the demand for electricity from outside sources and thus enable the company to meet more of its energy requirements from wind powered sources. This method of energy production reduces electricity intake by 15%[2], thus bringing their level of wind powered sources to more than 50%, which with further improvements could go higher.

Wind-Powered Electricity since 1999

An important factor is the agreement signed with the Colorado government in 1998, which meant the company would be supplied as much power as possible through wind generation even though the cost would be more. This agreement allowed the government to put up more wind turbines, thus

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increasing the power available through wind generated sources, which is another step towards the mandate provided by the director. (Orgolini, 2007)

Question 4

Do you think New Belgium’s focus on environmental responsibility and sustainability in its production process is a major cost or a benefit that enhances the profits of the company?

The New Belgium brewery website states that they are “ profitable not in spite of our social and environmental efforts but because of them” (New Belgium Brewery, 2010); the following paper aims to illustrate this statement by describing how their conservation efforts have enhanced the profits and brand image of the company.

New Belgium is the third largest regional craft brewery with production steadily increasing since 2005; this success has been achieved while still keeping sustainability and environmental responsibility at the forefront of their strategic planning process. New Belgium has implemented a sustainability management system which brings a structured approach to environmental and conservation efforts. Through accurate gathering and representation of the negative impact there manufacturing process has on the environment New Belgium was able to target specific areas for improvement. New Belgium brewery puts this practice into action by investing in efficient equipment most notably there brew kettle the Steinecker Merlin; which heats thin sheets of wort rather than the whole kettle and stores steam and vapor that’s allows the wort to heat at a quickened pace reducing the amount of primary energy used. New Belgium’s

energy conservation efforts don't stop there; their site claims that "the most sustainable watt is the watt never used" (New Belgium Brewery, 2010) and they've introduced various initiatives that stress conservation including; taking advantage of natural light with light tubes and light shelves, and switching to HVAC evaporative coolers that use much less energy. By designing with conservation in mind new Belgium has increased its efficiency and reduced the energy input needed in their manufacturing process; this ultimately translates to a positive increase to their profits and public image. New Belgium also uses a closed loop system by pumping methane gas generated from their waste treatment facility to a 292Kw co-gen engine that produces up to 15% of their energy needs. Though the system had malfunctioned in the past a partnership with Woodward led to the installation of new controls that have led to even greater efficiency. This illustrates another aspect of New Belgium's commitment to environmental reasonability; by actively seeking out support to optimize their equipment they've reduced their environmental impact and built lasting and useful relations with various business and government sponsored conservation programs. This can also be seen in New Belgium's appointment of outside consultants when developing their SMS system. In 2010 new Belgium commissioned the construction of a solar array on the top of the packaging hall, at the time it was the largest private solar array in Colorado and displays New Belgium's innovative attempts to harness sustainable energy. The solar array currently provides over 3% of new Belgium's energy needs and will continue to far into the future. In 1999 the New Belgium employee-owners voted unanimously to switch their purchased energy entirely to wind power. Though this included a 2.5cent premium on every watt produced; <https://assignbuster.com/study-of-new-belgium-breweries-environmental-responsibilities-and-employee-participation/>

effectively reducing the employee-owners bonus pool the unanimous vote showed that New Belgium's efforts to reduce their carbon foot print had supported from everyone in the company. Even though the switch to wind power reduced profits in the short run the unifying vote and positive effects to employee morale (employees are happier when they feel they have a voice in their workplace) may eventually offset the loss with increased efficiency and employee retention. New Belgium's switch to wind power also had a ripple effect through derived demand; allowing Fort Collins Utilities to become the first utilities company in Colorado to offer wind power.

In conclusion New Belgium's continued efforts to reduce their carbon foot print and deep commitment to sustainable production has been an overall benefit to the company by decreasing inputs to their manufacturing process and improving brand image.

Conclusion

Through the research conducted by our group members we have found that New Belgium's take on environmental sustainability and corporate responsibility on a whole is effective in not only reducing their harmful impact on the environment but in creating a cohesive, dedicated team of employees; all while maintaining profit growth.