

Operations  
management at new  
belgium brewing  
business essay



**ASSIGN  
BUSTER**

In 1991 after Jeff Lebesch was not able to get a loan from the bank he started a beer brewing company with his wife Kim Jordon in the basement of their home with only a small capital investment. They delivered their beer in their station wagon. With the profits they generated their company soon outgrew the basement, 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. 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 their 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. Through the process the quality of the inputs as they are transformed is examined. Quality assurance is a critical element of the operations management. However it is difficult and a challenge to maintain a consistent 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. New Belgium closely monitors the quality at the plant. The new technology will continue to be efficient, high tech, and environmentally friendly.

implementing a compassionate business model that aims to steward the resources of Earth and nourish its employees, New Belgium has also been successful in maintaining healthy financials. They like to say that they are profitable, not in spite of their social and environmental efforts, but because of them. 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 reason 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

<https://assignbuster.com/operations-management-at-new-belgium-brewing-business-essay/>

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 employees and 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 call them to "honor nature at every turn of the business" as their own. 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  
<https://assignbuster.com/operations-management-at-new-belgium-brewing-business-essay/>

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 coming 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 are in, if you had an innovative idea on how to help the company, you have the ability to voice your ideas to senior management. For example, if they produce new ale with a full smooth taste yet is somehow not selling as much as it should; the marketing team could have overlooked the fact that their ales label could be mistaken for a crude picture, employees who have no knowledge of <https://assignbuster.com/operations-management-at-new-belgium-brewing-business-essay/>

marketing could set up a meeting and bring light to the marketing misstep as the probable cause for lack of sales.

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 have may not be correctly handled. New Belgium has ensured the safety of the company's business 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

<https://assignbuster.com/operations-management-at-new-belgium-brewing-business-essay/>

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 considered environmental stewards. These include caring for the environment.

Minimizing waste, so that the minimum amounts of natural resources are wastefully used, and reducing dependence on non environmental friendly methods of electricity, through means of self generating power and purchasing clean wind power. Conservatively using the rocky mountain water resources. Maximize conservation and efficiency. Increase use of new technologies. To make environmentalism a fun way of doing things and not the hard or costly manner of doing things.

New Belgium Brewery is working towards achieving these guidelines through there alternatively empowered efforts. 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

<https://assignbuster.com/operations-management-at-new-belgium-brewing-business-essay/>



them with a source of electricity. By making environmental decisions only with the consensus of the employees they ensure that nobody feels they are 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. 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%, 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

<https://assignbuster.com/operations-management-at-new-belgium-brewing-business-essay/>

possible through wind generation even though the cost would be more. This agreement allowed the government to put up more wind turbines, thus 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 there 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-  
<https://assignbuster.com/operations-management-at-new-belgium-brewing-business-essay/>

owners voted unanimously to switch their purchased energy entirely to wind power. Though this included a 2.5cent premium on every watt produced; 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.