

Essential Ingredients

Location: Lawrenceville, GA

2017 Revenues: \$84.6 million

Employees: 60

The Critical Number™: EBITDA;
Supplier Growth (Pounds Sold)

Playing the Game

Results

In the two years they have been playing the Great Game, Essential Ingredients has hit its budget related to one of the company's Critical Numbers: EBITDA. 2018 is also off to a tremendous start, as revenue growth was up 29%—and EBITDA has increased by 23%.

Perhaps just as importantly, Maynard says the company has developed a culture of ownership where the team—not him—creates and owns responsibility for the annual plan. Employees throughout the company are now also asking hard questions about how the company is performing—as well as identifying areas where it might be able to grow in the future. “People aren't surprised by anything now,” says Maynard. “But the greatest outcome has been the alignment we have created by having everyone rallying around our Critical Numbers™.”

‘It is not uncommon to walk through the office and hear “EBITDA” easily and comfortably used in a conversation. I think this, in its own right, shows how everyone at Essential Ingredients has been exposed and accepted the GGOB system and is aware of our goals and the status of the company.’ – Mike Davies, VP of Research & Development



Company Background

Essential Ingredients was founded in May 1996 in Augusta, GA. The company, which distributes chemicals and other supplies to the cosmetics industry, has been 100% employee-owned since 2011.

Challenge

When co-founder and CEO Kris Maynard and his partners decided to sell their company to an ESOP in 2011, they were excited about the future of their business. But then the company went into a financial nosedive—what Maynard calls their “ESOP Death Valley.” Maynard admits that he had played a part in running the company in a way where employees had been protected from the financial challenges the business faced. “We kept our P&L in a locked vault,” he says.

Solution

When Maynard first learned about the Great Game of Business in 2014, he immediately recognized that it could help associates inside the business to think and act like the owners they had become.

MiniGame™ Spotlight

Essential Ingredients first began teaching financial literacy to its employee-owners, specifically using the income statement to show how the company calculated EBITDA. As employee-owners gained a greater understanding of what drove the company's bottom line, they identified a problematic area related to write-offs from scrap materials. In 2014, scrap write-offs totaled \$103,000. That number jumped to \$132,000 in 2015—a 28% increase. The team recognized, however, that they could add a dollar of EBITDA for every write-off dollar they could eliminate. A MiniGame was born where the company's service representatives made a push to sell stock that was "soon to expire" or had a limited shelf life.

By playing that MiniGame for four months in 2016, scrap was cut 33%—boosting EBITDA by \$46,000—which was the equivalent of adding \$753,000 in sales to the top line. Even better, the MiniGame helped change behaviors that have stuck, as write-offs were cut 56% in 2017, adding another \$53,000 to EBITDA.

"The GGOB process has made me more accountable in terms of budgeting and forecasting. It's also created a forum for empowering employees and increasing employee engagement across departments."

Mary Mroczkowski, Director of Supply Chain

What's Next?

As much as the team had success with the MiniGame built around scrap write-offs, Maynard admits that he and his team need to get better at creating a rhythm where similar games are being created all the time to solve problems tied to the Critical Number. One of the barriers, Maynard says, is that his people get hung up the term MiniGame—and he's not totally sure why. "It's like trying to get your kids to eat their spinach," he says. "They know it's good for them, but they just resist doing it on their own."

Maynard is also excited about the progress the team has made in their High- Involvement Planning process, where more people inside the organization are thinking about where the company will go in the future.

"Thanks to the Great Game of Business, our budgets are more reliable and explainable because of broad involvement. Employees up and down the line understand how both revenue generation and expense management impact the value of the business. They have become "stewards" of the company's resources as employee-owners." – Justin L. Jordan, President, COO