

## Case Study

### Essential Ingredients

**Location:** Lawrenceville, GA

**2018 Revenues:** \$114.4 million

**Employees:** 80

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

## 2019 Highlights



### Challenge

When co-founder and CEO Kris Maynard and his partners decided to sell 100% of 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. Adding to the stress was the fact that the company had taken on bank debt for the first time ever to finance the buyout.



### Solution

When Maynard first learned about The Great Game of Business® (GGOB) in 2014, he immediately recognized that it could help associates inside the business to think and act like the owners they had become. By embracing financial literacy and transparency, and creating shared goals, Maynard hoped the Ei team could achieve better engagement among employee-owners in performing against their annual budget. They began playing Great Game™ companywide in 2016.



### Results

“Prior to GGOB my thinking was that employees really just wanted a good job, culture, and benefits,” says Maynard. “What I have learned is that they want those things, but much more. They are anxious to understand what makes the company ‘tick’ from a financial perspective.” Today, the financials, and the success of the company, are now the responsibility of a team of employees—not just a handful of individuals. The Great Game of Business has also had a huge impact on the company’s financials. Since the team began playing The Game, Ei’s revenue compound annual growth rate (CAGR) has been 16.4% while the industry CAGR has been 1.9%. At the same time, Ei’s EBITDA CAGR is 13.8%. “We now have accountability to the numbers from all of our employee owners,” says Maynard. “That’s why there is such great alignment between ESOPs and playing the Great Game.”



### Company Background

Essential Ingredients (Ei) 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. With a stated purpose of “being a blessing to others and inspiring others to be a blessing as well,” Essential Ingredients is driven to remain independent and live out this purpose for decades to come.

*“I would like to say that the principles of open-book management, High-Involvement Planning and financial transparency/reporting have been impactful to me in multiple ways. First, I feel like I have a seat at the table when discussions regarding company performance take place. There are no rumors floating around on how the company is performing and why we might be changing our course to achieve future goals. To me, this is vital to feeling respected and valued. I take this feeling back with me to my own function in the company and feel empowered to make decisions and represent myself as a valued representative of Essential Ingredients. I also think about all of my tasks with a mind to how I impact our bottom line. Finally, I think that sharing in the knowledge of the current state of the company and the plans for our futures give each of us a special responsibility. I see very little ‘buck passing’ here but if I did, I would be alarmed. There is no excuse for each of us not taking ownership of our special function at Ei.”*

*~ Cindi Stanesic, Senior Customer Service Representative*

## MiniGame™ Spotlight

MiniGames have become an important of the way the Ei team tackles problems and creates new habits. For example, one recent MiniGame was called “Let’s Get it on Like Donkey Kong – the Glycerin Challenge,” which was targeted at growing a product line that previously had limited penetration. The MiniGame helped focus the team’s efforts on building customer awareness and exposure to the product. The result was an impressive 4x in targeted growth—just short of 100 metric tons of new business. Another example of a MiniGame the team played was called “Budding Relations,” which was designed to create impactful relationships with their supplier partners with the hope of enhancing communications in a crisis as well as ensuring enhanced support (supply) during these crises. Those improved relationships played a key role when Ei ran into a shortage of two of its key raw materials—which their suppliers helped them mitigate.

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*“Once I began to better understand the numbers and what they meant, I truly started to feel like an owner. It really made a difference for me because I could see my stake in the game. It changed my way of thinking in so many different ways. I became more aware of where I could make a difference and that even a small part is an important part. Accuracy, attention to details, and freight costs are just a few of the ways I realized that money could be saved. Seeing those numbers gives you a visual to how every dollar counts. Budgeting had always been something I thought of as restrictive and negative for whatever reason. Now, I don’t think I could function without one!” ~ Gigi Cauthen, Assistant Customer Relations Manager*

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## What’s Next?

With their continued success playing GGOB, Ei is growing—especially in terms of adding new employee owners to the staff. With that influx of talent, Maynard says the team needs to focus on renewed financial acumen training, especially for their associates. “The earlier we can get them acclimated to the system, the better,” says Maynard.

Another area Maynard would like to see team improve on is the development of better contingency plans as part of its High-Involvement Planning™ (HIP) process it can execute on if the team looks like it will come up short on its goals for the year. “We have thrived during the good times,” says Maynard, “but we need to be ready to deal with the bad times as well.”

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*“Despite years of working for very large companies, I was never privy to the bottom line. We either received a bonus at the end of the year or didn’t – only a handful of people really knew why. When they went public, it was a madhouse of clandestine meetings and money manipulation to make the share price go higher. It seemed duplicitous and made me very nervous...the open-book management we have all learned at Ei has been like a light to me; I’m so grateful. I think about our bottom line with every purchase I make for Ei, and love to learn from those around me who do the same. We have leaders who share as much as possible about financial details, and even stop to teach the basics to anyone who wants to learn... Thanks to what I’ve learned from GGOB, I know to look not just days out but months (and hope to advance to years) for our financial roadmap. I have financial goals now; this is a statement I never imagined I’d be able to make.” ~ Heidi Floyd, Executive Assistant*

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