BEAU'S ALL NATURAL BREWING CO.

Legacy Leadership Lab Case Study

AUTHORS

ALEKSANDRA SZAFLARSKA
SEAN CAMPBELL
DR. SEAN GEOBEY

PUBLISHED

JANUARY 25 2021
WATERLOO, CANADA

LEGACY LEADERSHIP LAB

WISIR Waterloo Institute for Social Innovation and Resilience

Canada

Investment Readiness Program

Beau's All Natural Brewing Co.

Vankleek Hill, Ontario

Introduction

Beau's is a successful family-owned craft brewery that, in the summer of 2016, began the process of transferring partial ownership to their 150 full-time employees through an Employee Share Ownership Program (ESOP). The company is now facing the challenges of sustaining their ESOP in the midst of a constricting craft beer market.

Background

Beau's All Natural Brewing Company was founded in July 2006 by father-son pair Steve and Tim Beauchesne. The craft brewery is Canada's largest organic beer producer and operates out of Vankleek Hill, located approximately 50 minutes outside of Ottawa, Ontario. Beau's experienced year-over-year compounded growth of 45% over the first 10 years of operation. This quick growth situated it as a leader in the craft beer sector. Beau's beer was featured in pubs and restaurants across the Ottawa and Greater Toronto Area shortly after opening, expanding into New York State in 2014. The company's beers were available across Canada by 2017. Their beers have won "more than 100 awards for brewing, package design and business practices".[2] All Beau's beers continue to be brewed with 100% organic malt and hops, and local spring water.

Throughout this time, the company grew to 150 full time employees. Ownership remained with the Beauchesne family and the company's community presence grew in Vankleek Hill and beyond. Since its opening, the company has donated more than $1 million to causes including charities, arts, and community organizations. Their goal is to donate a further $5 million over their second 10 years in operation. Beau's "became the first brewery in Canada to achieve Benefit Corporation (B-Corp) status" in 2013.[3] This third-party certification allows businesses to track and share their environmental and social impact.

The Beauchesne family has always maintained a focus on community impact and giving back. In that vein, Steve Beauchesne was intrigued when he heard about the Employee Share Ownership Program (ESOP) model. He saw it as a way to both give back to the employees that make Beau's successful, as well as instill a sense of ownership and responsibility among staff. At the time, the company was growing significantly year-over-year and there was little indication that would change in the near future. Steve and his father, Tim, comprise the Board of Directors of the company and once the son presented the idea to his father, things moved quickly. Building on their own independent research and working with their legal and accounting professional partners, Beau's developed the plan to convert internally. The pair were happy to have discovered another way to formally align their values with business operations. Aligning the announcement with the company's 10-year anniversary was an opportunity not to be missed.

---

[2] https://beaus.ca/about-beaus/
[3] https://beaus.ca/about-beaus/

The announcement to roll out the ESOP program was made in May 2016 with a launch date of July 1 that year. Since that time, unexpected challenges have emerged that have threatened the sustainability of the ESOP's role in Beau's. Due to increasing competition and a sector-wide slowdown, there has been staff shrinkage at the brewery. When the ESOP was set up, financial resources were not set aside to enable the share sales or their future redemption. Instead, selling shares to new employee shareholders was seen as an opportunity to pay out existing shareholders who had invested in Beau's early. Because of this, as employees exited the company and requested share buyback, it put financial pressure on a company already experiencing a decline in growth.

Amidst the excitement around the rollout, the need for educating the employees about the limitations and responsibilities associated with share ownership was overlooked. This lack of education about the ESOP model has resulted in mismatched expectations between the company and employees. Employees do not expect to lose any portion of their investment, something which becomes more likely as profits and share value decrease. The Beauchesne family has also not seen the level of professional buy-in and sense of ownership that was expected among the employees. The financial transaction was not matched with an educational or decision-making component, thereby potentially missing an important opportunity.

Key Considerations

1. Beau's is still family-operated but the company's employees own shares.
2. The company is financially healthy but growth has slowed and, as such, there has been a decrease in staff.
3. The company does not have the funds to cover share redemption as employees leave.
4. Beau's continues to be a certified B-Corp with a significant charitable donation footprint and is Canada's largest organic craft beer producer.

Current Situation

It is January 2020. Given the existing commitments made by Beau's – including its charitable giving, B-Corp status, and organic certification – a number of key questions about the continued structure of the brewery have arisen. Does it make sense to abandon the ESOP and phase it out from the company's ownership structure? Or is there still an opportunity to capture the potential benefits of employee share ownership more deeply? What resources would be needed to do so?

OPTION A

As an early impact investor who owns shares in Beau's Brewery, what would be your advice to the Board and fellow shareholders? How would you like to see Beau's move forward?

OPTION B

From Steve Beauchesne's perspective, what would be your preferred way forward? Would you distance yourself from your original position as a proponent of the ESOP model at Beau's? What do you believe should change in order to improve outcomes for your shareholders?

OPTION C

As a new employee shareholder at Beau’s, what impact, if any, will owning the shares have on your relationship with the company? Do you believe implementing the ESOP model has made the company stronger? Would you amend any aspects of the model and, if so, what would you suggest as avenues to keep Beau’s a sustainable enterprise?