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Business Report



OCT. 30 - NOV. 12, 2012

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After decades of trailblazing, entrepreneur **Newton Thomas** makes his boldest move yet: leaving his company to charity.

By **MAGGIE HEYN RICHARDSON**
Photos by **MARIE CONSTANTIN**

Dressed in a golf shirt and shorts on a fall weekday morning, Newton Thomas leans back in a conference room chair to a gravity-defying degree. His face is tanned and his grin is conspiratorial. He has been discussing his 39-year-old company's history and high points, including a pivotal moment in 2000 when he attended Harvard Business School's Executive Education Program to sharpen his management and leadership skills. Professors there found his company, The Newtron Group, to be so advanced in its commitment to employees and the social good that they wanted to travel to Baton Rouge and make it a case study. By then, companies like Ben & Jerry's and Whole Foods Market had established a precedent for "conscious capitalism" by prioritizing charitable donations and shared management. The Newtron Group, it seemed to the Harvard educators, went even further.

SHARED VALUES: John Pisa, left, Melissa Harris, and Newton Thomas of The Newtron Group work for a company that practices 'conscious capitalism.'

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“Newton’s values weren’t written down anywhere. You couldn’t point to a piece of paper.”

JOHN PISA (right), vice president, The Newtron Group

“I told them to forget it. They would have screwed it up,” recalls Thomas, 68.

His smile broadens as he raises his hand to make his point. “I hear a different drummer.”

What interested Harvard about The Newtron Group, a successful instrumentation contractor, was the unorthodox manner in which Thomas had put into practice a simple notion: treating employees fairly. Even as a college student at LSU, Thomas dreamed of founding a company that was profitable, but that rewrote the rules on compensation and loyalty, on workplace flexibility, and that lived by common sense and the Golden Rule.

Indeed, he succeeded. Even in its early stages, Thomas created a culture at The Newtron Group that demonstrated to employees they were valued. He talked constantly about the importance of honesty and service, and he wanted people to look forward to coming to work. Seven years after it opened, Thomas and his then-partners built an on-site exercise facility for staff. They began an annual tradition of large company crawfish boils for both union and nonunion employees and their families.

Salaries at The Newtron Group, which provides industrial and electrical instrumentation for a wide range of industries, were significantly higher on average than the company’s competitors. And Newtron featured a bonus program in which 40% to 60% of pretax profits were distributed annually to employees. The rank and file was compensated first and always got their bonuses, no matter how well the company performed, while top management at the company was compensated last.

The program was the inverse of traditional bonus systems, and it had helped establish intense employee loyalty and inculcate a culture of productivity. Meanwhile, the company expanded and showed consistent profitability. In 2010, it generated \$315 million in revenue. Today it has 2,500 employees across offices in Baton Rouge; Lake Charles; Ocean Springs, Miss.; Houston, Corpus Christi and Nederland, Texas; and Martinez, Calif.

But along the way, something deeply concerned Thomas: the need for a succession plan. It had, in fact, been a driving motivator in his attending Harvard’s executive education program. As the sole owner, he needed assurance the company would continue to operate under its prescribed values over the long term. He feared it would be sold in the event of his death—he didn’t expect

his wife or two daughters to run it—and he knew that a buyer would simply extract profits; there would be little motivation to continue the bonus program or reinforce an organic set of values that weren’t written down.

Thomas needed to formalize his guiding principles and come up with an arrangement to ensure The Newtron Group could commit to these principles and take care of its employees in perpetuity.

“At that point he was trying to come up with a way to allow his model of business to survive him,” says John Pisa, vice president of The Newtron Group and one of Thomas’ lifelong friends. “Around here we say, ‘when the beer truck hits him.’”

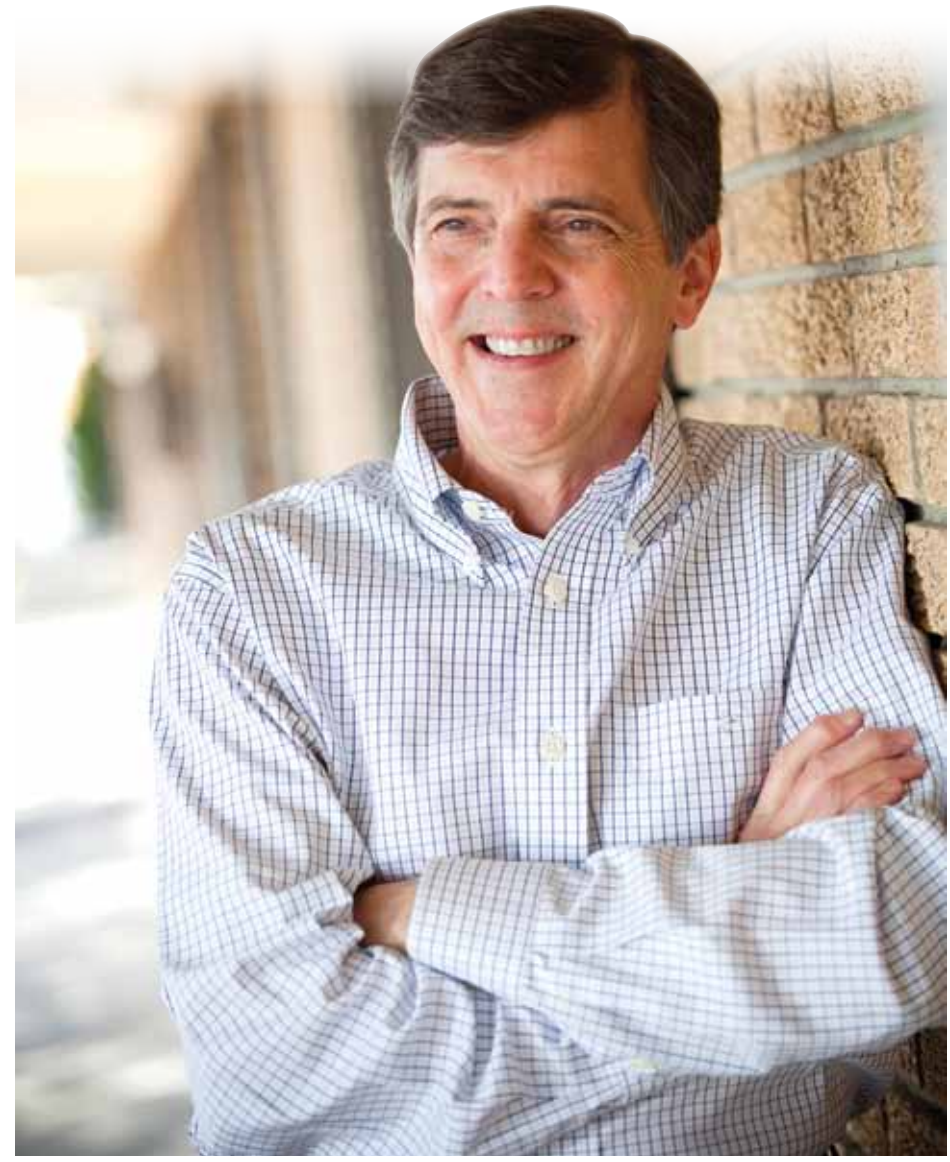
Under design for nearly a decade, Thomas and a team close to him developed a plan to leave The Newtron Group to the Baton Rouge Area Foundation at the event of his death. A five-person board will ensure the company’s values are maintained and that as long as the company remains profitable, its bonus program and its charitable giving continue.

ANTIESTABLISHMENT

Thomas and others close to him say his persistence about creating a values-oriented company stemmed from watching his father and other men of the postwar generation spend long hours working for impersonal companies. It was a common phenomenon, but Thomas believed the cold business world had room for a different paradigm.

He attended University High School, where he met Pisa, and earned a baseball scholarship to LSU. He joined a fraternity, and even served as an LSU football cheerleader during the 1966 season. Affable and confident, he was surrounded by friends and constantly engaged in social activities. He had no defined career path, but says he was attracted to engineering after learning about its typical compensation for recent graduates. Thomas majored in electrical engineering, but his long-term plan was to launch his own business. He was so focused on developing his career that he made a private pledge to avoid getting married until age 35. At 34, he married Betsy Reich, daughter of LSU School of Landscape Architecture founder Robert Reich.

Thomas graduated from LSU in 1967 and took a job with Southern Instruments in Baton Rouge, which provided industrial control systems to the petrochemical, refining, paper and power generation industries. He rose through the company’s ranks, becoming



general manager in 1970. After Southern Instruments was acquired by a publicly held company in 1971, he was promoted to president.

Nevertheless, his determination to form his own company remained. In 1973 he and Ervie Ellender and Alberto deJongh formed Newtron, Inc. Ellender and deJongh had also worked at the Southern Company and were LSU College of Engineering classmates of Thomas. He later bought them out.

Newtron Group President Bruce Beard, who joined the company in 1977, recalls his first meeting with Thomas.

“I walk in and here was this guy with long hair, cowboy boots and blue jeans telling me ‘I believe in flexibility for employees,’” recalls Beard.

“Don’t be fooled, we still worked hard,” says Beard. “But Newton believed in having a business where people wanted to come to work.”

In 1980, the company expanded its offices on El Cajon Drive in Baton Rouge, and Thomas installed a racquetball court and exercise equipment for employees. Outside fitness instructors began giving exercise classes. Staff members participated in regular racquetball tournaments.

Beard says it was an unusual move at the time, not only because company fitness rooms were rare, but also because Newtron was still developing financially.

“It’s not like we were a mature company at the top end of the market,” says Beard. “This was an investment back then in what Newton believed in. It was truly ‘out there’ at the time.”

Thomas also established a simple, but powerful tradition: annual crawfish boils for employees. As the company grew, Newtron hired both union and nonunion workers, a market-driven move that allowed the company to tap into workers with varied skill sets. Thomas believed it was important to invite them all, says Beard.

“Newton wanted a relationship with all of those people. He wanted them to be affiliated with our company, not just their [union] hall. He wasn’t trying to take them out of the hall, but he wanted them to feel like they were part of what we were trying to accomplish. Those picnics really took hold.”

Today, the annual events take place in six locations. Beard and Thomas attend most of them together, and they serve between 10,000 and 12,000 pounds of crawfish each year. The tradition reflects a tight-knit employee culture where turnover is extremely low and where some of the children who grew up going to the picnics are now working for Newtron. Beard’s son Chad is one.

PIVOTAL JUNCTURE

With no answers from Harvard about how to sustain his company’s values after his death, Thomas recruited Pisa, a Stanford-educated mathematician and expert in business analytics, to help him develop systems for measuring and evaluating Thomas’ gut-level principles.

“Until then, Newton’s values weren’t written down anywhere. He’d talk about the company values—that you needed to treat people right and treat

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ESTABLISHING A SUPPORTING ORGANIZATION APPEALS TO SOME DONORS

SUPPORTING ORGANIZATIONS like the one established by Newton Thomas at the Baton Rouge Area Foundation are tax-exempt entities not controlled by founders or principle donors. The organizations qualify as public charities, not private foundations, because they are situated within community foundations. Currently, there are 11 such entities at the Baton Rouge Area Foundation, including the Wilbur Marvin Foundation Supporting Organization, which in 1992 was the first to be established. Supporting organizations can be effective alternatives to private foundations, which require extensive administrative support, and donor-advised funds, which can't operate existing companies in the manner a supporting organization can.

The Wilbur Marvin Foundation Supporting Organization is best known for its support of Commercial Properties Realty Trust, which manages a portfolio of real estate assets that include shopping centers, office complexes and apartments in Florida, Louisiana, Texas, Mississippi and Puerto Rico. The company is currently developing 5401 North, a 400-acre sustainable lifestyle community in Raleigh, N.C., as well as Acadian Village, a shopping center on Perkins Road and Acadian Thruway in Baton Rouge. It was also responsible for the successful restoration of the Hilton Capitol Center in downtown Baton Rouge, which it sold earlier this year.

Baton Rouge Area Foundation general counsel Edmund Giering says the Newton B. Thomas Supporting Organization will be able to successfully handle The Newtron Group's geographic expansiveness, including donating to charitable organizations in the communities where the company operates. "We can handle it just as easily as if it were down the street," Giering says.

—M.H.R.

your vendors right—but it was in his head. You couldn't point to a piece of paper," recalls Pisa.

Lengthy discussions led to the creation of a "values statement" that decreed all employees, customers and vendors were to be treated "as individuals and shown respect and dignity." Moreover, the statement said responsibility, authority and decision making should reside with the employees closest to the actual work being performed, which reinforced an expectation of excellence. It even declared that as part of "the partnership the company has with its employees and management, the company is committed to sharing a substantial portion of its annual profits with employees and management in the form of annual bonuses." The statement also emphasized the necessity of profitability and concluded by saying that "employees should have an enjoyable environment in which to work and should find that when they do what they think is right, it will be consistent with the values of the company."

The question then became how the values statement would be measured after Thomas' death.

"I wanted to make sure this was going to continue to be a company I was proud of," Thomas says.

Pisa developed a 50-question values survey, now administered annually, that asks employees and managers about how they and the people around them treat others and conduct business. It was designed to unearth areas for interpersonal improvement and help managers do their jobs better.

"What's happened culturally in the company is that the survey has reinforced the importance of the values," says Pisa.

Pisa produces reams of data from the survey and other sources that are examined annually. While Newtron's financial statements point to its fiscal stability, Pisa's reports point to its "soul," its ability to live up to Thomas' values. It is ultimately meant to provide the Baton Rouge Area Foundation with concrete data about whether the company is still fulfilling Thomas' expectations.

LEAVING IT TO CHARITY

The decision to leave his company to the Baton Rouge Area Foundation came in part because, Thomas says, he respected the organization's work and its "intellectual energy." It's known for not only making grants to local charities, but also helping launch programs that address significant social issues in south Louisiana,

such as community planning, mental health and water management.

BRAF President and CEO John Davies says Thomas' decision was "a huge statement of confidence."

"We were astounded by the trust that he placed in us in constructing this really complicated structure," says Davies. "We pride ourselves on being able to do this, but this was specifically tied to sustaining his company's values. It's a tremendous responsibility."

Beginning in 2002, Thomas and Davies and several others began meeting to hash out the nuances of the arrangement.

"We would meet quarterly and just have these really high-level discussions on what this meant," says Pisa.

At the event of Thomas' death, The Newtron Group will be governed by the Newton B. Thomas Supporting Organization at the foundation and its five-person board. Currently, those members include Thomas, Davies, Beard, Jerry Jolly and Mary Terrell Joseph.

The supporting organization will also ensure the Newtron Group's charitable donations continue. The company has a quiet, sustained history of giving to charity, and Thomas himself has been active in community causes. One nonprofit especially important to him is AMIKids, formerly the Ameri-

can Marine Institute, which works with troubled youth in communities. It's known for exposing young people to boating and other maritime activities.

"When I arrived in Baton Rouge, he was chair of the Baton Rouge Marine Institute board," recalls Davies. "He is a man who is faithful, faithful, faithful to those things he believes in, and I really admire that because that is rare."

Today, Thomas continues his work at Newtron, refining the details surrounding the succession and ensuring the company is on a steady course. He sometimes lectures to students, imparting simple advice. Among other things, he tells them to take business law and basic accounting.

Despite his love for pondering existential questions, Thomas says that what guides him are straightforward axioms. Don't save pennies to save dollars. Treat people fairly. Be honest.

"I'm not a BS-er. I'd love to take credit for some business model, but it's just not true," Thomas says. "This came from a college graduate with a romantic idea about the way the world should work."

MAGGIE HEYN RICHARDSON is a Baton Rouge-based freelance writer. Email her at editors@businessreport.com.



"He is a man who is **faithful, faithful, faithful** to those things he believes in."

JOHN DAVIES, president and CEO, BRAF

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