

CONCLUSION: WELCOME TO THE NEW AMERICAN CAPITALISM

Life is about learning ... not just earning.

Source: Michael O'Malley, History professor,
George Mason University. © 2020.

Now that you've gained an appreciation for how fast the world of work is flexing in the face of rapid change and the forces shaping that change, I'd like to leave you with an example of just what this new American capitalism looks like in practice when it's working very, very well.

In the end, as my boyhood friend, Michael O'Malley, often said to me over the years, life is indeed about learning and not just earning. The exciting news is that today—for those who flex—both things are possible. Furthermore, the market rewards organizations that are responsive to change, connected to their communities, and embrace learning.

Success in business today looks a lot more like a zig-zag than a straight line. And someone who understands that is Nick Bayer, founder and CEO of Saxbys, a coffee company with 23 cafes—and two more on the way—in the Philadelphia area.

At least . . . it probably *looks* like a coffee company to the casual observer or guest. But as Nick likes to say, Saxbys is an *education* business fueled by *coffee*. He sees himself in the people business first and foremost. And he credits his phenomenal success to that thinking. It may not surprise you to learn that Saxbys' mission is to Make Life Better.

Saxbys has made *Inc Magazine's* list of 5,000 fastest-growing American companies for the last five years running. In 2019, the company unveiled its own coffee roastery by investing more than \$1 million in state-of-the-art technology and bringing on a team with more than 50 years of experience in the coffee business to develop it. In summer 2020—in the wake of the COVID-19 pandemic—Saxbys flexed by moving online. Its e-commerce program grew by 1400%.

But as Nick sees it, none of those achievements really define success as a company. “When I was coming out of college, my professors were focused only on how to make money . . . what we call shareholder primacy today,” he explains. “But that’s not what I wanted to do. Sure, I wanted to run a successful for-profit business, but I also wanted to make a real difference in peoples’ lives while I was doing it. I know that the more lives I change, the more successful Saxbys will be.”

The Back Story

Nick Bayer grew up in Chicago with two teenage parents who never got a shot at a college education. Although his dad hoped to teach and coach, he couldn't without a degree. Eventually, he made a good living, but he missed his calling. And that's why they wanted so much more for Nick.

On the advice of his eighth-grade teacher, Mrs. Eischen, Nick's parents sent him to a private school on the other side of Chicago,

where he then earned an athletic scholarship to Cornell University in Ithaca, New York. There, he made use of internships around the country and the contacts that go with them.

But when he was still in search of a calling closer to graduation, he reached out to Mrs. Eischen, his favorite mentor, to ask her advice. What did she say? “Make a difference. That’s why I got into teaching.” Nick heard the pride in her voice and recommitted to finding a calling that would give him that feeling.

So he looked around for a business that he could make profitable and use as a vehicle for good. “My greatest skill . . . the thing that makes my heart race . . . is doing good for other people,” he explains. “I wanted a very people-centric business with little barrier to entry.” And that’s how he decided on coffee.

One of the things Nick loves about the coffee business is that it’s a great equalizer. Saxbys serves more than 15,000 guests daily who are both millionaires and individuals sleeping on the street. Everyone enjoys a cup of coffee in the very same space. Everyone receives the same dignity and respect in this shared experience.

In the same way, Saxbys employs people whom it has hired out of homelessness as well as people with PhDs and MBAs. They all start at the same level with the same opportunity to grow. If you’re disciplined, detail-oriented, outgoing, and exhibit a genuine love of doing good things for other people, you’re likely a fit at Saxbys, wherever you sleep at night.

Double Impact

Nick Bayer has built a blockbuster company on his commitment to Make Life Better through a company that rises above the competition in one of the most competitive industries in the world. And he proudly

measures that success by Saxbys' impending certification as a B Corp. Certified B Corporations are "businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose."¹

B Corps are companies dedicated to using business as a force for good. They are dedicated to reducing inequality and poverty, making the environment healthier, strengthening communities, and creating quality jobs with dignity and purpose.² The B Corp certification process is incredibly rigorous. In fact, it takes more than a year for auditors to assess an organization's impact to see if they qualify. (Just 1% of American companies do.)

So that's how Bayer defines his success at Saxbys. And that's the reason he's able to consistently recruit incredible talent with very little effort. "It's not that I've got a great sales pitch," he notes. "It's because it's easy to see how passionate everyone who works here is. When you work for a company you truly believe in, you're more productive and efficient than when you're just punching the clock."

And that shows in Saxbys' low employee turnover. Even though its café workers are primarily young students or those who are new to the workforce—a population most companies find hard to employ because of their propensity to jump to a next job (as we've discussed)—turnover at Saxbys is less than half the competition. Those youngsters are proud to be working for an impactful company and are looking to move up rather than leave.

Investing in Tomorrow's Leaders

In its quest for impact, Saxbys also began a partnership five years ago with Philly-based Drexel University to create an experiential learning platform for students. You may remember Drexel from our Chapter 6

discussion of first movers in education who are driving creative co-op programs.

Nick originally reached out to Drexel president John Fry after thinking back to his Cornell days when he served as an entrepreneur-in-residence. He remembered the Cornell Hotel School where students operated the hotel as part of their curriculum. He reflected on the valuable on-the-job training that students receive there and wondered: Could a similar concept work with students through a university partnership?

Fry was enthusiastic about the idea, so the two of them decided to convert a two-bedroom apartment just off campus into the first student-run café. Naysayers said student employees wouldn't be reliable. But they were wrong.

And that was the beginning of Saxbys' student CEO concept. From the outside, it may look like the undergraduates who run these cafes ("café executive officers," in Saxbys parlance) are simply managing an on-campus coffeeshop. And it's definitely true that these cafes represent explosive growth for Saxby as they open them across the region. Some of them serve 1,000 guests per day. In fact, by fall 2021, there will be 12 student-run Saxbys cafes that are affiliated with universities across Pennsylvania and Maryland.

But what these CEOs are really doing is learning how to lead an organization while they're still students. They lead a team of up to 70 of their student peers and manage a P&L statement as well as cost of goods sold and inventory. They make hiring, firing, and promotion decisions and are leading change in their communities through coordination with local clubs, university faculty, and other organizations.

A Saxbys student CEO earns the same full-time paycheck that non-student Saxby CEOs do while also earning full credit for the

learning experience at Drexel. As you might anticipate, the gig is competitive. Students recognize the experience is not really about learning coffee, but rather about gaining the critical thinking and rigorous leadership skills that will land them a quality job in whatever industry *they* are pursuing.

In fact, one Drexel nursing student—recognizing that her early career experiences were likely to be more along the lines of paper pushing than bedside patient care—cashed in on her six-month Saxbys CEO experience by landing a top-tier nursing opportunity at the Children’s Hospital of Philadelphia. It’s perhaps the most competitive nursing co-op in the city. And it was her Saxbys’ leadership experience that got her the job.

Flex

Saxbys also knows how to flex. When the COVID-19 pandemic hit . . . and then racial tensions boiled over . . . and then the economic crisis deepened, Nick Bayer doubled down on his mission. As his cafes shuttered—and the all-time high revenues in March flatlined—he spent five months holed up with a whiteboard thinking about disruption. He thought about companies that were disruptors and those who did the disrupting.

He asked himself and his team, “How are we unique? What are we truly great at? What do we want to be?” He reminded himself that through every economic downturn throughout history, there has been a corresponding uptick in enrollment in higher education.

He also pondered the widening gap between the cost of education and real wages even as universities continue to graduate students into the workforce who are mismatched with the job skills they need to succeed. “Wages have gone up just 11% in the last 25 years, not

including inflation,” he laments. “Even as the cost of higher ed has climbed 400%.”

He thought about the relentless pace of technology and advances of machine learning and AI outsourcing jobs. And then he recommitted to his mission to Make Life Better.

Nick Bayer decided Saxbys was more important than ever. Why? Because Saxbys is about training power skills such as emotional intelligence, critical thinking, and cultural agility, the soft skills that machines can't match. Pre-COVID, Saxbys was a coffee company that did some work in education. But then Saxbys flexed and became an education company fueled by coffee.

In the same vein, Saxbys had always done work in diversity, equity, and inclusion (DEI). But instead of being an add-on to other work, as it had been, Saxbys flexed to make it core to its mission and training programs. In the same way that employees learn cash management or how to deescalate tense guest interactions, they now learn DEI.

In fact, the company's human resources team gets an additional 20 to 30 hours of DEI training annually for recruiting and talent development. And the corporate team—including every CEO—participates in DEI roundtables for candid conversations about hot topics. Because the roundtables are recognized as a safe space to ask tough questions and learn from people who know, they've earned 100% participation from employees.

When the Black Lives Matter movement mushroomed in the wake of the George Floyd killing in late spring 2020, Saxbys looked in the mirror and asked itself how it could best make a positive impact. The team then considered the upcoming month of June, historically recognized as Pride Month, where Saxbys had previously enjoyed a robust presence—and flexed. It centered its campaign around paying homage to the BIPOC (black, indigenous, people of color) gay individuals that started the PRIDE movement back in the 1980s and 1990s.

Saxbys celebrated and raised the voices of BIPOC trans individuals, interracial couples, and other BIPOC members of the LGBTQ community and focused on the idea of intersectionality by sparking conversations about the topic at its DEI roundtables. In short, Saxbys used the opportunity to highlight all of the ways all humans are interconnected despite race, class, gender, and sexual orientation.

It is leaders like Nick Bayer and companies like Saxbys who are the face of the new American capitalism.

This is the power of a company that can flex.