

Chris Hurn's Interview with Best-Selling Author **Bo Burlingham**

Chris Hurn: This is Chris Hurn. I'm the President and CEO of Mercantile Commercial Capital. With me today is Bo Burlingham. He is the Editor-at-Large at *Inc. Magazine* and the author of the book that we're going to go over today, which is called *Small Giants*. Here's a little background on Bo, just so everybody's up-to-date. Bo has written a couple of books with Jack Stack: *The Great Game of Business* and *A Stake in the Outcome*. These are basically on open book management, correct?

Bo Burlingham: Correct.

CH: Okay. Well, let's jump right into the book, *Small Giants*. It goes over 14 different privately held companies, in manufacturing, fashion, food and beverage, brewing, music -- all sorts of different things. Why don't we go over a little bit of an overview, if you don't mind, Bo, and tell our listeners what small giants are and why are they important?

BB: Well, *Small Giants* is the name that I came up with to give to companies that, as the subtitle says, choose to be great instead of big. In other words, these are all companies that have had the opportunity to get a lot bigger and to grow a lot faster, but they've chosen to grow in unconventional ways because they have goals that they consider more important than getting as big as possible as fast as possible.

CH: Okay.

BB: It really started with one company I wrote about: Zingerman's Community of Businesses in Ann Arbor, Michigan.

CH: Right.

BB: I did an article for *Inc. Magazine* on them, because I was fascinated. They started out in 1982 with a deli called Zingerman's Delicatessen and were extremely successful with it. By 1992, they had been written up in all of the major magazines and newspapers, and whenever anybody put together a list of the world's great delicatessens, Zingerman's was on it. So they came to a crossroads where they had a choice to make about what they were going to do next. Because of their success, they had many different options. They could easily have raised private capital and set up Zingerman's Delicatessens all around the country. There were a lot of people who wanted to do that with them.

They could have become a national franchisor. Frankly, they could have sold; there were grocery chains that were looking for a specialty food brand, and Zingerman's had a great one. So they had all of these options, but they decided they didn't want to do any of them, because they had gotten into business in order to create something that was going to be great and unique. And when you start replicating something, it's no longer unique, by definition. Often it's not even very good, let alone great. So they came up with another plan, and instead of any of those other options, they decided that they were going to create what they called a "community of businesses" in the Ann Arbor area. All these businesses would be food-related, and each of them would be great and unique in its own right.

They set the goal in 1994 of starting somewhere between 10 and 12 of these businesses by the year 2009. They figured they could have a bakery, a creamery and a restaurant. Well, today they have really done this. When I visited them to write my article, they were already very far along in this, and had built this extraordinary company. There was, in addition to the delicatessen, Zingerman's Bake House, which was an award-winning bakery. They had an award-winning creamery called Zingerman's Creamery, which made cheese and gelato.

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They had a great restaurant called Zingerman's Roadhouse. They had a catering company and a mail-order company -- Zingerman's Mail Order. They had a training company called ZingTrain. Not only had they been successful in doing this, but the thing that most amazed me was the quality of the people they had been able to attract. These were people who you would never expect to find in a company of Zingerman's size -- people who had been partners in major accounting firms and had taken a huge cut in salary in order to come and be a baker with Zingerman's, and entrepreneurs who sold their businesses in order to become a managing partner of one of the other businesses they were forming. These were people who had very responsible jobs in large companies who'd quit to come and be part of this. I was fascinated by this sort of magnetism they had.

So I wrote about it. And after the article appeared in January of 2003, I got a call from a publisher who said, "You know, wouldn't it be interesting to find out if there were more companies out there like this?" I'd been at *Inc.* for 20 years at that point, and it was a new question to me. So I set out to see how many I could find. I had no idea when I started out how many there would be, where they would be, or what industries they would be located in. I just sort of came up with a set of criteria that I was going to use.

Number one, I wanted companies that, like Zingerman's, had come to this crossroads where they could have gotten much bigger much faster, but they'd chosen not to. Secondly, I wanted companies that strove to be, and were recognized as, the best at what they did by the people who knew the business best, namely their competitors, their peers, their customers, suppliers and so forth. And number three, I wanted companies that had been recognized outside their industries for their greater contributions to the world; been recognized by independent third parties. And finally, I wanted companies that had been around for a while. I wanted companies that had been in business long enough to experience all of the ups and downs, and had managed to remain consistently profitable along the way. We all know of companies that do great for four or five years, then hit a recession and get into trouble.

I wanted companies that had already been through that and had survived and done well. And as I said, I had no idea starting out how many of these I would find. I just spread my net as widely as possible. I talked to everybody I knew and told them what I was doing, and asked if they knew of any companies that fit my profile. I searched on the web. I went back through databases of magazines and newspapers, and one of the first things I realized after a few weeks of doing this was that there were a lot more of these companies out there than I had imagined. They were in every part of the country and in almost every industry.

There are a few industries where you have to get very big very fast in order to be viable. Those types of companies need outside investment and they need to grow very fast. But they were the exceptions to the rule. In every other industry, in every other market niche really, I was able to find companies. So I had the luxury of being able to choose the ones that I found most interesting and that I felt sort of gave the best, broadest sense of the phenomenon. This would allow me to explore the phenomenon. I would up settling on 14 companies that I chose partly for their diversity in terms of the type of business they were in.

I also examined their diversity in terms of size, in terms of strategies that they'd chosen, and so forth. And I looked to see what they had in common.

CH: Well, Bo, before we go into some of the common characteristics, because I think that's the heart of the book, let's back up just a second and discuss the reason I was intrigued with this book. I've been an *Inc.* subscriber for years and obviously I've seen the advertisements for *Small Giants* in there. I bought the book and wanted to read it because it just seemed to be flying in the face of the conventional wisdom that you have to grow or you are going to die as a company.

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BB: Right --

CH: But the interesting side effect, though, is that oftentimes rapid growth leads to complexity, which leads to a lot of the problems of bigger companies. From lower employee morale to dissatisfied customers feeling like they are a number, to lack of focus; eventually that causes lower margins, things of that nature. I mean what was it about the Zingerman's other than the fact that they rejected this notion, this conventional wisdom, that they needed to grow? What else was it that attracted you to this idea?

BB: Well, they had a quality. I've been at *Inc.* for 24 years; at the time for about 20 years, and when I first got to the magazine, it was 1983. It was really an incredible moment in American business history -- the birth of what I think of as the "entrepreneurial economy." I had the opportunity by being at *Inc.* to see a lot of really great companies when they were still pretty young and their leaders were young. I mean, I'm talking about Bill Gates at Microsoft; Steve Jobs at Apple; Anita Roddick at The Body Shop; Ben Cohen and Jerry Greenfield at Ben & Jerry's; Yvon Chouinard at Patagonia, and on and on. And one thing I noticed back then was that the best of these companies, the greatest of these companies, had something very special going for them. It wasn't just that they were successful as businesses. There was something else that they had that you could feel as soon as you spent any time around the company and its employees and its customers. And it was a kind of a magnetism, a power of attraction. Back then I didn't have a word for it. I do now. It's what I call in the book "mojo."

CH: Right.

BB: I defined that as the business equivalent of charisma. When a leader has charisma, you want to follow that leader. When a business has charisma, you want to be associated with that business, work for it, wear its t-shirts, and so on. And that was something that I had seen back then with some of these great companies and when I went out and looked at the companies, these small giants had that same quality. Because Zingerman's definitely had that quality. If you spent any time around the company at all, if you talked to the people who worked there, if you talked to the customers, if you spent time in the community, there was just this sort of magical quality it had that made people want to be around Zingerman's and associated with Zingerman's.

The question I had was: "Is this true of all the companies?" I mean, every company that's in the book I went to visit and spend time around them -- they all had this mojo. So the next question I had was: okay, where did it come from? I decided to answer that question by looking at what they had in common.

CH: Okay, let's talk about the common characteristics of the 14 companies, then. I know that they all had a choice, as we said before, to go ahead and get bigger very fast, but they all rejected that conventional wisdom. Obviously they all got into viewing success differently than just financial rewards, and I think that's a key that we probably should come back to. But go ahead. Do you want to go ahead and share the common characteristics?

BB: Yeah, I actually came up with five major things that these companies had in common. Number one, these were all companies that were owned and run by people who had a very clear idea of who they were, what they wanted out of business, and why. Frankly, they couldn't have made the decisions they made if they hadn't -- I mean the people at Zingerman's had to know who they were, what they wanted out of business, and why in order to make the decision that they did. Another example is Gary Erickson at Clif Bar, the energy bar company.

In the late 1990's, two major competitors were bought by Kraft and Nestlé. That's PowerBar and Balance Bar. Gary had an offer on the table from Quaker to sell his company for \$120 million to be split between him and his

