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Small Giants

Companies That Choose to Be Great Instead of Big

By Bo Burlingham; Penguin Group, New York, USA., 2005

Everybody has virtually dreamt of becoming big. People have literally romanticized expanding their turfs, intensifying their aims, and ultimately multiplying their chocks of cash, thinking that they will get better when they're "bigger." In the realm of business, the same circumstances are witnessed. Companies (or their proprietors, for that matter) are beguiled by the purported wonders that go with their impulsive--but most of the time miscalculated--sizing up. In this light and poignant volume, Bo Burlingham demonstrates that this is not always the case: being big does not automatically entail being great.

Bo Burlingham brings to fore companies which have opted to stay relatively small yet in their modest niches staggeringly became even more lucrative and remarkable compared to others in their industry. These Small Giants, as what he dubbed them, are the author's pragmatic way of convincing and inspiring the rather peewee firms that excellence must not be dictated merely by size. It is about touching lives and making a difference, no matter how far, no matter how small, no matter how little.

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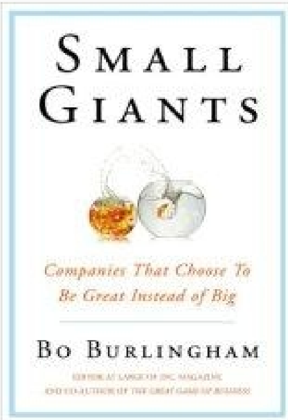

About the Author/s:

I joined Inc. in January 1983 as a senior editor and became executive editor six months later, a position I held for the next seven years or so. In 1990, I resigned and became editor-at-large for a number of reasons, including my desire to go back to writing. I subsequently wrote two books with Jack Stack, the co-founder and CEO of Springfield Remanufacturing Corp. and the pioneer of open-book management. One of the books, The Great Game of Business (Doubleday/Currency, 1992), has sold more than 300,000 copies.

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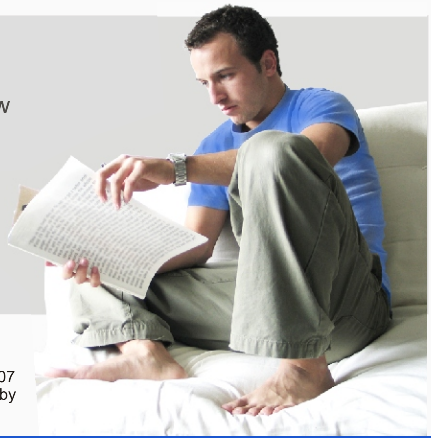


Since When Did Giants Become Small?

Yes, this may be extremely antithetical. Champions of logic would probably snuff us right off the bat for our seemingly unsound coinage of the term, small giants. Quite interestingly, though, the term is replete with a more profound meaning that only an earnest reader could grasp. It is actually read more with and from the heart instead of the quizzical mind.

Small giants are firms or establishments who do business disinterestedly, without an exaggerated desire for revenue growth or locational expansion. What they do may not even be called a business, in the deeper sense of the word. It was a lifestyle. A mindset. A dream breathed into reality by sincere struggle. Their paramount goal is not only to amass earnings and obtain a good return on their investments. Theirs is the more noble cause of maintaining first-rate customer service, establishing rapport with their suppliers, creating a workplace where people feel safe and appreciated and where the Work Ethic is imbibed, and lastly, building communities through their corporate social responsibility.

With these, small giants have intrepidly defied the denotation of size. They are labeled "small" for the sole reason that they managed to ward off excessive expansion and are "undersized" in terms of the number of employees, yet they are real giants in their own right. For they soared higher and achieved far more than what other corporate Goliaths have.

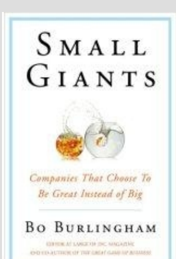
Pointing Out the Difference

Perhaps the first few questions that would come to the readers' minds are, "How are these so-called small giants set apart from common businesses? Is there anything extraordinary or unique to the way they operate?" The author answers these positively by providing concrete examples of firms who have simply moved beyond the itch for going public and becoming big, and instead focused on how they could superbly manage the business under their noses and the communities right at their fingertips. These are firms that flouted the long-entrenched corporate mantra that chronically possesses the tag, "Be bold. Be big. Be the best."

To exemplify his case, the author enumerated fourteen (14) companies, which, by now, have proven their stints as small giants. These include:

1. Anchor Brewing, San Francisco, the original American microbrewery
2. CitiStorage Inc., Brooklyn, New York, the premier independent records-storage business in the US
3. Clif Bar & Co., Berkeley, California, which popularized natural and organic energy bars
4. ECCO, Boise, Idaho, the leading manufacturer of backup alarms and amber warning lights for commercial vehicles
5. Hammerhead Productions, Studio City, California, a supplier of computer-generated special effects to the motion picture industry which slotted in an academy award for the movie, Babe
6. O.C. Tanner Co., Salt Lake City, Utah, the preeminent employee recognition and service awards company
7. Reell Precision Manufacturing, St. Paul, Minnesota, designer and manufacturer of motion-controlled products

About the Book:



Author: Bo Burlingham
Publisher: Penguin Group
Date of Publication: 2005
ISBN: 978-1-59184-149-4
Number of Pages: 232 pages

8. Rhythm and Hues Studios, Los Angeles, a producer of computer-generated animation and visual effects
9. Righteous Babe Records, Buffalo, New York, the fêted records company established by singer-songwriter Ani DiFranco
10. Selima, Inc., Miami Beach, Florida, taking pride in fashion design and dressmaking for a select clientele
11. The Goltz Group, Chicago, Illinois, including Artists' Frame service, probably the country's best-known autonomously owned framing business
12. Union Square Hospitality Group, New York, New York, the restaurant chain of the acclaimed restaurateur, Danny Meyer
13. W.L. Butler Construction, Inc., Redwood City, California, a general contracting firm specializing in commercial projects
14. Zingerman's Community of Businesses, Ann Arbor, Michigan, from where the world-renowned Zingerman's Delicatessen hails and 7 other food-related establishments

Though by no means an exhaustive list, the author selected these firms based on three most important decisive factors:

• Their ability to remain robustly private or managed by a single or relatively few number of people despite the pressures of growth (go public) and geographical expansion;

• Their exceptional craft and inimitable know-how, their own trademark or personal signature, their distinctive way of conducting business that is feverishly lauded, emulated (and envied) by other firms in their industry; and lastly

• Their corporate social responsibility that enabled them to pursue non-financial priorities and rather engage in building communities through symbiotic relationships with their clients, suppliers, and their own personnel.

Naissance: The Making of Potential Davids

The feisty encounter between the stalwart and hefty Goliath and the almost pocket-sized David has never failed to amaze us and prompt us to ask, “How did the little one prevail?” David is the spanking metaphor for our small giants and the magnificent possibilities they continue to hatch. In today's business, a good number of Davids have started figuring in so well and changing the face of industry leadership. Some have begun fruitfully, tripped in the middle, and finally got back on their feet. Some have been on the verge of extinction, then completely metamorphosed and witnessed another heyday. Some have probably kept their clover leafs and taken the industry by storm just as easily.

Whichever way, emerging as a small giant in the presence of gung-ho rivals is neither a plain streak of luck nor an overnight phenomenon. It is an arduous process; a personal experience wrought with a bulk of sacrifice, a handful of knotty options, a mound of decent character, and a stack of guts the size of Jupiter. Thus, the author's approach does not simply confirm what a small giant does: it is actually about becoming one.

In this account, the author traces the varied trajectories that each company embarked on before being conferred the title, small giant. Through the pages of the book, the author packed in each company's genuine experiencefrom being in the fringes to being in the coreas if he were bringing them to life. Indeed, the small giants have recently introduced an upturn in corporate thinking, which, even in the days to come, is certainly far from tapering off…

1. Make the Right Choice: Be Small, Be Indestructible

After quite a few years that the business is in full swing, managers or CEOs feel that inexorable rush to move even further and soar even higherand why not? Successful companies (expectedly) push themselves harder as they get into the “high” of that winning feeling that consumes down to their ranks. There is certainly no step backward, only a step ahead.

As other firms become equally competitive, those who are at the forefront turbo-charge even more their business acumen and propel their machineries to the utmost level. Atrophy is out of the question. Either they kick the bucket or live to tell the tale by being the biggest, the brightest, and the best. But Fritz Maytag of Anchor Brewery in San Francisco, Gary Erickson of Clif Bar in Berkeley, and Ari Wienzig and Paul Saginaw of Zingerman's Community of Businesses had proven otherwise.

In the midst of a stifling crisis and a powerful compulsion to go public and grow big, these firms have decided to stay put and rather harness whatever it is that they were already good at. Maytag called off his initial plan to do a direct public offering and hire an out-of-town brewery even at a time when he was almost at a losing end and couldn't respond to increasing demands for the sole reason that he did not want to compromise the authenticity and quality of his beers. Erickson backed-out on his decision to sell half of his company to Quaker Oats because he felt he was giving away not his business but his entire life and it engulfed him with utter remorse. Weinzig and Saginaw refused the idea of branching out to other locations because they can't afford to have mediocre Zingerman's.

These examples notwithstanding, the author neither tells companies to curtail their progress nor ward off their creative strategies. On a more personal note, companies are reminded that going big is not the only solution and may not even be the optimal resort. And for these companies who have chosen to remain “small,” theirs is the unfailing optimism that they can pull it off, that they never had to sacrifice the “soul” of their business, and that they can be the best even if they are not the biggest. The key is to put up a keen eye for discernment before daring the impossible.

2. “Own Your Ownership” As Much As Possible

Some companies recklessly set out on a mission to get as much investors “in,” thinking that the

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Before joining Inc., I freelanced for various publications, including Esquire, Harper's, Boston Magazine, and Mother Jones. I was also managing editor of Ramparts magazine for a while, if anyone can remember back that far. In 1982, I joined Fidelity Investments, where I wrote for Peter Lynch, Ned Johnson, and other honchos until coming to Inc. From 1992 to 1997, I served on the board of The Body Shop Inc., the U.S. subsidiary of the international cosmetics company. I was also a founder, with Tom Peters, of PAC World, a weird international networking group that gave me a chance to meet a lot of zany and brilliant people from around the globe.

What else? I've been married 35 years to my wonderful wife, Lisa. We have two children and one fabulous grandson, with a granddaughter on the way. We live…well, that's a long story. Let's just say I'm always at large.

To know more about the author, go to:http://www.smallgiantsbook.com.

more big-time people dipping their fingers into the pie, the more stocks sold, the more franchises put up, the more branches established in different regions, the bigger and better the company becomes. Yet little did they know that sooner or later, they would not be able to finance this rather impetuous growth and the more likely that they would wield snippets and snippets of their business until such time that they no longer have the controlling equity.

Not that selling stocks to other well heeled investors is a complete anathema. There are those special cases when stocks are vended to a couple of investors and the company eked out a good living. What the author tried to point out, however, is the acrid truth that companies always lose a substantial amount of their independence when they sell stocks to outsiders even if they remain to be privately owned.

More often than not, companies cannot expect their investors to instantaneously speak the same language and imbibe the same corporate culture. At one jiffy or two, investors pry into long-standing arrangements and end up obfuscating a manager's judgment and vision. As such, the genuine “soul” of the business that the original owners have delicately crafted is jeopardized.

This is the reason why Gary Erickson of Clif Bar and Bill Butler of W.L. Butler Construction detested the notion of selling out. For Erickson, it was simply “his place in the world,” somewhere where he belonged, and that was enough reason why he held on to his business and zealously guarded his equity. For Butler, what was important is that he knows everyone who works in his business, a small number of people who try not to do it all but want to be the best at a few things.

But whatever the ownership structure is, the author reminds companies that the crucial thing is to share the business with people championing the same goals and who are committed to the same vision and purpose as those of the founders. As for those companies whose internal/private management remains intact, with more reasons that they must cement their ownership with a breath of their own spirit, appreciate their people, and exude greatness regardless of the size, height, and width of their operations…

3. The “Mona Lisa Principle”: Some Things Just Can't Fit In Anywhere but Here

Bo Burlingham made use of the Mona Lisa metaphor to illustrate a striking attribute of a small giant: its intimate connection to the place where it is located. Burlingham notes that there is something special to the way the Mona Lisa is framed, hung, and lit where it is now, and doubts that the effect would be entirely the same if it were framed, hung, or lit in a different museum, in a different city, in a different country (p. 50).

Renowned singer-songwriter Ani DiFranco gives justice to this aforesaid claim when she turned the defunct and ramshackle Asbury Delaware Methodist Church in Buffalo into the haven of a pulsating local records business named Righteous Babe. Her decision to let Righteous Babe thrive in the neighborhood was reflective of her solid attachment to her roots, a terrain of warmth and familiarity, of one-ness and identity. Righteous Babe was as much Buffalonian as DiFranco was, and to many, it seemed more like an extension of her inner self.

This was also Danny Meyer's dogma when he put together the Union Square Hospitality Group, home to an array of exquisitely posh and highly “personal” restaurants like Union Square Café, Gramercy Tavern, Tabla, and many others. For Meyer, the context had to be right. He said that these restaurants are part of their community, and the community is part of what they are. Thus, Meyer just cannot imagine having a Union Square

Café in Las Vegas, given the transience of the people and the nature of the place (p. 50).

In these two examples, the author has "personified" the small giants whose spirit is similar to the city in which they reside, flourish, and touch people's lives. As such, they are a pride to themselves as much as they are to the people nearby.

4. Nothing Beats Symbiotic Relationships

There may be very few occasions where in people could see owners lingering during business hours, attending to their clients, or doing some of the drudgery themselves. There may be only a handful of junctures where these higher-ups' presence is very much felt. Yet small giants adeptly transcend this, for their owners are very much around to invigorate the workplace and demonstrate leadership by example.

Pittsburgh's Post-Gazette columnist, Marilyn Rubin speaks of how Danny Meyer's "being" at Tabla ignited excellent customer service. She recounts how Meyer and his staff treated the customers to utmost kindness and to what Meyer himself calls, enlightened hospitality (p. 70). Through this example, it is shown how small giants instill in their people the capacity for empathy and the importance of creating emotional connection with the customers. They avert being overly commercialized, doing business without a personal touch and merely for the money.

For small giants, customers are the "life" of their business, and without them, the business ceases to exist. Hence, small giants know exactly what their customers want; they have memorized by heart their taste preferences and because of this, customers are never dissatisfied. In addition, small giants choreograph their business like a dance, constantly attuned to beats not only of their customers but also of their own personnel. They provide customer service training to their employees, as in the case of CitiStorage, so that they too, would know just what a beautiful experience making people happy is. In sum, small giants create a web of interpersonal relationships that make people feel important--because they are.

5. Terrific Transitions

Because the winds of change are austerely inevitable, small giants cannot forever conjure an impression of permanence. Owners would get tired and old. Some would have to transfer places, while others might just lose the vibrancy of management experienced during their early days. But the author held that small giants are never timorous, for they know how to embrace change with conviction.

There would certainly come a point when owners or founders have to rethink, even re-design the ownership structure to keep afloat the corporate sea. The task may be daunting, but the author showed that small giants would not flinch because there is no big a fish that can't be hooked in the rod. This is how O.C. Tanner Co. adapted to the changes dictated by its competitive environment. The key is not to be easily swayed by these dictates but rather engage in reflective thinking, exhausting all possible strategies for survival and more importantly, putting the right people to pull the stint off.

The right people are of primary importance to keep the business' mojo alive. Tested principles, value disciplines, and corporate culture that have brought the business to its pinnacle must not die down with the re-casting of its leadership. Small giants are able to see from this sleazehole. They have anticipation and vision, as well as the right mental frame and character to be passed on to the next ones who would steer the wheel. And because they are prepared, they are never afraid…

A Final Word: Small is the New Big

Bo Burlingham's heart-warming book takes us back to the avowal which we made at the outset: that being big doesn't “robotically “mean being great. The companies that were succinctly thrashed out indubitably sent this message. But no. This is not a rather reductionist stance. The phenomenon of “small giants” simply can't be figured out by appellations that unravel “greatness in their smallness.”

Nevertheless, we have seen that the phenomenon of becoming a small giant isn't as unfussy as how they were conveyed in writing. Companies even had to juggle around with it themselves because the small giant starts with the apposite direction to trek, the hardest choice to make, and the most valiant attempt to confront itself with. It perhaps leaves us all with a challenge, far beyond the exigencies of understanding. It is a call to find meaning and purpose in the business. It is a call for self-evaluation. It is a call to harbor preparedness, vision, and audacity.

Yes, the small giants have impressively gained their clout in the business, a clout which, in time, may even conquer the whole world. Because as long as their work is love made visible, nothing is impossible.