Inc. at 30 Special Anniversary Issue

This Is How It's Done: Smart Business Moves

BY INC. STAFF

30 classic examples of innovation, from the *Inc.* archives

1. Gaming the system When Jack Stack and his partners bought Springfield Remanufacturing in 1983, they needed everyone's best efforts to turn it around. So they invented the Great Game of Business, a mechanism for tapping into employees' intelligence and enthusiasm by teaching them to think like owners. The company has thrived by giving employees a stake, arming them with financial data, and teaching them how their actions affect profits.

2. Meet the press Quad/Graphics is the world's largest privately held printing company, in part because of founder Harry Quadracci's decision to educate not just employees but also customers. In the 1970s, Quadracci began running printing seminars. Twice a year, 35 clients would gather at Camp/Quad to be enlightened about offset presses and color separation. The training helped Quad's customers be better at their jobs, which generated goodwill -- and more orders for Quad.

3. How sausage companies are made In 1982, unhappy with employees' attitudes and performance, Ralph Stayer, CEO of Johnsonville Sausage, hired a humanities professor from the University of Wisconsin to help him understand the deficiencies in his leadership. Stayer used the insights he gained to revamp his management style and his business, pushing decisions and responsibilities down the hierarchy and making people want to listen rather than just making them listen.

4. Whistle blow while you work "Always communicate without fear of retribution." That was one of the tenets on which Patrick Kelly and his partners founded Physician Sales and Service in 1983. Kelly wasn't kidding: He encouraged employees to report shoddy performance by their supervisors. If the complaint was justified and the boss proved intransigent, often the boss was outta there.

5. They are also served who only wait Uncomfortable chairs. Cold coffee. Issues of *People* magazine older than Cloris Leachman. So go the waiting rooms at most auto service shops. When Barry Steinberg launched Direct Tire and Auto Service in the 1970s, he insisted on bright, clean waiting areas with comfortable chairs and good coffee. To ensure employees would be chipper no matter the time of day, he interviewed applicants on three days at three different times. The myriad service awards still look great on Direct Tire's pristine walls.

6. When the chips are down In 1977, Debbi Fields opened her first Mrs. Fields store and set hourly sales goals. As her cookie empire grew, Fields implemented an elaborate software program to guide store manager behavior -- again, on an hourly basis. Cash registers at each store fed data directly into the system, which told managers their goals for the next 60 minutes and made suggestions when they were in danger of falling short. Mrs. Fields -- now up to 380 stores -- is still renowned for its IT-enabled management.

7. The circus comes to town In 1984, Connecticut grocery impresario Stew Leonard was contemplating opening a second store. (His first store, a 100,000-square-foot carnival featuring a petting zoo and cows dancing in the aisles, was already a $100 million success.) Before finalizing the new location, he wanted to do a little market research -- Stew Leonard style. He pitched a big tent on the site and invited prospective customers to stop and bend his ear.

8. They roll their own For more than 40 years, Norman Rautiola's Nartron Corporation has designed and manufactured not only electrical systems but also virtually all the components that go into them. Rautiola is fanatical about creating the parts in-house -- that way, everything is optimized for his products. The process also develops employees' technical expertise and gives Nartron opportunities to innovate.

9. Learn to earn In 1984, Tom Golisano, founder of Paychex, established an eight-week sales curriculum for new hires taught by a full-time faculty. The program cost as much as $18,000 per student, but most graduates were selling at 75 percent of quota in four months.

10. Tough mother Gert and Tim Boyle of Columbia Sportswear realized in the mid-'80s that there was marketing gold in the power dynamics of their mother-son relationship. In their most memorable commercial, she made him walk through a car wash to demonstrate a waterproof parka.

11. Why this dinosaur's not extinct Before the TV show *Barney and Friends*, there was *Barney and the Backyard Gang*, a series of videotapes created by the Lyons Group. In 1987, founders

Kathy Parker and Sheryl Leach couldn't muscle the purple rex onto store shelves. So, they sent free tapes to preschools, then hired telemarketers to alert area retailers. Stores that stocked tapes had their names sent to the schools and were rewarded with hordes of parent-dragging toddlers.

12. Your wish is granite When Bruce and Steve Woolpert took over the construction supply company Granite Rock in 1987, they launched annual "How're We Doing?" report cards, which ask customers to rate Granite in quality and service. These extensive surveys probe the effectiveness of each product line. The data are crunched into charts and displayed around the plant, so employees see their work through customers' eyes.

13. I owe my role to the company store When Henry Nasella became president of early-stage Staples in 1988, he knew zilch about the office-supply business. So he spent part of the first month working in one of the chain's stores, ringing up purchases, unloading trucks, and restocking shelves.

14. What would Sam do? In the late 1980s, Marvin Kramer of Friendship Manor Homes was spending time and money finding sites for his senior residences. He would identify a good spot and fly there -- and inevitably, Wal-Mart would be scouting the same area. So, Kramer started piggybacking: He waited until Wal-Mart planted a store and then located nearby.

15. Retreat to move ahead In 1991, sales at Patagonia had reached $100 million, but founder Yvon Chouinard felt Patagonia was in danger of becoming another uninspired megabrand. He took his managers for a three-week trip to the hills of Patagonian Argentina, where they mulled over "the next 100 years" and came up with one hell of a mission statement: Patagonia would reduce waste and pollution, it would donate 1 percent of sales to environmental causes, employees would be allowed to surf and ski as needed, and the company would be content with growth of 5 percent to 10 percent per year. That off-site helped create one of the most respected companies in the world.

16. Hey, big spender In 1993, Gary Hawkins, founder of Green Hills Farms in Syracuse, New York, showered gifts on those who loved the store as much as the store loved them. Spend $100 a week, and you got $15 back on your next purchase, a $25 gift certificate for the garden department, coupons for 5 percent off your bill all year, a Christmas tree, and more. Folks who came in sporadically in search of bargains got very little. Green Hills prospered by knowing who its friends were.

17. Branding's a beach Tommy Bahama wasn't pleased with the way its clothing was being presented at department stores in the early '90s. So the founders opened their own store in Naples, Florida -- with a Tommy Bahama-themed restaurant attached. Diners waiting to enjoy the coconut shrimp could browse the swimwear and Bermuda shorts while the company studied their preferences and developed brand awareness.

18. Not exactly chopped liver Zingerman's Deli is renowned for treating every aspect of operations with the same meticulous attention. In 1994, co-founders Ari Weinzweig and Paul Saginaw decided to bottle it. They created ZingTrain, an organization that offers seminars to outside companies on the Zingerman's way.

19. Gone, baby, gone You can't always get what you want. That insight underlies the *über*-successful marketing strategy of Ty Warner, founder of Ty Inc. (That's Beanie Babies to you.) To keep excitement for its stuffed animals high in the '90s, Ty limited production of each line of critters and "retired" a few every year. Such scarcity incited a buying frenzy among collectors.

20. Errors apparent Prior to launch in 1995, Jeff Bezos gave Amazon.com the tire kicking to end all tire kickings. Employees asked friends to make mock purchases. The rehearsal was scheduled to run six weeks but expanded to three months as the 300 testers found glitches. When the site went live, it was virtually bugless.

21. Giving away the game In 1998, Whit Alexander and Richard Tait, founders of Cranium, distributed the game to baristas at Starbucks and to the stores themselves, so customers could sample it over a round of lattes.

22. Filing a flight plan David Neeleman's business model for JetBlue, which got off the ground in 2000, explicitly revolved around not twigging customers off. Neeleman's team assembled a long list of fliers' bêtes noires, then methodically came up with ways to eliminate them.

23. Tell your customers how to make money Greg Wittstock, founder of Aquascape, sells supplies to contractors who build elaborate backyard ponds. Early in this decade, he changed his industry with the 20/20 rule, which simply stated that every pond could be profitably built in 20 steps. The formula was a marketing coup, and Aquascape became the pond industry's go-to source for best practices.

24. Relocate. Assimilate. Return When Lou Hoffman decided to open a China office of his eponymous high-tech PR firm, he wanted a manager equally versed in the nuances of Chinese business and the culture of his agency. So, he relocated a promising Chinese recruit to his Silicon Valley headquarters for 14 months. The recruit worked on several accounts and burnished the company's reputation as a China expert. She opened the Beijing office in 2000.

25. Shopping for small fry It's amazing how willing large companies can be to divest themselves of small but healthy assets. In 2000, petroleum manufacturer and distributor Oil Service counted among its competitors several big oil companies. On a hunch, Oil Service's owner, Tom Langston, started calling the divisions and asking if they were for sale. Why not? came the response.

26. Return to sender (with invoice) In 2001, Joel Gaines, founder of website developer Third Rock Shops, started responding to spam with pitches of his own. In nine months, five of the spammers contracted for Third Rock's services.

27. "Do not press 1." A few years ago, Commonwealth Worldwide Chauffeured Transportation invested $50,000 in a phone system and promptly disabled those irritating menu prompts. Founder Dawson Rutter replaced that feature with a recorded message assuring clients that their calls would be answered in three rings -- which they nearly always are. Commonwealth's service is the theme of its industry and customer plaudits.

28. Fight it out amongst yourselves Whenever Maria Fee, founder and CEO of Kitba Consulting, expanded to a new city, she would select a fresh slate of advisers -- insurance agents, investment counselors, tax attorneys, financial planners. She did this by inviting two candidates for each post to her office, posing questions, and listening while they battled over the answers. Once her team was in place, she convened it whenever she faced a major issue.

29. How's it going? McDonnell, the founder of Applegate Farms, wanted to work out of his home in Pennsylvania rather than his company's New Jersey headquarters. He made it happen by ordering up a nexus of databases that give him and his managers access to a wealth of information. The masterstroke: McDonnell requires that employees spend a few minutes each week ranking themselves and their teams on a scale of 1 to 5. The data help McDonnell spot trouble before it happens -- from a comfortable distance.

30. We have seen the enemy, and he is fake Josh Linkner was contemplating his competition a few years ago and thinking it looked pretty sparse. His company, ePrize, which creates online promotions, was way ahead in its space, and Linkner worried about complacency setting in. What the company needed, he thought, was an archrival. So Linkner created one, a fictional company called Slither. Linkner began sending his team press releases touting Slither's latest triumphs and introduced it as a straw man in strategy meetings. "What would Slither do?" became a common question. Slither kept everyone sharp and ready for the day a real competitor came knocking.

LAST UPDATED: APR 1, 2009