

# FSB

FORTUNE SMALL BUSINESS

**WEB PHONES:  
READY FOR PRIME TIME?  
NOT EXACTLY**

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**MONEY: OUR FAVORITE  
SAFE HAVENS**

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SAM HILL  
Hill Consulting

## The Top 10 Minds In Small Business (And How Their Ideas Can Work for You)

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Gardell Inc.

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## MANAGEMENT

### Jack Stack, 53 SRC Holdings

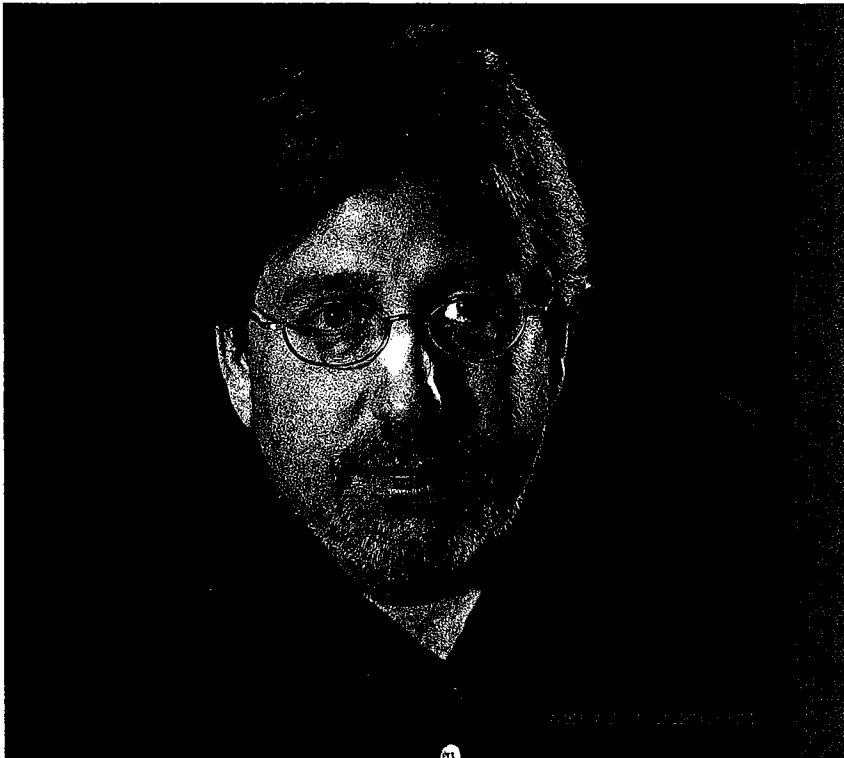
**J**ACK STACK IS A REBEL. IF HE SEES SOMETHING HE doesn't like, he doesn't just walk away, he changes it—radically. Back in the mid-1980s, as a young manager, Stack hated the way U.S. companies were run. "I tried for years to find a management practice that would engage people and enable them to have fun," he says. Then came his "eureka!" moment. Executives, he noticed, had all the information they needed to make big decisions. Why didn't employees? Thus was born the idea of open-book management, which since that day has helped thousands of companies boost their performance.

Stack first applied his open-book ideas in the 1980s to a company called Springfield Remanufacturing Co. (SRC), an ailing rebuilder of engines and components. The company was so bad off, says Stack, "it looked to me like the end of the Industrial Revolution." He taught his employees how to read a balance sheet and how to understand key performance measurements, such as defect rates, order backlogs, and margins. The idea was to get people to see how their own work affected the bottom line. And it worked. The Springfield, Mo., company has grown to about \$160 million in sales, with \$12 million in profits and nearly 1,000 employees.

Today Stack's practice of open-book management is used by many companies. But is it effective? A study by the National Center for Employee Ownership found that companies with employee-ownership plans and open-book management—two practices that go together well—enjoyed sales growth of 2.21% per year over their competitors.

Open-book management works because it encourages employees to care about their jobs. "It was all about having a stake in the outcome," Stack says. At SRC, groups of employees set measurable goals, helped make the decisions needed to achieve those goals, and used scoreboards to keep track of their progress. If the goals were met, the workers received a prize or bonus, and as stockholders of the company they could benefit through an increase in the value of their shares. Stack had effectively transformed employees into business people.

Now, as head of SRC and author of *The Great Game of Business*, Stack is spreading the word. Says Corey Rosen, director of the National Center for Employee Ownership: "Stack has sustained an almost evangelical commitment to getting people to do it." A true rebel with a cause.



## LEGAL

### Andrew Sherman, 40 McDermott Will & Emery

**W**HEN CEOS OF SMALL companies plan to grow, they tend to do the obvious—hiring new salespeople and adding to their marketing budget. But few of them think about mining the valuable assets that sit just below the surface of their financial statement: intellectual capital.

Andrew Sherman specializes in finding those assets—the intellectual capital represented by such things as patents, copyrights, and trademarks. Over the past 20 years Sherman has counseled thousands of small companies in the legal and strategic aspects of intellectual capital, pushing them forward on growth paths they didn't know existed. And he has reached a far larger audience than his law practice itself could provide. Author of 11 books on various issues concerning small business, including a helpful how-to, *Franchising & Licensing*, he has also taught part-time in the MBA program at the University of Maryland for the past 12 years.

"There is no more important asset than a company's intangible assets," says Sherman. "So I sit down with small companies and take inventory. A lot of the time they don't know what great assets they're sitting on. CEOs say that it's like finding change under the sofa pillow."

It turns out to be much more than loose change for many small businesses. After identifying a company's most valuable intellectual capital, Sherman works with the owners on a plan to exploit it. That often means initiatives involving licensing, franchising, co-branding, joint ventures, strategic alliances, and technology transfer.

These strategies produce growth at relatively low cost, especially if a company teams up with a partner. "Capital-efficient growth is important," says Sherman. "It means spreading costs of additional market penetration to other partners. You take full advantage of the research and development costs that you've already spent. The beauty of it is that it's already been paid for."