

STRATEGY

Inc. 500 All-Stars: Then and Now BY MIKE HOFMAN @MIKEHOFMAN

What happens to entrepreneurs after their companies make the *Inc.* 500 list? Interviews with 12 past and present *Inc.* 500 CEOs show that most of them haven't slowed down since.

What happens to entrepreneurs after their companies make the *Inc.* 500 list? For some CEOs, getting their company onto the list once is a feat that's hard to top. After all, maintaining such an extraordinary growth rate isn't easy. But for others, the *Inc.* 500 serves as a launching pad from which their company soars to serious national recognition. At those companies, the challenges don't let up -- particularly for the founders. In the years since their businesses appeared on the list, most of the *Inc.* 500 CEOs we've interviewed haven't slowed down. If anything, they work harder today than they did when they racked up remarkable revenue growth. The frenetic pace suits them. Below, we check in with more than a dozen *Inc.* 500 CEOs who have garnered headlines and prospered even more than might have seemed possible when their companies first graced the list.

Paychex

Founder and CEO: Tom Golisano

Headquarters: Rochester, N.Y.

Then: Paychex ranked #8 on the 1982 *Inc.* 500

Now: The company is known for stellar shareholder return, Golisano for running for governor of New York as an independent in 1994 and 1998

"In 1982, when we were on the *Inc.* 500, we were doing about \$20 million in revenues and thinking about becoming public," says Golisano. "By 1983 we had a \$65-million market capitalization upon our initial public offering, and we also had a seven-figure bottom line, which had been a goal we wanted to attain before going public. What happens is that you do things in plateaus. Eventually, our market cap crossed \$1 billion, and it's now \$13.5 billion -- and we have our sights set on \$15 billion."

Timberland

President and CEO: Jeffrey Swartz

Headquarters: Stratham, N.H.

Then: Timberland ranked #495 on the 1983 *Inc. 500*

Now: The next generation of the founding Swartz family has moved into the executive suite

"We made the *Inc. 500* when? In 1983? I was in business school then, and my dad was running the company," Jeffrey Swartz says. "I was talking to my dad this morning -- going over the forecasts -- and he told me that we're going to make more in net income this year than we had in gross sales when I joined the company, in 1986. I remember my dad saying, 'If only we could be a \$10-million company, we'd be a force to be reckoned with.' This year we'll probably even have a billion on a worldwide-sales basis. I wish my grandfather were alive to see this."

Proxicom

Founder and CEO: Raul Fernandez

Headquarters: Reston, Va.

Then: Proxicom ranked #44 on the 1998 *Inc. 500*

Now: Both founder and company are darlings of the D.C. tech set. Fernandez's former boss -- Jack Kemp -- now sits on the company's board

"I started this company with \$40,000 of my own money. We had to make money back then -- it was the only way to keep the doors open. That was a great time," says Fernandez. "There's a certain satisfaction that comes from doing everything from collecting bills, to unpacking your own servers, to setting up your own systems. But everything has a time, and we've evolved into a different company. In 1998, when we were on the *Inc. 500*, we were a private company valued through rounds of venture-capital raising at \$100 million. Today we sit with a market cap of \$3 billion."

Domino's Pizza

Founder: Thomas Monaghan

Headquarters: Ann Arbor, Mich.

Then: Domino's ranked #457 on the 1983 *Inc. 500*

Now: The company's philanthropic founder has cashed out for a reported \$950 million

"There were obviously a lot of highlights and milestones with Domino's along the way," Monaghan says. "One of the best was buying the Detroit Tigers, which I did in 1983 -- the same year that Domino's made the *Inc. 500* list. The Tigers won the World Series the next year. That was thrilling, too."

The Staubach Co.

Founder and CEO: Roger Staubach

Headquarters: Dallas

Then: The Staubach Co. made the *Inc. 500* four years in a row, from 1985 to 1988

Now: The founder, who won two Super Bowls as quarterback of the Dallas Cowboys, relishes success in his second career

"Having a business is satisfying in a different way from sports," says Staubach. "It's an ongoing process, whereas in sports you usually have one defining moment -- one game that you won. I can always say I've won the Super Bowl, for the rest of my life. But I'm also real pleased that people look at the Staubach Co. as a great real estate company, and I'm pleased we made the *Inc.* 500 four years in a row. We have more than 800 people working for the company now, in 36 offices. Our numbers are good -- we're having the best year we ever had, in fact."

Jamba Juice

Founder: Kirk Perron

Headquarters: San Francisco

Then: Jamba Juice made the *Inc.* 500 in 1998 and 1999

Now: The West Coast giant (which made the list again this year) is poised to attack East Coast markets

"I always hoped we would grow beyond one store, and we have. We got our first round of venture capital six years ago and first made the *Inc.* 500 two years ago. The only thing that quells my pride in Jamba is that one of our investors also invested \$5 million in eBay. I don't think we'll end up giving them the same kind of return," Perron says.

"I started as the sole proprietor of one store, serving the customers and wearing all the other hats myself. Along the way, I've made a lot of mistakes. You can't grow at the pace Jamba has grown and have everything be hunky-dory. The balance we need now is between growing at a very high pace and maintaining the culture of Jamba and maintaining the experience that customers have in it.

"But generally, things are going incredibly well. Now we have more than 325 stores. The demand created for Jamba has grown beyond my wildest dreams."

Coldwater Creek

Cofounder and CEO: Dennis Pence

Headquarters: Sandpoint, Idaho

Then: Coldwater Creek made the *Inc.* 500 four years in a row, from 1992 to 1995

Now: The seasoned cataloger is opening its very first retail stores

"Eight years ago, when we first made the *Inc.* 500, this company was tiny," says Dennis Pence. "The largest change since then is that the company no longer resides in one building. Today we're spread across three buildings on a 20-acre campus. This scale creates a layer of complexity. In a small business it's easy to disseminate information -- you just get all the

employees together in the lunchroom or out on the grass. And eight years ago my cofounder - my wife -- and I ran the business ourselves. Now we have a cadre of senior executives."

PowerBar

Cofounder: Brian Maxwell

Headquarters: Berkeley, Calif.

Then: PowerBar ranked #22 on the 1992 *Inc.* 500

Now: Having been bought by Nestlé USA, the original nutrition-bar brand looks to cement its position

"The *Inc.* 500 gave us legitimacy, but we purposely never included ourselves in the *Inc.* 500 ever again. In fact, for five or six years after we made the list, we put out misinformation, spreading word that our sales were substantially lower than the actual numbers. We didn't want to create too much interest or competition in our niche," Brian Maxwell says. "By 1997, when we hit the \$100-million mark in sales, the category had really exploded. And in March we sold the company to Nestlé. My wife and I have been able to cash out beyond our wildest dreams. Seeing the little product you conceived in a kitchen become a cultural icon is really exciting.

"I don't know what I'll do next. I'm no longer part of the company. Along the way my wife and I have had five children, ranging now from an 11-year-old to an eight-month-old. We spent all summer together not even considering other business opportunities. But I do miss many things about my company. I miss my team -- they're like my tribe!"

Plural Inc.

Cofounder and CEO: Roy Wetterstrom

Headquarters: New York City

Then: Plural made the *Inc.* 500 twice, in 1997 and 1998

Now: At press time, the company was poised to cross the \$100-million mark in sales

"The *Inc.* 500 put us on a different playing field in some respects," says Wetterstrom. "It was a pretty galvanizing experience. We started receiving attention from capital markets -- calls from investment banks and venture capitalists, and from companies that were interested in Plural. Being on the list brought us a level of visibility that wasn't there before. This was a good thing internally -- this sort of attention became a point of pride among employees."

Morningstar

Founder: Joe Mansueto

Headquarters: Chicago

Then: Morningstar made the *Inc.* 500 five times from 1990 to 1995

Now: The mutual-fund watchdog is still addicted to growth

"We're 16 years old now, and we've had our share of growing pains," Mansueto says. "We actually grew fastest between 1991 and 1992, though ironically we weren't on the *Inc.* 500 list in 1992. In that one year, we went from \$4 million in sales to \$11 million -- then in 1993 went to \$20 million, and then \$30 million in 1994. We've always been pretty scrappy, but you can never adequately meet demand when you're growing that fast. And you're resource-constrained as a small company. You can't afford to always be investing tons of capital ahead of growth -- you don't know if you'll grow 100% the next year or 50% or 200%."

KnitMedia Inc.

Founder and CEO: Michael Dorf

Headquarters: New York City

Then: KnitMedia ranked #90 on the 1999 *Inc.* 500

Now: The company is ready to take its Knitting Factory nightclub brand to Hollywood and beyond

"This may surprise you, but I came to New York to be in the record business. I never planned to be a club owner. I don't know how to mix a drink, and I've only just learned what's in a cosmopolitan. But I do know the profit margins on liquor," says Dorf. "We've had a great year since we were on the *Inc.* 500, in 1999. In the last year, our revenue has doubled, to exceed \$12 million. We're also opening a Knitting Factory in Hollywood. We've targeted Berlin and Tokyo next, and then we have other cities down the line."

Hoover's Inc.

Cofounder and CEO: Patrick Spain

Headquarters: Austin

Then: Hoover's made the *Inc.* 500 twice, in 1996 and 1997

Now: Spain is thrilled that the company netted \$49 million from an initial public offering

"In the beginning things were rocky. Many times on a Thursday we'd realize that we didn't have enough money to make payroll on Friday," Spain says. "Sometimes we'd issue checks and then ask all the senior people to hold theirs. At one point I received check number eight that I couldn't cash -- that meant that I had four months of back pay, and that was the all-time record. One time I had to fly to Kansas City to see our angel investors. I had to get money from them to keep things going. So I bought a one-way ticket and said to them, 'I can't go back unless you give me money.' They bought me a nice dinner and wrote us a check and sent us home. Of course, they've been amply rewarded. Today every \$1 they invested is worth \$7."

Optiva Corp.

Cofounder and CEO: David Giuliani

Headquarters: Snoqualmie, Wash.

Then: After first making the *Inc. 500*, in 1996, Optiva ranked #1 on the 1997 list and went on to make the list twice again

Now: The company is successful enough to relax a little and seek out comforts like posh new offices

"Well, the longer-term employees have been through a lot both before and after we were on the *Inc. 500*," says Giuliani. "We were growing 30% a month, for years at a time. That pace was very demanding for them. Now growth has slowed to a more moderate rate. It's still very healthy, but we have the resources to build, adjust, and strengthen our infrastructure.

"Of course, there are some really nice things about growing fast. When we were on the list in 1997, we were still in a low-slung set of buildings in the Seattle metro area, near the dump. Now we're in an integrated facility in Snoqualmie, a town of 1,600 at the edge of the Cascades. We have an unopposed view of the mountains. The other day I was on the phone talking to somebody in an office in Manhattan, and I watched a deer run through the field outside our office."

The 2000 Hall of Fame

Hartex Property Group (#188)

Founders: Adam Weis, Greg Smith, and René Campos

Business: Buys, renovates, and manages multifamily residential real estate properties

Headquarters: Dallas

Number of employees: 350 in 1999

Revenue growth: From \$15 million in 1995 to \$206 million in 1999

Partners' equity: 100%

The partners at play: Weis, 38, describes the three as good friends. He and Campos went to Harvard Business School together; Campos and Smith, both 37, were friends from the sandbox. While Smith prefers fishing and golf, Campos and Weis love their Harley-Davidsons. All three enjoy travel, but they vacation separately for the good of the company.

The view from the top: "We're in the process of selling the company," says Weis. "A group in Boston bought a big chunk, and some smaller groups bought independent properties. We still maintain a tenth of our properties, but [at press time] they're going to be sold soon, too. This is the exit. It's working out well for us."

Mainline Information Systems (#375)

Founder and CEO: Rick Kearney

Business: Sells computer systems and consulting services to large enterprise customers

Headquarters: Tallahassee, Fla.

Number of employees: 130 in 1999

Revenue growth: From \$13 million in 1995 to \$108 million in 1999

Owner's equity: 100%

The CEO at play: Kearney, 42, has five kids -- ages 5 to 19 -- to keep him busy in his off-hours. Swimming and camping are favorite pastimes. Kearney is also an accomplished philanthropist. Before starting Mainline, he founded and ran a foster home for delinquent boys.

The view from the top: "We recently hired a key person from a software lab in Korea," Kearney says. "We believe we'll be able to use that person's technology knowledge to help large clients like banks and insurance companies take their humongous legacy systems and put them on the Web for a fraction of the cost. Between that and acquisitions, we'll certainly double in size in 18 months."

Spencer Reed Group (#386)

Founder and CEO: Richard J. Plodzein

Business: Provides staffing and executive-search services

Headquarters: Overland Park, Kans.

Number of employees: 157 in 1999

Revenue growth: From \$7.3 million in 1995 to \$58 million in 1999

Owner's equity: 90%

The CEO at play: Plodzein hopes to retire in two years to his Gulf Coast beach house, in Siesta Key, Fla. "I would like more time to travel," the 52-year-old says.

The view from the top: Maybe he will retire. And maybe he won't. "We're really getting a succession plan in line so that we can go public, have a lot of options, and slowly ease me out," Plodzein says. "But I have to say I'm almost afraid to retire completely. I love the game -- I'll always stay involved to a degree. I know a half dozen guys who live in one place and run businesses in other places. In this day and age you can be on Mars and still run the company."

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