Lead Left Interview – Thomas A. Stewart

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This week we chat with Thomas A. Stewart, executive director for the National Center for the Middle Market. The Center is the leading source for knowledge, leadership and research on midsized companies, based at the Fisher College of Business at The Ohio State University. Mr. Stewart is an influential thought leader on global management issues and ideas: an internationally recognized editor and publisher, authority on intellectual capital and knowledge management, and a best-selling author.

The Lead Left: *Tom, thanks for making time for us. First, tell us how you got to the position you're in.*

Tom Stewart: I was in the publishing business. In 1989 I left the book business and started working for Fortune magazine. I was there for 13 years—for the last two of which I wore another hat that included *Business 2.0* magazine. I was mainly writing about big companies and their management issues. That had me increasingly involved with issues surrounding intangible assets and intellectual capital. I also wrote two book on those topics.

In 2002, I became editor-in-chief of the *Harvard Business Review*. I was there for six years. And then – in either a case of exquisitely bad or good timing, depending on how you look at it – I left in June 2008 just before the sky fell. I went to Booz and Company, the commercial consulting business that had split from Booz Allen Hamilton. I was their chief market and knowledge officer. I left just before that business was sold to PwC in 2014.

So I've been in the business arena for 20-25 years, almost entirely focused on big companies both global and public. Booz's clientele were no exception.

TLL: *So what brought you into the middle market?*

TS: I did no client work except once. That was a project for GE Capital, developing a comprehensive middle market strategy. I helped them create a knowledge portal called Access GE that was stuffed with insights and ideas, tools and techniques for management. That was one part of a multi-pronged GE Capital strategy designed to differentiate Ge Capital from other lenders. Another element was the founding and funding of the National Center for the Middle Market.

I stayed in touch with the Center and, in 2013, got a call asking if I had any suggestions about someone who might take on the new position of Executive Director. The idea appealed to me and, as it turned out, to Ohio State and GE Capital as well.

TLL: *How do you view your mission?*

TS: I see the work of the NCMM as two wings of a bird. The first wing is to call attention to, document and celebrate the impact of the middle market. The second wing is to provide a body of knowledge to help middle market companies perform better. Eighty five percent of the middle market is private. You don't sell more issues of *Fortune* with the CEO of Tootsie Roll on the cover. There's very little academic research, no great data on the middle market. It's a big white spot on the map.

TLL: *Yet the middle market is so important to what's going on in our economy.*

TS: In a lot of ways. Number one: the middle market represents one-third of the private sector. Attention must be paid to it. The concept of small business is romantic. The Fortune 500 are the captains of the industry. But there's very little understood about everything in between—a huge hole in our knowledge.

Secondly, the middle market is the fastest growing sector in the economy. Revenue growth is outpacing the S&P by anywhere from 1-3 percentage points. Also, we estimate that 60% of net new jobs come from middle market companies. During the credit crisis, the middle market companies that survived added jobs.

Also middle market companies are critical elements of industry clusters across the country. You have companies surrounded by their suppliers. For example, auto and industrial supply companies are spread across the landscape of the upper Midwest. I visited Korea recently. The situation there today is a barbell. There are lots of small companies and big companies. They need the middle.

Finally, middle market companies are the pillars of their community. The median age of a middle market company is 31 years. That's not much different than that of the S&P. Seventeen percent of those companies are manufacturing companies. Many of these founders are "the guy with a factory at the end of the road." They are hiring the sons and daughters of prior generation employees.

We are helping companies already there to grow, helping the economy to grow. And of course, the role of private capital is critical. There are many problems with going public today. The fastest growing companies are in the middle market.

To be continued the week of July 2

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