

The Mighty Marvelous Mittelstand

In our world-is-flat, winner-take-all economy, many futurists said the winners would fall into two camps: super nimble start-ups from Silicon Valley (and similar hotbeds) wielding world-class technology and talent and the largest multinationals with brand, reach and fortress balance sheets.

Mid-sized companies, on the other hand, would be in a tough spot.

But lately, Tom Peters and I have noticed the enduring vitality of mid-sized companies around the world. Tom's take, from which I "borrowed" today's blog headline, is [here](#). Scroll down to the third blog entry.

Yesterday, in Phoenix, I interviewed the CEO of a terrific American mittelstand, G. J. Hart of [Texas Roadhouse](#). This booming \$1.1 billion revenue steakhouse chain is based not in Texas, but in Louisville, Ky. The restaurants feature tasty fall-off-the-bone ribs, buckets of peanuts you can toss on the floor and strong drink--a happy trifecta. Texas Roadhouse also sports a 35% compound annual growth rate over the last seven years. The chain has 275 stores in 44 states.

Ever have to pay signing bonuses? You'll appreciate this: A Texas Roadhouse store manager must pay \$25,000 upfront to join the company. On the back end, the manager gets a 10% profit share. Thus does Texas Roadhouse apply franchise-like incentives while keeping better control of its destiny. I don't recommend restaurant stocks, but if you dabble in this field, take a look at TXRH. The restaurants are wonderful and the CEO is top notch.

Another great American mittelstand is [Cirrus Design](#) of Duluth, Minn. Thanks to Cirrus, I skipped the commercial airlines on this trip and instead flew my SR22 from Palo Alto to Phoenix Goodyear. Flight time was 3:14 to Phoenix at 11,500 feet and 3:36 back at 10,500 feet. The air was smooth and life was good.

Life is pretty good for mid-sized companies, too. Better than many futurists would have predicted.

What are your favorite mid-sized companies? (Let's define the range as \$100 million to \$5 billion in sales.) What advantages do mid-sized companies have in a hyper-fast global economy? As for stocks ... small- and mid-cap stocks have lately yielded ground to large-cap stocks. Is it therefore time to get back into small- and mid-caps?