

Case B: Zingerman's

At a glance

- **Founded:** 1982, in Ann Arbor, Michigan, by Ari Weinzweig and Paul Saginaw
- **Product:** A traditional delicatessen — sandwiches, breads, cheeses, olive oils, vinegars. Ordinary categories, executed to an extraordinary standard
- **Capital raised:** A \$20,000 second mortgage on Saginaw's house, and \$2,000 borrowed from Weinzweig's grandmother. No outside investors, ever
- **Valuation:** never raised, never sold, never valued
- **Today:** eleven businesses, twenty-three partners, more than 800 employees, over \$80 million a year — all of it still in Ann Arbor

How it started

Weinzweig had a degree in Russian History and four years of washing dishes and cooking in restaurant kitchens. Saginaw put up his house. In 1982 they opened with two employees, a small selection of specialty foods, and exceptional sandwiches.

What makes the product distinctive, however, is not its corned beef, rye bread, or olive oil. It is that the company treats sourcing as the whole job. Weinzweig travels to small traditional producers and buys from makers most food businesses have never heard of, and then documents obsessively why each thing tastes the way it does. He has written a shelf of books on it — guides to olive oil, to vinegar, to cheese, to bread, and a forty-year account of the company's food philosophy. In his words: *"it's never about the reputation, it's always about the quality of the product and the quality of experience."* Staff too are trained in depth on where each product comes from and what makes it good.

By 1994 the deli was a destination with a national reputation, a mail-order business, and a team who had built the place by hand and stayed.

The growth need

Customers kept asking why there wasn't a Zingerman's in their city. Saginaw thought the answer was more delis. Weinzweig disagreed hard: he would not sanction anything that watered down the original. Franchising was a non-starter for both. The conventional growth path was available and financeable, but they would not take it.

How they grew the team

In 1994 they wrote a letter to their employees titled *"Zingerman's 2009: A Food Odyssey"* — a fifteen-year plan for not a chain, but twelve to fifteen separate businesses, all in Ann Arbor, all under the Zingerman's name, each with its own specialty, each run by someone who already worked there.

The plan rested on three things:

First, open-book management was already in place. Every employee had access to the profit and loss statement — and was *taught to read it*. Staff already understood cash flow, revenue, depreciation, expense management.

Second, the Path to Partnership. Employees write a vision for themselves as a managing partner, redraft it, and circulate it widely for response before the path formally begins. Front-line staff, supervisor, manager, specialist role, then partner.

Third, real ownership. Each business has at least one managing partner who does hands-on work *and* owns part of it. The whole community is governed by consensus of all the managing partners plus the two founders — and a brand-new partner's vote counts for as much as a founder's.

Amy Emberling started as an original staffer at the Bakehouse. She is now its co-managing partner.

Complications

Developing a managing partner takes years, so growth is capped by how fast they can make owners. They cannot open a business until someone inside is ready to run it.

The founders also gave away their own control on purpose. With governance by consensus, a partner who joined last year can block a founder who has been there since 1982.

And all of it stays in one town.

The aftermath

Eleven businesses: a bakehouse, a creamery, a coffee roastery, a roadhouse, a mail-order operation, a training company, a farm, and more. Twenty-three partners, every one of them grown from inside. Over 800 employees and more than \$80 million a year, forty years on, without ever leaving Ann Arbor.