

## Open Book Management

By [Jack O'Riley](#)

The term "Open-Book Management" has been around now for at least twenty years. In an August 1986 article in Inc. Magazine entitled "The Turnaround," the now famous Jack Stack of SRC Holdings Corp. (formerly Springfield Remanufacturing Corp.), introduced the concept to the world of business. Shortly thereafter author John Case published several articles in Inc. Magazine. He also published a few books, the most popular of which was Open-Book Management: The Coming Business Revolution. Since those early days, hundreds of articles are now available to the interested reader. Publications ranging from the Wall Street Journal to the Harvard Business Review continue to make Open-Book Management a "current" business topic.

In the case of Springfield Remanufacturing, Open-Book Management evolved as a means to save the company from bankruptcy. Since those days, thousands of businesses have adopted the philosophy. Some have adopted out of desperation and some as a matter of building a better performing organization. A few have tried it and failed but most have found success in its wisdom.

So if it has been around for so long and has a high probability of improving an organization, why aren't more people using it? The simple answer is twofold: Many owners do not take the time to understand it because they are "frightened" by the words "open book." Secondly, it is hard to do successfully and sustain the benefits.

The typical implementation template consists of four steps. On the surface they look simple. In practice they are hard to do correctly. The generally agreed upon steps are:

1. Get the "real" information to your employees. This includes the income statement, balance sheet, cash flow information, and production data.
2. Develop an ongoing plan to teach everyone the basics of your business. How to read financial information, sales data, production statistics, etc.
3. Encourage every employee to make "local" decisions based on what they know and what they have learned about the business.
4. Establish a system that shares the financial rewards and risks of the organizations success or failure.

The difficult hurdles for most owners are number one and four; opening the books and sharing in the rewards.

If a business operates in such a fashion that creates financial transactions that are questionable then Open-Book Management is not a fit. Also, if the ownership of the entity does not believe in sharing the rewards of a collective effort then Open-Book Management will not be successful.

If you, as an owner, believe that "none of us is as smart as all of us" and you want everyone to benefit from success, then Open-Book Management is probably for you. If you like:

1. Employees that want to learn and make the company better.
  2. Feeling that your business is a team with a common goal.
  3. Educating people about business and how it affects their life decisions.
  4. Sharing the rewards of a "self funding" bonus program.
  5. Your ideas challenged by a group committed to your cause.
- ...then Open-Book Management is probably a great fit for your company or organization.

If you want to learn more a Google search on Open-Book Management generates great results. Books by Jack Stack and John Case are great sources. They talk about real companies; the good and the bad.

As the late quality guru W. Edwards Deming once said, "I did not say it would be easy, I just said it would work."

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