

Springfield ReManufacturing Corporation & Open Book Management



Sloan School of Management

Questions



- 1. Why did the plant fail under International Harvester but succeed as SRC ?***
- 2. How and why might the extensive sharing of information with employees promote a source of competitive advantage?***
- 3. What are the strengths and weaknesses of Open Book Management?***

Evaluate Stack's Proposal as a Banker...




- ❖ Create a culture of “open-book management,” making every aspect of the business visible to every employee: Indeed to anyone who cared to know.
- ❖ Invest a substantial amount of time and effort in training every employee in financial management so that they can follow, in detail, the weekly operating and financial reports of the company.
- ❖ Offer employees a significant share in the equity gains they helped achieve through a participatory stock ownership program.

Jack Stack

“Why We Play the Game”



1. We want to live up to our end of the employment bargain. “Everything we do is based on a common understanding that job security is paramount. There is no security in ignorance”
2. We want to do away with jobs. “I don’t want people to have jobs. I want them to have a purpose in what the hell they’re doing.”
3. We want to get rid of the employee mentality. “The payoff to us for playing the Game is that we become a more educated, a more flexible organization.”



“The only way to be secure is to make money and generate cash. Everything else is a means to that end. As long as you do those two things, your company is going to be okay, even if you make mistakes along the way, as you inevitably will.”

**Jack Stack (1994)
The Great Game of Business
NY: Currency Doubleday**


Open Book Management Principles



- 1. People should see themselves as partners in the business***
- 2. People should be empowered***

“The things that change with OBM are ways of thinking and acting. The basic structures may or may not change. ...OBM doesn’t make everyone equal. It just assumes everybody on the payroll has a stake in the business.”

**John Case
Open-Book Management
Harper-Business (1995)**



“The trouble with empowerment as it’s usually conceived is this: It’s like empowering a guy to drive a truck without telling him where he’s going. If you empower dummies, you get bad decisions faster.”

**Rich Teerlink
CEO, Harley-Davidson**

To Implement Open Book Management:



- 1) Be clear about your strategy and key success factors (“Critical Numbers”).***
- 2) Get the information out there.***
- 3) Teach business literacy (how to interpret and use the numbers).***
- 4) Develop a system of responsibility and accountability (“empowerment”).***
- 5) Give everyone a stake in the company’s success.***

John Case
Open-Book Management
NY: Harper Business (1995)

OBM: Key Ingredients



- ***The relentless sharing of operational and financial data with employees***
- ***Training to understand these numbers***
- ***Rewards (Stock ownership, bonus, profit sharing recognition, small gifts, parties, etc.)***
- ***Regular group and company meetings***
- ***Shared performance metrics***
- ***Long-term employment***