Jack Stack's Story is an Open Book

A small Ozarks manufacturer has a message for big companies: Open-book management can increase productivity and release entrepreneurial spirit.

by Art Kleiner

"You're my hero," says John P. Stack, the CEO of the SRC Holdings Corporation. "You're my superhero!"

Jack Stack is a charismatic 52-year-old man, alert and sharp with a toothy smile and a thick Chicago-Irish accent. He is talking on his cell phone to Steve Crowder, a managing director of one of the 22 semiautonomous industrial-equipment and business-service companies affiliated with SRC Holdings. The people in these companies are unusually sophisticated about the ins and outs of venture capital and entrepreneurialism, although their hometown of Springfield, Missouri, a small city on the edge of the Ozark Mountains, is not generally known for being a hotbed of innovative business activity.

"I've missed you," continues Mr. Stack, who just got back from a two-week trip to Australia, to Mr. Crowder. "It's nice to have a guy who can continually generate the earnings you're doing. Then I found out you blew your plan away, you know? You should be running my job, the way you perform!"

To a casual observer, this might sound like a run-of-the-mill executive pep talk. But there's a lot going on under the surface. The company that Steve Crowder runs — an engine remanufacturing company called ReGen Technologies — is a joint venture with Deere & Company, the manufacturer of John Deere farm equipment. Unlike any other Deere enterprise, but like all of the SRC businesses, ReGen makes its financial performance numbers freely available to employees and staff. Everyone, including visitors, knows exactly what the score is, because the company's financial information is posted

Photography by Ron Berg

Art Kleiner (art@well.com) is the "Culture & Change" columnist for *strategy+business* and the author of *The Age of Heretics* (Doubleday, 1996). He teaches at New York University's Interactive Telecommunications Program. His Web site is www.well.com/user/art.

have discovered, setting targets and tracking the results tend to draw people's attention to high-gain opportunities, much as rehashing a sports play tends to focus a team's collective mind on its future improvement.

Another growing movement is employee ownership, the use of stock plans and bonuses to foster workplace commitment. Then there's the newer and more controversial (but also growing) practice of deliberate disclosure: Making all (or nearly all) the financial and operational information in a business available upon demand to the people who work there.

Put those three practices together and you have a style of management known generically as "open-book management." Although Jack Stack doesn't particularly like the phrase, he is the most famous practitioner of it, particularly in small-business circles. His own catchphrase for the technique is the "great game of business," coined in the mid-1980s to convince SRC employees that business was, after all, just a game; and if they could learn the rules of baseball or basketball, they could learn this, too. At SRC, people speak seriously but lightly about the loss of a sale or the rise of a cost, as you might hear a baseball fan talk about the rise or decline of a favorite player. The Jack Stack guide to running a company, *The Great Game of Business* (coauthored with Bo Burlingham and published in 1992), has almost 200,000 copies in print.

Mr. Stack and Mr. Burlingham are currently finishing a new book, called *A Stake in the Outcome*, slated for publication by Doubleday next March. It's a memoir that describes the aftermath of SRC's financial literacy efforts, which led the company as a whole, and Mr. Stack in particular, into 15 years of experiments with innovative new business launches. Many large companies are trying hard these days to incubate new businesses, looking for the proper combination of support, autonomy, and investment to propel new companies to profitability. Jack Stack claims to have found a natural way to develop such an incubator. He has started 39 new businesses since 1988, of which 22 are successful (the remainder have been sold, merged, or closed).

Almost as a side effect, he says, his system has naturally solved some of the most entrenched problems of entrepreneurial capitalism, such as the perennial need to raise "exit money" so key shareholders won't bankrupt the company when they leave and cash in their shares. Or the difficult problem of finding new challenges for longtime employees and managers who get bored with their old positions and have nowhere in the company to go. Or the complacency that sets in at even the most entrepreneurial

on mural-sized charts in the employee cafeteria. Staff members "huddle" — a word deliberately chosen to evoke game-playing strategy — at least weekly to talk about the financials and the strategies they suggest. They take the company's growth and prosperity personally, in part because nearly all own shares in the holding company (or, in the case of a joint venture, in the smaller joint-venture firm), generally through employee stock ownership plans (ESOPs). And they are keenly aware that their retirement incomes depend, in part, on its ability to thrive.

As the visible center, enthusiastic booster, and acerbic schoolmaster of all this activity, Mr. Stack has found a way to reconcile two subcultures of American business whose partisans almost never see eye to eye. On one side are the financiers, who demand higher and higher productivity; on the other side are the nurturers of human capital, who coach people to continually achieve better performance by improving themselves. Mr. Stack is both.

Few CEOs, for instance, would be so uninhibited about telling a fellow executive that he is missed. At the same time, few would spend 20 minutes, as Mr. Stack did recently, dissecting in frustration the erroneous ways that most people make simple business calculations. ("If you want a gross margin on your product of 20 percent, how much do you have to mark it up? Nine out of 10 people would tell you 120. It's really 125. That's the kind of mistake that can cost a business millions," Mr. Stack says.)

Life without Fear

Financial literacy — the systematic training of people at non-executive levels in the business impact of their decisions — has grown increasingly popular in recent years. As a dozen different forms of financial and accounting literacy movements (including the Balanced Scorecard)

The SRC model ultimately represents a throwback to preindustrial forms of capitalism, when business was intimately grounded in family and community.

companies, blinding them to new opportunities. Or the biggest problem of all: Spreading the opportunity to build wealth beyond the executive class, to reach out to as much of the community as possible.

"I grew up in a lower-middle-class family that didn't have a lot of money," Mr. Stack said recently. "My parents worked extra jobs just to be able to fund Christmas. There was a lot of fear in my house. What we're doing here in Springfield is showing people how to get through life without fear. Once people understand what it takes to be a businessperson, not just a cog in the system but somebody on the brighter side of capitalism, then their lives can change forever."

Open-Book Believers

Author John Case, generally acknowledged as the most comprehensive chronicler of open-book management practice, says there are probably 1,000 companies practicing some form of "Great Game" or open-book management. Most of them are entrepreneurial small businesses, generally with 500 or fewer employees. A few nonprofits have embraced it, such as Trinity Services Inc., a Chicago-based agency that serves mentally and developmentally disabled people, whose staffers routinely track and analyze their records to improve service. A smattering of dot-com companies are flirting with open-book practice, although not always with the same reverence for wealth-building that Mr. Stack espouses. Recently, a young tech startup executive, grateful for an impromptu consultation with Mr. Stack, offered him some shares of stock in the company. Mr. Stack was outraged: "You're trying to tip me," he exclaimed, "with equity!"

There are also several dozen Fortune 500 companies that have adopted the Great Game in some form, including Federal Express, General Motors, Harley-Davidson, Amoco (before its merger with BP), PepsiCo, and Alcoa. However, their experience tends to be limited to one or two semi-autonomous factories. Harley-Davidson, for example, used SRC's Great Game course to instill workers and managers in a startup factory with a sense of the financial implications of their day-to-day decisions, and then moved on to other forms of training.

To truly emulate the SRC approach requires an overhaul of a large company's disclosure, training, compensation, stock-option, and planning practices. And that may explain why Mr. Stack is almost invisible to many mainstream big-business people. "He is credible with entrepreneurs," says Harvard Business School's preeminent organizational change expert, Rosabeth Moss Kanter. "But I don't hear his name come up in the corporate world."

Next year may be Mr. Stack's moment to cross that threshold. His ideas about building a family of businesses, and thus shepherding a company's long-term profitability, may turn out to be highly relevant to corporate managers shell-shocked by turbulence, trying to build a stable but resilient base of talent.

"Here's someone who can tell big companies how to do the thing they most want to do: to grow an entrepreneurial spirit from within," says John Case. "They miss it because — well, because they don't know Jack."

A remanufacturing plant looks much like a conventional assembly line operating in reverse. Discarded engines, generators, and other industrial detritus appear on the loading dock of a cavernous, noisy hall. Moving from station to station on conveyor belts or hoisted by cranes, these defunct machines are systematically stripped of bearings, cables, gears, and bolts, all with different degrees of wear and tear. The components are shunted through kilns and cleaning devices that look like airport luggage X-ray scanners, and then are replaced or recut on lathes. Ultimately a new engine or generator is assembled from the renovated parts, at a cost 70 percent or less of the cost of an entirely new replacement. Several thousand companies are engaged in this relatively hidden industry.

About a dozen such plants exist in Springfield, Missouri, under the SRC umbrella. One is ReGen, the joint venture with John Deere. Another, called Megavolt, is a joint venture with CNH Global NV, an agricultural and construction equipment manufacturer, set up to produce alternators and generators. Then there is the original Springfield Remanufacturing Corporation (SRC) plant, founded in 1983 by Jack Stack (then a manager at International Harvester) and 12 other managers when they purchased an engine-rebuilding plant owned by Harvester. That company still exists (now under the name SRC Heavy Duty), but the management has moved on to the SRC Holdings Corporation, with 50 to 100 percent equity interest in all 22 of the affiliated companies. Others include SRC Automotive (which produces passenger car engines), the Avatar Components Corporation (a maker of powertrain gear), NewStream Enterprises (a packing and shipping company), and Encore, which outsources SRC's core remanufacturing expertise — the recrafting of old industrial equipment into fully functioning new machines.

The SRC crowd has also tried, with mixed success, to develop less capital-intensive businesses. Among them are the Great Game of Business Company, which markets the SRC open-book management training; PlentyofParts.com, an Internet-based exchange of surplus goods; and The Bank, a local bank (in which SRC is only a minority shareholder) created to fill in the gap of community banking in Springfield after several local banks were acquired by out-of-state chains. Some of the SRC ideas foundered before starting, like an attempt to open a Chicago-style Italian beef sandwich restaurant, and one or two businesses have been sold.

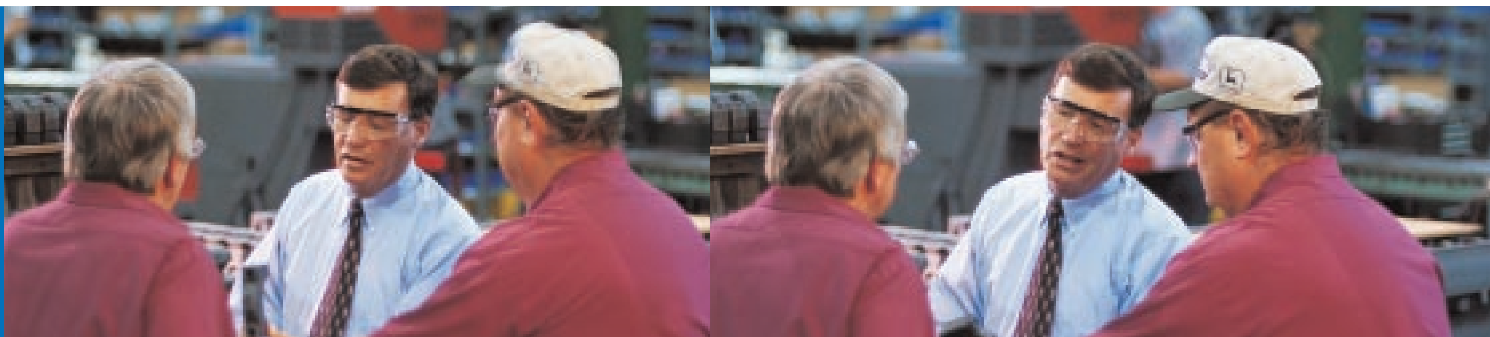
None of the SRC businesses are required to practice the Great Game, and some have resisted at various times. But they are all held to extremely high standards of performance. And because performance has proved so much better with Great Game practice, all SRC companies do practice open-book management at their core, including The Bank, where a prize is given to the person who guesses each month's earnings.

A Forecast Is a Promise

The highlight of any SRC plant tour, whether blue-collar or white-collar, is the array of measurement-rich wall charts. For example, at Megavolt, the joint venture with CNH Global that produces electrical equipment, a green posterboard shows plant-wide efficiency, and a red posterboard shows how much of the finished product was secondhand (the more used parts instead of new parts, the greater the savings). There's also a cafeteria with two fair-sized walls covered with charts that show, among other things, all the income and expense breakdowns for the past month. Megavolt General Manager Dianna Devore, who started at SRC 16 years ago as a clerk/typist, and Jack Stack, who casually drops in to visit Megavolt, have both been known to pull visitors over to the charts and explain some significant shift in overhead costs or cash flow.

Since the charts get updated daily, people know very early whether they will hit their monthly targets, and why. "That's the key," Ms. Devore says. "If a plan projected $332 in overtime, and we see we're paying out $351 halfway through, we know that we must react. Something is happening. If we waited for an accounting person to tell us, it would be too late to do anything about it."

And what of the managers? With supervision and tracking more distributed, they spend more time on setting long-range targets — which, if anything, means more intense work, because the targets must be defended



both up and down the hierarchy. "If the actuals come out worse than 5 percent below your projection, you are supposed to be able to give a rational explanation why that happened," says SRC Heavy Duty Manager Joe Loeber. A forecast, in other words, is seen as a promise from a manager or employee to the rest of the company. A financial number is seen, as Mr. Stack puts it, as "nothing more than the stories people tell."

Financial literacy is simply a way of taking those promises and stories seriously. It provides the missing direct experience of the business specifics, in a way that people have reason to trust, because they know their bosses are looking at the same numbers. It may seem disingenuous to hear financial data described as a humanizing influence, or even as a source of high-quality production information. After all, we live in the era of stretch goals and performance appraisals, when numbers are generally used to punish people when they don't measure up. But when times get tough at SRC, the rules stay fair: Bonuses are cut out first, then ESOP payments, then salaries, and only then is cutting jobs considered.

Open-book management is thus an antidote against the brutality of most layoffs. In a typical business downsizing, says Mr. Stack, "the laid-off worker walks out to the parking lot for the last time, wondering, 'Why didn't they tell me that the company was in trouble?'" With open-book management, everyone finds out about the troubles ahead of time, because it demystifies arcane accounting statements. In fact, it makes clear what many wage earners would never otherwise understand: the reasons cost-cutting may be the right thing to do under certain circumstances (for instance, in a cash-flow crunch).

By the standards of management pundits and consultants, Mr. Stack and the other SRC people are rough-spoken and informal. Even though a number of business schools use SRC as a case study, it's hard to imagine SRC's culture being taught. SRC managers tend to work out their own theories at a local bar, with managers from the various companies continually dropping in for discussion of the future over beer and chicken wings.

Most of his ideas, Mr. Stack insists, came from ad hoc efforts to deal with problems and issues that naturally emerged as he put the Great Game into practice: "Our story could be a whole new series of the 'Three Stooges.' We stumbled from one challenge to the next."

Cash and Schmozzle

SRC began life 18 years ago as a last-ditch effort to keep alive an obscure International Harvester engine-rebuilding plant that was losing $2 million a year.

Originally assigned as the plant manager to shepherd the facility's demise, Mr. Stack chose to revitalize it instead, using a technique that had worked for him in Illinois: setting up competitions based on productivity targets. This naturally led him to revamp cost measurements to make it easier for shop floor people to discern, say, the various expenses that went into making one component. He and his colleagues turned the plant around and made it profitable, even ripe for new business.

But International Harvester wasn't interested in expansion. During the 1981 recession, which hit agriculture particularly hard, the farm and construction equipment manufacturer demanded that some of its plants, including the one in Springfield, cut back production. But Mr. Stack and his wife had fallen in love with the convivial small city of Springfield, and he also felt there was a better way. "I came from a strict Catholic family," Mr. Stack recalls, "and didn't realize how sheltered I'd been … I learned about factories closing down, people getting laid off, and the total disregard that most companies have for their people."

He and 12 of his fellow Springfield managers decided to ignore the demands and keep the plant's staff employed, even if it meant trolling for business on their own. From there it was natural to offer to buy the plant from Harvester and set it up as an independent company.

Mr. Stack and his partners had very little money of their own at that time, and it took two years to secure the financing, with the 31-year-old Mr. Stack taking on the grueling but eye-opening task of wooing investors. Their task was complicated further because, to enlist the workers' commitment and help, the new managers had promised to give everyone shares in the company. He never forgot one venture capitalist telling him the company lacked "schmozzle" — meaning a credible story, backed up with detail, of how the company could return the investment in a reasonable time. Soon Mr. Stack realized that all the employees, as shareholders, would also be investors, and they'd want schmozzle too.

Ultimately, the partners raised just enough money to buy the plant — and, immediately upon opening SRC, they lost one of their key customers. Burdened with an 89:1 debt-to-equity ratio ("on a par," Mr. Stack later commented, "with the government of Poland") at 18 percent interest — an enormous cash crunch even if they were profitable — and unforgiving creditors, Mr. Stack and his 12 confederates felt they had no choice but to let everyone in the plant know exactly how bad things were.

It turned out that people appreciated the opportunity to learn and to take part proactively in saving their jobs. "We realized that we could run out of cash any moment and not make payroll," says Ron Guinn, then an hourly worker at SRC and now a senior manager at ReGen. "Pulling together and watching our cash became a way of life. If you bought a tool, you realized what the effect of that expense would be. It finally dawned on me that I didn't have to trust those 13 guys in management. If I learned the numbers, I could figure out the business for myself and determine if it would do for me and my family what I thought it should do."

Nearly everyone at SRC embraced the Great Game, but Mr. Stack became its central figure — the guy everyone wanted to please, the leader who asked the tough questions, and the one who pressed people to think broadly. From 4 P.M. on, anyone who wanted to talk to him could find him at Joanne's Expressway Lounge, a bar at the edge of town that became his open-door office. It also helped that everyone could see managers out on the floor at the end of the month, working to ship the last bit of product. In 1988, it became clear that the company had won its workers' trust and respect when the staff at the plant voted to defer a bonus and build up the company's balance sheet instead. By that time, the stock had risen from its original dime share price to $15.60. Then it had fallen to $13.02 (the slump was the reason for the bonus deferral), but that still meant a rise of 13,000 percent in four years.

In 1986, the company and Mr. Stack were the subject of a cover story in *Inc.* magazine called "The Turnaround." This was followed by a spot on public television's "MacNeil/Lehrer NewsHour," the publication of *The Great Game of Business*, and a steady flow of reports in the business press and television. Meanwhile, the company began to diversify — the first time, into automobile engines in 1985, after a janitor (a former stockbroker at a major Wall Street firm who moved to Springfield for a less pressured life) stopped Mr. Stack in the hallway to remind him truck engines were a cyclical industry. By the early 1990s, there were so many requests for paid tours of the plant that SRC formed another business, the Great Game of Business, based on packaging and selling the Game, and continued looking into other forms of diversification.

Clusters of Companies

In the midst of this wave of success, a challenge emerged from within, once again threatening SRC's survival.

One of the original 12 managers who had bought the company with Mr. Stack left the company in 1986. Buying back his stock cost $660,000 — a huge amount of money in the SRC balance sheet in the mid-1980s. At most firms, either that figure would have been hidden, or there would have been a taboo against discussing it. But at SRC, it came up in one of the huddle meetings. As Mr. Stack tells the story, an hourly worker said he was very happy to have the ESOP stock, especially with its value rising so rapidly. But what would happen when he and his peers began to retire, many of them around the same time 20 years hence? Where would the money come from to purchase the stock? "We've got a lot of cash tied up in connecting rods," he said. "We can't eat connecting rods."

"It was absolutely the right question to be asking at that time, and I should have been proud and happy to get it," writes Mr. Stack in his memoir-in-progress. "That's why we were teaching and coaching; this guy 'got it,' no question … [but] I was thrown for a loss. I hadn't given any thought to how we were going to cash everybody out." The more successful the company became, the larger the buybacks would have to be.

This is, of course, one of the great unspoken problems of entrepreneurialism, especially in places like Silicon Valley where stock options are rampant. Many companies solve this difficulty by going public. This leaves the entrepreneur with no real option but to leave, raise venture capital for a new company, and start the

"Jack Stack is almost anti-American, because he's committed to lifetime employment. The only other company I know like that is Southwest Airlines."

process all over again, in a blockbuster-style syndrome that, in the long run, is probably destructive to the entrepreneurs, the markets, and the industry.

At SRC, nobody wanted to relinquish control to an outside group who might misunderstand their Great Game, and its requisite investments in training and huddle time. They trusted themselves and their hard-won business sense more than they trusted anyone else, and they wanted to build a legacy business that could live longer than they would. They also disliked the option of putting cash aside for buyback time; they wanted cash available for growth when they needed it, not tied up in reserves. There had to be an alternative — a way to use the built-in entrepreneurial incentive of the SRC system to keep creating enough wealth to allow them to buy back their shares.

Then Mr. Stack found his inspiration — in a story from a Springfield neighbor named Mike Ingram, a fireworks importer who had trekked into the Chinese hinterlands to visit the manufacturer firsthand. Expecting to see a factory, he had emerged over the crest of a hill to see a village spread out before him, with hundreds of little huts. The huts were the factory. If one hut exploded, the others could continue operating. "We too were protecting a village, just like the fireworks manufacturer," Mr. Stack recalled. "So we broke our village into huts as well."

The first "hut" that SRC spun off, a marketing organization, failed rapidly. But in 1986, the second new company took root. It was called Engines Plus Inc., and it remanufactured junked oil coolers, a critically important part for rebuilt engines. SRC's own engineers had never quite figured out how to build them, so Mr. Stack figured he could create his own supplier. If SRC needed cash suddenly to buy out shareholders, it could sell this expendable subsidiary and keep the main company solvent for a while longer.

They invested only $6,000 and underwrote a $54,000 loan, thus starting Engines Plus with a 9:1 debt-to-equity ratio (not quite like the government of Poland, but still harsh). Thus, if the new company succeeded, its share price would rise dramatically, too. And in fact, Engines Plus went from $286,000 in annual revenues to $7 million within a few years. It's now worth more than 250 times the original investment.

Engines Plus was the first of the SRC affiliates; the number of companies has grown at an accelerating pace ever since. The original purpose was more than fulfilled; cash generated from the affiliates has enabled SRC to buy back the shares of retiring employee-shareholders without having to sell any of them (at least so far). Since the various companies can share resources (like a collective health care fund that replaces health insurance), their overhead is also lowered.

Of course, it's not quite so simple. Over the years, SRC has evolved a variety of strategies to keep the plan from running away with itself and endangering either the employee-shareholders or the company. For instance, there's a provision that stock sales will be paid out over 10 years. SRC funds an extensive 401(k) retirement plan in addition to the stock, so that if all the SRC companies tank together, retirees will still be protected. ("We hope that each employee will put away 10 percent of his income in 401(k)s each year," Mr. Stack says.)

The company maintains investments in fixed assets, like real estate, that can be sold off in a hurry if need be. And in good times, like last year, the company buys back its stock from the ESOPs ($12 million in the last repurchase) so that the ultimate liability goes down. "If we had a retirement crunch, we'd have to scramble, but we'd have weapons to scramble with," says Mr. Stack. He is also considering taking one company public, just to see if there is a way to do it and keep the basic principles intact.

One of the most important weapons, in fact, would be the years of experience with financial literacy, disclosure, and close-to-the-edge financial operations. Most of SRC's new businesses are pushed out into the world with one or two revenue streams — just enough to cover overhead and generate some cash. They are expected to amplify that by diversifying their customer base and product lines as quickly as possible.

If the subsidiary businesses start to fail, it won't take SRC workers by surprise. They'll know well in advance, because they will have been tracking that failure, huddle by huddle, on the wall charts. Indeed, there's a bittersweet awareness growing at SRC that their primary way of making money — selling rebuilt engines — may be shortlived. As truck and auto engines become more durable and diverse, it's harder both to remanufacture engines (because used parts are scarcer) and to sell them. There may be 10 years or less to find new lines of work, or they will be forced into a decline — open-book management and all.

Engines Plus is probably the first of the subsidiaries to take this awareness to heart. Its managers recently sold the oil-cooler business back to SRC Heavy Duty. Engines Plus now makes and sells small power generators, primarily used to generate electricity from the waste gas in oil and gas well heads. This is the start of a potentially booming business, given the current energy shortages in the U.S. and the rising interest in relatively non-polluting power generation around the world.

One immense but unexpected benefit of the "cluster of huts" model was the sudden boom in opportunity for senior people who have hit the top of their pay scale, feel bored, want to spread their wings, and have nowhere to go within SRC. "Now, they don't have to live with the frustration," Mr. Stack says. "They can start a new business. And the old business doesn't have to find a way to pay them more; it can put someone younger in their place, pay them an amount commensurate with their skill, and give them a chance to make four or five years of raises. That should be enough time for them to figure out their next step."

Local Hero

The SRC model ultimately represents a kind of throwback to preindustrial forms of capitalism, when business was intimately grounded in family and community. "Jack Stack is almost anti-American, because he's committed to lifetime employment," says Chuck Kremer, coauthor of *Managing by the Numbers* (a guide to IBM's longstanding financial literacy methods and those of others). "Most people would tell you that's not the way to be profitable. Stack's created a system where it is. The only other company I know of that makes that commitment is Southwest Airlines."

The open-book process seems naturally to engender among employees a sense of responsibility to each other. At several open-book businesses (including some not directly connected to SRC, such as Trinity Services in Chicago), staffers have created "cookie jar" funds to help their colleagues in trouble. Such a graceful ability to help others is a natural consequence of a culture in which people feel that they are building wealth together, instead of at one another's expense.

All the SRC companies also share a quality of earnestness, a devotion to the work and to their customers. "There are a lot of farmers out there who hang on to their farms by the skin of their teeth," says Heavy Duty's Mr. Loeber. "If they wait on our engine and miss the season, or if it fails on the wrong day, this guy may lose his farm. It is a really personal thing for us."

At heart, Jack Stack has become interested not just in building wealth, but quality of life. Springfield is burgeoning: Once a sleepy truckers' hub and college town, it is now a small city with more than 150,000 people. Thus, for the last year or so, Mr. Stack has championed entrepreneurial causes that apply his methods to the community around him. He is president of a business coalition that last September opened a new "Partnership Industrial Park," a site where SRC's new companies and others have already located (and one of the few industrial parks designed not to have a ferocious traffic jam at closing time). He and a group of partners have also raised $6 million in local investment money for a venture-capital fund called Quest Capital Alliance, with a deliberate strategy of long-term investment in Midwestern companies. The fund maintains an informal affinity for companies that play the Great Game already and a willingness to instill the Game in other companies they invest in.

A more typical path for the CEO of a fast-growing $140 million company would be to move to the next level through acquisition, as Cisco Systems Inc. did, or to break out into internationally visible businesses, as Virgin Enterprises Ltd. did. At the very least, Jack Stack could have easily established subsidiaries of Springfield Remanufacturing around the world, bringing open-book management to his own shops everywhere. Instead, he has tried to maximize his influence in a specific local sphere, a place where he can still make time for his family, for bass fishing, and for casual conversations at the local bar and golf course. He still visits each of the companies once a month or so; he still tries to know the names of as many people on the shop floor as possible. That would be much tougher to do in a production territory that spanned the country or the globe.

If the Springfield success continues, presumably more companies will try to emulate it. But few will succeed. A business plan based on "hundreds of little huts" is only viable when the people involved have been playing the Great Game of Business together for years. That is not a cultural change that occurs overnight; it has taken 18 years for SRC to get to where it can incubate so "effortlessly."

Perhaps, as some educators argue, changing attitudes and business skills needs to start with educating children. Every schoolchild should be exposed to the Great Game of Business, so that they know, from a young age, how to build and accrue wealth. Or, at the very least, perhaps it should be routinely taught in business schools. As Mr. Stack himself puts it, there is nothing mysterious about the numbers in themselves: "The fundamentals of an income statement haven't changed since 1454, when double-entry bookkeeping was invented. Sales will always be on top, and net income will always be on the bottom. Assets always start with cash and may end up with equity. And the sources and uses of funds are always the same."

But one of the clear lessons from SRC is that financial literacy can't be taught in a vacuum; it takes active participation in an ongoing business, or the Great Game doesn't make any sense, and people give it up. The ultimate legacy of SRC is a view of business itself as a kind of ongoing practice — a discipline like meditation, in which people train themselves in a new way of thinking that becomes second nature over time. This way of thinking, however, is not dedicated to fostering humanity; it's dedicated to building wealth that sustains an economically healthy community with humane values. So perhaps an open-book management philosophy is dedicated to building both at once. That seems appropriate for a school of meditation that has emerged, not from China or Sufi tradition, but from the American Midwest. +

Reprint No. 01308

Resources

John Case, *The Open-Book Experience*, Addison-Wesley, 1997

H. Thomas Johnson and Anders Bröms, *Profit Beyond Measure: Extraordinary Results Through Attention to Work and People*, The Free Press, 2000

Chuck Kremer, Ron Rizzuto, and John Case, *Managing by the Numbers: A Commonsense Guide to Understanding and Using Your Company's Financials*, Cambridge, Perseus, 2000

Jack Stack and Bo Burlingham, *The Great Game of Business*, Doubleday, 1992

Jill Albrinck, Jennifer Hornery, David Kletter, and Gary Neilson, "Adventures in Corporate Venturing," *s+b*, First Quarter 2001; www.strategy-business.com/newventures/01110/

Lucien Rhodes and Patricia Amend, "The Turnaround: How a Dying Division of International Harvester Became One of America's Most Competitive Small Companies," *Inc.*, August 1986; www.inc.com/articles/details/0,3532,ART15640,00.html

The Great Game of Business: www.greatgame.com

For more discussion on open-book management and financial literacy, visit the **strategy+business** Idea Exchange at www.strategy-business.com/ideaexchange/