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## You're the Boss

The Art of Running a Small Business

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### Introducing 'Open the Books': Why Would Anyone Do This?

By [JACK STACK](#)

If you want to get into an interesting argument with business owners, and even make them sweat a bit, ask them this question: Why don't they open their books to their employees?

To many, if not most, owners, this idea sounds insane. But to a growing movement of companies, it's the only way to do business. I've been doing it for almost 30 years.

My name is Jack Stack. I'm the chief executive of [SRC Holdings](#) in Springfield, Mo. In 1982 I led a \$100,000 management buyout of a failing division of [International Harvester](#) that, with the help of open-book management, has evolved into a collection of 37 employee-owned businesses and 1,200 employees making, among other things, race-car engines and home furnishings.

Why would business owners want to open the books to their employees?

Because doing so has the power to change the way the company operates and to change the way employees think about their work. Let me quote former Representative Richard Gephardt, whom I introduced to open-book management and who has dedicated much of his time since leaving office to spreading the word: Open-book management, Mr. Gephardt wrote in his book, "An Even Better Place," represents "an overall approach to corporate governance that treats the employees like co-owners of the business who have to make sacrifices and take on the burdens that any owner assumes."

The idea is to get employees to start approaching their jobs as if they owned the place, which in fact they might. Now, not all business owners who open their books share ownership with their employees. At SRC, we do share ownership through our employee stock ownership program, or [ESOP](#). When someone has been with us long enough to take responsibility and make decisions, it makes sense for them to have skin in the game as well.

I told the story behind SRC's turnaround in a book I wrote with Bo Burlingham called "The Great Game of Business," which was published in 1992 (our follow-up effort, "A Stake in the Outcome," came 10 years later). The term open-book management didn't even exist when we first started practicing.

Our goal was to teach our employees to think and act like owners. We started by trying to improve their financial literacy by turning topics like accounting into a game. We played this game with real money, however, and the game's pieces were each and every employee's quality of life. We called it The Great Game of Business.

Far more than just sharing the company's balance sheet and income statement with the employees, the goal was to make them the owners of every line item on those documents and teach them how they can move the numbers — preferably in the right direction. Playing wasn't optional. As owners of the company, we would all win or lose together. Happily, it worked for us. The company we bought on Jan. 31, 1983, lost \$60,488 on \$16 million in revenue in our first full year of business. Less than 10 years later, revenue was up to \$66 million with after-tax profits soaring to \$1.3 million — making the company worth some \$25 million. Not bad for a \$100,000 investment.

Around the time the book came out, we also started a new company called [The Great Game of Business](#), which was founded with the idea that we could help other companies run their businesses and play the game the way we had been. It was a few years later, in 1995, that John Case [wrote](#) about what we were doing at SRC in Inc. magazine. He later published his own book, "Open-Book Management."

I began to realize that there were a lot of people practicing open-book management — but mostly in a closet because it was considered heresy. The publishing of these books represented vindication for many of the people who believed in opening their books. Suddenly, it became something that was O.K. to do.

And yet, while there has been a lot written about the topic in the years since, the concept is still foreign to most business owners. I've been struck that — aside from [The Gathering of Games](#), our annual conference in Springfield for those companies playing the game — there's no real place for those of us practicing open-book management in one form or another to come together, to ask questions, to compare notes.

That's why I've started blogging. My hope is that this site will become the water cooler for the many, many companies around the globe who are trying (or thinking about trying) this potentially rewarding step. I do have one caveat: Opening the books isn't easy. That's why having a community like this is so important, so that we can all learn from each other — from our wins and from our mistakes.

We'll get started next week with a post about a manufacturing company in Kentucky that is trying to open the books.

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