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*Before hype turns the promise of open-book management into another fad, we need a rigorous analysis of the challenges involved in implementing this system.*

***Open-Book Management:***

# Open-Book Management Its Promise and Pitfalls

TIM R.V. DAVIS

When Jack Stack acquired Springfield Re-Manufacturing from International Harvester in 1983, it was on the brink of collapse. Crippled by a highly leveraged buyout, the company faced an 89:1 debt-to-equity ratio, a first-year operating loss of \$60,488, and 119 employees who needed paychecks. All the signs indicated a rapid demise. But, within a few years, Stack had returned the business to profitability—a company with a healthy balance sheet and a promising future.

One key to Stack's successful turnaround of the Springfield, Missouri-based company stems from the way he reconceptualized the business. Instead of seeing the company's mission as reconditioning engines of worn-out bulldozers, tractors, and eighteen-wheelers, he saw it as educating workers in how business works. He persuaded employees to view running the business as a game they could learn to play—and win.

Stack is credited with formalizing and implementing the first fully developed example of open-book management (OBM). This approach to managing is aptly named, in that it literally "opens the books" to employees and discloses a company's financial records, expenses, and sources of profit. By sharing detailed operating information and educating employees about how to use it, management

provides its workers with the opportunity to contribute to the success of the enterprise. In return, companies practicing OBM give employees a stake in the business, through profit sharing plans or some form of stock ownership.

## A BALANCED VIEW OF OBM

In recent years, three books have been published on the subject of OBM, and an increasing number of companies are reportedly using OBM systems. Most of the reported cases describe successful introductions of OBM and stress the benefits. Only minor attention has been given to the difficulties of implementing OBM. Like total quality management (TQM) before it, OBM is taking on the identity of a popular crusade.

OBM has received virtually no attention in the academic literature. This is somewhat disturbing, in that it suggests that academic research is again lagging behind practice. The existence of both practitioner and academic literature serves an important balancing function in meeting the educational needs of managers and students. Practitioner writings contribute relevance, while academic research brings rigor to the analysis of management. It

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