

# BUSINESS ACTION GUIDE

Leading at the Intersection of People & Profits

## SET THE STAGE FOR SUCCESS

### Open-Book Management: Know and Teach the Rules: SRC Electrical

What if every single employee in your business were just as driven as the CEO to solve business challenges, generate more profit, and share in the results of better business performance? Open-book management is designed to achieve just that. An important first step is to train and educate employees on some basic financial concepts, as well as to make sure they understand the key drivers of success



DOUG MYERS,  
PRODUCT ENGINEER

for the firm and for each year. To learn what this means in practice we spoke with Doug Myers, Product Engineer at SRC Electrical of Springfield, MO. With 140 employees, SRC Electrical is a leading remanufacturer of rotating electrical products including starters, alternators, and generators for the OEM (original equipment manufacturer) market. Their diverse customer base includes blue chip customers such as John Deere and Case New Holland. The company is part of SRC Holdings Corporation, which has 1,400 employees and 13 divisions. Jack Stack, SRC's founder, is the author of *The Great Game of Business*, the seminal book on open-book management.

Originally established as a joint venture with Case New Holland (CNH) in 1991, SRC Holdings acquired CNH's shares in 2009 to form SRC Electrical, a wholly-owned subsidiary. We were committed from the beginning to incorporating open-book management into our company – teaching all employees to understand the key measures of business, enabling them to act on their knowledge, and ensuring they have an authentic stake in the company's success through our employee ownership and incentive plan. We want our employees to think and act like owners, so we teach them the language of business and show them what they can do every day to influence the bottom line. We share the big picture about what our company does and where it is going so that they have a context for their day to day work. Essentially, we teach employees the rules of the game and how they can help win it. These are some key lessons we have learned in the process:

#### 1. Bring new employees up to speed

Soon after they are hired, as part of the on-boarding process, SRC employees are given a Great Game of Business overview session that orients them to the tools and rhythms of open-book management. Within the first three months of employment, all employees participate in a 4-hour training where we teach them to understand the income statement, balance sheet, and cash flow statement. After that they are able to go through an intensive Great Game 2-Day Session which includes more discussion on the culture of SRC, the principles of open-book management, employee accountability, keeping score, and the way bonuses are structured. Managers and staff work together so

the training can be done during working hours while maintaining production levels.

#### 2. Focus on the numbers that matter

We are careful to focus on the numbers that have the most significance to our company – we don't expect our employees to be accountants, so they don't need to know things like double-entry accounting. On the big picture side, they need to understand the market that SRC Electrical is in, our competitive landscape, and our long-term strategy so they have a reason to care about the numbers. Then they need to learn what drives profitability at SRC, how we use our assets, how we generate cash, and, most importantly, how

#### SRC ELECTRICAL'S FORMULA FOR TEACHING THE RULES

1. Bring new employees up to speed
2. Focus on the numbers that matter
3. Get the incentives and delivery right
4. Make training fun and relatable
5. Work together to identify key success drivers

their day-to-day actions and decisions impact business success. We have found that people remember the things that are the most relevant and useful to them.

**3. Get the incentives and delivery right**

We’ve found it’s important to continue the financial literacy training on an ongoing basis, and especially when there is turnover on the shop floor. We tried doing the training in the traditional way, with a study guide and a test. It was voluntary, and you would get a certificate and pay raise for completing it. But no one did. Then we created a game with a football theme and teams. Everyone who passed the test got an SRC football autographed by Jack Stack and some of the vice presidents. We even had an official signing ceremony. It was the same packet, information, and test, but with a new incentive. And it was still voluntary, but we got 80 percent participation. Getting the incentives right and adding the competitive aspect made all the difference.

**4. Make training fun and relatable**

We often incorporate short (15-20 minute) financial literacy lessons into our regular company meetings to keep the learning going. One of the best ways we did this was through the “SRC-opoly” game that we created and played for about a year. The game of Monopoly has all the elements of our business, such as cash inflows and outflows, taxes, and property. So we created a special Monopoly board, renaming everything to fit our division (*see photo*). We had 10 teams, and we would play a round for about 10 minutes after each weekly huddle. After the round, each team would create a balance sheet with a beginning and ending balance based on the transactions that had taken place, and I would grade them.

The balance sheet can be a foreign concept to many employees. But with the board game, people got used to tracking the assets they started with along with properties and cash. If you bought a piece of property during that round, how did it impact your cash? Likewise, if you paid a fee or collected rent – how did that impact cash? We could see the light bulbs coming on as people related what they learned to the numbers on the SRC balance sheet. We played a lot of rounds and tried to involve different team members every time. It was really amazing to see the level of energy and competitiveness.



### 5. **Work together to identify key success drivers**

We work hard to make sure people understand the basic concepts. Then every year we have a high involvement planning process to set our strategic goals. First we develop a market-based sales plan and supporting budgets. After that, we build projected financials and set our critical number (the number that will have the greatest impact on the business at any given time) for the year. We structure the incentive plan and tie it to that number. Employees give input at every step of the process, which creates a high level of commitment and alignment throughout the company.

We do a lot of education around what the critical number is and why it's important. Then employees get together by department to determine what they can do, both individually and as a team, to influence that number – basically identifying key drivers for success. When people help create the goal and their bonus is tied to it, they really work hard to achieve it. These numbers are prominently posted on the scoreboard (*see practice on "Follow the Action and Keep Score"*), and each week at the huddle we update the numbers and tell the stories behind them. If you don't understand something, you can walk into the General Manager's office and say "What's this all about?" People do that all the time – we have a great culture at SRC.

### FINAL WORDS OF WISDOM

In addition to the high level of engagement we have at SRC Electrical, we can tell all the business literacy training we do has been successful when people use it at home as well as at work. For example, one person's family wanted to go on vacation. So he laid out what they would need to do to have enough money, and they were able to save up and have the vacation. Other employees pay off their homes early or take care of debts. When we started the financial literacy training, some people stood in the back with their arms crossed. These people are now huge advocates. The key is consistently doing what you say you're going to do – then the mistrust goes away.

### HOW DO WE LEARN MORE?

[The Great Game of Business: Why is Choosing A Critical Number So Important?](#)

[Ari Weinzweig: Ten Rules for Great Finance](#)

[Jack Stack and Bo Burlingham: The Great Game of Business: The Only Sensible Way to Run a Company](#)

[John Case: The Open-Book Experience: Lessons From Over 100 Companies Who Successfully Transformed Themselves](#)

[SRC Video: The SRC Story](#)

[NCEO Video: Mini Film from We the Owners: Employees Expanding the American Dream](#)

*Other companies that excel at knowing and teaching the rules include Tasty Catering and Zingerman's.*

#### For more information:

**Mark Popovich, VP of Program**  
[mpopovich@hitachifoundation.org](mailto:mpopovich@hitachifoundation.org)  
202-828-1643

**Tom Strong, Sr. Program Officer**  
[tstrong@hitachifoundation.org](mailto:tstrong@hitachifoundation.org)  
202-828-1657

**Profile researched and written by**  
**Anne Claire Broughton,**  
**Broughton Consulting, LLC**  
[anneclaire@broughton-consulting.com](mailto:anneclaire@broughton-consulting.com)  
[www.broughton-consulting.com](http://www.broughton-consulting.com)