



Our mission is to provide information and strategies to business owners and managers for improvement in the effectiveness of its business management so that key objectives can be realized.

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Experience the Dramatic Results of

Open Book Management

From billion-dollar corporations to small businesses, open book management (OBM) delivers results that take companies that are struggling or merely surviving ... to thriving. In theory, OBM sounds like a business owner's worst nightmare because the thought of sharing the financials can leave them feeling a little, well, exposed. Beyond vulnerability, however, is a road populated with incredible numbers of courageous companies who opened the details of the company to employees.

Perhaps the most well-known OBM success story is Springfield Remanufacturing Corporation (SRC), a division of Navistar. Before OBM, the company was a long-standing, money-losing division. After the OBM injection, company revenues exploded to \$100 million. Small companies reap the rewards, too. Accounting firms report increases of 60 percent or more the year following OBM implementation. Some staffing firms have shown a sales gain of almost 80 percent in just one year. In short, OBM works.

But how does it work?

Simply stated, open book management places the responsibility of the company's success on every person in the organization. From the janitor to the president, all are focused on increasing profits. The company's goals become each employee's goals, who realize that building a better system, maximizing productivity, reducing defects, cutting costs and increasing efficiency not only is good for business, but also good for them.

The basics of OBM include:

- **Financial literacy** – If employees don't understand the way their behaviors affect the bottom line, they can't make smarter choices for the company. The first step to OBM is to "open the books" to all employees. Some companies choose to post scoreboards in the break room, others post financial information on the company intranet, and both meet at "all-hands" meetings to ensure everyone is on the same page.
- **Accountability** – OBM makes every employee accountable for the company's success. Whether an employee is a forklift operator, administrative assistant or CEO, each person is expected to first be a business person looking out for the financial well-being of the company. Owners and executives build in accountability by teaching employees how they can increase the bottom line.
- **Incentive** – The 'What's in it for me factor?' is strong in most business settings, but in OBM it is a critical element of success. Employees learn very quickly they get a piece of the pie when the company meets or exceeds set goals. More often than not, OBM offers higher-than-expected results. Company owners are only too happy to share the increased profits.

Paradigm Shift

Skilled business performance consultants realize it is not enough to show people how OBM works. The key to lasting success is developing the desire to make it work. Employee motivation comes from understanding that each person has a chance to make a difference. It's a shift to empowerment instead of management. Owners and managers move from telling employees what not to do or how to do a task, to actually sharing with employees what they want the outcome to be. This empowers employees to be part of the solution. And all too often, those working closest to the process offer insights that lead to greater efficiency, increased cost savings and/or profitability.

Experience the Dramatic Results of Open Book Management (cont.)

Sign Me Up

So, you want to try OBM? You may be wondering how to actually implement open book management. There are four major steps:

Share Company Information – This goes back to unveiling the critical data needed to improve the bottom line. For a manufacturer, you may want to take a look at pieces manufactured per hour and explain how a small increase impacts the bottom line. If you are in a business where your returns are higher than industry average, discuss the reason with employees. Remember: it's not enough to simply say what needs to be improved, and ask employees to do it or find ways to do it. Employees need to understand how their division or group's numbers impact the company's profitability. The more they understand their personal contribution, the more likely they will stick with the program.

Business 101 – Entrepreneurs seem to be born with a business gene. They tend to have a knack for company basics. On the other hand, most employees have no idea how the business operates or what matters affect profits. Today, many college graduates don't understand how a business works. What if you could teach every employee to think like an owner? You can. Teaching employees the "game" of business brings company issues to life, and ignites the entrepreneurial spark inherent in all of us. Employees go from thinking the owner is taking home all the dough, to questioning wasteful practices and implementing efficient systems.

E-M-P-O-W-E-R Your People – If you think business owners squirm at the thought of turning over the financials, they get equally as nervous at the idea of turning over power to employees. Many management philosophies went the way of the dinosaur because they didn't work when applied. OBM isn't lip service. Company leaders must enable people to make decisions that affect their group or department, and be willing to accept the consequences of those employees' decisions. Experience shows us that people learn quickly and often make smart decisions. To do otherwise would adversely affect their personal pocketbook. Now who would do that?

Make it Personal – Profit sharing plans have been around for years, but they aren't like true open book management since employees know very little about how their actual actions impacted the bottom line. Just like any astute business owner, employees start the year with a goal or target. They can monitor their group's or department's success – or failure – on a weekly, monthly, quarterly or annual basis, and know right where they stand at any given moment. Knowing the bonus ahead of time has an incredible effect on motivation. If employees know their share of the pie is 10 percent of profits and they can see profits steadily increasing all year, they know the payoff is worth the extra effort.

OBM makes your business your employees' business. The results can be awe inspiring, but it takes courage to try something new. Those who have done it say it has transformed their businesses. Those who haven't don't know what they are missing. To learn more about how an auto dealership turned OBM into cash, see this month's *Performance Advantage* success story. And if you want to put the power of OBM to work for your organization, give us a call.