

**Sharing Knowledge, Information, Responsibility and Rewards
in an Open Organization
or
Traveling the Road from Hired Hand to Business Partner**

by: Thomas J. McCoy

Are you looking for the path to a future where your company has a sustainable competitive advantage over the competition? Are you searching for a means to create a flexible organization that can respond quickly to emerging opportunities in the marketplace and maximize Return On Investment by making the greatest use of the resources at hand? Would you join into a partnership with those who could help you reach this objective?

Try partnering with your employees. Springfield Remanufacturing Company, an engine remanufacturing company located in Springfield Missouri did and, in less than eight years, reduced their debt-to-equity from 89:1 to less than 1:1. In the process they created an average revenue growth of 55% per year for eight year and created an average job growth of 68% per year for eight years. All this from a bankrupt company that could no longer compete effectively in the automotive industry.

And they're not the only ones who are partnering with their employees. Phelps County Bank, a regional bank in Rolla, Missouri was considered a minor player in the market by two interstate banking firms in the same rural marketplace...until Phelps County Bank became the number one lender in the county. Companies large and small, public and private, in service and in industry are showing tremendous growth in revenue, profit and market share by doing this.

What is their secret? They are transforming the traditional employer/employee relationship into a dynamic business partnership. They are making this amazing transformation using a process called "Open Book Management." The fundamental premise is one of treating employees like adults and expecting them to act responsibly in return. You wouldn't think of treating your business partners like children, withholding information and dictating their behavior. The same thinking applies to your employees if you want them to think and act like business partners.

Business partners have several key competencies that make them effective. They are educated. They understand what business the company is in, who the competitors are, what the industry trends are and how the company's strategy matches the marketplace. They understand how the company makes a profit and the need for generating cash. They understand pricing, costs and margins.

They share information. They receive and understand how to interpret the financial documents that report the company's progress (or lack of) toward business goals. The better partners understand the stories behind the numbers on each line of the Income Statement.

They are empowered. Because they understand the business aspects of the company and have access to the financial reporting information they have the capability to understand the impact of their decisions on profitability. They are trusted to set goals, make decisions and take action based on those decisions.

They are engaged in the business. They receive intrinsic and extrinsic rewards in direct proportion to their participation and contribution to the business. They receive a sense of self esteem from being in control of their environment and they receive compensation based on the success and effectiveness of their efforts to achieve business objectives.

What would happen if all your employees had the same business competencies as your senior managers? What would your company look like? Visit an open-book organization and you will find that each employee understands what the organization must do to be successful and grow. Each employee understands his or her role in achieving the operational and financial objectives. All employees participate in goal setting, problems solving and decision making. And everyone celebrates success and shares the rewards.

How can you achieve employee partnership for your organization? Research shows that companies who have developed a partnership with their employees do so through a change management process that transforms their culture into an open, partner oriented environment. This change management process brings four management practices to focus on four key employee expectations. Applying these four key elements in the form of management practices creates a system that can be successfully replicated and applied to the circumstances of any organization.

The first management practices is to *educate* all employees in how your company makes a profit and generates cash. In turn, this knowledge and information sets employee expectations of their *role* as partners in the business. Concerned about sharing financial information? Certainly it is wise to be concerned about revealing financial "secrets" during the evolutionary stages of this process. But how much of your financial information is really secret? Most likely your competitors have all the information they need about your operation. And, as we will see, once an organization reaches the

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partnership stage, it is highly unlikely that a partner will jeopardize his or her source of wealth by releasing sensitive information.

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Is it worth the perceived risk and effort? The real question is how can you improve the utilization of your human resources if you don't? Psychologists have identified that behavior is a function of its consequences. Simply stated, this means that providing information about the results of specific behavior determines whether or not that behavior will be repeated or modified (improved) in the future. If behavior is a function of its consequences, and profit is the consequence of appropriate behavior, then unless we provide information about profit, employees will never be able to adjust their behavior to maximize their impact on profit. In an open organization, the degree of education and information sharing determines the degree to which employees assume their role as a partner in the business endeavor.

The second management practice is to install processes within the system that *enable* all employees to make a contribution. Information sharing, team building, continuous improvement, total quality, short term team suggestion programs or a position on the management council are processes that enable employees to become involved and participate in the goal setting, problem solving and decision making of the company. In turn, this sets the expectation of their *rights* to participate in the organization. Unless the system contains these processes, employees will not see nor seize their rights to become involved.

The third management practice is to *empower* all employee with the authority to make decisions and take action. At this point, having educated and enabled your employees, empowerment is primarily a social event. It is where the reins of control are formally turned over to those who need them to make the hundreds of daily decisions in the workplace that determine success. In turn, this empowerment sets the expectation of *responsibility* in the minds of every employee. With empowerment comes the responsibility to behave in a mature, adult manner by assuming the initiative rather than waiting passively for direction. An open-book organization emphasizes that each individual is responsible for his or her own life and it provides the processes and opportunities for growth and development. Perhaps most importantly, an open-book organization requires that each employee take responsibility for results, just as partners do.

The fourth management practice is to *engage* all employees in the business. Having educated, enabled and empowered your employees, it is necessary to address employee expectations about the *rewards* available for assuming the risky new role of an employee partner. Employees find an open-book culture and work environment much more rewarding because of the high degree of control they maintain. They understand that this rich intrinsic reward is only available as long as the company competes successfully and remains in business. Therefore, the open-book culture becomes a positive reinforcement for each employee to assume responsibility for results.

However, partners do not live by intrinsic rewards alone. They also share in the success of the business. Thousands of companies today have realized the value of including employees in some form of incentive compensation linked to business results. The advantage open-book organizations have is the line-of-sight employee partners have that reaches from their individual role to the profitability of the company. This line-of-sight enables each employee to understand how their performance links to the incentive pay plan. Without this understanding the motivational advantage of incentive pay is lost.

The commitment to transforming your organization into a company of business partners begins with an in-depth understanding of the "open-book" change management process. Once you have determined that this approach is the right thing for your organization and you choose to proceed, be prepared to model the process and stay the course. A sustained leadership effort that models the process is fundamental to achieving successful change. The open-book models and processes have been developed and are available to those leaders who wish to create a sustainable competitive edge through their employees. However, the old adage remains forever true: "Nothing gets done unless the boss shows an interest in it." Leaders must model the behavior they want.

Biography Information

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