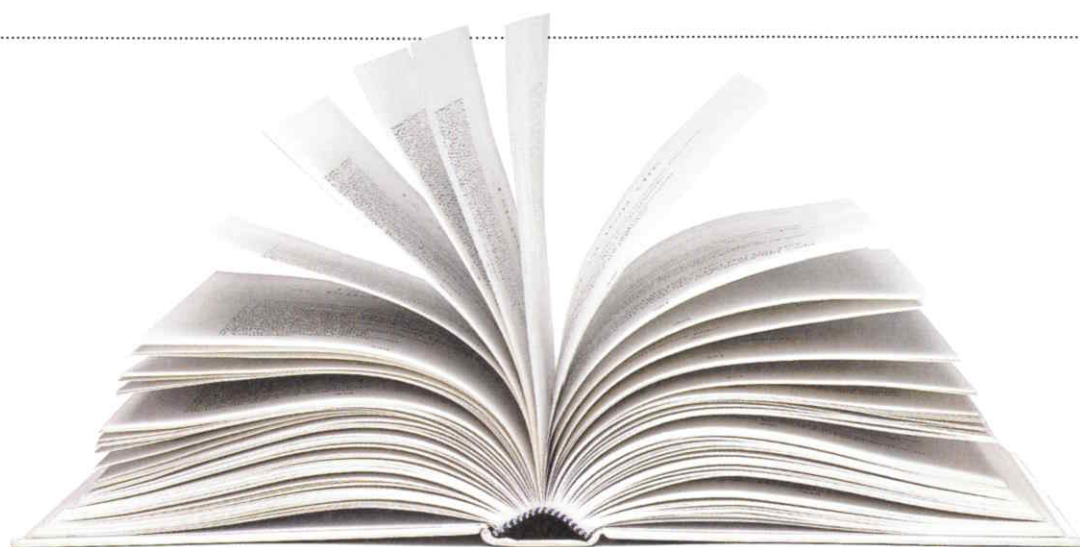


# e business end



## OPEN-BOOK MANAGEMENT

### SKIN IN THE GAME

Opening the books up to staff can get them behaving like business owners because they begin to see the stake they have in business outcomes. **Report: Jeanne-Vida Douglas**

● A decade after he founded information technology consultancy Unique World, Eddie Geller turned one of his worst performances on record into a stellar performance, using a radical approach of opening his books to his staff and giving them the training to understand their personal impact on the business.

"I'd heard of open-book management three or four years ago but I was never in the position to implement it," Geller says. "Then in September 2008, in about 30 days we lost out two biggest clients who together represented about 40 per cent of our revenue and I knew something would have to change."

Initially Geller went into survival mode; within the space of a month 25 of his staff no longer had any billable work to do and without serious cuts, the company was facing disaster. Keeping afloat would require him to cut back on staff and radically redraft his strategy.

Unique World survived but went from a head count of 85 to 40 and morale took a beating.

"Everyone was in the trenches and we were just trying to make the best of it," Geller says. "Somehow we survived 2009 and then stabilised in 2010. By then we had our heads above water but I needed something which would totally reinvigorate the company."

It was then that Geller returned to a technique he'd read about in a seminal book about open-book management called *The Great Game of Business* by US entrepreneur Jack Stack.

"I'd seen how lots of businesses had become very successful as a consequence of it, I had a whole new leadership team on board and it was the right time to begin the journey" Geller says.

He contacted Ilan Kogus, who promotes the open-book management technique in the Asia-Pacific region. A business coach with a strong background in sports business management, Kogus first came across the technique in the mid-1990s but says it took him about a decade to turn this interest into a viable business.

"I'd been working in California within the sports management area, so the open-book management techniques of games, huddles, team work and transparency all fitted very well with my background," says Kogus.



**The techniques of games, huddles, team work and transparency all fitted very well with my background**

Ilan Kogus

#### THREE SIMPLE RULES

Open-book management is intimidating to many but the Great Game of Business conference makes it an accessible technique by providing a structured approach based on three simple rules.

**Know and teach the rules:** Teach staff how revenue is generated, how costs affect the bottom line and the impact they have on margins.

**Keep score:** Use scoreboards to track how different teams within the company are going and what impact they are having on the bottom line.

**Create an integrated rewards program:** Use financial incentives to reward performance and spread the program across the company, rather than targeting key individuals.

Kogus's first gig in Australia was to implement open-book management with a moribund abattoir, GM Scott, in the NSW town of Cootamundra.

When he was called in, the company had lost a major client that had been buying 80 per cent of its output and as a result, 230 staff were in danger of losing their jobs.

Kogus suggested that rather than throw in the towel, management should open the books to the staff. Staff at all levels downed tools to be trained in basic book-keeping. They were shown how the company made money, where it incurred costs and how they as individuals could contribute to improved margins and increased revenue.

"By teaching staff to understand the numbers underpinning the business, you create a tremendous amount of employee engagement," Kogus says. "Staff begin thinking and behaving like business owners because they begin to see the stake they have in business outcomes."

As regional coach in the open-book management technique, Kogus now has a core group of 10 Australian companies that have been running the program for two or more years. These companies cover a range of different industries, from white collar marketing professionals through to qualified tradespeople.

A further 10 companies have recently embarked on the program but there are 150 or more that have had senior managers attend conferences and information sessions.

Dom Hay and Mark Alexander say the approach has had a dramatic impact on the entrepreneurial spirit of staff at their

boutique marketing company Bamboo Marketing in Sydney, to the point where staff are spinning off their own businesses.

"We've seen our gross profit double year on year for the last two years because now every person in the business is focusing on their goals in a very tangible way," says Hay.

"It's always been our belief that we should be able to empower people, and it's not rocket science but it does require a very disciplined approach to management and communication."

Part of the implementation of the open-book management technique is the participation in the Great Game of Business conference held each year in the US in which participants open their books not just to their staff but to the rest of the open-book entrepreneurial community.

While all of the participating companies in Australia have achieved remarkable growth as a result of the program, Geller's Unique World has been the stand-out and was awarded Rookie of the Year at the Great Game of Business gathering in St Louis in May.

Unique World picked up the award because of some excellent results across all levels of the business and for the company's success in incorporating the management technique into its culture. Earnings before interest, taxes, depreciation and amortisation margin was 23 per cent, almost 30 per cent above the average increase across the IT sector for the last financial year, productivity has increased and staff retention is at a record high.

While the win provided Geller with a boost, he says the conference itself was a great inspiration to him to continue along the open-book management path, as US-based participants had managed to shield their companies from the worst of the economic downturn.

"Walking around the conference you wouldn't have known there was a downturn at all," Geller says. "Some company's were experiencing flat growth but it's nothing compared to what the rest of the US economy is facing at the moment."

"I went for a walk one morning to the St Louis CBD and there was no one on the streets or in the shops, some of the companies in the Great Game of Business are also going through hard times and sometimes not paying bonuses but they are a lot better off than most." **BRW**

#### MANAGEMENT + LEADERSHIP

## D'ANGELO FISHER



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### You can bank on rejection

● Banks are used to being unloved. So much so that they seem to go out of their way to live up to their reputation as cold-hearted leeches. But as much as they may revel in their dark image, bankers will be secretly heartened by a bizarre call urging business owners to be nice to them.

Less surprising is that the entreaty comes from a member of the insolvency fraternity, a profession not exactly showered with affection by the business community. Even so, struggling business owners who are finding banks deaf to their requests for funds will be baffled to be told they should be nice to banks, but that's the advice coming from corporate recovery partner at accounting firm PKF, Ken Whittingham.

Whittingham recommends that distressed companies should "conduct their negotiations in a conciliatory rather than a hostile or aggressive manner" when seeking a lifeline from banks. In other words, business owners should refrain from adopting the banks' standard behaviour.

Before the global recession, Whittingham explains, businesses had the "upper hand" in loan negotiations because credit was so readily available. Given that this is no longer the case, "businesses need to undergo a change in mindset and start working in partnership with the banks", he says.

"Banks are keen to preserve their share price and want to avoid large provisions on their balance sheet."

That's another way of saying that banks would much rather lend money for housing than support businesses to grow.

Whittingham says that previously banks assessed a business's loan eligibility by examining the security they could provide but now they are more concerned with a company's cash flow and business plan. At the risk of being accused of bank bashing, why is it that cash flow and business plans didn't matter before the financial crisis?

Businesses are going to the wall as banks look the other way. Many of these businesses were unsound and deserved to be weeded out by the recession. But not all. Good businesses now find themselves starved of vital funds. PKF expects insolvencies to grow by as much as 30 per cent in 2011. So much for partnership.

Business owners are furious with the banks, so it is prudent to urge them to count to 10 before they walk into their bank, cap and business plan in hand. But would it be too much to ask banks to be nice to business owners as well?

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