

EMPLOYEE BENEFITS

YOU TOLD
THEM
WHAT?!

by Clayton Braddock

Open-book management enthusiasts argue that what employees don't know can hurt you. Success in business, they say, depends on sharing information.

To most people in the working world, the kind of management that takes place at a Blacksburg-based engineering, surveying and planning firm might as well be taking place on another planet.

Imagine it:

You and everybody else at the company — your boss, his boss, her boss, right on up to the head honcho — are paid an hourly wage.

Everybody knows exactly what those hourly rates are. And everybody can check the computer to see exactly how many hours their co-workers logged.

But forget about what your co-workers make and how many hours they work. Check to see how the firm did last year and how it's doing this month. All the financial data is there; all you have to do is log on. What lines of business are doing best? Where is the company falling behind? How can it do better?

All this openness may sound downright un-American. But Kenneth Anderson, president of Anderson & Associates Inc., has been running his firm this way since setting up shop in 1968.

His style now has a name: open-book management, so dubbed by John Case, a senior writer with *Inc.* magazine and author of "Open-Book Management: The Coming Business Revolution." Case writes that the management philosophy employed by Anderson and others like him is the culmination of total quality management, continuous improvement, self-directed work teams and every other management fad.

"The others teach people a lot about techniques," Case says. "They teach the how to, but they leave out a big question, which I call the *want* to."

The idea is not only to give workers information, but to tell them what it means in terms of the bottom line and give them a stake in the outcome. They become owners — not just workers.



KERRY TALBOTT

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Paying everyone by the hour makes sense for a company that often bills by the hour, Anderson says. "Any contract you write has got to be for dollars, so you've got to convert those hours into dollars somewhere along the line."

And if everyone gets paid by the hour, no one has to worry about who's management and who's not. "We [don't] have room for the elites over here and the salaried people over there, the prince and the peons," Anderson quips.

Keeping everyone's salaries a secret, Anderson says, would take more energy than opening the books. In government and some other operations that information

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is known, he notes. "It keeps us honest. ... We've been through some hard times, and if everybody knows nobody gets rich at someone else's expense, we get through it a lot better."

Tracking everyone's hours is also a good way to spot inefficiencies, Anderson explains. "If you spend hours and don't have anything to show for it, someone starts to dig into why," he says. And employees who work nights and weekends don't necessarily get brownie points. "We don't want too much time-and-a-half overtime. Then we start asking why you don't do some delegation."

Open-book management also makes it easier for workers to telecommute or use flextime. If they'd rather put in 20 to 30 hours, that's fine, as long as they get the job done.

The biggest benefit of open-book management is that there's less need for, well, management. "We get a lot of fairly subtle peer pressure around here, and if someone is pulling down a big salary and not accomplishing much, people will begin to ask why," Anderson says. "The word gets around to people who are not pulling their weight, and those people seem to decide to work someplace else, on their own."

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Open-book management doesn't focus on wages and hours as much as it does on a company's overall performance.

Anderson's employees have the same information he does — they're working with raw market data, not some higher-up's interpretation of that information. "They're in business for themselves. ... These are not artificial goals, they are real. They are the same numbers, the same things the company has to deal with to stay alive and prosper."

Anderson recognizes that most people don't do business his way. For new workers, "it's a big culture shock," he says. "They figure people are not going to work unless you really pound on them. What we do ... is show them the consequences of not getting the work done or not doing the work well and ... that eliminates having to so-called 'motivate' them."

It's also crucial for open-book managers to make sure that employees have a financial stake in doing well, Case says.

Qualified workers at Anderson & Associates own shares in the firm's employee stock ownership plan trust. Stock is distributed based on salary and longevity. When the company makes an annual profit — "and there have been years when we don't" — some of the earnings go into the ESOP trust, Anderson says.

"Last year was the equivalent of a fairly good size bonus," says Anderson, who still owns 60 percent of the company. Over the long term, he plans to sell his stock to the trust, making the company 100 percent employee-owned.

"The better we do, the better each individual will do," Anderson says. "This is a business deal; this is not a sappy kind of nice-guy stuff."

During a break in his interview with VIRGINIA BUSINESS, he stepped briskly to a telephone to answer a call: "John," he said, "they have to watch carefully for the bottom line. Salaries go up when the bottom line goes up. It's just the way it is."



Case notes that open-book management works best at small and midsize businesses. Anderson & Associates, for example, has the equivalent of 140 full-time employees at offices in Blacksburg; Richmond; Greensboro, N.C.; and the tri-cities area of Tennessee.

Larger corporations, Case says, "are dipping their toes in the open-book management waters, but they're all doing it on the basis of a division or business unit — not across the corporation."

Chesapeake Packaging Co., a subsidiary of Richmond-based Chesapeake Corp., has dabbled in open-book management at its Baltimore plant. Bob Argabright, former president of the Baltimore facility, was among the pioneers.

"We developed a financial training program and taught an internal six-hour course," he says. "Every month we would shut down for two hours to go over the financial results."

Ed Godsey, the plant's current presi-

dent, says the training program was successful and is ongoing. Godsey says other plants in the company practice some aspects of open-book management.

Executives who succeed with open-book management must be true believers, Case says. "It's not hard to imagine the business owner who says, 'I'll open the books. Look guys, things are terrible. I can't conceivably give you a raise,' and then closes the books again," Case says.

The idea is not so much a set of techniques as a philosophy — a way of thinking about business. With the old, top-down management style, bosses told workers what to do, paid them a set wage, then sent them home. In the new model, employees are partners. "They are responsible for helping the business succeed, and they get a cut," Case says. "I honestly think this is important, for human beings as well as companies." ❧

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