

# Open Book Management

*Emerging lessons in the food co-op world*

BY JEANIE WELLS

**H**as your co-op considered Open Book Management? Chances are that even if you haven't implemented it but have attended a food co-op conference in the past three years, you have heard talk about Open Book Management. That's because it has been slowly but steadily catching fire throughout the North American food co-op sector. Some stores are having great success while others not as much; nevertheless, it is growing.

## What it is and how it works

Open Book Management (OBM) is a term first used by John Case in *Inc.* magazine in 1993, but the concept itself was popularized by Jack Stack in his 1992 book, *The Great Game of Business*, which he wrote with Bo Burlingame. Stack's three primary rules to this management practice are:

**Know and teach the rules:** Every employee should be given the measures of business success and taught to understand them.

**Follow the action and keep score:** Every employee should be expected and enabled to use their knowledge to improve performance.

**Provide a stake in the outcome:** Every employee should have a direct stake in the company's success—and in the risk of failure.

How did a management practice that began largely in the manufacturing world evolve into a potent new force in our food co-op sector? Although a couple of co-ops made the move to OBM several years ago, I would attribute this particular new wave of OBM adopters to a particular and powerful cross-pollination that occurred a few years ago: from Zingerman's in Ann Arbor, Mich., which had refitted and integrated OBM into its retail operations with great success, to Wheatsville Food Co-op in Austin, Texas.

Wheatsville learned how Zingerman's had been successful with it, then took the plunge as one of the early adopters of the Zingerman's-style OBM in the food co-op world. Today, Wheatsville remains one of the most successful OBM co-ops in the country. It is a regular host to other food co-ops that are considering implementing Open Book and has presented at several food co-op meetings and conferences

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over the past three years, extolling the virtues of changing the workplace culture to OBM.

But as successful as Wheatsville and a few others have been in using OBM, the CDS Consulting Co-op's Human Resources Team has encountered many other co-ops that have struggled either to launch it well or to attain the workplace engagement benefits from it. We work with many co-ops on staff surveys and organizational capacity, which puts us face to face with management teams and staff across the country. We began to see patterns in staff operations and communications by those who were struggling to run OBM effectively.

## A survey of Open Book practices

In 2012, we set out to find out what makes implementation work well for a few but not as well for so many others. In September of that year, we began by surveying 20 co-ops that had already implemented OBM and eight more that were strongly considering its implementation. We asked what had worked well and what had been the most challenging; and for those co-ops that had not yet implemented it, we asked about the major obstacles preventing them from taking the leap.

The answers we got were very interesting and began to clarify some of the common threads of success as well as the key challenges. We compiled those results together with some of the insights and feedback from our on-site staff surveys and organizational capacity work, in order to identify some common themes.

This article (the first of two) identifies some of the common experiences and challenges with implementing this full staff management practice in a food co-op setting.

Here are survey highlights from co-ops that have already implemented OBM.

**55 percent of those co-ops that have**

**implemented OBM** have between 50 and 150 employees. There were a couple of respondents who operate multiple locations, but 81 percent operate a single store (although several noted they are in the midst of expansion).

**When asked what has been most difficult** in implementing OBM, the top responses included:

- Identifying the right things to measure, then developing the right internal financial reports and tools to monitor them effectively.
- Learning how to create effective and appropriate gain-sharing pools.
- Getting the full staff involved in weekly huddles and not just the managers.

"It's a heavy lift," said one survey participant. Others echoed that it was a surprise and a challenge to find the significant amount of time and organization-wide commitment needed to really make it work well.

Here are survey highlights from those who are considering implementing OBM:

**Half currently have 50–100 employees** and most are operating one location, although one is a two-location format and one is a three-store operation.

When asked what they consider to be the **top reasons they have not yet implemented OBM**, their top answers included:

- Perceived difficulty in training the whole staff on financial concepts and fluency.
- Concern over how to create equitable and meaningful gain-sharing calculations.
- Concern that the Zingerman's or the Jack Stack model isn't a good fit for a food co-op.
- Concern that there isn't yet enough post-launch support for OBM within the co-op community.
- Concern over the financial and time resources that would take to get it launched well.

## Our observations

The comments from 28 different food co-ops supported much of what we had been seeing in our on-site work with co-ops and helped us gather more collective clarity and perspective regarding why it's working well for some and not

well for others. We offer these additional observations and key recommendations so that more food co-ops can begin to realize the full potential that Open Book Management can bring.

**Full commitment:** The stores that are showing the most success and staff engagement are those organizations that have fully and completely committed themselves at every level of the organization. If there is an imbalanced interest or commitment to OBM, it can deflate the whole program. It results either in mostly managers attending meetings with few staff attending, or examples where the staff is truly interested in the idea and concept but is frustrated by the management team's lack of

enthusiasm for it. For success, there has to be a full-organization commitment to this system and an agreement that, "This is how we operate now."

**Empower the staff:** In Zingerman's and most food co-op OBM models, there is a weekly big board where lines of numbers are posted. Time and time again, we saw and heard regret that the "line ownership" responsibilities are too slowly handed over to the non-managers. Getting the responsibility into the hands of the staff each week is an important transition in making it successful. Yet, many times, we see managers hanging on to the reporting lines for too long, which leads to disengagement and disinterest on the part of the staff. They won't learn it or care about it until they are responsible for it.

**Soft skills:** There are some basic group-process skills that help the weekly huddles to work effectively. If an organization doesn't have a lot of experience with good group process (adherence to time, facilitators, safe and healthy participation and sharing of ideas, recording of tasks for next time, etc.), then they may want to find good models for these basic skills from within their store, their community, or the co-op community. Running good Open Book Management systems will involve many group meetings; the "meetings" are generally more dynamic and vibrant than a typical meeting, but modeling good group-process skills throughout the departments will lead to more satisfying and productive huddles overall.

**Connection to the big picture:** This really is key to it all for food co-ops (and the element we will discuss more in depth in the next article), because so much hinges on it. OBM means opening up in a way that fully engages everyone in the strategic planning and full operations of a business, which includes a lot of focus on financial performance. Naturally, in a values-based organization such as a food co-op, this close scrutiny of "the numbers" can be off-putting to staff and managers alike. But the stores we have seen that are the most successful with OBM are the ones that have been able to cleanly connect the performance of the co-op on financial goals to the achievement of their loftier, non-financial goals. These co-ops can show how strong financial performance is the means to multiple ends or long-term goals.

Only when employees (and managers!) can see the connection of their work to the greater good of the whole co-op do they feel truly engaged and connected to the process. Co-ops whose weekly huddles are more transactional and financial are less likely to get the transformative experiences they are seeking. Huddles should include reviewing measurements towards goals, but not all those goals need to be, or should be financial. Employees become more engaged when they can see the story behind the numbers and when they can see how the numbers will help them tell the story of their future.

In a followup article, we will dive more deeply into how to strengthen that connection to the big picture and to the long-term aspirations and values of the organization. Notwithstanding how much some of the OBM



At River Market in Stillwater, Minn., General Manager Mead Stone likes numbers and Open Book Management.

texts espouse the financial benefits to the business of using this management practice, OBM is also fundamentally a staff engagement practice. Many food co-ops have been able to see some financial benefits after implementing OBM, but for many the model has not fulfilled its promise to fully engage employees as "business partners." This is especially important for co-ops because engagement of staff relates directly to values such as "democracy" and "equity" that are essential components to food co-ops.

At CDS Consulting Co-op, we believe that Open Book Management can be a powerful management and engagement practice for our sector, but it does take some adapting to our specific

environment in order to reap all the potential benefits. OBM can bring focus to your organization on its long-term goals, build a collaborative and vibrant workplace culture, and help build strategic thinking skills and financial management skills throughout your staff. Those are huge benefits to any food co-op.

We are seeing more and more co-ops jumping into the OBM waters, or at least standing on the edge considering it. We hope that by distilling some of the lessons from the first adopters and funneling some experiences from co-ops that are trying it out, we can begin to bring forward the best practices for all the co-ops interested in OBM—so that more co-ops can have a successful launch into this new exciting world and ultimately so that they can successfully live out their best and brightest aspirations. ■

Seaweed and Sesame Seeds...

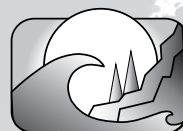
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