

OPEN BOOK MANAGEMENT. THE SPECTRUM OF TRANSPARENCY.

Not all open book companies have the same degree of openness. Some open the books at the team or project level allowing access to certain financials to manage projects or departments. Others practice radical transparency where everything including individual pay packages are disclosed. The beauty is that it can transform over time. Companies can become more open with practice. They must start by deciding what degree of transparency they will begin with then decide where they will go by visioning cultural, organizational outcomes. Leadership commitment is critical. You cannot have different leaders communicating with different levels of transparency. For example, if one leader practices radical transparency and another is more closed it will lead to misunderstanding or worse, mistrust of the information and leadership.

There are three general factors – financial factors, leader mindset, and decision style. Financial factors are focused on how will you control or free decisions on spending and investing. The leader mindset is about believing that transparency is a good idea and they are committed to leading in an open stakeholder/shareholder company. Decision style is about who has control and authority and the basis of how choices will be made.

Leaders should explain *the why* behind their choices. One employee-owner described his culture as translucent rather than transparent as a fair distinction. Another employee-owner asked why her culture wasn't truly transparent. As people become well versed in business they will be able to ask questions about why something is or isn't open and leaders should be prepared to answer.

Leading in an open culture may be more difficult than managing in a closed culture. Leaders in open culture cherish inquiry and challenges to decisions. They see these as opportunities to educate or to be educated. Agility and perpetual learning are part of how people work and how the business succeeds. Leaders in open cultures often see employee meetings as shareholder meetings where every person serves the business. Good open leaders reads are Simon Sinek's books *Leaders Eat Last* and *Start With Why* and Jack Stack's *Great Game of Business* and *A Stake in the Outcome*.

The decision on where to set your transparency should be outcome focused – what are you hoping to gain? Is there enough transparency to accomplish your outcome?

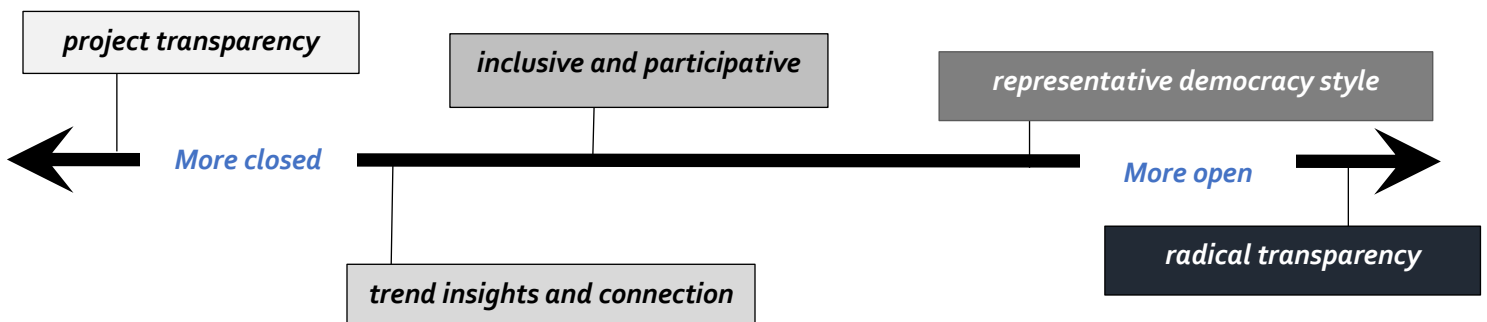
RESOURCE: DECISION STYLES

- *Autocratic* – leader makes the decision, leader already knowledge
- *Autocratic, but informed* – leader makes decision, leader inquires and obtains information
- *Expert* – a small group is delegated decision making based on their experience and expertise
- *Consultative* - leader makes decision, but asks for opinions
- *Group consultative* – leader makes decisions, but holds group input and insight sessions
- *Majority Rule* – the majority of the people involved makes the decision even if a minority disagrees or won't support.
- *Collaborative* – group finds consensus, typically facilitated. People may not agree, but can support and commit to accomplishing the work as appropriate.

TOOL: SPECTRUM OF TRANSPARENCY

Exercise: Use the spectrum of transparency (reference appendix for worksheet). Have each member of the leadership team map out where they would like to start and if they want to make progress to a different place. Discuss agreement and disagreements. Mix and match. List and discuss the pros and cons. There is no perfect or right answer. Find consensus on where you will be more open and more closed.

Financial disclosure/activities + **L**eadership mindset + **D**ecision style



**Transparency
Level**

Sample Activities

Project based General Information	F	Financials open for project assessment. Other disclosures tend to be on a need to know basis. Centralized purchasing and spending authorization processes often developed for daily activities. Budgets controlled by central management.
	L	Direct, control, supervise - general information communicated on the state of the business in a semi-annual/annual town hall meeting. High reliance on rules and procedures.
	D	Autocratic and transactional - tend to centralize control. Decision making by top leadership team and other management or administrative staff as delegated.
	E*	Typical orientation, job focused, tactical
Trend insights and connection	F	Disclosure of trends and KPIs (key performance indicators) that are most connected to employee impact and valuation. Formalized spending procedures developed but often at the manager level vs. centralized. Tight budget guidelines provided by central management.
	L	Autocratic decisions with increasing input and reliance on experts. Regular/monthly all employee meetings to connect trends and convey business decisions made.
	D	Informed autocratic and expert decision making - decisions concentrated to top leadership and management.
	E	Employees build business literacy through employee meetings.
Inclusive and Participative	F	Managers or financial line item owners include contributors in developing the budget and reporting over/under rationale. Teams have control and accountability over spending within guidelines provided by top management.
	L	Autocratic but with more participation, involvement, and influence. Leaders believe that people closest to the work should be key in making daily decisions with fewer centralized approvals required. Top leaders continue to make high level/high impact long-term decisions. Top management explains strategies and reasons/results of choices in open meetings.
	D	Consultative decisions where top leaders and management continue to make decisions, but regularly consult with staff. Leaders often poll all-employees for thoughts before making long-term high impact decisions.
	E	High level financial literacy provided, employees learn through regular communication and mentoring during team and department budget and cost develop, monitor, and explain processes. Focus is on department/team/work.

**E = Employee level of financial and business literacy*

**Transparency
Level**

Sample Activities

Representative democracy style	F	Financials are open, cost of labor discussed by group/department. Personal compensation packages private. Wage ranges transparent. Groups budget and make spending decisions based on wide provisions provided.
	L	Democratic - decision making often delegated to informed, standing, or ad hoc committees. Frequent team pulse meetings with healthy company-wide business literacy and information flow. All-employee opportunities for input and purposeful consulting. Leadership demonstrates the sentiment that employees are also shareholders and investors. Leaders are highly situational and able to intuitively delegate, teach, coach, or direct based on what the business needs. Final high impact decisions often made by top leadership, but not without intentional group insights and deliberation opportunities.
	D	Primarily group consensus (may not agree, give consent and support) with group thinking patterns a key leadership decision factor. Highly collaborative teams with significantly daily decision distribution.
	E	Formalized financial literacy lessons provided. Individual and team impact points clearly understood. Business literacy learned through open meetings and top leadership communication.
Radical transparency	F	All financials open and available including individual pay. Trust based spending with high levels of collaboration/consensus. Budgeting is often zero based reflecting the annual plan. Extreme responsibly in reporting on targets and gaps from plan.
	L	Servant/Transformational - Leaders demonstrate daily belief in the wisdom of the crowd. Often use influence, education, and coalition development and believe shareholders/stakeholders can and should have powerful influence on the direction of their business.
	D	Decision making is distributed through the company. High trust/responsibilities/accountability, low central control. Centralized groups provide services vs. control. Local and tactical decisions made by team, broad or long-term decision making is often collaborative or may be majority vote for major, contentious decisions. Decisions are trusted due to high unification and alignment.
	E	Formalized financial literacy provided. Employees regard themselves first as shareholders and investors with a high level of business literacy and understanding of how to drive value. Value drivers for the company and shareholders put ahead of department and team thinking.

**E = Employee level of financial and business literacy*