

Springfield Remanufacturing Corporation

Springfield Remanufacturing Corporation was originally a division of International Harvesters. The then plant manager Jack Stack was instructed by the International Harvester board to close the Springfield plant down. Stack and 12 other managers offered to buy out the division for \$9-million.

The 13 new owners managed to scrape up only \$100,000 between them. So they had to borrow \$8.9-million – a debt-to-equity ratio of 89:1. At the end of the first three months, according to Stack, the company had a “negative net worth”.

To stave off almost certain oblivion, Stack and his co-directors created a plan that focused on controlled predictable growth and operation, and the creation of wealth. Nothing new or earth-shattering, so far. Almost every company in existence – and most that are no longer with us – have the same focus.

What was different about Springfield was the new management’s insistence that every employee contribute to the planning. To encourage participation, the company introduced a bonus system that rewarded those who helped in planning and hit the targets they set for themselves.

Stack calls his system, “open-book management”.

The system:

- 1 Gives every employee unimpeded access to the company’s financial information.
- 2 Encourages workers to monitor the progress of their plans.
- 3 Includes a stock ownership scheme that gives every employee a stake in the financial success of the company.

Stack observes, “There’s too much finger-pointing in business.” People say, “It’s this ones fault or that ones fault”. Stack states, “If you get people to buy into the plan, they develop a sense of ownership. It becomes their plan.

Springfield executives consult with employee on everything, even proposed capital expenditure. Stack points out that the workers know what the figures mean because the company trains them to think, act and plan like owners.

Springfield, in fact, *spends more on the **financial education** of it’s workforce than it does on job or skills training.*

Why?

Does it work?

Let the figures speak for themselves.

When Stack took over as the Chief Executive Officer, the company turned over \$16-million a year. Twelve years later that had jumped to \$105-million. Over the same period, the workforce grew from 119 to 750.

So slash the red tape that constricts and let your people help with planning.

Lead – not Manage.

Leaders are people who do the **right** things.
Managers are people who do the things right. (Warren Bennis)