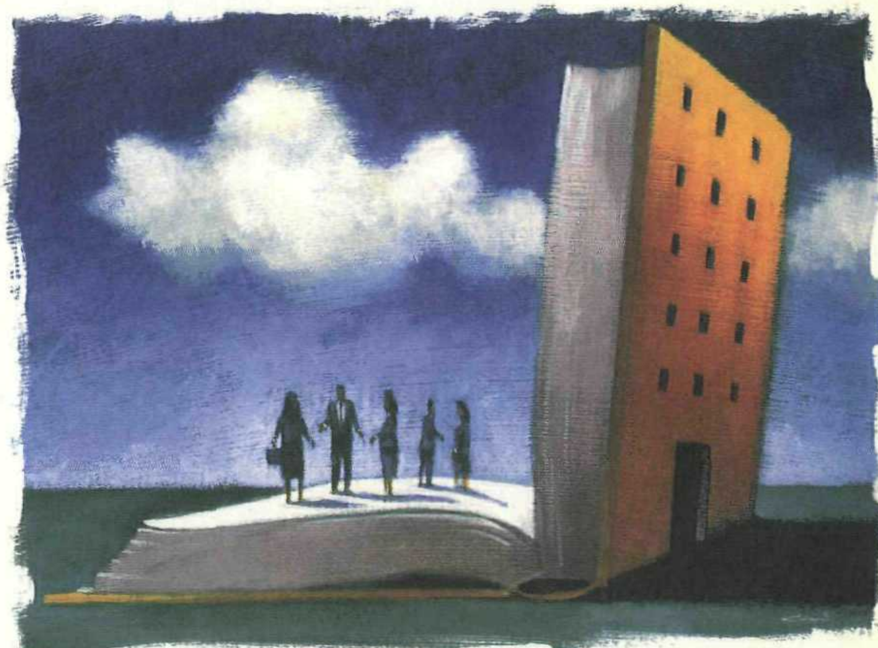
Executive EDGE

LETTING EMPLOYEES IN ON THE SECRETS


Chris McAllister

Because they fail to take employees' interests into account, most new management tools do little to boost a company's actual performance. But a new method called "open-book management" focuses on employee motivation from the start.

The method has three essential parts:

- The company "opens its books" to employees, providing them with all relevant information, including sales and shipments, financial goals, forecasts, and income statements.
- Managers teach employees the skills—forecasting, watching key drivers, and analyzing budgets—that will enable them to improve performance.
- Having been shown how they fit into the larger picture, employees are rewarded for company improvement with bonuses, sometimes including stock in the company itself.

So far, open-book management has been tried primarily by small to medium-sized companies. But in 1995 the method was adopted by the Lancaster, PA-based Northeastern Division of R. R. Donnelly & Sons, the nation's largest commercial printer. Donnelly already had a workplace initiative program, but it lacked vital ingredients.

Donnelly's Lancaster operation decided to try open-book management, beginning with the purchase of an interactive computer software program that taught employees the fundamentals of running a manufacturing business. Then, in 1996, employees began meeting regularly in teams to discuss performance and suggest ways it can be improved. Early this year the company launched a plan through which employees will be rewarded according to their contributions.

Although it is too soon for the Donnelly division to claim complete success, it has already used open-book management to increase press efficiency. In any case, the method's main benefit—training employees to view the company's success as their own—can become apparent only in the long run.

From John Case, "Opening the Books," Harvard Business Review, *March-April 1997, pp. 118-127.*

NEW SLANT ON RISK MANAGEMENT

Private investigations, which used to be conducted in shadowy corners, are moving out into the bright light of day. It's not news that businesses use private investigators to uncover corporate crime—which is on the rise, due in part to decreasing corporate loyalties and global economic turmoil. But increasingly they are also hiring private investigators to conduct noncriminal investigations, such as background checks on candidates for executive or CEO positions.

In business, information minimizes risk, and never has information been so easy to get. A few strokes on a computer can yield information it used to take days of footwork to compile. Companies have not hesitated to take advantage of this access. Time Inc. uses investigators to screen potential executives. Reebok turns to detectives to see if the competition is copying its footwear. Kmart has investigators check its vendors.

Indications are that such investigations will become routine, and the investigative industry is poised to spread its net even wider, offering low-cost background checks, market research, travel information, and Web pages that enable people to conduct their own investigative searches.

All this activity has pushed investigative revenues so high they are expected to reach $4.6 billion by the year 2000, four times their 1980 level. And lest anyone doubt that investigative work will become even more pervasive and commonplace, America's biggest accounting firms—Coopers & Lybrand, Deloitte and Touche, KPMG Peat Marwick, and Arthur Andersen—are all building their own investigative divisions. What used to be considered back-street activity has definitely arrived on Wall Street.

From Kim Clark, "The Detectives," Fortune, *April 14, 1997, pp. 122-126.*