

# TIPS *from* LauberCFOs

## Sharing Financial Information with Employees

How much do your employees know about your company's finances? If your answer is "not much" or "nothing," you may be missing out on a valuable tool for making your business stronger.

Studies have shown that companies that share financial information with employees through some form of open book management realize greater sales growth than companies that don't share such information.

Done right, open book management can foster greater emotional buy-in from employees and promote increased job performance. When employees see numbers for their departments, they can see how specific actions affect the overall business and are more likely to offer valuable ideas on how to improve operations. That, in turn, can support employee morale, since more meaningful suggestions are more likely to be adopted, giving employees a greater sense of worth and emotional ownership in the company.

While open book management is especially important for employee-owned companies, it also is very valuable for privately held businesses and essential for companies that have profit-sharing plans and bonus plans.

Before you engage in open book management, you'll need to:

- Determine what financial information you will share
- Whom you will share it with
- The frequency and manner which the information will be disseminated.

A good first step would be to decide which employees would receive financial information. While some information might be appropriate for all employees, such as the overall sales and margins, it's often more effective to reveal

information that is specific to a department or to a manager's role.

Things to Consider:

- It's important to develop a strategy for starting open book management. That should include a clear explanation of why you are sharing information.
- Education of the employees about the numbers and the information to be shared is critical if the open book system is to be successful.
- Develop a list of financial terms you will use and make sure everyone understands those terms.
- You might want to phase in open book management, first sharing information with managers and then, once that is going smoothly, with the entire staff or selected levels of staff.
- If you don't feel comfortable sharing financial information with the entire staff, providing numbers solely to managers or department heads would still prove valuable. For managers or department heads to be truly effective, they need to know how their departments are financially performing, and how that performance fits in the bigger picture.
- Managers can be engaged in open book management on a one-on-one basis or in a group meeting. Since they have responsibility for various aspects of your business, they should receive financial information on a regular basis – at least monthly.
- Information intended for the entire staff can be provided less frequently, such as quarterly or semi-annually.

- Your plan also might include a gradual release of data, starting with limited basics and adding more information after the initial set of financials has been accepted and understood.
- Develop a standard reporting package so your employees become accustomed to seeing the same format from month to month.
- You may find that some employees are skeptical of your intentions and that employees will grasp the information at different levels. But you also will find employees who respect you and who will want to do more for the company based on their new knowledge.
- Make sure you tie the information to any bonus or incentive plans.
- Work with your employees to help them use the information to change future results.
- The indicators might be related to gross and net revenue, sales statistics, labor and benefits costs, worker's compensation costs, utilities and other facilities costs employees can impact, equipment costs and usage, and inventory turnover, etc.
- Open book management need not just be about numbers. Explanation of the financials should also stress quality so employees don't perceive that quality can be sacrificed to reduce spending. In fact, quality control meetings are a good place to start sharing financial information.

Business consultants often stress the need for companies to get employees "on the same bus" or some other metaphor of personal commitment. You can help move that bus forward at a faster, more efficient pace by sharing financial information with employees.

If you'd like to personally discuss open book management and how your company could adopt it, call us at 414-273-8060 or, outside of Milwaukee, at 800-358-8060. You can also send me an e-mail at [John.Lauber@LauberCFOs.com](mailto:John.Lauber@LauberCFOs.com). One of our LauberCFOs would be happy to confidentially work with you.

#### What should you share?

- Anything except salary information could be revealed as part of open book management.
- As a business owner, you already know the key indicators of financial performance for your industry and business. Those indicators would be good to share and to use as benchmarks for your business.

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