

# **The Great Game of Business**

## **By Jack Stack**

### ***The Great Game is defined:***

The best, most efficient, most profitable way to operate a business is to give everybody in the company a voice in saying how the company is run and a stake in the financial outcome, good or bad.

- We show them how to keep score and follow the action
- We give them the information they need to do both
- We also give them a big stake in the outcome – in the form of equity, profits and opportunities to move ahead.

### ***Why We Play the Game***

- We want to live up to our end of the employment bargain.
  - Everything we do is based on a common understanding that job security is paramount –
  - Not employment for the short run but for a lifetime.
- We want to do away with Jobs.
  - I want them to be excited about getting up in the morning, to look forward to what they're going to be doing that day.
  - I want to get rid of the living dead – those who are there because it is a job.
- We want to get rid of the employee mentality.
  - We want employees to think and act like owners, not employees.
  - Ownership is not a set of legal rights. It's a mind set.
- We want to create and distribute wealth

### ***Myths of Management***

The practice of management is filled with myths that are guaranteed to cause distrust between management and their subordinates.

- Myth: Don't Tell People the Truth – They'll Screw You.
- Myth: Nice Guys Finish Last.
  - Whenever I see someone taking advantage of another I know his days are numbered. People like that take themselves out of the game. Being an S.O.B. gets you nowhere.

- Myth: A Manager's Job is to Come Up with Answers.
  - The team comes up with the answers – the manager is the facilitator.
- Myth: It's a Big Mistake to Promote People Too Quickly.
- Myth: Don't Worry About the Big Issues, Just Do Your Job.
  - False assumption – you should only give people the information they need to do their specific jobs. Everything else should be treated as some kind of corporate secret.
  - If you want to make things happen, you have to get people to raise their sights, not lower them.
  - People need big goals. If they have big goals they'll blow by the little obstacles.

### ***The Feeling of a Winner – Creating a Team***

Creating a team is one of the major purposes behind the Great Game of Business.

- Business is a Team Sport – Choose Games That Build a Team.
  - Avoid games that are divisive – where someone wins and someone loses.
- Celebrate Every Win – No Matter How Small.
- Give Everyone the Same Set of Goals – Don't Send Mixed Messages.
- Don't Use Goals to Tell People Everything You Want Them To Do.
  - Too many goals are useless. Have 2 or 3 goals over the course of a year.
  - What's important is to make sure each goal can only be achieved by doing 5 or 6 things right.

### ***The Big Picture***

The Big Picture is all about motivation. It's giving people the reason for doing the job, the purpose of working. If you're going to play a game, you have to understand what it means to win. When you show people the Big Picture, you define winning.

- Most of the problems we have in business today are a result of our failure to show people how they fit into the Big Picture.
- Give everyone a course in your business – teach them the numbers.

## ***Open-Book Management***

The more people know about a company, the better that company will perform. You will always be more successful in business by sharing information with the people you work with than by keeping them in the dark.

- Information should not be a power tool – it should be a means of education.
- Don't use information to intimidate, control or manipulate people.
- Use it to teach people how to work together to achieve common goals.

Open-book management is the practice of communicating with people via the numbers. This is the cornerstone of the Great Game of Business.

- When you use financial statements as management tools, you have to adapt them to your purposes. Don't rely on financial statements provided by CPAs.
- The detail should be broken down in a way that sheds light so each person understands how he or she affects the company.
- Once employees understand the numbers it changes their motivation for working. They now understand what happens if they are not measuring up – the opportunities they are missing that could put money in their pocket.

## ***Setting Standards***

The payoff comes from getting the people who create the numbers to understand the numbers. When that happens, the communication between the bottom and the top of the organization is just phenomenal.

The trick is to be able to evaluate those numbers, to make sense out of them, to know what to do with them. For that you need standards.

Standard defined: the number to shoot for in any particular category you are measuring.

- It may be a ratio, a percentage, or an absolute number over a period of time.
- It's a number against which you can compare your results and thereby determine how you're doing.

- It's the target - the level you can reach if you apply yourself and do a good job.

#### Do You Know Your Critical Number?

- It is the number that at any given time is going to have the biggest impact on what you're doing and where you want to go.
- Whether you know it or not, it will make or break your company.
- It is the number you have to do well on if you are going to succeed, or maybe even survive.
- It's vital that you identify it and come up with a standard that people can use to go after it.

### ***Skip the Praise – Give Us the Raise***

There is no more powerful tool a manager can have than a good bonus program. If a bonus program works, it can be an incredible motivator.

- What a bonus program does is communicate goals in the most effective way possible – by putting a bounty on them.
- You provide your people with a focus. You give them a challenge and a very good reason for working hard.
- "Skip The Praise – Give Us the Raise" or STP-GUTR – pronounced Stop-Gooter.

#### General guidelines for establishing a bonus program

- Stick to Two or Three Goals – and Get Them From the Financials.
  - I want goals that keep people focused on the fundamentals of business: making money and generating cash.
  - I want goals that teach people exactly what it takes to be successful.
  - I want goals that make the company stronger by eliminating our weaknesses.
- Set the base line at the lowest point that still guarantees the company's security.
- Make sure people have the opportunity to take home a significant portion of the additional profits under the bonus plan.
- Make it possible for people to earn bonuses frequently enough to keep them involved in the game.

- Start with a small bonus pool and let it grow as the year goes on, so that people have the opportunity and the incentive to meet all the goals – and earn the entire bonus.

### ***Coming Up With the Game Plan***

The heart of the Great Game of Business is the annual game plan.

- Establish a set of financial statements spelling out what you expect to do month by month for the entire year.
- Without a plan, people have nothing to which they can compare their performance, no means of recognizing problems, no targets to use to motivate.
- The Game Plan will tell you
  - Is the company ahead or behind schedule?
  - Who is carrying the load?
- Open the planning process up to the entire work force so that people own the process. Show people their stake in the process.
- Decide what winning means
  - What do they think they can accomplish in the coming year?
  - How much can they increase sales and production?
  - What concerns do they have about the company?
  - Are there problems that should be fixed?
  - Additional perks or benefits?
- There should be nothing boring about coming up with the annual game plan.
  - Don't make the mistake of approaching it as an arduous but necessary ordeal. If it is, you've failed.
  - The plan is the life of the company for the next year.
- Identify the threats to your business.
  - Where is it vulnerable to competitors?
  - What does the company do badly?
  - How might the company be at risk?
- You must completely throw open the goal-setting process and let people choose their own goals. Then you talk to them about not letting themselves down.

### ***The Great Huddle***

The Great Huddle is the weekly ritual of calculating the score. This is where we learn how we are doing on our Stop-Gooter bonus goals.

- We go around the room, and people announce their numbers, while everybody scribbles them down on the scorekeeper forms.
- We can all see how the reported numbers differ from the ones in the game plan.
- When we finish, the chief financial officer announces the tally.
- When we come out of the meeting, we can see the whole field before us. We know who is where and the how the game is unfolding, and what each of us has to do to make sure we keep moving closer to the goal line.
- The Great Game of Business is built around cycles. The way we play it, there is a cycle every week, every month, every quarter and every year.

### ***Tips for Holding a Huddle***

- Keep it regular and on time – always same day, same time, same place.
- Have a fixed format, but don't be boring.
- If you're running the meeting avoid being the person with all the answers.
- Know when to push, when to cheer, and when to kick people in the butt.

### ***A Company of Owners***

A company of owners will outperform a company of employees any day of the week. We do everything we can to instill the habits of ownership in people, to encourage them to think and act like owners. When you think like an owner, you do all the little things necessary to win.

### ***The Five Tools in the Great Game Kit***

- 1) The Standards
- 2) The Bonus Program
- 3) The Annual Game Plan
- 4) The Great Huddle
- 5) Equity in the Company

With the first four tools, people can steadily increase the value of the company and have fun in the process. But the big win comes from playing the equity game. Equity can provide the greatest expansion of wealth most people will ever see. This is the best deal around, hands down, because you can influence the results. You can pretty much determine whether or not you win.