



# The Informed Banker: Enhancing Employee Ownership

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# The Power of Engagement Through Open-Book Management

Dennis Campbell, Dwight P. Robinson Jr. Professor, Harvard Business School  
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# THE BIG IDEA

Open-Book Management (OBM), or employee “ownership”, is the key to resolving the tension between achieving both financial discipline and customer focus.

OBM is based on the following three key principles:

1. Transparency – every employee sees the relevant financial numbers, and every employee learns to understand their significance.
2. Trust – employees trust managers and vice versa, since everyone is looking at the same information. Everyone keeps the credit union’s best interest in mind, and come up with ideas for improvement.
3. Fair Treatment – everyone shares in the responsibility for success. Everyone shares in the reward.

Together, these three pillars create a loyal, engaged workforce – the kind that drives long-term success.

# THREE CRITICAL STEPS

How does open-book management work?

At its simplest, it boils down to three critical ingredients.

1. Developing and agreeing on a clear definition of “winning”
2. Active employee involvement in driving results
3. Incentives that allow everyone to share in the rewards

# DEFINING “WINNING”

Nobody gets fired up about playing a game when they don't know the score and don't have any way of judging how they're doing.

- Pick one or two numbers/metrics that are going to be the top priority for the year.
  - Note: This metric will and should change! Goals are met and priorities shift.
- Set targets for these priority metrics with employees and managers
- Track their progress every week against the baseline performance of the previous 4 to 12 months.

Now, everyone knows what it means to win AND they know how they're doing along the way.

# ACTIVE INVOLVEMENT

Open-book management organizations ask employees to think like businesspeople.

- Continuously ask employees for proposals on how to improve their “winning” results
- Ask teams to forecast results for the next week, month, or quarter so they think proactively
  - Note: if this is new to your credit union, it will take time to develop this skill throughout all employees
- The more information employees see and talk about it, the more people come to care how the business is doing.
  - This also creates a better place to work, attracts and retains employees

# INCENTIVE PLAN

It is key to create an incentive plan that lets **everyone** share in the rewards of hitting their organizational goals.

- Create an incentive plan before the year begins
- Tie payouts directly to improvements in the “winning” number
- Track progress publicly, week in and week out
- Everyone knows how they are doing in relation to the goals/bonus — and if they are falling behind, they know exactly how they must improve

With skin in the game, employees are motivated to perform, learn and grow, transforming the culture into one that rewards high achievement.



# CUSTOMER CENTRICITY

Open-book management is an internal system. What it cannot do, on its own, is keep you in close touch with your customers and with what is happening in the marketplace. A system, such as Net Promoter Score (NPS), is important to also use and discuss openly and as frequently as the organizational success metrics.

OBM and NPS rest on the same fundamental attitudes. They treat employee engagement not as an add-on but as a basic element of a company's operations. They view feedback from customers not as something that is nice to have but as an indispensable ingredient of a thriving business.

# IMPLICATIONS

- Leadership teams need to pay particular attention to structuring their organizations to foster transparency, trust and fair treatment. Performance gains ownership will only accrue to organizations that succeed in implementing three principles.
- Cultures of employee ownership can be fostered with reward sharing based on incentives tied to simple, key performance metrics important for credit unions and community banks.
- Credit unions and community banks are in a strong position to realize performance gains from implementing frameworks like open-book management.

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# Q&A

Type your question in the chat panel 

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**Thank You!**

