

Feature

# The Jack Stack Interview:

## Entrepreneurship and Open-book Management

*Jack Stack is the founder and CEO of SRC Holdings Corporation, an award-winning, employee-owned organization based in Springfield, Missouri. Springfield Remanufacturing Corporation and its 22 subsidiaries provide a wide range of products and services, including engine remanufacturing, packing and distribution, business consulting and banking. SRC employs 1,600 people and generates annual revenues of about \$400 million.*

### INSIDE:

Letter from the  
Executive Director

CEE News

Student Essay  
Prize Winners

**Kaizen:** Where did you grow up?

**Stack:** I was born in Chicago in 1948. My father bought a house in Elmhurst, Illinois, and I lived in Elmhurst from the time that I was about three years old to about 30. Then I was transferred to Springfield, Missouri, where I've

spent the last 31 years of my life.

**Kaizen:** It sounds like you were a wild card as a youth—you were kicked out of college and seminary and fired from a job at General Motors?

**Stack:** I just couldn't find what I really wanted to do in life. My dad worked in a factory and had a college degree and believed in everybody in the family working. So I had an unbelievable number of jobs as a child. I delivered newspapers and sold Christmas trees and went door-to-door selling. Then I worked at a post office delivering mail. I was a janitor in high school.

Then I went to college and I couldn't handle the boredom. I went to strong Catholic Schools. It was mostly rote. So I didn't pay lot of attention.

When I went to work, you could get the job done fast, and I had a lot of time on my hands. At General Motors, my job was picking parts. You had to pick 400 line items in eight hours. I could be done by 1:30 or

2:00. I had nothing to do, so I went and played poker in the back room. Eventually we got caught and I got discharged.

**Kaizen:** But your father worked at International Harvester and got a job for you there?

**Stack:** He got me a job in the mailroom. I always had good relationship-building skills and people liked me and took care of me. If they hadn't, I probably would have been discharged. But they kept pressuring me to go to school and be something.

International Harvester gave me challenging jobs; they threw me in over my head and I just loved it. I had ten jobs in ten years, and every one was twice as hard as the previous one. They had faith that I could get it done, and I *could* get it done. I wasn't good at showing up on time, but I would work late into the night and be totally focused on whatever assignment they gave me, and I had the tremendous satisfaction of pulling everything together to get it done.

But at the same time, being a young kid in this massive factory, whenever they gave me this big job I would always go through this cycle — I call it the "freakout factor." Every time you have this new job, you think it looks small and you can do it. Then you get into the job

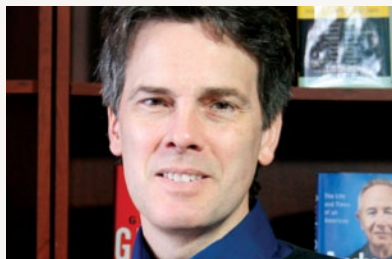
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KAIZEN

Continuous  
Improvement

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## From the Executive Director



Our economy continues to struggle, and the signals are mixed. Angel and venture capital investments are down and unemployment rates remain high, especially among young, black Americans: “a record one out five black men aged 20 to 24 are neither working nor in school,” according to a Reuters report. At the same time, a Kauffman Foundation report concludes that “African-Americans and older Americans experienced the greatest increases in business-creation rates from 2008 to 2009.”

Our feature interview is with entrepreneur **Jack Stack**. We spoke with Illinois-native Mr. Stack in Springfield, Missouri to explore his experience in turning around Springfield Remanufacturing and the impact open-book management has had upon his company. It's a dramatic story of a nearly-bankrupt company being transformed into a \$400 million dynamo.

In this issue of *Kaizen*, we also report on guest lectures by entrepreneurs **Michael Strong** and **Magatte Wade**, and the very fine work of three students in the Business and Economic Ethics course—**Sarah Boykin**, **Shelly Wenzel**, and **Bethany Borgmann**.

At the Center, we also continue to build up our collection of resources on entrepreneurship and business ethics, so please feel welcome to visit us on the second floor of Burpee—or online at [www.EthicsandEntrepreneurship.org](http://www.EthicsandEntrepreneurship.org), where all of the previous issues of *Kaizen* are available.

Stephen Hicks, Ph.D.

## Guest Speakers



Michael Strong and Magatte Wade

Michael Strong, co-founder of Conscious Capitalism, Inc., and Magatte Wade, a serial entrepreneur raised in Senegal, spoke at Rockford College in November. Mr. Strong discussed entrepreneurship's potential to solve a wide range of social problems. Ms. Wade talked about her international entrepreneurial career, providing real-world examples in founding Adina World Beat Beverages and her current venture, Tiosano Tribe, Inc., a high-end skin products line.

## More information about CEE and Rockford College



*Kaizen* is published by the Center for Ethics and Entrepreneurship at Rockford College. Founded in 1847, Rockford College is a four-year, independent, coeducational institution offering undergraduate and graduate degrees in traditional liberal arts and professional fields. One of 81 colleges nationwide designated as a “College with a Conscience” by the

Princeton Review, Rockford College is also among 76 U.S. colleges and universities selected by the Carnegie Foundation for the Advancement of Teaching for inclusion in a “Community Engagement” college classification. Rockford College is one of 11 colleges in Illinois and 280 in the country with a Phi Beta Kappa chapter, the oldest and most prestigious academic honors society, and in 2007 was named a “College of Distinction.” Please visit us online at [www.Rockford.edu](http://www.Rockford.edu).

## STACK, CONTINUED

and suddenly it turns into this big thing. And you say, “What did I get myself into?” Then, depending on how fast you freak out, that's how fast that job gets smaller.

I was good at freaking out fast. I'd call my boss in the middle of the night and I'd tell him I couldn't do it. I'd embarrass myself and tell him I'm not the right guy for the job. Then I'd wake up the next morning at rock bottom. From that point on you say to yourself, “It can't get any worse.” And then, suddenly, you take the assignment on. This happened to me six or seven times in my career.

**Kaizen:** In all these jobs at IH, what made them say, “Let's give him this new job and see what he can do”? You were a kid who started in the mailroom. What were they seeing in you?

**Stack:** Well, I think they saw my ability to work with other people. Like I said, I had good relationship-building skills. It was also a timing issue because most of the people were ex-World War II people — confrontational. Management was a big issue inside the factories. Nobody sat down and really talked to anybody.

The average age in the factory was about 55 years old. I was single. I didn't have the responsibilities of children and home and car payment. I was carefree and loose. I think they missed that, embraced it, appreciated it about me. As strong in discipline as they were, they liked a bit of mischief and fun and laughter. It broke the monotony of the situation, because International Harvester must have been very, very stale from the '50s and '60s. It was the “organization man” mindset: you worked in a box.

**Kaizen:** Aside from IH's stale culture, from your book *The Great Game of Business* it sounds like it was a rough culture with lots of conflict.

**Stack:** We had the worst union, UAW. Local 6 was the worst UAW in the United States. It was the toughest union.

**Kaizen:** What did you learn at IH about management and dealing with those kinds of problems?

**Stack:** It was obvious to me that people wanted to win; they did not want to just coexist. They did not want to walk into an empty box where the jobs were boring. IH's management didn't make it exciting — it was boring as you could believe. The result was conflict.

So my concept was: How do you get people to feel like winners? So I would set up these crazy little games—anything that meant someone could feel good about themselves. Once they started feeling good about themselves, they had an edge. My organizations could outperform because we made everybody feel like they were the most important thing in the world. When we hit a target, we'd throw our fists up in the air and celebrate. We'd party and do crazy things.

**Kaizen:** What's an example of making a game out of a boring job?

**Stack:** We were shipping tractors to Russia to save the division, and they didn't think we could get all these tractors out. They told us it was an impossible order: We had to do 700 tractors. So I put out a scorecard, and every day I would post how many tractors went out—15, 20, 30, 40.

But the cool thing was the finish line—it was the tension and whether you could or couldn't do it. I'll never forget the time that we did it and we put balloons all across the board and how good everybody felt.

You begin to realize you can do anything you really want to do—because of the ingenuity of people, and the ability to be able to put a team together. If you can put that team together, it's almost like you've doubled the size of your intellectual capacity. When you use the wisdom of the crowd, it's incredible what can happen.

The greatest one I had was when I became a superintendent of manufacturing when I was 26 years old. Five general foremen had been told they were going to have the job.

They were all my father's age and I was 26. And I don't know a machine tool from a hammer. They just threw me down there, and the closest guy in age to me had spent 30 years more in the profession.

I did a freakout again. I went out the night before and had too much to drink. I woke up and I was petrified. I walked in and said to the five foremen: "Listen, it's not my fault that I have this job. I didn't pick this. I know you've been promised the job. All I can tell you is I will work my heart out to get you the tools to succeed and to get out of here as fast as possible to make room for one of you guys. But by the same token, if any of you guys try to go behind my back or you don't want to play by the rules, I will personally punch you in the nose on the shop floor." I told them that. They thought I was crazy.

**We had the most incredible numbers, and we did it by having fun.**



Mr. Stack (center) on the floor at SRC Holdings

But I was also able to give them numbers and information that they had never had. We had an Iranian programmer down in the bowels of the storm shelter. I'd go down there, and he was developing a productivity report that was only given by carbon copies on a Thursday night, prior to a staff meeting. Nobody was paying any attention to any of those reports. I went down to him and I said, "You mean to tell me that you can give me my productivity every single day?" He said, "To the penny."

I had five departments at that time: five general foremen, 26 supervisors, and 500 UAW guys. Ours was one of seven divisions in the plant, and my division was the seventh out of seven: \$53 per person is what we were running.

We had all kinds of bottlenecks because of union contracts and compromises. The previous plant manager went in and said, "We're going to run 300 crank cases through this machining line, and there's going to be no rework area." Well, there are 1,172 perishable tools in this line, and they didn't tell the perishable tools when to fail. So obviously you had a lot of rework, and rework kills your productivity. The unions had flat rate allowances, so they would never allow any productivity changes, like tool changes and tool set ups and things like that.

So I started to teach them why they were lowest of the seven. I would have the Iranian give them their numbers every single day. The first several weeks, they didn't want to look at them. Then they started to look and wanted to know why there were so bad. We were able to talk to the union—to tell them that we needed to make the changes on the three shifts, do the tooling on the second shift. We did more things because people wanted to be winners.

By the time we ended up, we were turning \$72 per person, up from \$53. The other divisions were chasing us.

We did those things because jobs are boring. Here we had the most incredible numbers, and we did it by having fun.

**Kaizen:** When you were just 30 years old, IH sent you to Missouri to head its Springfield plant. Were you ready for that leadership role?

**Stack:** It was like everything else. Anytime there was a pile of crap, they threw me into it. This was a big pile of crap. I didn't know where Missouri was, let alone Springfield. I took my wife and kids and jumped off the face of the earth. No family down here, didn't know anybody.

I went in the first day and talked to the organization. I told them I was there to help them and do what I can to get them the tools to do the job—the same thing I tell everybody. I promised them I would give them a visible idea of everything that goes on and they'll be as transparent as they want. And I said, "Do you guys have any questions?" And this guy raised a question: "How old are you, anyways?" I said, "I'm 30 and feeling like 50."

I was actually sent down here to either close the facility or to get it up and running. IH banked on it being closed. I basically fell in love with the people. As tough as it was up in Chicago, this was so much easier.

In Chicago, my guys went home to Indiana, Wisconsin, or Illinois. There wasn't a suburb like Rockford where everybody kind of knew everybody, knew the factory, and stood behind the business.

But down here in Springfield, it's like a cul-de-sac. So I was able to pull everybody together. They were also very entrepreneurial down here. They didn't have

CONTINUED ON PAGE 4

## Student Essay Contest Winners

In the Fall 2010 semester, students in Business and Economic Ethics read several of our *Kaizen* interviews with successful entrepreneurs, businessman Charles Koch's *The Science of Success*, and case studies of other entrepreneurs including John D. Rockefeller, James J. Hill, and Cornelius Vanderbilt. Using those readings as their starting point, the students wrote an essay addressing these questions: What is success, and how do individuals and organizations achieve it?

The essays were judged on their accuracy and depth of interpretation as well as their independence of thought. Cash prizes were awarded for first place and two honorable mentions. Congratulations to our winners!

### First Prize



Sarah Boykin

### Honorable Mention



Bethany Borgmann

### Honorable Mention



Shelly Wenzel

## The Trial and Death of Socrates Reading Group



In 399 BCE, Athens executed Socrates for impiety and corrupting the youth. Plato immortalized the trial and death of Socrates in his dialogues: *Euthyphro*, *Apology*, *Crito*, and *Phaedo*. These are not merely historical dialogues, but philosophical treatises that examine the nature of ethics, piety, philosophy, justice, and death. The Fall Reading Group, led by Professors Matt Flamm and Shawn Klein, discussed each of these dialogues and the philosophical issues they raise.

## STACK, CONTINUED

a union contract. They were the type of people who came off farms and did things with their hands.

**Kaizen:** What did the Springfield plant do?

**Stack:** It was building transmissions and engines and anything that you can imagine that went on a crawler tractor for construction, or a highway truck, or a farm tractor, or industrial equipment.

**Kaizen:** What was the plant's financial condition when you arrived?

**Stack:** They were losing \$2 million a year. For a small operation, that was huge.

**Kaizen:** Did you have a timeline for turning around or closing it down?

**Stack:** Well, they gave me about six months. The plant's on-time delivery was about 28 percent. It was horrible. Their inventories were growing because they didn't have very good manufacturing discipline. The plant was developed as a sales and marketing tool, and it was run by sales and marketing people with no manufacturing experience. That's why I got the job: to discipline the manufacturing.

In manufacturing, you have a tremendous amount of metrics when it comes to the product. I knew how to handle the metrics. The metrics really motivated the people. If you can measure it, then you can play the games, and you can have success, and you can have wins. If you're 28 percent on-time delivery and every time you go to 30 or 40 or 50 or 60 percent, there's cause to celebrate. You also draw inventories down.

One thing the employees never had access to was the financial metrics. So we started to create our own common-sense financials to tie in with teaching the employees the metrics of manufacturing. Then we taught them the metrics of the business. If you can do both at the same time, it's perfect because most companies just teach people how to make a product or a service. They don't teach them how to make a company.

Most companies' processes have a tendency to dumb people down. You always have: Go out there and do a good job. But if you teach people what it takes to make a successful company, then the products are better, the services are better, because they are totally cognizant of the fact of where the end zone is. Instead of running them from the 20 to 20 yard lines and they're getting frustrated because they can't score—when you give them the balance sheet and the income statement, then they know how to score. So we then taught them that and within six months we were smoking.

**Kaizen:** That's great. But even so International Harvester as a whole was in deep trouble and heading toward bankruptcy?

**Stack:** Arthur Andersen Consulting came in and said that in order for IH to go into the next decade, they had to have a significant change of leadership. So in 1980, they started bringing in these whiz kids and hotshots without any industry experience. They came up with an analysis that said: in order for the company to go forward, it really needed to break the UAW. So they took on the UAW, and the UAW walked and stayed out on strike for six months. We weren't prepared for a strike. It was pathetic. We ended up with tremendous debt—6 billion dollars of debt by 1981—and then interest expense went up to 22%. We were hemorrhaging like crazy.

But here in Springfield we were doing really well. We didn't strike because we were non-union, so we were doing good. But it didn't matter because the whole company was going down. IH had to start selling assets all over the place.

Our people in Springfield were looking at the assets sales and the factory closings and were panicking. They were asking me whether they should get married or have a kid or buy a car. I'm questioning the whole concept of leadership. I'm sitting there saying to myself, "Here you are, a bigshot in a small town because you're working for a big company, but in reality you can't help people. When the company tells you to shut the factory down, there's not a damn thing you can do about it; you've got to shut it down."

I could see the handwriting on the wall—that we were no longer part of the core IH businesses—so it was only a matter of time before they were going to take a bullet.

Finally, I just couldn't take it anymore. I said, "Look, don't get married, don't have a kid. The economic reality is we're not going to be part of this company."

So I suggested that we try to buy the place. I was hoping that they would say "You're crazy," because I didn't know anything about running a company. I knew how to make things but I didn't know how to make a company, because I was never taught how to. But this was just a cop-out. I dreaded the fact that I had to lay them off, so I thought if I said, "Let's try a buyout," and if I failed at that at least I felt I tried.

The employees were so petrified at that meeting they would have followed anybody—they would have followed Rin Tin Tin. So I

**Business is a game:  
It has rules, it has  
scorecards, and it  
has an outcome.**



Mr. Stack (center) with SRC employees in 2003

ended up trying to do an employee buyout. It took me two years of negotiations.

**Kaizen:** International Harvester was asking for about \$6 or \$7 million?

**Stack:** I offered them \$6 million, but eventually got up to \$9 million in two years.

**Kaizen:** Your debt ratio was huge: You and your colleagues raised \$100,000 but had to borrow \$8.9 million to buy the Springfield plant. At the time, did you realize it was the largest debt-ratio for a leveraged buyout in American history? What made investors willing to stake you at those rates?

**Stack:** Well, they saw a lot of assets. They saw inventories. They saw a building. It was a leveraged buyout, so they pretty much felt that they could sell the assets and recover some of the debt.

**Kaizen:** How was it for you psychologically taking on that debt and responsibility? Were you scared, confident—both?

**Stack:** Naïve, totally naïve. If someone told me 89:1, I wouldn't know whether that was 98.1 degrees body heat. It meant nothing to me. We had a chance. I found later on it was really significant, but we were naïve. We were not afraid.

**Kaizen:** Who else was involved in buying the plant with you?

**Stack:** I wanted to make everybody owners, but the bank wouldn't take all the employees so they said, "We'll take the management team because we don't want to chase people all over the United States paying back this debt." So they took the 13 managers and then designed an equity formula for them. Then I went to the thirteen and they all chipped in the \$100,000.

**Kaizen:** After SRC Holdings bought the

Springfield plant, what was your first priority?

**Stack:** Well, I felt strongly that I had to drive down inventories as fast as I could.

I had to scramble because the banks were now getting mad because they found out what they had done. So we started this income statement, this manual income statement. I would have a huddle on a Wednesday. We'd get everybody together and forecast for the month what we are going to do.

It was absolutely extraordinary to have this "Aha!" moment: for every single line on my income statement I had a person that was responsible for the line. It was amazing. And then for every line on my balance sheet, I had someone who was responsible for the line. I had spent fourteen years writing job descriptions and accountabilities and going to all these schools and measurements. And here, right in front of me, was the purest form of measurement I had ever seen in my entire life.

When a person says he's going to sell a million bucks—then somebody buys as a result of someone buying that million dollars—and then someone hires as a result to someone selling that thing. The income statement folds out as nothing more than stories about people—that's what numbers are. But more importantly, they're standards that people set for each other.

So I started to run this huddle, and I started to build financial statements on the walls of the staff room. We'd come in and fill them out every week. We'd fill out what we thought we would sell for that particular month, then what the balance sheet was going to be, and what the cash flow statement was. It was brilliant. Everybody took the psychic ownership. We had transparency. What you had then was peer pressure. But you also had, at the same time, reward and

**CONTINUED ON PAGE 6**



Inspecting a pivot shaft at SRC

## STACK, CONTINUED

recognition. That was everything that I was looking for. I was looking for stability. Income statements and balance sheets and cash flow haven't changed since the 1400s. So I had the stability of the financials, but the change occurred with the numbers. And that was what made it entertaining; that's what made it exciting.

Some people hate change, some people love change; well, here I had both. Sales is always going to be here, profits are always going to be down here, cash starts the balance sheet, equity ends the balance sheet. But what blew me away was so few people knew how to read the sheets.

I began to realize that most failure occurred not because an entrepreneur didn't have the ability to service or make something: they had no idea of the metrics of the business. So we began to teach the metrics and we appealed to a higher level of thinking in people. We just didn't give them a worksheet on how to build a transmission. We said, "You're running a company, and these are the metrics of the company." All of a sudden, it's 28 years later, and they've just been outrageously successful from that point on.

**Kaizen:** Your method seems to have three elements: motivation, power, and knowledge. Employees are motivated if they connect working hard to rewards that matter to them, if they have some control over the process, and if they know how what they're doing fits the big picture. But there's also an empowerment element?

**Stack:** There's a psychic ownership. That's what you want. You want them to have the ownership of the line. When you go into that meeting and you've got to post that line, you've got to actually physically walk up and say, "This is me, this is my organization." It's very powerful.

**Kaizen:** It breaks down traditional barriers between management and owners.

**Stack:** There are no barriers. They were reluctant at the very beginning and that's when the idea came of telling people that business is no different than Monopoly, it's no different than sports. Business is a *game*: It has rules, it has scorecards, and it has an outcome. Those are the three elements of the game.

I kept thinking that if I could create this game, then instead of having an organization structure that is top-down, we would be working together at fixing the game. We wouldn't be working at fixing each other.

Nine times out of ten, when we have a problem we shoot the person. But nine times out of ten, you've got a systems problem. But if you don't have a system then you go after the people.

So what we decided to do was to use this theory of the game. When we had a deviation or a variance, we said to ourselves, "What are we doing wrong with the game?" Then we'd fix the game.

That became a new leadership platform. People weren't working for somebody else; they were working for each other first.

We broke it down by all of the responsibilities of the financials. Everybody assumed the financials and took ownership of them. They all came together to see what they could do for each other.

**Kaizen:** This is a revolutionary approach to management: Part of it is not working for other people but working for yourself. And part is that work is not a "living dead" drudgery, as you call it. Work should be fun. Another part is treating employees as people who can understand how a business works and not as cogs in a machine.

**Stack:** Life is tough outside of work; why make work so bad? Why not feel good? It's not that hard. It's small wins, too, not big wins. People will compete for pennies, they'll compete for pizzas, they'll compete for margaritas. You don't have to have that much for them to be able to win.

**Kaizen:** You also introduced "open-book management" here. What is that?

**Stack:** For my lifetime, no one was ever allowed to see the financials. Even today, instead of being more transparent, we're becoming less transparent. It's the most ridiculous thing I've ever seen in my entire life.

The whole part of the Game was that they had to understand the scorecards. The first rule is that the marketplace sets the rules, so we spent a lot of time bringing the marketplace to our people. We bring it hard to them twice a year. Who is your competition? What do they make? What are their financials? What are their competitive edges?

We really, really train the people, and then we forecast. Once we forecast, we then ask the associates to vote on the forecast. Do you believe we will sell this much? You have as much information as our sales and marketing people, now you make the call. Is this the financial plan? Once we establish the financial plan, you can either hang it out there or you can live it every day.

The next part is to change the scorecards. Put the financial scorecards everywhere for them to see, and they see what they need to do to improve. If they have a lousy shipping month and it affects sales and builds inventories, then let's get a game. Let's figure out what we have to do. Let's pay attention, focus on it by playing a mini game. We had the Great Game, which is the big game of building the company, to have it sustain over a long period of time. Then we had all the mini games that fix the variances.

## Success is something you look at in the rear-view mirror.

**Kaizen:** Let's turn to the fears and criticisms of open book management. One is that if you open your books to the employees, conflicts arise. What's behind that fear?

**Stack:** I used to think the first fear was that if employees saw what the company was making they would ask for more money. Number two is that they would think their employees would take their ideas, start their own companies or compete against them, or go to work somewhere else. I *used* to think that.

Later on in life, I began to realize that few CEOs really understand financials. They're totally reliant on CPAs and bookkeepers. They farm out a lot of the financials in the operations. They're totally reliant on lawyers; lawyers tell them not to share it. Their family-owned companies never shared their books with anybody else for a variety of reasons. But any downside that I have ever come across the last thirty years paled in comparison to the benefits of open books.

I think it's crazy, because I can't define how freeing this is as a leadership style. I can't tell you how free it is for a CEO, especially when I see all the CEOs out there that believe they've got to have all the answers, that they are the ones who can solve all the problems.

## On Management



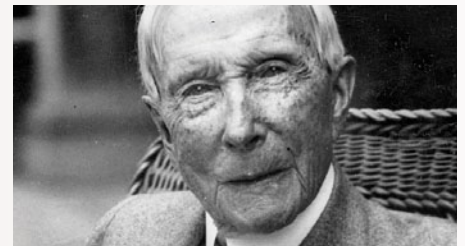
“Good management is the art of making problems so interesting and their solutions so constructive that everyone wants to get to work and deal with them.”

—Paul Hawken



“Theories of management don’t much matter. Endeavors succeed or fail because of the people involved. Only by attracting the best people will you accomplish great deeds.”

—Colin Powell



“Good management consists in showing average people how to do the work of superior people.”

—John D. Rockefeller



“Don’t wait for others to take care of you. The days when a parent-like corporation provided step-by-step promotions based on diligence and hard work are long gone. You are responsible for your own career decisions.”

—Ivana Taylor

**Kaizen:** There are critics who claim that open-book management leaves a business vulnerable to competitors. You don’t. Why?

**Stack:** I never had it happen. We run a conference to teach people what we do. My competition has never been at one of those conferences. Anyways, take the system; it’s going to be tough to duplicate the people.

**Kaizen:** SRC is a big and complicated company—how long did it take for you to work out and fine-tune the Great Game of Business to your satisfaction?

**Stack:** I don’t think you know that you achieved the results until you look into the past. I think every year is brand new. Even though we do five-year and ten-year plans, and we do them every year. Every year is a new Game; you reinvent yourself again. You don’t realize it’s successful until you look at millionaires who have left the company, and the fact that there are new other people setting up, still having a quality life. Success is something you look at in the rearview mirror.

**Kaizen:** Clearly your system has worked. In 1983 you had 120 employees and by 1991 you had grown to 650 employees. How many employees does SRC have now?

**Stack:** We have 1,200 here and another 400 overseas.

**Kaizen:** You paid \$9 million for the company in 1983, and by 1991 the value of the company had increased by 18,300 percent. How much is the company worth now?

**Stack:** We’ve cashed out \$57 million worth of shareholders, and the company today is worth \$83 million dollars. It’s about \$135 million from \$100,000 but we’ve got 880 shareholders. They all had the opportunity to be owners.

**Kaizen:** *Business Week* has called Springfield, Missouri a “management Mecca” because of the thousands of businesses that have come to observe SRC’s management strategies. You also have a website with a wealth of information. What do you most want managers to take away from visiting SRC?

**Stack:** We really believe that this is our economic strength. We believe also it falls on deaf ears. A fraction of businesses in the United States practice this.

It drives you crazy when you see the Arthur Andersons and the Enrons, and you know that it’s due to the lack of transparency. You know that if we were practicing open books those things wouldn’t happen, because too many people know about it.

**Kaizen:** You have received many recognitions for your successes—you’ve won a National

Business Ethics Award, been called the “smartest strategist in America” by *Inc.* magazine, won the National Entrepreneur of the Year Award in 1991, and many others. Do such recognitions add to your sense of satisfaction?

**Stack:** I am the most realistic person in the world and know that in our society we eat our young. I know that I am one DWI away from total disgrace. It doesn’t matter all the things that you have built up because it can end in a heartbeat. I also know that this has been really hard, because it’s one thing to go out and consult—it’s one thing to go out and teach it—but it’s another thing to consult, teach, and then have to live it every single day, knowing that if you blow it inside this company, nobody will buy it on the outside. The pressure has been more of a concern than the praise.

**Kaizen:** What is next for Jack Stack?

**Stack:** This is by far the best year we’ve ever had in our 28 years. It’s just incredible how well we’ve done this year, in the worst economic period. Yet this company figured out how to position itself for another ten-year run. I was so proud of this company, the way it set up a ten-year run. I’m in the final tweaking process right now, making absolutely certain.

**Kaizen:** What has been the best thing to you about being an entrepreneur?

**Stack:** I think what’s incredible is that when I came into Springfield, Missouri, there weren’t a lot of jobs. What has really transpired is how we have been able to create jobs. Even our kids can stay in Springfield. I’ve got five kids and they are all here and they’re all having grandkids. In 1979, I didn’t think you could find a job for a child in Springfield.

But now to have created this culture that is attracting Fortune 500 companies to Springfield. That is mind-boggling to see the ability to create jobs.

**Kaizen:** What has been the most challenging thing for you about being an entrepreneur?

**Stack:** You don’t like to go into places in town where you meet people who didn’t make it at SRC. It’s a small community. You’d like to have a perfect record; you don’t always have a perfect record, so you feel bad about the losses that you had in terms of people.

**Kaizen:** Having made your financial goals, what motivates you to continue working hard in business?

**Stack:** It’s not remodeling, it’s finishing. I’m just trying to finish the picture so that it will be sustainable over that five- to ten-year

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## STACK, CONTINUED

period of time. Maybe it's an impossible final act, but I think that I'm about 80 percent of the way there and I've only got 20 percent left. That's the exciting piece of it.

But life deals you some really cruel blows. Until I was 40 I was scared to death. I got raised in a family with a fear of failing. Then you get to 40 and you say to yourself, "Well, the white male life expectancy is 73." And at 40 you go, "Oh man, I don't want to go through the next years of my life being afraid." So you calm down. You try to get a bit more courage. You can start seeing a path through the woods. Then you begin to realize that, in the pursuit of retirement, you ask "What would I do if I retire?" You get these unpleasant surprises. Because I was planning on retiring at 40 and saying, "This is it, I'm gone, I'm cashing out, I'm doing things." Then you go to 50, and then you go to 60. Just see what happens when you get there.

**Kaizen:** In closing, what advice would you give to young people just starting out?

**Stack:** One thing I've observed is that if you go to college—it would be great if you had a dream. Whether it is being on Broadway, running a music store or a retail store, you should definitely pick something you love when you go to college. Then, when you're in college, the curriculum should be centered around teaching that person how to attain what they really love. I watched my daughter go to school with this whole idea of building a retail center to revitalize downtown. Every course she took, as difficult as the course was, was always a reflection of her dream. It was amazing because she struggled in school until she had this dream. So when she went to an accounting course, it wasn't just accounting—it had a connection.



Mr. Stack in 2007

Build your business plan. Have any dream. Make it up! Be a turtle hunter. It doesn't matter. But have something to apply your knowledge to. It's a simple, simple thing.

*This interview was conducted for Kaizen by Stephen Hicks. The full-length version will soon be posted on [www.EthicsandEntrepreneurship.org](http://www.EthicsandEntrepreneurship.org). For more information about Jack Stack and The Great Game of Business, visit [www.greatgame.com](http://www.greatgame.com).*

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## IN THE NEXT ISSUE:

**John Allison on Entrepreneurial  
Banking**

