OPEN BOOK APPLICATION AS A STRATEGIC MANAGEMENT TOOL

Hatice SARAY [19]
Gergana NIKOLOVA[20]
Mehmet Burak CERAN[21]

Abstract: *Along with the information age accelerating its development towards the end of the twentieth century, rapid changes and innovations are being experienced in the business world. Several factors such as competition increasing with the influence of the globalization, changes in the customer characteristics, advances in technology and increasing uncertainty have made the businesses' ensuring their continuity difficult day by day. Therefore, businesses should give importance to development and change and be open to new approaches in their administrative activities in order to have a structure which will get an edge over their competitors in the future. Strategic Management, one of these approaches, is a management process that enables the businesses to develop correct strategies for achieving their goals and assess the results applying these strategies effectively. There are some tools, techniques and approaches, prominent in the successful implementation of the chosen strategies, at different stages of the strategic management process. One of them is Open Book Management (OBM) which is new and quite a radical concept of management. OBM refers to the opening of the entity's financial records, expenses and profitability sources to employees. In this study, Open Book Management's being converted to a successful strategic management tool has been addressed.*

Key Words: *Strategic Management, Open Book Management, Information Sharing*

Introduction

Managerial, social, political, and economical changes and developments that occur in the present day organizations show the classic managerial understanding and practices to be inadequate for responding modern principles and necessaries in 2000's. In the face of a wild competition that emerges by globalization, rapid technological change, new emerging markets, and changing of customer's expectations across the world, organizations need to think more strategically (Ramazanoglu and Bahceci, 2006: 52). Strategic management, in this context, is a discipline providing some benefits for managers who try to realize their goals, know where they want to arrive, and determine

[19] Lecturer, Selcuk University
[20] Ass. Prof. Dr., Burgas Free University
[21] Lecturer, Phd Candidate, Selcuk University

their aims before. It is unavoidable to benefit from convenient tools to take proper decisions according to information that will be obtained from the assessments by seeing future and making various evaluations for the future (Akgemci, 2007: 49).

1.Strategic Management

Strategy etymologically means “Guiding, directing, sending, taking, and herding.” This word was used firstly in the field of military. It is the science of planning and managing a military operation to be performed for winning in a war. Andrews describes strategy in terms of management as “the complete of goals, aims, and tasks, which describe which business a management does and wants to do, what a kind of management is a management or wants to be, and a name given the necessary methods to materialize them” (http://www.ozyazilim.com, 2014). Strategy, with regards to Akgemci, is “the determination of weak and strong sides of managements in taking opportunities and threats into consideration, and the process of positioning, deciding, and practicing to provide a competitive advantage for a management” (Akgemci, 2007: 4).

Strategy is to determine long-termed goals and aims in the management and prepare the suited activity programmes after assigning necessary resources for performing these goals (Kadioglu, 2009: 11). Strategy, according to another definition, is to fix the direction and objectives of the management after analyzing the relationships between the management and its environment, determine the activities to perform them, and assigning necessary resources to reorganize the organization (Yilmaz, 2007: 6).

Strategy in the management science means the ways that an organization follows to reach its objectives (Aksoy, 2006: 5). Strategic management in this context is the whole of decisions and activities towards developing, applying, and controlling some effective strategies by assessing their results (Akgemci, 2007: 7).

Strategic management is a part of general managerial process of managements. Planning, organizing, directing, coordinating, and auditing, which are the basic functions of the business management, do not change also in the strategic management, but these functions and approaches focus on the external environment (Ozutku, 1999: 30). Environmental analysis contains strategic formulation (strategic or long-termed planning), strategic practice, assessment, and control activities (Efil, 2013: 16). Strategic management, according to Uysal, “analyzes the external environment of the management (competitors, trading-market, products, customers, brokers, suppliers) and takes some decisions related to the future of management” (Uysal, 2014: 2). Strategic management integrates various functions in itself. Perfection in a range consisting of functional expertise definitely is a fundamental necessity to success in the competitive global market of the present day (Akdemir, 2012: 324).

Strategic management is a process that enables all managements in the private or public sectors to determine the future goals and aims and fix necessary transactions for achieving these aims (Dogan and Demiral, 2008: 15).

Under these definitions, we can express the characteristics of strategic management like the following (Uysal, 2014: 3):

- Strategic management is under the task and responsibility of the top management. At the same time, it guides and leads the low-level managers and provides the goal congruence.
- Strategic management is concerned with the using and distributing of managerial resources towards the objective.
- Strategic management is a managerial process that focuses on the long-termed activities and conclusions.
- Strategic management analyzes the external environment that threats itself for the management to survive.

The Process of Strategic Management

The process of strategic management starts firstly by having a strategic conscious. Then it continues with the selection of strategies, the phase of strategic analysis, the determination of visions-missions and goals in the phase of strategic guidance, the formation of strategy, and the application and control of strategies (Birinci, 2012: 23). The process moves from the top levels to the lower levels. Despite deciding the strategic direction of organization is under the responsibility of the top-level managers, information about internal and external environment is obtained mostly from the departmental managers and other managerial groups (Guclu, 2003: 76).

Aktan examines the process of strategic management in dividing it into three different phases (Aktan, 2008: 9).

1. The Development of Strategies and the Phase of Strategic Planning: In this phase, it is made a SWOT analysis by the top management towards assessing internal and external states in the organization. With this phase again, the visional and missional declarations of the organization are prepared, and the common goals, principles, and values are put forwards in the organization. The most important matter in the strategic planning is to take strategic decisions and to make the selections of strategy.

2. The Application of Strategy: By the second phase, it is passed into the application of strategies especially in cooperation with the middle-level managers under the responsibility of the top management.

3. The Review and Audit of Strategies Applied: Reviewing the results of applications made in the third phase, it is gone to change in the strategic planning, if needs.

With regards of Efil, the strategic management consists of these phases (Efil, 2013: 272):

1. The Phase of Environmental Analysis: It screens opportunities and threats emerging from the top managerial organization and the weak and strong ways that it includes internally. The goal is to determine the strategic factors having an importance for the future of management.

2. The Phase of Strategy Development: Moving from the findings gotten from environmental analyses; it refers to the development of the long-termed plans to provide an organization for having a competitive advantage and preserving its present advantageous position.

3. The Application Phase of Strategies: The strategies and policies fixed are put into practice by the prepared programmes, budgets, and procedures. This phase is also called as "operational planning," and it provides strategies to be reflected on daily activities.

4. The Phase of Evaluation and Control: It contains the results to be wanted to reach and the comparison of *de facto* results. Its objective is to measure the performing states of the aims and to put some regulative activities into operation when a deviation is determined.

Strategic management help that managements revise itself, determine the difference between its competitors, take precautions against its deficiencies, and have perfection in the fields in which it is powerful. The managements deprived of strategic management are unable to use their financial capitals and human resources effectively and they can base their decisions on daily policies instead of visional necessities and negatively affect from conjunctural waves (Ogut and et al., 2004: 282).

Jauch and Glueck summarize the contributions of strategic management to managements like so (Jauch and Glueck, 1989: 18):

- Strategic management allows organizations to foresee the changeable situations;
- Strategic management provides some open objectives and inclinations;
- The research under the strategic management provides a progressing so that the process can help managers;
- The works performed by strategic management are more effective.
- Strategic management is a way to systemize business decisions;
- Strategic management helps managers to examine basic problems of a company;
- Strategic management helps communications of company, coordination of individual projects, allocation of resources, and development of short-termed planning like a budget.

The Strategic Management Instruments

There are many instruments and techniques that managements are able to use while they are adapting and applying the strategic management as an effective model of management to provide a competitive advantage. Managements, via these instruments, methods, and techniques, find an opportunity of behaving inside a scientific and definite system rather than randomly to define problems related to both themselves and environment and find some solutions for them (Sucu, 2010: 122). Some of these instruments, methods, and techniques are the following:

SWOT Analysis: It is a strategic planning instrument which matches strong and weak sides of organization with external opportunities and threats. It is based on the understanding that it is unavoidable to form a beneficial strategy for taking one to an organizations success, if strong and weak sides of managers are carefully examined together with threats and opportunities. If the factors in the external environment of management are examined, opportunities and threats; if an internal analysis is performed, it is fixed strong and weak sides of management (Akgemci, 2007: 111).

Portfolio Analyses: Portfolio analyses are made generally by matrixes. These matrixes help how a strategy managements need to follow in the market and on which fields they need to invest. Portfolio analysis is the process of evaluating each strategic occupational unit according to various measurements by the aim of showing a way for the selection of managerial strategies, and in estimating the benefit that these will provide for managements in the future. In other words, it is an instrument to be of use for revealing what it can be done in according to marketing position, competitive advantage, market share, and marketing attractiveness of management (Cetinkaya, 2006: 63).

Search Conference: It is a technique of contribution towards constituting a common sense in an organization. A search conference can be performed with many various justifications. As it can be made a search conference to determine the vision and mission in the organization, it can be performed a search conference to determine the problems in the organization and in finding the solutions concerned with itself for preparing strategic planning, too (Aktan, 2008: 8).

Balanced Scorecard: The method of balanced scorecard offers effective solutions for the problems of failure in the strategic applications, which the managements of information societies come face to face, and of inadequacy of traditional performance systems, and it contributes to managements to achieve their goals. Introducing a framework that visions, missions, and strategies of managements are translated into the performance measurements including non-financial measurements, it aims at offering a solution inclined towards the problems that managements experience in the field of performance assessment (Guner, 2008: 250).

Delphi Technique: Delphi, which is called as an instrument of arriving at agreement, is a technique that systematically achieves the expert opinions related to a problematic state. In the Delphi technique, it is aimed that individuals and groups who look at a problematic state from different perspectives come to agreement without coming face to face, by Delphi technique. In other words, it is to build a structure for a group of individual effectively to communicate with it for dealing with complex problems. By Delphi technique, it is targeted to benefit from the ingenuities of contributors besides their different viewpoints (Sahin, 2011: 216).

Benefit-Cost Analysis: It can be defined the process of measuring and weighting the expected costs on the opposite of the expected benefits to determine the most good or beneficial kind of behavior or style of movement. It is made an examination whether or not the managerial activities are worthy of being done in estimating and deciding the monetary equivalents of benefit and cost of managerial activities by the benefit-cost analysis (Sucu, 2010: 125).

Risk Analysis: These are analyses to be done for determining how risky investments to be made are. Risk analyses consist of some analyses like "economical-financial risk", "political risk", "country risk" etc. In recent years, risk analyses are made particularly in foreign capital investments widely. The number of rating organizations that make credit assessments and risk analysis for countries in external debt has rapidly increased at recent times (Aktan, 2008: 9).

Benchmarking: It is a managerial process that continuously renews and foresees that managements adapt the best applications into the conditions, structure, objective, and culture of their own managements without differentiating between sectors and giving any place to counterfeit in comparing with other managements. It provides that the managements wanting to develop their forms of business analyze the best applications and adapt them into their own activities. Benchmarking is a process in which new transactions and systems are put into effect and improvement strategies, applications, goods and services are measured under the basis of '*the best in its class*' to develop productivity and quality" (Dogan and Demiral, 2008: 5).

The Use of External Source: It is a managerial strategy that gives opportunities to managements to focus on activities which they have a basic capability to provide itself for competitive advantage and provide activities, which are not under their own fields of expertise and capability, by managements out of organization. The use of external source, in other words, means that the management focuses on the business done by them at best and provides other activities from external sources (Quinn and et al., 1990: 60).

Q-Sort Analysis Technique: It is a technique used for determining priorities among alternatives in the selection of strategy. In Q-Sort Analysis, it is sorted by the most and the least important matters and tried to fix an order of priority (Yilmaz, 2007: 66).

Open Book Management (OBM): This is a frame concept that provides the functionality of tools like Strategic Management, Total Quality Management, Risk Management, Benchmarking, and Reorganization. In our study, this concept is treated in details because of its importance on the subject (Kaya, 2013).

4. Open Book Management: Open Book Management (OBM) is an open, participatory, and democratic managerial understanding that all employees –manager or worker– focus on the management to earn money and they inform their employees by going far from the understanding "Boss knows!" and strengthen them by authorities. In this understanding, it is under the responsibility of not only managers but also everybody in the management on how a management is, where its problems emerge from if there is, and what kind of precautions it needs to be taken (Aydemir, 1999: 68).

If it needs to share a wider definition; OBM is a *managerial philosophy* meaning that it is regularly shared financial information and tables about performance of company with workers, given educations for workers to understand what this information means, how a management earns money and how their own efforts affect the success/unsuccess of management, authorized the workers to take important managerial decisions using the information shared with themselves, provided them how to behave as if a reliable sharer of company, and given a share or an award for workers from the success of company that they contribute to achieve (Olcer, 2005: 123).

OBM is a new and a very radical managerial concept, which has been known since 1990's but started to be popular by 2012. The person who bandied the concept at first is John Case, and the person who provided the concept to be popular is Jack Stack, who is a businessman coming from the practice as a manager. The company, which firstly applied the concept and succeeded, is SRC Holdings that is the company of Stack (Kaya, 2013). Jack Stack, who is Director General and CEO of *Springfield Remanufacturing Corporation* (SRC), which is one of the examples that succeeded the adaptation of OBM into its process in practice, is one of the leading names who considerably contributed to Open Book Management. In the broadening of OBM applications, it plays an important role that SRC is a model for this matter and the participation to seminars arranged by Stack becomes large, and several entrepreneur managements adapt the principles of open book management, succeed in it since their establishment, and get a competitive advantage with it (Acikgoz and Saban, 2008: 140).

Jack Stack transformed the philosophy of Open Book Management into a model called by him as "*The Great Game of Business*." This model has three rules (Kaya, 2013):

– Know and teach the rules: All employees should be taught the criterions of company's success and some techniques to read and understand them.

– Go into action: All employees should work, knowing what they have to do better in their own fields and what they will get if they do, under the light of information that they achieve.

– Give a responsibility on the results: All employees should be interested in the activity results of company and affected from these results. Namely, they should have a say in the success or unsuccess of company and get their shares in it.

The common opinions in the principles of OBM can be expressed like the following manner (Efil, 2013: 277-278).

1. It should be adapted the understanding which employees and managers are members of the same team.
2. Opening the books, financial and transactional information should be shared with employees.
3. It should be taught the employees how to understand and interpret the financial data.
4. It should be showed the effects of businesses, done by them, on the financial results, obtained by the management, for employees. This principle associates analysis of financial tables with individual efforts.
5. Non-financial criterions should be associated with financial results. It is determined the aims in the mentioned fields together with employees to follow financial reflections of non-financial criterions used for the performance assessment such as duly delivery, quantity of output, quality of product, customer's satisfaction, and customer services.
6. It should be fixed the priority of fields that have a preferential role in the success of company, and the employees should be empowered by the aim of providing improvements under these fields.
7. Management and employees should collectively review the obtained results, and the effects of employees on these results should be discussed.
8. It should be declared the achieved performance results on the visible places of the company by the help of visual instruments like graphics, and the successes should be informed the organization.
9. It should be distributed the premium awards to employees on the grounds of the contribution that they make to the financial outputs.
10. The ownership of management should be shared with employees. The importance attached to the short-termed premium payments decreases because employees are turned into one each owner of management in benefitting from

various financial instruments, and employees can follow how the stock certificates raise in value while the management grows.

OBM is criticized in practice differently. These can be briefed like this (Aydemir, 1999: 73-75).

The Risk of Leaking of Managerial Secrets to Competitors: It is a worry that financial information shared with workers will lead to lose competitive advantage of management in the hand of rivals.

The Problems of Education, Time, and Cost: The education of workers needs an important time and investment on business management and analysis of financial data.

The Problems Related to the Awarding of Workers: The justness of salary system is tied to the accuracy of performance measuring system and to how clear and net the contributions to general results are followed.

The Matters on Relationships between Manager and Workers: Managers should be ready for managing this new type of worker who asks, discusses, questions, and objects contrary to classic workers who only receive orders in passive.

The Problems of Accounting and Financing: The employees in the department of accounting are loaded with a charge of educating the workers in other departments on accounting and financing and making financial tables understandable for workers to be able to understand and use.

5. The Open Book Application as an Instrument of Strategic Management

Because intellectual capital has gained importance day by day and been a distinctive feature of organizations in the increasing competitive conditions, keeping employees in the organization has been an obligation. The unique way of keeping workers, who have a big informational background, in the organization under the competitive conditions is not only money surely. It appears that some qualified labor force leaves from the organizations for some reasons and accepts to work in another organization with a lower salary. One of its most important reasons is the failure of organization and its managers to keep employees in the organization (Dogan and Kilic, 2007: 38).

Immaterial entities, capabilities conforming to high technology, and human capital are seen as a resource of making a fortune because of evolutional developments in technology, and OBM is treated as an instrument to benefit from human resource in optimum. The effective using and managing of immaterial entities is linked with the effective using of human resource as a value based on knowledge and in the employee empowerment. The accounting and financing functions of managements, in the context of information management, play a key role to optimize organizational performance via human resource (Acikgoz and Saban, 2008: 139). Tom Peters emphasizes that the underlying secret of this power of managements that keep its success for a long time in spite of tens of temporary fashions of management is brave leaders, and additionally, the managerial understanding far from centralism, the employee empowerment, the being passionate to produce the best product, and the having of a perfect system are important sustainable competitive advantages (Aydemir, 1999: 76).

The possible benefits to be achieved as a result of an effective OBM can be briefed like the following (Akgemci, 2007: 50):

- A more rapid increment in managerial incomes;
- A speeder growth;
- An increment at sales more than competitors;
- A more effective occupational satisfaction for employees;
- An effective communication between managers and employees;
- An increment at labor safety;
- Understanding the professional processes, internal/external value chain, weak and strong sides of the managements in a better way and transforming the information obtained from it into a competitive instrument;
- It empowers workers by suggesting a feeling of self-confidence. In this way, it helps that workers use the information, which is introduced to them, in a more constructive and take better decisions.

The most important elements playing a role for the success of OBM can be expressed as the manners of company's leaders, the characteristics of workers, the profitableness of present applications, the adaptation of OBM principles by managements into their own conditions, the levels of loyalty of workers to the programme, and the equal sharing of the rewards (Olcer, 2005: 138).

Conclusion

OBM, which is in a junction point of the disciplines of accounting and management, is a human-based managerial technique that increases the functionality of Strategic Management and livens up other modern managerial techniques. OBM, which includes some concepts like employee empowerment, organizational dependence, education, salary, motivation, information management, and performance assessment, raises up the chance of success of instruments such as Strategic Management, Total Quality Management, Risk Management, and Employee Empowerment.

With John Case's word, "what changing with OBM is some forms of thinking and going into action. The main structure does change or not change. Nevertheless, the Open Book Application does not make everybody equal, but reckons the permanent employees working in the company as a sharer of the business" (www.acikders.com, 2014).

REFERENCES

AÇIKGÖZ, B., ŞABAN M., (2008), Yeni Bir Yönetim Aracı: Defterleri Açmak, İş-Güç "Endüstri İlişkileri ve İnsan Kaynakları Dergisi", Vol 10, Num 4

AKDEMIR, A., (2012), İşletmeciliğin Temel Bilgileri, Ekin Basım Yayın, Bursa

AKGEMCI T., (2007), Stratejik Yönetim, Gazi Kitabevi, Ankara

AKSOY, S., (2006), Stratejik Planlama Çalışmalarının Çalışanlara Yansıması: Hacettepe Örneği, Yayınlanmamış Yüksek Lisans Tezi, Hacettepe Üniversitesi SBE, Ankara

AKTAN, C.C. (2008), Stratejik Yönetim ve Stratejik Planlama, www.ceis.org.tr/dergiDocs/makale132.pdf

AYDEMIR, M., (1999), Açık Defter Yönetimi (Open Book Management) Yeni Bir Yönetim Modası Mıdır?, Dokuz Eylül Üniversitesi, SBE Dergisi, Num 1

KAYA, B., http://bertankaya.net/2013/12/22/acik-yonetim-open-book-management-nedir-kurumsal-dertlere-care-olabilir-mi/, Access Date: (22.12.2013)

BIRINCI, M., (2012), Türkiye'de Üniversitelerin Stratejik Yönetim Uygulamalarının Kurumsal Performansa Etkileri: Devlet Ve Vakıf Üniversitelerinin Karşılaştırmalı Analizi, Yayınlanmamış Doktora Tezi, Beykent Üniversitesi SBE, İstanbul

ÇETINKAYA, Ö., (2006), Rekabet Stratejilerinin Belirlenmesinde Portföy Analizi Ve Tariş Üzerine Bir Araştırma, Gazi Üniversitesi İİBF Dergisi 8/3

DOĞAN, S., Demiral, Ö., (2008), İşletmelerde Stratejik Yönetimin Etkinliğini Artırmada Önemli Bir Araç: Benchmarkıng, Zonguldak Karabük Üniversitesi, Sosyal Bilimler Dergisi, Vol 4, Num 7

DOĞAN, S., Kılıç, S., (2007), Örgütsel Bağlılığın Sağlanmasında Personel Örgütsel Bağlılığın Sağlanmasında Personel Güçlendirmenin Yeri Ve Önemi güçlendirmenin Yeri Ve Önemi, Erciyes Üniversitesi İİBF Dergisi, Num 29

EFIL, İ., (2013), İşletmelerde Yönetim ve Organizasyon, Dora Basım Yayın, Bursa

ÖLÇER, F., (2005), Açık Defter Yönetimi İşletmelerde Uygulanması ve Başarı Koşulları, Gazi Üniversitesi İİBF Dergisi, 7/1

GÜÇLÜ, N., (2003), Stratejik Yönetim, Gazi Eğitim Fakültesi Dergisi Vol 23, Num 2

GÜNER, M.F., (2008), Bir Stratejik Yönetim Modeli Olarak Balanced Scorecard, Gazi Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi 10/1

JAUCH, L., GLUECK, W., (1989), Strategic Management and Business Policy. New YorkKadıoğlu, İ.A., (2009), Kamu Ve Özel Sektörde Stratejik Yönetim Anlayış Ve Süreçlerinin Karşılaştırılması, Sakarya Üniversitesi SBE, Sakarya

ÖĞÜT, A., AKGEMCI, T., DEMIRSEL, M.T., (2004), Stratejik İnsan Kaynakları Yönetimi Bağlamında Örgütlerde İşgören Motivasyonu Süreci, Selçuk Üniversitesi SBE Dergisi

ÖZUTKU, H., (1999), İnsan Kaynakları Yönetiminin Stratejik Açıdan İncelenmesi, Yayınlanmamış Doktora Tezi, Afyon Kocatepe Üniversitesi, Afyon

QUINN, J. B., DOORLEY, T. L. and PAGUETTE, P. C., (1990), "Beyond Products: Services-Based Strategy", Harvard Business Review, 60, March-April.

RAMAZANOĞLU, F., BAHÇECI B.,(2006), Örgütlerde Vizyon Ve Misyon Kavramı, Doğu Anadolu Bölgesi Araştırmaları, web.firat.edu.tr/.../11%20örgütlerde%20vizyon%20ve%20misyon

SUCU, M. E., (2010), KOBİ'lerde Stratejik Yönetim Ve Bir Araştırma, Pamukkale Üniversitesi SBE, Yayınlanmamış Yüksek Lisans Tezi, Denizli

ŞAHIN, A. E., (2001), Eğitim Araştırmalarında Delphi Tekniği Ve Kullanımı, Hacettepe Üniversitesi Eğitim Fakültesi Dergisi 20

UYSAL, Gürhan, Stratejik Yönetim, http://www.bafrakidem.org/kitap/kitap_icerikleri/stratejik_yonetim.pdf, Access Date: (05.04.2014) www.acikders.org.tr/file.php/119/LectureNotes/11.pdf, Access Date: 15. 04.2014

YILMAZ, M. L., (2007), İlk 500'de Faaliyet Gösteren Konya'daki İşletmelerin Stratejik Yönetime Bakış Açıları, Sorunları Ve Çözüm Önerileri, Yayınlanmamış Yüksek Lisans Tezi, Selçuk Üniversitesi SBE, Konya http://www.ozyazilim.com/ozgur/marmara/uluslararasi/stratejikplan.htm, Access Date: (01.03.2014)