**Jack Stack, SRC Holdings**

Bo Burlingham |

The first time I met [Jack Stack](http://www.inc.com/topic/Jack%2BStack), in May 1988, he was doing a presentation at an Inc. 500 conference in [Cleveland](http://www.inc.com/topic/Cleveland). His topic was "The Great Game of Business," which was the name he'd given to the management system he'd developed with his colleagues at the [Springfield Remanufacturing Corp.](http://www.inc.com/topic/Springfield%2BRemanufacturing%2BCorp.) (SRC) in [Springfield, Mo.](http://www.inc.com/topic/Springfield%2B%28Missouri%29) The system **involved teaching employees the basics of finance and then providing them with all the information they needed to monitor the company's--and their own--performance.** The term "open-book management" had not yet been coined to describe such practices, but that didn't keep the conference attendees from recognizing the radical implications of Stack's approach. Judging by the comments, a lot of them thought he was out of his mind.

Stack did not, in fact, look the part of a business revolutionary, or even an experienced entrepreneur. He was 39 years old at the time and appeared 10 years younger, with a mop of reddish-brown hair and the map of [Ireland](http://www.inc.com/topic/Ireland) on his face. The son of a former baseball player turned industrial engineer; he'd gotten his business education while working his way up from mail boy at International Harvester's [Melrose Park](http://www.inc.com/topic/Melrose%2BPark) plant, outside [Chicago](http://www.inc.com/topic/Chicago). In person, he didn't have any of the larger-than-life qualities you might expect in a visionary CEO. Not that he seemed smaller than life. Rather, he was just about life-size, the sort of guy you'd meet in a bar or at your kid's [Little League](http://www.inc.com/topic/Little%2BLeague%2BBaseball%2BInc.) game--a regular Joe or, in this case, a regular Jack.

And yet he was clearly on to something with his new management system. In five years, SRC's "game" had turned the company from a nearly brain-dead start-up with an 89-to-1 debt-to-equity ratio into a steadily profitable $43 million enterprise with a debt-to-equity ratio of 1.8 to 1. Meanwhile, the appraised value of SRC stock had soared to $13.06 per share from 10 cents per share at the company's founding--an increase of almost 13,000%.

Following the conference, I decided I had to see for myself how the Great Game of Business worked. That fall, I paid my first visit to SRC and took my first tour of its main facility. There I found the most highly motivated and business-savvy work force I had ever encountered. I met fuel-injection-pump rebuilders who knew the gross margins of every nozzle and pump they produced. I met crankshaft grinders and engine assemblers who could discuss the ROI of their machine tools. I met a guy who worked on turbochargers and ran his area as if it were his own small business. Then again, why shouldn't he? Like the other employees, he was an owner of SRC.

I returned home convinced that I had seen the future of business. Somehow, Stack had figured out how to tap into the most underutilized resource available to a company--namely, the intelligence of the people who work for it--and the results were breathtaking. When Inc. staff members were asked to write about their favorite companies for the magazine's 10th anniversary issue, I didn't hesitate to devote my segment to SRC. Its management system was so effective, I believed, that the company virtually ran itself. Consequently, no one was indispensable, not even Jack Stack.

That assessment turned out to be wildly premature. SRC was only at the beginning of its journey, and Stack was as indispensable as ever. Indeed, his greatest challenge lay ahead. He and his colleagues had built a fine company that provided meaningful work for employees, truly valued them as human beings, and promised them a share of the rewards that capitalism offers to the creators of wealth, but it’s one thing to promise and quite another to deliver. Where would the money come from to cash out those employees as they left? How could Stack live up to his fiduciary responsibilities without either selling the company or smothering it in debt?

Over the next 15 years, I had an opportunity to watch up close as Stack wrestled with those questions and others. In the course of writing two books, we wound up spending a lot of time together in Springfield and elsewhere. He had become something of a celebrity, as hundreds of companies began practicing open-book management. Many came seeking his advice, and he seldom turned anybody down. But he never let his attention stray too far from SRC and the people who worked there. "What we're doing here," he said, "is helping a lot of people get through life." It was a responsibility he never stopped working on.

Today SRC is a far different business from the one I visited in 1988. In fact, it isn't one business anymore, but rather more than a dozen separate businesses operating under the umbrella of [SRC Holdings Corp.](http://www.inc.com/topic/SRC%2BHoldings%2BCorp.) The company as a whole does about $178 million in sales, and that 10 cent share of stock is worth $87.36. Yet some things haven't changed. People still play the Great Game of Business, which has continued to evolve. And while 10 of the 13 founders have cashed out, Stack remains.

For the moment, he's still indispensable, although it's possible to foresee a time when he won't be. Succession plans are in place. Various options have been developed that should allow the next generation to retain ownership--and control--of the business if they want to. So there's a decent chance that when Stack leaves, SRC will go on without him, keeping the qualities that made it such an extraordinary company in the first place. But even if that doesn't happen, Stack will have left an indelible mark on the business world, having proved that you can run a company by the numbers and still make it a great place to work.--[*Bo Burlingham*](http://www.inc.com/topic/Bo%2BBurlingham)

**Questions:**

1. **What type of leadership style does he exhibit?**

Jack Stack exhibits a democratic leadership, also known as participative leadership. It is a type of [leadership style](http://psychology.about.com/od/leadership/a/leadstyles.htm) in which members of the group take a more participative role in the decision-making process. The leader takes the input of the followers into account. These leaders encourage participation and contributions from group members and make the group members feel the sense of “ownership”, hence making them feel more relevant and become committed to the decision-making process.

Such is Jack Stacks’ “Game”. The lines from the article that will support Jack Stack’s participative leadership style are as follows: John Stack’s system *“involved teaching employees the basics of finance and then providing them with all the information they needed to monitor the company's--and their own--performance… The company virtually ran itself... each employee runs his area as if it were his own small business… no one was indispensable, not even Jack Stack… the workers are the most highly motivated and business-savvy work force…”*

**2. What are the characteristics of his leadership style?**

In democratic/participative leadership, the roles and the responsibilities attached to the role are well-defined and clear to the employees. The employees are highly empowered that they perform their job freely according to their own self-imposed standards. There are no lines of distinction between the leader/s and the followers, because they perceived themselves as a “team”, each having a distinct role to play for the attainment of the common goal. Members become creative in their performance, not necessarily bound by fixed rules and processes.

Some of the primary characteristics of democratic leadership include:

1. *Group members are encouraged to share ideas and opinions, even though the leader retains the final say over decisions.*

Jack Stack retains to be the leader, but “Somehow Stack had figured out how to tap into the most underutilized resource available to a company--namely, the intelligence of the people who work for it--and the results were breathtaking.”

1. *Members of the group feel more engaged in the process.*

Stack inspired the employees to perform their respective jobs. “Its management system was so effective, I believed, that the company virtually ran itself. Consequently, no one was indispensable, not even Jack Stack.”

1. *Creativity is encouraged and rewarded.*

Jack Stack trains and develops his employees then allows them to share in decision making and monitoring of their own performance, and he also encouraged “creativity. “ He and his colleagues had built a fine company that provided meaningful work for employees, truly valued them as human beings, and promised them a share of the rewards that capitalism offers to the creators of wealth. “

**3. What leadership qualities does he demonstrate?**

Jack stack strongly demonstrated the qualities of a democratic leader. Firstly, he respects individual freedom and rights. “He and his colleagues had built a fine company that provided meaningful work for employees, truly valued them as human beings, and promised them a share of the rewards that capitalism offers to the creators of wealth.”

Secondly, he recognized the talents and skill of the employees and he empowered them to be leaders. He “*Various options have been developed that should allow the next generation to retain ownership--and control--of the business, if they want to. So there's a decent chance that when Stack leaves, SRC will go on without him, keeping the qualities that made it such an extraordinary company in the first place…Stack will have left an indelible mark on the business world, having proved that you can run a company by the numbers and still make it a great place to work.”*

Thirdly, Jack Stack is benevolent and helpful of other leaders. He wants others also to succeed. He does not keep his knowledge as a secret. He shares his system with others. "What we're doing here," he said, "is helping a lot of people get through life." It was a responsibility he never stopped working on… So there's a decent chance that when Stack leaves, SRC will go on without him, keeping the qualities that made it such an extraordinary company in the first place.

**4. Could you work for an individual like this and would you thrive in this type of environment?**

 **If yes why do you feel you would be a valuable member of the team?**

Of course YES. Democratic/participative Leadership is more in tune with human nature. Man was created “equal “; all with human dignity. However, no two persons are the same because every personality is unique. In participative leadership, every person is respected for his uniqueness, and is given the freedom to excel in his own way. In a democratic environment, the members work as a “team “. Every member is valuable, because, no matter how small the person’s share is, that share has a purpose.

With democratic leadership, every piece of work is a joy. A happy environment is conducive to productivity. Both the leader and members work as a team, each with a specific role assigned according to their talents and capacity. Every member is as valuable as the rest. Commitment to perform (group morale) is very high because no one dares to fail, for the failure of one is a failure of all. In like manner, the success of one is the success of the whole group. The lowest member in the rank and file is as important as the member in the leadership position.

Because group members are encouraged to share their thoughts, democratic leadership can lead to better ideas and more creative solutions to problems. Group members also feel more involved and committed to projects, making them more likely to care about the end results. Research on leadership styles has shown that democratic leadership leads to higher productivity among group members.

However, democratic leadership has some potential limitations. If the roles are unclear or time is of the essence, it can lead to communication failures and uncompleted projects. In some cases, group members may not have the necessary knowledge or expertise to make quality contributions to the decision-making process.

Democratic leadership works best in situations where group members are skilled and eager to share their knowledge. It is also important to have plenty of time to allow people to contribute, develop a plan, and then vote on the best course of action. That is why, a democratic leader, like what Jack Stack did, has to teach the employees and provide them constant training (continuous personnel training and development) to master their skills.

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