

INTERVIEW WITH Norman L. Rodriques, President of Springfield Spring Corporation and recent recipient of The All-Star Award from The Great Game of Business (www.greatgame.com)

De Feo: Hello, today we have Norman Rodriques, President of Springfield Spring. Recently, Norm won the 18th Annual Gathering of the Games' recognition in St. Louis, Missouri. Welcome Norm.

Rodriques: Thank you very much Joe, proud to be here.

De Feo: So Norm, tell us a little bit about what the Gathering of the Games are?

Rodriques: This was the 18th Gathering of the Games; this is a conference that is held every year in St. Louis, sponsored by the Great Game of Business, which is www.greatgame.com. The Great Game of Business is an organization, whereby, if you are a practicing open-book managed company in the U.S. and you are looking for a reference place to go and obtain information on how to improve or practice your open-book management company differently or with different resources you would contact the Great Game of Business. They have reading periodicals and a variety of things related to open book management.

De Feo: Norm, why did you receive this recognition? What did your company do that was so different than all the other companies out there?

Rodriques: We've been playing what we call the business game for almost 8 years now, and that is as an open-book managed company it has transformed how our company grows. When I talk about growth, I talk about how our company grows both in sales and in profits. We were recognized by the Great Game of Business because in 2009, which was one of the most difficult years in 75 years in this recession, our company actually lost sales by 10%, but we increased our profit by 52%. We've been attending the Great Gathering for the past 3 years; they sent an application to 100s of companies to see if they wanted to apply for their All Star Award. We chose to apply and when they read our story and saw our performance we were then brought into another group of companies that were now competing for what was called the All Star Award.

De Feo: I had the pleasure of attending the Gathering of the Games with you, and I was surprised to see the variety of businesses, ranging from Mom and Pop stores to a hair salon that also received recognition. Tell us a little bit about your company, Springfield Spring.

Rodriques: Springfield Spring was established in 1942. I bought the company in 1986, and then bought out my senior partners in 2000. Springfield Spring manufactures precision-engineered springs wire-formed stampings. Our corporate headquarters is in East Longmeadow, MA, and we have a sister division in Bristol, CT. We ship to customers around the USA, Mexico, and Canada every week. We do

business with some of the largest companies in the country such as: Eaton Electrical, Square D, Covidien Medical, Cook Medical, Atrium Windows, and Cooper Lighting. We are very diverse in the customers we service. The company has had incremental growth year after year for the past 7 to 8 years.

De Feo: You are also a minority business enterprise, as well a small disadvantage business enterprise. Have you found that the Game of Business has helped you compete against larger firms?

Rodrigues: One-hundred percent. The Great Game of Business has taught the employees of the company to think and act like owners. What I mean by that is that just because I'm the President of the company, why does everything need to fall on my shoulders? There was a disconnect that I saw years ago. It became clear to me that my employees needed to understand what it was that they did every day not in terms of what they thought their day to day functions were, but rather and more importantly, how the day to day function correlated to the financial performance of the company. That was the root of why we went down the path of open-book management.

De Feo: You mention you are the president of the company, but your title is CFI, Chief of Fun and Inspiration. Tell us a little bit about that unique title?

Rodrigues: Well, I gave myself that title because what I realized is in order to really lead the company, the goal for Norm Rodrigues was to inspire and motivate the team just like a coach. If the employees understand or could be taught to understand how a company runs financially, then every minute of every hour of every day of every week, quarter and year, they can make the correlation between day to day performance on the floor and day to day performance financially. I realized that my role was not to work in the business but on the business. This is a very difficult thing for a lot of business owners to do. Some of us think that every day our job is to constantly work in the business and all of a sudden the business becomes too much about us and it cripples our employees' ability to make their own decisions.

The open-book management program that we've adopted at Springfield Spring really gave the business back to the employees, where they were rewarded for financial performance. We hand out a piece of pre-tax income every quarter to the employees if they make it. The only thing we don't share financially is our salary, but to be truthful with you, if we did share our salary, who cares. The whole idea behind the open-book management program and the Chief of Fun and Inspiration, is for me to constantly inspire this team to perform as good or better as the day before... just like any athletic team.

De Feo: One of the tenets of open-book management is a clear scorecard that is made available to all employees throughout the organization. Some of the metrics you have on there—book sales, ship sales, sales per employee, direct labor against sales, return on income, and inventory turns—three of them are pretty striking. One, your sales per employee over the last 5 years has gone up about 20% from about

135,000 to 170,000. Your direct labor cost has decreased about 30-35%. Your inventory turns, which when you started were about 15, are now 38. For a manufacturing company those are pretty significant numbers considering that your sales have not increased as fast as you probably would have liked. So, the effect of the open-book management, the sharing of the scorecard, and the method that you use are clearly affecting the metrics of the individual employee versus metrics that can be altered by an executive team shifting numbers around. Clearly you are getting more out of your employees and it is costing you less each time.

Rodrigues: You are right on the money Joe. One of the tenants of an open-book management company is to understand what we say are our critical numbers. Critical numbers are an inherent part of running any business. If I owned a movie theatre, my critical number would be how many people I'm putting in that seat. You develop what we call a line of sight metric, which can easily show people whether you are moving your numbers in the right direction or the wrong direction. Our scorecard is nothing more than a reflection of what we consider our critical numbers. These reflect our performance on a day to day and week to week basis. We capture those numbers and we promote those at a common Business Game Activity board area for employees to see. So what we are really doing is we are building our income statement every week. It's our scorecard—and keeping score allows you to know if you're winning or losing.

De Feo: You also have a profit attack plan in addition to that scorecard. In your presentation that I saw there were a couple phrases that I liked, that everyone has heard, like “a goal without a plan is just a wish.” The scorecard is not just the goal there is a plan behind it. Part of that plan which is particularly good, is the profit attack plan. Can you tell us a little bit about your sales and marketing and how you use open-book management to actually increase customer satisfaction and get more customers?

Rodrigues: Well there are a couple different pieces to that. Obviously the customer is the most critical part of any organization. Every year we create a higher level business plan and that higher level business plan is made up of forecasting what exactly we think we are going to sell and do. That means how much business are we going to book, how much are we going to ship, what is our cost to goods sold number going to be, what is our operating expense going to be. All of those numbers are developed through this higher level plan. When we put that together it creates continuity and accountability throughout the entire organization. It basically becomes our road or path to do what we say we are going to do. The other huge piece of that is utilizing contemporary manufacturing or throughput techniques i.e., Lean Six Sigma, attacking variation, value stream mapping, and many of the things that organizations like Juran have taught. These particular practices have actually helped us do more with less.

De Feo: You are also a practitioner of Juran for at least 15 years that you have been in this business. How would you tell readers of this interview to use the open-book management techniques with the methods of Lean Six Sigma Quality Management? What kind of advice would you give them?

Rodrigues: This is the caveat to this whole thing. If a company utilizes and chooses to embrace changes in their processes which can identify and attack “waste” throughout their entire organization, these improvements should increase throughput, lower costs, and improve profit. It will eventually have to show up on your company’s income statement. If you are making headway meshing those techniques with the “total business processes,” I don’t care if you are in manufacturing or in a service - in an open-book management company you get to see the improvements in your business financially with openly-shared numbers. When you look at my direct labor against sales, this is a direct reflection of my labor costs going down in terms of labor expense and increase in manufacturing throughput. These improvements show up as an increase in the company’s pre-tax income. Bonuses are distributed as a percentage of pre-tax income at Springfield Spring. The old entitlement bonus is replaced by the new performance bonus.

De Feo: In a world of technology, and trying to reduce staffing and labor, your magic profit formula is based around the power of people. How do you explain getting today’s worker, in a very difficult economic environment, to participate even though they know the cost of goods sold is going down? What is the incentive for them?

Rodrigues: When you practice the magic of open-book management you create continuity unlike any other thing that I have seen in business. Why more companies don’t do this is beyond me. The employee becomes part of the fabric of the company’s growth. They get to share and see all the fundamental pieces that pay you and me every single day. We share new customers, we share top customers, we talk about new customers we’re prospecting for, we celebrate our wins with parties, we have banquets, we have balloons, we have cake, and we have guest speakers – like Joe DeFeo. We have continuous celebrating that goes on at this company every month. It’s like one of your kid’s 5th grade birthday parties every single month at our All Hands Meetings. We look to find things that we as individuals are doing right. Just like constructive parenting, we all try to focus on what people are doing right as opposed to what they are doing wrong. Read the book, “Whale Done” by Ken Blanchard to better understand the principle of positive reinforcement. When you define open-book management, it should be called: “Open Culture Management” where everybody has a stake in the outcome of everybody’s actions.

De Feo: I'd like to conclude by describing the t-shirt that Norm wore here today. It probably best describes the Great Game. It says, "It's so easy a CFO can do it." I'd like Norm to end on that note, why is it so easy that a CFO can do it?

Rodrigues: The CFO's role in most companies is to report the numbers to the ownership "after" the numbers are done. You cannot change your numbers when something is reported to you after the activity. There is not a basketball coach in the country that on the ride home on the airplane or bus tries to change the outcome of the game's final score. The lights are off at the arena and everyone has gone home. It is the same analogy...it's too late. The CFO's job in an open-book managed company is to teach all the employees how the company is doing on a day to day and week to week basis. He or she needs to break down the numbers in easily understood language. Ratios can be easily taught and understood. The performance against the yearly financial plan is critical. It's the CFO's role to help identify trends and explain them to the entire organization so things can be fixed before they become deleterious. Put the CFO in the middle of the factory floor instead of the back room. This will really set the tone of his or her importance to the organization. The CFO at Springfield Springs is heavily engaged in helping to create learning tools that allow us to manipulate the actions of what we do to create positive pre-tax income.

De Feo: With that note, I'd like to remind everyone that they can reach Norm Rodrigues for two reasons. One, if you want to learn more about the Great Game of Business, or two, if you need some precision-engineered springs. You can contact him at Norm@springfieldspring.com. I'd like to thank you Norm and hopefully you are a recipient for 2011.