features

financial training for non-financial staff

Management at all levels make decisions on a daily basis, often without a thorough commercial awareness. My concern is, how can a manager make a good commercial decision if he or she does not understand the financial implications? Finance needs to be de-mystified and made accessible so that all managers in a business can make decisions with confidence.

The first step in devising a financial training programme is to decide what you want to gain from the training. We consult with our clients to tailor a programme that meets their objectives. We also meet with the finance department to discuss their level of involvement in the training and whether we can use management accounts as examples. My preference is to have a member of the finance team sitting in the room at the relevant time so that they can answer company-specific questions. In this way, we combine the specialist ability of the presenter with the finance department's knowledge of the company.

Some companies like to 'sheep dip' their managers. We recently put 250 managers through a commercial awareness programme. This company, a mobile phone business, was not trading well and the Operations Director wanted his managers to understand why they had to change the way they were working. This led to other areas of the business wanting the same training. In total we put over 600 managers through the programme, amending it to meet the needs of each business area.

Not all training is for large companies. Smaller companies tend to send individual managers on external training programmes. The programmes may be of some value; however, they are not tailored to the individual needs of the trainees. If a company has a minimum of five or six people to train, it is usually cost-effective for them to have an internal course. We ran a course for a small printing business that was beginning to expand and which felt that its managers needed more business acumen. The programme was tailored to their needs and was so well received that we ran the course for the next level of managers down.

programme content

The content of the programmes will vary with the needs of the company and its trainees, but we always try to start with an assumption that the trainees know nothing about finance. Day 1 then becomes foundation day when they learn about the financial drivers and key performance indicators of the business. We explain profit and cash, capital and revenue expenditure, recognising a sale and identifying accruals. Trainees are taken through the profit and loss account, balance sheet and cash flow statement with case studies that let them understand how the numbers relate to each other. Where possible, we use the company's accounts.

Day 2 is the management accounting day. We start with costing and explain how the company identifies the costs of its products or services. Labour is usually a major cost in the business so we explain the impact of the efficient use of labour by showing how labour costs vary with productivity. The importance of the margin is considered together with the profit/volume relationship, if appropriate. We usually ask the trainees to calculate how much their organisation has to sell in order to pay for their salaries.

The process of budgeting and budgetary control comes next with an introduction to forecasting. So often when you ask a manager for his or her budget, they will give you a piece of paper with numbers on it. Ask where the words are and a blank look appears. Numbers without words are useless, so we explain which words are necessary.

Not many managers understand how they affect the working capital of their company. Few recognise the cost of credit or stock holding. The sales force has a nasty habit of saying "For goodness sake don't upset the customers by asking them to pay!" Plant engineers often

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De-mystifying finance for non-financial staff can result in better commercial decisions and bigger profits, argues Nigel L. Smith.

want to keep spares for every eventuality regardless of how much money this ties up. It's important that managers understand how they can use their influence to affect these issues.

Mention the term discounted cash flow and you can see the glassy-eyed nod appear as trainees try to get to grips with the concept of compound interest done backwards! So we concentrate on their role in providing the information that an accountant needs in order to be able to do the calculations. Return on investment and payback periods are issues that managers usually understand, but so often the proposals that they put forward to management to get capital expenditure don't have the details or alternatives that allow management to make good decisions without seeking clarification. Creating a satisfactory business case can save time and money and lead to better investment decisions.

Interpretation of published accounts is needed by a wider range of people. We have used this course in the insurance industry for brokers and insurers. The focus is on identifying risk both on and off the balance sheet. Credit controllers need to be able to assess credit worth. Surveyors and property consultants need to be able to assess covenant strength for their clients. Mergers and acquisition teams have to be able to do side-by-side comparisons and focus on underlying earnings multiples.

internal or external

Training can be conducted by members of the finance team; however, it usually involves several hours of preparation time. It is often more effective to use professional trainers because they are able to deliver content in a way that is fun and stimulating. They will know when to take a break. They can see the trainee who needs more help. They understand the psychology of learning.

Training can be a wasted experience if the learning is not applied when taken back to the workplace. This is where the commitment of senior managers is vital for the training to succeed. There is a number of ways to ensure the learning is being used. These include practical assignments written up and submitted, distance learning diploma programmes as well as templates and checklists that are part of the company's business practice. Trainees should be briefed and de-briefed by their manager before and after the training to ensure that the training has been useful and relevant.

Financial training for non-financial staff should be part of the development of all managers in a business regardless of academic qualification because, if tailored to the trainees' needs, it will produce better managers. And better managers will produce better profits. ■

Nigel L Smith FCCA FCA, The Financial & Management Training Consultancy

ACCA UK's Professional Courses team provides an in-company training service, tailoring courses to meet the specific needs of clients. One of our most experienced lecturers, Nigel L. Smith delivers a course titled Finance for Non-Financial Managers, designed to improve understanding of financial data, principles and techniques. For more information, please visit http://uk.accaglobal.com/uk/professionalcourses/.

FTC Kaplan's business board game

■ Expecting non-accountants to be gripped by finance is a tall order. So FTC Kaplan has adopted an innovative approach – why not make it fun? Using a business simulation, the Business Board Game (BBG), participants run their own business and see how successful they can be.

They are split into teams, taking over a struggling company. Their mission – to turn the company round and deliver shareholder value!

The teams are in competition; each must look at the 'big picture' – the company's mission and strategy as well as the detail – sales, marketing, production, supply chain and finance. It is interactive – decisions made by one team directly affect the others. Teams must also negotiate with customers, suppliers and banks.

The importance of financial data is stressed. Each quarter, teams prepare financial statements that are used to compare performance.

Finally, each team presents to the shareholders who appointed them. We hear what they did, why they did it and, ultimately, how successful they've been.

The game is popular with clients all over the world, from both industry and commerce. It is used at all levels, induction through to senior management, and proves that learning by doing is not only fun but extremely successful!

FTC Kaplan has also developed a similar game for the public sector, linking resources to objectives. For further details of either game, please contact Phil Todd at p.todd@ftckaplan.com or Neil Vincent on 020 7651 3750. ■

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