

White paper

The Secret That Ate Your Bottom Line





The Secret That Ate Your Bottom Line

There is a secret.

There is a secret in corporate America and in companies all around the world. This secret is causing a cascade of bad decisions, lost profits, unrealized cash flow and unfilled objectives. It is eating away at your bottom lines.

You could label it a pandemic of bad financial outcomes, except for the fact that the “outbreak” has been going strong and gathering momentum for over 60 years – since the introduction of Total Quality Management (TQM) in the 1940’s.

TQM fostered a new corporate paradigm: it is smart to involve managers and workers below the level of a company’s senior team in problem solving and decision making. This revolutionary approach enabled companies to get more innovative ideas faster from the people who were closest to the issues and needed to drive the solution implementation.

This approach ignored a whole block of knowledge.

Work forces were trained in taking action to notice and reduce mistakes, e.g. to achieve Six Sigma or a level of quality where 99.99966% of the products manufactured are statistically expected to be free of defects (3.4 defects per million). At the same time the scorecards, aka financial statements, which summarized and recorded the impact of all that mistake reduction remained an absolute mystery for most of the newly empowered work force.

A critical building block was left out of the “let’s involve as many people as possible” equation. All problems and the results of their solutions are mirrored in the financial metrics and trends found in a company’s financial statements. It makes sense that involving a company’s work force and especially its managers in helping the company solve problems would include training in financial statement basics and intermediate financial analysis and decision making. For the most part, that hasn’t happened.

Financial Decision Maker (FDM) solves these issues:

- We have a revenue problem.
- We need to improve the effectiveness of our managers.
- We want our managers to be more strategic.
- We want to reduce expenses.
- We want to improve our cash flow.
- We want to improve our profitability.

Make better decisions

Expectations of participation and contribution rose exponentially

Expectations of robust, informed participation rose exponentially for managers. At the same time, the financial acumen skill set of most managers remained woefully neglected. According to a nationwide study in the Harvard Business Review, 62% of all corporate financial decisions made by managers are uninformed at best or just plain wrong. The study goes on to say that one of the biggest problems is that a manager's lack of financial decision-making acumen has become a source of career-limiting embarrassment; a dirty little corporate secret.

Your managers are smart, dedicated and have passion for your business. But their secret lack of financial confidence is so deeply buried that they might not even be consciously aware of it.

The secret is nowhere as obvious as in meetings that focus on finance. Notice that many managers seem bored or glazed over during P&L reviews. They look overwhelmed as budgets are reviewed are less than resourceful when you discuss cutting costs. They are hesitant to make or even talk about certain decisions for fear of being wrong or making a mistake.

Fear, boredom, and insecurity are symptoms of a deeper issue.

What is the real problem?

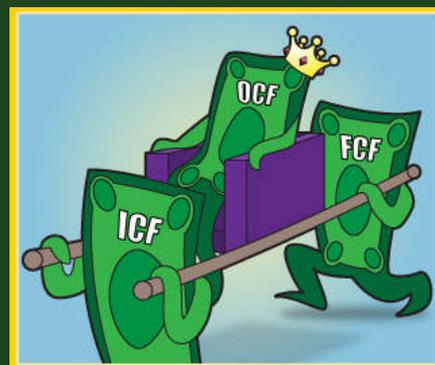
So, the secret is out: most managers don't understand how to make good financial decisions. They don't understand the levers to pull to improve profitability, increase cash flow or drive return. They feel embarrassed for people to know that.

And, it's not their fault. The root of the "bad decisions" epidemic is that financial acumen and the specific skills of understanding financial statements and making good financial decisions have not been taught effectively. Of course, financial skills and tools have been taught in schools, in "finance for non-financial managers" classes or at internal company meetings. Those sessions often teach financial decision making in a way that makes it very difficult for non-financial managers to understand.

This has been validated by recent research in brain science and accelerated learning. Standard training in the mediums mentioned above is tailored for linear learning. According to Target Training International, linear learning only works for 14% of the population. The remaining population learns best with a different form of teaching.

While the fault is not on your manager's side, they feel guilty and they don't want people to know. They are afraid that it will damage their career. The need to hide their lack of knowledge and skill makes them less effective as a manager. Less effective managers miss opportunities.

Would you like to see how you would score on a Financial Acumen Assessment? [Click here](#)



CUSTOM SOLUTIONS

We customize the program for your organization. We use your language, terms, and key metrics so your team knows exactly how to improve your bottom line.

ON-LINE LEARNING SOLUTIONS

On-line, on-demand accelerated learning makes it easy for your managers to fit this into their busy schedules, while they master complex topics. The process is fun-to-use and a great way to build teamwork and camaraderie.

MENTORING

Live, telephone mentoring locks in learning and allows your team to ask questions in a safe environment.

THREE FINANCIAL ANALYSIS TOOLS

These tools make decision making simple. Plug in the numbers and you can immediately tell the impact of your initiatives. (A \$4500 value)



Knowing there is a deeply buried secret is an important first step because most of the companies we talk to complain they aren't getting the most out of their managers and their decisions. Company performance isn't what it should be; or in this rough economy, they are barely hanging on.

Why don't senior managers know or deal with the secret?

We studied over 30,000 business and sales people. Senior managers in our study are aware their managers are not confident in finance yet resist taking action to close the gap.

However, when we ask for a list of crucial topics in order of priority, financial acumen is always near the top of the list. Why isn't action taken sooner? Senior leaders put off dealing with this issue because they don't know what to do to resolve it. One leader told us, "I expect my people to know what I know!" which is an unrealistic expectation.

And unrealistic expectations become a blind spot.

Expecting your managers, who are clearly subject matter experts at their particular jobs, to organically or intuitively obtain the required financial acumen is a blind spot. It prevents you from seeing the answer of how to solve this issue.

Your managers are smart and they are good contributors. This is why they were made managers. They moved from being SME's who were excellent with this machine or that process to decision makers with much greater responsibilities.

They simply never learned to manage a P&L, a statement of cash flows, or a balance sheet or to understand bottom line drivers or key metrics (to understand the basics.) They were trained to be good at what they did before. Then they were promoted. And their self esteem suffered.

Self esteem is impacted by unrealistic expectations.

For your managers, to reveal and deal with the deep, dark secret on their own is improbable. In order for your team to help you realize the full financial potential of your company they need to know they aren't alone. There is nothing wrong with them. And when they learn financial acumen, they will be able to feel good and confident about making decisions for the rest of their career. It's about their self esteem, confidence, and feeling empowered.

But haven't managers been responsible for budgets and managing finances for 20 years?

Yes--your managers know that it is their job to look to their small piece of the pie. The problem is that financial decision always impacts more one line item, metric or functional area.

A manager's decisions and actions ripple throughout the company. These decisions impact sales, operations, finance, admin, shipping, etc.

For example, a manager decided to purchase a large lot of inventory because he could get it at a discounted price. It would take over nine months to use the product.

He was surprised when he learned in class that his decision tied up cash and made other important investments much more difficult. This manager realized his well-intended but unilateral decision had a huge negative impact on every department around him. He had made a poor financial decision.

Making good financial decisions is not just the ability to look at a P&L, or look at a cost or an expense. It is the ability to notice and do things to mitigate your negative impact on the departments, people and functions around you. It's about being strategic, not just tactical.

It means looking up and noticing how all the departments are interconnected.

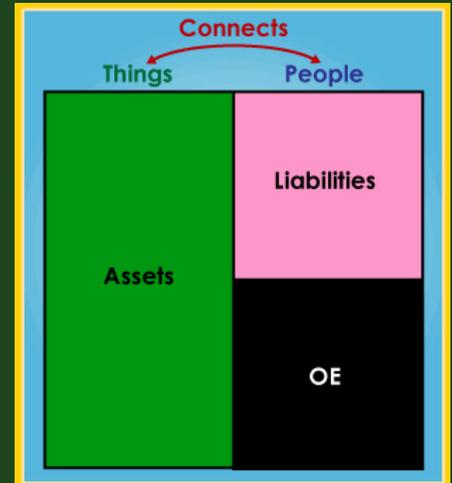
Once your people develop the financial acumen to see how everything is interconnected, they become more effective financial decision makers. They see cost areas that can be eliminated. They recognize how small changes have a big impact on profit margins and cash flow.

They also speak up at meetings, feel more confident to take action, and find budget discussions fascinating. The fear, boredom, insecurity, and secrets disappear.

Financial acumen leverages the brain power of your managers for your company. The secret has been exposed and your bottom line is healthy.

Would you like to see how you would score on a Financial Acumen Assessment?

[Click here.](#)



Our clients report that Financial Success Training improved their bottom line by 3-5%.

Our programs help you align your managers with your financial goals, and manage your business more effectively. Our industry leading **Financial Decision Maker (FDM) system** has helped more the 100,000 business and sales people understand financial metrics, how to eliminate costs and improve profits, how to increase cash flow; our proven system creates a team of effective financial decision makers who know their impact on your organization and how to think strategically.

Financial Decision Maker (FDM) solves these problems:

We have a cash flow or profit problem. Do your managers know how the decisions they make impact the other divisions of your company? Do they understand how to cut costs without negatively impacting cash flow? Can they find financial waste and eliminate it? Do they understand and pull the levers of profitability & loss or cash flow? The **FDM** process teaches your managers to read the three key statements and manage the bottom lines, drivers and key measures of each.

We need to improve the effectiveness of our managers. Do your managers consistently meet and exceed your objectives? Do they actively participate in meetings and provide ideas that drive revenue or cut costs? Are their employees engaged and motivated?

We often hear that managers sit in budget meetings and don't participate. They are bored, because they don't understand the language of finance. Our programs help them see finance as a powerful tool instead of a headache. And they share this enthusiasm with their employees leading to an engaged and motivated staff.

We want our managers to be more strategic. Do your managers know your key metrics and what they mean? Do they bring creative, well analyzed and financially succinct ideas to meetings? Are their actions aligned to meet your yearly goals? Our **FDM** process takes the guesswork out of decision making, providing the tools to project areas of improvement and measurement tools



Financial Success Training

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https://financialdecisionmaker.com/Home_Page.html



Resources

“Are Your People Financially Literate?” Karen Berman and Joe Knight; Business Literacy Institute 2006; printed by Harvard Business Review; www.hbr.org

“Behavioral Stimuli Evoked Potentials for TTI DISC Key Word Assessment”; TTI’s Center for Applied Cognitive Research, October 2011

Would you like a *Strategic Business Breakthrough Consultation*? For a limited time **FDM** Coach Kathy Gillen will, in this 30-minute session, work with you to:

- Create a crystal clear vision for your ultimate business success you’d like your managers to help you build
- Uncover hidden challenges that may be sabotaging your business and keeping you working too many hours
- Leave this session renewed, re-energized, and inspired to turn your business into a highly profitable organization

Call 763-241-8010 for more information.

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