Business Literacy—Ensuring Your Employees Really Understand the Business and How They Make an Impact

An interview with Dr. Karen Berman, President, Business Literacy Institute

In today's business environment, employees must do more than "just their job." They must understand the business environment, how business decisions are made, and how they impact the financial and operational results of the business. However, most employees do not know these things, not because they aren't smart, but because they've never been given the opportunity to learn. That is where business literacy comes in. This month we talk with Karen Berman, the President of the Business Literacy Institute.

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Business literacy seems to be a fairly new phrase. Where did it come from and what does it mean?

Berman
Most recently, the phrase business literacy came out of the open-book management trend. However, the concept has been around for awhile. Ed Lawler, in his early research in the 1960's, called it economic education. And Peter Drucker, in his book, The Practice of Management, discussed the concept in 1954.

The idea, starting with Drucker and continuing today, is that employees will perform better and feel better about their job if they understand the business and how they make an impact. Business literacy is the ability to read financial and operational metrics and understand how one makes an impact on those metrics.

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Why is teaching business literacy becoming an element of the education provided in organizations?

Berman
Because innovative companies are seeing the value in developing the idea of "psychic ownership." Psychic ownership is the idea that employees feel, think and act like owners. One of the important elements of acting like an owner is having the knowledge about financial and operational metrics. Metrics are no longer something used as history, but rather used as tools to proactively manage.

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It seems as if most employees, just from the fact of being a part of the organization and working there every day, would understand how the business operates and how success is measured. Are today's employees business literate?
Berman
Based on our work in the field, we've found that for the most part employees do not understand the basics of how success is measured, such as being able to read an income statement, balance sheet, or cash flow statement. And the problem exists at the manager level as well. Managers get promoted, but most of the time are never taught how to read the financials. It is just assumed that once they are promoted they can somehow read the statements. The problem is exacerbated by the fact that once promoted, they are probably not going to admit they don't know how to read the statements.

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What is the process used to create business literate employees?

Berman
The foundation to creating business literate employees is training. You have to give employees the needed knowledge and tools. So, the first step in training development is assessment. You have to determine three things,
1. the current level of business literacy,
2. the key metrics that the organization uses to measure success, and
3. employees' impact on those metrics.
The second step is determining the objectives and outline of the training. One of the issues here is "nice to know" vs. "need to know." There is so much information that could be taught an analysis must be done to determine how to make the important connections for the learners.
The third step is development.

At the Institute we have found that the most effective materials are a combination of complete student handouts with visual maps. The fourth step is conducting the training, and choosing the trainers is a critical decision point. We can conduct train-the-trainer sessions for internal folks, but the problem is this - if the trainers are training professionals, then they probably don't have a background in the financials, and if the trainers are financial folks, they usually don't have training expertise. This is where we can really provide some value, as our trainers have both the training skills and the financial expertise.

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What kinds of techniques do you use to ensure learning?

Berman
There are several things that we do that, based on our research, we know are keys to effective business literacy training. The first is to ensure active participation. We all know that the best learning occurs when the learners are involved. The second is to use a Money Map™. Money Maps are customized maps that provide a visual of the statements, the processes, or other activities that are key to financial success. The Maps are incorporated into the training and used to reinforce the learning. A third technique is coaching. For a variety of reasons, this type of training needs on-going reinforcement. The whole purpose of teaching business literacy is so that employees use the information as they do their job and make decisions. We coach managers and supervisors in the key skills needed and the activities required to ensure a business literate workforce.

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Do you conduct different programs for different types of organizations?

Berman
Absolutely. We always assess the level of business literacy, the culture, and the type of person employed. For example, a law firm's partners are going to respond differently than high tech workers. Each program must be customized to their needs and learning styles.

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What are the specific issues employee-owned companies should think about?

Berman
Employee-owned companies, from my perspective, have even more of a responsibility to educate their employees. And sharing the financials once a year or even quarterly, is not
enough, in our opinion. Many times the problem is the assumptions we make about what people know and don't know. We can't make assumptions. So, one of the issues that need to be addressed is going beyond the meetings that explain the ESOP and how it works, and really starting with the fundamentals. We make an assumption that by giving ownership, we are providing the motivation to help the company achieve its goals. But a critical link is still missing. That link is making sure employees the knowledge they need to understand how their actions impact the bottom line. Giving equity doesn't do that.

**Foundation**
Tell us a little bit about the Institute.

**Berman**
The Business Literacy Institute was founded on three principles:
1. Employees can learn and understand the basics of business.
2. Employees are more motivated, committed and satisfied when they understand their organization's big picture and how they fit into it.
3. With the knowledge and tools required to focus on organizational success, employees become a competitive advantage.

We believe employees can help the company succeed, given the knowledge and opportunity. We are lucky enough to be able to work with companies that have the same philosophy. We offer a variety of services, including working with the management team at the strategic level, coaching managers, and development and facilitation of training. Our products include games and Money Maps. And we also conduct research in the field.

To learn more about the Business Literacy Institute, visit their website at [www.business-literacy.com](http://www.business-literacy.com)

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