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## Working Smart

By Holly Dolezalek

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Sure, there are armies of MBAs out there, armed with spreadsheets and cost-benefit analyses, making decisions and adjusting to conditions. Some of them even know what they're doing. But for every well-trained executive who understands the ebb and flow of money through a business, there are several more who don't really understand it—and there are dozens of employees who don't understand it at all because nobody tells them. Cash flow? Profit and loss? Depreciation? Despite the fact that the realities behind these terms represent the life and death of a company, many employees don't have a clue what they mean—and they certainly don't know how their work contributes to or detracts from them.

For that, in part, you can thank Frederick Taylor, whose ideas about how to run a company burst on the scene in the early 20th century and in some ways have never gone out of style. Taylor's principles of scientific management posited that time and money could be saved by breaking the manufacturing process down into small steps or simple, monotonous tasks, each of which could be carried out by workers who performed their task in a prescribed way. The resulting specialization meant that workers knew next to nothing about any step but their own.

Taylor's ideas caught on, and although many people in business believe they no longer apply, plenty of companies still display the features of scientific management. Many companies are still very top-down in their structures, and you don't have to read "Dilbert" every day to know that there are a lot of companies where the people at the top make the decisions and the people at the bottom don't even know what the company is doing from day to day.

Today, of course, employees aren't seen as cogs in a Taylorist machine—at least, not out loud. Employees are assumed to have brains and want to use them. Today's business conditions call for more new ideas and more flexibility in reacting to changing conditions, and most people understand that a smart, aware, well-educated employee is a more valuable asset than an employee who just stamps widgets and clocks out.

In fact, a common refrain in business literature is that Taylor's ideas may have been applicable in the Industrial Age, but are harmful in the Information Age. These thinkers argue that in the knowledge economy, people are worthwhile for their brains, not their brawn, and that a company will get more for its money if those people know more and can come up with ideas to improve current processes and maybe even invent whole new ones.

For those who believe this, and really want to capitalize on the smarts of the workforce, that's where business acumen training comes in.

### FINANCIALLY ILLITERATE?

Dan Topf knows the business world is full of ignorance about business basics. Topf is vice president of Management Development International, a business literacy training company in Grinnell, Iowa, with an office in Suffolk, Conn. Topf conducted a survey of his company's clients in 2004, because he wanted to get a sense of how much employees at his clients' companies understood about how the company that employed them worked.

Respondents were a mix of line employees and executives, and they answered 10 simple questions, such as "What percentage of each dollar the company takes in as sales does it keep as profit?" and "Would customers pay for what you accomplished last week?" Topf says he was trying to get not only at what respondents understood about business, but also what they understood about how they contributed to that business.

The results were mixed, and Topf says that's exactly the point. All kinds of employees, both higher- and lower-level employees, had answers from all over the map for these questions. Some had wildly inaccurate ideas about how much of a company's sales turn into profits. Others knew what their company's

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profit margin was, but had no idea how it was reached; and many said that they believed their company's strategy would be successful, but that they had no impact on that strategy or on the company's cash flow. "The point I wanted to make was that people are responding this way, and it shows something," Topf says. "You have a business, and people don't get it."

Karen Berman has studied this issue in a little more depth, and the results she found told her that there were benefits in sharing more information with employees. Berman is a founder and co-owner of the Business Literacy Institute, a company in Calabasas, Calif., that creates and delivers training in business literacy. After 10 years in the work world, Berman went back to school to earn a graduate degree. (She now holds a master's and a doctorate in organizational psychology.) She decided to study employee involvement and its impact on an organization.

Berman studied what happened at three different groups at a large bank: branch offices that delivered no training, offices that trained employees in financial literacy, and offices that not only trained employees but began sharing numbers and inviting full employee engagement in the conduct of operations. The results weren't surprising to Berman: Financial measures such as gross profit as a percent of sales improved not at all in the first category, improved slightly in the second and improved more in the third.

There was one added benefit in the third group, though: They saw a significant decrease in turnover. "It made sense to me that they got more engaged, saw that the leadership believed in them and trusted them, and that they felt more important," Berman says.

The truth is that, when given the right information, a smarter employee can be not only more productive but actually come up with ways to help the company. Author John Case, who wrote one of the first articles about the phenomenon of open book management (see "Opening Up the Books"), is an author and consultant based in Boston. Case says that he once worked with a large bank whose leadership was thinking about outsourcing some of the back-office operations. The manufacturing environment where statements and checks were processed was costing the bank too much money.

But when the bank decided to explain the situation to employees and share data about costs with them, those employees started coming up with ways to cut costs and still get the work done. In the end, costs came down so much that the bank chose not to outsource. Not only had the employees helped out the company, they had saved their own jobs in the process. "There's so much untapped knowledge in a company's workforce," Case says. "People have started to realize that, but it isn't that widespread. But when employees have the knowledge and a way to make suggestions and give feedback, then they can get involved in trying to move the needle."

### LEARNING THE LANGUAGE

So how do you get there? There are different levels of business acumen training, sometimes called financial literacy training. Some classes teach employees the basics of accounting and finance, including the common terms of finance, and the documents—like profit-and-loss statements, income statements or budgets—that show profit and loss and cash flow.

The smart companies don't stop there. The next step is to relate those concepts to what the company actually does.

To do this, some financial literacy trainers use PowerPoint presentations, and others use simple board games that show all the stops that a dollar makes as it moves through a company.

One example is Profit & Cash, a board game that shows employees how profit comes in and how cash flows in and out of an organization. Zodiac, by Paradigm Learning in Tampa, Fla., teaches employees how to make sound business decisions and see the impact of those decisions on the bottom line. Apples and Oranges, a board game/simulation, is marketed by Celemi, a provider of consulting and business simula-

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tions in Sweden. Many of these games are more properly referred to as simulations, because they last for several hours and are facilitated by a leader who includes information tailored to the company's operations.

Some companies bring in consultants to train employees in these realities, or to teach trainers how to explain them to other employees. They might even pay for those consultants or vendors to customize a game specifically for their business. Whatever the method employed, some companies teach all employees this information; some only deliver it to certain employees, and some reserve it for managers and executives. There's no one solution for any company's problems, and financial literacy training isn't necessarily a panacea. Still, there are ways to maximize the benefit of giving your employees more insight into how to be good employees whose daily work makes everyone more money. The key thing in all attempts to make employees more financially literate is to teach them what they need to know so they can better understand how what they do every day makes a difference in how much money the company makes. John Case, author of *Equity: Why Employee Ownership is Good for Business*, says that employees won't benefit from any kind of financial literacy training unless it establishes a clear line of sight between their performance and the company's performance.

"There are numbers that managers look at just about every day to gauge their department's performance," Case says. "It might be units shipped or employee retention, but those key performance indicators are exactly what employees need to know the most about. The sad thing is that often the boss watches those numbers like a hawk and the employees are kept in the dark about them."

### BREAKING IT DOWN

When financial literacy training goes wrong, it's often in this area. It may be tempting to start with a tour of a balance sheet or explanations of financial terms like cash flow and depreciation, and, in some cases, it's the best thing.

But while that information is important to higher-level employees, it may be too abstract for line employees whose interest and experience is in their day-to-day performance. If trainers only explain accounting concepts, without simply and clearly relating them to key performance indicators those employees understand, trainers risk not only boring their audiences but also failing to get across what they were trying to teach in the first place.

An example of how one of these programs can evolve can be found at the Gulf Coast Regional Blood Center in Houston, which provides blood components and services to clinics and hospitals in 24 counties in east Texas. Laurie McGraw, the director of education and training for the center, explains that the center had failed to meet its blood collection goals a couple of years in a row. Convinced that something had to change, McGraw's department began providing financial literacy training to its employees in 2001.

As a nonprofit, financial literacy training might seem less useful than at a for-profit corporation. But money flows in and out just like a corporation, and McGraw says that employees needed to understand how their actions affected whether there was money left over each year.

At first, the training explained a lot about the income statement, the budget and other financials. But McGraw says that the curriculum has been revised to remove some of the accounting information and replace it with information about the company's culture and corporate goals. "We still go over the budget, show our anticipated revenues and expenses, and talk about why there has to be money left over each year even though we're a nonprofit," McGraw says. "The primary objective is for employees to understand what makes the center successful and what that looks like, and how their actions, decisions and behavior affect whether it's successful."

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And the center has been successful in the years since the training began, although not solely due to the training. Training did its part, McGraw says, and the result was that the center exceeded its collection goals in 2004 and 2005. That hadn't happened in years, and the center also met its financial and compliance goals in 2005.

"Employees are more aware now of how the center is doing, and they're showing more interest in whether the center is doing well than ever before," McGraw says.

Part of the training's success was its emphasis after classroom training on visually displaying the center's progress on key goals. Progress toward blood collection goals is communicated by way of a meter that is updated at the end of each month, and other charts on display show how the center is doing both weekly and year-to-date.

And that's another key ingredient for successful financial literacy training: Employees will be more likely to retain and apply the knowledge you give them if they get context for that information. Showing them how those metrics move and giving employees an opportunity to make suggestions for making them move will give employees the best context there is.

Regardless of the level of the training, the Business Literacy Institute's Berman says the key thing in deciding about what to put into the curriculum is knowing what to leave out. The best information to include is the information that is most germane to trainees' positions. For example, it makes a lot of sense to include information about how the company is financed (operating vs. financial leverage, for example) in classes for higher-level executives. But managers often won't have a lot of say in decisions such as what kind of leverage to pursue, and therefore it's probably a waste of time to include such information—unless it somehow relates to other decisions they do make.

Joe Knight, co-owner of the Business Literacy Institute, agrees, and argues that without making the connection between employees' daily activities and overall performance, the information is likely to go in one ear and out the other.

"The education has to be constant, because [key performance indicators are] how companies keep score," Knight says. "Without that connection, it's like taking your team to a football game when they don't know how much a touchdown is."

Holly Dolezalek is a contributing editor to *Training*.

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