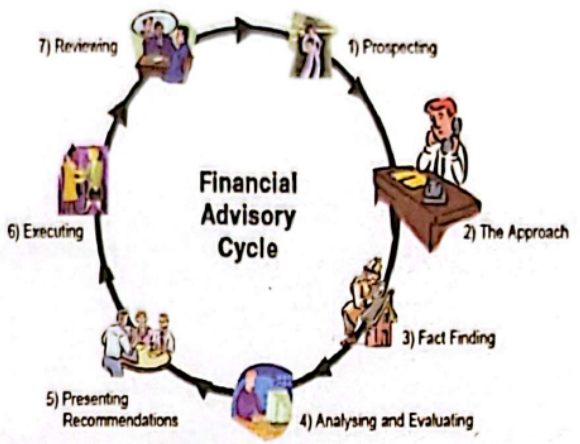
How financial knowledge can be helpful in leadership roles

One aspect of managers' day-to-day functions is to oversee the finance component under their care. They need to equip themselves with financial skills to assist them perform as expected of them. **James Abola** writes.



Managers need to adopt the seven stages of the financial advisory process if they are to make informed decisions for growth. ILLUSTRATION BY PHILLIFCAPITAL

Joseph did not get financial training, when he was promoted from a technical supervisor to become the manager of the biggest branch of his organisation.

Frustrations set in

After a few months in management Joseph and the other staff in his branch were having a lot of frustrations, most of it related to money; something that did not happen with his predecessor. During the period of frustration Joseph met a financial coach who gave him a couple of helpful advice.

Keep it simple and logical

The coach advised Joseph to keep financial matters simple and logical. This meant that when Joseph was seeking information from his accountant, he should ask him to put it in day to day language and that Joseph should also do the same when giving reports to his supervisors.

The coach also helped Joseph to appreciate that financial actions are logical, for example when expenses increase and income does not increase or even reduce then the organisation is affected negatively.

Another example of logic is that whenever the liabilities (things owed) increase then the assets (things owned) should increase in value or else the organisation suffers.

Focus on the main goal

The coach helped Joseph to realise that his organisation like any other organisation has two main goals; to meet targets which have been set and to meet obligations.

The organisational targets could be the total revenue for the year or the completion of a project within time and cost.

The obligations that an organisation has to meet include timely payment of salaries to employees, timely payment of suppliers and payment of statutory obligations such as remitting taxes to the revenue authority.

The only stupid question is the one you do not ask

The coach encouraged Joseph to ask questions so that his decision would then be based on information.

Overtime Joseph learnt to ask if an expenditure item was budgeted for or not before authorising the expense. Joseph also learnt to ask his accountant to provide daily, weekly and monthly reports.

Read all, ask more questions

When he had just started his new position, Joseph would be bombarded with many documents and cheques to sign a few minutes to the close of the day and he would sign them in a hurry without understanding some of the items.

With the advice of the coach Joseph stopped the practice of signing things in a hurry or before reading and understanding.

In the process of reading Joseph found more questions were coming up which required answers.

One day Joseph found a requisition to purchase quantities of a particular type of stationery that would last for a full year.

At that time the organisation was suffering from the problems of cash shortage and lack of storage so Joseph referred the requisition back to his accountant and administrator to explain how the transaction would help given the aforementioned two challenges.

More lessons

Joseph learnt other useful things from his financial coach such as the benefit of an auditor, how to make sense of financial statements and the benefit sharing financial in-

MEANING

What financial knowledge is.

Financial knowledge, or literacy as it is normally called, is the ability to understand how money works in the world; how someone manages to earn or make it, how that person manages it; how he/she invests it (turn it into more) and how that person donates it to help others. Financial literacy is something we can benefit from at all stages of life – from saving for one's education to getting by in retirement and old age.

