Never stop learning

A little financial knowledge can go a long way for your employees

INTERVIEWED BY MARK SCOTT

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WEBSITE: To learn more about the value of broader knowledge and expertise in your business, visit www.westfield-bank.com.

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Financial experts get paid to crunch the numbers and then make recommendations that enable their businesses to remain profitable. But without a sense of what's behind these numbers, this process can become flawed, says Cindy Mahl, Executive Vice President and CFO at Westfield Bank.

"Some of the most successful financial people in business have also served in an operational or sales role during their careers," Mahl says. "It gives you valuable perspective. Otherwise, you might make a strictly financial decision that has an impact on a part of the business that you didn't foresee. You're not able to appreciate the impact of your decision. That broader knowledge gives you credibility across your business."

Strong businesses make an effort to continuously strengthen the level of financial expertise in their organizations across a wide spectrum of their respective workforces.

"When people feel entrepreneurial and believe they have a stake in the business and an understanding of where that business is going, it helps them to be more engaged," Mahl says. "If you can get your employees to feel like you're all in it together to win, that can only be a positive."

Smart Business spoke with Mahl about the importance of developing financial acumen in your company.

What are the benefits of a broader knowledge of your business?

When you understand finance and you learn about other aspects of your company, you learn that it's more than just a matter of debits and credits.

With a broader understanding of how an organization works, you start to see why a line of business has a particular set of challenges and how that fits into the bigger picture. The same applies in reverse. Those who aren't in finance should have a general understanding of how the financial side of the business works.

If you understand the balance sheet, you really have an advantage in your company. In a manufacturing company, the people who work in manufacturing might think that it's mainly about inventory. The sales team might think success only comes from making sales. Finance might think it's about managing lines of credit with your bank. You have to understand how all the pieces fit together in order to be effective.

How is this understanding gained?

There needs to be an ongoing conversation. When you talk to employees who aren't in finance, provide some insight as to what the numbers on your company's balance sheet and income statement mean. Some companies have their reasons for keeping this information secret and not everybody is going to be interested in all the numbers. But to the extent that you are comfortable sharing data, share it. Even if it's just that sales are up 4 percent this month. That could be motivational.

One of the most important things to look for in an employee is an innate sense of curiosity or a thirst for knowledge. This type of employee always wants to know not just what, but why. Part of it is on the employee to have that quest for knowledge. Part of it is on the employer to provide those opportunities. Look at it as an investment. You're investing in the knowledge base of your company. The same way you might buy a machine to help produce your product, you're investing in your people.

How can your bank support these ongoing financial education efforts?

Let's say you're applying for a loan. You are going to submit your financials to a banker and the bank is going to analyze that information in order to make a decision as to whether to grant the loan. If your banker comes back with questions or denies the loan, don't dwell on the negative. Because of their expertise, your banker can often help you see details that you had not thought about. ●