

A Unique Challenge

Teaching Finance and Budgeting to Your Non-Finance Staff

BY FRANCO (FRANK) SACCUCCI

How many times have you explained the same accounting, finance, budgeting concept, principle, or cycle to a non-finance colleague—only to have them say, “Oh, you finance people have your own language?” You’re left wondering why your non-finance peers don’t understand. A possible answer is the way in which finance is explained or taught, rather than the content itself. Teaching or explaining content is half art and half science—and learning the art of teaching and training can at times take longer than learning the science.

The issues vary depending on whether you’re working with entry-level, supervisory, mid-management, or senior management non-finance folk. The staff member’s learning style is also important when applying the principles and concepts introduced here.

What non-finance officers say

The entry-level to mid-management participants in my “Finance for Non-financial Managers” seminars were asked what they’d noticed in communicating with finance officers in their organizations. Their answers fell into four common themes:

- **Time.** “They were too busy to give me the help I needed.”
- **Language.** “Often use of technical jargon and acronyms.” “Speak in a language I don’t understand.” “Would prefer layman terms.”
- **Explanation.** “Giving numbers with no explanation on how they are derived.” “Don’t understand where they are getting their numbers from.” “Didn’t explain accruals thoroughly.” “Either speak at too high a level or are too specific.”
- **Changes.** “Format, requirements, or systems for budgeting and forecasting constantly change.”

Now, let’s gain some insight into the mind of a senior manager. These senior non-finance managers were enrolled in a different seminar series, which was intended specifically for them. In a survey, these participants indicated some of the learning outcomes they were looking for—most often, they wanted to fully understand the integrated budget process, platforms, how to use the terminology properly, and how to make effective decisions based on the financial wellness of the organization. In informal chats, these non-finance senior managers sometimes jokingly commented they should know this stuff by now and had taken the course to get a handle on it.

The SET principle

Given these comments above, I’ve developed a teaching method based on what I call the SET (space, enjoyment, and time) principle. These ideas apply whether you’re answering a colleague’s question in the hallway or teaching a seminar.

SPACE. Some people aren’t comfortable asking questions in the presence of their peers for fear of being embarrassed. If you believe this is the case, find a safe space where you can have a private, one-on-one discussion—during a coffee break, for example. I have found from my experience that approximately 60 percent of questions are asked at the break, during lunch, or after the seminar.

ENJOYMENT. Not everyone has a finance mindset, nor should they. To thrive, organizations require employees from different disciplines. As you teach or answer questions at work, remember that all employees, whatever their specialty, are valued and needed, and that we are all both teachers and students. When teaching employees who aren’t finance officers, be happy for the opportunity and don’t think of it as a burden.

This mindset will help you create an atmosphere of enjoyment—for yourself as well as your audience—which will help staff members enjoy learning what they need to know about finance. “Enjoyment/happiness is positively associated with intrinsic motivation, which is a personal drive to learn.”¹ To the degree possible, don’t try to teach someone when you are rushed or unsettled; wait for a time

when you can show your care and interest. Your staff or peer will notice your attitude immediately, and it will contribute to their drive to learn.

TIME. Research shows that teachers are more effective when they make several shorter presentations (instead of delivering a lot of information in one long presentation). From my experience, I’ve found that it’s best to stop talking and teaching after seven minutes. For example, if you plan to share three points or learning outcomes, do it in three sessions where you talk for a maximum of seven minutes at a time, with time between each session.

Our own FASB principle

My FASB principle (flow, accuracy, strategy, and behavior) may help you explain many areas of finance. When asked to identify the most important learning outcome they wanted to achieve in my “Finance for Non-financial Managers” seminar, at least 65 percent of the participants over the three years I taught the course indicated that they wanted to be better at budgeting. Below, I’ll explain my proposal on how to use the FASB principle for budgeting.

FLOW. Entry- to mid-level non-finance staff likely know how to place specific numbers in a shared Excel sheet or the drop-down field in an ERP system. Senior non-finance staff can probably conduct some direct budget analysis, as far as a dollar amount per line item, and explain the big picture before drilling down to the details of how to do something.

For example, you may want to illustrate how the overall flow of all the budget schedules connect and how the budget numbers are part of the big picture. This will encourage non-finance staff members to be more engaged and strive for a better understanding of budgeting. “Everyone in the organization must see and understand the big picture. If they are only informed on what they must do and not the why behind it, the budget process may not be set up for success.”² The extent to which you show the flow—for example, the difference between the operating budget and cash budget, and how decisions are affected by both—will depend on where they are on the learning curve and in the organization.

ACCURACY. Teaching about budgeting provides an excellent opportunity to stress the importance of accuracy. This is your chance to reinforce the concept of “garbage in, garbage out.” We all realize that the budget is commonly increased because of inflation and salary adjustments. Ask yourself, then, if the staff member you’re teaching can identify and track the cost driver and how costs behave in relation to it. (More on cost drivers in a following paragraph.)

Some staff members have the tendency to automatically add a certain percentage to the existing budget line items, an approach they might be taking so they can finish the task and send the data onward. If you suspect this is the case, share the Rule of 72 with them. This rule illustrates the idea that if we increase the budget line by, say, four percent each year, that budget item will double in 18 years (72 divided by 4 percent).

(The actual math behind the rule will create a slightly different number, but the rule explains the situation well enough for the layperson.) The Rule of 72 usually creates a lightbulb moment. End the conversation with a reminder that many stakeholders judge us on the accuracy of our budget when compared to the actuals.

STRATEGY. I recently delivered a seminar called “Building Better Business Cases,” attended by various municipal employees at the supervisory level. When asked if they could identify one of the components of their municipality’s strategic plan that their department directly contributes to, at least 20 percent of the participants couldn’t do it. You need to help find that link for those who can’t do it on their own, since governments need informed staff members to help reach their goals. Ask yourself if the systems are in place to support employees in meshing with the organization’s overall strategy. If not, determine what can be obtained or developed.³

Knowing your government’s internal environment, including strengths, weaknesses, and processes, help you teach to where the bar is now and then to help move it up. The external environment—like any external pressure points that impact and shape the budget—might not be apparent to the supervisory staff, so help shed light on the reason resources are allocated as they are. In seminars I’ve delivered, 60 percent of the municipal non-finance participants lacked knowledge of their municipality’s financial position, including debt limit, committed and uncommitted reserves, accumulated surplus, and cash versus operating budget.

Ask yourself what staff members need to know about the financial statements. Understanding how their departmental budget links to strategy, environment, and financial position will likely provide a greater sense of ownership and engagement.

BEHAVIOR. Having an understanding of how costs behave also makes people better at budgeting. Start from the basics of variable and fixed costs. Non-finance people are likely trying to make sense of cost terminology such as variable, fixed, direct, indirect, common, administrative overhead, allocated, accrued, amortization/depreciation, and more. To be an effective teacher, you need to understand the challenge your non-finance peers may have with terminology—so use and choose your terminology carefully. Stay focused on cost terminology needed for them. Provide specific examples relating to the budget items staff members are responsible for; using a small two-dimension graph of cost versus activity may be one option.

Gamification might help

A colleague and I wrote a textbook chapter on using simulation and gamification in teaching managerial finance.⁴ You may not think you have enough time to use simulation games—and you wouldn’t be alone in this. “There are some drawbacks with educational simulation games, which include every one’s time and lack of familiarity with the simulation game.”⁵


To address this issue, we designed a game that can be completed in less than 20 minutes (CPA Alberta’s



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Education Fund provided the funding to create it]. It could be appropriate for a lunch-and-learn scenario or as part of a larger learning opportunity. The game calls for team members to estimate how many pieces of tape and how much time they'll need to cut and tape a paper house together. Once the estimates are done, all the teams start at the same time, and when they're done, they compare the actual material and payroll costs to the budgeted amount, followed by calculating and explaining the variances. It takes the mystique out of budgeting and allows employees to experiment with variance analysis and to realize how proper variance analysis can contribute to the next cycle of better budgeting. Find the game at gfoa.org/materials/unique-challenge-gfr1121.

Conclusions

When teaching finance—or any other subject—in the workplace, keep in mind these tips: Find the suitable space for you and the learners; enjoy the opportunity to teach and transfer knowledge to someone; and make several shorter presentations rather than one long one. When you're teaching budgeting, show the learner the big picture and how their budget input and accuracy fit the overall strategy. We are all spokes in the wheel, and when we're well-aligned, the wheel turns seamlessly. Better budgeting helps non-finance officers understand cost behavior. So, are you game to use the SET principle for the new FASB? 

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¹Victoria Jones, "Because I'm happy," Harvard Graduate School of Education, March 6, 2015.

²Jim Hauldan, "3 Key Tips to Engage Your Employees in the Big Picture," Rootinc.com, October 22, 2020.

³Richard Whittington, Patrick Régner, Duncan Angwin, Gerry Johnson, and Kevan Scholes, *Exploring Strategy*, 12th Edition (Pearson: 2020).

⁴Franco (Frank) Saccucci and Sherif Elbarrad, "Using a Simulation Game to Teach Students Principles of Cost Accounting," in *Innovative Teaching and Learning Practices*, eds. Kayoko Enomoto, Richard Warner, and Claus Nygaard (Libri Publishing, 2018).

⁵D.R. Cruickshank and Ross Telfer, "Classroom Games and Simulations," *Theory into Practice*, Volume 19, 1980.