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B2B: Why Finance for a Non-Financial Manager Is a Bestseller in Russia and the CIS

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Training in economics and finance for non-financial managers has enjoyed great popularity on the CIS market for over 10 years now. The demand for these courses has been consistently high. Even in times of crisis, when corporate training budgets were cut to almost nothing, companies continued to offer their managers training in finance.

What is the reason for such high demand?

To answer this question, we need to take a quick look back at our common Soviet past. Twenty years ago, when the Iron Curtain came down, it was less a matter of domestic companies expanding abroad than of the world market making inroads into the CIS. At that point, the efficiency of former Soviet enterprises began to be measured objectively. Even today, we still haven't recovered from our former economic isolation: labor productivity in Russian companies is three to four times lower than in Western companies.

In order to compete on the global market, companies in the CIS must not only offer consumers an up-to-date, useful and quality product, but also weigh the results against the resources that went into its production (financial, material and labor). To do this, managers at all levels have to be able to count and assess the cost-effectiveness of management decisions.

In any manufacturing, trade or service companies, the majority of managers are not specialists in finance. They are the ones who make the important management decisions: create products or services, work with customers, do market research, promote goods, ensure the supply of material resources for production, manage human resources, consider safety and so on and so forth. Do people in charge of production, sales and logistics need to know the difference between CAPEX and OPEX, costs and expenses, EBITDA and EBIT, ROA and ROE? They do, if only because all managers are in business, and the language of business

is the language of finance.

The success that a company's entire team of managers is responsible for is measured with financial indicators. Investors, banks, business partners, regulatory bodies, competitors, even raiders, see a company through the prism of these indicators. Financial indicators can and should be managed: assessing the level of efficiency achieved, comparing one's own company with the market and key market players, identifying one's strengths and weaknesses, locating reserves to improve the company's results, setting targets for key performance indicators and determining how to achieve them.

Non-financial managers, especially those who have been in business for a number of years, honestly believe they have a good understanding of such concepts as revenue, expense, profit and loss. They are accustomed to using these terms freely, but their notions are often mistaken. Many managers, for example, believe that revenue is money received in payment for goods or services, while in practice, revenue is the right a company has earned to receive money. This right may or may not be realized, and there may be situations in which a company has large revenues, but no money. Profits tax is charged precisely on earned revenue, regardless of whether or not the money comes in. This usually comes as a surprise to non-financial managers.

They may also be surprised to learn that costs do not affect a company's profit, while expenses do, and that these are distinct concepts. For example, a company's profit is unaffected by the purchase of new equipment, but it is reduced by the depreciation of existing equipment.

Sometimes companies ask for a course using a competitor's financials as an example (assuming they can be obtained from public sources) in order to familiarize their managers with a rival's strengths and weaknesses. The discussion of a competitor's results, as compared with the state of affairs in the trainees' own company, often develops into staff meetings after class. As a result of such benchmarking, areas can be identified for improving company efficiency.

The appeal of "Finance for Non-Financial Managers" has another aspect as well. The trainees are professionals who have been in business for a number of years. They know their area, have practical experience and market knowledge and understand how their business operates. They don't need an academic education. Neither they nor their employers are prepared to invest time and money in a study of abstract theory. Trainees are interested only in knowledge that will help them in their work and enable them to solve problems they face on a daily basis. Some managers see training as a step in their career growth. The training program for non-financial managers takes this aspect of the demand into account, and courses are designed to be as practical as possible. After class, many trainees say they will put their new knowledge and skills into practice the very next day. One trainee, for example, said that he learned more in three days than he had in three years of study at an institute that specialized in such disciplines.

One trainee recently wrote that the training had actually changed her worldview and that she understood how "ignorant" (in her own words) she had been only three days before. A comment like that makes you think about an instructor's responsibility, if it's really

possible to change an adult's worldview! We don't set ourselves such exalted goals, of course, but we want to give specialists an additional, financial perspective from which to assess their work. And, more broadly, we would like to help Russian companies develop their personnel in order to become more competitive in today's economy.

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