

SPECIAL EDITION WORKBOOK

RON'S TOP 4 SKILLSETS FOR *NEW LEADERS*

In the process of learning and attempting to master these 4 skills my career advanced from an individual contributor to leader of several thousand employees and \$100M+ budgets.

I highly recommend that new managers learn these concepts. Consider this workbook to be a start. It's meant to be an introduction of key topics.

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INTRODUCTION

These 4 skills helped me, and many others, advance from an individual contributor to the VP of 3,500 employees and a \$100M budget. I highly recommend learning these.

WORKBOOK INTRODUCTION

A group of students asked me about the top skillsets required for leadership success. My response focused on these four skills. Over 20 years I designed my development based on observations of successful leaders at AT&T, FranklinCovey, Staples, Idaho State University, and dozens of small businesses. In the process of learning and attempting to master these skills my career advanced from an individual contributor to leader of several thousand employees and \$100M+ budgets. I highly recommend that new managers learn these concepts.

RON'S TOP 4 LEADERSHIP MUST-HAVE SKILLSETS

1. Financial Literacy
2. Budget Improvement
3. Operational Excellence
4. People Management

WHY YOU NEED THESE 4 SKILLS

Follow the money. My observation is that every leader at an executive level can speak to the numbers, drivers, and action plans to improve those numbers. They understand their unit's money-making model – revenue, expenses, and profit. Additionally, they understand their company's financial condition, forecasts, and how to exceed expectations.

Set the budget. Successful business unit leaders connect the corporate financials to their budgets. They understand how to translate vision into budget and how to allocate limited resources. They understand and monitor for operational changes that impact budget forecasts. They forecast accurately.

Get Stuff Done. Operational Excellence is about translating budget into priorities that cascade through multiple teams and business units. These skills make it easier to get high impact stuff done with measurable ROI.

Inspire People. None of the above matters if you cannot win hearts and minds. An effective people manager is a competitive advantage in the best and worst business conditions.

MAKING THESE WORK

Knowing the financial landscape will direct budget decisions. Budgets set priorities for strategy, key projects, and people.

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FINANCIAL LITERACY

Financially literate leaders win resources, gain credibility, and advance by translating projects into profit.

Knowing basic financial concepts will help guide your decisions.

Leaders decide which projects get funded, who gets promoted and timing of key events. Someone who knows basic financial concepts will effectively budget, manage income and expenses, and communicate financial plans. Organizations and teams will have different financial concepts. Learn those nuances. Find mentors, ask the finance team, actively listen during financial conversations. Consider formal education, such as a bachelor's or advance degree, or use online resources. Speak the language of business – finance!

Why do you need to understand finance?

Consider that great idea you have or project you want to start. There is a very good probability that will require a cost. You might need to hire someone – wages increase. You might need to purchase a machine or software - margin and cashflow are impacted. Even if no expenditure is needed and the project only requires time, it will be expected that you quantify the benefit of investing your wages into the project. Leaders who know how much cash is in the bank and timing of cashflows often know best when and how to win critical resources for strategic projects and people.

By answering these questions, you will begin a journey to financial knowledge.

1. How much cash is on hand?
2. What is the timing of large cash in and out flows?
3. How is revenue generated? How are amounts on invoices calculated?
4. What business units, products, or customers generate the most revenue?
5. Which business units, products, or customers use the most cash?
6. What are the month over month, and year over year, trends for the above?
7. How do you gain access to financial reporting tools, systems, files, etc.?
8. How does my team impact profit, costs, margin, and timing of cashflows?
9. How well can you accurately forecast financials 6 to 12 months in advance?
10. How, when, why, and with whom will you speak the language of finance to?



RON'S RULE:

“If a project finishes with no quantifiable results - did it really happen?”

ACTION PLAN:

- Identify 2-3 finance experts in your organization. List your questions and schedule a meeting.
- Answer these ten questions and seek feedback from your finance expert.
- Consider sharing with your manager at least one action you will commit to do to improve revenue, costs, margins or some combination of them.

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BUDGET IMPROVEMENT

Budgeting is paramount to execution. This is about ensuring you and your team have needed resources and set proper expectations among management.

By answering the questions in Workbook #1 you prepared to start a budget. You know how your organization generates revenue, timing of cashflows, and how you impact the money-making model.

Budgeting is about planning and communicating priorities to team members. Budgets can be complex or basic and usually have at least three common elements. Revenue, expense, and profit are calculated by a time period such as month, quarter, and year.

Budgets are a great opportunity to demonstrate your incremental value add by your improvement initiatives. Consider Carter's situation as a new manager of in operations. Last month Carter attended several calls with the finance team and learned the company needs to grow revenue. The baseline expectation for his team is \$2.5M per month. However, he wants to contribute incremental revenue to the company. He brainstormed with his team and developed two budget improvement projects. He needs to meet with the VP of finance to approve \$6,750 in the quarter to launch the projects. Help Carter prepare his business case using the budget below.



1. What is the Q4 baseline revenue expectation?
2. What is the Q4 incremental revenue from his improvement projects?
3. What is the value of the difference between question #1 and #2?
4. How much does Carter expect the improvement projects to cost during the quarter?
5. What are the 3-5 key points Carter should pitch to the Finance VP to get approval?
6. What questions might the Finance VP ask Carter?

This exercise is basic and covers key concepts. Real budgets are more complex. The aim of this workbook is to emphasize action plans to incrementally improve the baseline.

COMPUTER FIRM				
	CARTER'S	Q4	BUDGET	
	October	November	December	Q4 Total
Baseline Expected Revenue	\$2,500,000	\$2,500,000	\$2,500,000	\$7,500,000
Plan Revenue with Improvement Plans	\$2,500,000	\$2,629,075	\$2,870,950	\$8,000,025
Improvement Impact	\$0	\$129,075	\$370,950	\$500,025
Assumptions WITH Improvement Plans				
Total Units (Staff x Unit per)	2500	2575	2704	7779
Units per Staff	50	52	54	52
Rate / Revenue per Unit	1000	1021	1062	1028
Project 1 to Increase Units per Staff ea. month	0%	3%	5%	4%
Project 2 to Increase Rate ea. Month	0%	2%	4%	3%
Staff Count	50	50	50	50
Expenses	\$407,000	\$407,250	\$407,500	\$1,221,750
Payroll (\$7500/month x Staff)	\$375,000	\$375,000	\$375,000	1125000
Mobile Phones (\$100/staff)	\$5,000	\$5,000	\$5,000	15000
Training (\$500/staff)	\$25,000	\$25,000	\$25,000	75000
Project 1 Expense	\$1,000	\$1,500	\$2,000	4500
Project 2 Expense	\$1,000	\$750	\$500	2250
Profit Baseline Revenue	\$2,093,000	\$2,092,750	\$2,092,500	\$6,278,250
Profit With Project Improvements	\$2,093,000	\$2,221,825	\$2,463,450	\$6,778,275

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OPERATIONAL EXCELLENCE

Operation excellence is the line between financial modelling and reality. Here you move from spreadsheets to operational priorities, measures, accountability, and initiatives.

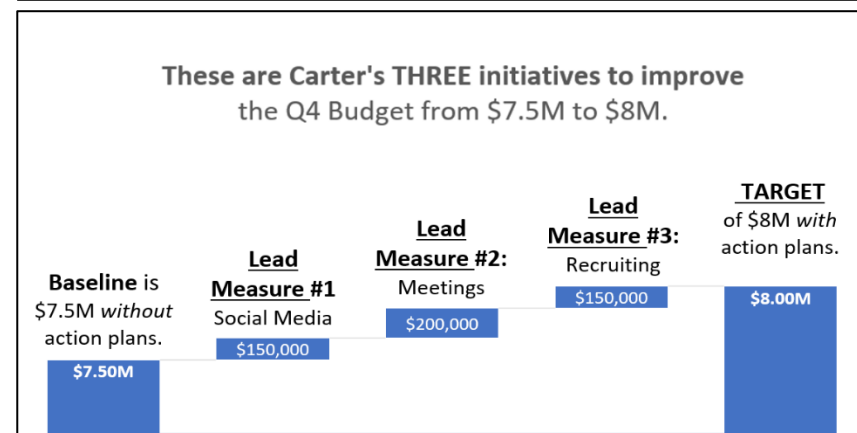
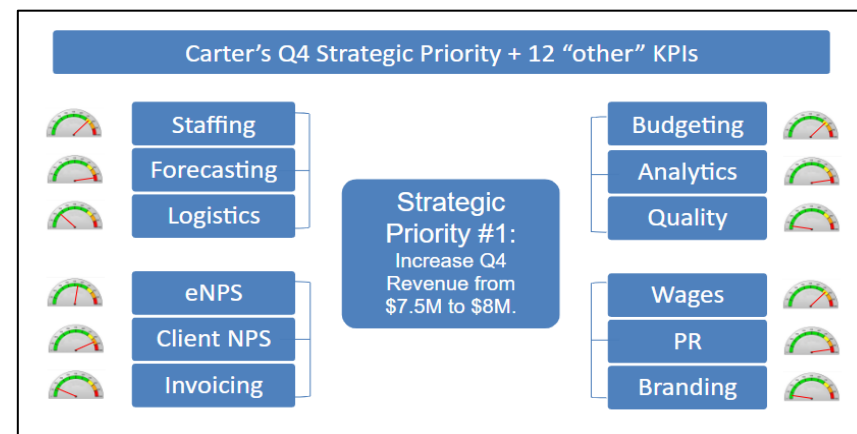
Workbook #1 started your journey of financial literacy. Workbook #2 helped you budget resources into strategic priorities. This workbook aims to help translate budgets into operational plans. Operational excellence is about four things: **1. Priorities** | **2. Measures** | **3. Accountability** | **4. Initiatives**

PRIORITIES | Strategic priorities are mission critical deliverables that must be achieved while balancing other KPIs. Using Carter's budget in Workbook #2 his *strategic priority* is to increase revenue from \$7.5M to \$8M in Q4. He knows he must monitor twelve other KPIs within his team.

MEASURES | Lag KPIs report the news and reflect the past. Examples are revenue or profit. Lead measures look forward, predict results, and can be controlled today. Building upon Carter's example, his three lead KPIs are social media impressions, meetings with executive decision makers and leads from recruiting outreach. Each will increase revenue by \$150K, \$200K, and \$150K, respectively for the \$500K increase needed in Q4.

ACCOUNTABILITY | Winning teams use scoreboards and positive accountability. Hyper focused 10-15-minute meetings measures progress and team members commit to actions to move the lead measures.

INITIATIVES | Strategic initiatives rally cross functional teams to identify shared strategic priorities, set KPIs with goals, then monitor and communicate progress or challenges. Initiatives leverage horizontal divisions to mitigate risks, allocate resources, sequence activities, and build standard operating procedures. To deliver the \$500K incremental revenue Carter has three initiatives that require operational excellence throughout four teams – Marketing, Sales, HR, and Accounting. Each of these teams know Carter's strategic priority and how they will impact his scoreboard.



CARTER'S DIVISION Strategic Priority Grow revenue from \$7.5M TO \$8M in Q4.	Marketing	Strategic Priority: Lead Gauge(s):	Achieve 1,000 social media impressions to deliver 100 leads. Place 50 social media impression per week via LI, IG, FB.
	Sales	Strategic Priority: Lead Gauge(s):	Schedule 20 weekly meetings with key client decision makers. 10 phone calls with follow up emails per week per sales person.
	HR	Strategic Priority: Lead Gauge(s):	Fill 5 critical sales leadership job requisitions by October 31. LinkedIn contacts, social media direct messages.
	Accounting	Strategic Priority: Lead Gauge(s):	100% on-time invoices, with 30 day terms. Internal approvals 15 days in advance and on time submissions.

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PEOPLE MANAGEMENT

The prior three skills do not matter if a leader fails to win the hearts of minds of others. Effective leadership is a competitive moat in a hyper competitive market.

Up to this workbook we have focused on financials, budgets, processes, and teams. People management is about connecting with individuals. Here is a personal experience.

I was leading a team of 4,000 employees with 10 direct reports managing 12 offices on three continents. In January we learned that our unit would be divested. The next 18 months the team and I informed 1,000 people that their office would close. During that time, all 10 of my direct reports received competing job offers. The working conditions were too stressful, and the uncertainty was high that their jobs would be eliminated. These outside jobs offers were appealing in stable companies. I understood why my direct reports went seeking and offered to help. During those conversations they remembered I cared deeply about them as individuals. Ultimately, in the end, all 10 remained with me. Several were promoted and all went on to prominent positions within the newly divested team. I've remained in contact with many of the 1,000 that were impacted – all went on to find new jobs and, in most cases – better jobs. People management is about:

- **Letting direct reports self-manage using a shared set of expectations.**
- **Ensuring people understand their own intrinsic value and leverage it for career growth.**

"...leadership is communicating to people their worth and potential so clearly that they are inspired to see it in themselves."

- Stephen Covey

3 STEPS TO SHARED EXPECTATIONS

1. **Know the targets.** Ensure team members know what winning looks like, the success measures, and the expected results.
2. **Know Rules & Tools:** Communicate the policies and rules that results must be achieved within. For example, revenue must grow AND with high profit margins. Ensure direct reports know the available tools such as systems, reports, people, teams, etc.
3. **Know Consequences.** Consequences can be positive or negative. For example, when targets are achieved, communicate what the celebration looks like or how the bonus amount. If targets are missed, then share the timeliness and expectations to improve.

REFLECTING THE VALUE OF AN INDIVIDUAL

Leading in the best or worst of environments is about building trust by communicating clear intent and unleashing talent.

Clear intent is when a leader communicates in a straightforward, candid manner while being sensitive to others. Clear intent is sharing key data points and explaining 'why' a decision was made. It's about behaving in a way that says, "I know you have a life outside of work and I value the whole you, not only the person I see at work."

Unleashing talent is about constant, immediate feedback and instilling a future vision. Top leaders give feedback after most projects. Some leaders deliver feedback after a key meeting or phone call. Instilling vision is letting the person know where they fit into the current and future organization.

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