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# FINANCIAL INTELLIGENCE

## *A Manager's Guide to Knowing What the Numbers Really Mean*

By **Karen Berman and Joe Knight**  
with **John Case**

*"This book makes it easy for anybody to understand how financial statements work. It's a must-read for nonfinancial managers who want to ask intelligent questions about how to improve their company's financial performance."* —Stefan C. Linn, Senior Vice President, Marketing, McKesson Pharmaceutical

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ROI, income statements, profit and loss, balance sheets, operating expenses, cash flow, ratios. To the finance department these words and functions are basic information and second nature. To many managers they bring on the rush of fear, a cold sweat, or a feeling of inadequacy. However, when managers understand and feel comfortable discussing the numbers, companies thrive; trust increases, turnover decreases, and financial results improve.

Karen Berman and Joe Knight are the owners of the Los Angeles-based Business Literacy Institute and have spent more than 20 years teaching executives at all levels to work towards the financial interests of their companies. In their new book **FINANCIAL INTELLIGENCE: A Manager's Guide to Knowing What the Numbers Really Mean** (HBS Press, January 12, 2006; \$24.95/hardcover) Berman and Knight unveil the hidden secret of finance: finance is an art, not a science, so managers must understand the estimates, assumptions and biases in the numbers to truly manage effectively.

Filled with clear examples, engaging case studies, and useful toolkits at the end of each chapter, **FINANCIAL INTELLIGENCE** provides managers with the four basic skill sets needed to hone their financial intelligence:

- 1) **Understanding the foundation:** how to decipher income statements, balance sheets, and cash flow statements.
- 2) **Understanding the art:** how to identify when the artful aspects of finance have been applied to the numbers and what that means to drawing accurate conclusions.
- 3) **Understanding the analysis:** how to make informed decisions based on the information underneath ratios and return on investment.
- 4) **Understanding the big picture:** how to value the context created by changes in the economy and the competitive environment and what that means for interpreting a company's financial numbers.

Beyond the basics, this book will also teach managers the more complex and creative side of the numbers including how to speak the language of the finance department, ask the right questions to get information they need, and most importantly how to use this information to improve cash flow, analyze the next big project, and create better value for their company. **FINANCIAL INTELLIGENCE** is a must-have for non-financial managers in any field.

CONTINUED....

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## **ABOUT THE AUTHORS**

**Karen Berman Ph.D.** is founder, president, and co-owner of the Business Literacy Institute, a consulting firm offering customized training programs, Money Maps, keynotes and other products and services designed to ensure that everyone in organizations understands how financial success is measured and how they make an impact. Karen has worked with dozens of companies, helping them to create financial literacy programs that transform employees, managers, and leaders into business partners.

**Joe Knight** is co-owner of the Business Literacy Institute and co-owner of Setpoint Systems. He works as CFO of Setpoint and as a facilitator and keynote speaker for the Business Literacy Institute, traveling to clients all over the world to teach them about finance. Joe is a true believer in financial transparency, and lives it every day at Setpoint.

**FINANCIAL INTELLIGENCE**  
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with John Case  
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## Karen Berman

Dr. Karen Berman, founder and president of the Business Literacy Institute, is a sought-after expert in the field of business and financial literacy. She wrote and published the first academic study in the field of business literacy and now consults, coaches, speaks, and writes on the topic.

Karen has helped many organizations implement successful business literacy programs, including Borders Books, Brinks, Inc., ETS, Homecomings Financial, sanofi pasteur, and Southwest Airlines. She consults with leadership and management teams to integrate business literacy into the strategic plan; develops business literacy programs and processes, facilitates business literacy sessions, and coaches managers to provide the skills needed to reinforce the use of the information learned. She also develops Money Maps®, high impact visuals used to teach employees about the business. Clients have praised her ability to understand their business and develop meaningful and engaging programs.

Karen is co-author of *Financial Intelligence*, a smart, no-nonsense business finance handbook for managers. Many clients have considered the book an appropriate complement to keynotes or training sessions and a valuable addition to any work desk library.

Prior to founding the Business Literacy Institute, she was a Senior Consultant with two boutique consulting firms. She has also held various management positions in the banking, investment, healthcare and graphic arts industries.

Karen has a master's and doctorate in organizational psychology from the California School of Professional Psychology and a bachelor's of science degree in managerial economics from the University of California at Davis. She has served as an associate professor at the California School of Professional Psychology and has taught at the Claremont Graduate School.

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## Joe Knight

Joe Knight, Partner and Senior Consultant with the Business Literacy Institute, is a highly regarded finance and business literacy keynote speaker and trainer.

His keynote addresses, including the Orgy of Corporate Greed and *Financial Intelligence*, are resounding successes with diverse audiences because of his unique ability to combine lots of content with energy and humor. Recent keynote and speaking appearances include the Inc. 500, FPPA, Apex Analytix and the NCEO conferences. Audience members have said, "I was on the edge of my seat the entire time," "Joe kept us engaged and enthusiastic through his real world stories and experiences," "Joe Knight was ideal with his low-key, humorous, positive approach and emphasis on demystifying the many numbers and ratios," and "refreshing presentation with ideas that could impact business performance."

Training courses facilitated by Joe include Finance for Non Financial Managers and Finance for Leaders in large and small companies public and private, non profits and universities. Training clients also praise his knowledge, style, and sense of humor. Comments have included "we will definitely get a ROI from this program", "the best training course I've ever taken" and "everyone in our organization needs to take this class."

Joe is co-author of *Financial Intelligence*, a smart, no-nonsense business finance handbook for managers. Many clients have considered the book an appropriate complement to one of Joe's keynotes or training sessions and a valuable addition to any work desk library.

As CFO of Setpoint Companies, he spearheaded the financial education of engineers in this automation and roller coaster company. Joe's background also includes finance at Ford Motor Company, Bell & Howell and Arrow Dynamics, as well as consulting in the fields of finance and project management. Joe has served as a professor at University of Phoenix and Westminster College and is a frequent guest lecturer at Brigham Young University.

Joe received a bachelor's degree in economics from Brigham Young University and a MBA from University of California, Berkeley.

## John Case

John Case is a veteran observer and analyst of the business world and a nationally known writer on entrepreneurship and management. He is author or coauthor of six books and collaborator on several others, and he has written for a wide variety of periodicals.

John spent much of his career as a senior writer and senior editor for Inc. magazine. During his 13 years there he wrote numerous feature stories on entrepreneurship and small-company management; wrote a monthly column on the New Economy; and developed and wrote a nationally syndicated weekly newspaper column entitled The Inc. Report, published for three years in the Boston Globe and elsewhere. His book *From the Ground Up: The Resurgence of Entrepreneurship in America* was published in 1992.

From 1993 to 1998, John focused mainly on the phenomenon of open-book management, writing extensively in Inc. and elsewhere, editing a newsletter, and publishing two books on the subject. His article "Opening the Books" appeared in the March/April 1997 issue of Harvard Business Review. From 1998 through 2000 John was executive editor at Harvard Business School Publishing and editor of Harvard Management Update, a subscription-only newsletter.

Since 2000, John has contributed occasionally to Inc. and Harvard Business Review and has served as a consulting writer for a variety of clients, including Bain & Company, Southwest Airlines, the Business Literacy Institute, Harvard School of Public Health, the Initiative for a Competitive Inner City, and the Great Game of Business. He also serves on the boards of two Boston-area nonprofits, Third Sector New England and the Public Conversations Project.

Books authored or co-authored by John Case include:

*Equity: Why Employee Ownership Is Good for Business*, by Corey Rosen, John Case, and Martin Staubus (Harvard Business School Press, 2005)

*The Open-Book Experience: Lessons from Over 100 Companies Who Successfully Transformed Themselves* (Addison-Wesley [now Perseus Books], 1998)

*Open-Book Management: The Coming Business Revolution* (HarperBusiness, 1995)

*From the Ground Up* (Simon & Schuster, 1992)

*Digital Future* (William Morrow, 1985)

*Understanding Inflation* (William Morrow, 1981)

## Endorsements

"Financial Intelligence is absolutely superb! I cannot recommend this book highly enough--for executives, professors, students, and for entrepreneurs who are already successful but still gun-shy when it comes to 'the numbers.' The content is the best I've ever seen on the subject anywhere, and the writing is both clear and compelling. It's a joy to read (and re-read)." —George M. Gendron, former editor-in-chief, Inc.Magazine

“This book makes it easy for anybody to understand how financial statements work. It’s a must-read for nonfinancial managers who want to ask intelligent questions about how to improve their company’s financial performance.” —Stefan C. Linn, Senior Vice President, Marketing, McKesson Pharmaceutical

“At last, an easy-to-understand explanation of financial statements that’s neither patronizing nor simplistic. Better yet, it provides very practical ways to use financial statements to create better companies.” —Corey Rosen, Executive Director, National Center for Employee Ownership

“Financial Intelligence reminds us that finance is often anything but straightforward, and is as much an art as a science. The book provides managers with excellent insight into the assumptions, estimates, and biases in the numbers.” —Michael Siegmund, Executive Vice President, MacDermid, Inc.

“Finally, a book that demystifies financial concepts. This collaboration is the right mix for blending finances with the often subjective art of impacting the bottom line.” —Shellie Crandall, Senior Vice President, Operations, Brink’s Incorporated