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# how to **manage**

The  
definitive  
guide to  
**effective  
management**

**Jo Owen**

International bestselling author

## **Praise for previous editions of *How to Manage***

‘This could easily be the best book on management so far... an entertaining and instructive guide...’

**Personnel Today**

‘All the science tools and techniques that any manager will need to be successful.’

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‘Jo Owen gets right to the heart of what great managers do and gives you the skills to practise so that you can become great’

**James Toop, CEO, Bite Back 2030**

## **The mysterious case of the missing \$35 million**

Head office calmly announced it was increasing its budget from an already outrageous \$94 million to \$134 million. That was \$40 million of potential bonus money that it was stealing. When questioned on the number, it threw down a challenge: 'If anyone thinks they can reduce this very tough budget to less than \$100 million, they are welcome to try.' Head office managers smirked, knowing that no one is dumb enough to make enemies of the whole of head office.

Well, more or less no one is that dumb. Unfortunately, for them and for me, I was in the room. I volunteered for career suicide. The challenge was to find \$35 million of apparent savings without creating mortal enemies of every powerful panjandrum in the business. Follow the red-dollar dance:

- Use the wrong baseline: cutting a notional budget of \$134 million is far easier than cutting real spending and real jobs from this year's budget of \$94 million. I could cut \$35 million and still leave head office with an increase in budget of over 5 per cent (\$94 million to \$99 million).
- Transfer costs: head office loved this. We started charging for everything, even the voicemail system. Out went the 0800 number; in came a regular toll number. The business was no better off in total, but head office was able to show a reduction in its net cost.
- Capitalise as many costs as possible: move head office to a site where we owned the freehold, and forget to charge rent. Huge apparent savings in expenditure. Extend the laptop replacement cycle from two years to four years.

The exercise officially saved \$35 million. In practice, it achieved zero cost savings for the business. But it did save my career, so it was a very worthwhile exercise.

## Setting and controlling budgets

### 1 Be demanding

Managers always want a soft budget and will find endless reasons why that should be so. You have to challenge and stretch them to improve.

### 2 Make friends with the book keeper/accounts/finance

These people can be your eyes and ears and can help you identify surprises before they hurt too much.

### 3 Have clear controls

Be clear about who is authorised to spend how much. Enforce controls rigorously. But do not micro manage: trust your managers with some budget discretion. You do not have to authorise each photocopy.

### 4 Stick to the process

You will hear many excuses for why expenses are late, the month end close has been missed and the accounts are out of date. If your data is bad and out of date, you cannot manage well. Enforce the process and the standards.

### 5 Hold managers to account: the budget is the budget is the budget

Hold regular (monthly) reviews where managers can explain variances and agree any corrective action. You will hear endless reasons why the budget should change. But, once your team has committed to a budget, that is their contract with you. Hold them to their contract.

### 6 Steal any cost savings

Inevitably, some departments will miss budget. So, you have to rebalance across departments: that means you have to keep any cost savings.

### 7 Focus on accruals, not cash

Spending is not just cash: it is also about commitments to future spending. Control commitments as you control cash. Make projections based on commitments.

### **8 Watch the big items, not the small**

It is easier to control the small items like the cost of photocopying. The big items like payroll are harder to control, but that is why you are a manager: to do the hard work.

### **9 Be flexible about the means**

As much as you are rigid about the goals, be flexible about how you get there. Trust your team to be creative. Help them achieve the goal.

### **10 Watch for game playing**

You played all the games as a manager, so you know the tricks: sandbagging, delaying new hires, hiding costs and revenues over the year-end. You may decide to play along or oppose them, but at least make an informed choice.

## **Surviving spreadsheets: assumptions, not maths**

In the days before spreadsheets, there was a naive assumption that good maths equalled good thinking and dodgy maths equalled dodgy thinking.

In the spreadsheet era, we do not have to worry about dodgy maths so much, unless someone is using elaborate equations. Understanding spreadsheets is about good thinking, not good maths. It pays to understand how the spreadsheet was created. The person producing the spreadsheet deploys two basic tactics:

- 1 Start at the bottom right-hand corner.** You know the answer must be  $x\%$  or £ $y$  million. So, keep on adjusting the spreadsheet inputs until  $x$  or  $y$  is achieved. Then add a safety margin and make sure the number does not look suspiciously round.
- 2 Overwhelm the opposition (senior managers and staffers) with data.** About 200 lines and 40 columns of data over 6 inter-related pages should scare off most people, especially when all

they really want to see is whether the number in the bottom right-hand corner of the spreadsheet looks good: x or y with a bit of safety margin built in.

The rules for the spreadsheet survival game are very simple, and are completely different if you are writing the spreadsheet or are reading it.

The rules for the spreadsheet writer are as follows:

- Start with the desired answer in the bottom right-hand corner.
- Work out whatever scenarios and assumptions justify getting to the answer.
- Make minor but easily checked assumptions very conservative, so that you appear not to be reckless and have evidence to show you are careful.
- Cover your tracks: leave some safety margin and avoid round numbers.
- Get key people to validate the key assumptions in your model, so that senior management cannot pick it apart. Validation is the most painful, but useful, part of the exercise: it is employed in the process of checking assumptions with sales, marketing, HR, finance and other relevant experts to gain insight, test thinking and build credibility for later.

For the spreadsheet reader, the rules are largely reversed:

- Ignore the answer, unless it is not what you want to see. Assume it has been fudged.
- Before you look at the spreadsheet, think of the five major assumptions that will drive the outcome, and note what reasonable might look like for each one.
- Before you look at the spreadsheet, ask the spreadsheet writer what assumptions he or she has made for the five major drivers you have identified. You may well have a lively discussion at this point.

- Ask ‘What if . . .’ questions: What if each of the major assumptions lands up being different from what you are expecting? Where are the risks? How can you mitigate those risks? Create some scenarios based on changing assumptions. This is a basic sensitivity analysis. Never rely on a single point solution: look at multiple scenarios.

Only now is it worth actually looking at the spreadsheet.

## Using time effectively: activity versus achievement

It is too easy to work too hard and achieve too little. The challenge is to achieve as much as you can in as little time as possible.

As managers, your most valuable resource is your time, because you cannot make any more of it. It is routine to find that your to-do list is longer than your day, so you are always having to play catch up.

The most powerful way out of this dilemma is to remember that your job is to make things happen through other people. Your job is not to do all the work yourself. Although you cannot make any more of your own time, you can work some managerial magic by creating an unlimited amount of time through other people. If you acquire sufficient resources and sufficient team, there is no limit to the amount of time you can create: you get other people to do the work for you.

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**“Your most  
valuable resource  
is your time.”**

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At this point, managers will object that they cannot increase the size of their team or budget. As a manager, your role is to match goals to resources. If you are asked to take on a big project, then you should ask for a big budget. If no budget is forthcoming, that implies that the project may not be as big or as vital as it seems. As a manager, make sure your goals fit your resources before you take on an

obligation. If you fail to do this, you sign up to months of misery as you attempt to deliver a \$100 meal for \$10.

Even if you build the team you want, you will probably still find that you are time constrained. Work does not expand to the amount of time available. Work expands to 110% of the time available. This is inevitable with professional work. Professionals want to be seen to do a good job and so they have a tendency to over deliver. You have to find some way of controlling the clock; otherwise the clock will control you.

Here are five ways you can regain control of your time:

- 1 Know what you want to achieve personally.
- 2 Be clear about your short-term goals.
- 3 Use short interval scheduling.
- 4 Avoid interruptions.
- 5 Create breaks and boundaries.

The first two techniques focus on time effectiveness: make sure that you do the right things. The last three focus on time efficiency, which is the traditional focus of most time management training. But it does not matter how efficiently you use your time if you are focusing on the wrong things. For that reason, we will start by focusing on time effectiveness.

## Know what you want to achieve personally

If we want to be effective with our time, we should think carefully about what we want to achieve. There are no simple answers, but there are some simple questions.

These are deeply irritating questions to be asked when the flak is flying. They are questions to think about at quiet moments away from the pressures of work:

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**“There are no simple answers, but there are some simple questions.”**

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