

# Executive Training Programme on Leadership and Management of National Meteorological and Hydrological Services

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# Commercial Management and Leadership



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# Introduction to Commercial and Financial Management for leaders in the Meteorological services

(Ezanne Swanepoel)

**“...whoever controls the volume of money in any country is the absolute master of all industry and commerce.”**

*(US President James Garfield)*



Why do you think business exists in this world?

How can one define business?

WHAT IS THE PURPOSE OF BUSINESS?

**Reflective Moment:** Discuss as a group some reasons, thinking back on personal experiences



# The Definition of Business:

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**To provide a product or service that others  
are willing to pay for**



# The Purpose of Business:

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To provide a product or service others are willing to pay for, at a price that allows the provider to make a profit

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# Going back to Business Basics: Why does Business Exist? (The Profit Motive)

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- To provide product/service that will satisfy a need
- Provide means of livelihood by its employment of workers

## The need to be financially viable

Financial viability has two aspects:

- need to make profit in the long term
- need to generate cash flow in the short term

Financial management and Commercial Management is concerned with:

- Financial relationship with the outside world
  - The overall result
  - Historical review of what has happened
- .....

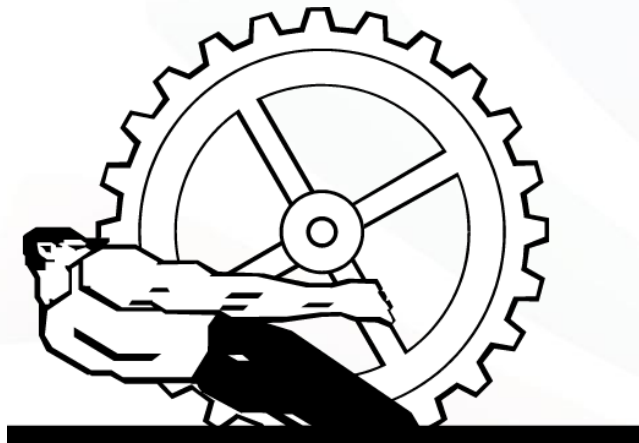




# Two factors complicate the basic purpose:

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TIME



QUANTUM



It comes back to basics:

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Business is about profit

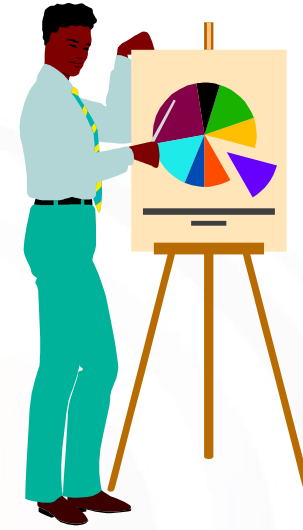
Profit is about money

Commercial Management, Finance Management (and Accounting) are about recording and actioning quantum over time

The purpose is not to be able to **count** but to be able to **make**

When you **make** with purpose it is fun to **count**

.....





## Conclusion:

**Everybody in business is in Commercial Management,  
Financial Management (and Accounting)**



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**To manage finances from a business perspective does not require in-depth knowledge of the technology of finance and commerce. It requires financial intuition and commercial appreciation for effective use of money.**

**This journey is about sparking appreciation and building intuition.**



# The Choice

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Casualty



Vs.

Catalyst



# Catalytic Management

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Catalytic Management Experience  
versus  
Catalytic Leadership Journey

# Quote...

**“Being a president is like running a cemetery, you have a lot of people under you, but nobody’s listening”**

*Bill Clinton*



# The Hippo and the Butterfly...

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“It is easy to propose difficult remedies”





# The Methodology

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“**Thin-slicing** is not an exotic gift. It is a central part of what it means to be human.

We thin-slice whenever we meet a new person or have to make sense of something quickly or encounter a novel situation”

*Blink: Malcolm Gladwell*

# Habits Of Highly Unrealistic Leaders – Ram Charan

- .....
- Filtered information
  - Selective hearing
  - Wishful thinking
  - Fear
  - Emotional over-investment
  - Unrealistic expectations of capital markets

**“Recognise the world as it is, not as you want it to be.”**

**“Do what must be done, not what you want to do.”**

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# Crafting and Managing Future Possibilities

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Managing and Leading in a Complex Environment

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# Testing Assumptions (Tool)

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**What are the assumptions you are making about the future and how it will impact your business and the way you manage commercially and financially?**



**Which of these assumptions may be limiting your ability to succeed as a business and as an industry?**



# Quote....

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**“Everything we do depends on the thinking we do first”**

*Nancy Kline, A Time to Think*



# Our Reality....

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**A bird in the  
the hand  
is worthless**



# Our Reality....

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**Finished files are the result of years of  
scientific study  
combined with the experience of many  
years**



# Our Reality....

.....



# Our Reality....

.....

red	white	green	brown
green	red	brown	white
white	brown	green	red
red	white	green	brown
brown	green	white	red
white	brown	red	green
green	white	brown	red
red	brown	green	white



# Filtering Reality And Our World View



# Revealing and Removing Limiting Thoughts

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Identify the current assumptions / problem

Create a freeing assumption based on the best possible future

- Assumption

“My organisation is too small to get this capital injection”

- New assumption

“My organisation in the right size to get the capital injection”

- Question

*If you knew your organisation...was the right size for investment, what would you do to increase your chances?*

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# Models and Tools in Commercial and Financial Management

(Francios Ameguide)

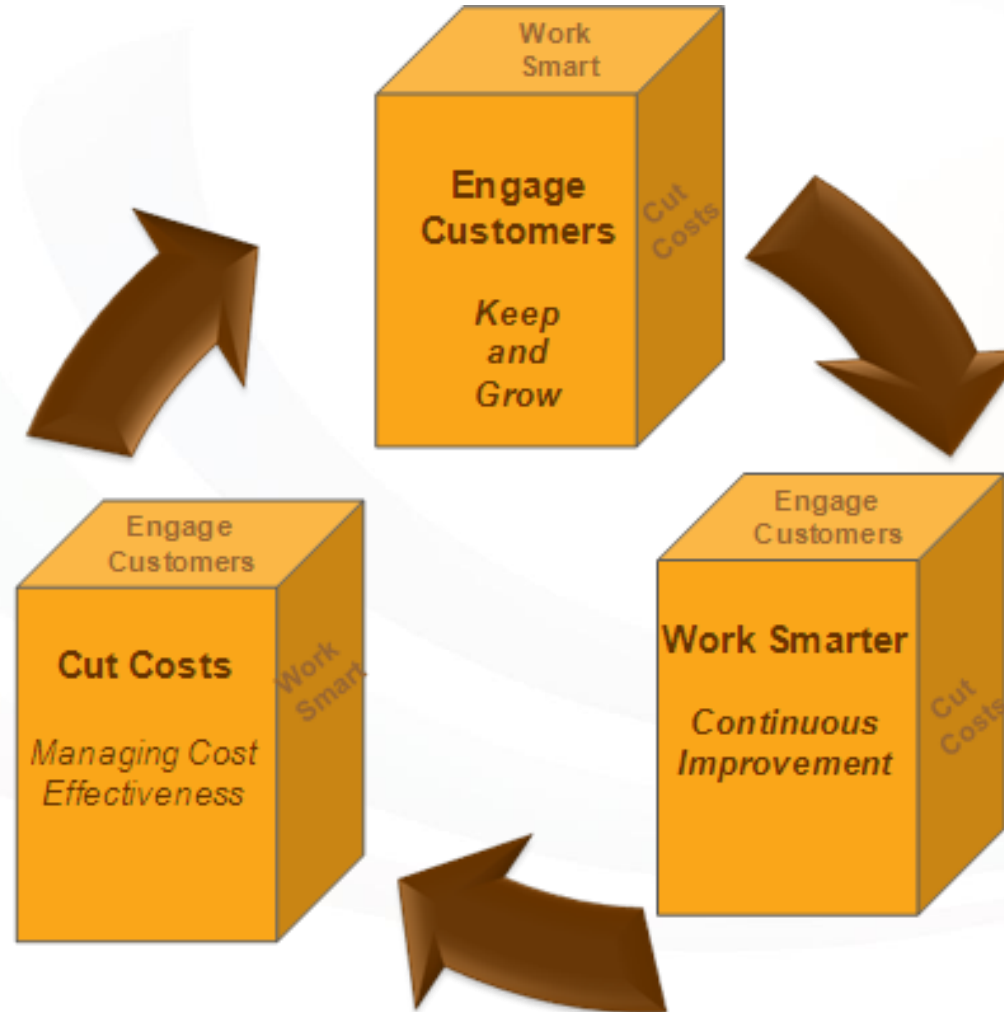


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# Bringing Commercial and Financial Management into Practice

(Ezanne Swanepoel)

# All employees are responsible for helping business prospers in tough times...leaders are responsible for the flow...



**Leader Question:**  
Where and What resources does our organisation need at what time, and at what terms of agreement?



# Financial trade-offs in commerce

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1. Action versus Reaction
2. Liquidity versus Profitability
3. Debt versus Equity
4. Now versus Later
5. Risk versus Return
6. Diversification versus Concentration

“I am the ‘bottom line’”

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# 1. Action versus reaction

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*“It may be difficult to plan,  
but I find that if  
I know where I am and where I want to go,  
I’m more likely to get there!”*



# 1. Action versus reaction

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## Planning versus urgency:

Where are we now?

- Top down analysis
- Financial Statements:
  - Balance Sheet and Income Statements
  - Understanding ratios

Where are we going?

- Our projected financial plan and ways to raise money and allocate resources

How do we get there? The big question

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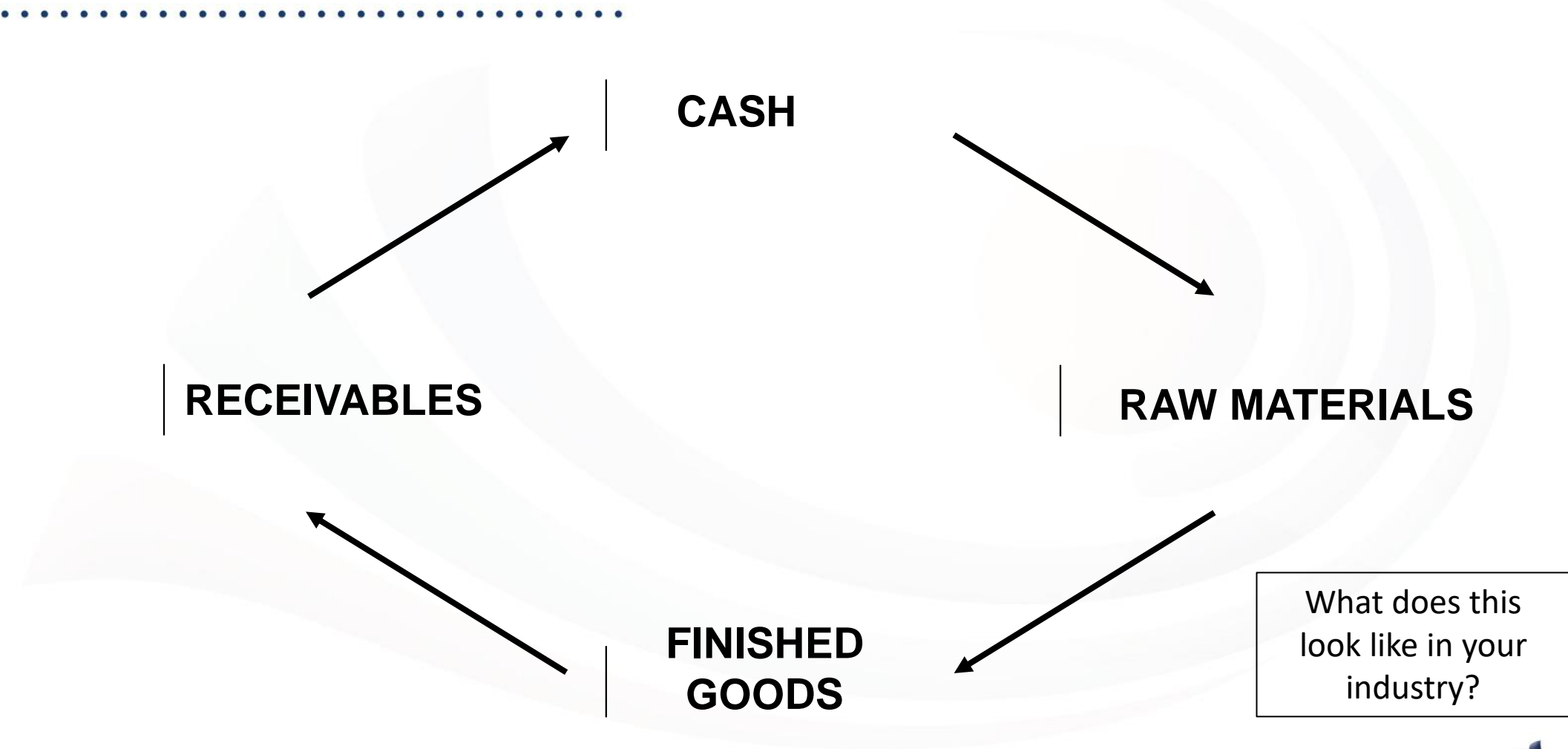
## 2. Liquidity versus profitability

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- Liquidity means the ability to pay current obligations
- Goal – have enough cash to meet current needs and invest the rest at higher rates of return



## 2. Liquidity versus profitability: The Cash Flow Cycle



# 3. Debt versus equity

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- ‘Owner’s money’ versus the magic of OPM! (Other People’s Money)
- Favorable financial leverage (gearing)

*How much debt is too much?*



# 4. Now versus later

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- Investment versus consumption
- Expand the business or enjoy the profits
- The time value of money

# 5. Risk versus return

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There are 2 kinds of risk:

- Business risk
- Investment risk

Accept only the risks you are adequately rewarded for and can afford

Astute finance people and business leaders think like investors and then apply their thinking to align expectations with company strategy



# 6. Diversification versus Concentration

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**“Don’t put all your eggs in one basket”**

**vs.**

**“Put them all in one basket but watch the basket carefully”**





# Trade Off Consideration

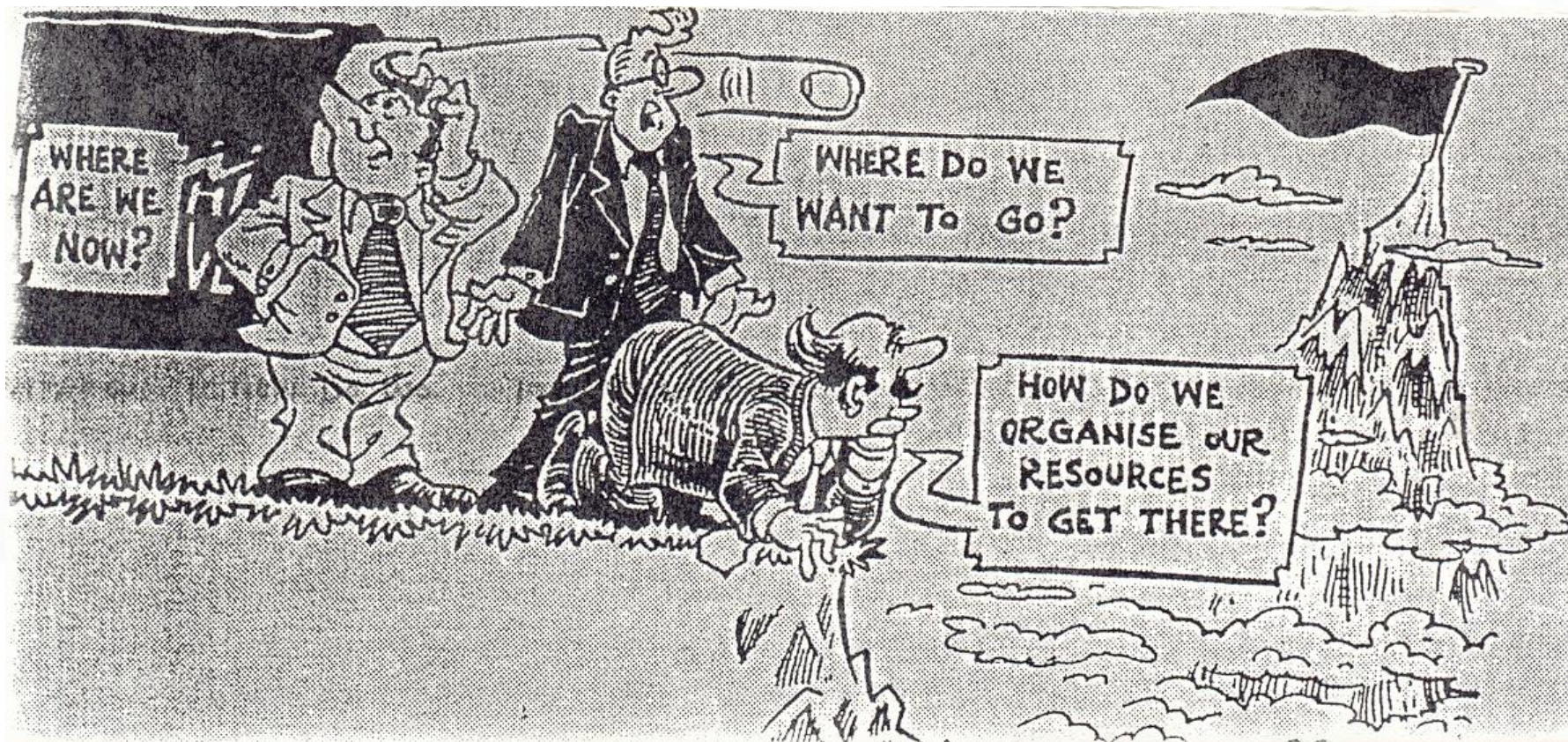
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# Budgets reflect how plans to achieve strategy are funded

## Funding Mechanisms and Opportunities are informed by our ability to lead in a complex world

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# Considerations when Managing your Business Commercially and Financially

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“Top-Down Analysis”



**Analysis of Economy**

**Analysis of Industry**

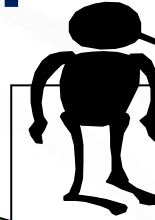
**Analysis of Firm**

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# Stakeholders to consider when preparing for raising funds or resource allocation

Investors demand competitive returns on their investments



Your Organisation and its employees have their own aspirations

The Company Strategy, and therefore its Budgets, Targets and its ability to manage affairs well from a commercial and financial perspective, are impacted by multiple factors

The market offers opportunities and challenges



Your organisation has strengths and weaknesses



“Biologists often talk about the ‘ecology’ of an organism: the tallest oak in the forest is the tallest not just because it grew from the hardiest acorn; it is the tallest also because no other trees blocked its sunlight, the soil around it was deep and rich, no rabbit chewed through its bark as a sapling, and no lumberjack cut it down before it matured”

*Malcolm Gladwell – Outliers*



**Our journey is about exploring  
the practical implications of  
these trade-offs**

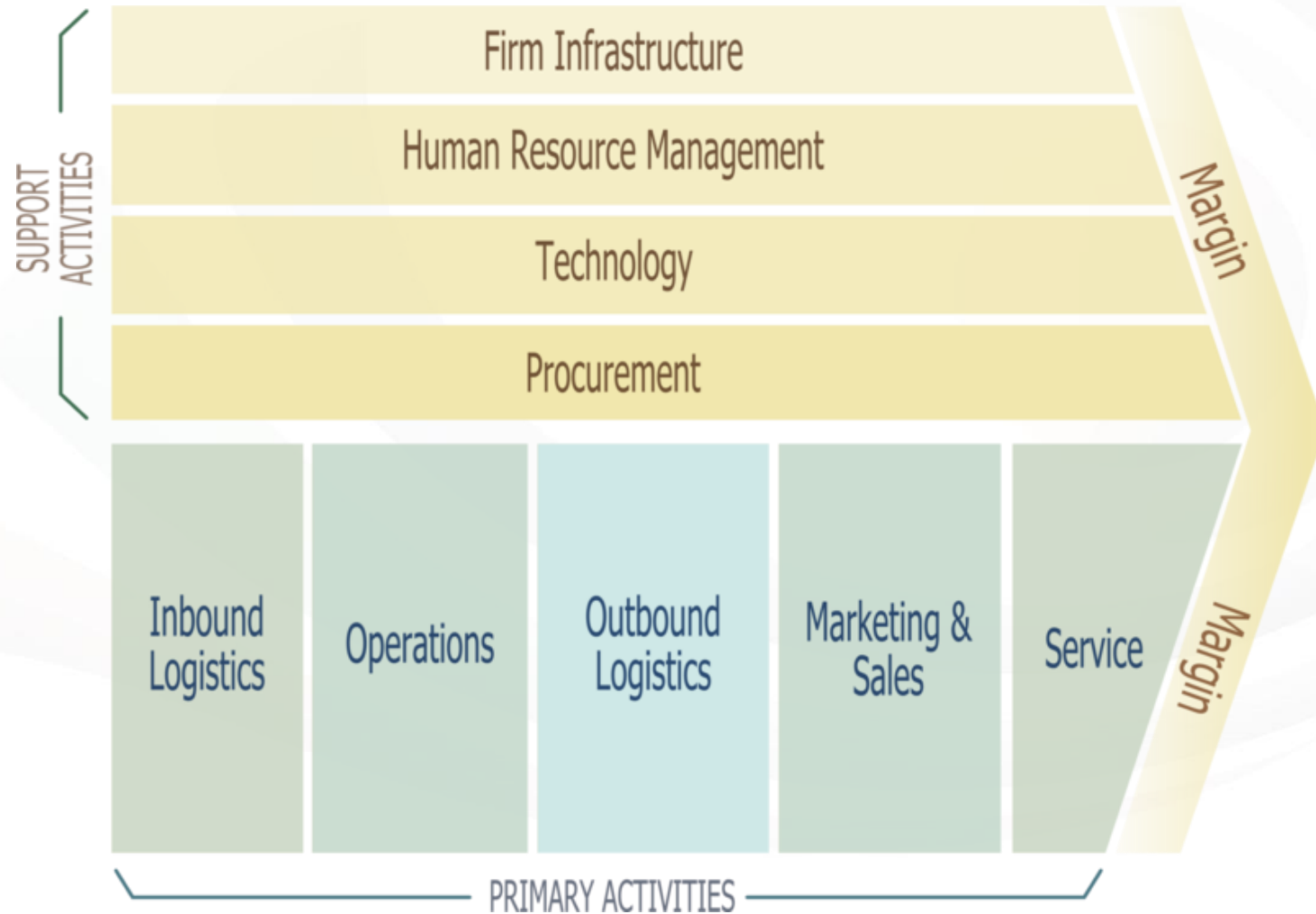




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**Action: Putting it into practice  
- Having a positive impact**

# Porter: The Value Chain



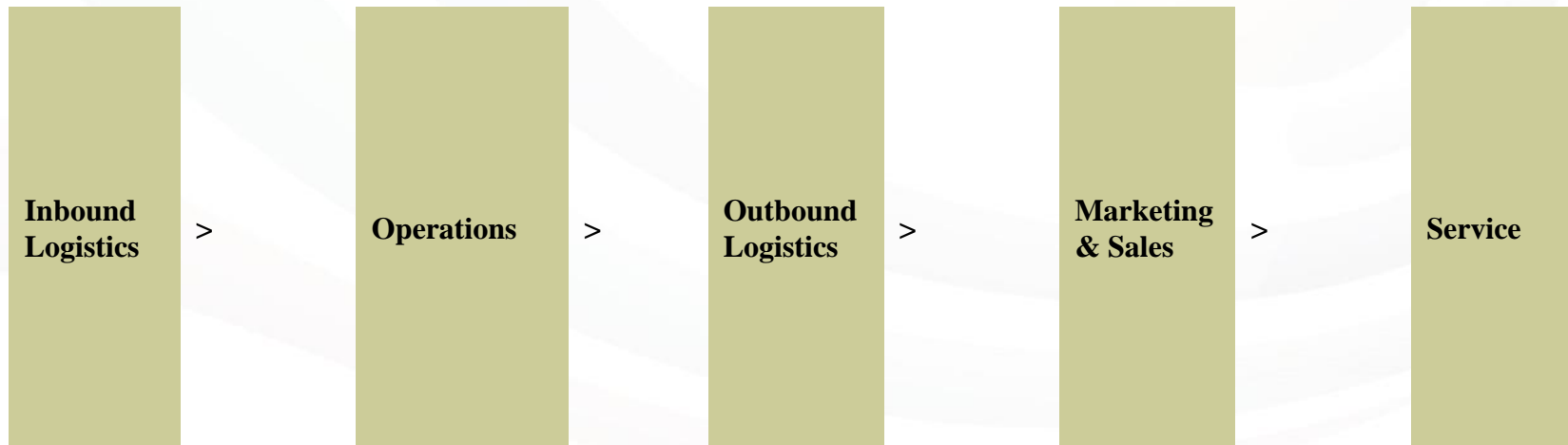


# Understanding the Value Chain

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To analyze the specific activities through which firms can create a competitive advantage, it is useful to model the firm as a chain of value-creating activities.

Porter identified a set of interrelated generic activities common to a wide range of firms. The resulting model is known as the **value chain** and is depicted below:



# Value Chain (Continues)

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The goal of these activities is to create value that exceeds the cost of providing the product or service, thus generating a profit margin.

- **Inbound logistics** include the receiving, warehousing, and inventory control of input materials.
- **Operations** are the value-creating activities that transform the inputs into the final product.
- **Outbound logistics** are the activities required to get the finished product to the customer, including warehousing, order fulfillment, etc.
- **Marketing & Sales** are those activities associated with getting buyers to purchase the product, including channel selection, advertising, pricing, etc.
- **Service** activities are those that maintain and enhance the product's value including customer support, repair services, etc.

Any or all of these primary activities may be vital in developing a competitive advantage.

These five categories are generic and includes specific activities that vary by industry.

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# Supporting Activities in the Value Chain

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Porter identified four generic categories of support activities, the details of which are industry-specific:

**Procurement** - the function of purchasing the raw materials and other inputs used in the value-creating activities.

**Technology Development** - includes research and development, process automation, and other technology development used to support the value-chain activities.

**Human Resource Management** - the activities associated with recruiting, development, and compensation of employees.

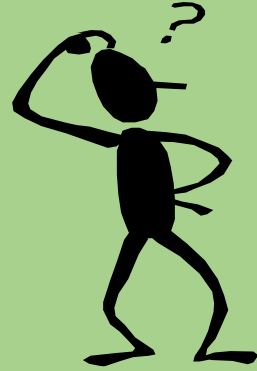
**Firm Infrastructure** - includes activities such as finance, legal, quality management, etc.

Support activities often are viewed as "overhead", but some firms successfully have used them to develop a competitive advantage, for example, to develop a cost advantage through innovative management of information systems.

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# Positioning my Business for Profit

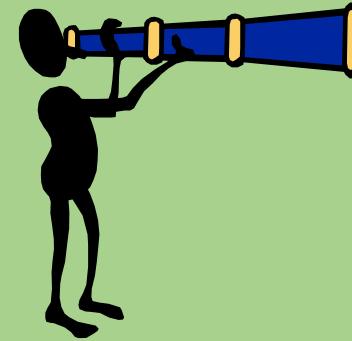
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**Where is my business now?**



**What do I need to do differently in order to bridge the gap?**



**Where do I want the business to be ?**



# Having a positive impact: Understanding the impact of good financial and commercial management on ones' own environment

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Using the 'Butcher Paper' provided, draw out, based on the Value Chain, your organisational value chain

Use the following questions to assess the effectiveness of your value chain:

- Where are the 'hot spots' (e.g. conflict, financial impact, miscommunication, human error, safety) where everything goes wrong?
- What can be improved?
- What has already been improved and is causing a positive impact?
- What impact could the proposed changes have on your business environment and its willingness to partner with you?
- Which stakeholders from your ecosystem can you engage to mobilize resources and raise money?
- Which tools that you have learnt of today could you consider using?
- What action do you commit to take once you are back in the office?





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# Guest Speaker



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# Closing Reflection

# Reflection: Having a positive impact

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Reflect individually and make notes (discuss with group if you wish) based on the following 5 questions:

1. What can you begin to do differently in your organisation, knowing what you learnt today?
2. Can you think of occasions where you could have had more favorable results if you had the insights, you learnt today? How would you do it over if you could?
3. How can you handle the setbacks that might occur in pursuing the vision of resource mobilization and raising money?
4. What is the one action step you commit to doing based on what you learnt today?
5. What is your single biggest insight from today?





**“Leaders establish the vision for the future and set the strategy for getting there; they cause change. They motivate and inspire others to go in the right direction and they, along with everyone else, sacrifice to get there.”**

*Prof. John Kotter*



# THANK YOU

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