



THE ULTIMATE BUSINESS ACUMEN GUIDE

THE WHO, WHAT, WHERE, WHEN, AND WHY OF BUSINESS ACUMEN

For over a quarter-century, we've worked with some of the world's largest & most successful organizations to help their people positively impact the bottom line. How have we done this? By weaving business acumen, financial literacy, and leadership accountability into a wide variety of learning and development solutions.

Business acumen goes beyond explaining the line items on a P&L and challenges people to think like a business owner.



WHAT ARE BUSINESS ACUMEN AND FINANCIAL LITERACY?

The dictionary defines acumen as “quickness, accuracy, and keenness of judgment or insight,” especially in practical matters. The word comes from the Latin “acuere”—the root of “acute”—and it means “to sharpen.”

Literacy is defined as “the ability to read or write” or “competence or knowledge in a specified area.” This word comes from the Latin “littera”—meaning a letter of the alphabet or handwriting.

business acumen - an in-depth understanding of how a business works, how it makes money, and how strategies and decisions impact financial, operational, and sales results

financial literacy - the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources

Put simply, financial literacy is an understanding of financial resources and business acumen is the depth and application of that understanding.

In a practical application, business acumen combines an understanding of how a business works and what it takes for the enterprise to make money. It combines financial literacy—the ability to understand numbers on financial statements—with business literacy: recognizing how strategies, behaviors, actions, and decisions not only affect the numbers but also drive profitable and sustainable growth.



WHO BENEFITS FROM STRONG BUSINESS ACUMEN?

Everyone! In many organizations, business acumen is a missing core competency. Individuals without a strong business acumen skill set are unable to understand how their actions impact the company's profitability. They often struggle to articulate and execute on strategy.

Here's how different types of employees benefit from having better business acumen.

Technical Professionals

Business acumen empowers technical employees with big-picture understanding and better decision-making. For example, an engineer with a strong business acumen sense could analyze the cost advantages and disadvantages of using one material over another. Professionals in IT could use their business acumen to better understand the needs of their internal customers, how customer service affects efficiency, and how efficiency impacts profitability.

Sales Professionals

A **business-savvy salesperson** can use their financial literacy to understand their customers' business objectives, strategic priorities, and pain points. In these early conversations, sales professionals can build credibility and rapport, while weaving in their knowledge of the customers' businesses.

Over 70% of these buyers identify the understanding of their business as the single most important attribute they look for in a salesperson. - Forrester Research

Buyers want a salesperson who understands their customers' strategic business dynamics and can link their product/service to the financial wellbeing and profitability of the organization.

Human Resource Professionals

HR professionals can earn a seat at the leadership table by displaying **business acumen** and financial knowledge, effectively articulating the value of the professional development programs they bring to their constituents.

Eighty-seven percent of human resource professionals believe that it is import or critical to have business acumen as a core competency. - [ATD](#)

HR professionals are often asked to explain the ROI of their programs to the organization. This should be articulated through a lens of value and application. The ability to think critically and apply a business acumen mindset enables them to cultivate development programs and initiatives that are aligned to organizational strategy.

Managers

A frontline manager can use their business sense to align their individual actions to the organization's fiscal strategy. Managers can also cascade big-picture knowledge and an entrepreneurial mindset to their teams.

Check out these [***5 Business Acumen Concepts Every New Manager Should Know.***](#)

Directors & Executives

This demographic has more influence and decision-making accountability than any other level in an organization. Some organizations assume their directors and executives are 100% proficient on business acumen and financial literacy. Contrary to this assumption, most directors and executives can benefit from a refresher on some of these concepts – especially when they are new to the role or organization.

Lacking the knowledge needed to properly adjust the business levers that impact the top and bottom lines can be a costly skill gap.



WHERE DOES BUSINESS ACUMEN MAKE AN IMPACT?

Everywhere! The core tenets of business acumen emphasize a need to think outside the confines of individual actions, siloed departmental decisions, and short-term gains. Seeing the big picture at all times changes how people think and behave - in turn, changing how the organization operates.

Day-to-day Operations

Organizations that prioritize business acumen provide a clearer vision and an overall context within which employees can work, while creating an environment that is more likely to break down internal barriers. There is less waste and less ambivalence. There is increased innovation. Employees are more engaged, they understand their role and its impact on business results, and they are more likely to believe that their efforts really matter. They are more likely to think like a business owner.

Budgeting and Forecasting

When an individual has a keen understanding of their organization's goals, metrics like Return on Sales (ROS) and how to budget and forecast within those parameters, they will make well-informed business decisions.



return on sales (ROS) - financial ratio (net profit divided by net sales) measuring profit in relation to sales (how much profit is generated by each dollar of sales).

Buying and Selling

Understanding Cost of Goods Sold (**COGS**) and Gross Profit Margin (**GPM**) will have a large impact on how organizations negotiate with vendors and how their sales professionals work with clients.

A sales professional's understanding of targeted GPM will allow them to leverage their price setting latitude and mold their client dialog. Being able to position their product or service as having the potential to improve their client's GPM changes the dynamic from simply buying and selling. They're empowering their clients to make informed, business-savvy decisions.

*Only 13% of customers believe salespeople can demonstrate an understanding of their business challenges and how to solve them. - **Forrester Research***





WHEN SHOULD PEOPLE FOCUS ON HONING THEIR BUSINESS ACUMEN SKILLS?

Honing business acumen skills is useful at every stage in a career path. Although the depth of knowledge will vary depending on seniority and familiarity of the business, better business decisions at any level benefit the organization.

Onboarding New Hires

New hires coming into an organization can contribute faster if they are grounded early on in how the business makes money, how they fit into the big picture of the business, and how they can be part of the organization's financial success. Understanding these topics doesn't make new hires feel just oriented to the organization – it makes them feel connected to the organization's mission.

Onboarding programs have been shown to increase retention by 25 percent and even improve employee performance by up to 11 percent. - [SHRM](#)

Turning High-Potential Employees (HiPOs) into Leaders

Many high-potential employees in an organization receive a promotion without expanding their current skill set or big-picture thinking. Some of them even begin **managing P&Ls** without training about what a P&L is!

Sixty-nine percent of more than 300 execs and supervisors test-takers couldn't pick the definition of "free cash flow." - [Inc. Magazine](#)

There is NOTHING that will equip a HiPO through their journey better than to arm them with an understanding of how their decisions affect bottom-line results. With strong business acumen as a baseline, everything else in their development journey to becoming a future leader will come into focus.

Teaching Finance to Nonfinancial Managers

No matter what department a nonfinancial manager belongs to, he or she will benefit from understanding the dynamics of how their business works. And it makes perfect sense. A manager can't help lead a business if they don't understand how money moves throughout their organization, what their gross margins are, and the organization-wide impacts of their department's decisions.

Teaching these managers the key metrics that are used to analyze whether or not an organization is making the right business decisions will lead to business-savvy leaders.

WHY IS TEACHING
FINANCIAL LITERACY
SO CHALLENGING?



WHY SHOULD AN ORGANIZATION DEVELOP A BUSINESS-SAVVY WORKFORCE?

For organizations today, no matter how successful, it's critical for employees, managers and leaders to be able to accurately assess the competitive landscape and connect day-to-day decisions and activities with key financial, functional, and business performance metrics and goals.

Although most organizational goals will focus on profitability, growth, and sustainability, fostering a culture of strong business acumen will have far-reaching, organization-wide impacts.

Culture

Instilling a **culture** of ownership, accountability and entrepreneurial thinking allows individuals to make clear links between their business decisions, the impact of those decisions and the success of the enterprise.

Among teams with strong business acumen skills, individuals will begin to embody values (through their decisions and actions) like accountability, integrity, fiscal responsibility, entrepreneurship, and others. This will create an environment and culture of ownership that will transfer over into a culture in which individuals take responsibility and ownership for positively influencing business results.

Profitability

Strong business acumen skills create a culture of data-driven decision-making. Being able to articulate the story behind the numbers leads to people at all levels in an organization taking action and making decisions to affect the bottom line, whether by managing costs, improving processes, and eliminating waste, or doing more with less.

profit - An absolute number determined by the amount of income or revenue above and beyond the costs or expenses a company incurs. It is calculated as total revenue minus total expenses and appears on a company's income statement.

profitability - The metric used to determine the scope of a company's profit in relation to the size of the business. A measurement of efficiency – and ultimately its success or failure.

Providing people with an in-depth knowledge of the financial metrics their company uses to measure success will equip them with the knowledge necessary to drive better efficiency and increase profitability across their organization.

Growth

Managing the day-to-day decisions of a business, and leading a business with a big-picture understanding of leading and lagging indicators, working capital management, and generating returns on investments, can lead the way for sustainable, organic growth.

Talent Acquisition

When teams understand the financial impact of turnover and the costs of unsuccessful hires, they're better equipped to make good hiring decisions.

Furthermore, a successful organization that fosters an environment of strong business acumen is a company that people want to work for.

Marketability

Beyond being a company that people want to work for, being a financially savvy organization makes you a company that customers want to work with.

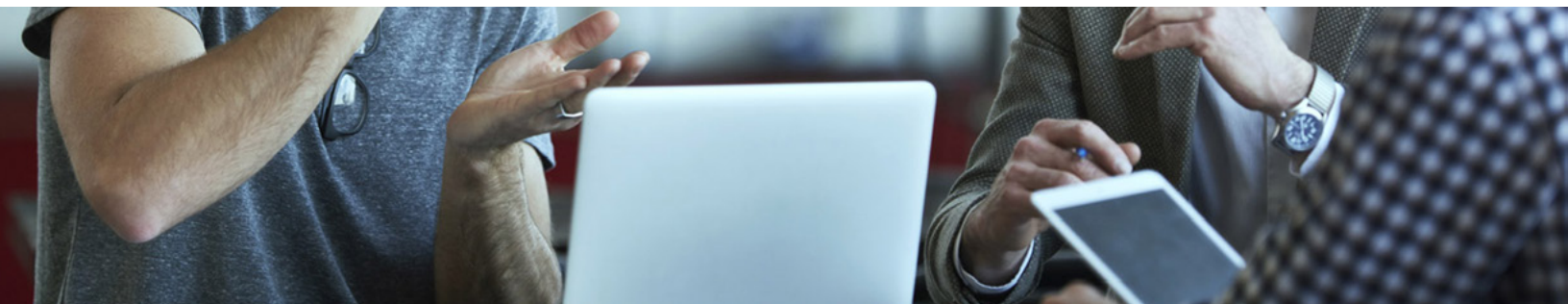
Project Management

Ensuring that individuals understand how scope creep or key stakeholder influence can impact a project's potential outcome sets project team members up for success. Bad project management can bring even a large organization to its knees.

The average project cost overrun was 27 percent, but one in six projects had a cost overrun of 200% on average - and a schedule overrun of almost 70 percent. - [Harvard Business Review](#)

Competitive Advantage

Sales teams with strong business acumen can better position the value of their products and services, in alignment with customer pain points, to create effective customer solutions. Internally, individuals that foster an ownership mindset take accountability for contributing to the business in a fiscally responsible way. Internally and externally, employees with business acumen can create a competitive advantage in growing their top line and optimizing their cost structure to increase profitability.





HOW DO YOU EMPOWER YOUR ORGANIZATION WITH BUSINESS ACUMEN?

You train. And one method of training stands head and shoulders above the rest - learning by doing. Confucius said it best - “I hear and I forget. I see and I remember. I do and I understand.”

First, business acumen training has to be engaging and energizing enough to overcome the “oh no” factor typically associated with any training that is “financial.” Making it palatable to possibly reluctant learners and maximizing participant engagement is key.

Second, it can’t overwhelm and frustrate learners by going beyond the needs of the audience. Three days of training around financial terms and statements, for example, is generally not necessary for those who aren’t in finance jobs.

Since the focus of business acumen training for managers is, of necessity, at a higher level than most skill-based development, relevance also is essential. It’s not just about learning specific skills, but about driving insights about the enterprise as a whole. Can the learners take the experience and apply it directly and immediately to their role in strengthening the financial performance of the company?

Finally, it needs to be memorable. Conventional wisdom shows a huge gap between knowledge retained from traditional instructor-dependent classroom training and knowledge gained from more interactive learning experiences. According to some estimates, most people retain just about **5 percent of learning from a lecture, compared to about 75 percent when they are actively involved** in their learning experience.

WHAT MAKES
EXPERIENTIAL
LEARNING
SO POWERFUL?