BUSINESS ACUMEN

How You Can Apply Business Acumen To Create Value

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Special thanks for the review to Johannes Vogel and Kevin Collett

Preface

If you're serious about helping your company make more money and drive value creation, you need to increase your business acumen. It's as simple as that.

The primary goal of this ebook is to help people working in support functions — especially those of us in finance — understand what business acumen is and how you can develop it. This eBook was developed partly based on research done by the team behind the Business Acumen Gauge of Australia[1]

Many people in support functions feel like they lack the business understanding required to drive value creation and provide meaningful support to line managers, let alone to the CEO and executive management team.

By developing their business acumen, they will find it easier to understand the ebbs and flows of a business and their relationships with line managers will take a turn for the better. That's because understanding the business enables them to speak credibly with resources from across the value chain and is a cornerstone for building trust.

This ebook highlights eleven building blocks that contribute to business acumen and provide concrete, step-by-step guidance as to how to develop skills associated with each component. It is written in a practical way with examples that will support and extend your understanding of the concepts presented.

Thank you for joining me on the journey toward understanding and improving business acumen. I welcome feedback and answers to questions posed throughout the chapters. You can send this feedback to anders.larsen.lindberg@gmail.com.

BPI
Creating Value Together

If you and your support function want any help in improving your business acumen and how you deploy through business partnering then reach out to us at the Business Partnering Institute at contact@businesspartneringinstitute.org.

I hope you enjoy reading the book!

Bagsvaerd, Denmark 04. September 2018

1st Edition

[1] http://www.bagauge.com.au/

Contents

Executive Summary: Do you know how your company makes money?

It's a simple question.

Most of us working in the corporate world would answer "of course I do!" However, if you dig a little deeper, you will find that many people don't really understand how their company makes money.

Understanding how a company makes money is what you call business acumen – a term used by many understood by few and actively developed by none. That's why I've set out on a mission to not only explain to you what business acumen really is but also to help you develop it and, ultimately, to lead your company to become more profitable.

So, what is business acumen?

Everyone has an intuitive understanding of what a "business" is, and "acumen" is derived from the Latin "*acuere*" which means "to sharpen". That means you can essentially translate business acumen to business sharp, i.e., sharp about doing business. This doesn't provide a lot of guidance, so we need to go a few steps deeper to clarify what business acumen is.

To be sharp in doing business you need to be good at many things. There's bound to be several components that define business acumen. You can get a quick overview of these by reading James O'Brien's article, "Business Acumen – The Key To Business Success."[2] based on research done originally to develop the Business Acumen Gauge in 2015[3], the eleven elements are as follows:

- Mindset (chapter 3)
- Foresight (chapter 4)
- Broad Scanning (chapter 5)
- Strategic Alignment (chapter 6)
- Collaborative (chapter 7)
- Resource Management (chapter 8)
- Systems and Process (chapter 9)
- Decision Making (chapter 10)
- Talent Development (chapter 11)
- Duty of Care (chapter 12)
- Financial Literacy (chapter 13)

On one hand, this may look like everything that goes on in a company and you could ask, "How can all this be attributed to one person?", namely someone

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[2] https://www.linkedin.com/pulse/business-acumen-key-success-james-o-brien
[3] http://www.bagauge.com.au/

with high business acumen? On the other hand, you could also argue that if you get employees and leaders who embody all of these capabilities then your company is bound to succeed. Either way, if you want to be sharp at doing business, these are the capabilities you'll need to develop.

Business acumen is underdeveloped in support functions

Hopefully, your company is full of people with a lot of business acumen, or people who have well-developed capabilities in at least some of the areas.

One thing that I've found through extensive work and discussions with companies around the world, is that business acumen is underdeveloped when it comes to support functions including Finance, HR and IT.

One of the reasons the concept of business partnering, which has been widely implemented in both finance and HR functions, is not really delivering on its promise is because the business part is lacking. And this can be directly attributed to a lack of business acumen.

A key example of this took place when the Maersk Line finance function asked our business stakeholders how they would describe the finance business partners who supported them. A clear majority replied that their Finance resources simply didn't understand the business well enough.

I've previously given some tips on how to develop a better business understanding in the article "How Can Finance People Learn About The Business?"[4] but if you truly want to be business sharp then a much more structured development program is needed – one that focuses on developing each of the 11 capabilities.

The first step is to understand what each of the 11 components means and then delve into how to develop each one.

This is the objective of this eBook: to articulate what business acumen is and to show how you can develop it to the benefit of our business stakeholders and companies.

This is about your development and career success

I hope you want to come along on this journey and develop your definition of business acumen. Maybe you have this written in your LinkedIn profile or resume? But what do you really mean by it? Have you done anything specific to develop it over the years or do you think that you became business sharp

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[4] https://www.linkedin.com/pulse/how-can-finance-people-learn-business-anders-liu-lindberg

over time? If that's the case, then it's worth mentioning that a sharp object can easily become dull if it's not being sharpened from time to time.

Given this, now is the right time to think about how you can increase your business acumen. If you're working in a support function and perhaps have a title of "[Function] business partner", then you should determine whether you truly understand the business part of what you support. If you feel your core understanding could be improved, then this eBook is for you!

Ultimately, increasing your business acumen will increase your chances of career success, so what are you waiting for?

Introduction: Finance Professionals – Adopt a growth mindset or die

You're a successful professional but why are you successful? Can you write it in a formula? Will you be able to keep being successful in the future as you rise through the ranks or become a highly sought-after specialist?

Yes, you will, but not by doing what you've been doing to achieve your current level of success. The truth is that your current success rests on past achievements that are no guarantee for future success. Moreover, companies are changing rapidly. Without adapting to changes you will quickly fade away and your success will become nothing but a distant memory.

To stay ahead you need to adopt a growth mindset for your own personal growth as well as for your career development. No, this is not a one-time training you attend and then you're fine. This is an everyday, all the time practice. It's a mindset for personal growth and it requires your focus now!

What does it take to focus on personal growth?

It sounds easy, right? "I'm just going to focus on growing now". But it's far from easy and you need structure to be able to create the right focus. The book The Leadership Habit[5] defines three competencies for personal growth.

- **Self-awareness.** You need to be aware, and to accept that personal growth is a key part of the foundation for your ability to succeed in the future. You also must identify the areas that you need to work on.
- Is it your strengths that need further development? Or do you have some specific challenges that are blocking your growth? Until you develop this self-awareness, you will not be able to grow.

- **Continuous learning.** Personal growth is not a one-time thing. You can't just go to a three-day conference and expect to grow.
- It's something that happens every day as you keep trying new things and pushing yourself to get out of your comfort zone. A start-stop approach will never work if you truly want to progress.

- **Manage personal time and energy.** As you increase your capacity to grow, you need to carve out the time to do it. Here it's important to be

[5] http://crestcomleadership.com/the-leadership-habit/

very practical as you learn how to both manage your energy level and clear up time in your schedule to dedicate to personal growth.

In simple terms, become aware of the areas which you need to grow, develop a growth mindset, and create the energy and the time you need to dedicate to your personal growth.

No more excuses. Here's how to energize yourself and create time in your schedule.

It's fair that you're a busy person with an abundance of tasks and priorities on your desk, but that shouldn't be an excuse to not focus on personal growth. Instead, it should be your call to action. Now is the time to heed this call.

Managing energy is much more important than managing time, because time is a finite resource. We can't create more or less time, but our energy level can increase over time.

The book The Power Of Full Engagement[6] outlines these four forms of energy:

- **Physical** which you can increase by eating well, sleeping well, and exercising regularly
- **Emotional** which you increase by establishing and maintaining balanced relationships in your personal and professional life and removing or neutralizing toxic people in both of those areas
- **Mental** which is all about your ability to focus on something specific like personal growth. Following some of the tips in this eBook will automatically help you focus on what's most important to you.
- **Spiritual** which you can increase as you connect more deeply purpose. If your purpose is strong then you can often overcome a lack of energy in one or more of the other energy forms yet few people have found their purpose, either in life or in their career. Instead, where they end up is not the result of conscious decisions or plans.

To get an idea of your current energy level examine each of those four areas and rate yourself on a 1-4 scale (one being the lowest, and four being the highest). The result will quickly tell you if you need to manage your energy better overall, or in a few specific areas.

Granted you also need to make the most of the time you have available becoming more productive and effective. There are many time-management exercises you can do but, to make it simple, watch this short *Harvard Business*

[6] https://www.amazon.com/Power-Full-Engagement-Managing-Performance/dp/0743226755

Review video[7] and follow the steps to create more time to focus on your personal growth.

What do you need to grow?

This question cannot be answered without knowing more about you. But you're now ready to take the first steps toward a personal growth journey that will give you the fuel to continue your successful career and rise through the ranks.

Just remember that this journey starts NOW and should become a part of what you do every day. If you don't adapt to the changes happening around you then your career will surely die.

[7] https://hbr.org/video/2700158695001/create-time-for-your-most-important-work

DEFINING BUSINESS ACUMEN

1. Mindset: Do you have what it takes to make money?

If you're in business, it's typically about making money. You and your colleagues need to be at your best to beat the competition and make a lot of money. However, you may often wonder why even the most thought out and well-communicated plans still don't get executed in the way that was intended.

Truth be told it's because you're not mentally aligned with what your CEO and senior management team want you to do. In fact, they could even claim that you don't have what it takes to make more money!

The good news is that this can be learned. The bad news is you can't just switch it on tomorrow. Now let's look at the first component of business acumen as being a mindset for doing business. Before digging into it let's just define what a mindset is:

"A mindset is a set of assumptions, methods,
or notations held by one or more people"

So, when you realize that you're not aligned with the management team you're either applying different assumptions than they are, using conflicting methods or simply interpreting things differently.

Here's how to focus your efforts towards making money

It's essential that you get in sync with your management team so that you can execute the business plan the way it was intended. To do that focus on developing a mindset for doing business. The Business Acumen Gauge[8] lists the following mindset attributes that need your attention.

Reflective Mindset – you show that you have both learned from the past and have learning agility for the future

Analytical Mindset – you gather relevant data, both quantitative and qualitative, and make sense of it through evaluation and then draw accurate conclusions

Creative Mindset – when solving problems, you think creatively, using many different techniques to approach problems

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[8] http://www.bagauge.com.au/

Collaborative Mindset – you appreciate the value of working collaboratively and draw upon the skills and insights of your colleagues to solve problems and implement solutions

Change Mindset – you take responsibility for initiating and leading change

Resilient Mindset – you maintain agility and perseverance to get the job done

Action Mindset – you have an orientation towards getting things done efficiently and effectively

Often a mindset is thought of as something intangible. The article "Do You Have A Finance Business Partner Mindset?"[9] makes this concept more concrete and tangible. This is a key extension of the original concept because it allows us to actively develop it rather than being limited to refining a specific behavior.

Knowing that you need to be sharp in these areas equips you to start questioning why you're not in sync with the management team. Begin by asking questions such as:

- Do you repeat past mistakes?
- Do you use data for our decision-making? Or base decisions on gut feelings?
- Do you err on the side of using conventional wisdom to solve problems?
- Do different departments work in silos? Or do you seek out and leverage cross-functional collaboration?
- Do you lead and embrace change? Or do you resist it?
- Do you give up too easily when a decision doesn't work out immediately?
- Do you make decisions and take action? Or do you invest too much time discussing the issue?

If you don't have a positive answer to these questions seek alignment with the management team. You could also speak with your direct leader about how to ensure this alignment. Because you were aligned you would learn from your mistakes, there would be no silos as direction setting is clear to all, you would not resist change because you support the vision of management etc. If needed you should also get training in business acumen to better understand what the management team wants from you. Otherwise, the risk of you failing is far greater than it needs to be.

The power of a collective mindset

[9] https://www.linkedin.com/pulse/do-you-have-finance-business-partner-mindset-anders-liu-lindberg

It’s a powerful thing when everyone in your company shares the same mindset and your company culture supports each initiative that gets rolled out.

One could argue that the risk is that everyone thinks the same way and opportunities are missed. However, if you revisit the seven different mindset attributes you’ll quickly realize that they force you to look at a range of different possibilities and through discussion agree on the best course of action.

This way of doing business might not be for everyone, just like “The GE Way that isn’t for everyone”[10]. But for doing business the way your management team wants it done, this is the way to go.

The alternative is an ugly one where you question every decision they make, resist it and fail to execute it. Your company will surely lose money as no company or even a single department can run effectively like this. Of course, you should apply common sense and provide your feedback if you simply can’t make sense of the choices management takes but the goal should be to seek alignment.

That’s why having the right mindset for doing business is a prerequisite for developing business acumen. Get the mindset right from the start and all subsequent training efforts will be so much more effective. This will also help you learn what it really takes to make money.

2. Foresight: It takes purpose and vision to follow a leader

To be successful in business and lead a business to successfully, you need to be able to create successful outcomes. That may sound like it came straight from Business for Dummies or Business 101, but why is it then that some companies are more successful than others? Why are some executives more adept than their peers at leading their company to success? Is there a secret formula or sauce you can use to create successful outcomes?

Maybe there is but you shouldn’t spend too much time looking for it. Instead, you need to look at your leader and ask what’s his or her purpose for doing what (s)he’s doing? What vision does (s)he have for the company?

The answers to those questions are much more important to your success than the secret sauce no one can find anyway. Vision and Purpose are the two most important ingredients in having the foresight to create successful outcomes.

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[10] http://www.nytimes.com/2007/01/04/business/worldbusiness/04iht-ge.4102488.html?mcubz=0

Foresight is not the same as a forecasting or foreseeing something

Before digging deeper into what foresight really is, let's take a moment to think about this question:

"Can you decide to be happier?"

If you're not sure about the answer, then smile and see what happens. Studies have shown that you can be happier by simply smiling and making a conscious decision to be happy.

This small example shows that there are things you can do and decisions you can make that enhance your ability to create successful outcomes.

You don't have to wait for an external event to create favorable conditions for your success.

It is, of course, great if the external conditions are also in your favor, but then it's also most likely that those conditions favor your competitors as well. This means that it's not the external conditions that provide you with a competitive advantage. It is what management decides for your company as reflected in its stated purpose or mission statement as well as the vision they set.

No, foresight isn't the same as a forecast where you look at some drivers or past results and try to predict how you will perform in the future. Neither is it about foreseeing something like a psychic. It's about your company having a purpose that you, your colleagues and your customers will believe in. As Simon Sinek says:

"People don't buy what you do but what you believe"[11]

Once your company has a strong purpose, management can set a vision or chart a course so your company is well positioned to achieve this purpose. Without it, your company will sail wherever the wind takes it.

You might get lucky and land in the right place, but successful businesses aren't built on luck. They're built on foresight and the will and ability to create successful outcomes.

So, what is it that your leader believes and would you follow that belief?

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[11] https://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action

You can also start to look at your leader and ask if (s)he has foresight by asking what drives him or her and what (s)he does to create successful outcomes? It's not about guidance for your day-to-day activities or even what to achieve in the next year. Heck, it's not even the vision statement.

What you should look for in your leader is confirmation that (s)he believes that what your company is doing will create successful outcomes; that these beliefs are deeply rooted in all his or her actions as well as articulated in writings, meetings, presentations etc.

And if you "buy" what your leader believes in then the likelihood of you and your team succeeding is far greater. If you believe what your leader believes then you will decide to be winners in the game vs. your competitors. Together you will decide to create successful outcomes for your customers.

In short, you need to believe what (s)he believes but your leader needs to believe it first in a genuine and authentic way for you to follow. Ask yourself today what your leader's deepest beliefs are. What's his or her purpose for doing what (s)he's doing and do you want to follow that?

If you decide to follow your leader based on this evaluation, success will be much easier to achieve. If you decide not to follow your leader it's best to begin looking for another job soon.

3. Broad Scanning: When others go deep, Business Partners go broad

In any business, you'll find specialists and generalists. To win in the marketplace you need both. Typically, specialists work in line functions. That's where you'll find the star salesperson, the engineer who keeps production lines humming smoothly, and the customer service agent who knows how to turn an unhappy customer into a happy customer.

Generalists, on the other hand, work either in management positions or in support functions. Support functions you say? I thought they were all specialists, too! This may be true but not if they have a well-developed sense of business acumen.

It's time to explore how using broad scanning can enable support function resources to drive value creation by finding ways to help line function co-workers make better decisions.

In general, when specialists in line functions go deep into their functional expertise, business partners often go broad in terms of exploring multiple options, combining various sources and create a balance between what needs to change and what should stay the same.

This makes broad scanning a crucial skill for business partners so let’s explore what it’s all about.

Broad scanners explore opportunity and uncertainty

People with the ability to broadly scan the business environment are those who work to identify opportunities that are available in any given situation. To explore these opportunities also means willingly going into uncertain territory.

If you’re not excited about opportunities that involve the unknown or if you’re afraid of them, then how can you ever grasp their full potential?

Broad Scanning is not some nebulous skill. It’s clearly defined by specific behaviors including...

- ...A feeling of excitement about new opportunities
- ...Being comfortable with uncertainty
- ...Using inquiry to probe beneath the surface of what others believe is obvious
- ...Understanding what needs to change and what needs to stay the same
- ...Knowing how to research an opportunity and, more importantly, knowing when to advance an agenda

Let’s try to consider these behaviors for business partners working in support functions.

You can’t be someone who says “NO” to everything. You can’t be someone who will only do something if it involves little or no risk. You can’t be someone who’s not willing to try new things. Finally, you can’t be someone who analyzes things to death without ever deciding what action to take.

In fact, this reminds us a lot about the classical stereotype that finance professionals as well as others have had to contend with for many years.

Kill the stereotype by becoming a broad scanner

Clearly, times have changed. To become a business partner, you need to embrace new behaviors and become a broad scanner.

In any given scenario, you should always explore multiple options and suggest equally attractive solutions. You must accept that all decisions are made under uncertainty, and yet also be sure that you research each solution you suggest so that you can properly present both the upsides and downsides.

Exploring a range of options will also enable you to identify when it’s time to make changes to achieve a different or better result. At the same time, there’s no need to suggest making changes just for the sake of change itself. When something is working well you should help support it so conditions remain the same for continued success. For example, “if it’s not broke, don’t fix it” is the optimal approach when you are lucky enough to hold investments in profitable products or assets.

While a business partner might support one specific line function that doesn’t mean (s)he doesn’t look out for the whole business. (S)he can take a strategic perspective on day-to-day decisions and be the link between strategy and execution.

In addition, true business partners are adept at anticipating how competitors might act regarding different decisions made while also reflecting on how the external environment is impacted and what ramifications the company is likely to encounter.

It’s clear that effective broad scanners can have a tremendous impact on any business. That’s why line managers would be thrilled to have a broad scanner as their business partner. It will undoubtedly help the manager make better decisions and create more value.

After all, that’s what both business acumen and business partnering are all about.

Analyzing Where You Are Today – And Where You Want to Go

4. Strategic Alignment: Are you aligned with your company's strategy?

Most companies have a strategy, yet few truly understand how to execute it. In fact, most companies' strategies are robust, well thought through and built on in-depth research. Despite this, when strategic objectives cascade down within an organization it's all too common to find that they quickly lose their meaning.

You can compare this to the telephone game where someone is told a name that they then must whisper on to another person, who must then whisper it to another person, and so forth. Even after a handful of people the original name has been distorted and, by the tenth person, you'll find the name is completely different.

A strategy is the same thing. That's why people at the individual contributor level rarely execute the strategy according to plan. Companies that are high on business acumen don't fail on execution and they understand that the key to successful strategy execution is *Strategic Alignment*.

What is strategic alignment and why is it important?

You know what strategy is as well as vision, mission, and purpose. You also know about execution and how to execute. So why is it that the combination of the two is so difficult? More importantly, what makes the execution of strategy a key area of failure for so many companies?

It's because there's a lack of alignment from senior management down through the management layers and to the individual level. There can be many reasons for this: internal politics; poor communication skills; or even the lack of ability to understand the strategic direction that senior management has agreed to.

As an individual, you probably wonder if what you have an impact on the company overall, and you may be tempted to think that what senior management is trying to achieve is unrealistic.

You may not have been included in the formulation of strategy, and you may not have received much communication about it. Typically, receive a message that management is working on a new strategy and then one day it's there.

That's a clear indication of lack of strategic alignment as at its core this is the process for communicating strategy and strategic goals and involving all organizational layers. Doing this quickly makes it easier for everyone to execute the strategy.

It's easy to now see why creating strategic alignment is important.

How do you know if there's strategic alignment in your company?

This is the million-dollar question. If having strategic alignment across the company is the key to successfully executing the company's strategy, then you want to investigate if your company has it.

If there's no alignment you then need to figure out how to get yourself involved. First, ask yourself some of these questions:

- Is there a clear link between business performance and the strategy?
- Have the gaps between current and desired performance been identified?
- Are there both short- and long-term goals in place to deliver on the strategy?
- Are there metrics and milestones in place to hold people accountable?
- Are there frequent communications around how the company is progressing on its strategy?
- Is the strategy frequently reviewed to ensure it is still relevant given marketplace changes, technology developments, and competitor behavior?
- Do people around you seem to feel accountable for the success of the strategy?

If the answer to all or many of these questions is "NO" then your company is lacking strategic alignment and you need to get involved in creating this alignment.

Obviously, you can't do this all by yourself. But you can start a movement that eventually reaches some senior managers, so they can start questioning the lack of alignment and ensure that it's addressed. In short, you should try to:

- Figure out how your business should be performing now if it was successfully executing its strategy by reviewing all information available to you about the original strategy.
- Make sure you have both short-term (no longer than quarterly) goals in place and a dot on the wall for long-term goals which you then plot in a plan to reach. Achieving each quarter's short-term goals should bring you closer to long-term goal fulfilment.
- Demand that all approved goals are SMART meaning that they can both be measured and that people are held accountable to achieving them.

One caveat: you might not know everything that goes on behind closed doors, so you shouldn't start probing to determine if individuals or managers who don't fulfill their goals are being held accountable or not.
- Encourage frequent team meetings where you discuss the strategy, how each of you see it and if you collectively think you're moving in the right direction. If you don't think so you can discuss how you as a team can do more to get things moving.

Achieving strategic alignment is crucial to the success of your company and even if you're not a senior manager you can still take responsibility for making it happen.

Don't expect management to have all the answers. In fact, you should expect that they're counting on you to contribute even if they don't say so directly and openly.

Everyone in a company is responsible for achieving strategic alignment because as soon as people don't feel responsible there will never be true alignment.

5. Collaboration is what makes 1 + 1 = 3

An often used phrase in business, "no man is an island" is very telling because many businesses are not one-man bands. Rather such businesses encompass multiple people coming together to focus on a common mission, vision and strategy with the goal of creating value for their customers.

They must collaborate to achieve the best possible outcome and be successful. That's why collaboration is a key ingredient in achieving high business acumen.

People say they want to collaborate but are they collaborating?

Collaboration has become a buzzword that is said but rarely exercised, in many organizations. Let's look at what collaboration really means:

- Being cooperative and willingly sharing information to improve an organization
- Being a team player
- Working across teams, functions, and departments by identifying common goals
- Creating new opportunities for employees to work together by breaking down barriers in the organization

What are some factors that contribute to team success?

- Teammates who go beyond themselves to strive for a shared goal
- People who agree that they're only rewarded when the team succeeds, rather than the individual
- Trust in one another's capabilities, i.e., you leave a task with someone else with confidence they will deliver on it and do an excellent job
- Different people with different capabilities that can complement each other. Without these complementary capabilities, your own strengths wouldn't be as effective as they could be
- A willingness and open mind to genuine collaboration, without any selfish or ulterior motives

Can't you give me a checklist so I can gauge into if my team is genuinely collaborating?

There's no straightforward formula to determining whether people are truly collaborating, but several guiding rules can be laid out to follow and improve your collaborative abilities.

- Be aware of the need for collaboration and striving for a common purpose.
- The end goal is to reach a consensus on a decision; there may be disagreements along the way but at the end a successful team stands together behind the decision.
- Despite the need for reaching consensus teammates are individuals who can make decisions for themselves when things need to happen, i.e., they can't be dictated to by others.
- There's a clear expectation for everyone to participate leaving no room for free riders.
- Both mediation and negotiation will be needed to reach a final consensus, and this is expected and accepted in any kind of collaboration.
- Teammates should be sharing their thoughts and ideas.
- An agreement isn't often reached on the first suggestion that pops up. Alternatives should always be considered.
- Everyone engages in the work and shares ideas throughout.

This checklist helps identify if what you're participating in is a true collaboration or not. Using this list can help you identify who is and isn't a team player within your group or organization.

Have you ever experienced a collaboration that worked to the benefit of everyone, or do you see collaboration as an idealistic buzzword?

6. Resource Allocation: Is your resource allocation destroying value?

Resources are scarce. Whether you look at it from a global perspective or the company level it's a reality that companies must contend with. That is unless you're Apple and are stockpiling 20 billion dollars of cash on your balance sheet[12].

Companies must allocate their resources effectively to ensure they are used to yield high-value results. Businesses must also use the allocated resources efficiently to ensure maximum output.

In fact, one could argue that resource allocation is one of the most important drivers of value creation which is why it's a critical component of business acumen.

Why is resource allocation important?

Simple, isn't it? If you look at the first sentence in this chapter (resources are scarce and you never have enough to do all that you want) we need to be smart about how you allocate your resources. That's why companies make strategic plans for what to do and what not to do.

That's also why you have NPV models to quantify which projects or investments can be expected to yield the highest returns, and company owners and lenders set minimum requirements on their returns. It's why you undertake performance management of everything from investments to employees to ensure that the resources you have allocated are used efficiently.

Now, let's talk resource allocation

Now that you understand resource allocation's necessity, let's discuss what it is, why so many companies get it wrong and, most importantly, how you can make sure you get it right. Resource allocation in a broad sense pertains primarily to the following elements:

- Inventory
- Equipment
- Labor
- Financial assets

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[12] http://investor.apple.com/secfiling.cfm?filingID=320193-17-70&CIK=320193#A10-K20179302017_HTM_SCE31BDFF50DA58B8962157DE8467840C

- IT
- Knowledge

These resources must be allocated to run a business on a continuous basis, and they are the key link between a company's tactical plans, the operations planning and execution of the plan.

Tactical plans are not worth much if the operations planning is poor, and execution suffers as a direct result. That would lead to inefficient use of resources despite projections that indicate that a firm's resources are being allocated efficiently on paper.

As a general principle resources should be allocated to the products, projects, departments etc. that yield, or are expected to yield, the highest returns. If this is done on a continuous basis and the performance follow-up confirms that where you allocate resources you get the highest returns, then you have a sound business.

The problem in many companies is that this is not what's happening due primarily to one thing. THE BUDGET! In many companies, the budget is the target for the year, the financial forecast, and the outline for how resources are to be allocated.

Unfortunately, it's simply not possible for one set of numbers to satisfy all three purposes. In terms of resource allocation, this often results in a politically negotiated process conducted once a year during which you frequently hear comments such as:

- *"If it's not in the budget, you can't spend it"*
- *"If you don't hurry up and spend 100% of your budget for the year, then it will be smaller next year"*

Neither these statements nor the consequential actions following them are productive for value creation. In fact, they're more likely to destroy value than to create it.

There are many processes other than the budget that you can use to get a better resource allocation; these include Zero-based Budgeting or Beyond Budgeting. As a rule, adhering to two principles will get you far:

1. Keep resource allocation open throughout the fiscal year
2. Allocate resources to the areas of your business that are expected to deliver the highest returns

Yes, it is that simple. Of course, you know that you need many sound processes around these principles to make them work. This can include a solid forecasting process that you can rely on for predicting where the highest returns will be and a transparent business case template and supporting process that enable you to make data-based decisions and follow up on the decisions you make later.

How do I know if my company has a useful resource allocation process?

Regardless of how you allocate resources, you could still be making it work for you. To understand if you have a valuable resource allocation or not here are some of the questions you should be asking and answering:

- Is there alignment between strategic, tactical and operational plans?
- Are there clearly defined goals including appropriate performance measures?
- Is there a comprehensive understanding of the activities required to achieve the desired business outcomes?
- Are there clearly documented assumptions upon which resources are allocated?
- Do you have statistical evidence of past activity that relates to similar future activity?
- Is there a formal audit process of the underlying data used for decision making?
- Are there regular reviews of activity comparing actuals to targets and forecasts?

If you don't have good answers to these questions you have some work to do to create a better resource allocation strategy since it's likely that not supporting value creation to the extent you would like. You can design your strategy around the two simple principles and by answering the questions listed here with the future desired state and processes.

Now it's up to you and the leadership team to create a plan and execute it to optimize your resource allocation to truly drive value creation. Are you going to get started?

7. Systems & Processes: Do you trust your systems and processes?

How often have you heard about great strategies and transformation plans, in which the primary step was to improve systems and processes? In big companies, at least, you'll hear it a lot, and for some reason this mantra is always the same no matter how much improvement a company is able to bring about.

The world is changing at rapid pace and you all know that this means that you must be in a constant transformative mindset to remain relevant. That's the case when it comes to systems and processes another crucial element of companies run by those with strong business acumen.

How can you help your company to create better systems and processes?

Having a transformative mindset means that you're constantly looking to improve. Better and smarter processes as well as more advanced and flexible systems. In the past the lifetime of a system, be it a business system or a pure financial system, was calculated in fives or tens of years. The same is true for processes.

BlackLine's CFO Playbook: Finance Transformation says, "The truth is that finance transformation is a journey, not a destination. Many finance organizations have already embarked on it, driving down costs, whether through enhancing shared services centers, or applying more centralization, standardization, and automation."

How can you cope with this faster pace of change? What is the structured process you should follow to keep transforming? Add to that the fast development of technology and automation where many processes can now be automated through robotics process automation and other tools.

The structure below is what you should follow to constantly accelerate and become institutionalized in your company:

- Know your **vision** so that any transformation you do supports it.
- Don't spend too much time **designing** as what you're designing could easily be out of date once you're ready to launch – in fact it's always better to launch an MVP (Minimum Viable Product) to get going and then build on it from there as the conditions evolve.
- Once you've made your design you start **modeling** reality around it through multiple what-if analyses. There shouldn't be anything stopping you from doing this on a live system, if it is flexible to be changed.

- Now it's time to **execute** what you've built and tested and while the previous steps can easily seem daunting it's something that could be done in a few weeks if all you're gunning for is an MVP.
- Next you **monitor** how everything is running by analyzing the vast amounts of data your system and users (be it internal or external) will generate. Are they using the solution in the way it was intended, or would they prefer it to be different?
- All that's left for you to do is to optimize; you need to continue to optimize until you find that your current system or process no longer fits the purpose and you go back to **vision** and **designing**. However, you might not even want to wait until you realize what you have is out of date. You should run this process continuously to ensure that you don't one day realize that you're falling behind and it's too late to restart the process.

Today you can start taking charge of this process in your company or start asking around to determine how it's being done. If you don't find good answers you should be concerned and speak up.

Without strong systems and processes you can forget about being a great business partner!

Now it's clear why good systems and processes are needed and why you need to continuously improve them. This is something that's felt in many support functions where the lack of good systems and processes keep undermining collaboration between support functions and the business.

If you can't even deliver one set of numbers or a clear view on what your talents are then you've got no seat at the table.

According to BlackLine's CFO Playbook: Finance Business Partnering, "Adding business skills and being more proactive around identifying business risks are both essential to adding a partnering element to these skillsets. Achieving it requires freeing up workloads, and changing accounting process to make room to nurture the change."

While something like systems and processes seem to not be related to business acumen, they're often the engine that powers business acumen in any kind of company. What's your take on systems and processes? Can you succeed without good ones? What are you experiences with improving them?

8. Decision-Making: Guts or Facts. You decide!

Decisions, decisions, decisions. In fact, that’s all a company is made up of. That and execution of decisions, yet even execution involves many decisions about exactly how to do a certain thing. Once all decisions have been made it’s about the skills and capabilities of doing what has been decided.

Obviously, that makes effective decision-making crucial for companies to be successful enough to survive long-term. A company is dependent on making, on average, better decisions than its competitors. If a company can’t do this then it might as well stop doing business because it will lose out eventually.

This is also why decision-making is one of the components of business acumen.

How are you making decisions and what are the pitfalls?

A lot can be said for how people make decisions. Look at what information people use to make decisions, it can be split into two types:

1. Gut feelings
2. Empirical data

Of course, it’s not black and white and most of the time you will have some data available but make your decision without full information to back it up.

When you look at how you can support your senior leaders when they make decisions it’s about giving them the data needed to support those decisions.

That means you must analyze the issue at hand and turn the analysis into insights that the leaders can base their decision on.

Further, you should use these insights to influence the decision because it’s likely the decision maker is biased in his or her decision-making. What do we mean by “biased”? Isn’t the decision maker looking at the situation objectively?

At first it might seem like that, however, whether you’re aware of it or not we’re all in possession of inherent biases. In fact, more than 120 different decision-making biases have been described, with some of the most common ones being:

- **Progress bias** — meaning you give more credit to good actions even if bad ones outweigh them
- **Confirmation bias** — meaning you’re more likely to believe information that confirms our opinions

- **Survivorship bias** — where you only pay attention to what's been successful and ignore that which failed
- **Dunning-Kruger effect** — when confidence and experience are mismatched
- **IKEA effect** — placing a higher value on things you've worked on personally
- **Planning fallacy** — when you underestimate the time you'll need to complete something
- **Availability heuristic** — meaning you place greater importance on the first piece of information that comes to mind when asked a question

Of course, if the decision-maker is biased, then so are you. Still, the more facts you can bring into any decision process the better.

Know your stakeholders, know your facts and know what you want to achieve

To reach the best possible decision it's a good thing to know your stakeholder(s) and what information they put more weight on e.g. a specific report, KPI, specific people, etc. In that way, you can either counter their likely biases or play into them, depending on what situation you want to achieve.

Now, influencing doesn't mean manipulating, so you should be transparent about what you want to achieve in any given situation. That will help both you and the decision-maker to come to the best possible decision.

Bringing facts into any decision process will make it more objective and potentially break down any biases held by the decision maker. (S)he might not like it but (s)he will recognize the better result that you achieve in the end because, unlike your competitors, you become unbiased and fact-based when you make your decisions. No more relying on gut feelings.

How does the decision-making process look in your company? Is it fast and efficient, or slow and bureaucratic? Have you experienced key decision makers being biased when they made a decision? How about using facts vs. gut feelings? What's the ratio in your company?

ACTING: HARNESSING THE POWER OF BUSINESS ACUMEN

9. Talent Management: Leadership priority #1? Talent development!

This chapter is written from a leader's perspective but as a business partner you should see this as something to expect from your leader. If this is not how your leader acts then it's probably time to have a talk about it!

What is your company without its people? For most companies, people are their most important asset.

So, when people are your most important asset, why aren't you doing a better job of developing them? Talent management and development shouldn't just be buzzwords, they should be something you do actively and continuously. talent development is an important part of business acumen and it happens at all levels of the organization.

What exactly do you mean by talent?

Essentially, all your people should be thought of as talents and while some of them might be what you can characterize as top talents meaning the best of the, all talent must be nurtured and developed. In fact, you could go so far as to say that if you believe that a certain individual has a future with your company then they are part of your talent pool and you must invest in developing them.

If you don't then, chances are, their engagement will be lower, their performance will be lower and, as a result, your overall company performance will be lower. It's right down the alley of the stereotypical conversation between the CEO and CFO:

> *CFO asks CEO: what happens if we spend money on training people and they leave?*
>
> *CEO replies: what happens if we don't and they stay?*

The moral is that you would rather be a company that develops its talent for bigger opportunities, be it within or outside your own company, than be a company that doesn't develop its people at all.

The next question is how do you develop talent? Here are some pointers to get you started:

- Make time for the team, i.e. make yourself visible and available

- Delegate routine elements of more complex tasks and encourage others to do the same; confirm when others have understood and absorbed learnings from delegated tasks
- Treat each team member equitably and act as a facilitator when team members experience conflict
- Be non-defensive and give feedback, foster a climate where everyone feels they can take risks, make mistakes, learn from them and be willing to support each other
- Help team members come up with their own answers rather than solving problems for them
- Find ways and make time to coach others

I sense you're thinking, "That's all good but I have so many other priorities that I find it hard to find time for these things." Right, this must stop! That's a silly excuse and a sign of poor leadership.

Your top priority as a leader should be talent development because if you can develop average performers into good performers, and good performers into great performers, then you almost automatically meet and exceed your goals.

If you're still struggling to get it done then return to the Introduction and create even more time for yourself! However, Talent Development does happen on all levels, so I encourage you – as stated above – to find ways and time to coach others. Coaching and teaching are excellent ways of strengthening your expertise and career.

You win, I'll do it

I've done it — and it turned out terribly. Most of my team members got defensive when I tried to tell them how they could improve performance and, as a result, the morale of the team has dropped to an all-time low. Are you happy now?

No one should be happy with such a result and developing talent is not an easy task. Here's why it probably went wrong for you: you went into the development conversation thinking now is the time to tell them all the things they're doing wrong and how they can improve.

How do you think it makes your employees feel to be told that they're not doing a good job? Instead, you should try a feedback ratio of 5:1 five things that the team or individual is doing well for everyone thing they can improve upon.

Moreover, you should remember that feedback should be seen as a gift by the receiver. To accomplish this, remember that feedback should be **concrete,**

constructive, curious and caring. Just give it a try in your next development conversation and see how it works out.

You can tell a good leader by looking at his or her people

Your team is what defines you as a leader. Of course, it's also about hiring great people, having good processes for managing talent at a wider company level and for developing career stories to make sure that your talents always have opportunities at their feet.

Start developing your people and you'll have taken the first step towards creating a better future for yourself and for your company. After all, isn't that why you became a leader in the first place?

10. Duty of Care: What is your corporate call to duty?

It's not uncommon to hear that companies are only interested in profits and don't care about the consequences of their actions. However, one must wonder if that's really the best way to run a business in the long term?

Corporate Social Responsibility has been one way to try and push corporations to think differently about their role in society and how they go about their business. There's also an intrinsic way of looking at this.

If you look at your employees as individuals and ask what their call to duty is you might find a different answer to running a sustainable business than what is forced upon the company from the outside. In fact, one could argue that having employees with a strong call to duty is a sign of a company with strong business acumen.

What Call to Duty really means

Call to duty is all about value creation and no one's arguing that every company should become a not-for-profit organization. Here's what duty of care refers to based on the research that underlies the Business Acumen Gauge[13].

- Acting in cohesion and solidarity with others
- Caring about the impact that actions and decisions have on others
- Being an advocate for your organization
- Being accountable for what you do
- Actively considering the impact of decisions on future generations

You should look for the footprint of duty of care in your company through the **ethics** which are prevalent, its **values**, the **organizational vision**,

[13] http://www.bagauge.com.au/

the **commitments** your company makes, and the **ownership** it takes for its actions. If these factors do not promote individuals to act as described above then it's not going to go well for your company in the long run.

Next, let's test to see if acting as described would lower or possibly work against the company being profitable:

- Working with **cohesion** and **solidarity** could equate to teamwork and working together toward shared goals. In fact, it would be great if the company embodies this rather than having people working for themselves or against each other.
- **Caring** about how you impact others essentially goes to how you build trust and relationships with people. In most businesses, today it's very difficult to be successful without being trustworthy and having good relationships with a range of colleagues and business partners.
- **Advocating** for the company or organization you work for should be good for attracting customers and employees. Everyone wants to be part of a winning team so when you brand your company as one it's not hard to see the benefits.
- Being **accountable** is also something that builds trust within an organization and fosters teamwork and collaboration. When people know they can count on you it helps them focus on what they need to do themselves.
- Thinking about **future generations** goes a long way toward creating an enterprise that's sustainable in the long-term. If all you care about is making the numbers next quarter then the likelihood of you being out of business within the next couple of years is probably quite high. It's also tightly connected to the vision of your company. If you truly work toward your vision you'll find that you're answering the question of why the company should exist in the future. It can only exist by fulfilling its role in society in a positive way.

By the looks of it there's nothing above that would drag down the profitability of your company – neither in the short term nor in the long run. In fact, it's quite the opposite. That means having a strong corporate call to duty is good business.

It still sounds a bit fluffy – how can I test this in my organization?

To test whether you and your colleagues have a strong call to duty, you could ask and answer some of the following questions:

- Do you take responsibility for the wellbeing of your staff/colleagues?
- Are you socially perceptive and responsive?
- Can you influence and persuade others for the organizational good?
- Are you a steward for the organization's future?

- Do you show an active concern about the economic health of the organization?
- Do you show an active concern about the social health of the organization?
- Do you show an active concern about the environmental health of the organization?
- Do you show an active concern about the organization’s morale?
- Do you show an active concern for the welfare of the communities that the organization serves?
- Do you monitor and mitigate compliance risks?
- Do you understand that the organization is part of a much wider community?

At your next team meeting try to raise some of these questions and see how your staff/colleagues respond. It will be very telling not only if they have a strong call to duty but also if they have high or low engagement in their jobs and the company. Likely, you can’t be highly engaged without a strong call to duty.

Do you have a strong corporate call to duty, and are you highly engaged in your work and your colleagues? If the answer is no it doesn’t necessarily mean that you don’t have strong business acumen, but perhaps that you should look for a better situation at a different company or in a different role. Nevertheless, a strong call to duty will lead to better company results and that’s what business acumen is all about!

11. Financial Literacy: Is your company financially illiterate?

Why can’t my Sales Manager understand that not every sale is a good sale?

Why doesn’t Marketing get that a lead doesn’t mean a sale and that doesn’t always mean good business?

Why doesn’t Operations say stop when they know we can’t reliably deliver the product that we sell?

Come on dear CEO why can’t you see that no one understands your strategy and that there’s a severe lack of alignment with what goes on across the company daily?

These and many more questions are frequently asked by finance professionals (to themselves or their finance colleagues) when they get frustrated with how the line managers run the business. It’s not because the line managers don’t want to do a respectable job but more likely they simply don’t have a good enough understanding of the company’s finances.

That means they make decisions based on gut feelings rather than data and numbers. Well here's a news flash dear finance professional: it's up to you to ensure that the line managers understand the monetary impact of their decisions. That doesn't happen if you keep asking these questions of yourself only!

The last component of business acumen is financial literacy. The research behind the Business Acumen Gauge[14] has documented eleven capabilities in total relating to having business acumen as described throughout this eBook.

Financial literacy is the one that's closest to finance professionals so we'll look at it from the outside-in by taking a line manager's perspective to help finance professionals understand what they must do to ensure that everyone in the company drives value creation.

What is financial literacy?

You'd be surprised to know that many people would ask this question since it seems so natural to you. However, if you're specialized in Sales, Marketing or Operations then you have different core competencies than knowing what drives value creation.

Financial literacy is essentially about understanding the numbers that the company's activities generate, and being able to analyze them. If you understand profit & loss summaries and balance sheets as well as the cash flow statement, you're already off to a good start.

However, to remain competitive and beat the competition line managers need to focus on driving more leads, creating campaigns that get customers hooked and ensuring a smooth delivery of the products or services. That means it's your responsibility that they do all this in ways that create value. Let's take a minute to review some examples:

- When the Sales Manager goes to see customers to lock in a sale (s)he needs to be aware of the monetary value that should be attached to every part of the product or service that's sold. That's so (s)he knows the proper pricing points the product must be sold at. If selling below a certain price point means that the sale is unprofitable then the company will be worse off overall despite the top line showing an increase. While it's true that providing this kind of information to the Sales Manager in a useful way is not easy, nevertheless, that is what savvy finance business partners are able to do.
- When Marketing pushes out a new campaign it's important that they understand the anticipated conversion ratios from the total target group

[14] http://www.bagauge.com.au/

all the way from sales through to cash collections. If they only focus on metrics at the top of the funnel, e.g. target group > hit ratio > leads generated > sales, then they won't know if money is made from their campaign efforts. Often this information is gathered from different systems and putting it together is also no easy task. However, without it, Marketing can't know whether their campaigns fundamentally create value.

- A lot of value is destroyed in the handover points between the people selling your products and services and those delivering them. Basically, this means the relationship between your revenue and costs is typically driven by different people who have little or no interaction. In this case, Operations delivering the products are forced to do what they can to live up to the company's promises to the customers almost at any cost. The reputational damage of a missed delivery could lead to the destruction of a lot more value than what is destroyed from the extra cost of delivering a product due to unforeseen circumstances. Therefore, it's of vital importance that these two parts of the company are in close contact so that everyone understands the end-to-end value creation cycle in the company. Here, the business partner plays a critical role both as a supplier of financial insights but also as a facilitator of collaboration between departments.

I get that, as a finance professional you often get frustrated with your line managers. The problem is that no matter how you slice it there's no other way to solve your frustration than by flipping the question on its head. If your company is truly financially illiterate then it's your job to do something about it!

Fair enough, but where do I start?

Hopefully, you're already part of key meetings where decisions are made and performance is discussed. If not, you have other issues which have been discussed in previous articles (Are You Ready For Finance Business Partnering 2.0?[15], I Am A Finance Business Partner To Whom?[16] and How Finance Business Partners Improve Company Performance[17]).

When you're at the table you need to assume your share of responsibility for performance management, i.e., what happened, why it happened and what we can you do about it? If you're leading these conversations then you also have a

[15] https://www.linkedin.com/pulse/you-ready-finance-business-partnering-20-anders-liu-lindberg
[16] https://www.linkedin.com/pulse/im-finance-business-partner-whom-anders-liu-lindberg
[17] https://www.linkedin.com/pulse/how-finance-business-partners-improve-company-anders-liu-lindberg

unique opportunity to continually educate your business stakeholders about the monetary impact of their decisions:

- You can help your Sales Manager determine the price points at which products should be sold
- You can help the Marketing Manager understand the full life cycle of the leads generated from campaign efforts
- You can help the Operations Manager to not only understand the costs of his or her service delivery, but also to create the link to commercial decision makers

The above will drive more value creation in your company as long as you understand that it's your responsibility to take charge of these discussions. Don't wait for line managers to do it as they have other priorities.

If you don't drive these discussions, then most likely your company could be considered financially illiterate and is likely to underperform financially as a result. And don't say that if your company is in a loss-making situation now that you don't know the reasons for it. The real question is what will you do to change it?

High performing companies are companies in which people have robust and well-developed business acumen.

In this eBook I've shown you how you can develop better business acumen. If you're a finance professional, this should be at the heart of your personal development plan.

CEOs and line managers are looking for finance people who can help them drive value creation. Are you up to the challenge?