FACTOR I: STRATEGIC SKILLS
CLUSTER A: UNDERSTANDING THE BUSINESS

5 Business Acumen

Management means, in the last analysis, the substitution of thought for brawn and muscle, of knowledge for folklore and superstition, and of cooperation for force. Peter Drucker – Austrian-born American writer and management consultant

Section 1: Your Development Need(s)

Unskilled

☐ Doesn’t understand how businesses work
☐ Not knowledgeable and up-to-date about current and future policies, trends, technology, and information affecting his/her business and organization
☐ Doesn’t know the competition
☐ Is unaware of how strategies and tactics work in the marketplace
☐ May be a very dedicated functional or professional expert
☐ May be narrowly tactical
☐ Lacks interest or experience in general business

Select one to three of the competencies listed below to use as a substitute for this competency if you decide not to work on it directly.

Substitutes: 8,15,24,30,32,38,46,52,58,61,65

Skilled

☐ Knows how businesses work
☐ Knowledgeable in current and possible future policies, practices, trends, technology, and information affecting his/her business and organization
☐ Knows the competition
☐ Is aware of how strategies and tactics work in the marketplace

Overused Skill

☐ May overdevelop or depend upon industry and business knowledge and skills at the expense of personal, interpersonal, managerial, and leadership skills

Select one to three of the competencies listed below to work on to compensate for an overuse of this skill.

Compensators: 14,24,30,32,45,46,54,57,58,61

Some Causes

☐ Inexperience; new to the organization
☐ Lack of interest in general business
☐ Narrow perspective
No exposure outside the function

Overly dedicated to a profession, not the organization

Very tactical and here and now oriented

**Leadership Architect® Factors and Clusters**

This competency is in the Strategic Skills Factor (I). This competency is in the Understanding the Business Cluster (A) with: 24, 61. You may want to check other competencies in the same Factor/Cluster for related tips.

**The Map**

You gotta know the territory! Nothing beats knowing what’s going on. When people get business savvy indicated as one of their needs, it usually comes in two flavors. The first is that you don’t seem to know enough about business in general. This means some of the statements and suggestions you make don’t pass the business practicality test. It may also mean what you’re suggesting is known not to work and you are unaware of that. The second is that you don’t know enough about this specific business and industry. That usually means you don’t understand the agenda, issues and concerns of the people you serve inside your organization, and you make comments and have suggestions that don’t match their priorities. Your contributions are limited because you don’t see priorities as they do. You don’t think in terms of the bigger picture. Unless you walk a mile in their shoes, they’re not going to pay attention to you.

**Section 2: Learning on Your Own**

*These self-development remedies will help you build your skill(s).*

**Some Remedies**

1. **Need to get informed? Read the right periodicals.** There are five publications that probably will teach you most of what you need to know about business in general on a continuous basis. They are the *Wall Street Journal, BusinessWeek, Fortune, Barron’s*, and the *Harvard Business Review*. Subscribe and begin to scan those publications regularly. Try to see three items per issue that relate to your business. These will be parallels, trends that affect business now, emerging trends that may have a future impact, and general business savvy about how business works.

2. **Not up to speed? Watch the right sources.** There are now three or more business channels on cable that carry business news and information full time. They have interviews with business leaders, reviews of industries by Wall Street experts, as well as general reviews of companies. Begin to watch one or two programs a week until you can zero in on what you specifically need to know.
3. Need access to expertise? Join national organizations. The Conference Board is dedicated to creating and distributing information about business to its members. They have wonderful conferences where many top leaders of business come and share their thoughts about business in general and their business specifically. Attend one of the national Conference Board meetings. Join your national association. Your industry has a national association. Every function has a national organization. Join it and purchase a number of their publications about business in your specific industry. Attend the national conference.

4. Ready to educate yourself? Quick-study some business books. Go to any business bookstore and pick three books on general business principles, one with a financial slant, one with a marketing slant and one about customer service. When you have scanned those, go back and get three more until you have the business knowledge you need. Attend a nighttime advanced business program or get an MBA at a local college or university. Subscribe to Soundview Executive Book Summaries (800-521-1227). They summarize in a few pages all the major business books that are on the best-seller lists.

5. Need a mental model? Figure out the rules of the game. Reduce your understanding of how business operates to personal rules of thumb or insights. Write them down in your own words. An example would be, “What are the drivers in marketing anything?” One executive had 25 such drivers that he continually edited, scratched through and replaced with more up-to-date thinking. Use these rules of thumb to analyze a business that you know something about, possibly one of your hobbies or a sport you are enthusiastic about. Pick what you know. Then pick two businesses that have pulled off clever strategies—one related to yours and one not. Study what they did; talk to people who know what happened and see what you can learn. Then study two businesses that were not successful and see what they didn’t do.

6. Superficial business understanding? Learn the specifics of your business. Study your annual report and various financial reports. If you don’t know how, the major investment firms have basic documents explaining how to read financial documents. After you’ve done this, consult a pro and ask him or her what he or she looks at and why. Ask for lunch or just a meeting with the person who is in charge of the strategic planning process in your company. Have him/her explain the strategic plan for the organization. Particularly have him or her point out the mission-critical functions and capabilities the organization needs to be on the leading edge in to win.

7. Feeling pigeon-holed? Try some broader tasks. Volunteer for task forces that include people outside your area of expertise. Work on some Total Quality Management, Process Re-Engineering, Six Sigma, or ISO projects that cross functional or business unit boundaries to learn more about the business. Go talk with customers, work actually delivering the product or service, and write down five things you’ve learned
about how the business works. Start up a mock business in something you know intimately. Write a business plan, complete the necessary forms, price equipment, and talk with people in this business about their problems.

- **8. Ready for a new perspective? Get close to customers.** Customer service is the best place to learn about the business. Arrange a meeting with a counterpart in customer service. Have him or her explain the function to you. If you can, listen in to customer service calls or even better handle a couple yourself.

- **9. Do you only think about your part of the business? Consider the integration points.** In order to be a well-running business, all of the pieces and parts need to work together. A business is a closed system. That means doing something in one area affects all of the other areas. Sunbeam decided to have an off-season discount in order to show more booked business in the fourth quarter. That was easy. Customers stocked up on the cheaper goods. Then plant production faltered in the next two quarters as orders decreased. Inventory prices went up for Sunbeam and its customers which led to dissatisfaction. Margins decreased as Sunbeam tried to fix the problem. What happens in one area always affects everything else. When you make decisions in your area, do you think about possible negative consequences for the other functions? Document your understanding of the drivers that run your business to a few key drivers organized around things like marketing, sales, operations, etc. Share your conclusions with others from other functions or units to see how your key drivers affect them. *More help? – See #38 Organizational Agility.*

- **10. Want to play with the pros? Learn to think as an expert in your business does.** Take problems to inside experts or external consultants and ask them what are the keys they look for; observe what they consider significant and not significant. Chunk up data into categories so you can remember it. Devise five key areas or questions you can consider each time a business issue comes up. Don’t waste your time just learning facts; they won’t be useful unless you have conceptual buckets to put them in. Then present your thinking to experts or write a strategic business plan for your unit and invite their review. There is no need to restrict your choices to just your organization; any astute business person should have some interesting insights.

### Section 3: Learning from Feedback

*These sources would give you the most accurate and detailed feedback on your skill(s).*

- **1. Boss’s Boss(es)**

  From a process standpoint, your boss’s boss probably has the most influence and control over your progress. He/she has a broader perspective, has more access to data, and stands at the center of
decisions about you. To know what he/she thinks, without having to violate the canons of corporate due process to get that information, would be quite useful.

2. Direct Boss

Your direct boss has important information about you, your performance, and your prospects. The challenge is to get this information. There are formal processes (e.g., performance appraisals). There are day-to-day opportunities. To help, signal your boss that you want and can handle direct and timely feedback. Many bosses have trouble giving feedback, so you will have to work at it over a period of time.

3. Past Associates/Constituencies

When confronted with a present performance problem, some claim, “I wasn’t like that before; it must be the current situation.” When feedback is available from former associates, about 50% support that claim. In the other half of the cases, the people were like that before and probably didn’t know it. It sometimes makes sense to access the past to clearly see the present.

Section 4: Learning from Develop-in-Place Assignments

These part-time develop-in-place assignments will help you build your skill(s).

- Work on a team forming a joint venture or partnership.
- Do a competitive analysis of your organization’s products or services or position in the marketplace, and present it to the people involved.
- Do a customer-satisfaction survey in person or by phone, and present the results to the people involved.
- Do a postmortem on a successful project, and present it to the people involved.
- Help someone outside your unit or the organization solve a business problem.
- Work short rotations in other units, functions, or geographies you’ve not been exposed to before.
- Monitor and follow a new product or service through the entire idea, design, test market, and launch cycle.
- Study and summarize a new trend, product, service, technique, or process, and present and sell it to others.
- Make speeches/be a spokesperson for the organization on the outside.
- Manage liquidation/sale of a business, products, equipment, materials, furniture, overstock, etc.

Section 5: Learning from Full-Time Jobs

These full-time jobs offer the opportunity to build your skill(s).

1. Cross-Moves

The core demands necessary to qualify as a Cross-Move are: (1) Move to a very different set of challenges. (2) Abrupt jump/shift in tasks/activities. (3) Never been there before. (4) New setting/conditions.

2. Member of Projects/Task Forces
The core demands for qualifying as a Project/Task Force assignment are: (1) Member of a group with an important and specific goal. (2) Tight deadline. (3) Success or failure will be evident. (4) High-visibility sponsor. (5) Learning something on the fly. (6) Must cooperate with others. (7) Usually six months or more.

Three types of Projects/Task Forces: (1) New ideas, products, services, or systems (e.g., product/service/program research and development, creation/installation/launch of a new system, programs like TQM, ISO and Six Sigma, positive discipline). (2) Formal negotiations and relationships (e.g., acquisitions; divestitures; agreements; joint ventures; licensing arrangements; franchising; dealing with unions, governments, communities, charities, customers, and relocations). (3) Big one-time events (e.g., working on a major presentation for the board; organizing significant meetings or conferences; reorganizations, mergers, acquisitions, or relocations; working on visions, charters, strategies, other time-urgent issues and problems).

3. Scale Assignments
Core requirements to qualify as a Scale (size) shift assignment are: (1) Sizable jump/shift in the size of the job in areas like number of people, number of layers in organization, size of budget, number of locations, volume of activity, tightness of deadlines. (2) Medium to low complexity; mostly repetitive and routine processes and procedures. (3) Stable staff and business. (4) Stable operations. (5) Often slow, steady growth.

Examples of Scale assignments would be: (1) Managing one function for entire enterprise. (2) Responsibility for one product area or one geography that is expanding. (3) Leading an enterprise-wide project. (4) Moving from district to regional manager.

4. Small Entrepreneurial
The core demands for qualifying as a Small Entrepreneurial assignment are: (1) Founder or core team member of a company or brand. (2) Personal financial stake in the business’s success or failure. (3) Success and failure will be evident. (4) Build business case and secure funding from investors. (5) Chart new market strategy for new product line. (6) Manage all aspects of the business—from product design/development, supply chain, marketing, sales, finance, HR. Examples of Small Entrepreneurial jobs would be: (1) Small business owner. (2) Among the first employees of a growing company. (3) Starting an incubator business or a new business line. (4) Launching a new brand or new product line. (5) Entering a new market. (6) Responsible for a new product/system through entire cycle.
Section 6: Learning from Your Plan

These additional remedies will help make this development plan more effective for you.

Learning from Experience, Feedback, and Other People

☐ 1. Being a Student of Others

While many of us rely on others for information or advice, we do not really study the behavior of other people. Ask what a person does exceptionally well or poorly. What behaviors are particularly effective and ineffective for them? What works for them and what doesn’t? As a student of others, you can deduce the rules of thumb for effective and ineffective behavior and include those in your own library. In comparing yourself with this person, in what areas could you most improve? What could you specifically do to improve in ways comfortable for you?

☐ 2. Learning from Mentors and Tutors

Mentors and tutors offer a special case for learning since the relationship is specifically formed for learning. You need to be open and nondefensive. You need to solicit and accept feedback. This is a unique opportunity for you to get low-risk, honest, and direct feedback on what you do well and not so well.

☐ 3. Learning from Interviewing Others

Interview others. Ask not only what they do, but how and why they do it. What do they think are the rules of thumb they are following? Where did they learn the behaviors? How do they keep them current? How do they monitor the effect they have on others?

☐ 4. Learning from Observing Others

Observe others. Find opportunities to observe without interacting with your model. This enables you to objectively study the person, note what he/she is doing or not doing, and compare that with what you would typically do in similar situations. Many times you can learn more by watching than asking. Your model may not be able to explain what he/she does or may be an unwilling teacher.

☐ 5. Learning from a Coach or Tutor

Ask a person to coach or tutor you directly. This has the additional benefit of skill building coupled with correcting feedback. Also observe the teacher teaching you. How does he/she teach? How does he/she adjust to you as a learner? After the process, ask for feedback about you as a learner.
6. Learning from Remote Models
Many times you can learn from people not directly available to you. You can read a book about them, watch tapes of public figures, read analyses of them, etc. The principles of learning are the same. Ask yourself what they do well or poorly and deduce their rules of thumb.

7. Getting Feedback from Bosses and Superiors
Many bosses are reluctant to give negative feedback. They lack the managerial courage to face people directly with criticism. You can help by soliciting feedback and setting the tone. Show them you can handle criticism and that you are willing to work on issues they see as important.

Learning from Courses

8. Orientation Events
Most organizations offer a variety of orientation events. They are designed to communicate strategies, charters, missions, goals, and general information and offer an opportunity for people to meet each other. They are short in duration and offer limited opportunities for learning anything beyond general context and background.

9. Survey Courses
These are courses designed to give a general overview of an entire area (such as advertising), product or product line, division’s activities, process (getting a product to market, TQM, ISO and Six Sigma), or geography (doing business in “X”). These types of courses are good for general background and context.

10. Strategic Courses
There are a number of courses designed to stretch minds to prepare for future challenges. They include topics such as workforce diversity, globalization, the European economic community, competitive competencies and strategies, etc. Quality depends upon the following three factors: (1) The quality of the staff. Are they qualified? Are they respected in their fields? Are they strategic “gurus”? (2) The quality of the participants. Are they the kind of people you could learn from? (3) The quality of the setting. Is it comfortable and free from distractions? Can you learn there?

Leaders are people who can discern the inevitable and act accordingly. When people talk about business acumen, discernment is a big part of it. It’s a bit like gut instinct, but a little more developed.

Donald Trump – American businessman, Chairman and CEO of Trump Organization, and television personality
Suggested Readings


