

Business Acumen Demystified:

What is business acumen? Why is business acumen important?

How can it be developed most effectively?

Written by Rommin Adl



[Business acumen](#) plays a role in so many rags-to-riches tales. Through shrewdness, vision, and business savvy, generations of railroad barons, pioneering oilmen, and bankers overcame daunting obstacles to create tremendous wealth and value. The celebrated entrepreneurs of the 21st century, the dot.com and social media tycoons have done the same thing—seemingly overnight. The entrepreneurial skills and business sense of leaders in high-growth start-ups often spell the difference between great success and dismal failure. In mature organizations, typical employees may not exhibit the same entrepreneurial qualities as the company's founders, yet they still need strong business acumen to perpetuate growth and value-creation. Here's the good news: business acumen is not something you need to inherit; business-acumen training can have an impact on employees at every level of an enterprise.

What is Business Acumen?

Business acumen is an almost intuitive and applicable understanding of how your company makes money. It includes a thorough understanding of what drives profitability and cash flow, a market focused approach to the business, and an overall big

picture understanding of the business and its interrelationships.

To consider these areas of business acumen more deeply, we've found that the skills and competencies that are most needed are the following:

1. **Financial Acumen:** It is important that leaders and employees have a comprehensive understanding of what drives profitability and cash flow. Practitioners need to understand a firm's financial statements, key performance measures, and how their decisions will impact value creation.
2. **Market Orientation:** In addition to recognizing how their business operates internally, it is important that leaders have a deep understanding of the external environment or what we call market orientation. This includes the ability to analyze and synthesize market and competitive data. It involves having a deep understanding of the customer's business objectives and purchasing criteria as well as an appreciation of the value of each customer to the company.
3. **Strategic or "Helicopter" Perspective:** In many organizations leaders grow up

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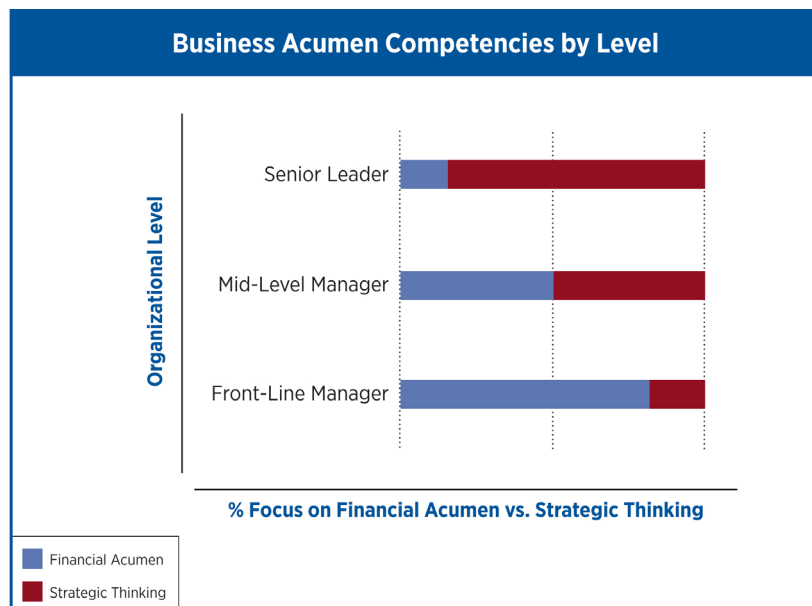
in specific functions or business units and are tasked to execute on tactical priorities. Business acumen requires an overall big picture understanding of the business. This encompasses having an understanding of critical interdependencies across functions and divisions, and grasping the short and long-term trade-offs of business decisions.

From our experience in working with companies over the last 25 years, it is mission critical that leaders and employees throughout an organization have the appropriate capabilities in each of these areas to ensure success. It should also be noted that business acumen is an extremely broad topic. Some of the other key developmental areas included under the business acumen umbrella are mergers & acquisitions, global mindset, innovation and more.

What Does Business Acumen Mean For a Corporation?

Business acumen has long been a source of consternation for large corporations. For example, frequently we have heard CFOs comment that their senior leaders put together “half-baked” business cases without fully thinking through and justifying their underlying assumptions. Most corporations recognize that business acumen is necessary, but struggle to define and embed it across their organization.

Through extensive experience, we have discovered that the requirements of business acumen tend to be stratified across an organization’s hierarchy. The essential business acumen skills for a front-line manager are not the same as for a mid-level manager or a senior leader.



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If we take two of the most important components of business acumen, financial acumen and strategic thinking, experience has shown the knowledge areas at various corporate levels are the following:

Front-line supervisor or manager:

business acumen is primarily focused on financial literacy and financial acumen—understanding how the business makes money, and optimizing the levers they impact to drive value.

Mid-level leader: while financial acumen continues to be an important area of development, business acumen starts to incorporate more strategic thinking—how do you take the strategic objectives of the senior leaders, internalize them, and then execute within your part of the organization.

Senior leader: at the executive level, business acumen is about strategy formulation, understanding critical interdependencies, collaborating across functions and business units, having a global mindset to foster geographical expansion into new regions or countries and more.

Why Is Business Acumen Important and How Do You Build It?

Without business acumen, employees have a difficult time understanding business strategies and how to implement them effectively. This problem can be further exacerbated when the larger organization is misaligned and functions fail to work together.

Learning business acumen is like studying a new language or riding a bike for the first time: unless you actually do it, it is difficult

to master. Traditional methods of teaching business acumen via reading, lecture, and case study are less than effective. Reading about business acumen without practicing it doesn't give employees the confidence to do it well. Furthermore, attempting to develop business acumen on the job can be exceptionally risky: the costs to the organization are high, when people make mistakes like running out of cash or angering a customer.

The best way to bring business acumen to life is through experiential learning and, in particular, customized [business simulations](#). These learning platforms create highly realistic, engaging experiences that lead both to behavior change and effective back-on-the-job implementation. Furthermore, costly mistakes that could cripple a company are avoided. The end results are quantifiable and measurable, illustrated in everything from revenue growth to employee engagement. The impact is profound.

Developing Business Acumen Leads to Behavioral Change:

The following are comments from participants of a simulation-based [business acumen program](#) developed for a leading telecommunications company by BTS:

“I now have command of financial information in a way that can be communicated up or down within the company.”

“I focus more on results that affect the bottom-line.”

“I have a better perspective on how and why decisions are made, and I model my decisions on the same concept.”

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“The course changed the way I think about activities we do every day.”

“It gave me the confidence to take the steps that I had known for a long time could improve our results.”

“I am now looking at a broader picture of the products and services that I support, expanding from just looking at expense reduction, to revenue impact and asset impact.”

“This course gave me the push to move forward on steps we already had underway, but we got there faster and more efficiently than we would have if I hadn’t taken it.”

“I now have awareness that I can and do affect what value this company has to our shareowners.”

Developing Business Acumen Leads to Measurable Business Results: The same BTS business acumen program delivered tangible business results.

“89% of participants committed to implement an action plan following the business acumen program.”

“90 managers attending the 5 workshops have made commitments of more than \$190 million in bottom-line improvements.”

“Six months after the program, participants reported almost \$7 million in bottom-line improvements, of which they attributed \$3.4 million to attending the program.”

“This represents a return on investment of 1000% on the first four workshops.”

There is an art to designing, developing, and deploying business simulation-based programs that balances realism with learning objectives that are clearly aligned to goal attainment.

Business Acumen is Key in Delivering Long-Term Results

Investing in [business acumen](#) is essential in driving long-term business results and increasing profitability. Arming employees with a sharp sense of business knowledge not only promotes individual growth but ultimately raises the profile of the organization and gives it a competitive edge. Business acumen complemented with business savvy, perseverance, and vision can ensure a successful and profitable future.

Learn More

In the following video, McDonald learning leaders discuss their challenge of building better business acumen at all levels in the business.

[Click here to hear more.](#)

BTS is a leading global strategy implementation consultancy dedicated to building alignment, mindset and capabilities that improve business results for our clients. Founded in 1986 and serving over 400 clients worldwide, BTS is a publically traded company with more than 25 offices in 18 countries.

About the author-
Rommin Adl is an Executive Vice President at BTS.

