HR’s Understanding and Link to the Total Business

By Don Marr, Chief of Staff; City of Fayetteville AR
Business Acumen - 101

- Today’s Objectives
  - Reviewing why knowing our business is important, understanding the past, present and future, and HR’s obstacles in being valued by Executive Management

- Learning What is Business Acumen - How is it used in the SHRM Certification Process, What are Key Metrics, Business Lingo and Expectations of our Key HR Partners
  - Finance
  - Marketing
  - Operations

- What does it mean to have Business & Economic Awareness?

- Table Top Exercises to re-enforce our understanding of key partners, and situational decision making
Warm Up Exercise - Top 10 Corporations in 1910
Who were they?

- US Steel
- Standard Oil
- American Tobacco
- Mercantile Maine (East West Shipping)
- Anaconda Cooper Mining Co. (gold, silver, cooper)
- International Harvester (Farm Equipment)
- Pullman & Co. (Coaches/Horse drawn)
- American Sugar
- Armour & Co. (Meat packing)
- Central Leather Company
Warm Up Exercise - Top 10 Corporations today
Who are they (year ending)?

- **Walmart** (retail - net sales totaled $473.1 Billion up 1.6% from prior year, profits down 5.7%)
- **Exxon Mobil** (U.S. largest oil company - sales dropped 8.8% and net income fell 27% from prior year)
- **Chevron** (U.S. 2nd largest oil company)
- **Berkshire Hathaway** (conglomerate holding company, owning subsidiaries engaged in property & casualty insurance & reinsurance, utilities & energy, finance, manufacturing, service and retaining) revenues up 12.1% $182.15 Billion & Profits up 31.4%
- **Apple** (computers, phones, and digital content) Revenues up 9.2% Profits down 11.3% more smartphone competition
- **Phillips 66** (Oil & Petroleum refining company) 4.9% dip in revenues and 9.7% dip in profits, company
- **General Motors** - (Automobiles) revenue up 2.1% profits down 13.6% defective vehicles could hurt future sales
- **Ford Motor** - (Automobiles) revenues up 9.4% and profits up 26.3%
- **General Electric** (Diversified company with products & services that range from aircraft engines, power generation, oil & gas production equipment, household appliances, medical imaging, business & consumer financing & industrial products. Sold its stake in NBC Universal for $18.1 Billion - looking to invest.
- **Valero** - (produces conventional gasolines, jet fuel, asphalt, lubricants other refined products. Revenues flat/down 0.4% profits up 30.6%, benefited from increased oil & gas production in North America
Who’s Next - Pushing towards the top 10
What’s the message ? ? ?

- Things Change!

  The More Things Change,
  The More They Change

  Things are becoming cheaper and easier to use, lowering the barriers to entry for everyone. Second, things are becoming more expensive and complicated, making it harder than ever to even know where to begin.

- Don’t just look down, LOOK OUT! (into the Future)
What’s the message ? ? ?

- We need to know our business, our competitors, our work force, our customers!

- HR Plays an important role in linking it all together! But we must participate!
Why do Great Companies and Great Individuals fail?

- Corporate/Individual arrogance
- Insufficient attention to weak signals/weak skillsets
- Lack of vision and risk taking
- Trapped in yesterday’s business models/or yesterday’s skill sets
- Biases of internal decision processes/not knowing the market or what others are doing
- Wrong incentives: short-term & risk averse/Not looking and rewarding a future focus
Business Acumen - 101; Let’s Get Started

SHRM Body of Competency & Knowledge™

50% - SHRM-SCP
35% - SHRM-CP

Effective Individual Performance

Successful Business Outcomes

10% People
20% Organization
10% Workplace
20% - SCP
10% Strategy

10% Consultation
20% Critical Evaluation
10% Communication

Leadership & Navigation

Behavioral Competencies
Technical Competency
Business Acumen - 101; Let’s Get Started

- SHRM Study Guide Definition:

  Business Acumen

- The Ability to understand and apply information with which to contribute to the organization’s strategic plan.
Business Acumen - Definition

- **Business acumen** is keenness and quickness in understanding and dealing with a business situation in a manner that is likely to lead to a good outcome.\(^1\)

- The term "business acumen" can be broken down literally as a composite of its two component words:
  - Business literacy is defined in SHRM's Business Literacy Glossary as "the knowledge and understanding of the financial, accounting, marketing and operational functions of an organization."\(^2\)
  - The *Oxford English Dictionary* defines acumen as "the ability to make good judgments and quick decisions".\(^3\)

- Given these textbook definitions, a strictly literal definition would be "keenness and quickness in understanding and dealing with a business situation."

1 Reilly, Dr. Raymond R and Reilly, Dr. Gregory P. *"Building Business Acumen*, HR West, December 2009.

2 SHRM's Business Literacy Glossary[1]
3 Oxford English Dictionary's definition of *acumen*
In a company, a manager seen as having general business acumen is one who:

- consistently exercises sound judgment -
- the results of their decisions are most often favorable.
- Those they work with would say they have a quick mind that can assimilate information from many different sources and come up with sound strategic alternatives.
- They also have the quality of insight -- being able to envision what the company should do now to bring about a more profitable, successful future.
Business Acumen - 101
Let’s Get Started

The ability to Understand...... AND Apply ( or ACT......) It’s not enough just to know it!

- Business Acumen starts with the ability to understand how your organization makes and loses money.

- It’s also important to understand the organizations strategy and decisions and how those strategies & decisions impact business results.

- Leaders must be financially literate - MUST understand numbers on a company financial statement, what drives operations, How to market and communicate to our employees, customers, suppliers - and how to measure its success.
Business Acumen - 101 (Continued)

The ability to Think…… AND ACT……

- Leading - how you do it, how you communicate,
  - Know how things get done, and understand where to go to get help to get things done.
  - Demonstrating personal credibility
  - Effective Follow Up
  - Holding yourself & your team accountable for their own performance
  - Provide recognition or other necessary performance feedback
Business Acumen - 101
Let’s Get Started

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- It’s also important to understand the organizations strategy and decisions and how those strategies & decisions impact business results.

- Leaders must be financially literate - MUST understand numbers on a company financial statement and you must be able to communicate with the Finance team - the ROI on a new program, how the investment contributes to increased organizational competitiveness, increased profitability, increased revenue.
Exercise #1

- Understanding How Others in Your Organization Talk, Measure, and Determine what is Important....
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- Some Interview Questions to Assess Business Acumen: Ask YOURSELF!
- Behavioral Questions:
  - When have you used your knowledge of the organization to get an idea approved.
  - When have you used financial, industry and economic environment data to support a successful project or idea you wanted to implement.
  - What have you done in your positions at your current organization or at another company that made a difference to the business; for which you believe you will be remembered?
Business Acumen - 101

Some Interview Questions to Assess Business Acumen: Ask YOURSELF!

Situational Questions

- You’re new to an organization. How do you go about learning how that organization works?
- You’ve been approached with a new idea for your department. How do you go about determining the feasibility and possible success of that idea?
- If you were given the responsibility to start a new department from scratch, what are the basics that you would need to consider?

General Questions

- What difference does it make to organize departments in a centralized versus decentralized way? Do you have a preference?
- What role does a “corporate culture” play in the success of a company?
- How have you participated in planning processes?
To improve your behaviors related to Business Acumen: Some Steps to Consider.....

- Take classes outside of the HR area - Financial Management, Marketing, Operational Management

- Come HR Professionals seek opportunities to rotate into a role outside of HR, especially with Profit and Loss responsibilities

- Job Shadow.....gain first-hand experience with other aspects of the business.
Exercise.......Reinforce:

- consistently exercises sound judgment -
- the results of your decisions are most often favorable.
- Those you work with would say you have a quick mind that can assimilate information from many different sources and come up with sound strategic alternatives.
- You also have the quality of insight -- being able to envision what the company should do now to bring about a more profitable, successful result/future.
Exercise #2

Thinking about all of your business and HR knowledge - How would you use this background to address issues?