BUSINESS ACUMEN BASICS FOR TALENT DEVELOPMENT

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Getting a seat at the table—as talent development professionals, we seek it. Yet, according to the 2011 CEB L&D Team Capabilities Survey, less than 25 percent of business line managers think that the L&D team is effective. And according to a 2014 CEB survey, only 12 percent of chief financial officers are confident or highly confident that human resources and L&D are spending the right amount of money in the right places. Many executives and senior managers view talent development as more of a distraction than a driver of business performance. What are we doing wrong?

Part of the answer may be that we’re not getting our message and results across to the C-suite. Maybe we’re unable to convey to executives that what we do is making a difference to the organization.

To gain a seat at the table and have an influential role in an organization’s strategy development and execution, today’s talent development professionals need to be able to speak the business language and translate their new knowledge into actions that drive business results. Indeed, the Society for Human Resource Management has listed business acumen as one of its nine primary competency domains for HR, and a LinkedIn article by Paul Petrone, who interviewed four L&D professionals, cited strategy—including business acumen—as a critical skill in the coming years for L&D professionals.

This issue of TD at Work will introduce talent development professionals to the critical skills and tools they need to make informed business decisions, think strategically, and position themselves as true business consultants to their internal customers and key stakeholders.

As such, to be successful, talent development practitioners need to learn how to:

- acquire an understanding of the business challenges and opportunities of internal customers and stakeholders
- engage in appropriate business dialogue with leaders and key stakeholders
- use business knowledge to challenge assumptions and beliefs
- solve the business challenges of internal customers through valuable talent development solutions
- link talent development strategies to the organizational strategy, goals, and objectives through return on investment (ROI).

THE WHY AND WHAT OF BUSINESS ACUEN

One of the classic, as well as painful, business failures in recent times is the story of Kodak. At its zenith (pun intended), Kodak was the fourth most valuable brand in the world. Today, the company is barely surviving and is a mere shell of what it once was. One of the many assessments of its demise was a lack of long-term business acumen. Kodak was so focused on the wrong business metrics—growing sales of photography paper, chemicals, and traditional cameras—that it didn’t have the skills to assess the market and realize that its own invention of digital photography was going to disrupt the photography market forever.

Understanding the business needs of internal customers and stakeholders starts with two primary business acumen skills: understanding the business’s strategy and understanding how the business measures success.

While all the background that I’m presenting here may seem a bit tangential to the talent development function, it will give you the basis for having discussions with the C-suite about how your role and department can—and does—support the organization’s strategy, mission, and vision.

UNDERSTANDING THE BUSINESS STRATEGY

To understand general business strategy, let’s begin with the basics: an understanding of the big picture and the strategic planning process.

Every organization goes through a complex strategic planning process, and one of the first jobs of a business-oriented talent development professional is to align with the strategic planning process.
What do you know about it? When does it occur? Who is responsible? How is information about the strategic plan disseminated throughout the organization? How does talent development play a role in this process? The answers to these questions are critical to your success as a talent development professional.

If you Google the term business strategy, you will find an infinite number of concepts, tools, frameworks, models, articles, and other information on the topic. All this information can leave even the most-seasoned executives confused as to where to start when building a strategy of their own, let alone for you trying to make sense of it all in supporting your internal customers.

Based on years of teaching business acumen, I have culled that complex information into a simple perspective that provides a big picture starting point of the strategic planning process.

In this basic framework are three primary areas for analysis, discussion, and planning that most organizations go through:

- Where are we now?—an open, honest assessment of the current state of the business.
- Where are we going?—a decision on the business’s vision and the value proposition being offered to customers.
- How do we get there?—the execution of strategy through tactics, actions, and leadership.

As you try to develop your business acumen skills, it is imperative that you build answers about planning (when, by whom), vision, and strategy execution into your approach to strategic thinking as you support the business.

**Enter the Planning Cycle**

For most organizations on a January–December calendar year, the planning cycle begins around March or April of the previous year. Currently, the organization looks at the current state of the business: the competition, strengths, weaknesses, opportunities, and threats for the upcoming one to three years.

One of the tools in this process is the SWOT analysis. Most talent development practitioners are familiar with the SWOT diagram and know that SWOT stands for “strengths, weaknesses, opportunities, and threats”—in this case, of the business. See the job aid at the end of this issue of TD at Work for a SWOT template you can use as you think about competitors and how your organization compares based on strengths and weaknesses, and how business and industry opportunities and threats affect your organization as it moves forward.

**Who Is Responsible for Planning?**

There are different models for planning responsibility. Some companies use a top-down approach (instruction comes from top management), some use a bottom-up approach (information is fed upward), and others a middle-up and middle-down approach. These approaches all have their strengths and weaknesses.

You need, first and foremost, to understand your organization’s process and then seek opportunities from your leaders to gain insights into when, where, and if you should engage with them and align the talent development cycle to the strategic business cycle.

**What Is My Organization’s Vision?**

One of the most important parts of your job is to understand your company’s strategy and the value proposition it offers to your customers. Typically, you can find the most direct information about your organization’s value proposition on its website in the vision and mission section.

For example, the tagline for the retail company Target is “Expect More. Pay Less.” It brands itself as delivering outstanding value for the buck. 3M sells itself as a company that “never stops inventing” and whose products have improved daily life for people all over the world. From that type of branding, you wouldn’t expect to pay elite prices at Target, nor would you expect 3M to fall into the trap that Kodak found itself in.

**Plans for Executing the Strategy**

The hardest part of any strategy is the execution. Your job is to determine how your role fits with organizational strategy and then implement that strategy and vision. For example, if your company
is launching a new product line within two years, how can you help? You may want to work with the line managers to hire and train the right customer service team that will learn the product line and deal with customer issues.

**BUSINESS ECOSYSTEM ANALYSIS**

The business ecosystem analysis is an excellent tool for you to use to understand your organization’s business environment. A business ecosystem is defined as the complete marketplace your organization functions in, including the role government, competitors, adjacent markets, and customers play.

**Organizational Strategies for Customers**

Let’s look at a brief overview of the business ecosystem analysis model and how to use it to understand your organization’s ecosystem.

First, in the center of the framework are the strategies companies in the market are executing to compete against each other for customers. (I will go into more detail about strategies after I share ideas and insights on the business ecosystem.) Competitors’ strategies stimulate demand and offer unique value propositions to different and targeted customers. The number of competitors and the variety of strategies affect market size. For example, if several companies are producing similar products, customers have a wide range of choices. On the other hand, only two or three organizations may participate in a niche market, with customers passionate about one or the other.

In your role, learn and determine the strategies and levels of competition of all the players in a market. That information will help guide your talent development approaches and tactics. In this day and age, many companies need to be cognizant of start-ups that can disrupt them before they are even aware of another competitor in the marketplace.

**Breaking Into the Market**

Next, look at the relationship between the marketplace and new competitors. Is it easy or hard for competitors to come into your market?

When understanding a business ecosystem, consider the threat of new competitors in transferable markets—markets that provide a similar solution in a different way. For example, Voice over Internet Protocol and virtual meetings from Skype or GoToMeeting are different services from wireless phone companies like T-Mobile or Verizon, but each enables people to talk and communicate with each other remotely.

**Driving Forces and Their Relationships**

The next elements in this business ecosystem that are in play with respect to business strategy are the relationships between three driving forces—government, the supply chain market, and adjacent markets—and the industry they serve. All three affect the available resources going into the industry: Government sets regulations and can control supply, the supply chain controls raw materials, and adjacent markets could be either using or providing raw materials.

These three driving forces have a significant impact on the market’s ability to behave consistently or with volatility. For example, batteries are extremely important to the smartphone market. Is there a consistent flow of batteries to the industry or does the supply come in ebbs and flows as the battery manufacturers serve other adjacent markets, such as computers and cars?

**My Organization’s Place**

Finally, examine the relationship between your organization’s business ecosystem and your customers. The goal of any business is to deliver a value proposition that customers are willing to pay at a price where it can make a reasonable profit. The hard part is choosing the right customers for the value proposition and executing on getting the products to your customers. Tesla, for example, has a very focused customer segment (wealthy, environmentally aware consumers), and the com-