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. “Business savvy” and “business sense” are often used as synonyms, but they don’t describe what people with business acumen do differently than those who are lacking the skill. Individuals with business acumen:

• Have an acute perception of the dimensions of business issues
• Can make sense out of complexity and an uncertain future
• Are mindful of the implications of a choice for all the affected parties
• Are decisive
• Are flexible if further change is warranted in the future

Thus, developing stronger business acumen means more thoughtful analysis, clearer logic underlying business decisions, closer attention to key dimensions of implementation and operation, and more disciplined performance management. Stronger business acumen does not necessarily equate with greater formality in these activities by organizations or individuals. Acumen is housed in the mind, and those with it are able to use it effectively without necessarily relying on organizational support or detailed business case development.

The Benefits of Stronger Business Acumen

Everyone who works in a business has the potential to contribute to the success of the firm. The CEO wants a sales force that drives profit-producing revenue, designers that create product offerings appealing to the targeted customers, production people who steadily increase quality and lower costs, and service providers who efficiently support the activities of the entire organization. Functional leaders with excellent business acumen help increase effectiveness and efficiency of individual departments; however, the greatest benefits to the organization come when everyone works together for the good of the whole. This ability and knowledge leads managers to make better tradeoffs focused on creating value. An organization full of high business acumen individuals can expect to see:

• Individual contributors better able to appreciate the connections between their activities and success of the whole
• Departments that better understand opportunities for cooperative value-creation
• Managers that better plan, organize, guide and control the activities that produce the products and services desired by customers
• Leaders with a heightened perspective that translates into an ability to inspire and excite the organization to achieve its potential

Stronger business acumen among individuals across an organization encourages a shared understanding of the opportunities and threats facing the firm and enables a more logical and coordinated response.

**Elements of Business Acumen**

Strengthening business acumen requires understanding and focus in four critical areas:

- Understanding one’s thought processes
- Developing business knowledge
- Effective use of management processes
- Management and leadership skills

**Understanding of thought processes**

Business acumen provides frameworks and direction to organizing one’s thoughts and deciding how to allocate attention to the most important issues. Three dimensions of the managerial thought process are critical.

- First, managers must be mindful of the context, scope and details of the situation at hand. Expectations regarding the future must be reviewed and refined to provide the best possible support for thoughtful analysis. In many cases, it is impossible to know everything relevant to a situation, and a manager must decide when the information available is sufficient to move forward.

- Second, the manager must be prepared to make sense of the complexity and confusion surrounding most business situations. This involves understanding the connections between the various elements so that the future implications of actions taken today are better understood.

- Finally, the manager knows the future is unlikely to unfold as planned. Resilience requires continuous development of new information and an ability to create improvised responses to unanticipated developments.

**Business knowledge**

While knowledge relating to each element of a traditional business model is important, several of the elements are especially critical and worthy of brief discussion here.

- First, it is necessary to fully understand the sometimes cooperative and competing nature of stakeholder interests. The customer value proposition describes the value created for customers when they buy the firm’s product or services rather than those provided by an alternative supplier. The firm creates value for investors when they can provide products or services to customers at a cost that allows for investment returns that beat those promised by others in the same risk class. There is always cooperative/competing tension between the two stakeholder groups. People with strong acumen possess an ability to appreciate and balance the relationships for the overall good of the organization.

- Second, strong acumen implies an appreciation of the need for a business strategy that offers sustainable competitive advantage in the various markets in which the firm competes. Creating and maintaining the positive differences between the firm and its competitors for products, talent and capital is the ultimate objective of managers because it attracts profitable customers, talented employees and patient investors over the long term.

- Third, ensuring the talent development required to sustain performance over time is critical to business success and an essential skill of people with advanced business acumen. Strong leaders are continuously assessing talent requirements, judging how well existing talent capabilities match future needs and planning talent development and acquisition to close any gaps.

**Effective use of management processes**

Management processes are the tools, procedures and ideas that give structure to organizational thinking and communication about business activities. Common management processes include strategic planning, decision-making systems and performance measurement systems, among others. These frameworks provide a structure supporting business acumen by ensuring a logical approach, consistency and completeness in the analysis, assessment and resolution of business issues. However, it is important to note these processes are not a substitute for the sound business thinking that business acumen is all about.

**Leadership and management skills**

The final aspect of business acumen is the ability to manage the various people relationships essential to the enterprise’s success. Employees are perhaps the most important; however skills must also extend to managing relationships with customers, suppliers, bankers, investors and other key influencers.

For employee management, business acumen requires mastering the tools that enable improved empowerment, communication, delegation, teamwork, conflict management, change management, time management, creativity, innovation and other dimensions of the relationship.

For those outside of the company, negotiation and partnering skills are critical. They involve developing a deep understanding of the reasons why individuals desire a relationship with the firm and it benefits from the relationship. With constantly fluctuating conditions, mastery of managing these relationships is part of the continual business acumen improvement process.

**Business Acumen Is Learned**

Business acumen is a learned skill. It isn’t innate. But there are people who seem to develop... (continued on page 12)
business acumen more quickly and easily than others. Some are lucky to grow up in a business environment where they realize an early appreciation for the interconnected nature of customer service, employee capabilities and attitudes, and investor patience and rewards.

Many people however get their first exposure to business through formal training in business school through cases, models and other structures that provide a concentrated and condensed exposure to underlying business principles. Strengths of this approach to acumen development include the broad-based, multifunctional program structure, the team-based approach to learning employed by most schools, the opportunity for functional specialization, if desired, and the focus on developing strategic thinking.

Additionally, some degree programs require business experience as a condition of admission and offer opportunities to work on supervised, real business problems as part of the coursework. This blending of the two main means of acumen development continues during a business career as firms support periodic attendance in management development programs. The unprecedented growth of degree programs and management development short programs on a worldwide basis indicates widespread acceptance of this route to the development of business acumen.

Finally, most people develop business acumen on the job by learning the required skills from knowledgeable mentors while working in different employment positions. The process ranges widely from highly-structured internal company programs that provide increasing levels of responsibility and complexity, to an individual's self-chosen moves from one position or company to another. Experience is surely the best teacher, but it should be noted that when the on-the-job development alternative lacks discipline, there is no assurance that multiple job experiences yield improvements in business acumen.

**Put It Into Action: Strengthening Your Business Acumen**

Individuals can work to improve their own business acumen. With regular practice and training, the following thought processes could lead to stronger business acumen.

- Be aware of the current capabilities and shortcomings of your firm and key competitors.
- Make sense out of the complex and dynamic marketplace to enable a reasonable view of the future.
- Be mindful of the apparent opportunities and probable risks.
- Outline a path to success.
- Understand the actions required to move your organization along the success path.
- Test the logic of your thinking with knowledgeable others in the organization.
- Allow for modifications in light of the thinking and analysis of others.
- Decide on how to proceed.
- Communicate the rationale for the decision and explain the roles and responsibilities of people and parts of the organization.
- Seek buy-in and support.
- Commit to action.
- Be resilient in the face of success and failure, and be ready to change as necessary.

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