

**Making a Case For Business Acumen**  
**NHRMA Conference 2009**

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# **Agenda**

**Introductions**

**Definitions**

**Components of Business Acumen**

**Creation of Business Case**

# Introductions

## Lee Hecht Harrison

- International Talent Management Firm
- Three main areas of emphasis
  - Career Development
  - Leadership Consulting
  - Workforce Solutions

## Frank Buysse

- SVP, General Manager, Area Sales Director
  - Graduate, Leadership Tomorrow, Leaders at all Levels

## Theresa Kinney

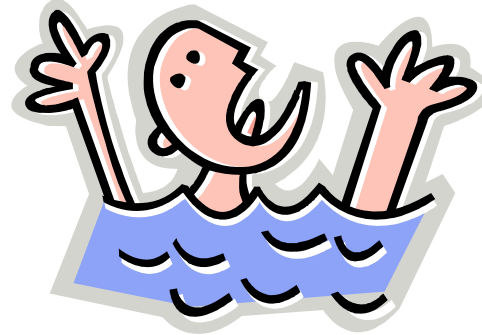
- VP, Business Development
  - MA, Leadership Studies
  - President-Elect, ASTD Puget Sound 2009

## Why Is This An Issue?

i4cp study:

- 65% of respondents said that lack of business acumen among managers (and above) impacts the business to a great/very great extent
- 83% said it is an issue for technical staff at all levels

*“Managers who lack mastery of business skills are like lifeguards who lack swimming skills. “i4cp summary 4/11/08*



## Definition ~ Business Acumen



Activity:

In small groups, spend 5 minutes to come up with a definition of business acumen.

Be sure to select a spokesperson to tell the larger group.



You are not alone if there were differing definitions ~

Of 394 business professionals surveyed, 7 pages of definitions were provided.  
Majority surrounded p&l, financial operations.

*source: i4cp 2008 survey: Business Acumen*

## Business Acumen ~ What “The Experts” Say

### Ram Charan

Someone who “has a way of bringing the most complex business down to the fundamentals. . . .[and have] an insatiable desire to cut through the complexity to the fundamental building blocks of money making.” Includes execution to achieve results.

### American Society for Training & Development 2004

“Understanding the organization’s business models & financial goals; utilizing economic, financial, & organizational data to build & document the business case for investment in workplace learning & performance solutions; using business terminology when communicating with others.”

### SHRM Glossary

Business Literacy = “the knowledge & understanding of the financial, accounting, marketing, & operational functions of an organization.” Nothing listed for Business Acumen.




= Basic Business Understanding from a Financial & Operational level

## Business Acumen Competencies

Planning & Execution	<ul style="list-style-type: none"> <li>•Determine internal &amp; external influences</li> <li>•Establish goals, visions, strategies</li> </ul>
Develop & deploy long and short-range goals	<ul style="list-style-type: none"> <li>•Formulated to be consistent with business &amp; competitive overall organizational strategies</li> <li>•Anticipation of potential threats &amp; opportunities</li> </ul>
Reengineering business processes	<ul style="list-style-type: none"> <li>•Elevating efficiencies &amp; effectiveness within &amp; across organization</li> </ul>
Financial savvy & financial strategy	<ul style="list-style-type: none"> <li>•Demonstrates broad understanding of principals of financial management</li> </ul>
Formulating policy	<ul style="list-style-type: none"> <li>•Includes development of plans that address long-term customer &amp; stakeholder needs &amp; concerns</li> </ul>
Negotiating	<ul style="list-style-type: none"> <li>•Consensus building; cooperation</li> </ul>
Political savvy	<ul style="list-style-type: none"> <li>•Approach problem situations with clear perception of organizational &amp; political reality.</li> <li>•Uses informal organization to achieve goals</li> </ul>
Build coalitions & demonstrate diplomacy	<ul style="list-style-type: none"> <li>•Develops networks, builds alliances</li> </ul> <p style="text-align: right;"><i>Source: ASTD National website</i></p>

## Paradox For Leaders

We have moved from an “either or” mental framework to a “both and” framework


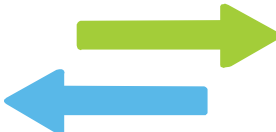
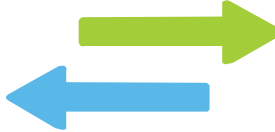
<b>Be More Hands-On the Business</b>		<b>Less Hands-On the People</b>
<b>Seek Diverse Points of View</b>		<b>Drive Unified Action</b>
<b>Promote Experimentation</b>		<b>Contain Risk</b>

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## Discussion

- In small groups, please discuss the following:
  - Does this paradox apply to you? If so, how does it play out in your organization?
  - Which one is the most difficult to manage?

Please be ready to report a summary to the overall group.

<b>Be More Hands-On the Business</b>		<b>Less Hands-On the People</b>
<b>Seek Diverse Points of View</b>		<b>Drive Unified Action</b>
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## The Bigger Issue: How to Balance

### Agility -- Foundation for Acquiring Business Acumen Skills

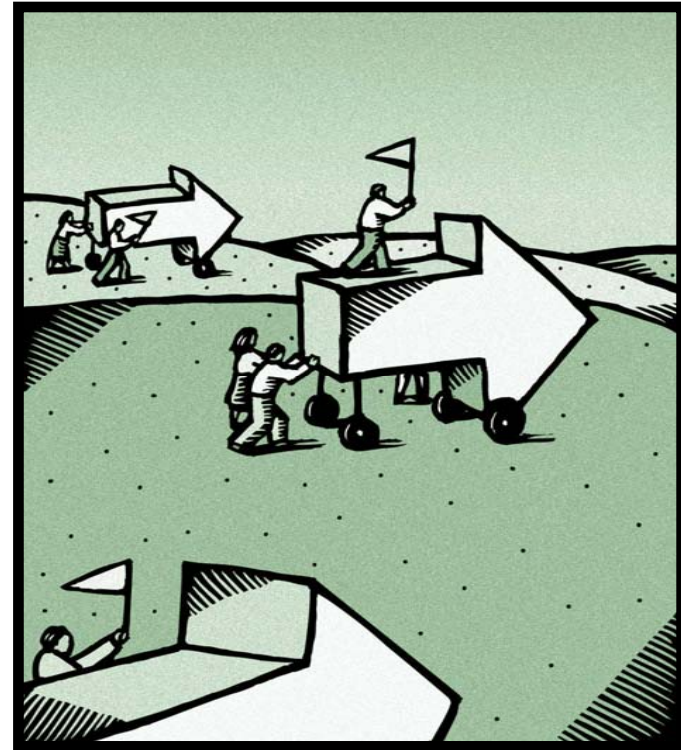
*The discipline that individuals apply to balance a continuum of behaviors for a given situation.*

<p><b>Be More Hands-On the Business</b></p>	<p><b>Planning &amp; Execution</b></p> <p><b>Reengineering Business Processes</b></p>	<p><b>Less Hands-On the People</b></p>
<p><b>Seek Diverse Points of View</b></p>	<p><b>Financial Savvy &amp; Strategy</b></p> <p><b>Policy Formulation</b></p> <p><b>Negotiation &amp; Political Savvy</b></p>	<p><b>Drive Unified Action</b></p>
<p><b>Promote Experimentation</b></p>	<p><b>Build Coalitions &amp; Demonstrate Diplomacy</b></p>	<p><b>Contain Risk</b></p>

## How To Transfer the Knowledge

- 70% ~ In-house customized training
  - Emphasis on issues unique to an organization
- Who is going to lead this charge?
  - 36% Human Resources
  - 30% Learning & Development
  - 19% Managers
- How will training be delivered?
  - 74% Face to face classroom training
  - 58% E-learning
  - 46% Traditional media (books/articles)

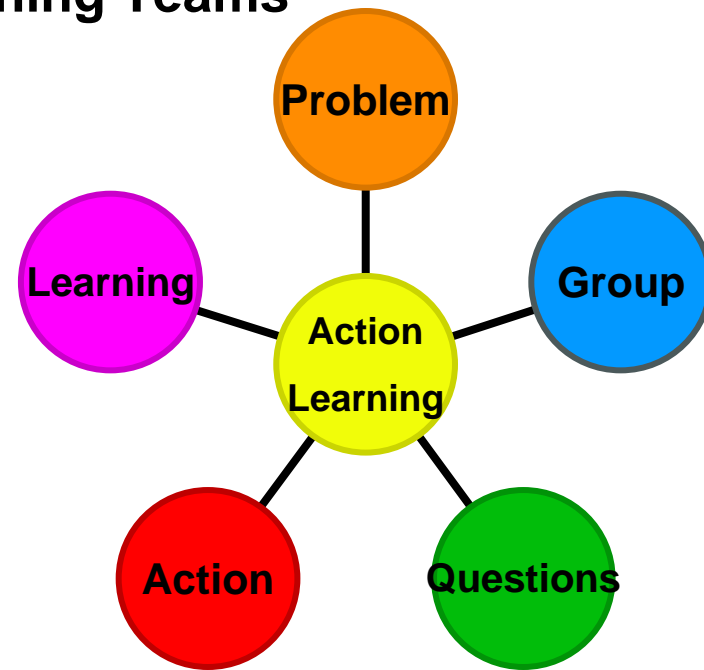
*I4cp 2008 Survey Results*



## One Blended Approach: Action Learning Teams

Small group learning circles that are provided with real-world problems that require resolution.

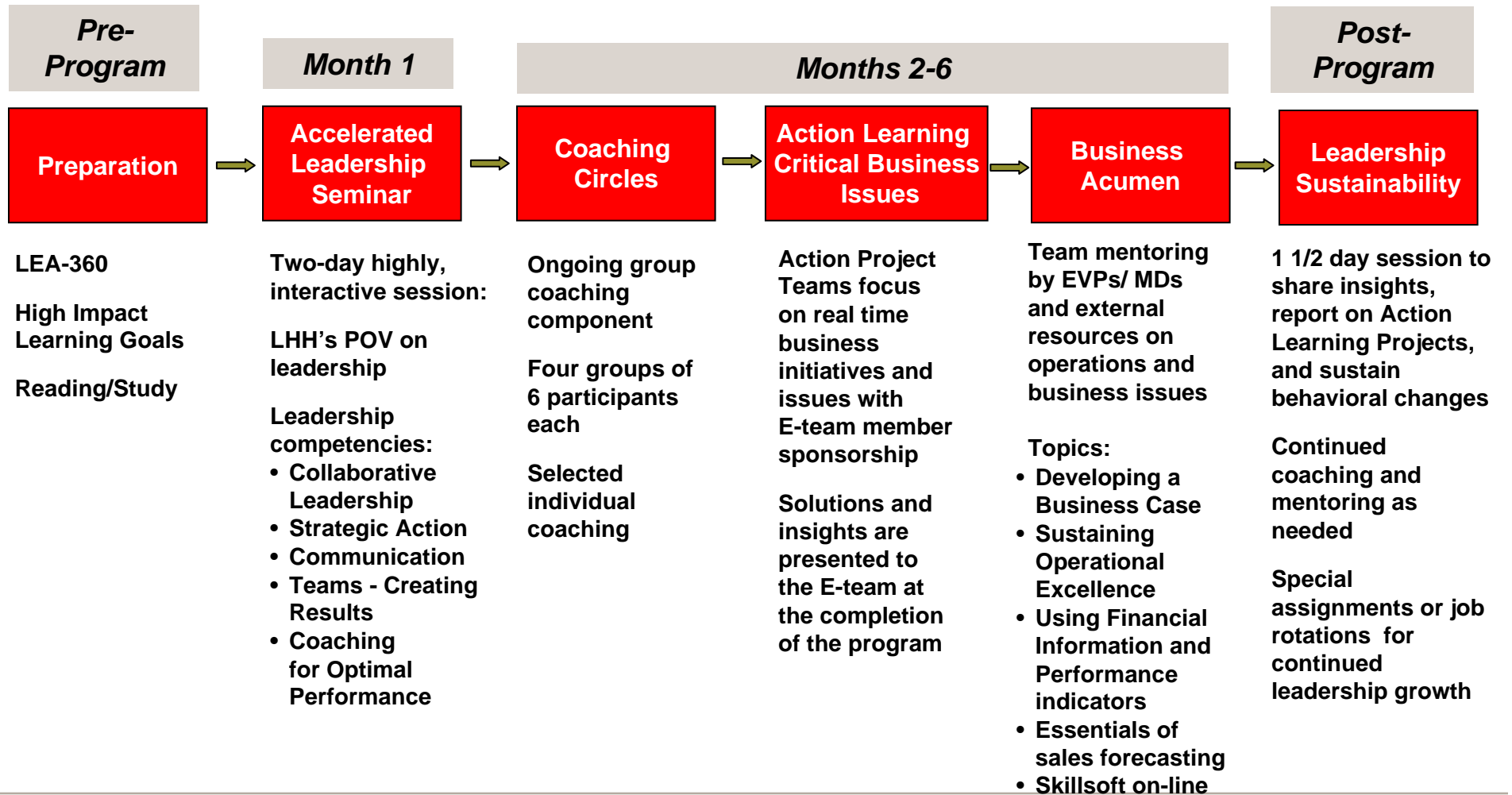
- Embedded in leadership/other training curriculum
- Executive sponsorship required
- Ongoing yet time-bound
- May be supported by web-based training sessions



**“Action learning enables organizations to simultaneously solve problems, develop leaders, build teams, create learning organizations, and increase individual’s professional skills” (Marquardt, 2004).**

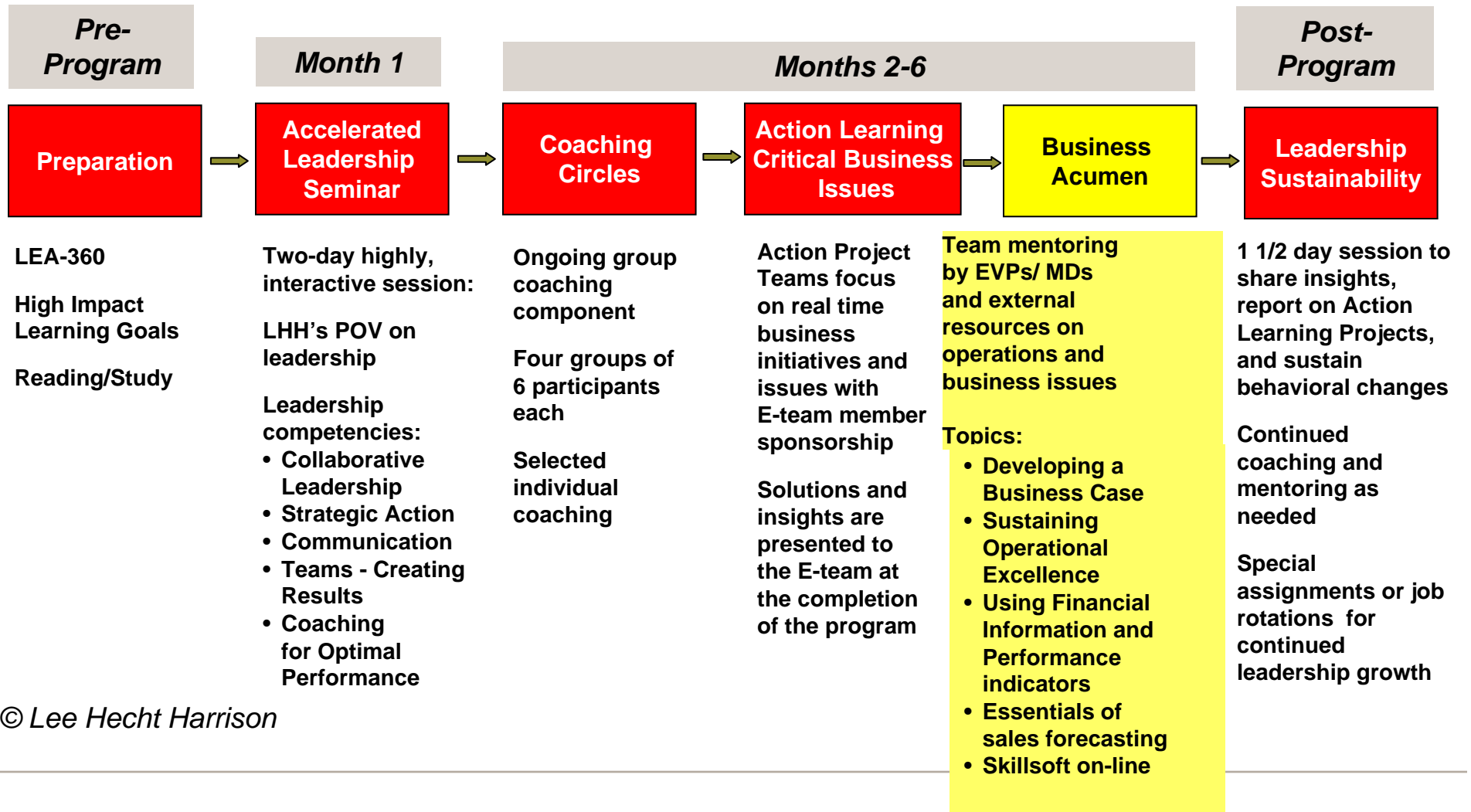
# Example: Leaders at All Levels™

Implemented upon completion of Talent Review and Assessment phases



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Implemented upon completion of Talent Review and Assessment phases



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## Example of LAL module: How to Create a Business Case

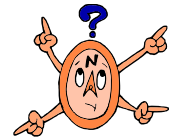
- Created internally to corporate cultural standards
- Presented in webinar format by CFO
- Available online in Learning Lab for repeatable viewing
- Expectation: to demonstrate understanding and mastery of concept in Action Learning Teams to resolve assigned issues

## The Great Idea... Now what?

- You have spent a great deal of time and effort formulating a project idea
- You are ready to go but, first you need to get management approval.
- You know that without their approval, your project/idea is going nowhere.
- You stare at a screen and ask yourself some fundamental questions:
  - How do I get approval from management for this project?
  - What am I supposed to say?
  - How am I going to say it?



**YOU NEED A BUSINESS CASE !**

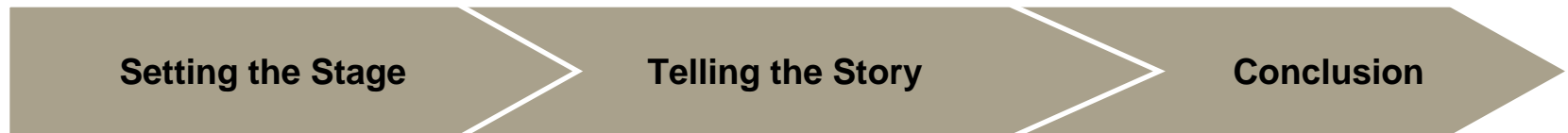


# What is a Business Case?

- A business case is a structured argument, capturing the reasoning for initiating a project or task
  - A business case should demonstrate that resources, such as money or time, should be in support of the creation of value for the business
  - The purpose of a business case is
    - To inform and persuade
    - Enable management to determine if the proposed project adds value to the business and is achievable compared to alternative proposals
    - Enable management to objectively measure the subsequent achievements of the business case benefits
  - The business case should ensure that
    - Required issues have been thoroughly considered and documented
    - Sufficient information is available to make a decision
    - Values and risks inherent to the proposed project are clear
    - The project is sponsored by a team / individual with the capabilities to implement and deliver the stated benefits
    - Delivery of the outcome and benefits can be tracked and measured
  - An effective case proves to decision makers that a project is sound and that an investment in the project will deliver value
- 
- When presenting your business case you need to be well prepared, know your story & show confidence. You may even have to “argue” & defend your idea! You have to believe in it!

# Key components of a Business Case

## A three step process



### Key Elements

- ✓ Executive Summary
- ✓ Framing of the situation and issue (high level)
- ✓ Strategic Arguments (brief)
- ✓ Recommendation (briefly)



- Tell them briefly what the issues are, where you are going and what you are recommending
- Be clear and succinct
- Be compelling
- Capture the audience's attention upfront!

- ✓ Strategic Situation
  - Describe current state
  - Explain the issue
  - Market analysis
  - SWOT analysis
- ✓ Strategic Arguments
  - Logic leading to recommendation
  - Options considered, pros & cons + reasons for rejecting/keeping each ones
  - Demonstrate benefits to the firm and value creation
  - Financials/ NPV analysis / Expected costs and savings
  - Gap analysis
  - Identification + mitigation of risks
- ✓ Strategic Action plan & resources needed to execute

- ✓ Recommended Strategy and course of action
- ✓ How to solve the problem defined
- ✓ Strategic timeline
- ✓ Obtain approval to move forward



## Business Case Example: Relocation Decision Executive Summary

- Current lease in ABC city is expiring as of 12/31/2007
- Current location is too large for our needs
- Performed assessment of 3 options:
  - Stay “as is”
  - Stay & downsize
  - Move & downsize
- Recommendation – Move & downsize office
- Project is NPV positive and will generate savings of \$57k per year



## Current Situation

### The Business

- Revenue for 2007 - \$3 million
- Currently have 5 employees and 2 associates
- Clients per day range between xx & yy per day/week
- Attendance shifted to virtual delivery of programs
- Clients usage of private offices has declined over the past couple of years
- Use of conference rooms has increased
- Competitors in current market have office sizes ranging from....(Co. 1, Co. 2)
  - Premier Building
  - Better Location
  - Upscale Building

### The Space

- Office is 6,000 square feet
- Annual rent \$142k per year
- Programming guide suggests space should be 3,500 square feet
- Office is not centrally located for easy access by mass transit
- City is in the process of a long term construction project for the roads in our area & do not expect to be finished for 3 years
- Parking rates at our current location are expensive
- Competitors are able to use our location of office against us because of the difficulty traveling to our office.



# Proposed Options – Pros & Cons

## Pros

## Cons

### Stay “as is”

- No disruption of business

- Oversized office location
- Expenses too high
- Needs paint & carpet
- Space not in desired location

### Stay & Downsize

- Minimal construction
- Minimal disruption of business
- Reduced space
- Reduced expenses

- Space not in desired location
- Space configuration not ideal
- Needs paint & carpet

### Move & Downsize

- Centrally located in City
- Near mass transit
- Premier building
- Ease of client commute
- Ideal space (size & configuration)
- Increased revenues/gain marketshare
- Increase Image/Branding
- No parking fees

- Disruption of business
- Risk of holdover rent in current space if construction delays
- Cost of buildout
- Furniture & Office equipment
- Moving costs

# Financials

	<u>Stay</u>	<u>Stay &amp; Downsize</u>	<u>Move &amp; Downsize</u>
Revenues (in Mio)	\$3m	\$3m	\$3.3m
Incremental Revenue	\$ -	\$ -	\$300,000
Incremental Profit (70%)	\$ -	\$ -	<b>\$210,000</b>
Rent per Sq.Ft.	\$ 22.00	\$ 22.00	\$ 23.00
Square Footage	6,000	3,500	3,500
Rent per year	\$ 132,000	\$ 77,000	\$ 80,500
Operating Expenses	\$ 6,000	\$ 3,300	\$ 3,300
Tax	\$ 2,000	\$ 1,200	\$ 1,200
Parking	\$ 2,000	\$ 2,000	\$ -
Total Rent	\$ 142,000	\$ 83,500	\$ 85,000
Moving Expenses	\$ -	\$ -	\$ 40,000*
Total Expenses	\$ 142,000	\$ 83,500	\$ 125,000
Net Benefit	<b>\$(142,000)</b>	<b>\$(83,500)</b>	<b>\$ 85,000</b>

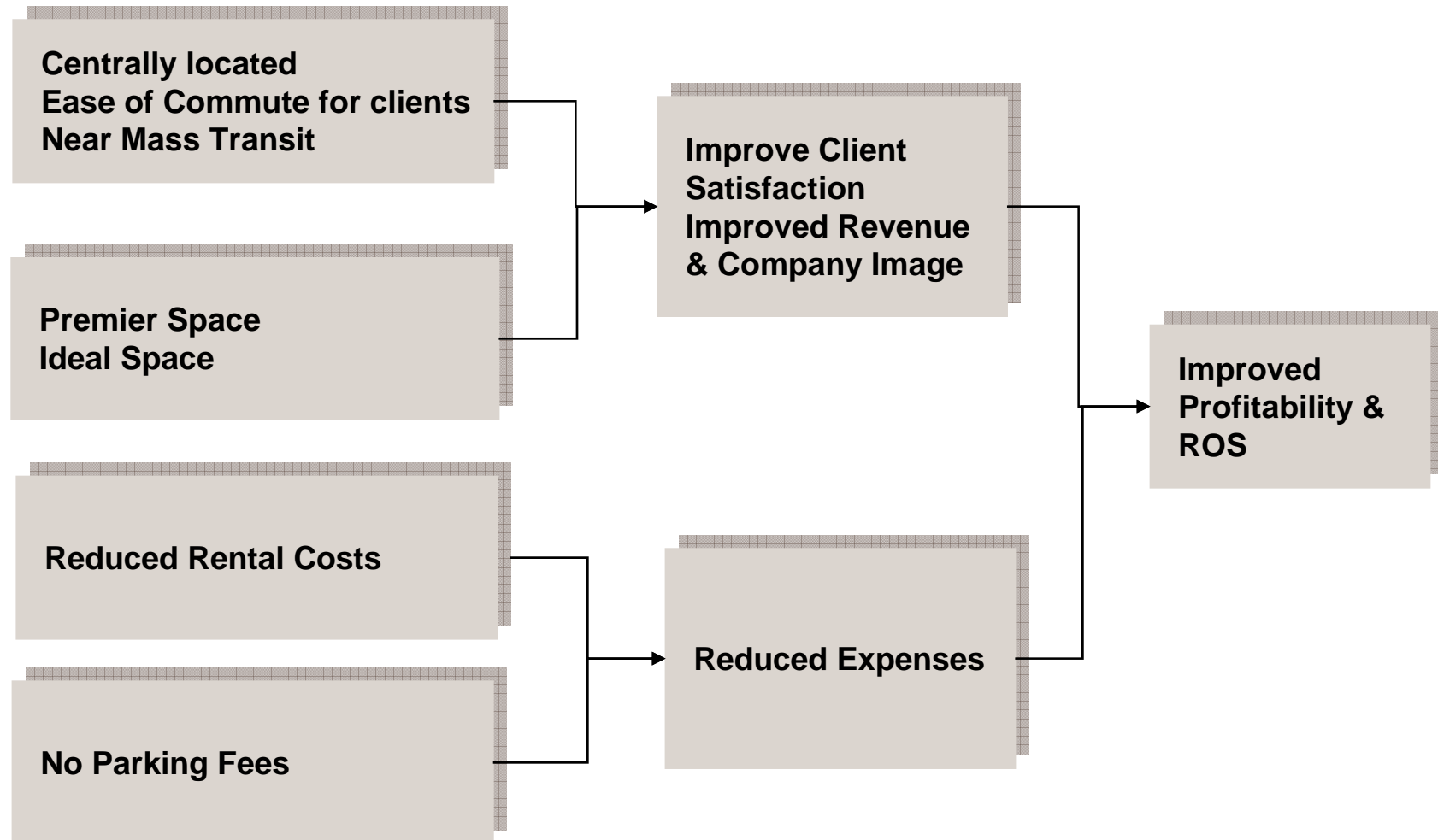
<u>Relocation Expenses</u>	
Holdover Rent	
Buildout Cost	turnkey
Telephone Hardware	
Telephone Move	\$ 4,000
Computers	
Printers	
Copier/Fax	
Cable Drops – Networks	\$ 5,000
Security System	
Signs	\$ 1,000
Furniture	\$ 20,000
Artwork/Plants	
Stationary/Supplies	
Moving Costs	\$ 10,000
Total Expenses*	\$ 40,000

**Move & Downsize net benefit of \$85,000**

Note: Analysis should be done over term of lease using NPV analysis



## Proposal: Downsize & Move





## Recommendation & Next Steps

### Recommendation: Move

- By moving we will;
  - Increase revenue by 10% per annum due to better location of office & increased traffic
  - Reduce rent by \$57k per annum
  - Reduce expenses by \$17k (including \$40k of relo costs) in year 1
- Generate net benefit of \$85k in year 1

### Next Steps



- Define office requirements
- Preparation of Market Survey
- Building Tours

- Proposal Negotiations
- Architectural Process
- Space Planning
- Furniture & IT requirements
- Lease Review
- Execute Lease

- Telecommunication Systems
- Information Systems
- Procurment
- Tenant Improvements
- Tenant Improvement Construction

**Seeks management approval to proceed with the move**

## Summary

**A business case is a powerful tool to help you obtain approval for your project**



**Tell them what you are going to tell them**

**Tell them your story**

**Repeat what you just told them and get approval!**



## Discussion

- Based on everything we have discussed today, what are the implications for passing business acumen knowledge on in your organizations?
- Where do you see the opportunities for Human Resources professionals to play a vital role?