

The Role of Business Acumen in Leadership Development



**WHITE PAPER**

**THE ROLE OF BUSINESS ACUMEN IN LEADERSHIP  
DEVELOPMENT**

**September 2007**

## Executive Summary

This paper discusses the emerging role of business acumen in leadership development programs and how this differs from business or (financial) literacy programs.

Leadership development approaches can be said to have undergone three phases over the past 20+ years. These include the personality approaches, competency approaches and emotional approaches. Until now the emergence of approaches that link leadership development directly to financial outcomes has been limited by the absence of a coherent model which clearly shows the relationship between behavior and financial outcomes. Such approaches have now emerged and provide the basis for strong programs to increase business acumen as part of leadership development programs.

Business acumen training highlights the need for managers to understand how their actions and their behavior impact their financial decision-making and how this in turn affects financial outcomes at the unit and the corporate level. This requires a behavioral model which can describe the linkages between behavior and financial outcome, and can show how developmental interventions can improve the outcome and business performance of a manager.

Many business acumen programs are actually really business literacy programs. While business (or financial) literacy programs give participants a basic overview of finance and business, business acumen programs are designed to show participants their behavior under different financial and business conditions. Business acumen is based primarily on behavioral and experiential issues, not on formal learning or education like financial literacy.

The categorization of financial behaviors in a business acumen program must be measurable so it is possible to formally identify the quantitative differences between individuals in terms of their financial behavior. Moreover, the categorization must be able to be measured in behavioral terms using psychometric methods and in terms of the formal linkage with financial metrics that appear in normal financial statements such as the income statement, balance sheet and cash flow statement

The paper further analyzes the impact of business acumen programs at certain company levels, including the individual, team, and corporate levels, as well as the impact on both financial metrics and business processes.

For any business acumen program to be a success it must include a formal model of financial behavior, assessment instruments, measurement and metrics, feedback loops, some level of development intervention, and possibly simulations to test what has been learned.

The paper concludes with a detailed discussion of a model program for business acumen development.

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## Part 1 Why Business Acumen?

### ***Business Acumen is the Next Leadership Frontier***

Leadership development approaches can be said to have undergone three phases over the past 20 years or so. These are:

1. The personality approaches.
2. The competency approaches.
3. The emotional approaches.

Each one of these approaches has brought a unique set of insights and approaches to the practice of leadership. These may be summarized as:

1. Awareness of social interactions
2. Awareness of strengths and vulnerabilities in carrying out professional functions
3. Awareness of emotional capabilities.

*“...the leadership development field has increasingly recognized that human resources are a key component of the building of corporate capital, hence increasing focus on building human capital.”*

These approaches support corporate strategies for organization development which focus on building strong corporate cultures and individuals who operate well within them.

However there has been a growing realization that these approaches do not have a direct link with financial outcome and do not directly build behaviors which link directly with profitability and corporate valuation. Yet the leadership development field has increasingly

recognized that human resources are a key component of the building of corporate capital, hence increasing focus on building human capital.

Until now the emergence of approaches that link leadership development directly to financial outcomes has been limited by the absence of a coherent model which clearly shows the linkages between behavior and financial outcomes. Such approaches have now emerged and provide the basis for strong programs to increase business acumen as part of leadership development programs.

However we are still at the very beginning of this trend. Most corporations have still not integrated business acumen approaches into their leadership development efforts and many of those who do are basing their efforts on models which are already outdated and proving to be disappointing at best.

The objective of this White Paper is to describe the models that enable business acumen to be a full member of the leadership development programs of companies. It will show how these can be implemented and what types of outcomes can be expected.

### ***HR Needs to Secure a Seat at the Table***

While leadership development programs have assumed an important and valued place in many companies, in many other companies they have not. There are a variety of reasons for this including lack of understanding by many senior managers themselves, unwillingness to divert budget resources and so on. However one of the reasons impeding the more widespread adoption of leadership development programs is that many senior leaders simply do not believe in them, albeit most would be loathe to admit this publicly. Amongst many senior executives there is a pervasive feeling that many leadership development programs simply do not have a close enough connection with their financial and P&L responsibilities, and they focus overly on “soft issues” to the detriment of the hard issues of finance and profitability.

It has become very clear that human resources and its leadership development executives must align their programs more directly with business and financial concerns to make these programs more relevant to the needs, particularly of senior executives. By doing this they will help better align leadership development with shareholder interests.

One of the most basic issues for HR generally has been convincing the business side of corporations that HR has a meaningful role to play in the strictly business matters of the company. Frequently HR is seen as having a transactional and administrative rather than a strategic role and often lacks the credibility to participate meaningfully in business decisions. This problem is widely known as getting “a seat at the table.” In order to make this breakthrough move HR must become more oriented to the strictly financial and business needs of companies. Introducing business acumen into leadership development is rapidly coming to be seen as a key touchstone in this process. To the extent that HR does start focusing on business acumen development, it too will achieve increased credibility to overcome what is a widespread and possibly even damaging perception of its value and role within the overall business community.

*“...HR must become more oriented to the strictly financial and business needs of companies.”*

### ***Programs are Emerging but are Still Confused***

Within the small minority of companies that have introduced business acumen components in leadership development programs the vast majority have two components. These are:

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- Financial literacy
- Business simulation

### Financial Literacy

Financial Literacy courses are usually, but erroneously called business acumen courses. These courses show participants how to read financial statements at an introductory level of understanding. They are designed for employees and managers who have not had any significant business education and who have no knowledge whatsoever of financial statements and basic business and financial terminology.

Financial literacy courses have value in the right circumstances and in the right environment with the right participants. These courses are not designed to show participants their behavior under different financial and business conditions but simply to give them a start in the basics of finance and business, a kind of very mini-MBA. However they have limited or no value whatsoever to managers who have had some business education, or to more senior managers who, even if they have not had formal training, have achieved senior enough positions that denote their competence and experience in financial and business matters.

Leadership development managers in many corporations have correctly identified the fact that business acumen is an emerging requirement for their clients. However many of

*“The real need...requires a behavioral model which can describe the linkages between behavior and financial outcome and can show how developmental interventions can improve the outcome and business performance of a manager.”*

these programs reflect a confusion as to what business acumen actually means. Many companies are in fact implementing financial literacy courses to meet a need for business acumen and so often the response has been disappointing or worse.

Financial literacy is almost never the need for senior managers and high potentials. Most already possess degrees in business, including MBAs, and many have also had significant experience in the business sides of their professional roles. This is not a target audience for financial literacy.

The real need for these managers is to understand how their actions and their behavior impact their financial decision-making and how this in turn affects financial outcomes at the unit and the corporate level. This requires a behavioral model which can describe the linkages between behavior and financial outcome and can show how developmental interventions can improve the outcome and business performance of a manager.

## Business Simulation

Many companies use business simulations to teach business skills. These are usually based on a simulated real-life business problem with participants each playing a certain role. The objective of the simulation is to learn from the experience of making decisions within the simulation and to analyze how the participants acted individually and as a group.

*“Business simulations...are played out in an artificial environment in which participants are likely to act in ways they would not in real-life situations ”*

Businesses simulations are a useful way to help develop business acumen. However they are played out in an artificial environment in which participants are likely to act in ways they would not in real-life situations. In other words, they can simulate decisions and their outcomes, but they are unlikely to simulate the actual behavior of participants particularly when they are under stress or in an unfamiliar and new position. Many business executives in positions for more than a year or two will tend to revert back to behaviors driven by unconscious influences. Many of these actions are undertaken on “autopilot”; and, particularly in times of stress, they frequently revert to a safe harbor of actions that have successfully sustained them in the past.

As we will see below, the correct way to use simulations is as a part of a program in which individual behaviors are specially taken into account so that the simulation becomes a more realistic approximation to what will happen in real life.

## ***Business Acumen Does Not Mean Financial Literacy***

It is important to define what we mean by “business acumen.” Dictionary.com defines it as “keen insight”, “shrewdness” as in “*remarkable acumen in business matters*”. The important point to note about this definition is that business acumen is not formal knowledge, as in book knowledge, learning, erudition, academic expertise, familiarity with formal methods, or formal discipline. We will return to this point later since it is important in view of some of the emerging approaches that some companies are taking to implement business acumen programs.

Let us review some of the research findings from the *Perth Leadership Institute* regarding business acumen:

- The majority of managers at all levels, including even at the level of CEO, have a level of innate business acumen which will lead them, on average to under-perform the market and their close competitors.
- Being in a senior position therefore does not guarantee, by any means, that the manager has a high or even a medium level of business acumen.

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- Being in a profitable company does not mean that the profitability achievements of the company “rub off” onto the individual. Instead, the individual’s innate financial traits will dominate once they are placed in a position where they have a high degree of discretion over a P&L.
- High intelligence, as conventionally defined by IQ tests, has no relationship to business acumen; in fact there is some data that suggests that the two are inversely related within a particular range of IQs.
- High IQ is related to high income but is not related to wealth creation, either at the professional or the personal levels.
- Possession of a business education, including an MBA, is unrelated to the level of business acumen. Put another way, the average MBA will have low business acumen; it may in certain circumstances lead to a worse performance than average, due to a level of over-confidence in their abilities which is not warranted by their behavior or by the demonstrated outcomes of their financial performance.
- Financial qualifications also do not assure the holder will have high business acumen; again the reverse is far more likely to be the case; many financial managers do not possess even an average level of business acumen although their qualifications may mistakenly lead them to believe the opposite.

Leadership development programs must accept that business acumen is primarily a behavioral and an experiential issue, not one only based in formal learning or education, or a matter of technical financial understanding or education. The primary way of describing such an approach is behavioral finance. Until now no such models have existed, but they have just started to emerge and can now be used to fill this gap.

The remainder of this White Paper covers the outcomes, requirements and comments of a business acumen program and how it needs to be integrated with existing leadership development and talent management programs.

## Part 2 Business Acumen Program Requirements

### *The Outcomes of a Business Acumen Program*

A business acumen program must have outcomes that can be measured quantitatively, not only behaviorally but also financially. That is to say that not only must observers of participants agree that they are showing better business acumen and making better decisions, but financial measurements must gauge their performance quantitatively.

In analyzing financial outcomes and measurements, we need to take into account a number of issues:

- The financial metrics have almost certainly been impacted by other changes in the environment.
- Sometimes even a ‘worsening’ metric may be considered an improvement if it worsens less than those of competitors.
- For certain metrics, particularly gross margin, impacts may take some time to show up, often as long as one product cycle, depending on the industry involved.
- Cost impacts may take a lot shorter time to be reflected in financial metrics.

It is unlikely that the impacts of a business acumen program can be shown purely through changes in financial metrics. Changes in financial metrics will result from many factors, one of which will be the business acumen program. To further understand the impact of the business acumen program, the participants’ behavior subsequent to the business acumen program, can be observed. Often, changes in behavior will be dramatic, leading to a strong expectation of an improvement in financial impact. Finally, the participants themselves can be asked to rate their experiences to see whether they themselves believe that the program has impacted their financial decision-making in a positive manner.

*“Often, changes in behavior will be dramatic, leading to a strong expectation of an improvement in financial impact.”*

So, in analyzing the results of a business acumen program, we must take into account both quantitative and qualitative impacts, adjust for the influence of other factors, and take into account that some changes may take longer than others to show up, sometimes outside of the study period so that the full impacts of the business acumen program may never be fully recognized by a short-term analysis.

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With the above in mind, we can set out a framework for analyzing business acumen program outcomes on a number of levels:

- Individual
- Team
- Corporate
- Financial metrics
- Processes

Following are a list of outcomes that you would expect to see from an effective business acumen program.

### **Individual**

- Material reduction of expenses in the short-term.
- Increase of individual financial performance through reduced expenses in the short- to medium-term and through increased margins in the medium- to longer-term providing the program is sustained.

### **Team**

- Material reduction of expenses at individual and team levels.
- Increase of unit and company valuation through reduced expenses in the short- to medium-term and through increased margins in the medium- to longer-term providing the program is sustained.
- Improvement in financial acumen and the ability to see and advise on financial opportunities and to maximize their commercial benefit.
- Improvement in individual capability to deliver improved financial performance outcomes.
- Increase in clarity for leadership teams on how to achieve financial performance improvement in the context of the organization's financial goals.
- Stronger and aligned management systems and processes.

### **Corporate**

- Increase in unit and organizational profitability.
- Increase in unit and company valuation either through reduced expenses in the short- to medium-term or through increased expenses which will results in more-than-offsetting margins and through increased margins in the medium- to longer-term providing the program is sustained.

## Financial Metrics

- Improved performance must show up in financial statements at whatever level the program is implemented; these may be at the unit, divisional or corporate level.
- If implemented at the corporate level, the program outcome must be reflected in the stock price of the company. If it is a public company; the stock price will increase relative to its close competitors.
  - That is, the stock price will increase, other things being equal. If the stock prices of close competitors are all rising, then the stock price of the implementing organization will rise faster; if the stock prices of close competitors are declining, then the stock price of the implementing organization may decline less than those of its competitors.
- Other valuation metrics will be similarly affected. These will include but are not limited to the following:
  - Market capitalization
  - Enterprise value
  - Price-to-earnings ratios
  - Price-to-sales ratios
  - Return on assets

## Processes

- Management processes are structured to support the changes in business direction brought about by improved business acumen.
  - Performance targets and compensation are structured to guide appropriate financial decision-making
  - Committees and review processes are in place to focus on identified business acumen gaps.
  - Communication strategies build and support the necessary cultural transitions.

## ***The Components of a Business Acumen Program***

For any business acumen program to be successful it must encompass the following components:

1. A formal model of financial behavior
2. Assessment
3. Measurement
4. Feedback
5. Development intervention
6. Simulations

## **A Formal Model of Financial Behavior**

The model must show the direct linkages between the personality of an individual and measurable financial outcomes. These financial outcomes must link directly to the financial metrics of a company's or unit's financial statements. There must be a categorization that enables any individual's specific financial behaviors to be identified and categorized so as to be able to compare them with other individuals. The categorization must be able to be operationalized so that quantitative comparisons can be made.

## **Assessment**

The model must be able to be operationalized such that any individual can be assessed against the formal model of financial behavior. The assessment must be predictive in terms of being able to predict the types of financial decisions that the individual will usually make and the formal impact of those decisions in financial terms.

## **Measurement**

The categorization of financial behaviors must be measurable so that we can formally identify the quantitative differences between individuals in terms of their financial behavior. Moreover the impacts of this behavior must be able to be measured in terms of generally accepted financial metrics that fit into GAAP (Generally Accepted Accounting Principles). In other words, the categorization must be able to be measured in behavioral terms using psychometric methods and in terms of the formal linkage with financial metrics that appear in normal financial statements such as the income statement, balance sheet and cash flow statement.

## **Feedback**

The model and assessment(s) must result in feedback at both the individual and team level which will produce changes to behavior and methods which result directly in improvements in financial behavior, impact and on the company's profitability and valuation metrics. The feedback must be able to be varied with the application of successive re-assessments so that as organizational, financial and market conditions change, the feedback will have continued relevance and impact on profitability and valuation.

## **Development Intervention**

Developmental interventions must show a direct link with actual financial performance as measured using normal financial statements, particularly focusing on gross margin, profitability and valuation.

## Simulations

We believe that business simulations will be most useful if they are linked to a business acumen program and the two are tied closely together. In this way, the lessons of the simulation can be linked back to individual and team behaviors as well to non-behavioral issues. The financial behaviors of participants in the simulation can be modified through training, development and coaching programs. Our view is that business acumen programs should be viewed as a whole and that simulations should be part of that whole. Such a linkage offers new possibilities for leadership development and the improvement of financial and business behaviors.

## *The Targets of Business Acumen Programs*

### Principles

*“In general, the more senior the manager, the more relevant business acumen programs will be to them.”*

By their very nature, business acumen programs are more suited to managers and employees who have some impact on the financial outcome of the organization. As we shall see, this does not mean that they are only

focused at the C-level. However it does mean that they have a bias to somewhat more senior managers and executives. Furthermore they will have a bias to those employees and managers that have more influence over financial decision-making. In general, the more senior the manager, the more relevant business acumen programs will be to them.

The level of business education of the manager has no impact on their need for business acumen development. Executives who have MBAs and have undergone extensive business education and leadership development will almost never have experienced the types of concepts and training provided in the type of business acumen programs discussed here.

In general this means that such programs are less suitable for staff that are in direct customer-facing roles, or in purely operational roles. The exception to this is high potential managers who are still in such roles but who have already demonstrated potentially high leadership aptitude. In such cases these managers will be suitable candidates for such programs.

### **C-Level Managers and Teams**

This includes the CEO, COO, CFO and CMO and their direct reports, including division general managers, both defined vertically and geographically. These executives have direct P&L control or accountability. Although these executives will be sophisticated in a

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business sense, they will invariably be unaware of their own financial traits and how it has impacted their financial decision-making (i.e., the direct linkages between their financial traits and their financial performance).

Generally the results will be a revelation to them, but occasionally they will be defensive. Given this, the process for implementing the program, disclosing their results and dealing with coaching and interventions requires considerable care. Usually they will see immediate impacts from the program and will often want to extend it to their known direct reports. In these cases whether or not to have participants disclose to each other their results is a sensitive issue and needs to be discussed carefully with the program sponsor.

### **Senior Executives and Teams**

By this we are referring to executives under the C-level and the top P&L levels. This usually includes vice presidents and their teams. This can include teams from the sales, finance, engineering, operations, product development, human resources and customer support organizations. In these cases a slightly different assessment is used to better mirror the types of financial issues they are dealing with and to make the program more relevant to their level of financial responsibility. These programs deal less with corporate valuation and profitability and more with margins, expenses and budgets, more appropriate for their level of responsibility.

These programs often require a different level of instructor and coach who is more attuned to their concerns rather than to the concern of the C-levels.

### **High Potentials**

If the high potentials are at relatively senior levels, then business acumen programs will be highly relevant to them since they provide preparation to the higher levels of P&L responsibility they will encounter on their next major career advance. However if the high potentials are more junior, say at the manager or director level, there will be different degrees of relevance depending on their level of leadership potential. If they are outstanding and progressing very quickly, such a program will be relevant and useful to them, if otherwise, the program may be less valuable. Business acumen programs directed at much younger high potentials need to be designed in somewhat different ways and may, in some cases, incorporate elements of financial literacy and possibly business simulations. They will probably also incorporate more participative exercises to compensate for their relative lack of experience compared to more senior managers.

### **Financial Staff and Teams**

Financial managers are among those who may benefit the most from business acumen programs. Often their technical expertise and education has led them to ignore behavioral issues. On the other hand, often financial managers have an intuitive grasp of behavioral

issues but lack the tools and techniques to put this understanding to good use in their dealings with their business clients. In our experience financial managers and teams quickly grasp the underlying model for business acumen particularly in its more technical financial aspects, and the training they get in behavior is a very valuable compensation for financial training which has often focused exclusively on technical issues. For a financial manager this business acumen training can be a back door into broader leadership development by sensitizing them to behavioral issues while not alienating them with what they may sometimes perceive as being overly “soft” factors and of little relevance in a business context.

*“For a financial manager this business acumen training can be a back door into broader leadership development by sensitizing them to behavioral issues while not alienating them with what they may sometimes perceive as being overly ‘soft’ ”*

### **Human Resources and Leadership Development Staff and Teams**

It should be obvious that HR and leadership development should undergo business acumen training. There are several reasons for this:

- In their own HR roles, to improve their own financial impact and performance.
- To understand the impact of these programs on their clients.
- To better design and implement business acumen programs.

However there can be several issues in doing this. Sometimes HR and leadership development managers have had limited business background and business acumen programs can appear difficult or even threatening to them for that reason. The lack of business background may mean that it is important to ally such a program with a financial literacy program as a preliminary to the business acumen program.

Either way, it is important for HR and leadership development managers to undergo such programs with their clients so that they can build up their own credibility with them and offer other means to align HR and business interests more closely.

### ***Processes Impacted by Business Acumen Programs***

There will be a number of processes which will change as a result of a business acumen program. These include, although they are not limited to:

- Compensation
- Selection and recruitment
- Training and development
- Internal financial communications
- Performance management

## **Compensation**

Compensation can be improved by linking a change in the individual's financial mission to bonus objectives.

## **Selection and Recruitment**

Financial signature and mission can become selection and recruitment tools. In addition it can be used to improve the onboarding process.

## **Training and Development**

Training in business acumen should become a staple of leadership development courses. Coaching for the individual will formally include how to develop business acumen.

## **Internal Financial Communications**

In order for executives and managers to improve their financial performance, they often need access to financial metrics which are not routinely distributed. The structure and distribution of financial reports and metrics thus becomes a process that can be impacted by a business acumen program. Further, tailored nomenclature can emerge to bridge the discussion of behavioral financial traits and company financial metrics.

## **Performance Management**

Performance management strategies can become directly linked to development strategies so that compensation decisions can directly be tied to these improvements.

## ***Model Program for Business Acumen***

### **Program Structure**

All business acumen programs will be preceded by at least one and usually more assessments. In general a business acumen program will have the following structure:

- Assessment
- Training seminar
- Individual coaching
- Individual Development Plan

Assessments could include one or more of the following:

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- Financial Outcome Assessment (FOA) - measures an individual's financial signature.
- Executive Outcome Assessment (EXOA) – measures an individual's financial mission.
- Corporate Financial Outcome Assessment (CFOA) – measures an organization's financial mission.

### Types of Programs

There are several types of programs for business acumen:

- Individual – for one person, or several persons on an individual basis. No group or team sessions involved.
- Group – for groups which are non-intact teams e.g. high potentials, general managers from several different divisions.
- Team – for an intact team, e.g. CEO and general managers who report directly; or a VP of sales and top sales directors.
- Strategy – aimed at C-levels and mainly concerned with valuation and competitive issues including financial signature and mission of close competitors and related implications for profitability and valuation.
- Innovation – aimed at increasing innovation by measuring the Innovator Financial Styles of participants and using this as a basis for improving innovation and gross margins.
- Simulation – preceded by assessments which are used to analyze the decisions of the individuals and the teams participating in the simulation.

### Individual Financial Program (IFP)

#### Description

- Improves an individual's impact on organizational financial performance.
- Provides an assessment of each individual's financial impact and leadership outcome profiles
- Assesses their likely impact on achieving the desired financial performance target
- Identifies specific strengths, vulnerabilities and individual development possibilities

#### The Program

Three components:

1. Assessments

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2. Coaching sessions
3. Summary report with recommended development plan

### 1. Assessments

- Financial Outcome Assessment (FOA) – identifies and measures intensity of one's Financial Signature™
- Executive Outcome Assessment™ (EXOA) - identifies and measures leadership traits that provide a basis for financial mission correction

### 2. Coaching

Two post-assessment sessions                      2 x 1-2 hour sessions

### 3. Summary report with recommended development plan

Preparation of a customized development plan to provide to the participant after the final coaching session.

### Results

- Reduces expenses materially by individuals in the short-term.
- Increases individual financial performance through reduced expenses in the short- to medium-term and through increased margins in the medium- to longer-term providing the program is sustained.

## Group Financial Program (GFP)

### Description

- Improves the impact on organizational financial performance of each group participant.
- Provides an assessment of each individual's financial impact and leadership outcome profiles.
- Assesses their likely impact on achieving the desired financial performance targets of the organization in which the participant works.
- Identifies specific financial impact strengths, vulnerabilities and individual development possibilities.
- Provides training in a group setting on the model so that each participant can interpret their results and see ways to act on them.

### The Program

Four components:

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1. Assessments
2. Training session
3. Coaching sessions
4. Summary report with recommended development plan

### **1. Assessments**

- Financial Outcome Assessment (FOA) – identifies and measures intensity of Financial Signature™
- Executive Outcome Assessment™ (EXOA) - identifies and measures leadership traits that provide a basis for one's financial mission correction
- Corporate Financial Outcome Assessment™ (CFOA) – assesses the company's financial signature

### **2. Coaching**

Two post-assessment sessions, each of 1-2 hours, either face-to-face or by telephone. The first is conducted as soon as possible following the training session and the second is conducted about one month later.

- Helps participants to interpret their assessments
- Shows how their behavior is linked to financial performance
- Shows their specific personal strengths and vulnerabilities in the financial performance area
- Discusses their degree of alignment with the financial mission of the organization
- Provides suggestions and practical ways to improve this.

### **3. Group Training Session**

This session is conducted over a half-day period.

- Shows models underlying financial styles and how to improve them.
- Shows how this relates to work financial performance.
- Links this to company and market issues and evolution.
- Reveals the types of approaches required to improve impact on financial performance.

### **4. Summary report with recommended development plan**

Preparation of customized development plan to provide to a participant subsequent to the final coaching session.

### **Results**

- Reduces expenses materially by individuals in the short-term.

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- Increases individual financial performance through reduced expenses in the short- to medium-term and through increased margins in the medium- to longer-term providing the program is sustained.
- Improves business acumen and the ability to see and advise on financial opportunities and to maximize their commercial benefit.

### **Team Financial Program (TFP)**

#### **Description**

A TFP

- Improves a team's profitability and financial performance.
- Achieves this by aligning the financial traits of executives (Financial Signatures™) and managers with their company's financial performance targets
- Provides an assessment of each executive's and the leadership team's financial and leadership profiles
- Assesses their likely impact on achieving the desired financial performance target
- Identifies specific strengths, vulnerabilities and individual development possibilities
- Enables companies to more directly link executive assessment, development and team deployment to measurable business outcomes

#### **The Program**

Conducted on teams with a minimum of three members and a maximum of 35.

#### **Team Package Components**

1. Pre-session objectives and launch meeting
2. Complete assessments
3. Training, Team Feedback and Planning Session
4. Individual coaching sessions
5. Summary reports with recommended development plan

#### **1. Pre-session Objectives and Launch Meeting**

One session of two hours with team leader to do the following:

- Set out objectives
- Review expectations
- Discuss how the assessments will be used and who will see the results
- Set out tasks to be completed by team participants
- Review team business environment

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- Set schedule
- Assign responsibilities for program implementation actions

### 2. Complete Assessments

Conduct **Perth Assessments**:

- Financial Outcome Assessment (FOA) – identifies and measures intensity of Financial Signature™
- Executive Outcome Assessment™ (EXOA) - identifies and measures leadership traits that provide a basis for one's financial mission correction
- Corporate Financial Outcome Assessment™ (CFOA) – assesses the company's financial signature

### 3. Training, Team Feedback and Planning Sessions

Sessions to complete the following:

- Team Training Session on PLOM™ (half-day session)
- Team Feedback session on team assessment results (half-day)
- Financial Mission Impact Planning Meeting (half day)

#### **Team Training Session on PLOM™ (half-day session)**

- Orientation to the PLOM™ model and research underlying the assessments so executives can have a platform to subsequently understand their personal and team assessment results

#### **Team Feedback session on Team Assessment Results (half-day)**

- Identifies the team's collective Financial Signature™ and leadership outcome profile and the gaps in alignment with the business's financial performance and valuation target.
- Identifies realistic financial performance and valuation targets for the organization based on assessments and analyses.

#### **Financial Mission Impact Planning Meeting (half day)**

- Conduct a Financial Mission **Impact Action Plan** development session
- Develop a Financial Mission Impact Plan to improve the financial performance of the team and to align it more closely with financial performance targets.
- Provides recommended actions to improve team composition, deployment and financial performance outcomes.

### 4. Individual Coaching Sessions

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- Conduct individual **coaching sessions** for all participants as part of a customized developmental program for each.
- Two post-assessment sessions 2 x 1-2 hour sessions

### 5. Summary Reports with Recommended Development Plans

- Prepare customized development plans for each participant and provide it to them subsequent to the final coaching session.

### Outcomes

- Improves individual capability to deliver improved financial performance outcomes
- Assesses “Nose for Making Money” and links executive behaviors to financial performance opportunities
- Leadership teams have increased clarity on how to achieve financial performance improvement in the context of the organization’s financial goals.
- Stronger and aligned management systems and processes

### Results

- Reduces expenses materially by individuals and at the team level.
- Increases unit and company valuation through reduced expenses in the short- to medium-term and through increased margins in the medium- to longer-term providing the program is sustained.
- Improves business acumen and the ability to see and advise on financial opportunities and to maximize their commercial benefit.

### Integration with Existing Programs

Most companies have ongoing leadership development programs. Typically they have settled upon a small number of tools and instruments for these programs because they have found that they meet their needs. In the vast majority of cases a business acumen program and its tools will fit well into the pre-existing set of tools and approaches. However in implementing a business acumen program, there are often particular programs which need to be integrated with business acumen which include the following:

- Assessment center
- 360 Programs
- High potentials
- General managers
- Onboarding
- Selection

### Assessment Center

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Many companies maintain an Assessment Center which comprises a set of assessments which are routinely provided either to new recruits or to candidates for promotions. Business acumen assessments should form part of the Assessment Center and should be regarded as a set of complementary tools which can be used alongside other tools such as personality and competency assessments which are routinely given to employees and managers.

### **360 Programs**

Many companies conduct 360 reviews of senior executives. Business acumen assessments can also be conducted as within a 360 review just as other assessments can. 360 reviews in the business acumen area are particularly useful in re-assessing a person who has already undergone business acumen development programs and where it is desired to assess the impact of those developmental interventions.

### **High Potentials**

High potentials usually undergo a series of assessments, training and development programs and sometimes some individual coaching. Since High Potentials are probably destined for senior executive positions, often in a full P&L role, business acumen programs are particularly important so that they receive a rounded development program which focuses on both “soft” and “hard” factors.

### **General Managers**

Many companies provide training programs for general managers. Business acumen is a particularly important component of these programs. First, these managers are often harder to cater to since they have already been through numerous leadership development programs. Although it is highly unlikely they will have been through a business acumen program. Second, the material will be of immediate relevance to those already managing a P&L, and even more so if they are new to the position, or are struggling in it.

### **Onboarding**

Onboarding programs are becoming more common as companies strive to lower the attrition rate and do all they can to help a new manager be successful starting a new job. Business acumen programs are an important part of Onboarding in helping new managers align themselves with the financial culture of the organization and understanding better what is expected in their financial performance.

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