

CTK Development Resource Guide Business Acumen



Book

Angel Customers and Demon Customers

Even in the age of high-tech data collection, many businesses don't realize that some of their customers are deeply unprofitable, and that simply doing business with them is costing them money. In many places, it's typical that the top 20 percent of customers are generating almost all the profit while the bottom 20 percent are actually destroying value. Managers are missing tremendous opportunities if they are not aware which of their customers are truly profitable and which are not.

According to Larry Selden and Geoff Colvin, there is a way to fix this problem: manage your business not as a collection of products and services but as a customer portfolio. Selden and Colvin show readers how to analyze customer data to understand how you can get the most out of your most critical customer segments. The authors reveal how some companies (such as Best Buy and Fidelity Investments) have already moved in this direction, and what customer-centric strategies are likely to become widespread in the coming years.

As a development activity, follow this process:

- 1) Read the book
- 2) Create a personal plan of action to improve skills you have targeted for development.
- 3) With a partner or internal coach, summarize the book and your personal action plan.
- 4) Ask for feedback from you partner, including their ideas for making the plan stronger.
- 5) Modify your plan to incorporate the ideas of your partner.
- 6) Implement your plan and track progress.
- 7) Ask others (direct reports, your manager, etc.) if they have seen visible signs in improving the competencies you have targeted. If not, revise your personal action plan to include activities that will have a greater impact on your development. The repeat steps 3 through 7.



On The
Job

Attend association meetings

To maintain your knowledge of trends in your industry, identify associations that provide research and/or conferences relevant to your industry.

- 1) Sign up and attend the conferences that your budget will support.
- 2) At those meetings, attend the sessions that provide industry-specific information. Also, network with fellow attendees and ask them what trends they are seeing.
- 3) Upon your return, prepare a summary report and present to your team. Discuss the industry trends and their implications to your organization.
- 4) For trends that may have substantial impact, report these to the senior management team.



On The
Job

Customer-focused budgeting

Most functions within an organization (manufacturing, administration, product development, marketing, IT, HR, Finance, etc.) provide outputs for others within the organization (internal clients). Very few functions (sales, customer service, etc.) actually provide outputs for those outside of the organization (external customers). Even manufacturing must take its orders from those in sales or leadership roles on things like volume, features, types of products, delivery times, etc. Therefore, a customer-focused budgeting process is applicable to almost everyone.

What is customer-focused budgeting? It is essentially a zero-based budgeting method that depends upon getting consensus among internal clients on their needs for the upcoming budgeting period (typically a fiscal year) and agreeing up a cost (budget) for that service. These agreements, if communicated effectively to senior management, ensure that budgets will rarely be attacked by those in senior management. Here is a process to follow to improve your skills in this area:

- 1) Identify your internal clients by function or department.

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- 2) Identify the key decision makers within that internal client group and invite them to a two budget meetings for the purpose of taking a look at their future plans and estimating the costs of the outputs they will need from your unit.
- 3) Meet with each internal client group and follow this agenda for the first meeting:
 - * What will be your main initiatives in the next fiscal year?
 - * What will you need from us for your initiatives to be effective?
 - * What would the output be? What level of quality will meet your expectations?
- 4) After the first meeting, with your team, estimate what the outputs for the internal client will cost in terms of everything you need to include in your budget (salaries, benefits, materials, supplies, etc.) If needed, call the internal client to check out your assumptions regarding the output that will be delivered.
- 5) Hold a second meeting with the internal client group. Provide a summary of the outputs you will be providing and the estimated budget that it will take to provide it. Facilitate an open discussion regarding any issues that arise. If the costs are too high for the internal client business to absorb, explore alternatives (lowering the output, reducing the quality, etc.). Reach agreement upon an acceptable budget for each output.
- 6) Summarize your budget and send it to the meeting participants and any senior executives who manage that internal client.
- 7) After following this process with all internal clients, add the costs to your budget in the appropriate categories. You are now prepared for any internal review and approval process for your budget.
- 8) After the total budget has been approved, estimate the timing of each output to each client so that you can estimate the total budget needed for each month of the next fiscal year.



Book

Finance for Non-Financial Managers

Financial decisions impact virtually every area of your firm; as a manager, it's up to you to understand how and why. Financial reports speak their own language, and managers without a strong finance background often find themselves bewildered by what is being said.

Finance for NonFinancial Managers helps managers become familiar with essential financial information, showing them how to "speak the language of numbers" and implement financial data in their daily business decisions. In addition, it clarifies how and why financial decisions impact business and operational objectives.

This book includes sections on:

- * Basic financial reports, including balance sheets, income statements and cash flow statements
- * Cost accounting--methods to assess which products or services are most profitable to your firm, and why
- * Operational planning and budgeting--ways to use financial knowledge to strengthen your company

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Increase understanding of each operating division

It is critical for internal consulting or collaboration to know as much as you can about the business of your internal customer/client. To develop your knowledge of the business, do the following:

- 1) Set up interviews or shadowing opportunities with knowledgeable leaders and experts in each major business unit.
- 2) Implement the planned interviews, meetings or shadowing assignments.
- 3) Prepare a written or verbal summary/presentation of the key insights gained for each business. Be sure to include their goals, strategy and barriers to achieving their goals and/or strategy.
- 4) Share the summary/presentation with select business unit leaders to check understanding.



Interview Key Stakeholders

Convincing others requires preparation, not just a dynamic personality. It is important to uncover objections to ideas and the degree of support for an idea so that you can refine the idea to make it more palatable to others. Follow this process to refine your ideas into a coherent formal presentation:

- 1) Identify and succinctly state the idea that you are considering proposing to others.
- 2) Identify and set up short meetings with key stakeholders whom you know must support your idea for it to be accepted.
- 3) State that you've been thinking about proposing [your succinct statement of the idea]. Then ask the key stakeholder for thoughts about that.
- 4) Listen for the degree of support for the idea. The stakeholder might immediately reject the idea or s/he might suggest certain objections. Probe to fully understand the objections, if any. (Is it timing? Is there a need for a "pilot" to try out the idea first? Is there a need to limit the scope of the idea to match available resources?)
- 5) Ask the stakeholder to refine the idea in his/her own words to make the idea more acceptable.
- 6) After meeting with all of the key stakeholders, refine the idea so that it is more acceptable. Then, build this new idea into your formal presentation or proposal.



Only the Paranoid Survive

Andy Grove, former CEO of Intel, helped the chipmaker become the world's largest and one of the most admired companies in the world. In *Only the Paranoid Survive*, Grove reveals his strategy of focusing on a new way of measuring the nightmare moment every leader dreads--when massive change occurs and a company must, virtually overnight, adapt or fall by the wayside.

Grove calls such a moment a Strategic Inflection Point, which can be set off by almost anything: mega-competition, a change in regulations, or a seemingly modest change in technology. When a Strategic Inflection Point hits, the ordinary rules of business go out the window. Yet, managed right, a Strategic Inflection Point can be an opportunity to win in the marketplace and emerge stronger than ever. The work of a lifetime, *Only the Paranoid Survive* is a classic of managerial and leadership skills that encourages leaders to look outside their organization for potential disruptions that could either put them out of business or dramatically change the way they do business.

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Book

The Discipline of Market Leaders

The main thesis of this book is that for a company to excel, it must focus on specific customer segments and deliver a value proposition that the customer segment desires. The value propositions are:

- Operational excellence (cost leadership/focus on process improvement)
- Product leadership (innovation/focus on product lifecycle management)
- Customer Intimacy (service leadership/focus on customer relationship management and customized solutions)

To be able to deliver the value proposition, the organization must build an appropriate operating model within the company that aligns several aspects—the culture, the core processes, the organizational structure, the management systems and the information technology. The authors explain that these operating models are so different for each value proposition that it becomes evident that a company that does not focus on the delivery of a single value proposition will achieve only mediocre results. Bottom line, a company cannot be all things to all customers if it wants to become a market leader.

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On The
Job

Use field visits to increase business knowledge

To increase your knowledge of the business visit and/or hold conference calls with producers and/or brokers to gain a better understanding of markets, competitors, producer and customer needs and perceptions of your company by those outside the organization.



Book

What Your CEO Wants You To Know

Ram Charan learned about business from his family's shoe shop in India before attending Harvard Business School and going on to advise senior executives in companies large and small. His experiences taught him that universal laws apply "whether you sell fruit from a stand or are running a Fortune 500 company," and that the business acumen that comes from understanding these basics can be applied throughout any operation.

Whether it's a corner merchant or a giant manufacturing concern, Charan notes, "the faster the velocity, the higher the return." Relating such thinking to cash generation, customer satisfaction, and other essentials, he describes the universal principles that help all companies make money. What your CEO wants you to know is how these fundamentals of business work in your company.

Charan draws an analogy between the decision-making processes of the CEO and the street vendor in his native India. The vendor must focus on profit margin, returns and customer demands. CEOs must "Think like the street vendor. Cut through to the nucleus of the business."

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Your Competency Marketplace and Community

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