



Business Acumen

Understanding what it takes to manage and participate in a successful organization

The purpose of this article is to describe the “Business Acumen” core competence essential to successful non-profit organizations from a business management perspective. In non-profits, we often default to budget management as the key business accountability and skill. We will describe how budget development and management is necessary, but not sufficient, in building the capacity of an effective nonprofit organization.

It is important to spell out the purpose and scope of Business Acumen in ensuring that staff across the organization have a solid foundation in understanding key business and organizational concepts, and the necessary expertise and experience with appropriate business processes and tools to plan, manage and execute their work.

Context

As the operating environment for many nonprofit organizations has become increasingly challenging in recent years, there has been an increase in the attention to the competence of “business acumen.” The existing experience and competence of many people working in non-profit organizations is misaligned with the business needs of the organization. It is safe to say that the level of business acumen is far from the level expected in a successful for-profit enterprise. The challenge is to strike a more effective balance between the skills and mission driven interest of many staff coming to the nonprofit and the strategic business needs of the organization.

Business vs Non-Profit Contrast

Comparing skill competencies between for-profit businesses and nonprofits raises useful contrasts and points in this context. It is true that the business world also suffers from skill gaps in supervision, participative management and project management, for example. But successful businesses are closing these gaps quickly and are making concerted efforts to recruit staff who will excel in driving for results whilst attending to business fundamentals.

Beyond these process and management skills in businesses, however, there is a level of business acumen that is demanded that is rarely found in nonprofit organizations. It is exactly these skills that are at critical and undervalued in nonprofits.

Most staff, and all managers, at a similarly sized business will understand profit and loss accountability and how to read a report, expense and revenue budgeting, basic principles of cost accounting, the use

of technology as core business tools, the ownership and corporate structure, key brand and message issues, a high value for client and customer service, and other competencies we can name. In short, employees - and especially supervisors and all managers - know how a company makes and spends money, how it might make capital investments and how it makes a profit.

The task for nonprofits, then, is to define the comparable business competencies that are most important for success and make sure that those who are accountable develop the skills to contribute effectively. The failure to do so sets up from the beginning a steep climb for skill development and accountability. We would submit that this education and skill building process should begin during an employee's Onboarding process. Also, the recruitment criteria for the majority of staff should include expectations for at least basic competence in business acumen.

Build a Comprehensive Program for Business Acumen – it's more than just a training program.

1. Begin by defining the elements of Business Acumen competence that, along with clear performance expectations and accountability, can be developed into a robust Business Acumen track in the organization's professional development program.
2. These competencies should be included in hiring criteria and made part of the Onboarding process.
3. Performance expectations, career development and compensation should reflect appropriate emphasis on business acumen and performance.

Business literacy competencies might include:

- organization structure and nonprofit tax status
- Board governance and structure
- Income and expense and the individual's role in these
- Project and department planning as a function of strategic goals
- Budget development plus the ability to manage department and project finances
- Brand and key messages and how these are reinforced by all staff, externally and internally
- The use of business technologies, and their role in successful organizational and individual performance
- Organization values and management principles.

Summary

These recommendations do not suggest that nonprofits forgo mission-driven qualities and values in favor of a hard driving business culture. We believe that the elements of business acumen need to be elevated to help ensure the success and the effectiveness of the nonprofit enterprise.

In most nonprofit organizations staff are encouraged to learn the mission oriented language of the organization. A successful organization will also require that all staff learn the language of business.