



# PEAK PERFORMANCE ASSOCIATES, INC.

## The Case for Developing Business Acumen

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As I write this article, it is March, basketball tournament time. Imagine, if you will, 10 excellent, talented players; athletic and skilled at their respective positions. One might predict much success based upon that scenario. But further imagine that while they are skilled in the basics, dribbling, running, shooting, etc., they don't have a solid understanding of the rules of the game! Would that change your outlook for how successful this team will be in tournament play?

We find the same scenario occurring in business after business today; highly skilled and talented "players" in each area, but without the critical understanding of the fundamental rules of business. Those fundamentals include a basic knowledge of the "cash to cash" cycle, the basics of operational decisions on the financial success of the business and how important it is to understand how each functional area or department "fits" together for organizational growth.

And in today's difficult economy, it becomes more important than ever that each and every person in your company understands exactly how your business makes money, how what they do on a daily basis, contributes to the bottom line and how the decisions they make impacts the profitability of the company, keeping the company strong enough to weather difficult times.

Here are several questions to ask yourself to determine if developing the business acumen of your employees would be beneficial to your business:

- 1- Are you asking your people to do more with less?
- 2- Is competition getting tougher?
- 3- Are key decisions being made at lower levels in the company?

If so, do the frontline folks in each department or functional area that you depend upon to make the best decisions for both the company and the customer have a solid understanding of the foundational business basics to make optimal choices? Do they have strong Business and Financial acumen?

Many of our clients have concluded that they have been putting those critical frontline folks at a disadvantage. They realize they have neglected to provide them with the knowledge to make good **business** decisions. Manufacturing Reality™: Ca\$h Flow™ addresses that missing component. By working in teams, running their simulated manufacturing business for 3 years, they make decisions and very quickly experience the impact of those decisions both operationally and financially. They must manage their cash, make tough choices about how to invest their limited resources and quickly learn

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that “there is only so much money”! Through discussion and debrief, they are able to make the connections to how the decisions they make on a daily basis impacts the financial success of your company.

Often, we are asked how a company can justify the investment in this type of learning exercise. I ask in response “What is the cost of sub standard or downright wrong decisions on a weekly, monthly or quarterly basis?” What would it mean to a company if your frontline workforce had a better understanding of how your company’s operations and their decisions improved the cash to cash cycle, why it is important to control overtime, how much waste impacts bottom line performance, etc. The answer to those questions in dollar terms usually far outweighs the investment in your people. The simulation experience will drive behavior change and enhance the quality of the hundreds of decisions that are made every day. Ultimately, the cumulative effect of all those decisions drives improved financial performance.

And isn’t that the goal?

*Dan Trudell is President of Peak Performance Associates, Inc. Since 1990, Peak Performance Associates has aligned the people strategy with the business strategy of client companies. For more information on Manufacturing Reality™: Ca\$h Flow™ or how we can assist you with aligning your people strategy with your company strategy, please contact Dan Trudell at 608-835-9288 or dant@peakperform.net.*