

Building an Enterprise Mindset



by Manika Gandhi | January 24, 2022

[Manika Gandhi](#)

Whether you call it business acumen, knowing the business, developing an enterprise mindset, or thinking like an owner, there are few things more fundamental to the success of a business than having leaders who have an in-depth understanding of how their business works. Your leaders need to know what makes their business tick: where it excels (and where it may have weaknesses), how it outflanks the competition (and how it gets beaten), how it makes its money, what's going on in the external environment, and what's the connection between its strategy and its results.

A timeless and critical requirement

Knowing the business inside out is a timeless requirement. As noted business thinker Ram Charan wrote back in 2006, “linking an insightful assessment of the external business landscape with the keen awareness of how money can be made — and then executing the strategy to deliver the desired results” is an art. “No single aspect of managerial skill,” he wrote, “is more important.”

While having this degree of business understanding has long been regarded as essential at the highest executive levels in an organization, it's made its way over time into becoming a requirement for leaders at all levels.

Why is this type of thinking so critical? Why is it so important to have throughout an organization and not just at the top? The business environment has become so complex, fast-moving, and perpetually changing that decision making is increasingly being dispersed to lower levels in the organization. There's no time to wait for decisions to be made at the top and wind their way down; organizations can't afford to have decision making at any level that's occurring in a vacuum.

Those making the decisions at both the highest strategic plane and at the everyday tactical level need to be fully versed in strategy, grounded in market realities, and conversant in financial matters. And, research conducted by the Economist Intelligence Unit found that over 65% of leaders surveyed agreed that insufficient business acumen was a primary factor in limiting their organization's ability to realize strategic goals.

The fundamentals of knowing the business

Knowing the business rests on three broad fundamental elements: understanding the organization's strategy, market orientation, and financial literacy. The first element—understanding strategy—means making sure that your leaders have an understanding of how your company plans to create and capture value and use this insight to inform their day-to-day decision making. That's an important way in which they can support your organization's goals. A market orientation requires awareness of why your customers make the choices they do. It also requires future thinking: keeping a close eye on the business environment you're operating in, looking for new opportunities and contributing to the organization's strategy. Financial literacy enables your leaders to make decisions that make sense from a financial point of view. (Is winning that big deal much of a win if the costs of delivering on it exceed the revenue?)

Answering three key questions

Knowing the business provides leaders the grounding they need to answer three key questions. What makes your company thrive? How can you tell if your company is thriving? How does your company's business run (its business model) and how can it operate successfully in the market (its strategy)?

What makes a company thrive? Ram Charan has identified four essential building blocks that help an organization thrive: doing a better job than the competition when it comes to satisfying customer needs; generating cash; producing an adequate return on investment; and growing profitably. Your leaders must understand not only how these building blocks work stand-alone, but how they are related to each other. There may be times when your organization is able to temporarily sacrifice one of the building blocks to achieve a long-term goal. But long run viability requires that all four building blocks stay standing.

How can you tell if your company's thriving? Every leader should be able to read and interpret basic financial statements: profit and loss, balance sheet, and cash flow. This may seem intimidating at first, but it doesn't actually require any wizardry. It just requires an openness to delving into the numbers, developing basic familiarity with key financial terms, and paying attention to the key metrics for your organization—and what the implications are if these metrics are "off."

How does your company run—and how can it operate successfully? Equipping your leaders with an understanding of how the

business works and how it will succeed will enable them to make better decisions. This means being able to answer important questions such as: Who's the customer? What's important to them? How can we increase the total value our organization creates and captures? What's the strategy that will enable our company to do this better than the competition?

A win for the organization—and for the individual

Having leaders at all levels who are more knowledgeable about the business and more adept at decision making is a clear win for an organization. It's also a win for the individual leader. Knowing how the organization *really* works and using this knowledge to help make better decisions increases connection and job satisfaction. And speaking the universal language of business—strategy, market orientation, and financial literacy—is every bit as much of a career booster as having solid domain expertise. Whatever term you use for it, knowing the business is a capability that's an essential element for every leader's portfolio.