Building Business Acumen® course is based on the #1 Wall Street Journal and New York Times Bestseller, Seeing The Big Picture: Business Acumen to Build Your Credibility, Career, and Company.
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Building Business Acumen has been taught in over 20 countries to over 20,000 participants, all in the last year. The content for this course stems from the national bestseller, Seeing The Big Picture. This participant guide serves as a workbook to accompany the one or two-day course and contains activities that you may or may not cover in your class. We invite you to refer often to the content in this guide throughout your career.

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WHAT BUSINESS ACUMEN CAN DO FOR YOU

You’re learning about business acumen because you work for a business that needs to operate on sound business principles. Now, just because a person works for a business, doesn’t mean he or she fully understands business. You and I both know plenty of bright business graduates who can’t quite seem to apply that knowledge in relevant ways that create value for the business. We’ve all run across colleagues and peers who have years of experience and know everything there is to know about their particular function – HR, operations, marketing, sales, R&D, or some other role – but who would rather have a root canal than have to give an opinion or interpretation of the company’s latest financial results. We’re also aware of those who think they know business when all they really know is the jargon of business.

In short, just because a person is “in” business doesn’t mean that person “gets” business. That’s where this course comes in. The dictionary defines acumen as “keen insight”, or “mental acuteness.” In this course, you will gain keen insights into how business really works and how your organization makes money. It’s actionable. It’s simple without being simplistic. We hope you’ll find that it is engaging and insightful and will help you be more effective in your current job and more successful throughout your career.

This course is based on the #1 Wall Street Journal & New York Times bestseller, *Seeing the Big Picture®,* by Kevin Cope. This guide and the book contain our best thinking on business acumen to build your credibility, career, and company.
INTRODUCTION & OBJECTIVES

THE 5 BUSINESS DRIVERS™

The 5 Business Drivers that power any business are cash, profit, assets, growth, and people. While each driver is unique and based on a specific set of key metrics, you cannot affect one without influencing the performance of another.

Related to these drivers are three core financial statements that every company uses to judge its current strength and future prospects. The relationships between cash and the statement of cash flows, profit and the income statement, and assets and the balance sheet, form the foundation of the 5 driver model. Growth is reflected in all three financial statements and for public companies is an important objective for shareholders. The fifth driver is quite simple: without good employees providing value to paying customers, the other four drivers come to a dead stop.

Learning to analyze your company’s performance through the lenses of the 5 Business Drivers will not only align your objectives with those of your executive team, but will help you to:

› Be more influential.
› Build your credibility.
› Know where to focus your efforts.
› Make your team more productive.
› Help your company grow.

What benefits do I hope to gain from this course?

________________________________________________________________________
________________________________________________________________________
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________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

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THE BIG PICTURE

Cash & Cash Equivalents: At any point in time, the sum of: (1) Cash on hand, (2) Cash balances in checking or savings accounts, and (3) Cash equivalents (convertible to cash within 90 days).

Cash Flow from Operations: During any period of time (month, quarter, year), all cash collected from core operations less all cash used for operating expenses or activities. This does not include cash from investing and financing activities, which are important, but are not the primary reasons you are in business.

RELATED TERMS & MEASURES
- Accounts Payable
- Accounts Receivable
- Cash Conversion Cycle
- Free Cash Flow
- Working Capital

WHERE MEASURED
- Balance Sheet
- Statement of Cash Flows

INSIGHTS & IMPORTANCE
- Cash is a company’s oxygen supply, the fuel that runs your company’s business. All companies require cash to operate, pay bills, and invest for the future. Lack of cash is a primary reason businesses fail.
- You can impact cash through Working Capital: Accounts Receivable (collect faster), Accounts Payable (pay slower), and inventory management (improve efficiency); and through Free Cash Flow by managing Capital Expenditures; & increasing Revenues or decreasing costs.

For more information, refer to page 12 in Seeing the Big Picture.
NOTES

My Impact:

"The only unforgivable sin in business is to run out of cash."
- Harold Geneen
THE BIG PICTURE

**Profit:** Calculated on both (1) individual product sales, and on (2) total company sales. It is what remains after all expenses are subtracted from all revenues.

**Gross Profit:** The money made after the direct costs of your products or services are subtracted from sales, such as raw materials and direct labor.

**Operating Profit:** The money made after Overhead and Operating Expenses of running the company are subtracted from Gross Profit. Also called Operating Income.

**Net Profit:** The money made after non-operating costs, such as interest and taxes, are subtracted from Operating Profit. Also called Net Income.

### RELATED TERMS & MEASURES
- Sales / Revenues / Top-Line
- Cost of Goods Sold (COGS) / Direct Costs
- Overhead / SG&A
- EBIT, EBITDA, Pre-Tax Profit
- Earnings / Bottom-Line / Margin
- Earnings Per Share (EPS)

### WHERE MEASURED
- Income Statement (Profit & Loss, or P&L)

### INSIGHTS & IMPORTANCE
- Profit is usually measured in dollars while Profit Margin is frequently stated as a percent of sales (as in, “a 10% Profit Margin,” meaning Profit is 10% of Sales Revenues).
- You can impact Profit by increasing Revenues (sell more or raise prices), or decreasing Costs (spend less).

For more information, refer to page 30 in *Seeing the Big Picture.*
### Austin’s Cycle Shop
#### Consolidated Income Statement
(in thousands, except per-share amounts)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of December 31</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$8,300</td>
<td>$7,200</td>
<td>$6,400</td>
</tr>
<tr>
<td><strong>Cost of Goods Sold</strong></td>
<td>4,600</td>
<td>4,200</td>
<td>3,540</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>3,700</td>
<td>3,000</td>
<td>2,860</td>
</tr>
<tr>
<td><strong>Operating Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>500</td>
<td>440</td>
<td>369</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>850</td>
<td>730</td>
<td>850</td>
</tr>
<tr>
<td>General and administrative</td>
<td>370</td>
<td>320</td>
<td>270</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>486</td>
<td>328</td>
<td>256</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>2,206</td>
<td>1,818</td>
<td>1,536</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>1,494</td>
<td>1,182</td>
<td>1,024</td>
</tr>
<tr>
<td>Interest income</td>
<td>300</td>
<td>200</td>
<td>107</td>
</tr>
<tr>
<td>Interest expense</td>
<td>96</td>
<td>53</td>
<td>58</td>
</tr>
<tr>
<td>Income before provision for income taxes</td>
<td>1,698</td>
<td>1,329</td>
<td>1,073</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>611</td>
<td>478</td>
<td>386</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$1,087</td>
<td>$851</td>
<td>$687</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>$0.27</td>
<td>$0.26</td>
<td>$0.23</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$0.25</td>
<td>$0.25</td>
<td>$0.22</td>
</tr>
<tr>
<td>Shares used in per-share calculation—basic</td>
<td>4,002</td>
<td>3,210</td>
<td>2,988</td>
</tr>
<tr>
<td>Shares used in per-share calculation—diluted</td>
<td>4,308</td>
<td>3,408</td>
<td>3,112</td>
</tr>
</tbody>
</table>

**Top Line**

**Bottom Line**

My Impact:

“No profit, no purpose; no margin, no mission.”
ASSETS

THE BIG PICTURE

Assets: Anything you own or control which has value.

Asset or Financial Strength: Refers to a company’s ability to meet its future obligations and commitments.

Asset Utilization: The measure of how productively your assets are working to make money (generate a return) – to drive sales and profits.

RELATED TERMS & MEASURES

- Asset Strength:
  - Current Ratio, Debt to Equity Ratio, Equity Ratio, Liquidity, Risk Measurement, Risk Profile
- Asset Utilization:
  - Efficiency, Return on Assets (ROA), Return on Equity (ROE), Return on Investment (ROI), Return on Invested Capital (ROIC)

WHERE MEASURED

- Balance Sheet
- Income Statement

INSIGHTS & IMPORTANCE

- Balancing Asset Strength and Asset Utilization is a constant challenge for business leaders as they pursue both organizational stability and profitable growth.
- You can impact Asset Utilization by eliminating inefficient or non producing assets, increasing productivity, improving planning and communication, and using your time more effectively.

For more information, refer to page 49 in Seeing the Big Picture.
### My Impact:

“\textit{We want assets to be productive. We buy them. We own them. What I care about is seeing these assets in the best hands.}”
- Carl Icahn

#### Austin’s Cycle Shop
##### Consolidated Balance Sheet
(in thousands, except per-share amounts)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$827</td>
<td>$580</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>1,189</td>
<td>1,157</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1,242</td>
<td>1,303</td>
</tr>
<tr>
<td>Inventories</td>
<td>652</td>
<td>362</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>705</td>
<td>412</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>4,615</td>
<td>3,814</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>3,202</td>
<td>2,017</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>2,913</td>
<td>1,969</td>
</tr>
<tr>
<td>Goodwill and other intangibles</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>1,787</td>
<td>1,142</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>12,527</td>
<td>$8,962</td>
</tr>
<tr>
<td><strong>Liabilities and Shareholders’ Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$361</td>
<td>$250</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>576</td>
<td>411</td>
</tr>
<tr>
<td>Accrued payroll and related expenses</td>
<td>571</td>
<td>392</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>750</td>
<td>728</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>2,258</td>
<td>1,781</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>343</td>
<td>143</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>2,601</td>
<td>1,924</td>
</tr>
<tr>
<td><strong>Shareholders’ Equity:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock and additional paid-in capital, $0.001 par value</td>
<td>5,400 shares authorized: 4,002 shares issued and outstanding in 2012 and 3,210 shares in 2011, 198 options outstanding</td>
<td>5,011</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>4,915</td>
<td>3,828</td>
</tr>
<tr>
<td><strong>Total Shareholders’ Equity</strong></td>
<td>9,926</td>
<td>7,038</td>
</tr>
<tr>
<td><strong>Total Liabilities and Shareholders’ Equity</strong></td>
<td>$12,527</td>
<td>$8,962</td>
</tr>
</tbody>
</table>
GROWTH

THE BIG PICTURE

Growth: An increase or improvement over time, in measures such as: sales, profit, assets, shareholder equity, customers, and offices. The most common Growth measures are Revenues and Profit (and EPS for public companies).


Inorganic Growth: External expansion – merging with or acquiring a business, franchising, and licensing.

RELATED TERMS & MEASURES

› Top-Line Growth, Revenue or Sales Growth
› Growth Rate, Expansion, Increase
› Bottom-Line Growth, Net Income or Profit Growth
› Organic Growth vs. Inorganic Growth

WHERE MEASURED

› Any financial statement or other report, by comparing figures from a series of periods (month, quarter, year) to each other and determining their percentage increase or decrease period to period.

INSIGHTS & IMPORTANCE

› Investors expect growth, employees are energized by it, customers are attracted to it, and executives are measured by it.
› You can impact growth through the decisions you make everyday – by reducing costs to improve profits, by driving quality improvements, and by improving customer service – all of which contribute to your company’s long-term goal of profitable and sustainable growth.

For more information, refer to page 66 in Seeing the Big Picture.
My Impact:

“You should approach growth not as an assumption, but as a well-thought-out decision.”

- Edward D. Hess
THE BIG PICTURE

Internal Customer: Employees or departments to whom or to which we provide work, product, information, or output. Most employees are both internal suppliers and internal customers to each other.

External Customer: Individuals who, or organizations that, purchase, recommend, or use a company’s products and/or services.

RELATED TERMS & MEASURES
- Employee Benefit Costs
- Payroll Expenses
- Revenues Per Employee

WHERE MEASURED
- Employee business decisions and customer preferences show up in every corner of financial statements, such as revenues and expenses, inventory levels, capital expenditures, and cash flows.

INSIGHTS & IMPORTANCE
- People are the most important resource for any company. People govern all resources in an organization and their business decisions directly impact every aspect of financial performance.
- Successful companies usually have a strong history of employee satisfaction and work hard to attract and keep top talent.
- You can impact People by anticipating internal and external customer needs, and innovating to meet those needs. Meeting and even exceeding people’s (customer’s) needs is central and critical to a company’s long-term competitive success.

For more information, refer to page 78 in Seeing the Big Picture.
My Impact:

“In business, you get what you want by giving other people what they want.”

- Alice MacDougall
THE 5 BUSINESS DRIVERS | REVIEW

In my current role, where can I have the biggest impact on The 5 Business Drivers?

What one thing am I not doing now that I will start doing?

How will this change in my behavior positively impact The 5 Business Drivers?
THE 5 BUSINESS DRIVERS | TEACH

Assign one of the 5 Business Drivers to each person at your table and individually answer the questions below for your particular business driver. When finished, discuss your responses with those at your table and be prepared to report back to the larger group any insights your team may have discovered.

How would you define this business driver?

________________________________________________________________________________________

________________________________________________________________________________________

________________________________________________________________________________________

How is it measured?

________________________________________________________________________________________

________________________________________________________________________________________

________________________________________________________________________________________

Why is it important to our organization?

________________________________________________________________________________________

________________________________________________________________________________________

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________________________________________________________________________________________

How can I impact this driver in my role?

________________________________________________________________________________________

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________________________________________________________________________________________

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