

Cindy Lu: Hi, there. This is Cindy Lu with HR Mastermind Groups, and I'm here with Kristin Trecker. Today, we're going to talk about business acumen and why it's important, what happens if you don't work on your business acumen skills, and some tips that Kristin's going to give us.

So, Kristin, give us a quick background on you and your organization.

Kristin Trecker: Sure. This is my fourth CHRO role, I've been doing this for about 20 years. I don't have a traditional HR background. I actually worked in sales for a while before making the transition into HR, and I work at a company called Visteon, and Visteon is about 10,000 employees in about 20 different countries, and about three billion dollars in revenue and growing.

The reason that I am enjoying being at Visteon is as a traditional Tier 1 automotive supplier, the big challenge was, coming in, how do you transform an organization that is from a traditional industry into a technology company? Because we do a lot with autonomous cars and autonomous driving. How do you transform the HR organization into something that could actually align to meet the business needs. And then, how do you make sure that you leverage technology and innovation, and introduce it into the organization to help it grow?

Cindy Lu: Wow. That'll be a whole other blog that we'll have to do later, because our whole topic this year at the big HR event is actually about digital destruction and transformation. So, we'll schedule that for maybe next year.

Kristin Trecker: Sounds good.

Cindy Lu: Yeah! So, business acumen. Tell us why you think that this is such an important topic, because I do hear over and over again how important it is from CHRO's.

Kristin Trecker: Yeah. You know, one of the things I think we need to do, particularly as HR folks, is that we need to be really good business leaders first, who happen to bring in our HR expertise. If we don't understand how the company makes its money, if we don't understand how the business runs, how we consult, how we add value is going to be greatly diminished, and I think in this day and age, there's very few CEO's, and frankly, few boards, that are willing to tolerate someone who just can't get the business.

Cindy Lu: Yeah. Well, you're not going to ever get to the CHRO spot, or even maybe a VP spot, right? If you're not up to speed.

Kristin Trecker: Correct.

Cindy Lu: And so, what else? What are all the other downsides of not focusing on your business acumen skills?

Kristin Trecker: I think besides what you said, is you're just not going to be able to be a good business leader. I think you are also not going to be able to influence people, you're not going to understand an agenda, and that's whether it's at the very front line of the company, or up into the organization; everything's about running the business, and understanding how do you make money. If that's the case, you need to be able to understand and put all of that into a talent context.

And again, if you don't understand that, you're not able to do that.

Cindy Lu: Yeah. When I think about... when you sit down in a meeting with somebody, they think you're HR or in the talent field, and they immediately want to talk about HR or talent. So, how do you get them turned back around to say, "Let's talk about the business"?

Kristin Trecker: Yeah. Well, I actually say just about that. I coach my team, instead of going in there with our agenda and talking about people, per se, talk to the business about what's really important to them, what's on the top of the mind of the leader, what is he or she thinking about that makes them worried?

And all of that, at the end of the day, or almost all of it, has a talent context, so use that as the basis for the conversation, and then you can take it from there in terms of things that either may be part of your agenda, or things that maybe you didn't realize should be part of your agenda, and you can help them out that way. That's building credibility and allow you to get more deeply involved in running the business, and have a better understanding for future conversations that you'll have with those leaders.

Cindy Lu: That's where your sales skills came in, [inaudible 00:04:13], right?

Kristin Trecker: Yes, yes, exactly.

Cindy Lu: Because if you're good in sales, you know you're supposed to talk only 20% of the time and listen 80.

Kristin Trecker: Yes, exactly!

Cindy Lu: What are your top tips on how to build up these skills? I mean, everybody's busy dealing with their transactional work and their tactical work on a day-to-day basis. How do you really build that muscle?

Kristin Trecker: Let me tell you how I approach it with my team, and maybe how I learned about it, too, is first of all, you need to understand the business, and that may be based on what you've read. Make sure you listen to every single earnings call. I always make sure that... My best friend is the CFO; I think there's a lot of synergy between HR and the CFO, anyway, but when I have questions about things that he or she may have a perspective on that will help me learn, I make sure that I do that, as well.

That's kind of the first thing that I do. And then, I make sure that I'm in alignment. Looking at the company strategy, looking at some of the challenges; understanding what are the talent implications of those; and then, determine how do I prioritize those to ensure that what my agenda is, is aligned to where that organizational agenda is?

The next part is really on delivering results, and this is where I think what we need to do maybe better as HR leaders is to make sure that not only we in our roles and our direct reports, but everybody into the HR organization, understands how do we make money? Understands, listens to the earnings call. I actually took one group my leaders out, when I worked for a software company, to a customer and we got beat up. And that was the best experience I could give them, because it really, truly helps us understand what it's like in a day of the life of our employees, and what's on our customers' minds.

Then also, measure. Be very transparent in terms of how you measure your results. I always ask my team to think about things either in terms of PPS, in terms of EBITDA, or in terms of revenue. So, as we put together our annual metrics, I'm like, "How is that going to impact revenue?" Or, "How is that going to make us more efficient?"

And just starting to have those conversations causes you to help educate them, help them to be very interested, and really helps you reshape how HR delivers value, because you're putting it in the context of, again, how the company makes its money.

Cindy Lu:

Right. Yeah, that's great. And if you're not the level where you feel comfortable making the CFO your best friend, there's accountants, right? You can just sit down with somebody in Accounting and say, "Walk me through the PNL. Help me understand what gross profit means, and what are the biggest levers? When this happens, when do you see margin go up?"

I remember, I was really fortunate. My first general management role, the CEO was super-smart. He had the accountant... maybe she was an accountant controller, I can't remember, but she would sit down with us every month and just go through our PNL with us line by line, and I went, literally, from sales, right? Into a general management role. I'm like, "I have no idea what I'm doing." Even though I have a finance major.

So, it doesn't have to be the CFO, right?

Kristin Trecker:

It doesn't. And what I find... Well, two things. One is finance people love to talk about their jobs. I think all of us love to talk about our jobs, but I think they're not used to maybe having people, particularly HR folks, maybe be as interested, so I think they're open and willing to that.

The second thing that a lot of companies have done, mine included, is that we have our finance team teach a class on kind of finance for beginners, and it talks a lot about what I've talked about; "How do we make money? What's a PNL? Why do we look at it? What are some of the levers that we have to consider as we move forward?"

And I think people may not walk away as finance wannabes, but I think there's a much deeper appreciation for some of the decisions, and some of data that has to go into making those decisions.

Cindy Lu: Right. And knowing what kind of HR levers you can pull to drive the growth at the organization. So, how important is talent acquisition if you don't have the right [inaudible 00:08:38] people, right? Your revenue's going to suffer. That's so obvious, that there's hundreds of other levers.

I'm curious, I guess, when you're going through that process, do you have your HR team train and coach the finance people how to deliver that in an interesting way?

Kristin Trecker: You know, I can't say that I ever have. I'd say that maybe in some past experiences, I should have, but I think there is some consultation that maybe had gone on behind the scenes. But I think it's helping them focus so that you're not making this a three-day class. It's actually, a couple-hour overview has been the bigger challenge.

Cindy Lu: Right, right. And then, if you're not with a public company, right, and there's not earnings calls, how would you go about... It sounds like maybe ride-alongs, or just getting in the field?

Kristin Trecker: Yeah. I think a couple of things. One, if you look at it from a customer perspective, all companies have customers, so understanding what that is. Sometimes, and I've done that before, where you're just on the phone as a salesperson that's having a call with the customer, it's not necessarily face-to-face, you're kind of quiet on the side. I've also been part of organizations where I tag along with a salesperson.

And again, I think maybe it's been partly my role, but I think there's other reasons that the salespeople would like to say, because I think it shows their customers that all of us are focused on our customer needs. I think if you look at maybe a privately traded company, or not-for-profit, what are the things that are most valuable? How do they measure success? And those are the things... it may not be financial, per se, that everybody in the company needs to know about, because that's where we need to align to make sure that we're driving value.

Cindy Lu: Right, right. So, the financials are sort of the end result, and then maybe there's KPI's before that, that help you... or, Key Performance Indicators. And I think the

easiest one for me to think about is talent acquisition. It's so measurable, right? How many people did you reach out to? Kind of, what does your funnel look like? Just like the sales organization's funnel, but on the people side.

Kristin Trecker: Yeah. I argue that HR is sales, because it's all about influence, right? Certainly, there's payroll and employee relations and some basic stuff that just absolutely needs to be done, and it needs to be done extremely well, but the rest of it, especially if we see ourselves as an organization that adds value, is all about influence.

[inaudible 00:11:14] like a salesperson would listen, and then coming up with solutions, and then figuring out, how do you add value to all of that? But it's also, then, the results. It's doing what you say you were going to do and following through. So, to me, HR, at least I'll call it maybe the more... kind of, a little bit higher-level above some of the basics, is all about influence. To me, that's why it's sales.

Cindy Lu: Yeah. It absolutely is. In fact, I'm glad you brought that up. On our CHRO skill survey, you know, "What kind of skills are needed for senior [inaudible 00:11:50] leaders in the future?"

We didn't use the word "influence", but we used the word "consultative" skills, and actually, the words we used for the survey were from a series of high-level CHRO interviews. I think the Darla School of Management, they do all these CHRO interviews, and I just word-mapped out all the words that they said they were looking for in their staff, and that was one of them.

And so, it turns out that senior leaders outside of HR really value that. I think consultative skills or influence skills are part of it, but you can't have that unless you have the foundation of business acumen.

Kristin Trecker: Yeah, yeah. I think that's true, and you had asked for a tip earlier; I think the other tip that I would say, when it comes to the consultative, it's much better to ask questions than to provide solutions. That's sort of, as I've matured over the course of my career, I think I've been more deliberate and better about doing, because I think in some cases, we're all experienced in our HR roles, and we can probably see a pretty clear path forward in terms of, "Here's what you think needs to happen."

It is so much more powerful and it buys you so much credibility if you're asking the questions, and in my opinion, helping the leader get to the right answer.

Cindy Lu: Right.

Kristin Trecker: It just is the better way to approach those kinds of consultations.

Cindy Lu: Yeah, any multimillion-dollar salesperson will tell you that.

Kristin Trecker: Yes, yes, yes.

Cindy Lu: You're right. It is all about sales skills, although I think that's considered sort of a four-letter word in HR. But, influence certainly is the way to go.

The other thing about business acumen is, I think a lot of people think about it just as finance and numbers. I think it's sort of organizational acumen, too, right? And it's understanding your business, like you were saying, and what are the levers for growth?

When I was in the consulting business, a lever for gross profit was utilization. Right? How highly utilized are consultants? And so, how does one go about investigating that, and figuring out what the levers are?

Kristin Trecker: Sure, good question. I guess the way that I look at that is, I understand first, obviously, I've talked about it, "How do we make our money?" But then, what I do from an HR perspective, as I'm new coming into an organization or I ask my team to do it is, what are the friction points that you're seeing? Where it's not clear about handoffs, or something's not running as efficiently, and everybody's got an opinion on that, right?

Cindy Lu: Right.

Kristin Trecker: And those are the things that I think we should attempt to try to focus our efforts in terms of where we can add value, and then determine, what are the appropriate levers? And I'll give you an example.

Right now, mostly what our organization is executing, you know, selling and executing programs for all of the global OEM's, so program management is a key skill. And when I got here, I said, "Wow, PM. That's the best job ever. That must be something that we have development pipelines on. It must be working efficiently and effectively."

And the answer was no. And I said, "But it influences all these things."

"Yes, you're right. But here are some of the challenges."

And so, we mapped out what some of the challenges were with other functions. We prioritized the one that... when that worked well together, would make the biggest difference. And so, we put some things in place in terms of role clarity, training, et cetera, that has really helped to reduce the friction, and help us really streamline how we drive value and get our money.

Cindy Lu: Right.

Kristin Trecker: And it impacts EBITDA quite a bit. So, those are the things that, I think, it depends on where the friction points are, then you look at, what are the levers? And then you can determine, what are the KPI's associated with that?

Cindy Lu: Right. Yeah, that's really interesting. Years ago, when I was running a professional services firm in the Midwest, I had a couple of CHRO's on my board of advisors, actually, and we were having a big challenge with turnover. And, of course, gross margin as a result.

They just kept digging in and asking questions about our business, and looking at the exit interviews, and after asking a ton of great questions, they came back and said, "You know what? You've got to work on your career path. It sounds like you have four different levels."

And I'm like, "Well, we're a tiny, little company." You know? We had 120 employees. I'm like, "What do we need four different levels for?"

But they were right. So, literally, our gross margins went from 37% to 46, 47% in about a year.

Kristin Trecker: Oh! Wow. Yeah.

Cindy Lu: Yeah, yeah. Just by putting a career path. Because people, they love the culture and they love the business and they're friends, but they're like, "We don't see a career path!"

And we're like, "Well, it's there! You're getting better responsibility every year."

But that kind of thing, that's so impactful. That's why I'm so passionate about human capital, because I'm like, "I've seen how effective good programs in human capital can be on driving growth."

Kristin Trecker: Well, if you look at it, the business issue was your gross profit number was being impact. You peeled it back to determine, what are the various implications? You did a diagnosis: "From a talent perspective, here's what it is," and then you took action.

I think most everything these days, particularly because everybody is now becoming a technology company, has talent implications. You're absolutely right. Understanding that, I think, helps you be much more thoughtful in terms of how you solve that problem or look at it holistically.

Cindy Lu: Yeah, yeah. Yeah, thank you! So, Kristin, this has been great. Give us just a quick, some insight. I see that you are on, let's see, there's a CHRO governing board, you've been involved in our CHRO Masterminds when you were here in Texas. How has, I guess, peer-to-peer relationships helped you in your career?

Kristin Trecker: They're critical. For one, and I probably shared this with you when I was there, attending some of these meetings also always feels a bit like therapy. You have like-minded people who understand some of the challenges, that may be experiencing those challenges, or may have experience in helping you monitor and go through those. I think that's part of it.

Part of it, just having sounding boards as changes happen. And part of it, especially for me, being in a new city, getting networked so that I can understand sort of the lay of the land, the talent pool, understanding, how can I contribute but how can I also find people that can help build... whether it's my own personal board of directors in the CHRO role, or can help me with connecting into the community in different ways.

It's actually one of the first things I do when I move to a different place, is try to find that network of CHRO's who I can contribute to, but I can also get help from.

Cindy Lu: Yeah, that's fabulous. I think your sales background has helped you in more ways than you know, so...

In any case, well, this has been lovely. Thank you so much. And we will definitely do a follow-up next year on the whole transformation topic, because changed management's another huge, huge topic.

Kristin Trecker: Well, thank you! Glad to do it. And so excited to hear about the success of your next big HR event!

Cindy Lu: All right. Thanks so much, Kristin!

Kristin Trecker: Thanks.