Foundation Certificate

in

Business Acumen

A4Q Alliance for Qualification

Introduction

This syllabus presents the learning objectives to be assessed for the A4Q Certificate in Business Acumen. This Certificate assesses a candidate's ability to demonstrate an understanding of the strategic, structural and commercial aspects of a business.

Assessment Examination

The examination leading to the Certificate in Business Acumen is based upon this syllabus and the A4Q Business Acumen course materials. Candidates' knowledge and understanding of Business Acumen is assessed in line with the learning objectives specified in this syllabus.

The examination leading to the Certificate in Business Acumen:

- consists of 40 multiple choice questions, each of which has a value of one mark. Candidates must gain 26 marks out of the available 40 marks (65%) in order to pass the examination and be awarded the certification.
- has a duration of 60 minutes. If a candidate's first language is not the examination language, the candidate is allowed an additional 25% (15 minutes) of examination time.
- is a closed book examination and no reference materials may be used while sitting the examination.
- assesses competence at levels 1,2 and 3 of Bloom's Taxonomy of Cognitive Domains. These levels assess competence as follows:
  - K1: remember
  - K2: understand
  - K3: apply

Candidates are permitted to use a basic (non-scientific) **calculator** during the examination.

1. Introduction to Business Acumen (10%)

Learning objectives for Introduction to Business Acumen

- 1.1. Define the terminology and concepts relevant to business acumen
  - 1.1.1. The term business acumen
  - 1.1.2. The relationship between business acumen and leadership
  - 1.1.3. The relationship between business acumen and business service design
  - 1.1.4. The term business strategy and the generic competitive strategies
  - 1.1.5. The terms service and value
- 1.2. Demonstrate an understanding of the link between business acumen and business strategy

2. Business Strategy and Architecture (25%)

Learning objectives for Business Strategy and Architecture

- 2.1. Define the terminology and concepts that explain why an organisation exists
  - 2.1.1. The terms core purpose and core values
  - 2.1.2. The concept of values-driven organisations
  - 2.1.3. The terms Strategic Value Proposition (SVP) and Unique Selling Proposition (USP)
- 2.2. Describe key business architecture artefacts
  - 2.2.1. The components of a business capability and business capability model
  - 2.2.2. The value stream model
  - 2.2.3. The application of business capabilities to enable value stream activities
- 2.3. Analyse a value stream for a service

3. The Business Ecosystem (20%)

Learning objectives for The Business Ecosystem

- 3.1 Describe key ecosystem terms and concepts
  - 3.1.1 The terms service system and service ecosystem
  - 3.1.2 The rationale for analysing the service ecosystem
- 3.2. Analyse and model the service ecosystem for an organisation
- 3.3. Describe and distinguish between the external ecosystem and internal ecosystem for an organisation
- 3.4. Explain the ecosystem management areas of concern
  - 3.4.1. Stakeholder relationship management
  - 3.4.2. Market segmentation
  - 3.4.3. Service marketing and promotion
  - 3.4.4. Supplier procurement
  - 3.4.5. Regulatory, legal and compliance obligations

4. Investment Decision Making (30%)

Learning objectives for Investment Decision Making

- 4.1. Describe key financial concepts and reports
  - 4.1.1. Revenue and profit
  - 4.1.2. Working capital and cash flow
  - 4.1.3. Income statement (Profit and Loss Account)
  - 4.1.4. Statement of financial position (Balance sheet)
  - 4.1.5. EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation)
- 4.2. Describe a business case
  - 4.2.1. Rationale for a business case
  - 4.2.2. List the core components of a business case
  - 4.2.3. Explain the rationale for the description of the current situation
  - 4.2.4. Explain the content of potential solutions
    - 4.2.4.1. Option definition
    - 4.2.4.2. Risk management
    - 4.2.4.3. Business impact analysis
    - 4.2.4.4. Cost and benefit analysis
- 4.3. Explain and apply two key investment appraisal techniques
  - 4.3.1. Payback period
  - 4.3.2. Discounted Cash Flow (DCF)/Net Present Value (NPV)
- 4.4. Analyse costs
  - 4.4.1. Define key categories of cost
    - 4.4.1.1. Direct and indirect
    - 4.4.1.2. Fixed and variable
  - 4.4.2. Apply key costing approaches
    - 4.4.2.1. Absorption costing
    - 4.4.2.2. Marginal costing
- 4.5. Analyse financial results using ratios
  - 4.5.1. Profit margin ratio
  - 4.5.2. Liquidity ratios

5. Business Innovation (15%)

Learning objectives for Business Innovation

- 5.1. Describe business agility concepts
  - 5.1.1. The concept of business agility
  - 5.1.2. The pre-requisites for business agility
- 5.2. Explain and distinguish between key innovation approaches
  - 5.2.1. Triple-loop learning and the learning organisation
  - 5.2.2. Fixed and Growth mindsets
  - 5.2.3. Digitization, digital transformation and digital business design
- 5.3. Explain three key performance management techniques
  - 5.3.1. Objectives and Key Results (OKRs)
  - 5.3.2. Key Performance Indicators (KPIs)
  - 5.3.3. Balanced Scorecard

Question weighting for each syllabus section

Syllabus area	Percentage weighting	Target number of questions
1. Introduction to Business Acumen	10%	4
2. Business Strategy and Architecture	25%	10
3. The Business Ecosystem	20%	8
4. Investment Decision Making	30%	12
5. Business Innovation	15%	6
Total	**100%**	**40**

Business Service Design Concepts, Approaches and Techniques

This section of the syllabus defines the key concepts, approaches and techniques defined within the learning objectives in this syllabus.

Syllabus section 1: Introduction to Business Acumen

LO 1.1 Define the terminology and concepts relevant to business acumen

The term Business Acumen	**Business acumen:** The ability to apply knowledge and skill to make sense of an organisation and its context. The application of business acumen enables informed and positive business decision making, which aids the organisation in achieving strategic and tactical outcomes.
The relationship between business acumen and leadership	Business acumen enables leaders to make insightful and effective decisions that are strategically and tactically aligned. This allows the leaders to demonstrate competence to the organisation and embed confidence among employees regarding the direction of the organisation.
The relationship between business acumen and Business Service Design	**Business Service Design:** The application of a range of analytical frameworks and design techniques to define, develop and deliver customer-centric services that provide a foundation for business success. **Relationship with business acumen:** The designed services can only enable business success if they are underpinned by business acumen.
The term Business Strategy and the generic competitive strategies	**Business Strategy:** The long-term competitive approach and actions deployed by the organisation to pursue its defined mission and objectives. **Generic competitive strategies:** **Cost leadership** involves becoming the lowest cost organisation offering products or services to a broad target market segment. **Cost focus** involves becoming the lowest cost organisation offering products or services to a narrow target market segment. **Differentiation** involves offering a unique service or product that is sufficiently valued by customers to enable charging a high price. The target market segment is broad. **Differentiation focus** involves offering a unique service or product that is sufficiently valued by customers to enable charging a high price. The target market segment is narrow. (Exploring Corporate Strategy, Whittington et al, 2023)
The terms Service and Value	**Service:** "The application of competencies for the benefit of another" (Maglio et al. 2010). **Value:** Value concerns the utility, experience and beneficial outcomes offered by a product or service and determined by the customer.

LO 1.2 Demonstrate an understanding of the link between business acumen and business strategy

Demonstrate an understanding of the link between business acumen and business strategy	Business Acumen is essential to execute a business strategy successfully. Business acumen requires the ability to identify, evaluate and manage business situations effectively.

Syllabus section 2: Business Strategy and Architecture

LO 2.1 Define the terminology and concepts that explain why an organisation exists

The terms core purpose and core values	**Core purpose:** The organisation's fundamental reason for being. **Core values**: The handful of guiding principles that guide how a company acts and operates. Core values may or may not be written down. *Adapted from: "Built to Last", James Collins and Jerry Porras, 1997*
The concept of values-driven organisations	A values-driven organisation has clearly stated values and embeds the application of those values in all aspects of the organisation's work. The organisation encourages and expects all employees to align with the values when making decisions or carrying out their day-to-day work.
The terms Service Value Proposition and Unique Selling Proposition (USP)	**Service Value Proposition:** The value proposition offered by a service. The value proposition is determined by the service provider and encompasses the seven value proposition elements: Functionality; Price; Quality; Choice; Availability; Image/Brand; Relationships. **Unique Selling Proposition:** The key factors that are unique to an organisation's products or services and the value proposition they offer.

LO 2.2 Describe key business architecture artefacts

The components of a business capability and business capability model	**Business capability:** A task or action that an organisation is able to perform. The noun/noun format is typically used to name a business capability. **Requires:** • Skilled personnel • Facilities and equipment • Processes, routines and standards • Authority • Information **Business capability model:** A visual representation of the business capabilities possessed by an organisation. The model categorises the capabilities into three strata: Strategic; Customer-facing; Support.
The value stream model	**Value stream model:** A visual representation of the set of activities that together deliver an item of potential value to a customer. This item may

	be a product, service or a combination. The activities are linked to show the flow of the work. The delivery of the value item to the customer is shown as the ultimate conclusion, which is achieved by performing the activities.
The application of business capabilities to enable value stream activities	The business capabilities enable the organisation to perform the value stream activities. Each value stream activity is enabled through the application of the relevant business capabilities.

LO 2.3 Analyse a value stream for a service

Analyse a value stream for a service	Value stream analysis involves three aspects: • Identifying the value item to be delivered and the activities required to achieve this, and building a value stream diagram that represents the sequence of required activities and delivery of the value item. • Reviewing the work conducted within each activity to identify which business capabilities (from the organisation's business capability map) enable this work. • Identifying any business capabilities that are missing or incomplete so risk the successful enactment of the value stream activity.

Syllabus section 3: The Business Ecosystem

LO 3.1 Describe key ecosystem terms and concepts

The terms service system and service ecosystem	**Service system:** "a configuration of people, technologies and other resources that interact with other service systems to create mutual value" (Maglio et al., 2009). **Service ecosystem:** "relatively self-contained self-adjusting systems of resource-integrating actors connected by shared institutional arrangements and mutual value creation through service exchange" (Vargo and Lusch, 2016).
The rationale for analysing the service ecosystem	The service ecosystem must be analysed and understood before rational and realistic decisions can be made regarding changes and improvements to the current ecosystem. Relationships between service systems must be examined and analysed to identify where improvements are needed or there is the possibility for innovation.

LO 3.2 Analyse and model the service ecosystem for an organisation

Analyse and model the service ecosystem for an organisation	The analysis of a service ecosystem involves three activities: • Identifying and linking the different service systems required to fulfil the organisation's service offerings. • Reviewing the work conducted by each service system to identify any inherent strengths or weaknesses, and any opportunities available to the ecosystem or threats that may pose potential issues for the ecosystem. • Reviewing the relationships between the service systems and the organisation to define the 'rules of the game' inherent in each relationship and identify any concerns requiring attention.

LO 3.3 Describe and distinguish between the external ecosystem and internal ecosystem for an organisation

Describe and distinguish between the external ecosystem and internal ecosystem for an organisation	**External ecosystem:** The service systems that are separate legal entities to the organisation. They interact and work with the organisation to deliver products and services, typically within a contractual arrangement. **Internal ecosystem:** The service systems that are internal to the organisation and interact with each other and with the external service systems where relevant to the organisation's work.

LO 3.4 Explain the ecosystem management areas of concern

Stakeholder relationship management	**Process:** Stakeholder identification; stakeholder analysis; stakeholder management **Techniques:** • Service ecosystem modelling – used to identify the service systems, and the relevant stakeholders related to each service system, within the ecosystem. It also shows the relationships between the service systems and the required interactions. • Stakeholder Wheel – confirms the different categories of stakeholder, which are used to identify stakeholders within each category. • RACI matrix – used to analyse and identify stakeholder roles and responsibilities. • Power/Interest Grid – used to analyse the level of power and interest of individual stakeholders and groups of stakeholders. This analysis is then used to indicate the most appropriate stakeholder management approach. • CATWOE – used to analyse and define stakeholder perspectives. (Business Analysis, Paul and Cadle, 2020)
Market segmentation	**Market segment:** "a group of customers who have similar needs that differ from customer needs in other parts of the market" (adapted from Exploring Corporate Strategy, Whittington et al, 2023)
Service marketing and promotion	**Service Marketing:** A form of marketing that is concerned with:

	• researching the customer perspective regarding the value, in terms of the beneficial outcomes, to be perceived and realised from an organisation's service • defining the service value proposition offered by an organisation • promoting the service and the beneficial outcomes to an organisation's customers. Service promotion is particularly concerned with increasing customer awareness and engagement with a service provided by an organisation.
Supplier procurement	**Supplier Procurement:** The process of acquiring goods or services from an external organisation.
Regulatory, legal and compliance obligations	The legal obligations imposed on an organisation by government and regulators. These may be specific to the business domain or sector or may be applied more widely to organisations.

Syllabus section 4: Investment Decision Making

LO 4.1 Describe key financial concepts and reports

Revenue and Profit	**Revenue (turnover):** The total income a business generates from the sale of products and/or services over a specific trading period. **Profit:** The financial benefit realised when the revenue generated exceeds the expenses involved in operating the business.
Working Capital and Cash Flow	**Working Capital:** The amount of an organisation's capital that is invested in net current assets. **Cash flow:** The movement of cash in and out of a business.
Income Statement (Profit and Loss Account)	A financial statement that details the revenue gained the expenses incurred and the profit (or loss) made by a business, during a specific trading period. The key items listed in the Income Statement are: • Revenue • Cost of sales • Gross profit • Operating expenses • Operating profit • Interest (payable or receivable) • Taxes payable • Profit (net of expenses, interest payable and taxes)

Statement of Financial Position (Balance Sheet)	A financial statement showing the assets, liabilities and equity of a business at a particular point in time.
	
	The key items listed in the Statement of Financial Position are:
	
	• Assets
	    o Non-current assets: goodwill, property and equipment
	    o Current assets: cash at bank, stock and debtors
	• Liabilities
	    o Current liabilities: creditors
	    o Non-current liabilities: long-term loans

	- Equity - Share capital - Reserves
EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation)	**EBITDA:** A measure of a company's profitability that excludes the effects of interest, taxation, and the depreciation and amortisation of assets. **Taxation:** A financial obligation levied on a company or individual. For EBITDA purposes, the taxation levied relates to the profit made during a trading period. **Depreciation:** The reduction in the value attributed to a tangible non-current asset during a trading period. **Amortisation:** The reduction in the value attributed to an intangible non-current asset during a trading period.

LO 4.2 Describe a business case

Rationale for a business case	**Business case:** A document setting out the rationale, optional courses of action and the financial case for a proposed investment. The purpose is to support executive managers and budget holders when making investment decisions.
List the core components of a business case	**Business case components:** introduction; management summary; description of the current situation; options; conclusion; recommendations. (Paul and Cadle, Business Analysis, 2020)
Explain the rationale for the description of the current situation	**Description of the current situation:** - Provides the context for the business case. - Describes the area under investigation and the issues identified. - Explains the root causes of any issues. - Clarifies the impacts of the issues and explains the need for change.
Explain the content of potential solutions	**Option description:** An option is a possible way forward to address a business issue or opportunity. The content of each option is described. **Risk management:** The risks associated with each option and the strategies for managing the risks are described. The risk management process is concerned with identifying, assessing and managing the risks associated with an option. Risk management strategies include risk mitigation, risk transfer, risk acceptance, risk avoidance. **Business impact analysis:** The impacts on the business that may result from an option are identified, assessed and described. **Cost and benefit analysis:** The projected or estimated costs and benefits associated with an option are identified, quantified and evaluated. The costs and benefits that are quantified in financial terms are analysed using a relevant investment appraisal technique.

LO 4.3 Explain and apply two key investment appraisal techniques

Payback period	**Payback period:** The calculation of the point in time where the expenditure associated with an investment option is repaid by the income or savings generated.
Discounted Cash Flow (DCF)/ Net Present Value (NPV)	**Discounted Cash Flow:** The technique used to calculate the financial return on an investment over a set period, which involves discounting the net cash flow for each year to reflect the time value of money. The discounted value for each year is known as the present value. **Net Present Value:** The sum of the present values for each year within a discounted cash flow calculation for an investment.

LO 4.4 Analyse costs

Define categories of cost	**Fixed Costs:** Costs that do not vary with an increase or decrease in the volume of services or products produced. **Variable Costs:** Costs that vary in proportion with the volume of services or products produced.
Apply key costing approaches	**Marginal costing**: A calculation that takes into account the variable costs related to the production of a unit of output. Each unit is an individual product or service. The marginal costing calculation identifies the volume to be produced in order to cover the fixed costs. This volume is known as the breakeven point. The breakeven point is calculated using the following approach: - Calculate the marginal cost of a unit of output. - Deduct the marginal cost from the price charged for the unit of output; the resultant figure is known as the 'contribution'. - Divide the fixed costs of production or delivery by the contribution. The resultant figure determines how many units need to be sold to cover the fixed costs and is the 'breakeven' point. The 'marginal cost', or additional cost of producing one more unit of output, is equal to the variable cost per unit. **Absorption costing**: A calculation that takes into account both the fixed costs incurred in running an organisation and the variable costs incurred when producing a unit of output.

LO 4.5 Analyse financial results using ratios

Profit margin ratio	**Profit margin ratio:** The percentage profit earned by an organisation in relation to the revenue received. Two levels of profit shown in the Income Statement are: Gross profit: Revenue minus cost of sales Operating profit: Revenue minus cost of sales and operating expenses **Gross margin ratio**: $\text{Gross margin ratio (\%)} = \dfrac{\text{Gross Profit}}{\text{Revenue (sales)}} \times 100$ **Operating margin ratio:** $\text{Operating margin ratio (\%)} = \dfrac{\text{Operating Profit}}{\text{Revenue (sales)}} \times 100$
Liquidity ratios	**Current ratio:** The ratio between an organisation's current assets and current liabilities. The current ratio is calculated based on all current assets including stock, cash and the amount owed by debtors. $\text{Current ratio} = \dfrac{\text{Current Assets}}{\text{Current Liabilities}}$ **Acid test ratio:** The ratio between an organisation's current 'liquid' assets and current liabilities. Current liquid assets are current assets minus stock (or inventory). $\text{Acid test ratio} = \dfrac{\text{Liquid Assets (Current Assets – Stock)}}{\text{Current Liabilities}}$

Syllabus section 5: Business Innovation

LO 5.1 Describe business agility concepts

The concept of business agility	**Business agility:** The ability of an organisation to identify the need for change, analyse the options and adapt at pace. Organisations with business agility are able to act speedily, adopting new ideas and ways of working with minimal disruption.
The pre-requisites for business agility	There are four components required to support business agility: • **Leadership**: Leaders understand when change is needed and have the foresight to scan for environmental factors to which a response may be made. They also have the motivation to ensure a response is made. They embrace their change leadership, demonstrating their support and identifying where resources are required. Leaders ensure the organisational structure is flat, the culture is open and adaptable, and employees are empowered and flexible. • **Capability**: Capabilities possessed by the organisation are understood, recorded and leveraged, with any gaps addressed when necessary. • **Customer focus**: There is clarity about the customers who purchase the organisation's products and services, and the value proposition offered to the customers. Where an organisation has a customer focus, employees strive to fulfil the value proposition offered to customers. • **Mindset**: Employees predominately hold a growth mindset and seek out opportunities to enhance the customer experience resulting from engaging with the organisation. *(adapted from Girvan and Paul, Agile and Business Analysis, 2024)*

LO 5.2 Explain and distinguish between key innovation concepts

Triple loop learning and the learning organisation	**Triple loop learning:** The Triple loop learning concept shows how organisations may learn from analysing outcomes and feedback. The three levels of learning are based on the following questions: 1. Single loop learning: are we doing things right? 2. Double loop learning: Are we doing the right things? 3. Triple look learning: How do we decide what is right? *(Adapted from Swieringa, Wiersma and Swieringa, 1992)* **Learning organisation:** An organisation where learning is embedded in all employees and the tasks they carry out.
Fixed and growth mindsets	**Fixed Mindset:** The belief that intelligence and abilities are fixed and cannot be developed. **Growth Mindset:** The belief that abilities can be developed.

Digitization, digital transformation and digital business design	**Digitization:** The application of technology to enhance current operations. **Digital transformation**: The application of technology to revisit and revise value propositions. **Digital Business Design:** The holistic organizational configuration of people, processes and technology to define value propositions and deliver offerings made possible by the capabilities of digital technologies *(Adapted from Ross et al, Designed for Digital, 2019)*

LO 5.3 Explain three key performance management techniques

Objectives and Key Results (OKRs)	**Objectives:** Business objectives summarise the overall business goals to be achieved. Assignment (or project) objectives are more focused than business objectives and are developed using the SMART format (Specific, Measurable, Attainable, Relevant, Time-Bound). **OKR**: Consists of a goal (Objective) and 3-5 measures (Key Results) that track progress towards the completion of the goal.
Key Performance Indicators (KPIs)	**KPI**: Performance measure that shows how well an organisation, team or individual is performing against a goal or objective. A KPI is allocated a quantifiable target against which performance in the area covered by the KPI is monitored and measured.
Balanced Scorecard	**Balanced Scorecard:** An organisation's KPIs may be consolidated into a Balanced Scorecard (BSC), which is a set of business-critical measures that give senior managers a comprehensive view of performance. The BSC identifies four perspectives of organisational performance that should be considered. These are • **Financial**: This perspective encompasses metrics related to financial indicators such as revenue, costs, profits and return on assets. • **Customer**: This perspective encompasses metrics related to areas such as customer retention, customer satisfaction, customer acquisition, and customer profitability. • **Internal Business Process**: This perspective encompasses measure related to operational efficiency, and includes metrics related to areas such as quality, time and cost efficiency. • **Learning and Growth**: This perspective encompasses measures related to investment in products/services, the level of innovation in the organisation and the development of staff.