

# **BUSINESS DEVELOPMENT OVERVIEW**

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## PREFACE

The Business Development Workbooks and Guides were developed as a private effort to satisfy what we believe to be a basic need in American industry. The goal was to set in motion a process of canonizing the experience in new business development. It is our intention to put into the hands of potential intrapreneurs the tools necessary to guide the new business development from inception of an rough concept to the construction a full business plan sufficient to attract management support.

We have focused on the content of development rather than the process. It is in the issues of content that we can merge experience and knowledge into tools. Since experience and knowledge are ever growing, workbooks and guides are expected to continuously change. We have tried to make these tools as generic as possible. However, they include our bias and experiences and, therefore, are reflect those industries and businesses of which we are knowledgeable of.

This overview and the workbooks and guides, reflect the efforts of many individuals who have provided ideas and comments. We wish to thank them and their organizations that have help use in the development of these documents. The philosophy expressed in this workbook reflects that of the authors and not of the organizations or corporations involved.

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## INTRODUCTION

This document reviews tools for assisting in the development of business concepts. The tools consist of a number of workbooks and guides designed to assist intrapreneurs in their journey for initial concept to a viable business plan.

No business enterprise can long prosper without renewal. That renew requires the identification and development of new businesses. The process of new business development as in other areas of business development involves change. Change whether it be process innovation, new business, or continuous Quality improvement requires: (1) information and skills, (2) means or processes for effectively making that change take place and (3) an organizational state-of-being that facilitates change.

The tools that we have developed focus on content - the key questions that need to be answered. We also infer a process that we feel is needed in order to be successful. That process targets the singular business developer, the intrapeneur. Experience has indicated that initial business development tends to rest on the activities on single individuals or very small teams. The goal in developing the tools is, therefore, to give these individuals the means of developing the business and consistent vehicles to report progress.

As the champion of Quality, Edward Deming, has noted as the eighth of his fourteen points, fear must be driven from organizations to allow change. Business development rests on the work of "Tigers". "Tigers" do not thrive in an environment of fear or within a tight bureaucracy. Though we do not go into the establishment of a conducive organizational state-of-being, it is critical for new business development.

## BUSINESS DEVELOPMENT PROCESS

For purposes of this review, businesses or ventures are defined as composing the means of selling a small group of products to a specific customers. A business enterprise usually consists of a number of these elemental businesses and ventures. Enterprises are organized around missions, directions, or functions that they perform. They are effectively organized if that selection generates commonalty, synergy, and unity of purpose that allow efficient economics and renewal.

The business development tools focus on elemental businesses. These businesses are viewed as the building blocks of the enterprises and the corporation as a whole. Business development, in this context, has only one purpose: The successful creation of *profitable business ventures*. It is not product development, market development, nor Research, but bridges all. Business development encompasses the definition, evaluation, and direction leading to profitable business ventures.

### Overall Development Strategy

The strength of the enterprise consists of the interconnection of groups of businesses. The "Fit" of an elemental business to the enterprise is based on common manufacture, markets, underlying technology, and strategic thrust of the enterprise. Not all potentially profitable business concepts should belong to the business enterprise who initially identified it. Successful renewal is inherently linked to the search for businesses that strengthen its market and business position. This search is the key to start the process of business development.

Concepts for business ventures may arise from traditional Corporate sources, outside affiliations, or the activity of individual intrapreneurs. Candidate concepts should help form a portfolio of ideas from which selections are made. Few concepts should be selected since resources should always be scarce and the likelihood of success of any individual idea will be low. The portfolio approach emphasizes early elimination of probable losers.

The development of long range competitive advantage rests on the increasing strengths and competences. The selection of new business concepts should encourage a consistent development of business strengths and core competences.

The selection of projects must be a management prerogative and responsibility. Allocation or denial of resources is the ultimate control mechanism. Inadequate pruning leads to a diffusion of resources, resulting in inadequate funding of developing projects. Ineffective selection results in misdirected effort.

### Business Development Process

In order to assist in the selection the development process is traditionally divided into stages or phases. Various schemes use as many as 10 stages. For simplicity and generality we use only five steps. These consist of: Pre-Screening, Definition, Analysis, Planning, and Venturing. There should be at least one check point at each step. Management approval and commitment should be required at each check point.

### Prescreening

Business concepts can be derived from any number of sources. **Prescreening** consists of idea generation activities. These involve the creative process of identifying possible directions and ideas, technical and marketing research, and suggestions from existing business personnel. The result of this process are ideas that can be cast into business concepts.

The prescreening process is not merely a conduit of ideas. It is an active process of generating, reviewing, and screening ideas. From the screening and reviewing process new ideas are generated.

### Definition

A business can not be efficiently evaluated or developed unless it is fully defined. The business development workbook process starts at the end of the prescreening process. Our first focus is on the **Definition** of the business concept. The business is defined by the products that are sold, the customers who buy and use the products and the means by which the business will create and deliver those products. During definition phase only rough estimates of the economic viability should be determined.

### Analysis

If the concept is considered worthy of further work, it enters the venture Analysis phase. The analysis phase continues the development process by investigating the characteristics of the potential business and the conditions that are required to make it successful. It is here that we fold in the conditions for an economically viable and Quality business. The evaluation of concepts during the analysis phase is critical. The costs of development and organizational commitment beyond this phase can be expected to escalate appreciably.

### Planning

During the **Planning** phase, the business concept is in fully supported development. Projects undertaken to the stage are assumed to be able to go the whole way to commercialization, even though we realize most even here are likely to be terminated. The outcome of the planning phase is a full business plan. Concurrent with the planning phase is the development of processes to create and deliver the product and market development to test the product and business concept.

### Venturing

The final stage of this view of business development is **Venturing**. This involve full scale commercialization of the business concept. Commitment of the Corporation is critical before enter this phase.

## **The Process**

The number of concepts dwindle as one proceeds through the process. Resource commitments must be minimal during initial stages for each business concept in order for the screening process to be cost effective. The goal must be to reach commercialization as soon as possible. Potential business exposure increases toward the end the process. This increase in potential exposure should be balanced by reduced risk obtained from careful analysis and planning. Sufficient resources are required to assure that the concepts have been adequately evaluated in rapid fashion before commitment to development is made.

The workbooks and guides are intended to provide a basis for clear checkpoints for evaluating candidate concepts and business proposals. These tools, however, do not provide rules for selection. Those rules and guidelines must be provided by management based on knowledge of the enterprise business and Corporate experience.

## **Organizing Concepts and Resources**

As previously mentioned the overall business development process is a problem of portfolio management. At any point in time, a successful business development program should have a number of concepts in various stages of development and targeted to different dates for commercialization. We have found it convenient to group project based on timing to commercialization as: (1) immediate commercialization, within two or three years; (2) short term development programs restricted to within 4 to 6 years; and long term programs beyond that horizon. These time frames reflect the requirements of technical developments, design, customer needs, and plant construction.

The stage of development usually follows this same time frame, but not always. If programs are timed for plant construction or customer needs, such as parts for future automobile models, the program may be at the venture stage but targeted for commercialization in five or ten years hence.

## **Making Things Happen**

A focus in getting things done is critical for speedy business development. Business development will not be effective unless it is action-oriented and cost efficient. Selecting the right candidates and moving it along quickly are equally important. We believe that "Good people" in business development have inherent operational skills and are oriented toward action.

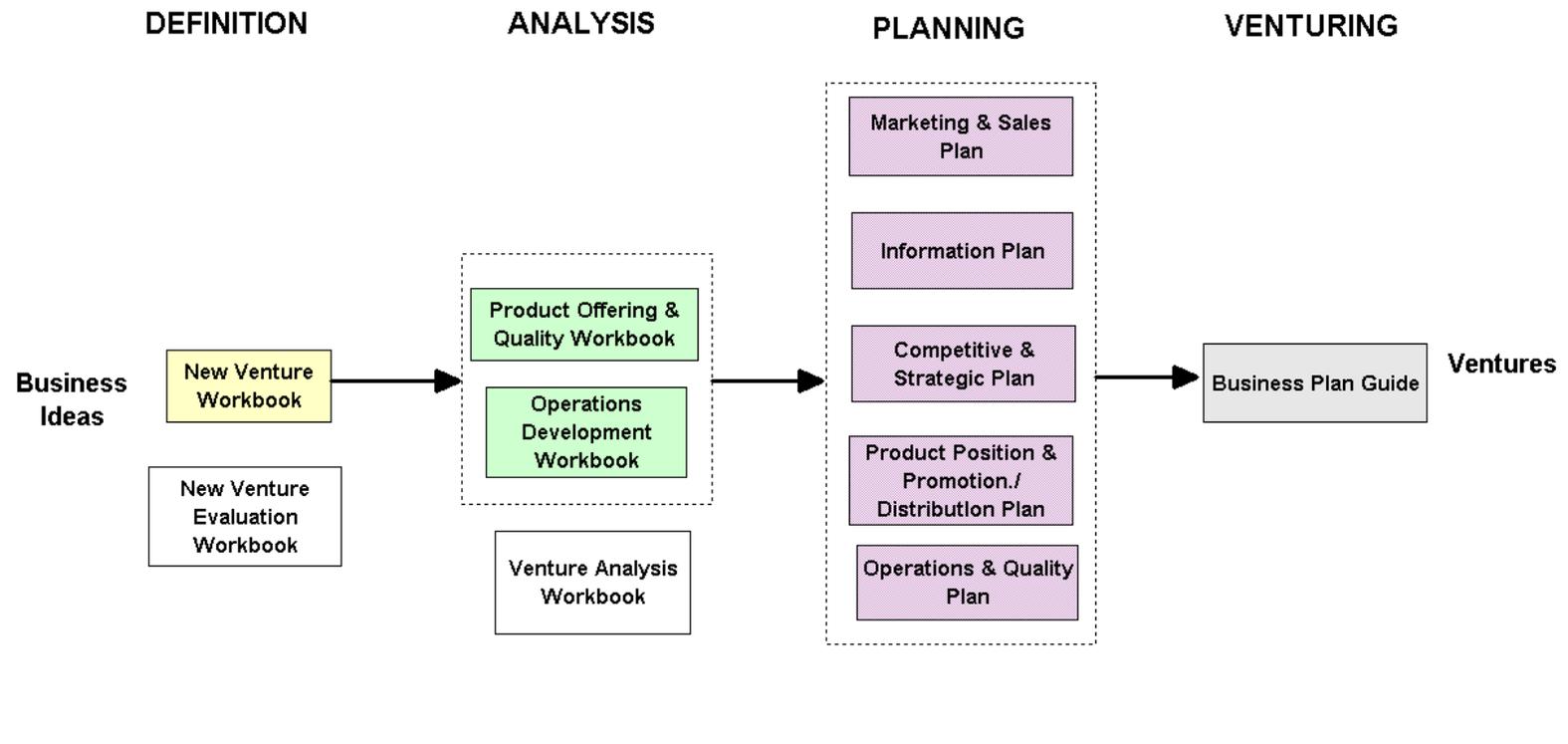
We believe that the originators of a business concept should have the opportunity to develop the concept. The intrapreneur should be responsible to form an informal cross-functional team. The burden for determining and demonstrating the worth of the concept rests mainly with the intrapreneur and the members of his venture team.

Business development is cross-functional and operational. Often it exists within the line business organization and has on-going business responsibilities. It must have contact with all functional disciplines. Few potential intrapreneurs are likely to have all the skills, knowledge, and experience to conduct a business evaluation and development program by themselves. The purpose of the workbooks and guides to help provide some assistance in the process.

The function management in new business development is to **enable** the process to go forward. Good management must provide support, guidance, and decisions for the process. Leadership starts from the top. Decisive management streamlines the process. Indecisive or micro/management destroys the process. Any personnel that are unable to provide "hands-on" assistance in the process should not be involved.

The most important elements in business development are leadership and the quality of the people involved. Leaders may be of any rank, but they all have the ability to attract, recruit and retain "good people". This is critical for the intrapeneur, since it will be through other people that he will obtain the additional skills and expertise that he will need to the develop the business concept.

# DEVELOPMENT



## WORKBOOK SUMMARIES

The workbooks and the *Business Plan Guide* are intended as aids to the intrapreneurs, venture leaders and teams to help define, evaluate and plan the conduct of the venture. They consist of annotated check lists of issues that should be considered in the process of developing any new venture. No list can cover all issues that may arise during the development of a venture. However, these represent the best effort at this time. We view these documents to be "ever-green"; frequent revisions are expected as events make new issues apparent.

### Definition Phase

The definition phase of venture development is the most vital for success. It focus on the definition of the venture and the development plan. The purpose of this phase is to generate a clear development proposal for management.

#### **New Venture Workbook**

This workbook is designed to assist in the initial definition of the new venture concept and the scoping of a feasible development plan. It focuses on extending an initial product or market need concept into a full business concept which then can be proposed for development. It is the first and critical step in the venture development process and is intended for the person promoting the concept.

- o Business Definition
  - Products
  - Markets
  - Means of Production
- o Potential Business Value
- o Critical Issues
- o Development Elements
- o Concept Test Design
- o Plan

#### **New Venture Evaluation Workbook**

The purpose of this workbook is the evaluation of the new business concept. Much of the information for this workbook comes from the *New Venture Workbook* and it should be viewed as a companion workbook. It is intended for evaluation purposes, to be used by management with the person promoting the concept. The focus of the workbook is on potential financial performance of the proposed venture and the likelihood of success.

- o Business Definition
- o Venture Evaluation
- o Fit
- o Program Review
- o Confidence in information

- o Development Costs

### Analysis Phase

The analysis phase consists of the process of venture redefinition and evaluation. As such, the nature of the venture is expected to change during this phase. The workbooks that have been prepared focus on the continuous redefinition of the business. Redefinition is expected several time during this process.

#### **Product Offering & Quality Workbook**

This workbook is designed to assist in clarifying the design of the product and identifying the elements of quality as viewed from the customer perspective. Quality is defined as "meeting or exceeding customers expectations." In this context Quality has to be built into the product and the venture in order that the business will be successful. Early assessment of the capability of the venture to meet the customer expectations is critical to determine feasibility. This workbook is a companion to the *Operations and Quality Workbook*. That workbook focuses on the delivery of quality. That workbook appears later in the development process because the process is usually not developed sufficiently to allow detailed analysis. Both the workbooks should be filled out as soon as possible to ensure Quality from the beginning.

- o Business Definition
- o Identification of the Customer
- o Product Characteristics
- o Pricing
  - Customer Value
  - Pricing Policy
- o Customer Expectations
- o Measures of Quality
- o Development Program

#### **Operations Development Workbook**

This workbook focuses on the design of the operations for the business. These includes the methods of making and delivering the product and services. The workbook includes estimates of sales, costs, and investments. Manpower requirements for the venture are also reviewed. This workbook is intended to assist in the definition of the processes rather than detailing the economic issues.

- o Process Design
- o Operations Design
- o Sales Forecasts
- o Cost Structures
- o Investments
- o Operations Development Plan

#### **Venture Analysis Workbook**

This workbook assists the project leader or analyst in preparing trial financial analyses for the new venture. Many of the cost estimates are detailed in the *Operations Development*

*Workbook.* This workbook should be considered its companion. The workbook focuses on economic evaluation and is intended to be used both by the project leader and management.

- o Proforma Evaluation
  - Revenues
  - Operating Costs
  - Investments
  - Cost of Sales
- o Financial Evaluation
  - Return
  - Present Value
  - Margin
- o Sensitivity Analysis
- o Risk Analysis
- o Business Test Design
- o Development Costs and Exposure

### Planning Phase

The planning phase is an advanced development of the venture. Usually approval for the venture has been made. The phase is targeted for preparing the full business plan. The purpose of the workbooks is to assist understanding the full range of issues that need to be considered and to ensure that key issues are not skipped.

#### **Operations & Quality Workbook**

This workbook is intended to assist in the development of the operations and to assure Quality. It is the companion to the *Product and Quality Workbook*. The workbook focuses on the design of the process and the organization to assure effective delivery of a quality product and services to the customer.

- o Product Specifications
- o Process Design
  - Monitoring
  - Continuous Improvement
  - Cost Control
- o Quality Objectives
- o Venture Organization
- o Quality Program
- o Production Schedule
- o Production & Quality Plan

#### **Marketing & Sales Plan Workbook**

This workbook focuses on the customer and the actions that we wish him to take in order to be successful. It is mainly directed toward the sales and customer support function. It is intended for the sales and marketing management function as well as the venture leader.

- o Business Goals
- o Customer Identification
- o Customer Plan
  - Desired Customer Behavior
  - Action
  - Competitive Position
- o Resource Requirements
  - Sales Aids
  - Product Information
  - Business Courtesies
  - Budget
- o Overall Effect

#### **Product Position, Promotion, & Distribution Workbook**

This workbook takes a broad perspective on the marketing functions. It includes concerns on pricing, promotional programs, product specifications, and distribution. It is intended to assist in producing a consistent, effective, and efficient marketing plan. The Marketing & Sales Plan Workbook is a companion which provides customer input.

- o Product Position
- o Promotional Function & Strategy

- o Advertising
- o Show, Demonstrations, & Exhibits
- o Distribution Channel Design
  - The Value Chain
  - Selection
  - Conditions and Agreements
  - Partnerships
  - Customer computing
  - Channel Management
- o Information Strategy
  - Development Plan
  - Resource Requirements

### **Strategy and Strategic Plan Workbook**

Previous workbooks focused on the immediate business opportunity. This workbook takes a strategic course, concern with long term competitive position and growth. Competitive pricing policy, global opportunities, technology development, new product opportunities, and manufacturing strategies are reviewed.

- o Long Range Forecasts
  - Sales
  - Price
  - Costs
  - Technology
  - Investment
- o Competitive Position
- o Threat Assessment
  - Critical Issues
  - Scenarios
  - Risks
- o Approaches
  - Product Strategies
  - Pricing Policies
  - Potential Promotional Programs
  - Technology Strategy
  - Manufacturing Strategy
- o Feasible Business Goal and Mission
- o Resource Requirements
- o Alternative Earnings Forecasts

### **Information Plan Workbook**

Information is both necessary to plan a business and to run it. This workbook focuses on both the need for information and the development of systems to run the business and monitor results. Running the business includes effective accounting and budgeting systems. The monitoring systems must allow for effective control. Finally, technical and business research programs need to be established to monitor competition, customer behavior, and apparent market needs.

- o Accounting Systems
  - Invoicing
  - Paying Bills
  - Cashing Checks
  - Control & Monitoring
  - Consolidation
  - Consistency
- o Product & Application Information

- o Customer Support
- o Market Information
  - Marketing Research
  - Customer & Sales Information
- o Competitive Information
- o Systems Support
  - Sales Force Support
  - Integrated Communications
  - Customer Computing
  - Integrated Business Information
  - Decision Support

### **Venturing Phase**

The venturing phase of development consists of the actual formation of a commercial business. This involves the sale of product on a regular and contract basis. At this junction the business team must function under a relatively fixed budget and obtain departmental and/or corporate approval.

### **Business Plan Guide**

This guide is intended to assist venture managers in developing a comprehensive business plan. It is intended to be a check list of elements that could be included in the plan. It is understood that most plans will exclude some items. However, a review of those items that could be included should prompt the discussion of issues otherwise overlooked.

- o Business Outline
- o Annotated Elements of the Business Plan
- o Outlines of Workbooks
- o Guide of Business Conduct
- o Quality Audit
- o Requirements of ELIS (Electronic Data Control)

## BUSINESS DEVELOPMENT CONCEPTS

The following are principles concerning business development. They represent widely held philosophies and "conventional wisdom". We believe these maxims are correct in themselves and provide general guidance for developing successful programs. They are inconsistent in general and must be applied with care. We have tried to incorporate these principles into the construction of the workbooks and guides.

### Value

**The total costs of process of business development must not exceed the value of the businesses derived.** In general, the value of the business development process can be estimated as approximately one year's revenue from the business at its maturity (usually five to ten years after commercialization). The costs of the process include those for the development of the one successful idea and also the costs of other concepts that were rejected. Potential losers should be terminated early while the costs are low.

### Efficiency & Effectiveness

**Efficient business development requires rapid commercialization.** Delaying commercial development greatly reduces the earnings that will eventually be realized from successful new businesses.

**Prudence requires front loading of resources for the business development process.** The cost of project analysis is less than later development. The number of projects undergoing analysis should far exceed those carried forward. The net effect should be a substantial definition and analysis effort. Reducing this front end resource loading is false economy, as poorer selected business concepts will result with lower likelihood of commercial success.

**Costs for development should exceed the costs of analysis for each project.** The function of screening is to reduce the expected costs of developing a project which will not be successful. The development plan should be designed to post-pone the most expensive elements until a decision has been made. The general process of business development indicates that the latter phases are between four to ten times as expensive as preceding phases.

**Screening of new ideas is necessary to husband resources for the expensive task of development.** The number of new ideas that must be screened in order to identify the few truly valuable concepts is large (at least sixteen ideas for each one developed into a commercial venture). The process of identifying, assessing, screening, and developing new business concepts must be efficient for the process to be cost effective.

**Only a few projects should survive.** Experience indicates that you need to screen approximately one hundred projects for each that is successfully commercialized in some industries. A theoretical model indicates that at each decision point only one out of four projects should be continued.

**Concepts must be given the opportunity to evolve.** No new concept is without problems; but few are without any worth. The selection process must allow for changes in the venture concept as more information is collected. Good business concepts derived from old ones can be identified and given their own life.

**The management level must be high enough to have a portfolio of programs from which to select.** In order for management to be able to terminate a project, it must have alternatives. No organization is willing to terminate its only reason to exist. Management must view business concepts as part of a portfolio of ideas.

**Venture concept and new idea portfolio management should be directed at assuring a given level of success.** A series of new venture concepts are required. These should be appropriately spaced over time and should represent a range of risk and potential returns. The resources for this effort must be insulated from immediate business needs.

### **Intrapreneurs**

**Efficient business development is an operational opportunity. It requires focusing energy on the opportunities of new ventures.** Energy and time misdirected to administration and concerns beyond the scope of the program are wasted effort.

**Only individuals who bring necessary skills to the process of new business development in a manner that assists in its progress have any value.** All other individuals that get involved are sources of waste in their own time, and in taking time from those who have work to do.

**There can be only one project leader, and he must be the person doing the work.** The energy, enthusiasm, and control for new business activities have to be focused.

**A project leader must be heavily rewarded for success.** He should not be punished for failing. His evaluation must be based on his thoroughness of development and assessment of the concept.

### **Management**

**The only reasonable function for management in new venture identification is to either to ENABLE the process or to TERMINATE it.** To enable a project, management must bring some skill to the program beyond resources.

**Management should be rewarded for the speed and cost control of success, not success by itself.** The function of effectively screening projects is to provide resources for those that are left. The speed and effectiveness of that selection are key for an efficient process. Management's job is to provide that efficient process. It is the organization's job to provide the new ideas.

### **Customers and Quality**

**Successful business development must focus on the customer.** While technology may provide the opportunity for developing a new business, it is the ability to please the customer that determines whether the business will succeed.

**A Total Quality orientation is necessary to assure customer satisfaction.** Exceeding potential customer expectations is critical for new business success. "Quality" must be built into all new ventures from the beginning rather than being imposed upon it later.

## FRAMEWORKS, VIEWS AND NOTES

There are many perspectives and approaches to business development. A large number of these techniques have been promoted as sole approaches to business analysis. We have reviewed a number of these technique and tried to merge the underlying concepts and their best analytical tools in preparing the workbooks and business plan guide. In most cases, these procedures have elaborated on previously existing techniques. Like most things in our world, business planning techniques appear to be evolutionary: one technique drawing from the experience of using others. While the workbooks represent, what we think, is a new eclectic approach, elements have links to the earlier approaches. The following are some of the sources of techniques:

**Intrapreneuring** - Gifford Pinchot III has been a major promoter of the concept of intrapreneuring in major corporations. The major concepts center around the individual risk taker as the driving force for business development. We have adopted this concept throughout the workbooks.

**Organizational Development** - Human resource techniques targeted to developing effective organizations are referred to as Organizational Development. The collect of techniques cover a broad range of communications techniques focusing on group participation and consensus building. The workbooks, particularly those in the Planning Section, require a multi-functional approach and group participation.

**Thriving on Chaos** - Tom Peters has identified a major problems the time consuming problem in consensus building. Not only is concensus building behavior is time consuming but destructive to innovative thinking. We have endeavored to encourage revision of thought and process in the workbooks. The workbooks are designed to allow intrapreneuring activities of individuals. How far that can extend is up to the organization.

**Decision and Risk Analysis** - Decision and Risk Analysis is a series of techniques designed to make business decisions on a rational basis. These probabilistic venture analysis techniques were developed during the 1950's and early 1960's. The workbooks are intended to give a structured and ordered compilation of information that is critical for application of these techniques.

**The Financial Venture Model** - The Financial Venture Model was developed during the 1950's and early 1960 for the financial evaluation of business opportunities. It is a general procedure for analysis and is used in throughout western industry in various forms since that time. We have adapted most of the underlying concepts within the Venture Evaluation, Operations Development and Venture Analysis Workbooks.

**Strategic Planning Models** - Various strategic planning models and tools have been proposed by consultant groups (Boston Consulting Group and Braxton Associates). Most of the techniques are variations of previously developed procedures such as the "Shell Matrix" and classic bubble diagrams, momentum charts, and opportunity or risk envelopes. These procedures have been adopted in the workbooks where appropriate.

**PIMS Database** - PIMS is a database containing the operating characteristics of over 2000 business setup and operated by the Strategic Planning Institute. The results from analysis of the PIMS data have been published and used in the workbooks.

**Project NEWPROD** - Robert G. Cooper of McMasters University has undertaken a series of projects to determine the determinants of success for new business after commercialization [Winning at New Products}. We have used insight developed from those studies to identify additional key issues addressed in the workbooks.

**Total Quality Management** - Total Quality Management (TQM) has been pioneered by Drs. W. Edwards Deming and Joseph Juran. In principle, TQM focuses on the need to encourage all aspects of a business to assure the meeting or exceeding of customers expectations. We believe strongly in building Quality into the business. The principles of Total Quality has been included in the workbooks.

**Quality Function Deployment** - Procedures for implementing quality programs have been developed. Many of the underlying principles are included in the workbooks.

**Supply Chain Management** - Procedures to design the physical distribution systems from raw materials to the customer have been developed and promoted under a number of titles including Supply Chain Management and Continuous Flow Process Management. We have tried to adapt as many principles of the procedure as we found appropriate for the overall planning function.

**Quality Information Planning** - IBM and DEC (Top Mapping) have been promoting information planning procedures. We have adapted as many as appear appropriate for management information systems planning.

The workbooks are not a substitute for proper application of these approaches. Each of the approaches tends to focus on a specific aspect of the business function. Not all businesses will profit equally from application of all techniques. The purpose of the workbooks is to give structure to the business development process. Based on these workbooks, the major problem areas should become apparent.

Some of the techniques use unique jargon and definitions. When this usage appeared consistent and not in conflict we have adopted it. Unfortunately, the terminology was often inconsistent between procedures. In those cases, we have adopted terms widely used in American industry. A glossary has been included with each of the workbooks to assist in clarifying the language and terms used.