White Paper: Failing in New Business Development: If Your Company Sound Like this Watch Out

The sad truth is that a very large percentage of New Business Development (NBD) efforts fail, or at the very least never attain the (over-optimistic?) goals envisaged. One of the fundamental reasons is that new business is truly a change for the organization, and managing that change is a highly complex process. It requires, amongst other things, an understanding of the scope of change, and a commitment - of time, resources, and people - to see it through to a successful conclusion.

From our work with companies in the US and Europe we have come to recognize a number of "early warning signs" that in our experience spell likely disappointment for companies in their business development activities. If these are some of the common held attitudes or policies in your company - watch out!

"Let's not limit our NBD team. They might miss the golden opportunity"

This we call "the myth of the unrestricted search". It really implies a lack of a fundamental strategy with any meaningful targets or goals. Would the same company think of "improving product quality" without setting measurable targets? Of course not. For the NBD team this is usually a recipe for frustration and de-motivation.

"Show us the opportunity and we'll tell you if it fits".

This is another variation on the "we'll know it when we see it "approach. Because the criteria of acceptability have not been set first the scene is set for endless iterations, delay, indecision and failure.

"We've appointed a New Business Manager. This shows we're committed to pursuing business growth"

Not! Another management cop-out in many cases, when the manager concerned ends up as a symbolic gesture. If he or she lacks the support and commitment from senior management they are never going to single-handedly effect real change.

"We've got so many interesting new business options, it's just a matter of choosing the right one"

OK. So how are you going to do that? Again what is often lacking is what are the real targets, and clear criteria for evaluation and selection. A common outcome in these cases is "analysis paralysis". Multiple options (sometimes an ever-expanding list!) are researched ad infintum. Unfortunately often very little else happens.

“We leave any new business initiative up to our divisions. If they come up with good ideas we will give them the resources.”

There are so many pitfalls in this particular (if common) scenario. These include:

- The unrealistic assumption (in many cases) that Divisional management is going to be able to effectively shift its focus from the short-term financial performance that dominates much of divisional-corporate relationships.

- The ‘obstacle course’ of the corporate approval process, which often can be prolonged in the extreme. One common outcome, of course, is that in a fast moving market the window of opportunity that was identified has closed before decisions can be finalized.

- The rules of the game change once an initiative becomes serious. Suddenly all sorts of other, previously unknown or unspoken, corporate or divisional objectives came into play, - stunting or delaying any division’s new venture.

- Finally all the above are symptoms of a fundamentally reactive outlook to New Business Development. A pro-active policy in contrast is based on strategy which is articulated and agreed with all relevant senior managers, and which looks to identify and deploy the competencies of the corporation in new and innovative ways; - ways which may often transcend the existing SBU focus.

The conclusion? If in reading these descriptions you feel, “That sounds like us” then the chances of your company spawning truly successful new business are small. But don’t give up! There are ways of increasing your likelihood of success. One important tool is to debate and establish the success criteria at an early stage. These criteria are simple statements of limitations or directions which, in aggregate, help describe the “perfect opportunity”. In work with our clients we usually end up with a list of 20 - 30, broken down between;

Musts (e.g. We do not want to go into pharmaceuticals)

Desirables (e.g. We’d prefer not to compete with our existing customers)

Bonuses (e.g. It would be good if we could use the existing plant).

Many other elements need to be involved also to ensure eventual success. But without the often time-consuming but essential agreement on what is to constitute ‘success’ you start on your new business journey with no clear target - and no guide to tell you when you’ve arrived!

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