White Paper: Describing the Future

A short paper on the use of success criteria to help guide business growth Identifying and developing new businesses is still one of the hardest management tricks to pull off Certainly just spending more on R&D is no guarantee of success as lead times and product life cycles get shorter. Thus systematizing new business development remains as difficult as ever. MVI believes that some of the chief culprits are airy and unrealistic expectations on the part of senior management. When they direct new business managers with statements like 'It's your job to come up with the opportunity and we'll tell you if it fits', or "We don't want to limit your search too much since you might miss the golden opportunity, in our view these are simply recipes for fragmented efforts and wasted time and money.

What is needed, we believe, is an unambiguous set of criteria to give constructive guidance and direction to business development activities - statements of limitations and directions on strategies, policies, goals and cultural precepts which, in aggregate, describe the firm's 'perfect opportunity'. We call these success criteria

Typically, criteria should cover five major categories.

Financial criteria put the dollar boundaries around the new product or business opportunity. What is the smallest opportunity we will look at? How large a project can we assimilate? What should ROI or other financial measures look like? How long can we wait for break-even?

Marketing criteria address the what, where and how of the opportunity. Do we stay in current market segments? Would entirely new marketing channels be acceptable? What market share do we want/need?

Technological criteria define the acceptable technical effort. Should we leverage present skills and know-how? How high-tech can manufacturing be? Can we accept an R&D-intensive project? Is there a unique technical process or product which should be leveraged?

Organizational criteria deal with policies and management style. What control will corporate management have over the new opportunity Can it reshape our charter or mission? Can we allow it a totally different management style?

Finally, **timing** criteria set out the necessary chronology. How much time do we have? When must we make the first commercial sale? How long before the business must reach maturity? In the case of acquisition, by when must we buy our first company.

In work with our clients we usually end up with a list of 20 - 30 statements, 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) and bonuses (e.g. It would be good if we could use the existing plant).

Criteria must combine statements which both direct the search activities (for example, opportunities which address the needs of a particular industry) and allow for the evaluation of identified opportunities (for example, the project must generate $'x' million in sales after four years). Thus overall the criteria act as a mesh against which options can be screened and evaluated.

Because criteria describe the 'perfect' opportunity, they are a mirror image of the organization itself - all its diverse personalities and orientations. Development and discussion of criteria must reflect this diversity with a range of participants. So who needs to be involved in the brainstorming process?

First, the 'problem owners' - those with the authority to enact developments and the responsibility to grow the company. Second, equally obviously, the new business manager who must live with the criteria once settled. And third, the people who are fully aware of the company's real, as opposed to perceived, strengths.

MVI has found that criteria defined on the basis of team consensus will save considerable time discussing and implementing business options at later stages. An important point to stress is that consensus is not the same as unanimity. Consensus is mutual agreement to move forward when all legitimate concerns of individuals have been addressed. It is not a unanimous vote.

Many other elements need to be involved also to ensure eventual success. But without the often timeconsuming but essential up-front 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!

Mapping the direction makes notoriously elusive search activities more cost effective and helps new business managers meet realistic expectations. Discussions help managers to anticipate situations rather than be caught by surprise, and have also proven an effective internal communications tool.

Finally, defining the direction and boundaries of new business development is a vital part of leadership - top management demonstrating to the organization in the clearest possible way that itscommitment to change and growth is real.

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