Making planning work: insights from business development

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Abstract: Planning for a growth opportunity’s success remains a challenge. Under which conditions does planning work, then? This exploratory study investigates the business development tasks and processes that span a growth opportunity’s planning phase and its implementation phase and their unique performance implications. On the basis of 73 CEO responses from growth SMEs, the results show that business development increases firm performance and that the effectiveness of business planning depends on business development. Business developer support is found to positively influence firm performance per se. Business development is presented as an important organisational capability to pursue growth opportunities and subsequently theoretically anchored in the resource-based view of the firm. Implications for managers and for future business development research are discussed.

Keywords: business development; business developer; growth opportunities; business planning; developer support; implementation; integration; organisational capability; firm performance; innovation management.


Biographical notes: Hans Eibe Sørensen currently works with Copenhagen Business School and was Associate Professor at the University of Southern Denmark. He has published in international marketing management, entrepreneurship and innovation management, and psychology research journals. During his PhD program, he was a Doctoral Fellow at The Wharton School, USA. Furthermore, he is a biotech entrepreneur, holds positions in boards and advisory boards of start-ups, consults for large manufacturing (high and low tech), consultancy firms and government bodies and is Network Director for two professional networks of business developers. He was also a Sergeant at the Royal Danish Military Police. He authored Business Development: A Market-Oriented Perspective (Wiley, 2012) and the business development entry for The Palgrave Encyclopaedia for Strategic Management.

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1 Introduction

One thing is to have a good plan for a growth opportunity; quite another thing is to have it successfully implemented. This wisdom is well established in the general management literature (e.g., Brews and Hunt, 1999; Hrebiniak, 2005; Pearson, 1976; Penrose, 1959; Pettus, 2001), but the challenge to close this critical gap remains. This paper aims to address this issue theoretically and empirically from a business development perspective.

The now rapidly emerging business development function engages with this dual challenge and, as such, the study addresses the recurrent challenges of the disconnection between the preparation of growth opportunities and their actual implementation. Research on business development is currently fragmented over time and across research fields. The lack of systematised research leaves researchers, leaders, and business developers without coherent insights, tools, and perspectives to initiate or to improve their business development function. This calls for work at clarifying the construct and addressing its unique tasks, processes, and performance implications.

A synthesis of the extant literature indicate that the business development function’s particular tasks and processes span the market launch planning of growth opportunities and the support of their implementation (Bussgang et al., 2012; Davis and Sun, 2006; Kind and Knyphausen-Aufeß, 2007; Lorenzi and Sørensen, 2014; Sørensen, 2012; Uittenbogaard et al., 2005), and conceptually nested in within the literature of corporate entrepreneurship (Barringer and Bluedorn, 1999; Ghoshal and Bartlett, 1995; Hornsby et al., 2002; Kanter, 1986; Zahra, 1991).

Previous systematic empirical research on business development is case-based. The different case contexts for business development activities are a medium-sized technology-based firm (Uittenbogaard et al., 2005), IT SMEs (Davis and Sun, 2006), biotech firms (Kind and Knyphausen-Aufeß, 2007; Lorenzi and Sørensen, 2014), interviews with entrepreneurs and marketers with business development experience (Eidhoff and Poelzl, 2014; Giglierano et al., 2011) and content analysis on business development job postings (Turgeon, 2015). In earlier research on corporate diversified firms, Burgelman (1983) identified the business development function as critical for the impetus stage of the corporate venturing process in the context of internal corporate venturing. Recently, Trichterborn et al. (2015) used data, partially from business development units, to explore M&A learning and performance outcomes.

This survey-based study explores business development’s seemingly disparate tasks and processes involved in market launch planning and implementation. The study’s design therefore also allows for addressing Barki and Pinsonneault observation that “increasing an organization’s integration level requires significant implementation efforts and resources. However, the exact nature of the relationships among integration, organizational performance, and implementation effort is currently poorly understood, and moderating and mediating factors remain largely unexplored.” (2005, p.165). Finally the paper aims at developing a theoretical foundation for business development drawing on research on integration and implementation (Barki and Pinsonneault, 2005; Thompson, 1967) and the resource-based view of the firm (Barney, 1991; Wernerfelt, 1984). See the study’s conceptual framework in Figure 1.

This study provides four main contributions. First, it establishes a theoretical foundation for the business development concept. Secondly, the study reveals and empirically tests the unique and differential performance implications of business development. Third, the study shows the importance of having designated people from
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the planning phase to support an opportunity’s implementation to assure better integration of pronounced growth opportunity within the existing organisation. Fourth, the results indicate that the positive effect of business planning depends on business development and that business developer support *per se* is positively associated with firm performance. A secondary aim of the study is to create an overview of the scattered extant business development research and to synthesise it for the foundation of a coherent and distinct discipline. By demonstrating that business development is measurable and has positive performance implications, I hope that this exploratory study will stimulate further business development research in other organisational, industrial, and environmental contexts.

**Figure 1** Conceptual framework (see online version for colours)

**2 Background**

Business development refers to the tasks and processes concerning analytical preparation of potential growth opportunities, and the support and monitoring of the implementation of growth opportunities (Augier and Teece, 2013; Sørensen, 2012). See Table 1 for other definitions and descriptions of business development in the current literature. As such, business development is nested within corporate venturing processes (Burgelman, 1983; Covin and Miles, 2007; Von Hippel, 1977) that, in turn, is nested within the literature of corporate entrepreneurship (Barringer and Bluedorn, 1999; Zahra, 1991). More precisely, business development will be argued to be a designated organisational function with distinct tasks and processes addressing the impetus stage of corporate venturing (see e.g. Burgelman, 1983). In other words, the market launch planning stage, following from research and/or product development stages, and the implementation stage where the growth opportunity is successfully integrated in the daily operations. The details are elaborated upon below and in the managerial implications.

Following Lorenzi and Sørensen (2014), business development is furthermore contextualised and delineated in lieu of three general organisational characteristics: task and process integration and managerial attention, growth opportunities within the constraints of corporate strategy, and the dual business developer role during market launch planning and implementation phases. First, business development is a means for horizontal and vertical integration of tasks and processes across specialist functions and
external partners during planning and implementation. Following Lawrence and Lorsch, integration refers to “the process of achieving unity of effort among the various subsystems in the accomplishment of the organization's task” (1967, p.4) and task is defined as “a complete input-translation-output cycle involving at least the design, production, and distribution of some goods or services” (ibid.). Implementation refers to the transition period during which targeted organisational members ideally become increasingly skilful, consistent, and committed in their use of a growth opportunity (Klein and Sorra, 1996). This is especially the case for pronounced growth opportunities that require new tasks and process routines.

Table 1  

<table>
<thead>
<tr>
<th>Reference</th>
<th>Definitions and descriptions</th>
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<tr>
<td>Uittenbogaard et al. (2005)</td>
<td>Business development involves the actual development of product-market combinations, in other words it involves the ‘execution of the innovation process’. It could be organised as a dispersed process throughout the company. (2005, p.259)</td>
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<td>Davis and Sun (2006)</td>
<td>Business development (BD) practices are a subset of new business formation practices, a variety of corporate entrepreneurial behaviour. Business development aims to create growth through expansion or extension of existing product-markets (or their service equivalents) or through development of product-markets or services that are new to the firm. BD practices are part of the innovation process but are not subsumed by technology development, product development, or marketing and sales functions. (2006, p.145)</td>
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<tr>
<td>Kind and Knybhausenaufseß (2007)</td>
<td>A business function […] with, ed.] activities that aim at creating value and revenue potentials for the company, developing products and technologies so that they can be commercialised, building relationships with potential partners, customers and other stakeholders, and maintaining and enhancing those relations in the interest of the company. (2007, p.59).</td>
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<tr>
<td>Giglierano et al. (2011)</td>
<td>An activity, different from selling or key account management, intended to find and develop new revenue opportunities (2011, p.29)</td>
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Overseeing and supporting this process is ideally (or should be, at least) the responsibility of senior management (Barnard, 1968) or a designated person or function (Lawrence and Lorsch, 1967). But neglect or failure during planning and/or implementation often stem from inadequate allocation of managerial attention (Cyert and March, 1992; Penrose, 1955), functional specialists’ silo-thinking (e.g. Katz and Allen, 1982; Lawrence and Lorsch, 1967), task or project complexity (Campbell, 1988), and the perils of planning in new and uncertain situations (Bhidé, 2003; Sarasvathy, 2001). Regarding the latter, the position taken in this paper is that planning is an important precursor to sound implementation of growth opportunities (Ansoff, 1991; Castrogiovanni, 1996; Delmar and Shane, 2003; Gibbons and O’Connor, 2005; Kukalis, 1989, Shane and Delmar, 2004).

Secondly, business development focuses on growth opportunities predominantly within the constraints of firms’ strategic momentum and existing corporate strategy. Strategic momentum is shaped by choices that are commitment intensive and thus cause a heightened predictability of action (Ghemawat, 1991). In other words, business development in the planning phase is focused on analysing, evaluating, and preparing a continuous stream of potential innovations that, in operational terms, have strategic fit, but are not yet on the current strategic budget. These are labelled ‘pronounced growth
opportunities’ and are characterised by requiring sufficient change in tasks, processes and resource commitments to the organisation (i.e. non-trivial), but within the constraints of the organisation’s existing corporate strategy (i.e. non-strategic). Without the latter constraint, the growth opportunity would be for the strategy development function.

Finally, there is a sharp distinction between the business development activities in the planning phase of a growth opportunity and in its implementation phase. This latter distinction is the evergreen challenge among industry decision-makers and scholars (Hrebiniak, 2005; Penrose, 1959); there are too little time and resources to take informed decisions as well as the disconnection between the preparation of growth opportunities and their actual implementation.

2.1 What is business development (not)

Given the inconsistencies in the application of business development and its associations to other well-established fields of research, the process of conceptual clarification will benefit first from identifying what business development has been related to and what it has not. To take a general layman misunderstanding up front: business development is not just that of ‘developing the business’. All organisational functions and activities should be directed towards developing the business. In the extremes, the purchase of Post-Its must be developing the business, just as preparing a new product or service is aimed at developing the business – with different magnitude of effects, of course.

In the scholarly papers related to the subject, business development is related to either the outcome of (internal and external) corporate venturing (Burgelman, 2002; Covin and Miles, 2007; Keil et al., 2008; Schildt et al., 2005) or strategy making (Noda and Bower, 1996), discrete projects (Burgers et al., 2008; McGrath, 2001), the organisation of radical innovation (O’Connor and DeMartino, 2006), and occurs in continuation of ‘innovation and new venture development’ so as to denote an avenue for business development [Kanter, (1986), p.58]. Moreover, the notion of (external/new) business development has been used interchangeably with external corporate venturing [Keil et al., (2008), p.896] with new venture development to denote differences from existing businesses [MacMillan and George, 1985; Sykes and Block, (1989), p.164; Sykes and Dunham, 1995]. In line of the reasoning above and the search for the unique and novel characteristics of business development, our conceptual clarification needs also to mention that business development is not, for example, ‘small business’ development (Mount et al., 1993), a specific kind of relationship marketing management (Giglierano et al., 2011) product development, technological development, market development, project development, project management, strategy development or, for example, advertising or promotions expenses as mentioned by Chesbrough (2002), key account management and sales – the latter being currently trendy to re-label business development in industry. Each of these labels and underlying concepts has its own research and literature, and labelling them business development does not change them to this concept in any meaningful way for our current research purpose.

3 Theory and hypotheses

The research is anchored in the resource-based view of the firm (Wernerfelt, 1984). In this perspective, firms’ source of – sustained or temporary – competitive advantage rests
on resources and organisational capabilities – a subset of resources that enable the firms to exploit its other resources (Barney, 1991). Grant states that “Integration of specialist knowledge to perform a discrete productive task is the essence of organizational capability, defined as a firm’s ability to perform repeatedly a productive task which relates either directly or indirectly to a firm’s capacity for creating value through effecting the transformation of inputs into outputs” (1996, p.377). In the light of the background above, business development is all but integration of specialist knowledge prior to and during the implementation of growth opportunities.

Business development is thus argued to be an organisational capability (see also, Davis and Sun, 2006) and potentially essential for firms’ ability to achieve full innovation prowess (Day, 2013). An organisational capability is a source of competitive advantage, if it is valuable and rare, that the strategies based on this capability are difficult to imitate, and finally that associated tasks and procedures are organised to exploit the capability (Barney, 1991; Peteraf, 1993).

In more operational terms, firms with a strong business development capability are capable of commanding sophisticated business planning activities as well as successfully integrating what is planned for by way of business developer support. Currently, there is no established literature on business development – of which the author is aware – that

- directly addresses business planning and/or the support of implementation in a business development context
- addresses these two disparate activities as essential to attaining a business development capability.

We must therefore draw on insight from research addressing those phenomena from another perspective and integrate it into the business development perspective.

3.1 Business planning and performance

Research on integration and implementation argues that planning and direct supervision are facilitators of integration in the implementation stage and improve firm performance (Barki and Pinsonneault, 2005; Thompson, 1967). Business planning refers to those efforts “to gather information about a business opportunity and to specify how that information will be used to create a new organization to exploit the opportunity” [Delmar and Shane, (2003), p.1165]. Critically, business planning is focused on activities ex ante the integration phase and does not address the essential gap between planning and implementation. For this reason business planning provides necessary but not sufficient insights to the business development capability. Business planning is conducted with varying degrees of sophistication (Bracker et al., 1988; Chwolka and Raith, 2012; Gibson and Cassar, 2002; Rue and Ibrahim, 1998). The degree of sophistication refers here to the completeness of the planning process including the systematic use of tools, such as, formal written documents (business plans), business models, designated people for coordinating and integrating intelligence across internal business functions and external partners, and due diligence. For an overview and meta-study of the empirical business planning literature, see for example Brinckmann et al. (2010). Business planning is hypothesised to have a positive association with firm performance.

Hypothesis 1 Business planning has a positive association with firm performance.
3.2 Business developer support and firm performance

Traditionally, developer support refers to the form of direct supervision (i.e., “someone not directly doing the work, but being responsible for coordinating the activities” [Barki and Pinsonneault, (2005), p.171; see also Glouberman and Mintzberg, 2001; Lawrence and Lorsch, 1967] in a growth opportunity’s implementation phase. The established notion of developer support thus falls short of fully capturing the business development capability, where, critically, the supervising person has been part of the planning phase (Sørensen, 2012). In the context of business development, the supervising persons’ tasks are predominantly supporting and monitoring the successful integration of the implementation. The traditional approach to developer support provides therefore only necessary but not sufficient insights to the business development capability. The augmented construct will henceforth be labelled business developer support.

In the implementation phase, business development tasks are to support the coordination and integration of the activities assigned to the organisation’s functions and external partners as set out in, for example, a business plan. The developer support should take an ‘integrating generalist’ [see Sørensen, (2012), p.6] stance and have deep knowledge about the growth opportunity’s implications for the involved internal and external parties. Business developers achieve this stance and knowledge only since they were an involved part of the growth opportunity’s planning process. Accordingly, business developer support is hypothesised to have a positive association with firm performance.

Hypothesis 2 Business developer support has a positive association with firm performance.

3.3 Business development and firm performance

Business development enables firms to command sophisticated business planning activities as well as successfully integrating what is planned for by way of business developer support. As argued previously, it is necessary to adapt existing research related to planning and developer support to fully capture the business development capability, since each only provided necessary but not sufficient insights to the underlying phenomenon. It is the unique effect from the joint presence of high levels of business planning and business developer support that captures the business development capability. This perspective is supported by empirical observations that these activities are emerging in business development functions in an increasing number of firms today (e.g., Bussgang et al., 2012; Kind and Knyphausen-Aufseß, 2007; Lorenzi and Sørensen, 2014).

Recall from the background section that the context and nature of the growth opportunity determines the relevance of business development for successful implementation. In one end of the spectrum, I argue that the role of dedicated business development activities is limited in situations where

- senior management has sufficient overview of the growth opportunity
- there are few and insignificant communication and coordination errors across and within functional boundaries
and that the organisational and environmental complexity of the growth opportunity is low. An example could be a growth opportunity based on scaling up an existing product on a known market with low environmental uncertainty.

For this reason, business development should be focused on pronounced growth opportunities. Pronounced growth opportunities are characterised by being non-trivial, but non-strategic (cf. above), and to comprise high complexity and highly interdependent tasks. An example could be a growth opportunity based on the launch of a novel product or service to a new segment using new channels in a highly competitive market. In this situation, the organisation faces possibly new production technology, new type of employees/job functions, new means of distribution and marketing, and a new competitive environment that market research and business intelligence first is about to understand. Compared to the previous more trivial example, this pronounced growth opportunity entails considerable more new interdependent tasks and higher complexity, which demands much higher organisational efforts and calls for more careful planning. Following Lawrence and Lorsch (1967), increase in task interdependence requires increased planning, direct supervision, and mutual adjustment. Glouberman and Mintzberg (2001) found that direct supervision is likely to be more effective than mutual adjustment in a context comparable to that of business development. Business development of pronounced growth opportunities requires therefore more than sophisticated business planning and more than developer support, cf. above, for their successful implementation and ultimately positive effect on firm performance. That ‘more’ is captured by the joint effect of sophisticated business planning and the augmented business developer support. On the basis of the preceding theoretical and descriptive qualifications, it is therefore hypothesised that:

Hypothesis 3  Business development has a positive association with firm performance.

4 Method

4.1 Data collection and sample

The sampling frame consisted of 205 Danish growth firms from multiple industries. Following the OECD classification (OECD, 2007), the firms were established prior to 2006, had between 10 and 250 employees (full-time equivalents) in 2008, and an average yearly growth of 20% in employees during 2008–2011. The median number of employees in the sample is 46 and the median year of formation is 1998.

A questionnaire was developed and a priori content (face) validity was established by two pre-tests assessing the quality and meaningfulness of the indicators. First, the questionnaire was pre-tested among business practitioners from the target sample and then the refined questionnaire was pre-tested by Statistics Denmark (the central authority on Danish statistics under the Ministry of Economic Affairs and the Interior) and refined again before launch. All constructs were measured using five-point Likert scales. Initially, a seven-point Likert scale was associated to the indicators, but Statistics Denmark who conducted the data collection advised against this, as respondents in a telephone-survey were less likely to cope meaningfully to the larger scale variance. The
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Key informants were CEOs, because they should be knowledgeable about the firm’s performance, organisational activities, and environmental situation (Huber and Power, 1985).

The survey was conducted using telephone calls (36 responses) and web-administered (37 responses) questionnaires. Response bias in data collection method was tested for using independent samples t-test. There was no significant difference between telephone and web-administered data collection for firms’ level of business development, business planning, business developer support, market share, and firm age. After one follow-up contact to all firms in the net-sample, useful responses were obtained from 73 respondents providing a response rate of 36%. The main reasons for non-participation were ‘refusing to participate’, ‘not available’, and ‘bankrupt’.

4.2 Measurement

The study adopted previously verified multi-indicator measures where available. See the indicators and framing in Appendix I. The dependent variable, Firm Performance, was assessed with indicators tapping growth in sales, market share, and turnover over the last three years relative to main competitors, see for example Lubatkin et al. (2006). The first independent variable, business planning, has been operationalised as a typology or classification scheme of planning process sophistication in firms (Bracker and Pearson, 1986; Rue and Ibrahim, 1998) or has been inspired by Slevin and Covin’s (1997) multi-indicator measures of strategy formation patterns (e.g. Gibbons and O’Connor, 2005). This study follows the lead of Slevin and Covin (1997). Based on a review of the associated literature, cf. above, a set of indicators was generated tapping business planning in a business development context (Sørensen, 2012). The same procedure was used to develop the indicators tapping the business developer support construct. The literature on direct supervision (e.g. Barki and Pinsonneault, 2005; Glouberman and Mintzberg, 2001) provides the theoretical backdrop and Sørensen (2012) provided the context to capture the particular business development-related characteristics of monitoring and support activities during the implementation phase.

Business development is conceptualised as spanning the planning and implementation phase of a growth opportunity. The combined effect of such multifaceted and seemingly disparate activities is not readily assessable with a single measure. A comparable example in the management literature is, for example, organisational ambidexterity, which is comprised by two conflicting organisational processes; exploration and exploitation (Jansen et al., 2009; Tushman and O’Reilly, 1996). For this reason, business development is assessed as the interaction (Little et al., 2006) of the variables, business planning and developer support, which creates the unique effect of variances in firms’ planning and implementation from a business development perspective.

Note, that given the current unclear usage of the notions of business development and business developer in practice, the measures tapping the key aspect of business development focuses on the tasks, processes and tools of the organisation rather than, for example “what do your business developer do, when...”. By omitting any reference to the business development label, the possibility of tapping activities labelled business development that were in fact something else, or not tapping a business development task or process that was labelled something else, was diminished.
The study included a set of organisational and environmental control variables that have been associated with one or more of its core constructs as other factors than the main variables may influence firm performance (Scherer, 1980). The controls were the organisation’s contextual and leadership characteristics, firm size, and environmental uncertainty (Gibbons and O’Conner, 2005; Kukalis, 1989; Miller and Cardinal, 1994).

A firm’s social context allows for better communication and knowledge integration across functional boundaries, its utilisation for commercial purposes and ultimately firm performance (Ghoshal and Bartlett, 1994; Jaworski and Kohli, 1993). The social context may therefore improve business planning as the organisation’s ability to disseminate timely and relevant information to the plan(ners). The improved knowledge integration may also diminish the relevance for business developer support, since their purpose is to bridge knowledge gaps between, for example, functional silos and the planning-implementation divide. Leadership’s encouragement of employees’ activities toward adaptability to customer demand and competitors reactions for the firm’s survival is argued to improve performance (e.g. Jaworski and Kohli, 1993). The five-indicator measure tapping firms’ social contest and three-indicator measure of leadership’s focus on adaptability were adopted from Chang and Hughes (2012).

Firm size is argued to positively influence both business planning and firm performance for both large and small firms (Miller and Cardinal, 1994). As firms grow larger more formalised bureaucratic procedures may emerge (Gibbons and O’Conner, 2005). Firm size was operationalised by firms’ number of employees (full time equivalents) (Scherer, 1980). The logarithm of firm size was used to compensate for skewness. Environmental uncertainty refers to firms’ inability to fully understand the direction of environmental change and to know whether or not particular responses might be successful and thus detrimental to performance (Waldman et al., 2001). Higher levels of environmental uncertainty have also been show to demand a larger amount of business planning to cope with the unpredictable conditions. Environmental uncertainty was operationalised using Waldman et al.’s three-indicator measure (ibid.).

### 4.3 Measurement purification

The measurement model consists of the latent constructs presented above and its overall construct validity was assessed in AMOS 22. The assessment include Baumgartner and Homburg’s (1996) recommended incremental fit indices, Comparative Fit Index (CFI) and Tucker-Lewis Index (TLI), as well as the stand-alone index, root mean square error of approximation (RMSEA). The measurement model ($\chi^2$ (d.f.) 126(109); CFI .97; TLI .97; RMSEA .05) met the required thresholds for CFI, TLI, and RMSEA (Baumgartner and Homburg, 1996; Browne and Cudeck, 1993). Unidimensionality was established by means of measures’ composite reliability (CR) and average variance extracted (AVE) (Bagozzi and Yi, 1988; Fornell and Larcker, 1981). AMOS does not compute CR and AVE and were calculated separately using Fornell and Larcker’s (1981) procedure. Measures with two indicators are under-identified and cannot deliver a unique solution with standardised regression weights (Hair et al., 2006), so SPSS’ Cronbach’s alpha was used for reliability assessment in this case.
Table 2: Correlation matrix and descriptive statistics

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<th>M</th>
<th>SD</th>
<th>CR</th>
<th>AVE</th>
<th>α</th>
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<tr>
<td>1 Firm performance</td>
<td>3.62</td>
<td>.84</td>
<td>.88</td>
<td>.70</td>
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<td>.27</td>
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<td>2 Business planning</td>
<td>3.09</td>
<td>.90</td>
<td>.89</td>
<td>.57</td>
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<td>3 Business developer support</td>
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<td>1.00</td>
<td></td>
<td>.83</td>
<td>**</td>
<td>.367</td>
<td>**</td>
<td>.517</td>
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<td>4 Social context</td>
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<td>.76</td>
<td>.52</td>
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<td>*244</td>
<td>**</td>
<td>.522</td>
<td>.437</td>
<td>.25</td>
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<td>5 Focus on adaptability</td>
<td>3.68</td>
<td>.85</td>
<td>.71</td>
<td>.45</td>
<td></td>
<td>-.067</td>
<td>**</td>
<td>.488</td>
<td>.391</td>
<td>.496</td>
<td>.01</td>
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<td>6 Firm size (log employees)</td>
<td>1.68</td>
<td>.37</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-.072</td>
<td>*</td>
<td>.260</td>
<td>.186</td>
<td>.100</td>
<td>.112</td>
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<td>7 Environmental uncertainty</td>
<td>2.88</td>
<td>1.22</td>
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<td>-</td>
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<td>-.088</td>
<td>.003</td>
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<td>Skewness</td>
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<td>-.108</td>
<td>.038</td>
<td>-.973</td>
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Notes: N = 73. Notation: * = p < .05, ** = p < .01 (two tailed).
Italic numbers in diagonal are the squared correlation of the two constructs.
The refined measures of business planning (CR = .89; AVE = .59), developer support (α = .89), social context (devotion) (CR = .85; AVE = .65), and leadership focus on adaptability (CR = .73; AVE = .49), and firm performance (CR = .88; AVE = .72) showed adequate unidimensionality and reliability. The inter-indicator correlations for environmental uncertainty were unexpectedly low (from .075 to .407). Rather than excluding the measure and lose this dimension’s explained variance on the performance variable, it was decided to continue the analysis with one indicator. Podsakoff and Organ’s (1986) recommended Harman’s one-factor test for common method variance be conducted, where all the variable measures were entered into a single factor analysis. The analysis produced four factors with eigenvalues > 1 accounting for 66% of the variance. Neither a single factor nor a general factor that could account for the majority of the covariance in the measures emerged. This provided evidence that common method variance was not a problem in the sample. Firm size was skewed and transformed by taking the logarithm (Hair et al., 2006). Discriminant validity was assessed using Fornell and Larcker’s (1981) pairwise comparison of the constructs’ respective AVE and the squared correlations as well as by observing the constructs’ low to moderate correlations. The results indicate good discriminant validity. Table 2 shows the correlation matrix and descriptive statistics.

5 Analysis

The hypotheses were tested using multivariate linear regression (e.g., Hair et al., 2006). Since business development is theorised as the unique effect from a combination of firms’ level of business planning activities and business developer support activities in a business development, it is analytically explored by orthogonalising (or residual centring) their product term (Little et al., 2006). Orthogonalising is a simple two-stage process in which the product term is regressed onto its respective first-order effects. The residuals of this regression are then used to represent the unique effect of business development. The independent variables and control variables were entered simultaneously and the resulting regression model’s F-test is significant (F = 4.312). The variance inflation factor (VIF) used to diagnose for multicollinearity ranged from 1.057 to 1.707, which is well below the 10.0 cut-off, suggested by Hair et al. (2006).

6 Results

Table 3 summarises the results of the linear regression model. First, we observe that the regression model’s variables provide a good level of explained variance (R² = 24%) in firm performance. Hypothesis 1 specifies a positive linear relationship between business planning, which is not confirmed. As hypothesised in H2 and H3, we observe significant positive effects of business developer support (t = 2.751) and business development (t = 2.325) on performance. Of the hypothesised effects of the control variables (Hypotheses 4a–d) only social context (t = 1.734) is confirmed. Interestingly, the effect of
leadership’s focus on adaptability is significant ($t = 2.325$), but the sign is in the opposite direction. The effects of firm size ($t = -1.269$) and environmental dynamism ($t = -1.436$) are non-significant at a 0.5 level of significance.

Table 3  Regression results for business development on firm performance

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>$\beta$</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business planning (BP)</td>
<td>.018</td>
<td>.132</td>
</tr>
<tr>
<td>Business developer support (DS)</td>
<td>.361</td>
<td>2.751</td>
</tr>
<tr>
<td>Interaction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business development (BP*DS)</td>
<td>.244</td>
<td>2.251</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Control variables</th>
<th>$\beta$</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social context (devotion)</td>
<td>.226</td>
<td>1.743</td>
</tr>
<tr>
<td>Focus on adaptability</td>
<td>-.281</td>
<td>-2.217</td>
</tr>
<tr>
<td>Firm size (log employees)</td>
<td>-.138</td>
<td>-1.269</td>
</tr>
<tr>
<td>Environmental dynamism</td>
<td>-.151</td>
<td>-1.436</td>
</tr>
<tr>
<td>R²</td>
<td>.32</td>
<td></td>
</tr>
<tr>
<td>Adj. R²</td>
<td>.24</td>
<td></td>
</tr>
<tr>
<td>F-value</td>
<td>4.312</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>73</td>
<td></td>
</tr>
</tbody>
</table>

Note: Critical t-value (directional, one-tailed): 1.645

7 Discussion and implications

The aim of this paper is to explore unique business development activities on business planning and their possible performance differential effects. The study’s results provide preliminary theoretical and statistical insights for a foundation of business development theoretically anchored in the resource-based view of the firm. The results also provide a business development perspective on Barki and Pinsonneault’s (2005) general suggestion to explore relationships among integration, implementation, and organisational performance.

In brief, the findings are that business development increases firm performance and that the effectiveness of business planning depends on business development. Business developer support is found to positively influence firm performance per se. Combining this exploratory survey’s results with existing case-based research on business
development (Davis and Sun, 2006; Kind and Knyphausen-Aufseß, 2007; Lorenzi and Sørensen, 2014; Uittenbogaard et al., 2005) provides much richer contextual knowledge and a statistical verification of the previous speculation of a positive business development – firm performance relationship. The results are elaborated upon below.

The first finding that business planning does not have direct positive effect on firm performance is not really novel and adds to a longstanding debate of the value of business planning (Brews and Hunt, 1999). Planning is costly and firms with limited budgets must prioritise the allocation of resources and the planning process should be weighed against its benefits. A synthesis of the common critique of planning takes time from acquiring resources and building the organisation and that plans can lead to cognitive rigidities, organisational inertia, and limited strategic flexibility (e.g. Burgelman, 2002).

Business developer support, as a special case of direct supervision (Barki and Pinsonneault, 2005; Glouberman and Mintzberg, 2001), is hypothesised to be directly beneficial for firms facing complex growth opportunities, as it may mitigate some of the already mentioned critical challenges the planning and implementation phase as well as employee specialisation, goal and frame of reference differences among different organisational members, etc. (Hitt et al., 1993; Katz and Allen, 1982; Lawrence and Lorsch, 1967). The results show that business developer support has a direct positive association with firm performance.

The study’s main result that business development as the joint effect of sophisticated business planning and business developer support, contributes positively to firms’ performance. We may infer from this that the effect of business planning benefits from being supported in the implementation phase by people who were part its conception and construction, i.e. business developers. This argument seem to apply mostly for established firms, since, for example, cognitive rigidities of specialisation and frame of reference in founders and start-ups, may take deficiencies from the planning phase to the implementation (e.g. Wasserman, 2008). Firms being capable of finding the right mix between these disparate activities of market launch planning and implementation support by adopting a business development approach seem to cope well with that of bridging the planning and implementation nexus.

The control variables also assist in explaining performance differentials. As hypothesised, firms’ social context also facilitates the transfer and utilisation of market intelligence for better performance (e.g. De Luca and Atuahene-Gima, 2007). Against expectation, the results do not support the hypothesis that leaderships’ focus on adaptability should increase performance. One reason for this finding could be that merely encouraging employees to keep track of market movements or telling employees that the firm’s survival depends on its adaptability is not enough to enable the wanted behaviour. Jaworski and Kohli (1993) note, for example, that leadership should back argument with credible resource commitments or with a meaningful incentive structure (see also Herzberg, 2003). A methodological reason could relate to possible time-lags or reverse causality, which, unfortunately, cannot be established in this cross-sectional setting. A time-lag means that the effect of the managerial encouragement of employees has not yet established effect on performance. In the case of reverse causality, however, poor performance would trigger management encouragement of employees to stay alert to customers, competitors and that survival depends upon adaptability. Environmental uncertainty showed the hypothesised sign but was not significantly related to firm performance. This result is also found in other studies, for example, Chang and Hughes (2012). One explanation is that fast growing firms are more independent of the
environment as they may pursue a good business model within the given environmental conditions.

7.1 Business development capability and competitive advantage

Business development is theoretically argued to be an organisational capability with the potential of enabling competitive advantage – if it is valuable, rare and inimitable and organised appropriately. This study’s empirical part confirms that business development does indeed explain performance differentials and therefore can be considered ‘valuable’ – the first criterion for a capability to be a source of competitive advantage. The possible ‘rareness’ of business development capabilities rests not in the particular tasks and procedures for planning or the support of implementation, but on the intangible nature of the business development function and its business developer’s integration of the organisations’ resources and other functional capabilities. As an example of the ‘inimitability’ of a strategy based on business development, Sørensen (2012) refers to a leading global biopharmaceutical company, which maintains its leading position and rapid entry into new business areas through a superior business development capability. The appropriate organisation of business development is suggested in the managerial implications. While there is still much to investigate, the empirical results combined with anecdotal evidence in the emerging literature now indicate a much stronger foundation for the business development capability as a source of competitive advantage.

Avoiding the liability of non-newness

Business development task and process equivalents are not new in businesses per se. For example, von Hippel (1977) refers to a General Manager of 3M in the 1960s stating that practices comparable to business development probably were practised by our nomadic ancestors and that such new terms for old situations frequently occur.

However, the investigation of what is truly unique about business development, how it is meaningfully organised and managed, and whether it is an economically viable function is new. Consider the comparable situation with ‘marketing’. It was first with Narver and Slater’s seminal work in 1990 that the bottom line value of the marketing concept was confirmed. The notion of marketing had been around for a while by then. For this reason, old notions and constructs should not suffer the liability of non-newness to either scholars or leaders, particularly if the concept is unclear in usage and application. Consequently, this study confirms that we no longer are assuming the positive performance effects of business development.

A related, but reversed, issue is that of being unaware of something that is (on the way to getting) established. What is new to the beholder need not be new to the world. Furthermore, an idiom says that occasionally one cannot see the forest for the trees. Likewise, one challenge facing business development as a unique function or set of activities is that senior managers may often neglect to see its unique tasks and processes clearly. Kind and Knyphausen-Aufseß’s respondent captures a relevant point “We did not see the relevance of the BD function; otherwise, we would have implemented this function earlier. We didn’t have a clear profile for this function – which tasks a business developer has and how he or she has to qualify. Meanwhile, this has changed. The relevance of BD is becoming more and more acknowledged.” (2007, p.191). This conveys a good example of management innovation (Hamel, 2006) that I argue would benefit both daily management and boards in many firms, if they want to extract the profits from good and structured business development.
Table 4  Business development’s role in the planning and implementation stages

<table>
<thead>
<tr>
<th>Business development’s role</th>
<th>Market launch planning stage</th>
<th>Implementation stage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tasks</strong></td>
<td>Coordinate and integrate information</td>
<td>Coordinate and integrate activities</td>
</tr>
<tr>
<td></td>
<td>Analyse and evaluate</td>
<td>Support (not implement)</td>
</tr>
<tr>
<td></td>
<td>Screen and prioritise (not decide)</td>
<td>Monitor</td>
</tr>
<tr>
<td></td>
<td>Due diligence</td>
<td>Report on progress</td>
</tr>
<tr>
<td><strong>People</strong></td>
<td>Designated (ad hoc) people</td>
<td>Designated people from planning stage</td>
</tr>
<tr>
<td><strong>Main tools</strong></td>
<td>Pitch</td>
<td>Business plan</td>
</tr>
<tr>
<td></td>
<td>Business model</td>
<td>(Balanced) scorecards/dashboards</td>
</tr>
<tr>
<td></td>
<td>Business plan</td>
<td>Progress reports</td>
</tr>
<tr>
<td><strong>Analogy</strong></td>
<td>Analytic screener</td>
<td>Coach</td>
</tr>
<tr>
<td><strong>Component</strong></td>
<td>Business planning</td>
<td>Business developer support</td>
</tr>
</tbody>
</table>

7.2 Managerial implications

Therefore, the present systematic effort to identify business development’s unique role in explaining profit differentials provides new statistically founded managerial implications. First, focus on unique business development tasks, processes and tools of the organisation aimed at pronounced growth opportunities, rather than whatever is labelled business development. Table 4 provides a stylised overview of business development’s different tasks and tools. The business developer is an ‘analytic screener’ in the planning phase and ‘coach’ in the implementation. These roles are not easy to master simultaneously, especially in the case when business developers are engaged in multiple growth opportunities at different stages of development (Sørensen, 2012). It often calls for integrating generalists with diverse functional experiences to be a good business developer (ibid.). In relation to this, business developers’ continuous focus on growth opportunities and their integration may also assist in identifying and transferring best practices internally in the organisation (see e.g. Szulanski, 1996).

Second, the business development process is the last (impetus) parts of firm’s innovation funnel (e.g. Schilling, 2008). In the terminology of Cooper (2000), business development is an important addition to the launch gate (market launch planning) and the post-launch gate (implementation and business-as-usual) of the typical stage-gate process. Figure 2 exemplifies the organisation of business development in relation to existing and more well-established business functions. Growth opportunities may come from various departments of the organisation. For example, from sales/marketing, product development, or research that each has their own planning processes and screening procedures prior to the market launch planning phase. Business development then analyses and qualifies the screened and selected growth opportunities further. On the selected growth opportunities, business development coordinates the due diligence, and then hand the final decision to execute over to senior management. In the implementation phase, business development supports and monitors the integration of the growth opportunity until it becomes business-as-usual and enters the firm’s strategic budget. In the meantime new growth opportunities may already be in pipeline and prepared for by business development.
Finally, it is worth noting that Lawrence and Lorsch in 1967 observed the emerging proliferation of coordination departments – such as product, marketing or planning departments, task forces and cross-functional coordination teams to achieve coordination in organisations, but in the same vein also questioned the effectiveness of such integrative devices (1967, p.12). While the classic developer support mitigates some of the coordination and integration issues in the implementation phase, the results in this study indicate that business development is, in fact, an emerging effective integrative device when implementing growth opportunities. In other words, your great planning or plan may not be successfully integrated without a knowledgeable business developer from the planning phase to support and monitor (or possibly to timely discontinue) its integration during the implementation phase.

7.3 Limitations and further business development research

Although this study adopts a standard research design, it is subject to the limitations resulting from cross-sectional research. First, while providing important insights into the relationships between business development, its components, and firm performance, one cannot make inference about the causality among the variables. Causality could be established based on longitudinal studies based on, for example, panel data or in-depth case studies. Secondly, the survey does not inform us about the change processes in involved improving business development tasks and processes. It would be useful to conduct case-based studies to better understand the factors, such as structure, tasks and processes, that influence the initiation, facilitation, or impediment of change efforts directed at improving a firm’s business development capability.

Third, the survey uses subjective measures to assess organisational phenomena as well as performance. Even though the current study does not have issue with common method bias, it seems beneficial to supplement the subjective data with census accounting data. Following this, it seems desirable to assess the role of additional aspects influencing the business development – performance relationship. For example, one could supplement the measurement of business planning and developer support with...
unobtrusive measures, such as content analysis of internal memos, business plans, presentations on growth opportunities, reports, monitoring systems, annual reports, etc.

Methodologically, the study’s data were obtained from the CEOs of each firm. In order to minimise potential bias in the data resulting from the informants’ organisational level, it would be useful to broaden the sample of respondents per firm, for example, to include business development officers and possibly regular business developers. Finally, the sample consists of growth firms, which calls for research comparing the role and relevance of business development on other types of firms and from different industrial contexts, for example, service and manufacturing industries or low-tech and high-tech industries, and different environmental context, such as varying degrees of technological turbulence or change in customer preferences.

8 Conclusions

This research project aims at providing new insight to the planning – implementation nexus, a theoretical foundation for business development, and to empirically verify the unique effect of business development on firm performance. A secondary aim was to create an overview of the scattered extant business development research and to synthesise it for the foundation of a coherent and distinct discipline. Based on a conceptualisation, where business development’s particular tasks and processes span a growth opportunity’s market launch planning phase and implementation phase, the results show that business development increases firm performance. This result also indicates that the positive effect of business planning depends on business developer support. Business development is presented as an important organisational capability and subsequently theoretically anchored in the resource-based view of the firm.

By demonstrating that business development is an emerging distinct function, is empirically verifiable, and has positive performance implications, I hope that this exploratory study will stimulate further business development research in additional organisational, industrial, and environmental contexts.

Acknowledgements

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References


Making planning work


Making planning work


Appendix

Overall framing:

The following questions relate to your company’s organisation of – and the people involved in, the preparation and planning as well as the implementation of growth opportunities.

A growth opportunity is a pronounced new initiative deviating from business-as-usual, such as new product development, introducing existing products/services on new markets, new strategic alliances, etc., that are not part of the company’s strategy (i.e. on its current strategy budget).

In the questions there is a sharp distinction between the task and processes prior to and after an (possible) executive decision implement the growth opportunity.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Framing and indicator wording</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business planning</td>
<td>The following questions relate to the tasks and processes concerning your preparation and planning of growth opportunities.</td>
</tr>
<tr>
<td>Adapted from Sørensen (2012)</td>
<td>1 How often does your company systematically use business plans (or similar documents) with concrete analyses prior to an executive decision to implement a growth opportunity?</td>
</tr>
<tr>
<td></td>
<td>2 How often does your company in the planning phase of a growth opportunity in simple, precise terms explicate ‘How do we make money from this?’ (i.e., the business model or similar method)?</td>
</tr>
<tr>
<td></td>
<td>3 How often does your company have designated people to systematically coordinate and integrate intelligence across business functions, such as R&amp;D, production and marketing, prior to an executive decision to implement a growth opportunity?</td>
</tr>
<tr>
<td></td>
<td>4 How often does your company have designated people to systematically coordinate and integrate intelligence with your external partners, prior to an executive decision to implement a growth opportunity?</td>
</tr>
<tr>
<td></td>
<td>5 How often does your company have designated people to systematically prepare growth opportunities for senior management or the Board prior to an executive decision to implement a growth opportunity?</td>
</tr>
<tr>
<td></td>
<td>6 How often does your company have designated people to systematically conduct due diligence (i.e., to verify critical elements such as legal issues, assumption in the finance and accounts, market analyses, contracts, etc.), prior to an executive decision to implement a growth opportunity?</td>
</tr>
</tbody>
</table>

Note: Indicators marked with * were omitted during the measure purification process.
Appendix (continued)

<table>
<thead>
<tr>
<th>Measure</th>
<th>Framing and indicator wording</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developer support</td>
<td>The following questions relate to the tasks and processes concerning your implementation of growth opportunities.</td>
</tr>
<tr>
<td>Adapted from Sørensen (2012)</td>
<td>1. How often does your company systematically deploy the people who prepared a growth opportunity to support (not implement) the implementation of the growth opportunity?</td>
</tr>
<tr>
<td></td>
<td>2. How often does your company systematically deploy the people who prepared a growth opportunity to monitor (not implement) the implementation and progress of the growth opportunity to senior management?</td>
</tr>
<tr>
<td>Social context (devotion)</td>
<td></td>
</tr>
<tr>
<td>Adapted from Chang and Hughes (2012)</td>
<td>1. The firm devotes considerable effort to developing their subordinates.</td>
</tr>
<tr>
<td></td>
<td>2. The firm gives everyone sufficient authority to do their jobs well.</td>
</tr>
<tr>
<td></td>
<td>3. The firm works hard to develop the capabilities needed to execute its overall strategy and vision.</td>
</tr>
<tr>
<td></td>
<td>4. Decisions are based on facts and analysis.*</td>
</tr>
<tr>
<td></td>
<td>5. Failures (in a good effort) are treated as a learning opportunity, not something to be ashamed of *</td>
</tr>
<tr>
<td>Leadership focus on adaptability</td>
<td></td>
</tr>
<tr>
<td>Adapted from Chang and Hughes (2012)</td>
<td>1. The management often tells employees that the firm’s survival depends on its ability to adapt to market trends</td>
</tr>
<tr>
<td></td>
<td>2. The management tells employees to be sensitive to the activities of the competitors</td>
</tr>
<tr>
<td></td>
<td>3. The management keeps telling the employees that they must gear up now to meet customers’ future needs.</td>
</tr>
<tr>
<td>Environmental uncertainty</td>
<td>How would you characterise the external environment within which your corporation functions? In rating your environment, where relevant, please consider not only the economic but also the social, political, and technological aspects of the environment.</td>
</tr>
<tr>
<td>Adapted from Waldman et al. (2001)</td>
<td>1. Very dynamic, changing rapidly in technical, economic, and cultural dimensions.*</td>
</tr>
<tr>
<td></td>
<td>2. Very risky, one false step can mean the firm's undoing.*</td>
</tr>
<tr>
<td></td>
<td>3. Very stressful, exacting, hostile, hard to keep afloat.</td>
</tr>
<tr>
<td>Firm performance</td>
<td>Relative to that of your major competitors over the last three years, has the growth been worse or better when it comes to:</td>
</tr>
<tr>
<td>Adapted from Lubatkin et al. (2006)</td>
<td>1. Growth in sales</td>
</tr>
<tr>
<td></td>
<td>2. Growth in market share</td>
</tr>
<tr>
<td></td>
<td>3. Growth in turnover</td>
</tr>
</tbody>
</table>

Note: Indicators marked with * were omitted during the measure purification process.