

The Executive's Role in Business Development

by Dan Doyon, Maxim Consulting Group

Your business development strategy can be key to the success or failure of your company. Many executives lean on their business development team with the message of, "Sell more!" or "Sell larger projects!" These directives are just unclear messages with no strategy of where to put their sales efforts. When profit is down, an executive's initial instinct is to cut costs on IT, overhead, training, etc. and bid on "everything." However, the goal should be to create a strategy and associated plan that can drive the entire company to new levels of growth and profitability.

It is critical to develop a structured sales strategy and business development processes to significantly drive sales and margins higher. As the delivery methods in the construction industry evolve, so does our need to be highly skilled at selling our work. There are many pitfalls on the sales side of construction that can be avoided with a defined strategic approach. For business development to be focused, measurable, and well supported, there are steps that should be taken to ensure its success.

Define the Strategy

Opportunity

Most executives are familiar with the term Strategic Planning, but what does it mean in connection to business development? A company must first establish a strategy of which vertical markets, which customers, what job sizes, etc. that it wants to pursue. That is done through strategic planning and data analysis. What we see frequently from the management consulting lens is a directive for business development staff to simply "Go sell some more work." While we can understand the goal of those giving the instruction, it demonstrates that some basic steps in definition may have been overlooked. The first step of defining the type of work you are seeking. To accomplish this, a straightforward data analysis of past completed projects is necessary.

When conducting an analysis of current business operations, it is critical that the organization have a clear picture of what type of work they do well and why, as well as what work they are challenged by and the reasoning for that, also.

As an example, you can create two simple charts of Revenue and Profit Margin based on historical data.

This type of data analysis shows the Total Annual Revenue and Total Annual Margin percentages by the vertical market. In this example, there is some significant information to review when defining where to focus business development efforts. If you review the total revenue of retail work versus the total margin on that same work, retail comprises 20% of the company's revenue, but generates 33% of the company's margin. This would certainly warrant further investigation as to the reason why this is so successful, who the work is performed for, where the margin gain or fade is coming from, etc. Conversely, if you review the hospital sector, it comprises 23% of the revenue, but produces only 6% of the margin for the organization. Again, this should be analyzed further as to why this may not be a more profitable area for the company, and whether there is either improvement that can occur, or whether this is a market to continue to pursue.

If you are a subcontractor, the same analysis should be done by the contractor to understand who your company does business with and what the rewards and profits are from each of those relationships. Many times, this will be a surprising result, showing much time is being spent with contractors on numerous projects that yield relatively small total margins. There are easily dozens of other metrics that can and should be analyzed to narrow the focus of business development efforts. These revenue and margin analyses should be run on an annual basis for all closed projects. These could be further subdivided into division, by trade, job size, customer, contractor,

contract delivery method, geographic region, etc. Margin gain and fade analyses can also be run with these same types of differentiators to identify where overbidding or underbidding may be occurring, or if most of the profit comes from change orders. Based on this analysis, the basis of a strategic plan for business development can be started. This strategic plan will provide the guard rails and for the business development efforts. This will define:

- Which markets do you wish to pursue
- What job size is optimal for the organization
- What geographic region do you wish to pursue work
- When do you need that work to begin
- Which specific customers are likely to have that work, in those markets, and in those time frames

Additionally, given the recent pandemic and political impacts, further analysis of the economic environment is also needed to predict market swings. As we know, the market cycles locally between residential, commercial, industrial, and public work. Many studies are available and are published by construction and financial organizations. These should be used as a strong resource during the strategic planning process.

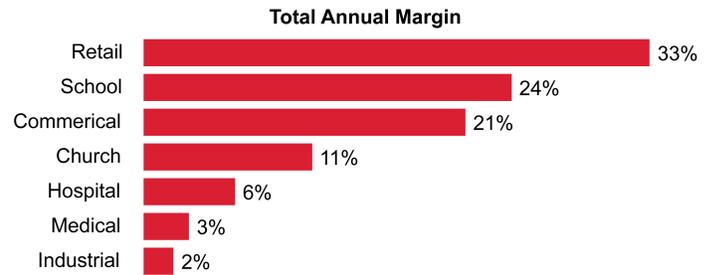
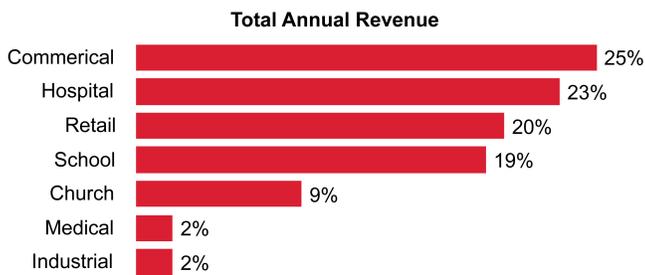
Assessment of Organizational Structure

Once the market, customer and revenue targets have been established, business development efforts will be futile without an examination of the existing company structure. Companies should examine the existing staffing, tools, and technology being utilized to perform our work in order to determine how growth would affect it.

As an example, if expanding an industrial special projects group was a defined strategic opportunity, an investigation as to the current staffing, structure, and workload of the group including stratification of executives, project managers, and project administrators is recommended. Also, there would most likely need to migrate to a specialist versus generalist model to create the most value for the customers. Next,



Total Annual Revenue and Margin by Vertical Sector



process mapping could take place to ensure that the entire workflow from order to cash was defined, including the technology, tools, and equipment necessary to do the work. This mapping of each deliverable necessary for this department to function optimally could identify the gaps and most immediate issues requiring resolution to support the growth of this group. This will place a solid foundation upon which to develop the area.

Business Development

There are many in the industry who believe that business development is a vague, undefined process where actual progress toward a goal is difficult to measure. This is simply not the case. The premise behind great business development begins with the strategic target development, then progresses through a sales process where those targets are evaluated every step of the way. The example discussed previously about telling the business development team to, "Go sell some more work," is where the confusion begins. Business development efforts should not target hundreds of companies at one time. Business development should strategically identify a small number of opportunities and develop a plan to land a large percentage of those targets, as opposed to a large amount of effort spread over many targets, resulting in a very low win rate.

Once a list of target companies has been established to pursue, a screening process must take place to ensure that these companies fall into alignment with the types of firms that align to the company strategy. These qualifications should include financial, operational, and cultural metrics to ensure that their acceptable characteristics outweigh their unacceptable attributes. This will narrow down the target list to those who would be the best fit for the company.

Next, identify who the buyers are within the target organization. Large companies will have multiple people involved in the purchasing process. Identifying those

individuals and assigning an appropriate point of contact for each of them will be critical to the success of opening discussions. Utilize your vendor and contractor contacts for this information can significantly streamline the process.

Additionally, find out what your potential customers want from your company. Understanding your buyer's needs by utilizing customer surveys, relationships, and personal contact ensures that you are well prepared to discuss how your company can fulfill those needs. During this process, it will become necessary to also establish what the target company has concerns about. This would be the reason that they might hesitate in granting you the work in favor of one of your competitors. Understanding this will be an additional point of preparation in ensuring that you can respond and blunt this potential point of reasoning. Companies should take the perspective of the customer to stand out among the competition.

Ensure that the company staff, at all levels of the business development process, are well versed in the presentation steps. Remember, it will not only be your sales staff in front of the client, but any of the subject matter experts needed that were identified during the needs assessment. If one of their requirements is strong project management, then ensure that the strongest PM would be involved in the sale, bringing comfort to that specific concern and discussing how they propose to manage the project to its success.

Lastly, use dashboards to evaluate on a regular basis the status of the target client. These measurements include using defined milestones to ensure there is positive, predictable progress being made. This will also shed light on those targets that are underperforming, so that those efforts can be redirected elsewhere. This will easily show transparency of performance for each of the potential clients and the staff assigned to the different levels of contact within that client.

Developing a strategy around the business development process can reduce

the frustration and false starts that occur so frequently in sales and produce predictable, more profitable results for the company. It also allows a focused utilization of limited business development resources and channels them in the direction that creates the greatest benefit for the company. To accomplish this, companies must determine which markets they wish to grow in and why. Then, they will make structural and organizational improvements inside of our organizations to ensure successful delivery of those new projects. From there, companies can define which customers work in those markets and assess which firms are the right fit. Once targets are identified, team members are assigned to determine the needs and concerns of the client to provide the critical information to formulate the presentation. Finally, track the progress of each of the target clients to ensure that the acceptable amount of forward momentum is occurring. By following a strategic approach to business development, it can significantly increase the company's chances of landing the right customer with the right type of project, at the right time and resources to ensure the project's profitable success and create long-term client relationships.

About the Author

Dan Doyon is a Director at **Maxim Consulting Group** and is responsible for the assessment, evaluation, and implementation of client processes. Dan works with construction-related firms to solve complex business challenges to drive revenue and profitability. Dan has industry experience spanning over 30 years and with his guidance and recommendations, companies have driven over \$160B in top line sales growth and hundreds of millions in operational savings through improved processes. He is an acknowledged industry spokesperson, specializing in transformation of processes, research contributions, published articles and industry speaking engagements. Dan received his MBA from Georgetown University.