

The Executive's Role in Business Development

Posted @ 11/4/2014 7:40 AM by Stephane McShane | Files in **Business**

A solid business development process can make the difference between stagnancy and growth. But too often, leadership's main instruction to the business development team is "go get more work" without much direction on how, where or why. Construction executives have many important responsibilities, but the role they take in leading business development efforts greatly influences the balance of the organization and its chances of success or failure.

Strategy

Strategy means having a clear picture of what leadership wants the company to be. To define this, several different types of analysis can be performed to answer three important questions: Which markets? Which customers? What competitive differentiators?

Without a clear set of answers to these questions, it is very difficult to define where the company will procure new business. Answers to these questions should be part of the strategic planning process, which is a critical step to ensuring future profitability.

Another key component of the strategic plan is to make a diversification decision determining what changes will lead to new growth. What new customers or work should be pursued? Diversification in the construction industry takes shape in six different ways:

- increased wallet share from existing customers and markets;
- geographic expansion;
- service line expansion;
- transformative acquisition;
- new services to existing clients (i.e., horizontal diversification); and
- new markets and clients (i.e., vertical diversification).

Once a diversification decision has been made, it is time to conduct a robust market, competitor and buyer analysis. Will the market support increased work? Who are the major competitors in that market? Analyzing all of this in detail allows the firm to focus its business development efforts, as well as eliminate strategies with a smaller chance of producing profitable opportunities.

Sales and Marketing

After a company has defined where it wants the business to go, it is time to take that message to the market. Those efforts can be classified in three tiers of marketing.

Tier 1 involves reacting to clients that are already customers. In other words, when the phone rings, the company responds. Growth via a Tier 1 process depends heavily on the company's project level staff, history with the client, reputation in the market and relationship with existing subcontractors.

Tier 2 is an active sales and marketing process in which new work is procured in the traditional view of business development. In this method, the sales force or business development professionals are actively targeting prospects via networking, cold calling and direct sales. Their efforts are managed through regularly scheduled marketing and sales meetings.

While these first two tiers are probably familiar to most contractors, they are very limiting because they usually depend on the volume of work available to the company's current client base. In other words, if the client's revenue stream fails, then the contractor's revenue stream fails. The best outcome in this scenario is that the contractor's growth rate equals the market growth rate. Additionally, this level of business development often is tied to one very good business development person, which is risky in the event that employee leaves.

In contrast, Tier 3 is a defined, systematic approach to winning accounts up to 20 times the size of the firm's average project, providing contractors with rapid and sustained growth. But for it to work, the executive team must serve as the business development team. Leaders must combine their talents and resources to pursue and close deals. Success in this model depends on aggressive management of the sales process, a very high level of preparation, a tightly defined prospect list and a close rate of 50 percent or better.

Tier 3 business development is needed if bigger players are moving into the company's niche, if it's swamped with RFPs but frequently lands in second place, if revenues fluctuate with the market or if it's unable to break through a perceived revenue ceiling.

Organizational Effectiveness

Once strategy and sales processes are in place, the final component is the company's ability to deliver on the product it sold. This occurs in three ways:

1. developing systems and processes that add value to the customer via business process re-engineering;
2. providing scalable, flexible and predictable project outcomes via proper project execution processes; and
3. ensuring the firm has a stream of future leaders who are being groomed for their personal and professional growth.

An executive's role in business development should be structured and proactive. Improved profitability begins with a clear picture of what the company strives to be, followed by the deployment of a marketing strategy that facilitates defined growth goals. Assessing and realigning the organization to support the strategy both structurally and operationally allows the firm to deliver on the promises it makes to customers—and make a profit.

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