

What are the results of practicing business development in SMEs in Germany?

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ABSTRACT. The term business development is widely used, however many people do not know what exactly it does mean. In the current dynamic environment it is essential to have a clear picture of business development in order to monitor actions and to arrive at targeted goals. Small and medium-sized enterprises play a great role in the present economy, thus it is interesting to investigate what the results of their business development actions are. To gain this knowledge semi-structured interviews were held with 14 SMEs in Germany. The literature as well as the data collection provides evidence that the result of business development can be defined as growth or the better performance of an enterprise. Yet, it is not strategically planned with performance measures nor with detailed objectives how to reach the growth. Furthermore, this research reveals that the sampled SMEs focus on secondary value-capturing, meaning the results of practicing business development are most likely the introduction of a new service or product and/or the supply of a new customer need. Next to that, it was found that the improvement of internal processes is the second foci, which results in growth through the improvement of the performance. Additionally, it has been found that the environment in which SMEs operate in, does influence the outcome of business development positively and/or negatively, as well as it can be the starting point.

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1. INTRODUCTION

“The meaning and content [about] ‘business development’ and ‘business developer’ is today characterized by much confusion even though they have a prolonged and extensive usage in business life” (Sørensen, 2012, p. 4). Until this state, no explicit definition is provided for this term. However, reviewing several definitions it becomes clear that it has something to do with growth of an enterprise (Klumpp & Koppers, 2009; Sørensen, 2012; Davis & Sun, 2006). As it is also clarified by Sørensen (2012) no “consistent picture [is there] to guide us in our understanding what effective business development actually is” (p. 10). Therefore, the purpose of this study is to explore the newly emerging topic, more precisely the results of business development (BD) in small and medium-sized enterprises (SMEs).

The present literature mainly focuses on specialised industries, such as the information technology or the biotechnology (Sørensen, 2012; Kind & zu Knyphausen-Aufseß, 2007; Davis & Sun, 2006). In order to fill this academic gap the focus within this study are small and medium-sized enterprises as unit of analysis. This can be reasoned with the fact that mostly SMEs do strive for innovation and development, as well as they do possess an important role within the economy (Cosenz & Noto, 2015). In the book of the Organization for Economic Cooperation and Development (OECD) it is outlined that in the European Union SMEs are employing in the private sector more than a half of the total labour force (OECD, 2014). Hereby, it is expected to get a broader picture about business development results within different industries.

The focus on results of business development is set due to the fact, that exploring the future and eventually probing new emerging potentials is essential in this ever changing environment. It has to be probed “when and where business development activities actually contribute to successful growth opportunities and business profitability” (Sørensen, 2012, p. 10). Meaning, it has to be questioned what is successful growth? What can be expected to be the outcome of practicing business development? What is reached and what is aimed for, when thinking about business development? Often it is talked about the activities of business development which generate growth (Davis & Sun, 2006), or skills an entrepreneur has to have to generate growth (Sørensen, 2012). However, there is a gap in the literature what actual growth results are.

It is outlined that business development is based on “business objectives for success” (Forsman, 2008, p. 608), in order to ensure that the enterprise is arriving at their goal in the most effective and efficient way. Therefore, during this research one has to distinguish two different types of results, namely the desired results and the actual results. Whereas, the desired results are the results which are expected or aimed for by the company, when thinking about business development. Actual results can either match the desired results or they can differ from them, due to external or internal influences.

The “globalization and information technologies have made the economic landscape more transparent and the customer smarter, more demanding and networked” (Kukushkin, Otto, & Howard, 2015, p. 544). It is displayed that the environment is ever changing in the business landscape, thus it is interesting to probe if such factors are influencing the actual results of business development. Secondly, the strategic response/planning will be explored as an influencing factor

on business development results. “It is not enough to have many skills, if you lack the skill to meaningfully organize them for the particular business context” (Sørensen, 2012, p. 3).

In a nutshell, one can say that there is a need to find out what results of business development are and what can be factors influencing those.

1.1 Research Questions

On the basis of the urgent need to explore the phenomena of business development, the following research question is formulated and expected to be answered:

What are the results of practicing business development in SMEs in Germany?

Furthermore, the following sub-research questions will be addressed:

(1) What are the desired and actual results of business development?

(2) Which factors are affecting the actual results?

Answering those research questions will contribute to fill the theoretical and academic gap within business development. Further, it is expected to contribute to a better understanding of business development, and to enhance the most effective and efficient way to conduct it in small and medium-sized enterprises.

2. LITERATURE REVIEW

The study of business development is still in an early stage, this has the consequence that academic literature is hardly present. However in the following, four overarching topics according to BD will be reviewed, namely (1) business development in relation to the better performance and growth of an enterprise, (2) the new emerging topic of Business Model (BM) sophistication, (3) the changing environment, and lastly (4) the strategic response, as they all can be put in some degree in correlation with the results of business development. Those topics were selected due to the repetition in existing literature about business development. Furthermore, among those topics a mutual interference is expected to be present.

2.1 Business Development and the Better Performance and Growth

Generally, the goal of business development can be categorised as “the better performance [of a company] from someone’s point of view” (Forsman, 2008, p. 608). In SMEs this someone is most likely the entrepreneur, due to the fact, that the development results from strategic choices of the entrepreneur (Hambrick & Mason, 1984). Klumpp and Koppers (2009) investigated several definitions of business development and came up with the fact that, “they all have it in common that through business development functions opportunities for growth are to be analysed and [...] realised” (Klumpp & Koppers, 2009, p. 1). Concluding, the outcome of business development can be defined as generally the better performance or growth of an enterprise.

However, having a closer look at growth it can be identified as broad objective. Klumpp and Koppers (2009) approach to divide the growth of an organisation into four subcategories,

which are closely linked and can be found in every business development project. The four subcategories are (1) sales, (2) profit, (3) product quality, and (4) service/ image/ customer perception (Klumpp & Koppers, 2009). Resulting, it cannot be said that growth always equals an increase in sales or profit. Growth can also result from an improved product quality or improved services. Therefore the aim is it to investigate what kind of growth is the result of business development in small and medium-sized enterprises.

Another concept can be used to define growth within companies, namely the Ansoff Product Market Expansion Grid (Table 1). The Ansoff Matrix approaches four different strategies, (1) Market Penetration Strategy, (2) Market Development Strategy, (3) Product Development Strategy, and (4) Diversification Strategy (Klumpp & Koppers, 2009; Kind & zu Knyphausen-Aufseß, 2007).

	Existing Markets	New Markets
Existing Products	<i>Market Penetration Strategy, e.g.:</i> <ul style="list-style-type: none"> ▪ Increase purchase with existing customers ▪ Win customers from competition ▪ Convert non-users 	<i>Market Development Strategy, e.g.:</i> <ul style="list-style-type: none"> ▪ New market segments ▪ New distribution channels ▪ New geographic markets
New Products	<i>Product Development Strategy, e.g.:</i> <ul style="list-style-type: none"> ▪ New features ▪ Different quality levels ▪ New products 	<i>Diversification Strategy, e.g.:</i> <ul style="list-style-type: none"> ▪ Through organic growth ▪ Through acquisition ▪ Through joint venture

Table 1: Ansoff Product Market Expansion Grid (1957), retrieved from Klumpp & Koppers (2009)

Those four strategies and their belonging actions can be identified as the “major base and concept in business development” (Klumpp & Koppers, 2009, p. 2). For instance, the product development strategy can be defined as desired result and the resulting new product itself can be identified as an actual result. Hence, the strategies can be seen as the mean to an end to reach growth, and the resulting actions and implementations are the growth itself.

Further, it is stressed that performance measures are fundamental to ensure the success of the development approach (Forsman, 2008). Implementing performance measures has two main goals, namely, (1) linking the development objectives and goals with the ones from the enterprise, and (2) to establish a set of targets for the business development activity (Grünberg, 2004). Forsman (2008) took this approach even further and mentioned that meeting the goals, set for the development activities, is a measurement of success. Meaning, if SMEs are having a desired set of results for business development and they are constantly monitoring the pathway towards those, it can be assumed that BD is carried out successfully. However, it is also mentioned that in small and medium-sized enterprises the entrepreneur’s values and beliefs do affect those objectives, and thus this

individual can be seen as the main role in defining the success or failure within the business development (Forsman, 2008).

Summing it up, when thinking about business development results it can be expected to be some kind of growth of the enterprise. Further, to arrive at the growth it is interesting to see whether an enterprise has objectives and performance measures as guiding tool. However the main focus is set on the two concepts of growth namely, the growth subcategories (Klumpp & Koppers, 2009) and the Ansoff Product Market Expansion Grid (Klumpp & Koppers, 2009).

2.2 Business Development and Business Models

As well as business development, the dynamics of business models are an emerging topic within the study of strategic management. Reviewing current literature leads to one main assumption regarding business development and business models, that a sophisticated business model can be a result of business development. In the following the pathway towards this assumptions will be illustrated.

In the study of Mason and Spring (2011) business models are defined as analytical framework. The purpose of the framework is to provide managers with the “understanding between individuals, groups, and organisations of what the situations is in order to ‘work out’ what is to be done” (Mason & Spring, 2011, p. 1039). Taking it further, the authors shape business models as something that managers do, in a manner that they balance change and stability, as well as innovation and risk (Mason & Spring, 2011).

Nevertheless, Kesting and Günzel-Jensen (2015) are bringing up another viewpoint towards business models, as they outline that SMEs can use sophisticated business models as strategic option. The authors define business model sophistication as “the realization of secondary value-capturing opportunities beyond the main business” (Kesting & Günzel-Jensen, 2015, p. 286). Explaining this further, one can understand the possibilities of secondary value-capturing as a part of the firm’s business model, which has a direct effect on the firm’s profit (Kesting & Günzel-Jensen, 2015). The research of Kesting and Günzel-Jensen (2015) stresses that business model sophistication is not equal the increase in sales of the major business, instead it is the ability of identifying and realising of new revenue streams. This again can be seen as growth, and consequentially it can be defined as a result of business development.

Kesting and Günzel-Jensen (2015) define the goal of sophisticated business models as “increasing the firm’s revenue and/or decreasing their costs beyond the traditional business logic including valueholders” (p. 289). Next to that, the authors identified three pillars on which the approach of business model sophistication is build: “(1) the introduction of a new product/service, and/or (2) the supply of a new customer need, and/or (3) the introduction of new valueholders” (Kesting & Günzel-Jensen, 2015, p. 289). Elaborating on the introduction of a new valueholder further, they can be defined as silent benefiter of a company. The introduction of a new valueholder is the establishment of a formal relationship with those customers (Kesting & Günzel-Jensen, 2015) and thus a new revenue stream is the result.

As all three pillars are introducing something new to the enterprise one can assume that all can be defined as growth. Therefore, the pillars can be three distinctive possible results

of practicing business development and are next to the above mentioned growth concepts in the focus of this study.

2.3 Business Development and the Changing Environment

Moreover, the better performance, respectively the development of a business, can also result from the structural characteristics of the external environment (Eisenhardt & Schoonhoven, 1990). The environment of small and medium-sized enterprises can be determined as a potential factor which influences the outcome of business development.

After reviewing the current literature one can come up with a list of main causes for change in the business environment:

- i. disruptive technologies (Thukral, et al., 2008)
- ii. an emerging exploitative competition from emerging countries (Thukral, et al., 2008; Bianchi, Marinkovic, & Cosenz, 2013)
- iii. a change in the production industry, towards a combination of production and service (Tan, 2010)
- iv. the ability from large-sized firms to exploit both efficiency and cost-savings (Bianchi, Marinkovic, & Cosenz, 2013)
- v. customers become more micro-specialised through new technologies and thus demand and know more (Kukushkin, Otto, & Howard, 2015)
- vi. emerging “knowledge-based economy, open-innovation paradigm, steadily rising innovation dynamics, as well as the feedback loop” from customers (Yun, et al., 2016, p. 144)

Along with those new fields of interests, new opportunities and threats come up for SMEs. However, “firms recognise [the] opportunity but far fewer recognize the pathway to capitalize on this knowledge” (Thukral, et al., 2008, p. 102). That means, even though firms are aware of the fact that they are currently in an environment, which requires to practice business development, they are unqualified to do so. There is a need that entrepreneurs improve their potential to recognise the signals of change and their prospects (Cosenz & Noto, 2015). Furthermore, Thukral et al. (2008) outline that ordinarily the opportunity outweighs the risk firms are taking. This can be supported by Cosenz and Noto (2015), as they display that, change and signals of change can threaten the survival of a business. However, if they are noticed and managed in an early stage, they can be seen as an opportunity and promote business development.

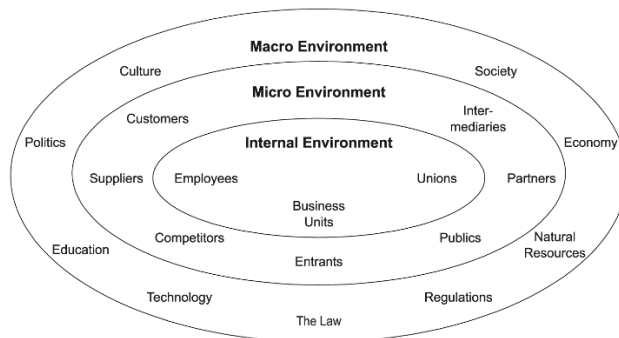


Figure 1 - Environmental Levels (GONG, 2014)

Overall, an enterprise faces three kinds of environments, namely the macro-, micro- and internal environment (Figure

1 - Environmental Levels). The above mentioned environmental changes can be mainly categorised as changes either in the macro- or micro-environment. For instance, the disruptive technologies, and the industry change are belonging to the macro environment. The changes within the customers and competitors can be categorised to the micro environment.

Within business development results it is expected that the environment is an influencing factor. It has to be explored whether indeed the literature provides an appropriate overview of the changes in the environment of small and medium-sized enterprises, which influences the business development results. And secondly whether it can be held true that SMEs are unable to capitalize on those changes.

2.4 Business Development and the Strategic Response

As above mentioned, development is a result of the strategic choice of the entrepreneur (Hambrick & Mason, 1984). Nonetheless, Forsman (2008) also displays that mostly “SMEs do not have a strategy” (p. 607), they are generally based on the entrepreneur’s know-how and expertise (Forsman, 2008). Further, it is assumed that entrepreneurs in SMEs do have adequate technical and industry specific knowledge, but are lacking on managerial skills and practices (Maes, Sels, & Roodhooft, 2004). Yet, “strategic planning is the attempt to prepare for future contingencies and thus to account for environmental dynamics and complexity” (Kraus, Reiche, & Reschke, 2007, p. 3). It is explained that strategic planning is a guiding tool to arrive at particular goals and visions (Kraus, Reiche, & Reschke, 2007). Therefore, the strategic planning can be another possible factor influencing the results of business development. As it is also outlined by Berry (1998) that “the entrepreneur’s personal goals, characteristics and strategic awareness will all significantly impact on the development of the business” (Berry, 1998, p. 456).

Berry (1998) established four distinctive types of planning, namely, (1) the non-planners, (2) the formal financial: non-strategic planners, (3) the formal financial: informal strategic planners, and lastly (4) the formal strategic planners. Every level can be defined with a different degree of planning characteristics, still not every firm will go through every stage of planning (Berry, 1998). It is interesting to pinpoint that “negative or zero growth in turnover was apparent in non-planners” (Berry, 1998, p. 461). Even though, it is outlined that it is important to develop objectives and strategies to steer the long term development of the firm (Berry, 1998). Concluding, any type of planning can be assumed to positively shape the entrepreneurial success (Kraus, Reiche, & Reschke, 2007), respectively the success of business development. Success in this term can be already reaching the desired results of business development.

Yet, as investigated earlier the present environment is ever-changing, thus it can be questioned if it is possible to plan sufficiently to arrive at the desired results of business development. Kind and Knyphausen (2007) are determining the business development function as a dynamic capability. Whereas, dynamic capabilities can be defined as “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Teece, Pisano, & Shuen, 1997, p. 516). Moreover, Cosenz and Noto (2015) introduce the “dynamic”

perspective. It is talked about a ‘cause-and-effect’ perspective, in which one understands the dynamic relationships in the environment and resulting benefits from a deep learning process (Cosenz & Noto, 2015). This leads to the assumption that SMEs have to incorporate flexibility and dynamics within their strategic response to arrive at their results of business development.

Summing it up, it has to be investigated whether strategic planning indeed influences the results of business development. Meaning, it has to be probed if it can be held true that non-planners are not arriving at their desired result of growth. Or if business development is rather a dynamic capability, and thus it is essential to understand the dynamics in the environment and to individually respond to them in order to reach the desired results of business development.

3. METHODS

In the following the line of actions to gather data will be defined. Addressing, the (1) subjects for study, (2) the measurements, (3) the data collection methods, and lastly (4) the type of analysis.

3.1 Subjects for Study

As already outlined the subjects for this study are small and medium-sized enterprises, more precisely, the individual in charge of strategic decisions, regarding business development. As SMEs are defined with a size up to 250 employees, it can be assumed that the CEO is in charge for decisions (Gils, 2005). Hence, either the entrepreneur or the business developer, if present, are representative to provide the company’s knowledge and practice of business development.

Data was gathered from fourteen companies in mostly Northern and Western Germany. Among those fourteen companies, two SMEs employed a business developer which were interviewed. Hence, the other twelve interviews were conducted with the CEOs of the firms. The geographical limitation is due to travel distance and the time available. As well as service and production companies are included in the sampled set of SMEs, to ensure that all areas are covered.

3.2 Measurements

Mainly, three aspects are a matter for measurement. Firstly, it has to be assessed what is the set of goals/ desired results? This can be, among other possibilities, the improvement of performance, a raise in revenue, the achievement of cost cutting, a successful introduction of a new innovation, etc. Here mainly the four subcategories of growth (Klump & Koppers, 2009), the business model sophistication pillars (Kesting & Günzel-Jensen, 2015) and the Ansoff Matrix (Klump & Koppers, 2009) will be addressed.

Secondly, it has to be investigated what are the actual results/what are the outcomes? Within this aspect there can be either an alignment with the investigated desired results or they can differ from them. Here it has to be pointed out that, during the research it has to be asked for objectives/desired results/goals and actual results, in order to distinguish those and see if they differ from each other.

Lastly, it is a matter of measurement to study possible factors affecting the desired results. Were there environmental circumstances which affected the set of goals, or does a

specific strategic response support the way of reaching the desired outcomes?

Desired and Actual Results	<i>Growth</i>	<ul style="list-style-type: none"> ▪ Sales ▪ Profit ▪ Product Quality ▪ Service/Image/Customer perception ▪ Ansoff Matrix
	<i>BM Sophistication</i>	<ul style="list-style-type: none"> ▪ Introducing a new product ▪ Supplying a new customer need ▪ Introducing a new valueholder
Affecting Factors	<i>Environment</i>	<ul style="list-style-type: none"> ▪ Macro-level ▪ Micro-level ▪ Internal level
	<i>Strategic Response</i>	<ul style="list-style-type: none"> ▪ Flexibility ▪ Planning types

Table 2: Table of Measurements

3.3 Data Collection Methods

Qualitative research is chosen to gather the needed data, in order to answer the research question. This can be reasoned with the gained knowledge from the literature review. As it is outlined that, up to this point in time the academic evidence as well as the theoretical understanding is narrow, one can conclude that the research about business development is still on an explorative level. The purpose of explorative research is to “build theory rather than test it” (Dooley, 2009, p. 253). Since little is known and researched about business development the aim is it to build theory and to fill the gap in the present knowledge.

The data collection is done through conducting semi structured interviews with the representative of the sampled firms. All representatives got the same set of questions, in order to ensure the reliability of the research. As reliability “assesses the extent to which a measure reflects some consistent aspect of people or events rather than random error” (Dooley, 2009, p. 93). However, the respondent and the interviewer are free to guide the interview towards other topics, ensuring that every fact is included in the data collection. Furthermore, the data collection was recorded, due to the fact that it is essential to grasp every qualitative fact and aspect mentioned during the interview. It leaves the freedom to the interviewer to focus on the conversation and gives the possibility to dig deeper into topics.

The used sampling method can be defined as convenience sampling method. It can be explained as a non-probability or non-random sampling method, in which the target group is selected for the purpose of this study (Farrokhi & Mahmoudi-Hamidabad, 2012). This implies that the selected target group does meet certain practical criteria, for instance the willingness to participate, availability of time and easy geographic access (Farrokhi & Mahmoudi-Hamidabad, 2012).

Lastly, it has to be addressed that this research is a part of a larger study. During the interviews further topics regarding the phenomena business development were approached,

concerning the topics of business development perception and incorporation in SMEs in Germany. The data collection is conducted by three different interviewers, with each having four to five interviews. Leading to a larger data set which can be analysed.

3.4 Type of Analysis

In the case of this study the analysis will be based on the Grounded Theory Method (GTM). The three basic elements of the GTM where defined as concepts, categories and propositions by Pandit (1996). Those elements will be used during the open coding, which is defined as “that part of analysis that deals with the labelling and categorising of phenomena as indicated by the data” (Pandit, 1996). Meaning, during the analysis the data is broken down, compared and grouped in order to be analysed.

4. RESULTS

To start with one quote of an interviewed business developer: “Business development is a complex term. Within business development you can do a lot of different things. For me there is not one define definition” (Business developer of a secure company for construction zones, 2016). This statement confirms the general need to further research the phenomena of business development.

Overall the data collection supported some assumptions, however also new striking facts have been found. Generally, it was found that SMEs mostly do not have detailed objectives when it comes to business development. It was most likely to find that the companies in general are aiming at growth or at growth through improvement of the current state.

In the following the results of the different measurements will be summarized, as well as a table with the key information about the sampled companies is given (Table 3).

Company	Industry	Founded	Employees
Advertising Company	Service	1999	20
Electronic installation company	Service	1954	60-70
Communication agency	Service	1979	32
Building company	Production	1932	100
Retailer for groceries	Retailer	2005	121
Retailer for textiles	Retailer	2015	3
Tax consultancy	Service	2014	2
Metal frontage construction company	Production	1979	180
Advertising technology company	Service	1997	7
Secure company for construction zones	Service	2005	6

Web project company	Service	1997	25
Print and advertising technology company	Production & Service	1990	22
Web portal for commercial vehicles retailers	Service/intermediary	2015	3
Public utility company	Production & Service	1976	149

Table 3: Key Information from Sampled Companies

4.1 Results of Exploring Growth and Performance in SMEs

Within growth and the better performance of a company mainly four subcategories were expected to be named during the interview. The data collection reveals that those subcategories are mostly the broad desired results. The expected objectives as guiding tool are in the most companies not present. Out of fourteen German companies only one company makes use of performance measures and detailed growth objectives. However, it is interesting to outline that this company is a public utility company.

Growth Subcategories	Mentioned by
Sales	7
Profit	10
Product Quality	3
Service/ Image/ Customer perception	9

Table 4: Desired Results – Growth Subcategories

Generally, when looking at the four growth subcategories it is clearly identifiable that SMEs have the desired results of an increase in profit or an improved service, image or customer perception. However, it is interesting to mention that only three out of fourteen mentioned an improved product quality.

To start with the subcategory sales, all seven companies which mentioned sales as desired result are aiming to reach this goal through active acquisition. It was stated by one retailer that every new customer is growth. All companies were able to confirm growth, however only one company was able to give a quantitative growth of 15-20% of increase in sales through acquisition. At another company the acquisition of a new big customer resulted in the purchase of a new machine, with which they were able to produce higher amounts of goods and thus were able to sell more. Furthermore, for a service company a partnership led to an increase in sales.

Secondly, ten out of fourteen companies correlated growth with the increase in profit and defined this as their desired result. Again, only three out of ten were able to provide a percentage of growth in profit over the last year.

Next the product quality, only three SMEs mentioned that they improved their product, however five SMEs improved to

some degree their production or controlling process in order to reach growth.

Summing it up for the service/image/customer perception domain, five companies mentioned that they invest in employee training. Three SMEs aim at increasing the customer perception, through the improvement of the webpage or the improvement of the current marketing. One company aims at both objectives, which again is the public utility company.

Furthermore, determining the second concept to measure growth the Ansoff Matrix. The four strategies have been displayed and the respondent was supposed to name the strategies which they define as business development. The table below displays firstly which strategies have been perceived as business development, and secondly it displays how many companies actually conducted those. It has to be mentioned at this point that the tax consultancy is not included into the count, due to the fact that the company was not able to relate to the strategies.

<i>Ansoff Matrix Strategies</i>	<i>Perception</i>	<i>Conducted</i>
Market Penetration Strategy	7	2
Market Development Strategy	12	4
Product Development Strategy	11	8
Diversification Strategy	9	0

Table 5: Desired and Actual Results – Ansoff Matrix

Determining the sampled SMEs it is interesting that mostly the interviewees perceive the market development strategy and the product development strategy as business development. Yet, extracting the needed information from the interviews it is clearly identifiable that they mostly have the product development strategy as result of business development.

To start with the market penetration strategy, the research reveals that two retailers are conducting it. By one company it was mentioned as the ultimate goal of business development and by the second company it was explained that marketing is the base of business development. When it comes to the market development strategy, two companies mentioned that they expanded their geographic area as a result of business development. Additionally, one company mentioned the establishment in a new market segment as current business development activity. Whereas, one retailer plans to shift their haulage towards Eastern Europe, in order to save money. The same retailer also mentioned that for their company the product development strategy, more precisely the product development itself is the one of a few growth opportunities which is applicable. As displayed in the table above the SMEs do perceive the diversification strategy as growth opportunity however are not conducting it.

Lastly, it has to be added that two SMEs further mentioned that making the company smaller is also business development. Another CEO outlined that profit should not be the focus of business development, rather the improvement of the process, product and service, which will then naturally result in an increase in profit.

4.2 Results of Exploring Business Model Sophistication in SMEs

When it comes to business model sophistication the outcome of the data collection is straight forward. Eight out of fourteen companies introduced a new product or services, and six out of fourteen were able to supply a new customer need. Elaborating more on it, it was found that three companies out of eight introduced a new website or online shop. Furthermore, five companies extended their production line with a new product. When it comes to the supply of a new customer need, a start-up mentioned explicitly that value creation for customers is in the focus of their business development. However, often a supply of a new customer need is done through the introduction of a new service or product.

<i>Business Model Sophistication Pillars</i>	<i>Conducted by</i>
Introduction of a new product/service	8
Supply of a new customer need	6
Introduction of a new valueholder	0

Table 6: Actual Results – Business Model Sophistication Pillars

Yet, it was also found that one out of the eight companies which introduced a new product or service had to reject the new product. It has been rejected due to external technological developments and market conditions, thus the business development could not be conducted successfully. Meaning the company did not reach their desired result, of adding a product to their service.

4.3 Results of Exploring Environmental Change in SMEs

When looking at the environment it is clear to identify that SMEs are facing a dynamic environment. One cannot pinpoint any environmental level that is more influencing than another one. However, it is interesting to line out that several interviewees replied with no to the direct question, whether environmental influences were given. Even though when looking at the data of the interviews one can identify given changes and influences.

<i>Environmental Levels</i>	<i>Mentioned by</i>
Macro	8
Micro	8
Internal	7

Table 7: Influencing Factor – Environmental Levels

Having a closer look at the environmental changes, it can be said that the main list of causes in changes in the environment from the literature review can be confirmed. Within the macro level mostly governmental regulations have been named. Further economic changes could be identified, however those were mentioned as positive as well as negative influencing factors. For instance it was mentioned twice, by companies out of the building branch that the current building market is booming. Meaning, that the economic circumstances are giving those companies the basis to capitalize on it and grow further.

Going over to the micro level in which environmental changes are possible. Service companies are facing the fact that they try to add a product to their service, in order to grow and stand out next to the bigger competition. Further, it was mentioned by three interviewees that customers are included into the business development process. Resulting in the fact that customer feedback is and could be an influencing factor. Taking an interviewed start-up as example, customer feedback is the main source of changes in business development, or even the starting point of BD.

A new interesting fact that was not outlined by the literature is within the internal level. Half of the sampled companies are facing some kind of a labour problem. Mentioned was either the fluctuations in labour or the shortage of human capital in combination with the difficulty to find appropriate employees. It was said by one CEO of a service company, that a company is only able to develop if the human capital is given.

Another fact that has been found which was not outlined by the literature is that changes in the environment can be indeed the starting point of business development. For instance, one advertising company mentioned that they had to add the social media services due to the technological changes and the customer demands. Thus, first the change of media appeared and the business development within this firm was reactive to it. As well as the mentioned company which had to reject their new product, the development started due to changes in the environment but again it has been rejected due to changes in the technology.

4.4 Results of Exploring the Strategic Response/Planning in SMEs

Generally, it can be confirmed that “SMEs do not have a strategy” (Forsman, 2008, p. 607). Reviewing the collected data it reveals that in the most cases business development is not strategically planned, financial objectives are to some degree given by most companies. Yet, all companies were able to provide examples of reaching business development goals and rather see business development as flexible task.

Only, two companies out of fourteen outlined that they are having clearly defined strategic targets and milestones. Additional, one out of those two has performance measures to ensure the right pathway toward the strategic target. Another company strategically plans to some degree business development and has the ambition to do this more extensive. Yet, the CEO outlined that the management has to deal with an overburden of day-to-day activities that the strategic planning for business developments has shortcomings. The solution to this problem is the current search for a project manager, in order to give the CEOs the possibility to concentrate more on their strategic management and activities, such as BD.

<i>Planning Types</i>	<i>Mentioned by</i>
Non-planners	1-2
Formal financial: non-strategic planners	4
Formal financial: informal strategic planners	4
Formal strategic planners	3

Table 8: Influencing Factor – Planning Types

Lastly, in the interviews the flexibility of business development was addressed. Eight out of fourteen confirmed that business development is flexible/ very flexible. One interviewed business developer even said that business development is sometimes too flexible. One company out of those eight mentioned that the process is flexible, however this flexibility is constrained by the employees. This again was the public utility company, which was reasoned with the fact that long-term employees are resisted to change. Furthermore, one company out of the fourteen said that the business development in their tax consultancy is rather static.

5. DISCUSSION AND CONCLUSION

5.1 Discussion

To start with, generally the fact that business development is “the better performance [of a company] from someone’s point of view” (Forsman, 2008, p. 608) can be confirmed. As all SMEs mention growth or the improvement of the current state as desired result of business development.

However, the first striking fact that has been found is that SMEs do not make use of detailed objectives nor do they use performance measures in terms of business development. Rather broad objectives are present in the companies, for instance the acquisition of a certain amount of new customers to increase the sale. A conclusion can be drawn when correlating the performance measures with the strategic response. It was found that SMEs do not strategically plan for business development. Meaning, when there is no plan no performance measures can be included into the process. More than the half of the sampled SMEs do see business development as a flexible task. This leads to the assumption made by the literature that, business development can be seen as dynamic capability. It is described by Cosenz and Noto (2015) as ‘cause-and-effect’ perspectives, this perspective can be clearly identified within the sampled companies. A growth opportunity comes up and the SMEs are reacting to it, instead of strategically planning ahead to realise growth through opportunities. Whereas, this again can be put in correlation with the environmental influences, as it was found that companies start business development activities as reaction to environmental changes.

Summing it up, on base of this research it can be assumed that performance measures or detailed objectives are not part of the business development process in SMEs due to the fact that it is not a strategically included part of the company.

Secondly, it is clearly identifiable among the sampled companies that growth is the result of business development. The outcome of this research provides evidence that the four subcategories of growth named by Klumpp and Koppers (2009), as well as the Ansoff Matrix and business model sophistication (Kesting & Günzel-Jensen, 2015) are reflecting the elements of growth in SMEs.

However, it has to be pinpointed that only three companies outlined that an improved product quality is the desired result. It would be interesting for further research to investigate if the number would increase with an increased sample size. Yet, on the basis of this research it can be said that sales, profit and service/image/customer perception are determined as more desired from SMEs. Furthermore, it is interesting to outline that even though only three companies named an improved product quality as desired result, eight companies introduced a new product or service within their business development

activities. This data draws the conclusion that a sophisticated business model is indeed a result of business development. Meaning, that for SMEs secondary value-capturing through a product/service introduction or a supply of a new customer need are actual results of business development. The opposing data could be reasoned with the fact that SMEs often have a focused product or service as their main business, which has assumingly already a high quality level because the business is built on it. Secondary value-capturing is widening the business and builds a new revenue stream and thus it is an increase in profit which is a desired business development result in SMEs.

Furthermore, another interesting point to look at are the results of the Ansoff Matrix. It is clearly identifiable that when asking about the perception of business development mainly the sampled SMEs are thinking about market development strategies and product development strategy. However, when having a closer look at the data it reveals that they rather conduct the product development strategy. Most likely this can again be reasoned with the fact that the sampled SMEs are working efficiently in their market and thus they try to exploit it further. That they do not conduct the market development strategy as often as the product development strategy could be correlated with the labour shortage mentioned by the interviewees, especially in the service industry. Since, market development strategy among others also includes new geographic areas, meaning that skilled labour needs to be present to supply the demand in the new market. Another reason could be that it is too costly for SMEs, especially young ones, to establish themselves in a new market.

Additionally to the growth concepts, the improvement of the internal processes have been named by five companies as business development results. The improvement of internal processes has not been part of the reviewed literature, meaning there is a need to add a dimension of growth. SMEs do believe that business development is not only a matter of sales, products and profits rather it is also a development internally. This can further be supported with the fact that nine companies mentioned an improvement of the service/image/customer perception as desired result. Five companies have the businesses development result of investing in employee trainings to improve the service.

Another fact that has not been an extensive part of the literature is that, two companies mentioned that making the company smaller is also business development. "But business development is not limited to expanding a firm's portfolio, also reducing a portfolio can be a task [in] business development" (Klumpp & Koppers, 2009, p. 1). For further research it could be interesting to investigate what the actual results of making the company smaller are, in correlation to business development.

The last interesting fact within the growth measures is that, no sampled firm was able to introduce a new valueholder nor do they conduct the diversification strategy. This can either be reasoned with the fact that business development is often not a strategically planned task. However, research and strategy is needed to establish a formal relationship with a silent benefiter, or to follow the diversification strategy. Nevertheless, it could also be reasoned with the amount of sampled companies, that there is only a lack of evidence due to a small sample size, as the other pillars of business model sophistication are indeed a result of business development, as

well as the other strategies of the Ansoff Product Market Expansion Grid.

Summing it up for the growth results of business development in SMEs, within the results it is clearly identifiable that the sampled companies mainly focus on secondary value-capturing, which has the results of introducing a new product or service and to supply new customer needs. The second focus which has not been named by the literature is the development of internal processes. Less common among the SMEs was the market development strategy, yet it is still a result of business development in SMEs.

Lastly determining the affecting factors on results of business development, the strategic response and the environment. When it comes to the environment it is interesting that the data reveals that the interviewees do not always know that there are environmental influences present. This supports the fact mentioned by Cosenz and Noto (2015), that entrepreneurs need to improve their potential to recognise the signals of change and their potentials to capitalize on them. Further, two facts about the environment have commonly be found in the research. Namely, that business development can have its starting point due to environmental changes, however it can be also an influencing factor. The changes which occur and led to start business development were belonging to the macro- and micro-level among the sampled SMEs. Namely, the changes in technology, changes in the economy, and customer feedback. As influencing factor it can be positive or negative, thus it can further enhance the growth or it can stop it. Both cases have been found among the sampled companies. For instance, two companies from the building branch mention as the growth enhancing factor the economic changes, namely the flourishing building market. As growth stopping factor technology was mentioned by a web project company. Those two factors can be both categorized as macro-environmental factors, which had positive as well as negative influence. Accordingly, at this point it cannot be argued that any environmental level can only be a positive or a negative influence, or more or less influencing than another one, as there are too many dynamics and too many components.

Moreover, two interesting aspects came up within the environment namely the labour problem (internal level) and the importance of customer feedback (micro level) which have not been discussed extensively in the literature. Within the literature the customer had a different role than it was perceived during the interviews with the SMEs. It is outlined by the literature that a customer is more demanding and more specialised (Kukushkin, Otto, & Howard, 2015), which can be perceived as a threatening influence on the development. However, it was also mentioned by two companies that the customer feedback is or can be the basis of business development and a positively influencing factor. For instance, one start-up seeks for the constant dialogue with the customers to improve the current state of the company. Secondly, the labour problem has been mentioned by seven companies out of fourteen, which has not been a part of the literature. Yet, this environmental factor has most likely an extensive influence on a company, especially in small and medium-sized companies as they are more dependent on their labour. One quote of a CEO from a service company describes this quite well, as it has been said that a company is only able to develop if the human capital is given.

To end with the strategic response, the assumption made by Berry (1998) that "negative or zero growth in turnover was

apparent in non-planners” (p. 461) cannot be confirmed in terms of business development. As discussed earlier it has been found that SMEs do not strategically plan for business development. It is more perceived as a flexible task with opportunities which come up by chance, thus it can be rather identified as dynamic capability. All sampled companies were able to provide information about successful business development results even though they mentioned that they did not strategically plan for it. Meaning, all companies reached business development goals/desired results no matter to what planning type they belong.

With the benefit of the hindsight it can be said that there is a need to further explore the correlation of strategic planning and business development, namely it has to be explored to what extent companies are more likely to be more successful if they strategically plan for business development. Here being more successful can be already in terms of faster arriving at their business development results, for instance.

Summarizing, among the sampled SMEs it firstly, cannot be held true that the strategic response is affecting the business development results and secondly, it can be held true that the environment is affecting the business development results.

5.2 Conclusion

Generally, it has been found that indeed growth is the result of business development. SMEs tend to focus on introducing a new service or product, to supply a new customer need, or to improve the internal processes. Further, market development strategies are results of business development in small and medium-sized enterprises, however it is assumed to be constrained by labour and financial issues and thus less likely to occur than the other elements. Whereas, a new product or service, as well as the supply of a new customer need or the supply of a new market can be categorised as growth of an enterprise. The improvement of the internal processes falls under the category of performance improvement which leads to growth. Hereby, both definitions provided by the literature can be confirmed. Namely, business development is the better performance of a company (Forsman, 2008), and business development is the realisation of growth opportunities (Klump & Koppers, 2009).

When it comes to the sub-research question about desired and actual results the first assumption has to be rejected, namely that SMEs have detailed objectives or goals as desired results. The interviews revealed that SMEs are generally aiming at growth or improvement of the current state of the company. Yet, it is not strategically plan with performance measures nor with detailed objectives how to reach the growth.

Answering the second sub-research question, it can be confirmed that all three investigated levels of the environment are influencing the business development results. Nonetheless, it has to be mentioned that the environment can be identified as positive as well as negative influencing factor. Outlined by the literature (Cosenz & Noto, 2015) and confirmed by the research, CEOs of SMEs are lacking on skills to capitalised fast enough on the changes. This leads to the conclusion that business development often has a reactive role within the company. Were results could have been reached earlier if the management would have recognised the change. Another fact that has been revealed within the environment is that, it cannot only be an influencing factor, it can also be the starting point of business development.

Secondly, the strategic response to business development is be determined as affecting factor. This research provided evidence about the fact that business development is not strategically planned, as mentioned above, yet the sampled SMEs were able to provide information about business development results in growth. Meaning, it still has to be question whether strategic planning does influence the business development, whether a more effective and efficient way to reach the results is given with strategic planning. Up to this point the collected data rather provides evidence about the fact that business development is a dynamic capability. Consequently, it is rather seen as a ‘cause-and-effect’ learning (Cosenz & Noto, 2015), in which strategic planning is not always applicable.

5.3 Recommendation for Practice and Theory

On the basis of this research, SMEs in Germany can be recommended that a more strategic approach, or rather a proactive approach towards business development could most likely balance the environmental influences. Further, it would enhance a more effective and efficient way to reach and define goals of growth.

This research is conducted in an explorative manner and thus builds the ground for further research about business development. Firstly, it would be interesting to investigate whether the low amount of responses in product quality, in the introduction of a new valueholder, as well within the diversification strategy can be reasoned with the small sample size. Or rather that those three elements are not reflecting the results of business development in SMEs. Secondly, there is a need to extent the definition and understanding of results of business development in terms of growth, as not all dimensions are covered by the literature, namely adding the dimension of the improvement of internal processes. Next, it would be interesting to explore further the results of business development in terms of making the company smaller. What does it mean for SMEs to get even smaller, would it be in terms of downsizing, focused markets, shortening the production line etc.? Lastly, as already outlined the correlation between strategic planning and business development results requires further research.

6. LIMITATIONS

This research has three main limitations, firstly this research is done on such an explorative level that it provides not enough evidence to draw define conclusions, rather it produces the platform for further research. Secondly, the data collection was done by several individuals, which can lead to different foci during the interviews. Lastly, only companies in Northern and Western Germany were interviewed, a more reliable outcome would be present when all areas of Germany would have been covered. Possible differences in culture could influence the result in this research.

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9. APPENDIX

9.1 Semi-Structured Interview Questions

General Questions

How would you describe your company? (In terms of growth, position in the industry, philosophy, vision, mission, goals, etc.)
In which year was the company founded?
How many employees does the company have?
Which of these descriptions fits best with the current situation of your company? (Show the descriptions of life cycle stages by Kazanjian, excluding the titles)
In how many different markets are you active? (industry, country)
What is your core business?

Business Development Perception Questions

How do you aim at improving current firm performance?
What do you think when you hear business development? What does business development mean?
Who (departments) is included in business development in your company?
What is the goal of business development?
What role does business development play?
Do you think business development is important? Why?
Do you think that it is important for every company? Why?
Which of the following items do you relate to business development? And how?
Growth (show Ansoff matrix)
Which of these four quadrants do you relate to business development?
What are the biggest sources for growth?

- Identification of opportunities
- Creating Value
- Developing Products and technologies (and commercialization of these)
- Building and maintaining relationships with customers, partners and other stakeholders
- Corporate Entrepreneurship (Maybe a definition?)
- Co-operations (mention different types of co-operations?)
- Mergers & Acquisitions (M&A)
- Introduction of a new product/ service
- Supply of a new customer need
- Introduction of a new valueholder
- Other?

How does business development influence the business model?
To what extent does business development change the business model?
Can you give some examples of business development - growth activities - (growth, product development, expansion, etc.) projects in your company? (Give examples)

Business Development Activity Questions

Is there an official task description for business development? If yes, what is the description?
Are there more people working on business development? (resource allocation)
Are there meetings taking place? / How many?
What are the steps you take towards growth, expansion, NPD, etc.
What does the business development process/activities look like? (possibly with a recent example of a business development project)
How flexible is the process?
To what extent are objectives or goal setting important for business development?
Do you actively search for new growth opportunities? If so, how?
How do you evaluate different growth opportunities?
How do you aim to implement growth strategies?
Do you make use of your network? How?
Do you outsource (parts of) the business development process?
How are you planning to deal with ...?
Have you acquired other companies?
Have you established joint ventures?
What are the greatest challenges regarding business development?
What are ways to increase the effectiveness of business development efforts?
Which skills are important for a business developer?
What managerial skills are needed for business development?
What are your planning activities to carry out business development?

→ (1) No objectives or strategies? (2) financial goals or objectives? (3) long term financial objectives and informal strategic planning/ objectives? (4) formal explicit strategy formulation with long term objectives?

**Business Development
Results Questions**

What were your objectives within the recent business development/ growth activities?

What is the average growth in sales over the last 3 years?

What is the average growth in profit over the last 3 years?

What is the average growth in market share over the last 3 years?

How would you describe the increase in product quality over the last 3 years?

How would you describe the increase in customer satisfaction over the last 3 years?

Were there any environmental factors during the recent business development activities?

Macro-, micro-, & internal environment?

How did they influence your goals?
