

How Do SMEs in Germany Incorporate Business Development?

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ABSTRACT

As the term “Business Development” becomes more popular, it is crucial to identify how it is incorporated among SMEs as those make up for 99% of all enterprises in the EU. 14 semi-structured interviews have been conducted in order to find out which activities SMEs utilize, how these are organized and coordinated. Results show that activities vary with different organizational goals and respectively chosen process designs. Most of the analyzed SMEs conducted business development using projects which may either target a performance improvement or an extension of the mode of operation. Activities related to performance improvements were predominantly marketing or process optimization activities while in order to extend modes of operations SMEs stated to screen their markets. It remained unclear how opportunities are found and evaluated as SMEs did not actively search but rather reacted when an undesired situation came up. Only very few cases showed the appearance of a fixed process in order to identify, evaluate and implement growth opportunities. Further, SMEs did not have a job description, nor did most of them assign labor to conduct business development. Also, almost no planning activities took place. However, it can be assumed that with increasing size and age, business development becomes more formalized in SMEs.

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1. INTRODUCTION

“Business Development” is a buzzword that many people often use. A google search in April 2016, showed 349.000.000 results but finding a sound definition is hard as many sources define it differently (Google, 2016). There is a lack of clarity regarding the term and not much research has been conducted in order to uncover the vagueness (Lorenzi V., Sorensen H., 2014). Also, there is not much known about activities that enable business to develop even though it is seen as essential for the execution of a companies’ strategy and an important contributing factor to organizational growth (Gigliano, Vitale, & McClatchy, 2011; Davis C. H., Sun E., 2006). Without having a clear understanding of the concept, it is impossible to assess which activities contribute to success measures of a firm, such as profit or turnover (Sorensen, 2012).

Previous research in the field of business development has often focused on a single industry in a single country. E.g. Kind & zu Knyphausen-Aufseß (2007) and Lorenzi & Sorensen (2014) focused on the biotechnological industry, this research however, may not be universally applicable because of certain attitudes this sector has. Differences may lie in the stage of development that the industry is in or on dependence on R&D. Due to these industry differences, also business development activities might differ. Nonetheless, in general activities for opportunity identification (screening for information, networking), evaluation (due diligence) and negotiation have been defined. Therefore, it is suggested that further research should focus on comparing different industries in multiple countries or including multiple industries in their sample (Davis & Sun, 2006; Kind & zu Knyphausen, 2007). Thus, to further investigate which activities enable business development, this research focuses on small and medium sized enterprises (SMEs) since SMEs make up for 99% of all enterprises in the European Union and drive innovation and growth in all economies (OECD, 2014).

Many recent articles use entrepreneurial activities as a synonym for business development activities or do not define the meaning of development further (Cosenz, Noto, 2015; Kesting, Günzel-Jensen, 2015). Here activities such as developing networks, internal structures and processes, finding the right employees or setting up initial customer bases are stressed. Even though businesses develop during entrepreneurial organizational phases, these activities are to design and launch a completely new business from a very bottom line with a focus on an entrepreneur (Yetisen, et al., 2015). Some activities may also be utilized in established companies, however, in order to develop a SME, a different focus has to be set and different aspects will matter as organizations already lived through the entrepreneurial development stage.

Unlike numerous practitioners claim, developing a business is also not just about increasing sales (Kesting & Günzel-Jensen, 2015). The term itself already relates to a whole business, which usually does not consist of a single (sales) function but multiple functional departments working together to achieve goals effectively (Barnwell, 2007). Therefore, it can be assumed that developing businesses requires knowledge in almost every organizational field and also a deep understanding of the external environment.

The term “Business development” can also not be used as a substitute for growth because not every activity may target growth of a company directly as a different perspective can be derived by describing business development as performance improvement (Salminen, 1995). Yet, growth may be the ultimate goal of business development and can be defined by increasing numbers of profit, revenue, sales, employees, market share or many others (Davis C. H., Sun E., 2006; Sorensen, 2012).

A rough definition of which activities business development may include was delivered by Lorenzi & Sorensen (2014) who define business development as activity of preparation and evaluation of new opportunities that are in line with the overall corporate strategy. This does not exclude the discovery of new innovations which might impact the current strategy. Still, it is crucial to find out which activities SMEs utilize exactly to improve their business performance and to grow eventually, in order to get an insight in how business development is actually performed as part of the theoretical contribution (Grünberg, 2004; Salminen, 1995). For practitioners, an applicable, general framework to develop SMEs might be crafted.

The **research question** therefore is as follows:

How do small and medium sized enterprises in Germany incorporate business development?

- What activities do SMEs in Germany utilize to develop their business?
- How is business development organized and coordinated?

2. LITERATURE REVIEW

Lorenzi & Sorensen (2014) who state that business development is an activity of preparation and evaluation of new opportunities, also emphasis their research may be in line with the dynamic capability perspective because the concept of strategic planning is outdated. This means that research has to be context specific in order to make concepts meaningful (Ethiraj S. K., Kale P., Krishnan M. S., Singh J. V., 2005). However, “Eisenhardt und Martin (2001) use different examples to illustrate their concept; the one that comes closest to BD [business development] is strategic decision making, which they define as “a dynamic capability in which managers pool their various business, functional, and personal expertise to make the choices that shape the major strategic moves of the firm” (Martin, J. A., & Eisenhardt, K. M., 2001, P. 1107)” (Kind S., zu Knyphausen-Aufseß D., 2007, P. 180). “From a managerial and competitive perspective, a recent research by Davis and Sun (2006), points to Business Development as a corporate entrepreneurial capability. It is well known that strong organizational capabilities may be important sources of competitive advantage as they are difficult for competitors to imitate (Amit R., Schoemaker P., 1993)” (Lorenzi V., Sorensen H., 2014, P. 46). Also Sorensen (2012) categorizes business development as a capability, but emphasizes that business development is only one of the many capabilities an entrepreneur must master. Therefore, business development is not only regarded as a set of activities that target growth but also how those are organized by managers. Moreover, a distinction has to be made when it comes to planning or implementing a growth opportunity, as completely different set of skills are required (Lorenzi V., Sorensen H., 2014). Thus, this investigation of the incorporation of business development will be structured regarding implementation, organization and coordination.

2.1 Implementation/ Activities of Business Development

Implementing business development requires the consideration of several factors. Successful implementation does not only refer to activities towards organizational growth but also which tasks are included, which skills are required and how activities are carried.

2.1.1 Tasks

Sorensen (2012) defines the tasks of a business developer into tasks before and after the decision to implement a certain growth opportunity. Before the execution of a particular opportunity, the

first task is to develop a business plan based on a business model for the top management. In order to pursue this task, the business developer has to search for profitable growth opportunities, find necessary data and do due diligence. „This process usually involves close collaboration with the specialist business functions for the retrieval of intelligence that must be integrated for the business model and business plan” (Sorensen, 2012, P. 11). In case the business plan is considered worth pursuing by the top management, the new task of the business developer will be to support and monitor the implementation. The actual implementation will be done by required specialists in the field of the growth opportunity while the business developer coordinates and tries to reduce errors through the in-depth knowledge that has been gathered during the early stages of the process. Therefore, integration and communication among multiple organizational functions is crucial in order to successfully identify and implement growth opportunities. The field of tasks ultimately contributes to the topic of how SMEs incorporate business development as they shape the day to day activities of a business developer.

2.1.2 Product/Market Matrix

A concept that is very frequently referred to when talking about business development activities is the product/market matrix also called Ansoff matrix by Ansoff (1957) (see Fig. 1) (e.g. (Kind S., zu Knyphausen-Aufseß D., 2007); (Koppers, C., Klumpp, M., 2009)). Organizational growth is here differentiated in existing or new products in existing or new markets resulting in four different strategic directions. Competing in an existing market with an existing product is basically concerned with marketing and winning market share while using existing products in new markets is more about developing the new market utilizing different countries or segments. The third option is developing a new product in an already existing market by extending product features or quality levels or developing entirely new products. The last strategic direction is called diversification where firms enter a new market with a new product through organic growth, acquisitions or joint ventures. Reviewing the product/market matrix might be of importance as this model covers many approaches for organizations to grow. Though, this model is very much based on external activities instead of taking an internal perspective.

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

Figure 1: Product Market Expansion Grid developed by (Ansoff, 1957, P. 392) retrieved from (Koppers, C., Klumpp, M., 2009)

2.1.3 Skills and Capabilities

Along with the activities and tasks of business development, of course the people pursuing the tasks have to be considered. Talking about the implementation of business development, the selection of the right human being is of importance as for every

task and position, certain skills, personality traits or experiences support a good performance. Sorensen, in line with multiple scholars (Davis C. H., Sun E., 2006; Martin, 2008) identified a set of skills and capabilities that employees should possess in order to successfully deploy the function of business development:

- practical knowledgeable about the technology, product, customer values, and industry dynamics
- capability to think conceptually and abstract and not just ‘closing deals’
- specialists knowledge from multiple business functions
- experience with both top management and with work in line-functions (Lorenzi V., Sorensen H., 2014, S. 49)

However, in many smaller organizations business development capabilities are not facilitated by business developers who possess necessary skills because of fewer management layers and fewer specialized units (Davis C. H., Sun E., 2006). Business development is therefore often carried out by multifunctional employees.

2.2 Organization of Business Development

Business development activities can be organized in several different ways. Sources of differences may be the structuring of business development among different departments or the processes including all tasks oriented towards planning as it can be seen in a framework developed by Lorenzi & Sorensen (2014) (see appendix A).

2.2.1 Structure

Kind and Zu Knyphausen-Aufseß (2007) identified three configurations of business development determining how established it is within the organization. Business development may be implicit when it lacks any planning and there is no description of what it actually includes, established when its relevance and mission are well known throughout the organization or institutionalized when there is specialized business developers working in a separated organizational department. Whenever business development is implicit, the relevance of it has not been recognized yet. However, likelihood of increasing importance is high. Further, no labor has been assigned in order to live up to business development, it is rather conducted by the management itself, without any deliberate effort. Business development is established when its relevance has been recognized and also an official label and a task description are in place. In case business development is explicitly delegated from the management to a business development specialist and is established as an organizational unit it is called institutionalized (Kind S., zu Knyphausen-Aufseß D., 2007).

According to Dülfnér (2001) and Bleicher (1979), approaches to growth differ with increasing age of the enterprise. In their model the management structure changes from a one man organization to divisional management and ends with an institutionalized approach towards growth at a maturity stage (see Fig. 2). “A firm, especially start-up and young businesses, will first of all try to grow through their core business as this is where the initial know-how will be found. With increasing product differentiation firms will come to a point where they feel that functions, whose main task is to analyze further

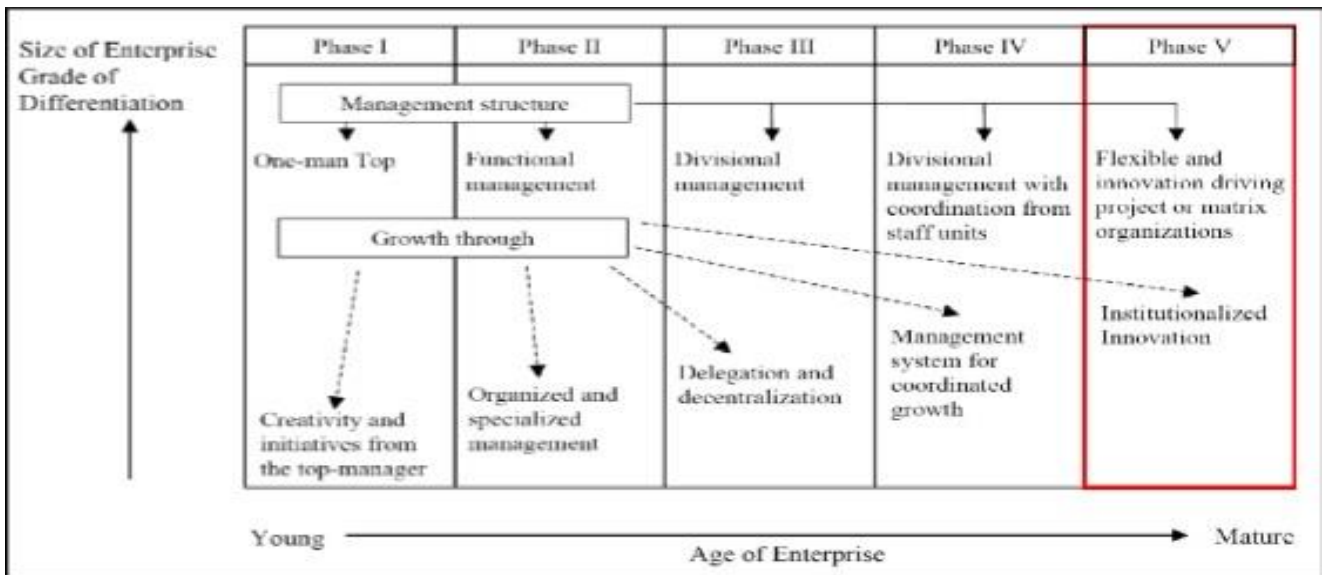


Figure 2: Approaches to Growth (Dülfner, 2001, P. 146) (Bleicher, 1979, P. 130)

opportunities for growth, are needed to realize them accordingly (Koenig, 2003, P. 128)” (Koppers, C., Klumpp, M., 2009).

Investigating the structure of business development may reveal its levels of importance or formalization within each organization or reveal a relationship between business development and organizational development stages.

2.2.2 Process

Davis and Sun (2006) identified a business development process called the business development funnel which follows the following steps: Priorities, Blueprint, Build, Take to Market, and Customer Care. “Business developers are responsible for finding opportunities and preparing new business. Business developers provide input into requirements elicitation, help prepare business cases and project plans, contribute to the operational readiness and implementation checklists, and complete project closure and benefits review audits to get approvals of decision teams at different stages of the funnel” (Davis C. H., Sun E., 2006, P. 148).

A different process model has been identified by Kind and Zu Knyphausen-Aufseß (2007) in their case study in the biotechnological industry (see Fig. 3). Business development in their case is a specific business function that is performed following three steps. The first activity is to screen the market and perform networking in order to identify new opportunities. After that, opportunities are evaluated and analyzed for market and financial feasibility, partner profiles and strategic fit with the organization (due diligence). The last step is negotiation, adaption of internal resources and enabling of implementation. Reviewing the process of business development shows which activities are performed in order to facilitate growth.

Identifying a set of different process layouts of business development may allow for a comparison of different approaches in order to develop an optimized process for SMEs in Germany. For practitioners a standardized model for the incorporation of business development may result in increased effectiveness of their activities and therefore more satisfying outcomes.

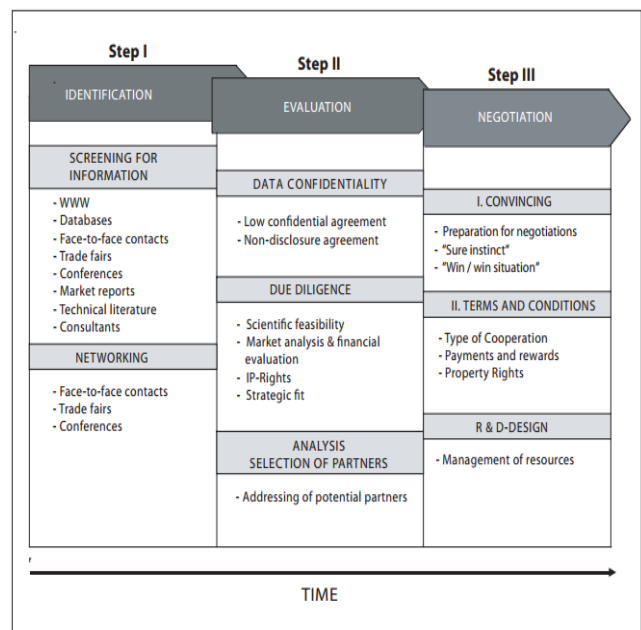


Figure 3: Process of business development (Kind S., zu Knyphausen-Aufseß D., 2007)

2.2.2.1 Business Development Projects

A different method of organizing the process of business development is running processes in project teams. Some early research in the field of business development has been conducted on business development projects which did not focus as much on certain growth opportunities but were defined as projects aiming at improving business operations in terms of effectiveness (Salminen, 1995). To utilize these projects successfully, interactions between strategy, structure, processes and projects have to be understood (Van Der Merwe, 2002). Success can be divided in five success dimensions: entrepreneurial, project preparation, change management, project management and project success. These dimensions seem to interplay synergically, while the basis for good business development projects seemed to be successful entrepreneurial and project preparation activities (Forsman H., 2005). “Those projects can be considered as business development projects only if they are part of the project whose main purpose is to develop a new mode of operation” (Forsman H., 2005, P. 48). This may be a method to utilize the implementation of business development,

as these projects are an activity used to develop businesses with a focus on effectiveness. Therefore, business development projects, opposing to the Ansoff matrix, take an inside perspective towards the improvement of a firms' performance rather than referring to external growth activities as approach to develop businesses.

2.2.2.2 Business Development Routines

Next to fixed process designs or business development projects, also routines are considered as a technique to organize business development activities. Buckman et al. (1998), state that business development is a capability consisting of routines and skills that enable a firm to grow. These routines usually involve processes for identification of opportunities, generation and assessment of ideas, articulation of business concepts, product/service development, commercialization, licensing, internal or external venturing, and acquisition (Buckman, Cardozo, Reimann, & Schroeder, 1998). Those activities are in line with what has been stated earlier, however it adds the perspective of performing business development on a regular basis with fixed sequences of activities. The description of routines within the field of research of business development is a very unique one, as it often times is seen as an important capability that should be carried out by an entire department (see e.g. Kind S., zu Knyphausen-Aufseß D., 2007). These perceptions are not contradicting, though they have never been combined in this field of study.

2.3 Coordination of Business Development

It can be assumed that a big factor influencing the incorporation of business development is the process of coordination and management. Every process has to be planned and managed in order to assure a smooth running.

2.3.1 Managerial- and Planning Activities

“Since business development projects are mechanisms of organizational learning, the greater the degree of variety (innovation) that the firm seeks to produce in order to respond to uncertainty in the environment, the greater the need for supervisory autonomy in the direction of exploratory ventures (McGrath, 2001)” (Davis C. H., Sun E., 2006, P. 148). In an organization every process has to be planned and where people are employed also management activities have to take place. Therefore, considering different approaches of management is necessary in order to identify all factors contributing to a successful incorporation of business development.

One concept to consider is the “entrepreneurial SME management”. This way of management is a method of how development activities are coordinated. Teece (2012) differentiates between a status quo defined by either change or stability. A core issue is to be innovative in a phase of development and therefore developmental competencies have to be acquired. These competencies can be split in three interconnected dimensions: organizational entrepreneurial mindset, organizational learning competences and organizational implementation competences (Teece, 2012). The entrepreneurial mindset deals with a companies' ability to manage risks and uncertainty and to recognize and take advantage of external changes in the environment. Learning competencies are the acquisition of knowledge by employees in order to make the company more flexible and faster in its reactions. Implementations competences concern the actual implementation of steps to reach the goal that has been set and initiates the change process. Investigating the implementation competencies in the course of this research, may reveal activities that are actually pointed towards developing a companies' business. These aspects are supported by findings of Forsman (2005) who also summarizes three central issues: the strength of the intention of the owner-manager, the richness of the

opportunity and the ability to realize and recognize opportunities. “SMEs are manifestations of development processes that start with the firms' foundation and whose management requires entrepreneurial competences. Creating something new, or further developing something that already exists, on the one hand, and stabilizing whatever new element has been created on the other, requires the interplay of entrepreneurial and managerial acting” (Stevenson, H., Jarillo, C., 1990) (Frank, H., Roessl, D., 2015, P. 237).

Another strategic perspective mentioned in business development literature is “strategic-as-practice” and can be explained as an active learning, best described by ‘learning by doing’. Kind and Knyphausen (2007) investigated through literature that “strategizing and organizing are two sides of the same coin”. Thus, one can grasp out of it that thinking of formulating and implementing strategy as distinctive activities is no longer reasonable (Kind S., zu Knyphausen-Aufseß D., 2007). Additionally, the researchers observed that one cannot determine business development similar as strategy-making, rather one can see business development as an operational activity (Kind S., zu Knyphausen-Aufseß D., 2007).

Depending on how organizations see business development, different methods of planning will be chosen. Therefore, it is important to investigate which way of management is most effective, in order to develop a general framework on how the business development process is planned and managed best.

3. METHODS

3.1 Subjects for Study

According to the research question, one has to clarify how SMEs make use of business development. The selection of SME is not restricted, meaning all SMEs can be studied according to the definition of the OECD (OECD, 2014). Therefore firm activities that aim at performance improvement and/or organizational growth and their organization and coordination should be analyzed. In SMEs many decisions are taken directly by the CEO, however sometimes there is a separated department in charge of business development (Wincent & Westerberg, 2005; Kisfalvi, 2002). Thus, CEOs or managers responsible for business development will be subject for this study. Furthermore the focus will be put on 14 SMEs in northern and West Germany. Geographical limitations will appear due to travel distances.

3.2 Measurement

In order to measure how SMEs incorporate business development, activities can be divided in multiple categories as they usually involve processes for identification of opportunities, generation and assessment of ideas, articulation of business concepts, product/service development, commercialization, licensing, internal or external venturing, and acquisition (Buckman et al., 1998; Forsman, 2005). Finding activities in the previously mentioned categories, may show how SME incorporate business development. Furthermore, also the way how these activities are organized, planned or which skills are required will be observed. In the table below the concepts and the respective operationalization can be found (see table 1).

Table 1: Table of measurements

Concept	Operationalization
Structure	Who (departments) is involved in business development in your company? How do you aim at improving current firm performance?
Process/Performance	What are the steps you take towards growth?
Tasks/ Routines	Is there an official task description for business development? If yes, what is the description? What does the business development process/activities look like?
Product/market matrix	How do you relate the Ansoff matrix to business development? Do you relate growth to business development?
Skills	Which skills are important for a business developer?
Planning	What are your planning activities to carry out business development?

3.3 Data Collection Method

In order to collect this data, semi-structured interviews can be used as a method because a lot of information can be gathered in short periods of time as interviewees respond immediately and from face to face (King, 2004). This study is explorative as not much is known about this topic. Therefore each interview should be flexible and allow for questions that might reveal further information contributing to the topic and that the researcher has not thought about beforehand. This method of data collection is called qualitative research, as qualitative data which is rich on information, instead of quantitative, numerical data is collected. However, in order to ensure comparability and therefore reliability, it is important that interviews contain similar, fixed sets of questions. To also ensure validity, the questionnaire will be pretested by letting respondents think out loud to check whether the intended results will be collected. In case the respondents way of thinking differs from what was expected, questions will be rephrased in order to exactly measure the intended concept. Recording the interview enables the interviewer to stay focused on the interview itself and will be therefore added to the method.

Participating SMEs will be selected based on the convenience sampling method. Therefore, SMEs that are easily accessible for the researcher will be used for this research. Furthermore, this study is part of a bigger study, including not only questions regarding activities of business development, but also considering perception and results of business development.

Depending on the outcomes, data can be either used directly by extracting it from notes that have been taken (easy, consistent data) or data points have to be compared and contrasted with certain attitudes that are recurring (complex, inconsistent data). Based on gathered qualitative data, surveys can be designed to collect big, quantitative data.

3.4 Analysis

To analyze qualitative data, depending on the complexity of the results, it is required analyze each interview after the other. For each concept answers will be checked and common results will be noted. Further, data outliers will be analyzed for characteristics such as age, size, industry or others in order to reason why a certain answer differs from the others. Results will be combined in tables displaying similarities and common answers and discussed focusing on implications for the field of study.

4. RESULTS

The results of our interviews show interesting as well as foreseeable outcomes concerning the incorporation of business development in SMEs in Germany. The sample consists of 14 SMEs with employee numbers ranging from two to 180 aging between one to 84 years. Companies have been selected out of multiple different industries. A more detailed description can be found below (see table 2). In twelve cases the CEO or a member of the top management has been interviewed, in two occasions a business developer was in place to provide the answers. Surprisingly, it has been found that with different modes of organization of business development, the implementation and its activities differ significantly. Therefore, against common sense of exploration by finding activities first and then analyze how these might be organized, a vice versa approach will be taken here. Following this order will clarify causal relationships between the organization of business development and its implementation.

Table 2: Sample summary

Company	Industry	Founded	Employees
Advertising Company	Service	1999	20
Electronic installation company	Service	1954	60-70
Digital advertising company	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 production 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

4.1 Organization of Business Development

4.1.1 Structure

The interviews showed that not a single company defined a precise job description for business developers. Nor did the management assign labor to the task but rather lived up to it themselves in eight of 14 companies. In the following table the resource allocation of the remaining six companies will be shown (see table 3).

Table 3: Human resource allocation

SME	Human resource
Print and advertising technician company	Cross functional business development team
Public utility company	Business development department
Digital advertising company	External consultancy
Web project company	Staff position
Secure company for construction zones	Everybody (<i>only six employees</i>)
Advertising Company	Outsourced

Every company that has been interviewed stated that business development is important for them. However, three interviewees recognized that business development suffers from lacking time due to the focus on and heavy presence of the day to day business. Also, it has been noticed that all companies which did not have their top management team living up to business development are some sort of service provider.

4.1.2 Process

During the interviews three out of 14 firms have been identified that had a more detailed approach of a process performing business development which is displayed in the table below (see table 4). However, one of them outsourced their business development completely.

Table 4: Business development processes

SME	Process
Public utility company	1.phase: Evaluation of opportunities and presentation 2.phase: develop product/service 3.phase: implementation
Metal frontage construction company	1.step: Market screening and brainstorming 2.step: Evaluation for integration into the

	organization and concept (prototype) planning 3.step: product (prototype) testing and test offerings 4. step: final product development 5.step: integration into the organization and product release
Advertising Company	outsourced

In the table above it can be found that two companies defined a process in order to develop and one company let this job to an external company. In general, it can be seen that both SMEs follow the same idea setting up a process to find growth opportunities. Both focus on trying to collect ideas from their environment, evaluate these and then develop a new product which in the end will be implemented by including it into their regular product assortment.

Overall three companies had regular meetings to discuss where to improve or to identify opportunities. The remaining companies set up meetings for running projects or when things do not go as planned and realized opportunities by chance and then made a project to put the idea into practice.

Also, companies have been identified that did not follow a fixed process, nor had meetings but set up projects in order to develop their business. Ten companies were found that understood business development projects as activity towards an increase of effectiveness, while eight SMEs implemented projects in order to extend their modes of operation and explored new markets or developed new products. As these numbers sum up to 18, some companies took both of the objectives as goal. Considering either of these two project modes heavily effects the overall goal that the SME is targeting.

None of the interviewed companies classified their business development as a routine activity. The descriptions of procedures were based on projects rather than fixed sequences of recurring activities. Thus, for every opportunity an organization identified, a project was set up. Also the importance of regularity and consistency have never been stressed by any of the interviewees.

4.2 Implementation/ Activities of Business Development

4.2.1 Tasks

During the investigation it became apparent that it has to be differentiated between those companies who perform projects in order to increase current firms' performance and those who try to extend modes of operation as significantly different tasks are required to achieve the goal of the respective project. As defined before, business development projects are an alternative technique of achieving growth aiming at improving business operations in terms of effectiveness and/or have the purpose to develop a new mode of operation (Salminen, 1995; Forsman H., 2005).

Referring to projects that aim at improving current firms' performance, four companies stated that major tasks of the person in charge of business development were marketing, including activities to acquire new customers, optimization of processes (often usage of IT-systems), automatization or staff training.

Projects that aimed at extending modes of operation included to a large extend market screening activities and new product development as stated by seven companies. Also networking and

implementation of customer feedback were seen as sources of new growth opportunities.

As stated above, three organizations did not utilize projects as a technique of achieving growth but designed a fixed process and therefore also practice different sets of tasks. Though, only the public utility company defined a fairly precise task depiction. The role of a business developer is to guide the implementation process and conduct every activity that is required making the process successful.

4.2.2 *Product/Market Matrix*

The interviews revealed that five of the SMEs considered all four quadrants of the Ansoff matrix being related to business development. Three companies related all but the market penetration strategy to business development as they considered this being part of their day to day activities which do not contribute to business development. Opposed to exclusion of the market penetration strategy, four companies related all quadrants to business development but focused entirely on winning new customers. Further they added process optimization, training programs or automatization as source of growth. A public utility company solely related market development to business development while a communications agency only related to product development.

Furthermore, it has been identified that for a very specialized service provider, a tax consultancy, it is difficult to relate to the Ansoff matrix, since often times it is not possible to develop the product further or enter new markets. For the same tax consultancy growth was predefined to a certain extend. Meaning that at some point, the CEO does not want the company to grow further.

4.2.3 *Skills and Capabilities*

Capabilities of a business developer that have been answered by seven of the 14 interviewed SMEs were excellent market and product knowledge, experience in multiple business functions paired with thinking processes that are not only rational but enable the business developer to be more creative in his/her ability to solve problems. Next to these management skills, there have been repeatedly named a few more attitudes during the interviews that a business developer should have. It is important to be flexible and adapt to new situations quickly in order to come up with a tailored solution. Also the developer needs to possess good communication skills to implement changes among employees. For the same purpose the person also needs to be very authentic, empathic, determined and patient as change cannot be implemented immediately.

4.3 **Coordination of Business Development**

4.3.1 *Managerial- and Planning Activities*

The interviews showed that eight of 14 SMEs do not plan their business development. Neither planning activities nor goal setting take place in order to guarantee a smooth process. Two SMEs with each three employees set long-term strategic goals, four SMEs have financial objectives and one SME set financial and strategic goals.

Further, it has been noticed that managing labor has been mentioned as a challenge by eight firms. The challenges regarding labor management had multiple reasons, two companies reported difficulties in making employees change, two other stated problems aligning labor interests with those of stakeholders and the remaining four had trouble finding qualified labor.

5. **DISCUSSION**

5.1 **Organization of Business Development**

5.1.1 *Structure*

As described above, business development may be structured in three different ways following Kind and Zu Knyphausen-Aufseß (2007). The interviews showed great consensus with implicit business development as there was not a single precise job description and CEOs lived up to the incorporation of business development completely by themselves in eight occasions. In six SMEs some kind of staff position, team or external consultant has been utilized to support the top management developing the business. Even though not every company allocated resources to business development, it is seen as important by every respondent.

Recognizing that in between the daily activities there is not sufficient time to build up proper business development seems to be the first step towards institutionalized business development as two of three SMEs who mentioned this situation during the interviews already assigned labor to conduct business development. Also interestingly to notice is that two of those companies are distinctly bigger in size than most of the other SMEs with employee counts of 70 and 149 at an average of 52 employees. Therefore, it can be assumed that with increasing size, the importance of formalization increases. The reason for this may be the general need for more organization in growing firms. As firms grow, the number of employees will increase. Employing more people increases the need for formalization because governance processes that once had been designed for a few employees will become unmanageable. A different argumentation might be that bigger firms often do not have an entrepreneur anymore as part of their top management. For an entrepreneur building up a company may become a large part of their life and they do not want to give up control over it (Forsman H., 2008). Therefore, the strategically important activity of business development might be handed over to a specialized team.

What weakens this argument is the low employee count of the third company, a web project company, which has identified the importance of formalized business development with 25 employees, which is significantly below the average. However, it has been identified by previous research that the web based industry is characterized by its fast pace and continues development (Davis C. H., Sun E., 2006). Thus, in order to keep up to those changes, firms may have to organize their business development more precisely than in other industries. Additionally, three companies that are considerably bigger than average in terms of employees do not structure their business development and have their top management conducting it.

One could also argue, that business development becomes more formalized with increasing age, as two of three companies who identified the need for a more formalized way of business development have a distinctly higher age than the average. With ages of 40 and 62 years with an average of 26 years, only one company was older while the rest averaged at 16 years (excluded the three oldest companies).

Again, the same web project company also weakens this assumption as it is 19 years old and has implemented a separated staff position to conduct business development. Additionally, an electronic installation company identified the need for a separated function, even though it has not been implemented. Therefore it can be concluded, with increasing age, CEOs of SMEs in Germany tend to assign labor to pursue business development, instead of living up to it by themselves. Thus, it can be argued that with increasing size and age business

development becomes more formalized and more resources become allocated directly to it. This result is also in line with previous research which states that at some point firms do not want to solely rely on their core business anymore since products are differentiated to an extent where it cannot be related to the initial know how anymore. Therefore an organizational function to analyze further growth opportunities will be created (Koenig, 2003).

5.1.2 Process

As already mentioned in the results section, two SMEs were found that have a detailed approach to finding new growth opportunities and pursue the process themselves. These approaches are also in line with what previous research suggested. The processes start with the identification of opportunities followed by an evaluation. Only the last step, which is negotiation as suggested by Kind S., zu Knyphausen-Aufseß D., (2007) differs from the interview findings. The difference may be due to industry differences as the just mentioned previous study was conducted in the biotechnology industry which is a lot more R&D based than the industries of the participants of this study. Therefore, it can be assumed that the next step heavily depends on how growth can be achieved in the respective industry. However, in both cases of this study, SMEs rely on new product development as source of growth. As a very last step, products have to be implemented. Nonetheless, during the interviews no precise description of how new products will be implemented have been given.

It has been found that both of the firms are considerably bigger in terms of employee numbers than the rest of the analyzed companies. The average size of all interviewed SMEs in numbers of employees is 52 while these firms employ 149 and 180 people. Therefore, it can be assumed that with increasing size of a firm business development processes emerge. The reason for this may be again the increasing need for more organization in growing firms. Due to larger numbers of employees processes have to be governed in more formalized ways than they have to be in smaller firms. Thus, with increasing size, labor will be assigned to processes in order to hold on to or increase levels of effectiveness of operations, so also for business development. The emergence of fixed processes may also be a result of continues need for improvement. Setting up a fixed pattern may increase effectiveness of finding new opportunities which can be assumed becoming more important with increasing size since competitiveness has to be ensured in larger scales.

While larger SMEs are found to develop a process in order to identify new growth opportunities, smaller firms are assumed to have some other way of developing their businesses. As already mentioned earlier, three companies had regular meetings in order to discuss where to improve or to identify new opportunities, others had meetings for running projects or when things did not go as planned. Three companies having a fixed approach and three companies using regular meetings to achieve the development of their businesses results in eight SMEs that have been interviewed which have no structured approach towards finding new growth opportunities. It can be argued, due to the size of very small SMEs of maximum five employees, that meetings and exchange of information run continuously and informal. Thus, asking those for regular meetings can be misleading. However, it can be concluded that in most SMEs that have been interviewed business development starts on a very reactive or random basis. Companies are not actively searching for growth opportunities but rather have an eye open in case opportunities emerge around their day to day business. The first step of business development therefore, is understood more as an activity of reconsideration of what went wrong and most growth opportunities are discovered by coincidence. Thus, actual

business development may start with the evaluation or even directly with the implementation step, which has been elaborated on earlier, instead of active search for opportunities. In this context it is interesting to notice that four companies stated that major tasks of the person in charge of business development were marketing, including activities to acquire new customers, optimization of processes (often usage of IT-systems), automatization or staff training. These activities seem to be part of the implementation of an opportunity, even though no activities for finding or evaluating opportunities have been mentioned by these four firms. An assumption concerning the missing stage of searching an opportunity may be that opportunities do not always have to be new. Perhaps already identified needs are served over long periods of time and therefore no identification or evaluation of further opportunities is required. Further investigation in the reasoning of this fact is related to tasks of business development. Additionally, ten firms emphasized the importance of market screening activities but none of those actively screened the market. This fact supports the assumption of SMEs not having a detailed approach to start business development with.

Even though SMEs' approaches of incorporation of business development in terms of their process design differ tremendously, no significant differences in their perspectives on business development have been identified. Thus, it cannot be determined whether firms that don't have a fixed process layout or structure perceive common business development activities as part of a different approach. Meaning that for instance SMEs which follow a reactive approach consider market screening activities as part of business development in a fixed process layout and therefore do not conduct it. Hence, it has to be assumed that activities of incorporating business development do not differ with the layout of their process. However, differences in business development activities may be explained by variances in size and age which will be elaborated more on in the following sections.

5.1.2.1 Business Development Routines

The utilization of single projects in order to develop makes each opportunity unique and requires tailored project teams and activities. A more suitable description of business development than a classification in routines based on the data collect during the interviews is as a dynamic capability such as Eisenhardt and Martin (2001) defined it. Following their definition business development is strategic decision making "in which managers pool their various business, functional, and personal expertise to make the choices that shape the major strategic moves of the firm" (Martin, J. A., & Eisenhardt, K. M., 2001, P. 1107). This is in line with eleven of the SMEs that have been investigated since only three of them had a detailed approach for searching and implementing new opportunities. Eight organizations had only their top management using their pooled expertise in order to decide on growth opportunities. Implementing routines however could increase the effectiveness of business development by making it part of the day to day activities. As a result, business development would be carried out more proactively by thinking about growth opportunities, new concepts or products developments on a daily basis instead of having a meeting when things do not go as expected and as a consequence discuss what could be changed. However, none of the interviewed firms considered routinizing their business development in order to increase effectiveness. Instead, three SMEs answered to optimize processes further, three try to achieve better fit with their environment by analyzing markets more detailed and two more plan to further utilize their networks or social media in order to gain more information on changes in their environment.

Pursuing business development more proactively and regularly may provide companies with competitive edge, since it has been identified earlier, that companies often times wait for opportunities to come to them.

5.2 Implementation/ Activities of Business Development

5.2.1 Tasks

Findings of the interviews contradict with previous research which suggested that business developers come up with a business plan considering growth opportunities. If such a plan will be accepted by the top management, the business developers' task is guiding and monitoring the implementation. In fact, none of the interviewees mentioned detailed tasks for identifying an opportunity or creating a business plan, neither coordinating tasks nor processes of error reduction have been mentioned by any of the interviewees. Instead, respondents of this study set up projects after an opportunity was found. Ten companies considered market screening activities, in case their project goal was to extent their mode of operation. Market screening includes tasks such as networking or openness to customer feedback. Still it is not clear how SMEs used or evaluated this input. Further, marketing or process optimization activities have been mentioned in four occasions in case their project goal was an overall increase in effectiveness. The split of interests as well as differences in the business development processes may be explained by size and age. All four companies that mentioned marketing and process optimization as part of their business development activities and skipped the step of finding or evaluating an opportunity as stated in the structural analysis, have employee counts lower than seven and three of four are maximum two years old. Therefore, it can be assumed that their objective is to initially build up a customer base and establish fixed working procedures in order to enable the firm to grow. Thus, very small and young SMEs might have recognized the same opportunity and therefore do not try to find any other. Referring back to the literature, it can be stated that tasks prior the identification of the opportunity have the greater impact on business development since initiating the process of finding the opportunity seems to be the most challenging task.

5.2.2 Product/Market Matrix

Since all respondents related growth in general to business development and five of the interviewed SMEs considered all quadrants of the Ansoff matrix being related to business development this finding shows that every activity that aims at organizational growth is seen as business development. Even though five companies did not count market penetration as one of their business development activities, for most of the companies increasing market shares and sales numbers was the core of their business development because this is the most common way to achieve growth. Four companies even completely relied on winning new customers as their only business development activities. The reason for this may be their age and size. These four firms have less than seven employees and three of them are less than two years old. Therefore, it can be assumed that they are in an early organizational development stage and only try to attain an initial customer base. Instead of already developing their product, which often is the only income, core processes are being optimized. Also product- and market development activities can be cash heavy, which young companies often do not hold. Therefore, strategies of the Ansoff matrix that firms use may depend on size and age of the organization. Obviously, also activities that aim at increasing effectiveness, such as process optimization or automatization, have the ultimate goal of organizational growth and have therefore also been considered as business development. Also the

product they sell and the market they are in play a significant role. In three occasions only either market or product development strategies have been related to business development since either the market or the product could not be developed further.

Moreover, it has been discovered that there is a point where the Ansoff matrix is exhausted. As discussed above, activities that aim at increasing effectiveness also target organizational growth. However, these activities are not represented in the product/market matrix. Merging models of business development projects which initially target increase in effectiveness of a firms' performance with the Ansoff matrix might provide a solid basis for business development practices as internal as well as external activities are combined. This new model could be part of future research. Findings of a tax consultancy showed that market or product development may not be possible anymore because the product is tailored to satisfy a certain need to 100% and has adapted its requirements to a large extend. Additionally, the same case also showed that growth may not be unlimited. The interview revealed that growth was predefined in terms of employee size as the CEO did not want the company to employ more than five people. This limitations reduces the incentives of using either of the four quadrants of the product/market matrix because with limited labor resources it is also not possible to achieve infinite growth in other measures of growth. Restricting this factor means that your employees will be working to capacity which then limits growth also in terms of profit or turnover. The reason for the CEOs attitude may be explained again by an entrepreneurial mindset of not wanting to give up control. By growing further, at some point it would not be possible anymore for a single person to control and monitor every activity. This way of goal setting however, might be critical to the survival of the firm because it may harm the overall development which gives competitive disadvantages.

Not only limited growth, but also lowering numbers of labor has been found to be part of business development. A communications agency explicitly stated that downsizing is part of business development as well. Downsizing in order to develop a business can be explained by taking an effectiveness perspective. Increasing effective performance may enable a firm to perform the same workload using less labor. Therefore costs will be lower and profit higher, which means growth and therefore business development. Downsizing might also be related to shutting down entire departments in case changes in the external environment point out that those are not of importance in the future. These scenarios again show that the Ansoff matrix does not cover every activity that is used to develop businesses, as it focuses on growth only.

5.2.3 Skills and Capabilities

As it can be seen in the table below, skills and capabilities that have been identified by previous research cover to a large extent what has been found investigating 14 SMEs in Germany (see table 5). Business developers should possess excellent market and product knowledge, therefore seeing and then evaluating opportunities is a necessary skill. A similar point that a previous study made is possessing practical knowledge about technologies, products, customers and dynamics of the industry. Further this investigation found that business developers should be creative in order to also think out of the box to solve problems in a changing environment. At the same time analytical thinking and proactivity is required to also work efficient and to solve problems before they actually come up. A similar description of a capability has been described by prior research as there it has been found that a business developer should think abstract and conceptually. A further capability this study as well as previous studies recognized is the experience in multiple business

functions in order to be able to concept causal relations on their own.

A difference in findings of this study, which investigated SMEs of multiple industries and the linked previous study, which investigated firms of the biotechnology industry is the missing requirement of top management experience and work in line function. This can be explained by the fact that in eight SMEs business development was carried out by the top management themselves, what makes the capability redundant. Furthermore, SMEs of this study mentioned determination, patience, and flexibility as well as communication skills. These personal and interpersonal skills are an important part of implementing changes which naturally occur when businesses develop. Those skills have not been identified by previous research in this field of study and therefore extent literature.

Table 5: Skills and capabilities

Suggested scholarly skills (Lorenzi V., Sorensen H., 2014, P. 49)	Suggested skills of investigated SMEs in Germany
practical knowledgeable about the technology, product, customer values, and industry dynamics	Market-/Product knowledge (seeing/evaluating opportunities)
capability to think conceptually and abstract and not just 'closing deals'	Creativity/ Out of the Box thinking but also analytical thinking/Openness/Proactivity
specialists knowledge from multiple business functions	No specialist but generalist (interdisciplinary)
experience with both top management and with work in line-functions	
	Determination/Patience
	Communication/ Empathy/Authenticity/ Assertiveness/Tenacity
	Flexibility/Adaptability

5.3 Coordination of Business Development

5.3.1 Managerial- and Planning Activities

Eight of 14 SMEs of the sample not planning their business development at all and the remaining seven only using goal setting as method of managing their business development again supports the assumption that business development is very reactive in many cases. Since planning is the activity to organize steps to achieve a desired objective it can be concluded that at most the last step of setting a goal has actually been complied. However, no steps towards achieving the desired goal have been determined. Therefore, business development is not planned and managed well among SMEs in this sample. Referring to previous literature a strategy as practice approach may be used by the interviewed companies. Thus, they are learning by doing without actually planning following steps. This behavior may hint on missing experience developing businesses as otherwise a rational mindset would suggest to plan this process to increase effectiveness. However, in order to plan it is necessary to have a desired goal that can be planned towards. Without a goal, no such activities that are meant to ensure a smooth running process can be put to work. Though, once experience is gathered, it may be

used to plan future business development which then increases the effectiveness of the process.

One aspect that SMEs try to manage but they experience challenges with is labor. In small organizations it can be assumed that standardization is low which increases the contribution of a single employee to the end product. Therefore, a lot of value is added by a single employee as they massively contribute to the outcome. Thus, this asset can be evaluated as a very important managerial factor since eight of 14 SMEs understood this as a challenge.

6. CONCLUSION

In general, SMEs stated marketing, process optimization and market screening activities as part of their business development activities. Which activities a SME utilizes heavily depends on the overall organizational goal. Business development process layouts which have been found were either a fixed process designed by the SME or a project aiming at the improvement of their performance or at an extension of the mode of operation. Either one of those have been chosen according to the above stated organizational goals. Even though market screening activities have been mentioned, business development happens on a very reactive basis as firms do not actively search for growth opportunities. Considering the Ansoff matrix it can be concluded that product/market strategies heavily depend on size, age and industry of the company. It has also been noticed that even though all interviewed SMEs relate growth to business development, the Ansoff matrix does not cover every aspect of business development as downsizing or performance improvement activities are not covered. As for the person in charge of business development market and product knowledge, creative as well as analytical thinking and experience in multiple business units have been found to be important skills and capabilities. Also many personal and interpersonal skills have been mentioned by the investigated SMEs in Germany in order to implement changes. Activities have been found to not follow an established structure. There is no description of business development and the top management is often conducting the task by themselves. Regarding the coordination of business development, it has been found that only very few SMEs set goals, planning processes are therefore not in place most of the time. However, many SMEs identified challenges regarding human labor.

7. LIMITATIONS

Limitations to this study can be justified by the nature of the sample. SMEs have been selected based on the convenience sampling method. This method has been chosen due to limited access to population data, willingness of SMEs to participate and limited time. However, this non-probability sampling technique does not limit the validity of the study nor the reliability because of its explorative nature. Possible under- or over presented groups within the population do not falsify the results as the goal is to gather as much new insights rather than trying to statistically prove a hypothesis. Further, samples have been drawn from multiple industries which may violate the reliability of the results as industries differ in many attributes such as R&D intensities or speed of innovation diffusion. However, since this study is explorative, having a sample including multiple industries may reveal even more insights than investigating a single industry. Also the sample size of 14 SMEs is relatively small compared to the size of the whole population. Still, new insights in the field of study can also be found by sampling only a few SMEs. Furthermore, multiple interviewers conducted the data collection

which may influence the level of emphasis that have been put on various concepts and the depth of its investigation.

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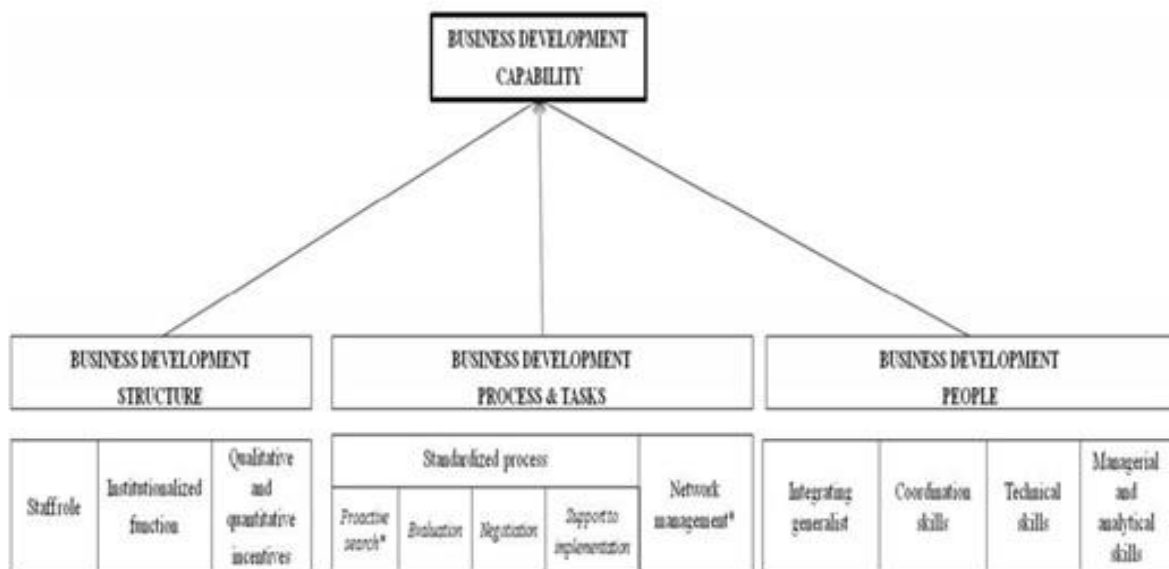
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10. APPENDIX

10.1 A: Business Development Capability (Lorenzi V., Sorensen H., 2014)



10.2 B: Questionnaire for Semi-Structured Interviews

General

- 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?

BD Perception

- 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 (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 value holder
 - 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)

BD activities

- 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?

BD Results

- 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-, mirco-, & internal environment?
- How did they influence your goals?