

Generating and processing new business candidates effectively

When I talk to executives I am often asked about viewpoints on how to develop new revenue sources effectively. This article is my first attempt to give an answer in print. It outlines what I think should be key elements of a structured approach to the generation and development of new business ideas¹. Do not expect magic. As with most other management tasks the benefits lies in using a consistent roadmap and in flawless execution – and by this increasingly building competence.

Please note that I do not in this article distinguish between how a given new business is materialised – be it through own efforts (organic growth) or through acquisition, partnership, alliance etc. Also note that no distinction is made with regard to degrees of novelty. Theoretically, the term “new business” means entirely “new”, but in my opinion this is too narrow a definition. To me “new” includes any significant change in the company’s existing products, services, customer portfolio and geographical markets.

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1. Company growth through new business is too important to be left to chance

In today’s fierce competitive business environment most companies struggle to find new sources of growth: New products and services, new customers and markets - or combinations of both.

It is much easier to improve existing products and services than to generate ideas to new ones. But it is also easier for the competitors! Clearly, it is also easier to acquire a company with products and services that provide added revenues. However, frequently the acquirer does not fully understand the new business and may therefore only generate meagre results!

For many companies ideas for renewed growth occur at random and are further processed without a structured approach. Is this the way to do it? Could it be done with better results? In my opinion, revenue from new sources is too important an issue to be allowed to happen by chance. Although it is impossible to systematise the generation and development of new business ideas, it should – as with other difficult management issues – be clear that a structured approach will yield more than if you leave it to chance. The question then is what an appropriate structure would look like.

2. Put new business on the executive group’s agenda

If new business generation is on your management’s meeting agenda you will get more of it. By definition issues on top management’s agenda are important to the company. Importance leads to management focus and awareness in the rest of the organisation. The portfolio of candidates (see below) should be discussed regularly in a structured way at management meetings and board meetings.

Idea generation sessions as such could be considered incorporated in the agenda at some meetings – at least once a year.

3. Manage the portfolio of New Business Candidates

¹ Ideas and their status in the further development are called candidates in this article.

² Please note that this edition has not been subject to English proof-reading

The new business candidates – no matter which stage of maturity they are in – should be accounted for and managed as a portfolio by answering questions such as: How many candidates do we have at each stage? How many in each defined category? What is the total estimated value? What progress are we making in developing the candidates? Etc.

A Candidate Task Force should undertake the development of the individual New Business Candidate as such (i.e. the “ownership obligation”). Such a task force can have the responsibility for one or more candidates. If the task is small a possible New Business Committee (see below) could take the candidate one or more steps further.

A New Business Committee, typically chaired by a senior executive, should have the over all responsibility for the New Business Process as such, including the various task forces. I.e. with reference to the management board (in rare cases to the board of directors) to maximise the output of the New Business Process. Including administration of the process, the procedures and the forms; stimulation of and participation in idea generation; preparation and execution of tests etc. However the final executive power should always rest with the normal executive bodies – implying that go/no go decisions at each step should eventually be the prerogative of the management board, and sometimes even the board of directors. In some companies the executive group would find that it could also undertake the New Business Committee tasks. In most cases this would be the way to start.

4. Decide a sequence of steps from idea to approved project

You eat an elephant by cutting it into pieces eating one piece at a time! Similarly getting from an idea to an approved project is a heavy and complicated task that requires cutting it into pieces. The number of pieces depends on the nature of the business and the preferences of the management team. The figure on the last page of this article suggests 4 steps – each with a test – from an idea brought forward to an approved project.

To allow for effective contribution from individuals and teams, it is necessary to imbed these steps into a framework and language that everyone can adhere to. The resulting framework will be the company’s New Business Process as illustrated in the figure.

5. Decide formal procedures for each of the defined steps

Qualification criteria and procedures – including forms and checklists - should be set up for each step to allow for a smooth operation of the New Business Process. However we should not allow procedures to rule in a bureaucratic way. As in all other cases where a structured approach is necessary, it is recommended to start simple and small, and let experience guide how detailed the control and regulation of the process need to be.

Especially the generation of ideas can be negatively affected by too many rigid rules. Idea generation is a creative process. However – for the entire New Business Process be effective – it is important that ideas are not allowed to pass through the (four) process steps (tests) without proper qualification. Hence a certain – and though the steps increasing - amount of formalities must be met with regard to description and testing of the candidates.

6. Decide who should be involved in the generation of ideas

The most difficult part of a New Business Development Process is to continually be able to harvest a sufficient amount of (reasonably successful) ideas for the first test. Research shows that out of 3000 ideas expressed in someone’s mind or in some discussion 300 will be worth putting on paper and of these one (1) idea ends up as a significant commercial success.

No matter what you do the outcome of idea generation is to a substantial degree left open to chance. The question is how to optimise the chance of success – what kind of crop you should sow where and how. The easy answer to these questions could be: Sow all you have got, sow it wherever you think it will grow (and you will have a chance to harvest), and sow it in every way you can imagine! In other words: the more people you stimulate, and the more ways you do it, the higher the likelihood that you get ideas – either from yourself, your colleagues or your business partners. This is correct in theory, but not necessarily very practical. Possibilities for involvement and stimulation are numerous – you will have to strike a balance based on proper considerations and trial and error.

As to the persons involved in idea generation, it should in principle be the responsibility of all employees to contribute. The employees constitute an enormous pool of potential creativity with respect to new business ideas. You can activate this pool by encouraging employees to contribute to the new business idea generation. The simplest way is to create a physical or electronically mailbox to which ideas could be submitted. Further you can ask managers throughout the organisation to put new business regularly on the agenda at relevant meetings; and you could form a number of cross-functional New Business Idea Groups (4-5 persons each) tasked with meeting, say 4 hours 2 times a year, to generate ideas.

Be aware that if you are not able to explain the rationale of any rejection of a candidate at any step in the process to an employee in a way that he or she can accept, you will negatively affect future contributions. In practice – again – it is better to start simple and small.

It would be wise that a clear description of involvement, tasks, authority and responsibility is part of the New Business Process description.

You should not expect that all individuals can contribute equally to the generation and development of all types of candidates. Let us take a company that has a strategy of growing through acquisitions – and let us say that some areas of business where acquisitions could take place have been identified. In this case it takes much currently updated – possibly global - industry insight to decide when an idea is relevant, or rather: when the registered generic idea of making an acquisition can be turned into a qualified opportunity. Also generic ideas - as acquisitions within a specific area of business – is more likely to come from people that are familiar with such things and has an implicit understanding of the process step qualification criterions.

7. Decide how much you want to stimulate contributions

Having decided whom to involve in the generation of ideas for new business, the next question is how active you want contributors to be, and how you want to stimulate their creativity.

In general the more the management talks and writes about the generation of new business, the more awareness in the organisation, and the more people will feel stimulated to contribute.

Contributing explicitly to new business should be part of any managers job description and annual review. Awarding the best ideas annually could encourage normal employee contribution. Top management could take annual breakaway sessions only to discuss new business. A New Business Committee could have a special obligation to inspire and raise awareness.

Exposure is important. Especially executives need to follow all relevant media with regard to the relevant business, industry, customers, society etc. Each person could take his or her share of the total. Own customer surveys will most often give valuable inspiration - as will informal and formal talks to customers, suppliers, etc.

Some companies relying heavily on new product development fit up a room with the purpose of stimulating creative thinking. As an example the Californian design company, Ideo has assisted the Danish toy manufacturer Lego with this as an integrated part of improving Lego's New Product Development Process.

There are many ways to expose yourself and your employees for information and events that could lead to THE idea. Start simple and let experience guide you.

8. Allocate the necessary resources

Operating the New Business Process as such will in most circumstances be at a negligible cost in absolute terms. It is just a question of formalising activities that should happen anyhow. If carrying out market surveys, market tests and the like, costs can be substantial. However they will often be linked directly to a given idea at a given stage of maturity and will therefore be decided from case to case justified by the expected estimated return.

9. Communicate the whole thing to the relevant individuals

Finally, to make the process work according to the intentions make sure every one expected to contribute is absolutely clear about the process, the expectations to him or her and – with a balance of need to know and nice to know – what comes out of the process over time.

10. Conclusion

Taking a structured formalised and managed approach to the generation and development of ideas to new business will no doubt yield more new business than relying on chance. How structured, how formalised and how managed the New Business Process should be and how many people should be involved depends on the given company, the importance of creating new business, the expected nature of the new business and the style of the management. I would recommend in all circumstances to think big and start small and simple!

Fig. An outline process for the generation and development of ideas to new business (NB)

