

The Importance of People in New Business Development

A Practitioner's View

Dieter Herzog

DISCLAIMER:

All statements made - in written or oral form – are derived from the presenter's personal experiences and observations and do not necessarily reflect the opinion of the presenter's employing company.

Dieter Herzog

- B.Sc. Construction Engineering / M.Sc. Economics & Business Management in Construction
- 1981-1986: Int'l Project Manager in Building & Construction Industry
- 1986-1991: Sales / Commercial Manager – Dow Building Solutions
- 1991-1995: Product / Market Manager – Dow Europe
- 1995-1999: Business Development Manager – Dow Plastics
- 1999-2002: Global Business Development Leader – Dow Household & Personal Care Growth Platform
- 2002-2006: Global Portfolio Leader – Dow Corporate Growth Center
- 2006 - : Assoc. Director - Dow Corporate Ventures & Business Development

Why New Business Development?

- ❑ Basis: desire to grow a company's profit streams
- ❑ New Business Development is *one* option
- ❑ Lower financial risk – mainly allocation of expenses
(*vs. capital investment in M&A*)
- ❑ Sustainable enabler of growth
 - ❑ in-house, lasting and **strategic capability**
 - ❑ less vulnerable / more flexible vs. external changes
 - ❑ adaptable to shifts in company's strategy vs. (sometimes fast) changes in competitive environment

Issues at the Executive Level

- Fundamental decision whether NBD should be an integral part of the company's strategy
- Consistent commitment of resources over several years
- Determination of objectives, organization, decision process, ...
- Definition of clear selection criteria for NBD-projects
(*strategic fit, financial, time-to-market*)
- Attracting the “right” people !
(*not allocating them*)

Peculiar Work Environment in NewBusDev

(vs. managing an operational, existing business)

- ❑ **Highly dynamic and ambiguous**
 - ❑ unknown, unprecedented and unforeseeable challenges
 - ❑ all the time and every day!

- ❑ **“Blurred” borderlines of job scope**
 - ❑ very broad range of activities for each individual
 - ❑ challenge of frequently changing responsibilities

- ❑ **Low predictability of impact of one’s activities**
 - ❑ external, “new” factors limit control over outcome
 - ❑ high degree of uncertainty of success *(of single project)*

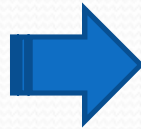
- ❑ **Different type of work-related stress:**
 - ❑ High expectations – uncertain delivery time - low success rate
 - ❑ Occasionally: perception of low “job-security”
(NBD-jobs not critical for short-term survival of company)

Human Resource Requirements for a NewBusDev Organization

... comparable to expeditions by the explorers in the 18/19th century

Circumstances & Conditions:

- ❑ limitations in available resources
- ❑ restricted time to accomplish the mission
- ❑ need to hire the “right crew”
- ❑ navigation through unmapped territories
- ❑ necessity for optimistic team spirit - even in rough times
- ❑ focus on ultimate goal – all times



⊕ **Personality** (*f.i. entrepreneurial, inspirational, pro-active, persevere*)

- **Skills** (*f.i. project management, contract negotiation, performance analysis, financial modeling*)
- **Knowledge** (*f.i. market/industry, technologies, competition*)
- **Experience** (*f.i. collaboration with external partners, team leadership, business model creation*)

Decision Maker / Portfolio Manager

Personality Profile:

- Comfortable with **taking decisions without** having 100% of data or information
- Acceptance of **risking own reputation** being linked to future success or failure of projects - outside of immediate control
- **Candid feedback** to Project Leaders / Teams
- **Talent to inspire & encourage** people – even in case of set-backs
- **Enthusiasm** for promoting / defending projects and teams and **Courage** to publicly applaud an (appropriate) “project kill”

Professional Profile:

- **Pro-active ambassador** of the NBD-portfolio as well as for the people working on them, displaying them as indispensable elements of the **future** success of the company (=long-term shareholder value)
- **Facilitator** of a well-filled pipeline of promising NBD-projects – complying with the set selection criteria
- **Sponsor and supporter** - securing resources on behalf of project teams within/outside the company
- **Optimizer** of the overall economic output of the NBD-portfolio (vs. individual projects)
- **People Manager** of sometimes “unconventional” employees

Project Leader

Personality Profile:

- ④ **Entrepreneurial**, explorer's spirit, passionate to create something (new)
- ④ **Professional curiosity, versatility**, preparedness to **learn continuously**
- ④ **Self-starting and dedicated** to deliver positive results – but also not hesitant to recommend discontinuation of project
- ④ **Questioning** his/her assumptions, challenging the status-quo
- ④ **Motivating** project team also during difficult times
- ④ **Convincing** internal and external stakeholders and business partners
- ④ Ability to **work with people with diverse backgrounds**
- ④ Acceptance of highly **volatile workload** and **irregular working hours**
(not only in global projects!)

Project Leader

Professional Profile:

- **Project Management Skills:**

- realistic planning & disciplined tracking
- keeping commitments critical - for credibility of team & project

- **Analytical Capabilities:**

- Understanding basics of financial models / drivers of financial impact
- Identifying potential “show-stoppers” at an early stage

- **Business Acumen:**

probably most relevant skill but also most difficult one to define:

- ability to apply general “business sense”
- shaping most value-creating business model

- **Negotiation Skills:**

- internal (for resources for uncertain results)
- external (for joint-developments / joint ventures with third parties or for financial resources from banks or venture capitalists)

Subject Matter Experts

Professional Skills:

- very critical for success / failure of a project
- but typically task-related
- therefore often “temporarily” needed within a NBD-project

Personality Profile:

less success-critical than his/her expertise - yet, experience shows that SMEs with



Passion:

spend extra-efforts in work outside the usual routine (“*inherent attractiveness of innovation space*“)



Creativity:

enjoy finding solutions for previously unresolved challenges – be they technical, legal or financial



Seniority:

can use advantageously their wealth of past experience but risk a “restricting” impact due to long single-function career path

The economic/business impact of having the "right" person in the "right" role for the "right" time

People with the right profile will help optimize the risk / benefit ratio of (human) resource investments in New Business Development !

Executive Level:

- express company's commitment to growth and specify selection criteria
→ all projects strategically aligned

Decision Makers / Portfolio Managers:

- prioritize promising projects, distribute risks, consider time-to-market
→ optimal value of project portfolio

Project Leaders:

- push hard for support of "winners" and kill early the "losers"
→ effective resource utilization

SME's:

- passionate creativity may result in sustainably differentiated concepts
→ genuine competitive advantage

Identification, Attraction, Retention, Compensation of Talent in New Business Development

- **Rather small pool of candidates**
 - most human beings choose employment over entrepreneurship
 - complying with such job requirements and willing to take related risks
 - true for open market and – even more so - company-internal
- **Inherent ‘conflict of values’**
 - ‘genuine’ entrepreneurs dislike being ‘standard’ employees
 - deep desire for “creating something” (vs. “*administering something*”)
 - mainly driven by the individual’s personality / aspirations / inner values
- **“Intrapreneurs”**
 - tend to challenge traditional corporate structures & processes
 - represent a challenge for the established organization, eventually
 - In many aspects: personality, passion/impatience, un-bureaucratic, etc
- **Compensation, Incentives & Recognition**
 - common corporate schemes typically don’t reflect peculiarities of NBD-jobs

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**How to
“squeeze a square
into a circle”...?**

Further Reading:

Herzog / Palme: „**Accelerating New Business Development Through Talent Management**“ in „Erfolgreiches Management“ (ISBN 978-3-642-13685-6)

“The Innovator’s Dilemma” by Clayton M. Christensen

“The Innovator’s DNA” by INSEAD

“Open Business Models” by Henry Chesbrough

“Creative Chaos” by Tom Peters

“Innovation and Entrepreneurship” by Peter Drucker

“The Alchemy of Growth” by Mehrdad Baghai, Stephen Coley, David White

“Innovation Management and New Product Development” by Paul Trott

“Innovation” by Thomas D. Kuczmarski

“Driving Eco-Innovation” by Claude Fussler

“Innovative Management: Methodologies for Managing New Product Development and Innovation” by Yao-Tsung Ko

“Swarm Creativity” by Peter A. Gloor

“International Journal of Product Development” by InderScience

“Journal of Product Innovation Management” by PDMA

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