

Business Development and Expansion

In the simplest terms, business development can be summarized as the ideas, initiatives, and activities that help make a business better. This includes increasing revenues, growth in terms of business expansion, increasing profitability by building strategic partnerships and making strategic business decisions.

“Business Development Executive,” “Manager of Business Development,” and “VP, Business Development” are all impressive job titles often heard in business organizations. Sales, strategic initiatives, business partnerships, market development, business expansion, and marketing—all of these fields are involved in business development but are often mixed up and mistakenly viewed as the sole function of business development.

Key Takeaways

- Business development encompasses a wide scope of ideas, activities, and initiatives that a business owner and management implement with the goal of making the business better.
- Business development can include many objectives, such as sales growth, business expansion, the formation of strategic partnerships, and increased profitability.
- Successful business development impacts every department within a company, including sales, marketing, manufacturing, human resources, accounting, finance, product development, and vendor management.
- Business developers should be aware of new market opportunities, possibilities for expansion, competitor developments, and the current sources of the company's revenue.

Understanding the Basics of Business Development

Business development activities extend across different departments, including sales, marketing, project management, product management, and vendor management. Networking, negotiations, partnerships, and cost-savings efforts are also involved. All of these different departments and activities are driven by and aligned with the business development goals.

Sales

Sales personnel focus on a particular market or a particular (set of) client(s), often for a targeted revenue number. With specific set goals, the sales department targets the customer base in the new market with their sales strategies.

Marketing

Marketing involves promotion and advertising aimed towards the successful sale of products to end-customers. Marketing plays a complementary role in achieving sales targets. Business

development initiatives may allocate an estimated marketing budget. Higher budgets allow aggressive marketing strategies like cold calling, personal visits, roadshows, and free sample distribution. Lower budgets tend to result in passive marketing strategies, such as limited online ads, print ads, social media ads, and billboards.

Strategic Initiatives or Partnerships

To enter a new market, will it be worth going solo by clearing all required formalities, or will it be more sensible to form a strategic alliance or partnership with local firms already operating in the region? Assisted by legal and finance teams, the business development team weighs all of the pros and cons of the available options and selects the one that best serves the business.

Project Management/Business Planning

Does the business expansion require a new facility in the new market, or will all the products be manufactured in the base country and then imported into the targeted market? Will the latter option require an additional facility in the base country? Such decisions are finalized by the business development team based on their cost- and time-related assessments. Then, the project management/implementation team swings into action to work towards the desired goal.

Product Management

Regulatory standards and market requirements vary across countries. A medicine of a certain composition may be allowed in Kenya but not in Tanzania, for example. Does the new market require a customized—or altogether new—version of the product? These requirements drive the work of product management and manufacturing departments, as decided by the business strategy. Cost consideration, legal approvals, and regulatory adherence are all assessed as a part of a business development plan.

Vendor Management

Will the new business need external vendors? For example, will the shipping of a product need a dedicated courier service? Will the firm partner with any established retail chain for retail sales? What are the costs associated with these engagements? The business development team works through these questions.

Negotiations, Networking, and Lobbying

A few business initiatives may need expertise in soft skills. For example, lobbying is legal in some locales and may become necessary for penetrating the market. Other soft skills like networking and negotiating may be needed with different third-parties, such as vendors, agencies, government authorities, and regulators. All such initiatives are part of business development.

Cost Savings

Business development is not just about increasing sales, products, and market reach. Strategic decisions are also needed to improve the bottom line, which includes cost-cutting measures. An internal assessment revealing high spending on travel, for instance, may lead to travel policy changes, such as hosting video conference calls instead of on-site meetings, or opting for less expensive transportation modes. Management can implement similar cost-saving initiatives by outsourcing non-core work, such as billing, accounting, financials, technology operations, and customer service. Strategic partnerships needed for these initiatives are a part of business development.

What Should a Business Developer Know?

Since business development involves high-level decision making, the business developer should remain informed about the following:

- The current state of the business in terms of SWOT analysis (strengths, weaknesses, opportunities, and threats)
- The current state of the overall industry and growth projections
- Competitor developments
- Primary sources of sales/revenues of current business and dependencies
- The customer profile.
- New and unexplored market opportunities
- New domains/products/sectors eligible for business expansion, which may complement the existing business.
- The long-term view, especially with regards to the initiatives being proposed
- The cost areas and the possible options for cost-savings

The Business Plan

There can be similar business development objectives, such as the development of a new business line, new sales channel development, new product development, new partnerships in existing/new markets, and even merger and acquisition (M&A) decisions. For example, in the case of a merger, significant cost savings can be accomplished by integrating the common functions of the manufacturing, finance, and legal departments of the two firms. Similarly, a business operating from five different offices in a city can be moved to a large central facility, resulting in significant operating cost savings. However, would this lead to employee attrition, if the new location isn't convenient for everyone? It's up to the business development team to assess such concerns. In essence, business development involves high-level decision-making based on a realistic assessment of all potential changes and their impact. Through new ideas and initiatives, it aims to improve the overall business prospects, which drive the functioning of the different business units. It is not sales; it is not marketing; it is not partnering. Instead, it is the eco-system encompassing the entire business and its various divisions, driving overall growth.

The Right Fit for Business Development - A business developer can be the business owner(s) or the designated employee(s) working in business development. Anyone who can make or suggest a strategic business change for a value-add to the business can contribute towards business development. Businesses often encourage employees to brainstorm innovative ideas, which can help in improving the potential of the overall business.

What Drives Business Development Activity?

Due to the wide-open scope of business development and activities, there are no standard practices and principles. From exploring new opportunities in external markets to introducing efficiencies in internal business operations, everything can fit under the business development umbrella. Those involved in business development need to come up with creative ideas, but their proposals may prove to be unfeasible or unrealistic. It's important to be flexible. Employees charged with business development should try to seek out and take constructive criticism, and remember that it's a process.

Business Development Ethics

Business ethics involves implementing appropriate and fair practices regarding issues such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities. Laws and regulations often set the standard for business ethics, which companies can then choose to follow and build on in order to earn trust and loyalty from consumers and market participants.

Business Development FAQs

Why Is New Business Development Important?

New business development is important for generating jobs, developing key industries, and keeping the economy moving forward.

What Are the Key Skills for Business Development Executives?

Development executives need to have leadership skills, vision, drive, and a willingness to work with a variety of people to get to a common goal.

How Can I Be Successful in Business Development?

Having a vision and putting together a good team are among the factors that help predict success in business development. But a successful developer also writes a good business plan, which becomes the blueprint from which they build their success.

What Should a Business Development Plan Include?

A business development plan, or business plan, describes what a business's objectives are and how it intends to achieve them, including goals, start-up costs, and targeted milestones.

Continue growing your business with these 4 tactics

1. Expand to new locations

Whether you're running a retail shop, a medical practice, a restaurant, or even a business-to-business tech company, you may be able to generate higher profits by expanding your organization to new physical (or even digital) locations. But, it's important to remember that you can't expect to simply open a second location, sit back, and watch your bank account get fatter. The success of your first (primary) location doesn't really have any bearing on additional locations—there are many variables at play, even if you're paying keen attention to your financials. So before branching out, you need to consider a host of factors.

2. Develop new products

Starbucks started as a small local coffee shop. Now, it's an international juggernaut that sells an eclectic assortment of beverages, as well as pastries, snacks, sandwiches, CDs, stuffed animals, and all sorts of other merchandise. No matter what your business is selling, chances are you'll be able to sell at least one more complementary product. For example, if your business is a milk selling kiosk, you might want to think about cakes and chocolates, things that would go nicely complement milk. Simply put, developing new products—assuming they're the ones your customers want—will almost assuredly result in new revenue streams.

Here are a few easy ways to figure out what your customers want:

- Routinely solicit your customers' feedback and suggestions
- Keep an eye on your competitors' product lines

3. Look for new partnerships

Being a small business owner can be difficult, particularly when you're trying to make a go of it on your own. But the good news is that by establishing partnerships with other like-minded businesses, you may very well see your profits increase as your brand is exposed to a whole new community of supporters. So how exactly might your business stand to benefit from partnerships? Once you figure that out, it might be time to pursue a few.

4. Launch new marketing campaigns

With more money in your company's bank account, now is probably as good a time as any to go back to the drawing board and figure out whether your brand stands to benefit from embarking on new marketing campaigns. From time to time, any brand—no matter how well-known it might be—needs to remind its customers that it's still relevant. Not sure where to focus your resources? Consider doing a SWOT analysis. It's an in-depth look at your

strengths, weaknesses, opportunities, and threats. From there, take a look at your sales forecast. At its root, your sales forecast is a representation of your goals and aspirations for your company. Build your new marketing plans around strategies and tactics that will help you meet those sales goals.

BUSINESS EXPANSION

All successful small business start-ups eventually face the issue of handling business expansion or growth. Business expansion is a stage of a company's life that is fraught with both opportunities and perils. On the one hand, business growth often carries with it a corresponding increase in financial fortunes for owners and employees alike. In addition, expansion is usually seen as a validation of the entrepreneur's initial business start-up idea, and of his or her subsequent efforts to bring that vision to fruition. Growth means that new employees will be hired who will be looking to the top management of the company for leadership. Growth means that the company's management will become less and less centralized, and this may raise the levels of internal politics, protectionism, and dissension over what goals and projects the company should pursue. Growth means that market share will expand, calling for new strategies for dealing with larger competitors. Growth also means that additional capital will be required, creating new responsibilities to shareholders, investors, and institutional lenders. Thus, growth brings with it a variety of changes in the company's structure, needs, and objectives.

METHODS OF GROWTH

Small businesses can expand their operations by pursuing any number of avenues. The most commonplace methods by which small companies increase their business are incremental in character, i.e., increasing product inventory or services rendered without making wholesale changes to facilities or other operational components. But usually, after some period of time, businesses that have the capacity and desire to grow will find that other options should be studied. Common routes of small business expansion include:

- Growth through acquisition of another existing business (almost always smaller in size)
- Offering franchise ownership to other entrepreneurs
- Licensing of intellectual property to third parties
- Establishment of business agreements with distributorships and/or dealerships
- Pursuing new marketing routes (such as catalogs)
- Joining industry cooperatives to achieve savings in certain common areas of operation, including advertising and purchasing
- public stock offerings
- Employee stock ownership plans

Of course, none of the above options should be pursued until the business's ownership has laid the necessary groundwork.

RECORD-KEEPING AND OTHER INFRASTRUCTURE NEEDS

It is essential for small businesses that are undergoing expansion to establish or update systems for monitoring cash flow, tracking inventories and deliveries, managing finances, tracking human resources information, and myriad other aspects of the rapidly expanding business operation. Many software programs currently available in the marketplace can help small businesses implement systems designed to address these recordkeeping requirements. In addition, growing enterprises often have to invest in more sophisticated communication systems in order to provide adequate support to various business operations.

EXPANSION CAPITAL - Small businesses experiencing growth often require additional financing. Finding expansion capital can be a frustrating experience for the ill-prepared entrepreneur, but for those who plan ahead, it can be far less painful. Businesses should revise their business plan on an annual basis and update marketing strategies accordingly so that you are equipped to secure financing under the most advantageous terms possible.

PERSONNEL ISSUES - Growing companies will almost always have to hire new personnel to meet the demands associated with new production, new marketing campaigns, new recordkeeping and administrative requirements, etc. Careful hiring practices are always essential, but they are even more so when a business is engaged in a sensitive period of expansion. Business expansion also brings with it increased opportunities for staff members who were a part of the business in its early days. The entrepreneur who recognizes these opportunities and delegates responsibilities appropriately can go far toward satisfying the desires of employees who want to grow in both personal and professional capacities. But small business owners also need to recognize that business growth often triggers the departure of workers who are either unable or unwilling to adjust to the changing business environment. Indeed, some employees prefer the more relaxed, family-type atmosphere that is prevalent at many small business establishments to the more business-like environment that often accompanies periods of growth. Entrepreneurs who pursue a course of ambitious expansion may find that some of their most valuable and well-liked employees decide to instead take a different path with their lives.

CUSTOMER SERVICE - Good customer service is often a significant factor in small business success, but ironically it is also one of the first things that tends to fall by the wayside when business growth takes on a different turn. Under such scenarios, businesses not only have greater difficulty retaining existing clients, but also become less effective at securing new business. A key to minimizing such developments is to maintain adequate staffing levels to ensure that customers receive the attention and service they demand (and deserve).

The Advantages of Expanding Businesses

When you achieve a certain level of success as a company leader, you may start to think about the benefits of expanding into new markets. The expansion of business is something all

good entrepreneurs aspire to, and early success often fuels dreams of growth. But the expansion of business isn't something to take on without a careful understanding of the pitfalls of growing too fast. However, despite some of the drawbacks, there are specific advantages of business growth that can help you make the right decision for your company.

Attracts New Customers

One of the best reasons for expansion of business is to reach out to a new group of customers. Although you already have a well-mined customer base, there is always the opportunity to add new customers when you expand, especially if that expansion of business involves the introduction of new products and services. For example, let's say you own a comic book shop that has gained success selling all types of graphic novels and monthly-serialized comic books. You decide to expand by offering a space within your store where noted artists will display their original works for customers to buy. You can now tap into a new market of customers who are primarily interested in artwork rather than just in reading comics. You retain your old customer base, but now you are also appealing to a new set of buyers who are art collectors.

Economies of Scale

Economies of scale are another of the benefits of expanding into new markets because when your business grows, vendors and suppliers are much more incentivized to provide you with discounts because you're ordering in larger quantities. In most instances, the more you order from your suppliers the bigger the discount. That means that you'll be paying less to get more of the supplies and products you need from your suppliers, which also means more of your money can go into building your company to become even more profitable.

Establishes Multiple Revenue Streams

One of the greatest advantages of business growth is the fact that expansion typically gives you the opportunity to offer a diverse range of products and services. In doing so, you are able to diversify your revenue stream, which means that you aren't exclusively reliant on selling one core product or service. For example, let's say you own a bakery and decide that you want to expand by adding a small restaurant on premises that offers breakfast and lunch. You are now inoculating your business from a downward trend in bakery sales by offsetting those losses with the restaurant earnings, helping to ensure that your business will survive if the demand for baked goods decreases.

Offers Branding Opportunities

The advantages of business growth aren't just limited to revenue diversification because another of the benefits of expanding into new markets is the opportunity for greater brand recognition. Branding is all about making sure that your targeted audience associates specific qualities, ideas, and characteristics with your product or service. Branding is largely achieved through outreach marketing that focuses on social media channels where your audience

gathers. When you expand your business, you also expand the possibilities of reaching a wider audience by implementing marketing strategies that help grow your company's awareness among prospective and existing customers. Bigger companies have the advantage in branding because they are able to leverage their resources towards advertising and marketing in very specific ways. The adage that "bigger is better" is true as it relates to branding simply because audiences are more likely to pay attention to larger companies when they consider what to buy. That doesn't necessarily mean that your business has to be a huge corporation, but becoming a bigger fish in the small pond of your industry will provide you with greater branding opportunities. When you achieve a certain level of success as a company leader, you may start to think about the benefits of expanding into new markets. The expansion of business is something all good entrepreneurs aspire to, and early success often fuels dreams of growth. But the expansion of business isn't something to take on without a careful understanding of the pitfalls of growing too fast. However, despite some of the drawbacks, there are specific advantages of business growth that can help you make the right decision for your company.

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