

# OPTIMIZING BUSINESS DEVELOPMENT INVESTMENTS

## PRACTICE OUTLINE

This document briefly illustrates why organizations shall optimize their investments in business development, what stands in their way and what techniques can help them overcome these hurdles.



## WHAT IS MEANT BY BUSINESS DEVELOPMENT OPTIMIZATION?

We see that Business Development encompasses all initiatives (not only commercial) that are undertaken to increase business capabilities in order to level up its revenues and profitability. While optimization is about maximizing the outcome of the investments poured in such initiatives. Thus, business development optimization implies the following :

- Achieving the highest return on business development investments.
- Avoiding shortage in financing and cash deficits.
- Growing with a pace close to or above the average market benchmark.
- Alignment and homogeneity between different projects and ventures.
- Minimizing operational risks, hurdles, uncertainty and complexity.
- Ensuring a balanced development that equally considers various business functions.

## WHY IS IT SO ESSENTIAL NOW A DAYS ?

- **Clients are becoming more demanding.** So, businesses should be able to re-engineer their products and expand their offerings continuously to stay ahead.
- **All industries are prone to sweeping disruption.** A company that does not innovate would eventually perish. R&D is a core function of business development.
- **Increasing global competition.** If the sea looks calm, it wont stay so for long. Foreign players will soon step in your market and bite off; so you better keep expanding.
- **Investor's expectations are soaring.** So, building nothing for tomorrow or betting on the wrong opportunities will leave you with limited financial back up.

## THE CONTRADICTING REQUIREMENTS

Optimizing business development requires smart selection and prioritization of possible ventures. However, such practices are often complex and time consuming, hence not appealing to managers and discourage them from using more objective methods.

Therefore, the essence of our contribution is filling in this void in order to optimize the quality of outcome without complicating the process.



### QUALITY AND INTEGRITY OF BD DECISIONS

Minimizing subjectivity and biases with project selection and scheduling.

- Multi-perspective / holistic assessment that evaluates from different angles.
- Assessing hidden or indirect costs and returns.
- Utilizing a decision support tool to assist with the complex selection decisions.

*Leads to*

-  Optimized business development
-  Prolonged decision making process.
-  Harder implementation and follow-up.



### EFFICIENCY OF THE DECISION MAKING PROCESS

Maintaining the speed and simplicity of the following processes:

- BD Project assessment and analysis. *Leads to*
- Selection and decision making.  Larger Number of BD engagements
- Scheduling and prioritization.  Quicker and cost efficient decision making.
- Resource allocation.  Prone to subjectivity and generalizations.
- Monitoring and evaluation.  Higher risks of sub-optimal selection.

## MEHTODS AND TECHNIQUES

### SPEED VALIDATION OF BD VENTURES

Getting many business development ideas into profound analysis and investigation is highly inefficient and makes the selection process harder and more complex. Hence, we have developed various techniques for shortlisting and quick screening of business development ideas in order to avoid unnecessary consideration and prolonged debates over initially infeasible ventures. The following are speed tests used for early screening:

- **Execuational Viability;** filters out projects which are operationally infeasible.
- **Constraint-fit;** checks alignment with financial limitations and other requirements.
- **ROI Threshold;** the venture is eliminated if the initial ROI estimate is quite low.
- **Strategy fit;** checking how far a given project will not conflict with ongoing ones.

### QUANTIFICATION OF IMPLICIT BENEFITS AND COSTS

One of the key analyses that should not be overlooked is assessing the qualitative impact of a project on aspects such as: employee morale, corporate image, environmental sustainability and organizational stability. Such facts do not get computed in financial models due to their non-financial nature. However, visionary managers consider them and often get criticised by their analytical peers for that. We believe that ignoring soft benefits or costs can cause serious strategic shortfalls but also lack of quantification makes them misleading and subjective.

Hence, we have developed practical methodologies to close this gap which cover:  
**(1) identifying the implicit benefits and costs, (2) estimating their financial value and (3) effectively integrating them in the financial feasibility model.**

### RESOURCE ALLOCATION USING OPERATIONS RESEARCH

Once a group of BD projects/initiatives is selected, executives face the challenge of allocating their precious cash to the different elements and over an certain period of time. We resort to linear or exponential programing (mathematical modeling) to optimally distribute the business development budget. Simple models can be done using spreadsheets while larger ones require advanced OR software. However, MS Excel has been so far perfectly adequate to most cases.

The model inputs are: **projected liquidity, projected cash flow for the project, projects priorities based on NPV/IRR as well as strategic/operational requirements.**

The model outputs/decision variables **are the amounts of cash allocated to each venture within a certain period of time considering all mentioned constraints.**

### TESTING THE COHERENCY OF THE BD STRATEGY

If the budget allows funding numerous projects which are proven to be feasible and paying off, one remaining check should be carried out to avoid rushing to into chaos; a coherency test. Business development projects shall run under one strategy that ensure a synergy effect; i.e. the workforce development shall be matching with the R&D requirements as well as the commercial development and asset procurement. Misalignment among initiatives often happens due to silo-made decisions which end up with failed or interrupted projects. Our methodology helps companies with **(1) specifying the operational and financial requirements, (2) defining potential overlap or resource stress by contradicting projects and (3) assessing the extent of synergy/feed-in that can be achieved between synchronous projects.**

# HAL PRAXIS Innovating Management

## We are on a mission to solve problems differently.

We are enthusiasts who are committed to pushing the boundaries of management in order to help organizations handle their challenges differently beyond the traditional methods. Our approach is based on radical rethinking of the mainstream practices while capitalizing on technology and advancements in other disciplines such as AI.

We believe that our ultimate contribution shall be refining and validating managers' intuition through offering scientifically validated practices in administration and decision making that could dramatically reduce subjectivity, inefficiencies and boost growth.

Our pursuit to management innovation started with innovating the traditional processes of consultancy. Hence, we have developed *In-Cluster*, workshops that offer both customised advisory and collaborative problem solving; as well as the "Lean Engagement" which is an approach for delivering ultra-efficient and fast consultancy projects.

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## Domains of Expertise



### Cross Functional Integration

For Seamless planning & Execution



### Optimized Business Development

Venture Selection & Resource Allocation



### Lean Operational Budgeting

Least Waste and Maximum Agility

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