

INCREASING DELIVERY VALUE THROUGH IMPROVED BUSINESS DEVELOPMENT CAPABILITY

H.W. Nutt^{1,2} and M. Shepherd^{1,3}

¹ Business Development Institute International, Phoenix, Arizona USA

² Association of Proposal Management Professionals, Dana Point, California USA

³ International Project Management Association, Didcot, Oxon UK

Keywords: business development, value management, risk management, integrated approaches, process improvement, high-performing organizations

Short Abstract

Integrating disciplined project-management and cost-engineering processes with the business development process can dramatically improve companies' ability to deliver value to project stakeholders. This is facilitated through the BD-CMM (CMM®⁴ for Business Development), which addresses both project value and project risk prior to the project being contracted.

This paper explores practices associated with the BD-CMM that complement project-management and cost-engineering goals. Specifically, enhanced project value and reduced project risk can result from more mature business development practices. This is possible as a result of the "opportunity paradigm" that links improved ability to manage value with the inherently greater range of possibilities at the "front end" of the business life cycle. Moreover, pursuing more mature business development capability inextricably enables improvements in both project-management and cost-engineering practices that are otherwise unavailable.

As a result of this discussion, delegates will have a beginning strategy for integrating business development, project management, and cost engineering practices in productive ways that improve stakeholder value.

What Constitutes "Delivery Value"?

The word "value" means many things to many people and may be used in many contexts. Similarly, the phrase "stakeholder value" is used in many ways, and we recognize that there are many stakeholders in any given "value stream." We also recognize that one's perspective on value depends on the relationship of the individual to the value sought.

In this paper we will discuss value in the context of "delivery value," or "value delivered" through a given project. In the context, the focus is on the Customer, and we will discuss it as:

- Defined by the **expectations** of the Customer
- Bounded by the **cost/schedule realities** of both the Customer and the Provider
- Judged against standards of **acceptable risk**, and
- Measured against the Provider's **ability to perform** under contract

⁴ ® CMM and Capability Maturity Model are registered in the U.S. Patent and Trademark Office by Carnegie Mellon University.

As we consider any value stream, we should recognize that all value realization is a function of meeting Customer expectations. It is this set of expectations, including the assumptions that underpin those expectations, that establishes the success criteria by which value is articulated. Another way of putting this is that, ultimately delivery value must be linked to the “mission need” for which a given project has been authorized and contracted. This linkage ties delivery value to use and usability within the Customer’s environment and as negotiated within the Customer community, which can introduce significant complexity based on the diversity of actual users and other internal stakeholders that comprise “the Customer.”

At the same time, delivery value cannot be separated from the cost/schedule realities of both the Customer and the Provider. This inevitably leads to tension between the desire to maximize the performance of a given system being acquired and the need to constrain performance to minimize risk. This is true whether we talk about risk as inability to control cost, lack of reliability in less mature but higher performance systems, or some other context. The typical result is that delivery value often imposes limitations on delivery solution options.

Of course, the challenge for the Provider is to deliver the value expected by the Customer without jeopardizing the value expected by their own internal stakeholders. The typical result is tension between Customer value in terms of functionality and Provider value in terms of profitability. However, this challenge can be reduced by having a practical way to integrate project-management and cost-engineering processes with the business development process, for early collaboration with the Customer on a project-specific value proposition.

Why is the Pre-contract Effort Critical to Value Realization?

The reason that it is so important for project management and cost engineering processes to be engaged during the business development cycle is amazing simple but profoundly overlooked. Many organizations view project management, in particular, as what happens after a contract has been awarded by the Customer. A common phenomenon in such companies is that a project manager is assigned to a program following contract award, and his or her early effort is devoted to trying to “organize” and in many cases “re-baseline” the program. What gets lost is the linkage with the process that brought the contract into the company and the detailed value proposition that was the basis for award. It is little wonder then that we find Ministries of Defence decrying a supplier base that routinely fails to deliver what is promised.

The reality is that project managers are most often charged to make the program a “success” in terms of Provider value, rather than value delivered to the Customer. The challenge that they face is the equal reality of the “opportunity paradigm” illustrated in Figure 1. Both the project manager faced with managing a program and the cost engineer challenged to meet its economic goals are constrained by limited ability to manage either value or risk.

What the opportunity paradigm tells us is that the largest ability to influence delivery value is to address it during the business development process. Whether the issue is managing program cost, schedule, performance, or risk, the issue is the same. By the time that a contract is awarded, the most relevant decisions by which one can predict success have already been made, and relatively little “trade space” remains available.

Figure 2 applies this insight to the solution life cycle. What we conclude is that it is the pre-contract portion of the business cycle during which program management, cost engineering,

and similar goals must be rationalized. Put another way, these goals can only be fully realized if they have been embedded into the value proposition that the Customer actually buys. Whereas any one of these goals can be traded off against a wide range of options in the early portions of the business life cycle, relatively few options remain by the time that a contract has been negotiated and a program has been initiated. Thus, project managers and other value stakeholders can take advantage of the unique opportunity to pre-define value during the business development process:

- Helping to shape Customer expectations that will define delivery value
- Collaborating on the criteria and requirements by which delivery value will be judged
- Building working relationships with relevant Customer communities
- Participating to define the trade space within which value can be managed

What does the BD-CMM Provide?

Admittedly, many of these insights about where value originates and how it can best be influenced are not new. It's not uncommon in organizations for project managers to complain about having to "manage someone else's problem" or for cost engineers to acknowledge that there are "only so many things that we can do." Most often, they're directing attention to the fact that they had little influence in shaping the program environment in which they have been asked to deliver value.

A key difference is that we now have available the BD-CMM, through which to advocate meaningful integration of project management and cost engineering processes into the business development cycle. (See Figure 3.)

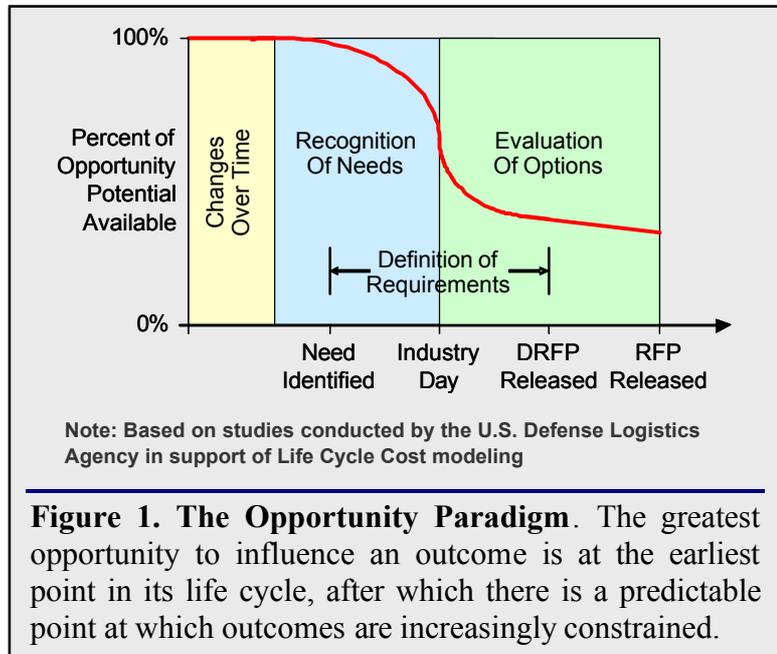


Figure 1. The Opportunity Paradigm. The greatest opportunity to influence an outcome is at the earliest point in its life cycle, after which there is a predictable point at which outcomes are increasingly constrained.

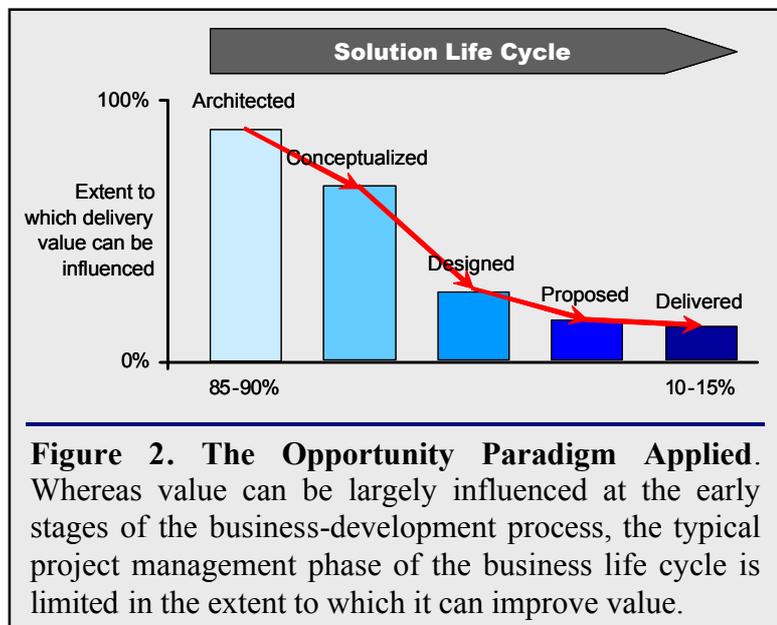


Figure 2. The Opportunity Paradigm Applied. Whereas value can be largely influenced at the early stages of the business-development process, the typical project management phase of the business life cycle is limited in the extent to which it can improve value.

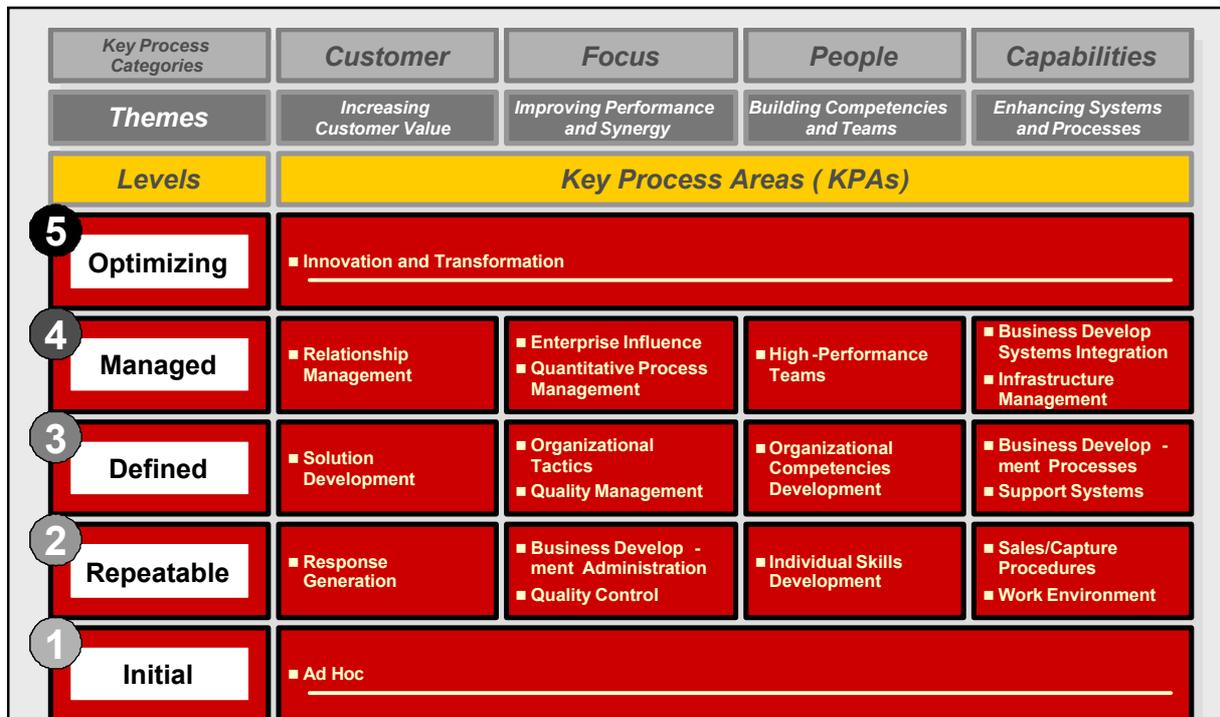


Figure 3. The CMM® for Business Development. The BD-CMM has been designed as a framework, path, and guide for managing and improving business development processes. Its practices address key issues essential for delivering maximum value to both Customers and internal stakeholders during project delivery.

- Five **maturity levels** characterize the relative maturity of how organizations perform business development.
- At each maturity level, four **Key Process Categories (KPCs)** define the aspects of organizational behaviour that must be addressed to create and sustain business development capability at that particular maturity level.
- Across the BD-CMM, **Key Process Areas (KPA's)** group practices by which the organization achieves the goals for a given KPC at a particular maturity level.

Note: The BD-CMM is available free from the Business Development Institute International (BD-Institute) at http://www.bd-institute.org/bd_cmm/BD-CMMPublicVersion2004_0930.pdf.

The BD-CMM “secret” is simple and straight-forward. It describes industry practices that correlate with increased business development capability and translates that capability into a “maturity” level. As an organization becomes more mature in its business development capability, it becomes increasingly effective and efficient at both winning business and being positioned to deliver the value it has promised.

Within the BD-CMM, Level 3 “Defined” is considered a “minimum goal state” for most business development organizations. At this level, the business development process has been defined as a full life cycle, positioned to integrate value across the organization:

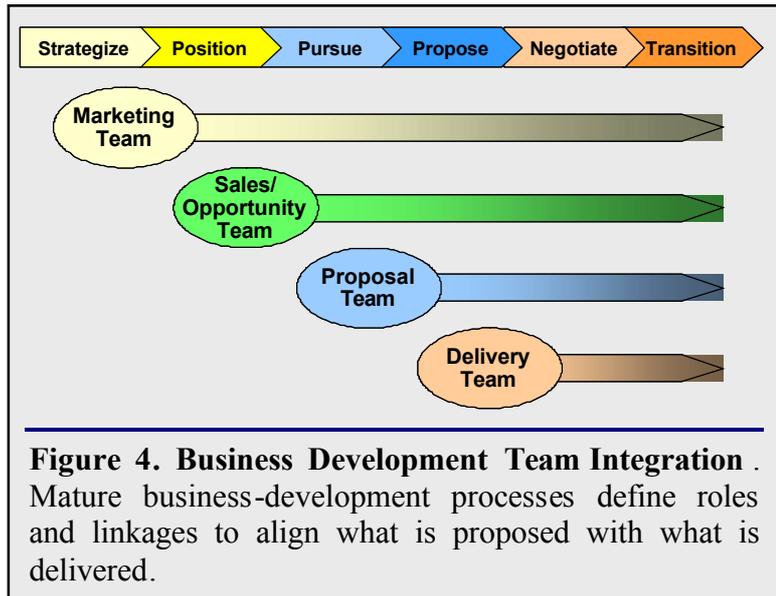
- A documented, standardized process facilitates integrated functions by having defined the interfaces and interdependencies between organizations
- Focusing on customer positioning emphasizes clear understanding of Customer expectations and clear definition of value delivery through early solution teams

- Well-defined roles and responsibilities for all stakeholders align what is sold with those who will deliver the solution

How do BD-CMM Practices Enable Increased Project Value and Reduced Project Risk?

The propensity for organizations with more mature business-development processes to deliver greater value is highlighted by the “theme” of the Customer Key Process Category – i.e., “Increasing Customer Value.” This is, in fact, an organizational principle of the BD-CMM, and the Key Practice Areas across the model at each maturity level align with a targeted mode of customer interaction to deliver a particular value.

One way that the BD-CMM engenders enhanced value during delivery is illustrated in Figure 4. At Level 3, companies focus on overall business cycles and are concerned about the ability to deliver and perform. In the United States, this has become especially important for Government contractors as a result of the emphasis on past performance by the Department of Defence (DoD). However, other DoD initiatives, such as Cost as an Independent Variable (CAIV), have also encouraged more emphasis on delivery value and the ability to manage value under contract.



Some of the other ways that the BD-CMM engenders increased project value and reduced risk may be illustrated by looking at four of the Level-3 Key Practice Areas. By looking at their goals and sample practices, we can assess their impact:

Key Process Area	Relevant Goal(s)	Relevant Practice(s)
Solution Development	Deploy and use a standard approach to solution development that fosters customer collaboration and assures resultant customer value and competitive discrimination	<ul style="list-style-type: none"> • Solution teams routinely use customer preferences, needs, and requirements as a basis for customer interaction and response • Customer solution preferences are documented and communicated throughout the solution development process to the response team
	Promote early solution teams and support them through meaningful engagement of senior management	<ul style="list-style-type: none"> • Teams collaborate with customers in developing and evaluating alternative solutions to customer needs • Customer interaction is maintained as long as possible to assure understanding of the value sought
	Impact on Value: Solution architecture is established as part of a proactive, value-based approach that involves key stakeholders	

Key Process Area	Relevant Goal(s)	Relevant Practice(s)
Organizational Tactics	Establish and support a Business Development Process Group to coordinate and centralize business development activities across the organization and assure that lessons learned are collected and used	<ul style="list-style-type: none"> • A business-development support strategy is deployed, with checklists used through-out the process to validate performance • Opportunities are selected based on well established pursuit criteria • Appropriate personnel are assigned and authorized to perform pursuit tasks in accordance with process requirements
	Impact on Value: Pursuit criteria align capabilities and customer value propositions to assure that what is proposed can be delivered	
Organizational Competencies Development	Define core competencies needed for effective business development and communicate them throughout the organization	<ul style="list-style-type: none"> • The organization identifies core competencies to be developed and sustained for its business-development functions • Training is augmented through work assignments aimed at enhancing competencies or fulfilling career development criteria • Individuals understand their roles and responsibilities on sales/capture and proposal teams
	Impact on Value: Defined competencies address and institutionalize delivery team roles within the business development process	
Business Development Processes	Deploy and use a standard business development process throughout the entire organization	<ul style="list-style-type: none"> • Appropriate sales/capture methods and tools are integrated into the defined business-development process
	Maintain consistency across business development work products by integrating methods, tools, and disciplines, and by systematically analyzing business development performance and direct customer feedback	<ul style="list-style-type: none"> • BD methodologies are developed, maintained, documented, and verified by systematically analyzing business-development performance and direct customer feedback • Consistency is maintained across business-development work products including planning, marketing, advertising, sales, and solution development
	Impact on Value: Standard business development processes address relevant interfaces with other organizational processes and assure that key stakeholders are engaged in appropriate ways	

What Benefits are Leveraged by Integrating BD-CMM with Project Management and Cost Engineering?

Given more mature business-development capability, an organization is better positioned to improve project value and better manage both project cost and risk. As we have seen, using BD-CMM practices helps the organization define proactive roles for both project managers and cost engineers. This is part of a value-based approach to early collaboration with Customers that is designed to take advantage of the “opportunity paradigm.”

There are, then, two types of benefit. The first is that strategic integration of mature business development practices with disciplined project management and cost engineering enables the latter to better achieve their individual goals as stakeholders. This is summarized as follows:

Project Management Benefits	Cost Engineering Benefits
<ul style="list-style-type: none"> • Extend relevant disciplines into the business development cycle • Define roles, “touch points,” and values for project managers at the front end of the business cycle • Identify and address risks as part of early solution development team activities • Pre-negotiate success criteria with Customers through involvement in early discussions that address trade space for value management 	<ul style="list-style-type: none"> • Build cost/price strategies as part of early solution architecture • Position to manage cost and value prior to pricing • Make cost “an independent variable” within the solution development effort as part of the solution development team • Design cost trade space into technical solutions as a business development value

The second type of benefit relates to creating a set of shared values at the juncture between business development, project management, and cost engineering. An integrated approach promises significant opportunity to improve delivery value by:

- Establishing value as a primary driver in an end-to-end business cycle
- Aligning business development activities and delivery concerns for relatively seamless transition into contract performance
- Routinely deploying solution teams that integrate organization-wide functions during business-development efforts and that assure that all stakeholder values are considered
- Improving cost performance and revenue realization
- Reducing project risk

With these benefits available, it behoves the three communities – project managers, cost engineers, and business developers alike – to consider carefully how to further leverage process integration. The BD-CMM provides a useful tool to promote the dialog that is needed to share lessons learned and further improve business development processes in mutually beneficial ways. The BD-Institute continues to seek participation from related “communities of practice” and would welcome such progress toward shared goals.