CHAPTER 1

Introduction and default positions

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LEARNING OBJECTIVES

After reading this chapter, you should be able to:

• Explain the difference between people with common general knowledge, specialist knowledge and integrating general knowledge.
• Explain what bounded rationality means and what consequences it has.
• Account for misunderstandings and common sources of error in daily business life.
• Describe the difference between theories, textbooks and business practice.
• Account for the general content of the three modules of the book.
1 Aim and motivation

Always be ready to speak your mind, and a base man will avoid you.

William Blake (1757–1827)

With this book, I plan to use my experience as both an academic and biotech entrepreneur to answer the following questions: ‘What is business development, what does the business developer do and what characterizes good, structured and effective business development?’

I would count this book a success if the reader found most of what is written here to be self-evident, even blindingly obvious. It is always worth saying what sounds obvious because what seems obvious usually only seems that after you have said it. Also, readers should know that many of the opinions in this book deviate from the established orthodoxy espoused by traditional marketing and management literature.

Having experience and insights from different professions has, however, not made my work any easier. One reason is that business theories and business practices are often incongruent, because business practice is generally highly context-specific and theories are usually general and abstract. Another reason is that there exists a multitude of theories, frameworks and concepts for all aspects of business and economic life that are competing for attention to deliver the ‘right’ approach to improve business performance. A third reason, and the one I will spend some time on here in the introduction, is that different people interpret theories and practices differently – even when they evidently should not, and even worse: people often neglect our basic human cognitive limitations, our bounded rationality.

In short, if you believe that general theory and the particulars of actual business life are congruent, you are likely to waste many good resources in the first years of doing actual business. To help you avoid this, the book contains lots of practical anecdotes and examples that aim to explain the seemingly systematic oddities I, and others, have encountered in the business world. To level with you: sometimes even theoretical models that involve actors with limited cognitive abilities seem too clever to capture actual business decisions and business activities.

It is important for the business developer to be aware of not only the, sometimes odd or even illogical, practices of decision-makers but also the constraints placed upon businesses in the real world, that is to say that tidy theory can never anticipate the ever-changing and complex reality of business. But, being aware of these potential departures from sound theoretical sense and the limitations on what a business can actually achieve will teach you to know what to look out for, both to avoid it and to use it to your advantage. We will return to these traits throughout the book to help you do just that. But first: why business development?

2 Why business development?

This book is about business development, a notion in frequent use but with an unclear meaning. A modest guess is that there are as many versions of the notion as there are days
in a decade. However, we cannot discuss business development unless we agree what we are talking about. Clarifying the business development construct and its relation to the organization and environment is the purpose of Chapter 2. But before going there, two questions beg to be answered: ‘Why are you focusing on business development and what, in fact, is it?’

A brief answer would be, ‘Some progressive firms claim that their core competence is business development. And that it is the term given to particular types of business tasks and processes.’ But these answers will not stand up to any kind of scrutiny. Worse still, they do not really tell us what business development is, nor do they identify any specific activity that could be labelled ‘business development’. And because they do not do that, you have nothing to replicate and apply to your business venture. These questions highlight the need to define what business development is. In doing so, we will encounter various, and at times contradictory, definitions for it. So, before we can divine exactly what business development is, we need to identify what it is not. To do that, we must consider the various managerial buzzwords with which business development is often confused.

The book focuses on the tension between theory and practice on the one hand and between specialists and (integrating) generalists on the other. Any one of the extreme positions taken by these four positions is a potential threat to a business venture. That is to say that I am not against academics or practitioners or specialists or generalists per se. But I do take issue with the tendency of one ‘discipline’ to neglect its obvious deficiencies, which another ‘discipline’ (or point of view) would make up for simply by theoreticians or practitioners, for example, acknowledging and using each other’s (complementary) skills. There is especially a neglect of integrating specialists, such as business developers, in theory and in practice. But let us get back to one of the main issues that this book will deal with: there are no meaningful definitions of business development, only ways of applying it, in the literature.

Consider this question:
Are/were, for example, Jeff Bezos (Amazon), Richard Branson (Virgin Group), Sergey Brin (Google), Andrew Carnegie (Carnegie Steel Company), Gabrielle ‘Coco’ Chanel (Chanel), Walt Disney (The Walt Disney Company), Henry Ford (Ford Motor Company), Bill Gates (Microsoft), Steve Jobs (Apple Computers), Masayoshi Son (SoftBank/Vodafone), Kiran Mazumdar-Shaw (Biocon), Gordon Moore (Intel Corporation), Rupert Murdoch (News Corp), John D. Rockefeller (Standard Oil), Anita Roddick (The Body Shop), Sakip Sabanci (Sabanci Group), Li Ka-shing (Hutchison Whampoa), Russel Simmons (Def Jam), Donald Trump (Trump Organization), Sam Walton (Wal-Mart) and ‘________’ (insert your own favourite business founder) good entrepreneurs or good business developers?

As we will learn later in the book, this is actually a trick question. It is clear that these individuals founded successful businesses and that those businesses grew to be huge. But, without knowing exactly what business development is, it is impossible to say whether this success was down to good entrepreneurial drive or leadership, sound strategic management, superior marketing or sales activities, spotting a rare opportunity at the right time or maybe just plain luck, or whether it was down to good business development. To put it simply, we know that they were good entrepreneurs, but we do not know whether they were good business developers.

Of course, all management, entrepreneurship and marketing frameworks have many things in common with business development – as they do with each other. No wonder, as
they all are aiming at one common goal: growing the business in a profitable way. The trick here is to realize that the different perspectives are indeed merely perspectives at different levels of the business, and that a perspective is only uncovering an aspect of the subject under scrutiny.

2.1 Getting behind the question

One good way to approach aspects of business life that are novel or difficult to get our heads around is to take a step back and go behind our common goal of growing the business in a profitable way and ask the question ‘Are there aspects of growing the business in a profitable way that are not captured by our existing general frameworks and teaching?’

My experiences as a sergeant in the military police and as a biotech entrepreneur taught me that there was a chasm between the theoretical world investigated in the classroom and the real world in which I did business. I am not alone. I and many colleagues and members of my business network often joke about the disconnect between what, for example, we learnt during our MBAs and what we discovered in the workplace. I soon realized that I needed a bridge to allow me to cross from the classroom to a life as a successful entrepreneur in the real world, with all of its illogicality and quirkiness. In fact, it still amazes me how common this experience is. And here are some thoughts on the subject.

Academia is not practice, of course. However, as there is growing public interest in innovation and the commercialization of business ideas, it would be fair to argue that (some part of) academia and business schools should prepare our students for actual business. A common, and very good, excuse given by wise academics for the aforementioned gap is: ‘We cannot teach you about business, but only abstractions and method. We are specialized researchers investigating very particular aspects of our reality.’

The common excuse among the not-so-wise academics is often absent or confused. They apparently sincerely believe that their enlarged business vocabulary enables them to teach actual business, even though they typically have been specializing themselves in a straight line from kindergarten to their academic (professor) position. Hardly an experience that I would recognize as something that enables a person to know and teach about actual business activities. Moreover, such myopic specialists, while they acknowledge and respect the complexity of their immediate peers’ work, often seem ignorant of the rest of the world’s complexity. But then, when all you have is a hammer, all you see is nails, as the saying goes.

To put it bluntly, business is not just clean theories, concepts and their general interdependence investigated in isolation. Business is done in a context of numerous intertwined tasks and processes that, at the level of analysis of this book on business development, does not meaningfully allow for isolated and abstract analysis. That said, I naturally fully recognize the fundamental need for specialization and for the investigation of careful and clearly delineated aspects of (business) reality. Without these specialized activities, we would not have the impressive understanding of the world that we do.

The issue is that investigating subjects in isolation usually means keeping the rest of the world constant. While possibly meaningful in a scientific setting, it rarely makes sense
when engaging in actual business activities. Virtually everything is interdependent in business reality, and tweaking one aspect of the business will have a multitude of derived effects across the remaining activities of that business. And that’s without considering the uncontrollable aspects of our markets and general environment that influence our organization.

2.1.1 The ‘that is my favourite’ mistake

It is therefore, in my humble opinion, important that we constantly remind ourselves that doing business should not be confused with an academic exercise within one of our favourite areas of specialized expertise. Nor is it about having a full set of specialized, but disconnected, courses in business administration and economics. The business developer works with the knowledge that the business and its environment is a coherent whole with highly interdependent tasks and processes.

The academic and functional specialist will usually be overwhelmed by this fact and exclaim, ‘I find my area of specialization far too complex to understand in detail, so how can you even think about adding more aspects and therefore increasing complexity beyond reason?’ I have three basic responses to this position. First, the business developer is specialized as an integrating generalist (this critical notion is elaborated upon below), which implies (a) we work with the entire business operation as our subject and thus view the world in a different perspective and (b) we draw on and are dependent on specialists for our activities.

Second, idiosyncratic complexity usually arises when there is something you do not comprehend, like a child beginning to learn their letters, grammar or maths. Because something is complex to you, it does not mean that it is complex to others. Third, while you may be overwhelmed and confused by the details of your areas of specialization, we – the integrating generalists, business developers, entrepreneurs, leaders, etc. – make the world go round. That is to say that specialists, in academia as well as in practice, tend to get bogged down by unnecessary details and complexities. Moreover, the integrating generalist, who understands the interconnectedness of the specialist’s work, must ensure that the specialist provide only what is meaningful to the particular task or assignment.

While all this seems obvious to me, I think that the previous exposition exposes possible deficiencies in existing general frameworks and teaching. Business experience, along with a good dose of theoretical abstractions and methods, is one grounding that should enable you to interpret and convey theories and methods in a business context. This is true for the academic, the business person and the student.

Do we not all remember good and inspiring teachers, who typically were so because they actually had practical experience of their subject? They saw simple concepts and theories at work in their respective complex contexts and managed to convey the whole, both theory and its context, in a straightforward way. Don’t forget that Nobel Prize-winning laureates usually get their prizes for simplifying the complex – not for making simple things complex. And it is my belief that far too many academics and business people make a living out of doing the latter.
2.2 So, why business development?

Business development is not a theory but a framework that aims to synthesize a number of intertwined tasks and processes. ‘Yes, and so do strategic management, entrepreneurship and marketing management, etc. So why introduce another general concept?’ the critic exclaims. The issue here, as with many other instances aiming to provide new knowledge, is that novel thoughts and perspectives are usually force-fitted into existing general frameworks. One of the consequences of this ‘you must choose which category this concept belongs to’ is that the novel insight, such as an aspect of business development, loses most of its actual utility.

But, as we will see, there are many theoretical and conceptual overlaps between business development and existing general frameworks. In this book, we will learn that in the case of business development the mindset governing the frameworks and their applications is somewhat different, more practical and a bit more sensitive to the particular business context. I do not think that these nuances will emerge clearly under the umbrella of conventional thoughts. We do not want to end up building on and extrapolating existing misconceptions or blind spots, do we? Hence: business development.

2.3 The business developer as an integrating generalist

The words ‘specialist’ and ‘generalist’ will be used frequently in my exposition, but what do I mean by them, really? Let me use an analogy to demonstrate the meaning of specialist and generalist in a business context. Consider the development of the modern mind as argued by, for example, Annette Karmiloff-Smith (1994) and Steven Mithen (1999). This modern mind analogy will also allow me to introduce the notion of ‘integrating generalist’, which is of critical importance when trying to understand our focal concept, business development.

Our minds consist of a capacity to apply common general knowledge, specialized knowledge and integrating general knowledge. Each of these capacities represents stages of our evolution, but all are usually present in modern minds, our minds. In the context of an organization, this corresponds to having people and business functions with:

- common general knowledge
- specialized knowledge
- integrating general knowledge.

The critical distinction to make is that between ‘common general knowledge’ and ‘integrating general knowledge’. But let us first clarify what we mean by a specialist and specialized knowledge. Specialized knowledge is developed over time and is acquired with experience in a specific and restricted field. We therefore refer to specialists as those highly skilled in a specific and restricted field.

Being a ‘generalist’ needs to be elaborated upon as well. Holders of common general knowledge know about many relevant things to sustain daily life but are not specialists in any area, nor have they the capacity to integrate specialist knowledge into general areas. Nonetheless, common general knowledge allows for organizational activities, such as running a
household. Note that even such trivial activities may pose huge challenges. Specialists and integrating generalists possess common general knowledge. We refer to those who are able to use common general knowledge to sustain daily life but are not specialists in any area or do not have the capacity to integrate knowledge from specialist areas as common generalists.

Integrating general knowledge, on the other hand, involves being able to apply specialist knowledge to general purposes that lie beyond the possibilities of that of holders of common general knowledge and specialists. Back to our mind analogy, it is actually a hallmark of our species to have evolved an ability to apply specialist knowledge to general purposes. We will therefore refer to integrating generalists as those who are able to apply specialist knowledge, which lies beyond that of holders of common general knowledge and specialists, to general purposes.

2.3.1 Integrating generalists in the organization

An integrating generalist is generally argued to be a person with a wide array of knowledge across different fields, such as strategic management, marketing management, innovation management, finance and organization, as opposed to the specialist, who is an expert within a particular field, such as corporate finance or market research.

As such, integrating generalists and specialists work with the same amount of detailed information on a daily basis, but at different levels of aggregation. The business developer’s tasks as an integrating generalist are to bring together and synthesize organizational and environmental information from the various areas of specialization that make up our entire business venture.

Maintaining and refining this integrating generalist approach seems only plausible if the business developer does not get lost in the details of particular details in specialized areas. This also highlights the importance of the business developer’s extensive knowledge of the role and relevance of the different areas of specialization, and that they have a good and frequent interaction with the respective specialists within an organization.

Conversely, this also highlights the importance of making the specialist aware of their role and area of contribution to the business venture. A recurrent observation of the many specialists I have engaged with is that they tend to be quite able to realize and accept the extensive difficulties with the understanding of their own subjects among their specialist peers. On the other hand, they seem quite quick to neglect that the same fact is prevalent in all other areas of specialization as well as for those specialized as an integrating generalist, such as the business developer.

As an integrating generalist, the business developer is therefore working closely with specialists as well as with senior management and the board of directors, to conceive, craft and implement superior business plans.

2.3.2 How do we distinguish the specialist from the integrating generalist?

Distinguishing the specialist from the integrating generalist can generally be understood in terms of the business tasks and activities they perform and their knowledge about their
interconnectedness. Consider the following illustrative, albeit abstract, example. Let us for convenience sake say that business people have fairly similar cognitive abilities and that they, in this example, are able to cope with four different business activities and have knowledge about their particular interconnectedness. The business activities are found in various forms within each of our business functions, such as strategy, marketing, production, sales, R & D. The knowledge about interconnectedness refers to how the particular activities relate to each other and will be of varying degrees, depending on one’s expertise.

Figure 1.1 shows five business functions that each have five business activities with increasing levels of specialization. All of the business activities are also interconnected across business functions, but generally we say that there are stronger levels of interconnectedness within the respective business functions and at the general level across business functions. In fact, the entire business operation’s activities are interconnected with the rest of world, but that just complicates our problem unnecessarily, so let us maintain our focus on the simple example.

Based on this stylized setup, we say that the feature which distinguishes specialists from integrating generalists is their respective focus on either increasingly detailed knowledge about interrelated activities within a business function (light blue box) or integrated general knowledge about the interrelatedness across business functions (dark blue box). As an artefact of this example’s design, we can imagine the limits of knowledge of both the specialist and the integrating generalist. It should also be easy to imagine a person with common general knowledge as well as scattered knowledge from various specialist business activities but without any meaningful capability to integrate this knowledge.

Note, for example, that an entrepreneur must usually cope with all the business tasks and activities across functions and their environment in the start-up phase. With the simple wisdom presented in our little example, it should be no surprise that entrepreneurs and other

![Figure 1.1 Distinguishing the specialists from the integrating generalist.](image)
business professionals who are not willing or capable to (a) acknowledge their professional and cognitive limitations and (b) delegate responsibilities to specialists and integrating generalists perform poorly or go bankrupt. We will explore this point later in the book.

3 The default positions

The following sections contain my default positions, and by that I mean they set out the book’s main arguments. This may fend off (or offend) many potential readers. Nonetheless, without a guiding set of default positions, without establishing clear definitions of the various components of my argument, people may believe the book says one thing when I actually mean something else entirely. I think that would be a mistake . . . even though the book would probably sell more copies!

3.1 Business is not an exact science . . . surprise, surprise!

Business is not an exact science. Management and marketing do not have stylized facts or scientific regularities of which we can be really sure, unlike physics’ gravity, electromagnetism and fields of force. For this reason, we must be careful theorizing on and, especially, conducting something as unpredictable as practical business and economic activities involving the complex actions of human beings with cognitive limitations. There seems to be much overconfidence about what is actually known in business and economics. Need I mention the late-2000s financial crisis or the common observation that most business ideas, even those getting funded by investors, are usually bad ones?

If business administration were physics, our understanding of daily business life would be akin to Plato’s (or some other pre-Newtonian scientist’s) understanding of physical reality. However, many seem to believe or act as if our business knowledge is, to continue the analogy, akin to splitting the atom, whereas in reality the apple has yet to fall from the tree. This provides, of course, a multitude of challenges when we set out to do business: first, because our ability to prescribe and predict the business world is limited and, second, because these limitations are often neglected. Fortunately, all business people and academic researchers face these challenges, and many of them are honest about our common limitations.

However, this does not mean that business activities are entirely random, and so defy any hope of analysis. This leaves room for meaningful business development and other attempts to structure our seemingly complex daily life. Things usually tend to work out quite nicely, right? Well, after a business idea has proven its worth, anyway. I believe that, at times, we would benefit from a dose of humility. By acknowledging the shortfalls in our own business knowledge, not to mention in our theoretical and empirical knowledge, of the many layers that make up the complexity of the business world, and by demonstrating a willingness to put them right, we would benefit ourselves, both as business people and as human beings. Let me explain what I mean by this.
There are several important implications relating to these limitations, but I will only comment on a few general ones. First, there is the simple problem of not realizing these limitations but working as if business activities and their interactions are predictable and behave like gravity, electromagnetism, etc. In my opinion, there is a tendency to confuse what the world ought to be with what the world is, as I mentioned in the introduction.

We can usually all agree on what the world ought to be, among our true peers at least. But that does not help the business developer anywhere, unless it is backed up by a detailed plan of how to make it happen—which it usually is not. Moreover, there is the aforementioned tendency for us to believe that the business world is predictable, which implies that we also know what it is in accurate detail. This is a grave mistake to make.

In the absence of obvious stylized facts in business, we are therefore left with general directions based on the theoretical developments and empirical observations from research on business administration and the social sciences in general (which, by the way, borrows heavily from other, more established, fields of research). Since they are only general directions, it actually means that they are much more difficult to grasp and manage. This is the third important point: even clever people tend, when faced with phenomena that they do not fully comprehend, to believe that they have carte blanche. Yet anything does not go in business. Business problems can typically not be solved as simply as equations in maths and physics, such as $1 + 1 = 2$. The tricky bit with business problems is that there are many intellectually possible solutions, but most of them are not profitable. Some general observations from my practice and network suggest that theoretically well-founded but inexperienced people tend to put forth relatively more solutions that are unprofitable or even meaningless in a particular business context. On the other hand, myopic specialists or generalists not acknowledging the need for complementarities and coordinated efforts tend to convey relatively fewer solutions that are also usually detrimental to the viability of the business.

We are therefore left with a challenge that requires a more humble approach and a serious concern for the lack of accurate prediction. However, our general findings and directions may help us in making too many mistakes. In the following, I will summarize the default positions that underpin the general theories, frameworks and perspectives presented in this book.

### 3.2 Some rudiments on bounded rationality and its consequences

Before we explore this book further, we must stop, think and acknowledge that the world is far from ideal. Indeed, this fact is the beauty of it all and a source of advantage for those who not only realize it but also act according to this knowledge. Remember: this is not a philosophical exercise but one about understanding and developing successful business ventures.

Our businesses and we are constrained in many ways, for example by natural forces, by legislation and by the limitation on our rationality. In practice, you cannot suddenly move the bricks of a factory to another continent, because of physical constraints and because of legislation, you are prevented, for example, from deliberately cheating customers. While the first two constraints are relatively easy to identify and grasp, the latter is a bit trickier. All three are, however, important and we will revisit them and their influence on various aspects of business activities throughout the book.
3.2.1 Simon, Cyert and March: my giants

Well then, back to our limitations on rationality. In his seminal book from 1947, *Administrative Behavior: A study of decision-making processes in administrative organizations*, Herbert Simon (1997) outlines the basic limitations of the rationality of people and how these constraints create challenges for decision-makers. Simon introduces the notion of the boundedly rational decision-maker. ‘Bounded rationality’ refers to the limits of the information available to decision-makers, the finite time available in which to make decisions and the cognitive limitations that constrain decision-makers with respect to formulating and solving complex problems and in processing – that is receiving, storing, retrieving and transmitting – information. This truly lies at the heart of understanding and doing business.

To understand why Simon’s work is important, we must realize that both previous and later research on decision-making often is based on the economist’s rational and self-interested decision-maker, *Homo Economicus* or the *Economic Man*. While people to a large extent still may be characterized by pursuing wealth by ways guided by self-interest, they are pretty far from rational. A rational decision-maker has all the relevant information concerning a given problem and is able to process it for an optimal decision. And because the rest of the ‘world’ is made up of rational beings, they know exactly what is being decided. What is limited here is the amount of real-life examples that demonstrate these characteristics.

The bounded rationality perspective of decision-makers and organizations developed into a distinct field of research under the labels of the Carnegie School and the Behavioural Theory of the Firm. This line of inquiry produced several prominent books, such as Simon and March’s (1958) *Organizations*, Cyert and March’s (1992) *A Behavioral Theory of the Firm*, originally published in 1963, March and Heath’s (1994) *A Primer on Decision Making: How decisions happen* and March’s (1999) selected works in *The Pursuit of Organizational Intelligence*. Standing on the shoulders of these works, my primary default position is:

- People are boundedly rational, in the sense that:
  - We usually cannot acquire all the necessary information needed for optimal decisions.
  - We have limited cognitive capacity to process the information we may have acquired.
  - We are limited by our ability to communicate and receive the information.

Based on this primary default position on our bounded rationality, there are some derived interesting psychological and behavioural tendencies of business people and our customers that are worth keeping in mind. Drawing on, for example, Williamson (1975) and Tversky and Kahneman (1981), it is more the rule than the exception that people:

- behave opportunistically, in the sense that they take care of their own interests before the interests of others, such as their employers’ and the firm’s owners’ interests;
- believe that they and others make more rational decisions than they actually do, that is that they do not commit the ‘sunk cost fallacy’, or in layperson terms ‘throw good money after bad’.
While the insights from these works are not explicitly referenced as much as they probably should be, they are nonetheless the underlying driver of many of the arguments I will present for you in the remainder of this book.

### 3.3 More possible sources of error in daily (business) life

Besides general psychological and behavioural tendencies and their implications, as we shall explore in the remainder of the book, I often experience misconception and confusion in business and in the theories surrounding it. These errors are actually quite instructive, though, as they usually reveal the core issues that people are really struggling with. I will therefore highlight such misconstructions or confusions as they may occur in practical settings in **PAUSE FOR THOUGHT** intermissions throughout the book.

Some of my favourites in the existing literature are, for example, James March’s basic but great observation that ‘competitive victory does not reliably go to the properly educated’ (1991, p. 86) or that ‘learning does not always lead to intelligent behavior’ (Levitt and March, 1988, p. 335). Working with such basic knowledge may save you from a lot of frustration and from making wrong decisions based on the (incorrect) belief that the circumstances were different. Furthermore and along the same lines, I personally hold, based on various experiences and from extensive reading, that many people tend to:

- create coherent meaning, patterns or logic from random events or abstract structures; this is called ‘apophenia’ in psychology, and in statistical terms that of ‘accepting a false positive’ (Type I error);
- confuse nepotism with habits, relationships, network and other popular excuses for preferring particular partners who do not contribute to the common wealth;
- confuse what you can do in evolutionary time and with populations with what you actually can do in real time and with practical business issues;
- believe that what is easy to understand is easy to do.

These misunderstandings and confusions may be more or less deliberate or be part of politics, diplomacy and other games and tricks that people rely on when pursuing their interests. Whatever the reason, I believe that it is important for the business developer to keep them in mind when engaging in our daily business tasks and activities. Here are some misunderstandings I have encountered for your instruction and possible amusement:

- We can be taught to be successful, rather than be taught to avoid the multitude of common mistakes that may lead to financial failure.
- Employees usually work for their managers, the CEO, other administrative people and in the best interests of the owners of the firm.
- People confuse business practice with scientific regularities and vice versa.
- Even acclaimed specialists in one area of specialization believe that their wisdom suddenly encompasses deep knowledge about other areas of specialization, let alone that of integrating general knowledge.
Something that sounds or seems complex is closer to the truth than that which can be explained in layperson’s terms. (Note that making things sound complex may just be a veil covering a lack of actual understanding.)

People hold particular positions in a company because they fulfil the job description rather than because they are skilled at climbing the company’s hierarchy.

The higher the education, the proportionally better the business person.

Business people cannot get anywhere near as much inspiration for their business activities from reading poetry or novels, such as Shakespeare or Tolstoy, or seemingly unrelated fields of research than from reading business textbooks.

People mistake quantity, such as time spent or amount of enthusiasm, for quality, namely skill.

People confuse wearing a business suit, the business uniform, with an ability to do business.

People tend to believe in or act as if there is someone, somewhere higher up in their hierarchy who is in control – and behaves ethically on behalf of everyone.

3.3.1 Perceived complexity, not actual complexity

In addition to these (from my point of view) misunderstandings, it is also my impression that neophyte business people or others devoid of business experience, such as some academics, perceive that business is highly complex and close to impossible because of all the things that are interconnected.

This seems to me to be a bit like the young students of philosophy who invariably must go through that phase of questioning that which is commonly accepted, such as whether the chair they are sitting on exists or if there is snow on the top of Mount Everest if no one had ever been there to find out. My advice is to get over that phase and observe and enjoy how things work quite well despite ‘the seemingly insurmountable complexities’. Or as a client of mine once said, ‘Will those who do not believe this problem can be solved please leave the room while the rest of us solve it.’

3.4 On the difference between idealized textbooks and practice

Even clever people tend to forget that the value of a framework is only as good as the quality of the information in it, as well as the subsequent analyses and synthesis by, for example, the experienced business developer or strategist. Who cares about interesting results if they are based on flawed data?

At a more general level, consider how almost all people have new examples of how (grotesquely) great a distance there is between the expected ‘rational’ behaviour in businesses, institutions or society and the one actually observed. The purpose of my digression here is to help you realize that there is a potential danger in getting taught about idealized theories and frameworks by inexperienced theorists or idealists, if you do not realize that they are, in fact, ideal and typically far from practice. That is not to say that you cannot learn from the ideal theories and frameworks presented in this textbook. Indeed, they will teach you to avoid making hard work out of everything.

Always remember that idealized theories and frameworks are usually mere beacons for the direction of the improvement of your business venture. They are not necessarily the actual
state of affairs for your particular business. Nor are they a clear answer to how you are actually going to ‘get there’ in a meaningful, detailed way. This will very much depend on your own (or your advisers’, consultants’ or lecturers’) knowledge of the current state of affairs of the market and industry for your particular business idea and the current state of your organization and partners, etc. These statements may seem quite rudimentary to some, but they are surprisingly often neglected.

Let me try to give you an example. The textbooks, academics, advisers, etc., will typically provide you with general one-liners, such as ‘the value of market orientation is higher in more turbulent environments’, or abstract two-by-two matrices, such as the SWOT framework. This is clever in at least two ways. First, you can seldom argue against the provided logic and, second, the advisers, etc., can never be held accountable for details needed for its actual implementation. ‘If you failed, you did not implement my advice well enough’ they would probably say.

But let us reverse the perspective and see it from the practitioner’s side. If a practitioner were to provide similar advice to academics on how to improve their career possibilities or do their next research paper, it would be something like ‘good research in high-end journals increase the likelihood of a good tenure position’ or an outline for the excellent paper (Figure 1.2). Clearly, the examples in Figure 1.2 beg a simple critical follow-up question: ‘How on earth am I going to do that?’

**3.4.1 What are you trained for, really?**

*Whatever you would make habitual, practise it; and if you would not make a thing habitual, do not practise it, but habituate yourself to something else.*

Epictetus (first century AD)

Earlier, I noted that business students, scholars and even business practitioners almost always need a bridge between theoretical learning and actual business life. The same can be said for later on in life, when they change company or industry. Having now a little more background on possible sources of the deficiencies in our daily life, we can explore some of the reasons why
this gap between our training and its practice may exist. This has to do with what we are really trained for.

Let’s look at it another way. What usually happens to people who must perform in a typically stressful job, with its budget wars, personal rivalries and cutthroat competition, and in the context of having time for the family. You know, the usual stuff. You probably recognize the following situation yourself, namely that people tend to go around in their own little bubbles, thinking about the heroic, rational and superior actions or decisions they would make in a given situation. And sometimes these same people will wonder why other people reacted so poorly to a given situation, and how easy it would have been for them to take proper action. And then, when they find themselves in a similar situation, with its stressful and dynamic context and their adrenalin starts pumping, what happens then? They usually freeze, run away or make counterproductive decisions, just like any other. This is basic human behaviour. As succinctly put by an old gunnery-sergeant in the Marine Corps: in combat you do not rise to the occasion, you sink to the level of your training (Grossman and Christensen 2008).

### Example

#### Sinking to the level of your training

Grossman and Christensen (2008) give a real-life example of what I am arguing about.

A police officer was determined to practise disarming an attacker. At any given time, he would have his partner, wife or friend hold his gun, so he could practise snatching it away. He would snatch the gun, hand it back and repeat this several more times. One day the police officer and his partner were called to a situation in a convenience store where an unwanted man was to be removed. Walking down one aisle, the police officer was surprised by the suspect, who pointed a gun at him. The officer snatched the gun away, shocking the gunman with his speed and finesse. The gunman was even more surprised, and confused, when the police officer handed him back his gun, as he had trained to do so many times before. Fortunately, the officer’s partner came around the corner and shot the subject.

I apologize for the rather morbid ending, but reality is reality. Businesses also cease to exist when their executives make odd decisions that drain their equity towards zero or beyond. Here is the point of the argument. The police officer thought that he had trained ‘disarmament’, but what he really was training was ‘disarmament and handing back the weapon’. When faced with the practical situation he trained for, where the situation demanded a quick decision, his actual training could have led to a fatal (for him) outcome.

### 3.4.1.1 Training for business development

In the context of business development and that of doing business in general, it is critical to realize the importance of some experience when preparing and implementing a business opportunity. Without experience of the area of your business opportunity, that is the customers,
the industry dynamics, the technology and products, you may often lack sufficient understanding to make the proper analysis, choose the correct business model or take meaningful decisions upon that information. I keep thinking about the analogy to the tablatures of Mozart. Anyone who can read notes can play Mozart’s music, but only an experienced few can make it sound heavenly. And the beauty of it is that, because some of Mozart’s works were not played for many decades, we actually do not know how they were originally supposed to sound.

In the same vein, we can teach our students and employees to perform a specific action required to make the right superior decision without conscious thought. But if we are not careful, we can also teach them to do the wrong thing. These ‘training scars’ are found in the midbrain and are counterproductive to good business practice. The point I am trying to make is that if you want to train for business development, do real-life business development on your own business idea rather that theorize about it and/or rehearse on an artificial case.

The latter will make you detached from the actual and very basic problems you eventually will encounter in most of your business life. For example, meaningful and convincing market information about customers and competitors does not come about easily, selling your first product is tough, making your employees behave is tricky and making the business opportunity profitable is a surprisingly rare occurrence. So pay respect to the seemingly trivial aspects of your basic frameworks. Real-life problems are often solved intellectually, but if you can only make the theories and frameworks work in theory, and believe that this corresponds to real-life issues, then you are fooling yourself.

3.4.1.2 A friendly warning on the use of business cases

Be warned: your lecturer or superior officer may think a well-prepared case based on a real but stylized business situation is ‘applied stuff’. But in the perspective of this book many business cases will only get you halfway, if that. A case is yet another artificial situation with which you can train your analytical skills. Here you can air your great and visionary ideas that are probably far removed from any actual problem you will face in your business life, especially when you must address resource constraints and implementation issues to implement your vision throughout your organization.

Maybe I am stretching the argument a bit, and a few cases may be beneficial to you, but after those you may as well solve sudoku or crossword puzzles instead. Solving many business cases tends to becomes more like a sport, where business people are trained to read a question and find the place in the text that may answer the question. The ‘game’ is about who is relatively better at identifying the place in the text and anchoring it in some stylized theoretical context. Solving artificial cases will therefore not teach you much about business development or other significant actual business practices. Dare to think out of the box and acquire practical experience if you want to become a good business developer.

I would like to round off this section by reminding the reader that it is usually very difficult to help others beyond giving them a mere conceptual understanding of a problem unless one has practical experience of the activity or phenomenon, be it in the realms of academia, consultancy or the boardroom. Concepts, their abstract interrelations and a general understanding of frameworks or procedures are nice, but you cannot do business or write a scholarly paper based on them alone. Please remember this when you give or receive such advice: there are too many clever but incapable and/or vain advisers, academics and counsellors, etc., around. Dare to call their bluff or at least to question the practical applicability of their potentially flimsy wisdom.
4 Outro and book structure

To round this introductory chapter off, let me anticipate what the specialists in the various subjects that I will present in this book will most likely feel that I have left out much of the important research from their respective disciplines. This is to a large extent true. In my endeavour to explore and delimit the content and boundaries of the business development function from an integrating generalist stance, I have invariably been forced to omit much interesting research.

The integrating generalist and other non-specialists will feel that there must be much more to be said on many of the subjects covered here. Indeed there is. But this present volume focuses on what is important to the business developer’s practice. Those readers who need to learn more about subjects barely touched upon in the text will, I hope, find avenues to it in the ‘Essential texts for the advanced reader’ sections that conclude each chapter.

My approach to this book is inspired by, for example, March and Heath’s (1994) work on decision-making, which emphasizes how decisions are actually made, as opposed to how they should be made. This critical distinction is important not only to understand but also to act upon. In the context of this book, I will usually start out by describing a selected set of theories and frameworks that captures the immediately relevant elements of business development.

Hereafter and during any exposition of a theory or framework, I will describe how these theories and frameworks are implemented in practice, which is often quite different from the ideal. Following the observations in the preceding sections, the book is structured in three general modules so as to explore:

- The business developer’s mindset (how do we think?).
- The business developer’s toolbox (what are our tools?).
- Crafting and implementing a business plan (how do we work?).

Let me explain the motivation for and the general contents of these three modules in turn.

4.1 Module I: The business developer’s mindset

The first module is meant to provide you with a deeper understanding of the particular lens through which the market-oriented business developer perceives business activities, organization and their environment. This perspective does indeed matter for both the choice and interpretation of one’s tools and methods as well as how you approach your tasks in an organization. As mentioned above, when all you have is a hammer, all you see is nails.

I am quite sure that you have experienced situations when you have disagreed with someone, even about trifles. This is no different in business and academia, as it is in the rest of our world. As such, the first module is a more detailed extension of this chapter’s focus on the default positions.

After clarifying the business development construct and its relation to the organization and environment, we will explore a firm’s ability to become market-oriented. Firms with
relatively higher levels of market orientation have higher operational and financial performance, which is why it is important to investigate this perspective before exploring the remainder of the theories and methods in the book.

Following the two fundamental perspectives on superior business activities, business development and market orientation, we will explore the theories of innovation, entrepreneurship and entrepreneurial orientation. These provide the business developer with insights about the critical processes of getting from a business idea to a profitable offering, and how to pursue this in a temporary entrepreneurial context that is different from the permanent business development context.

We round the first module off with an introduction to the business developer’s main tools: the business model and the business plan. The business model provides an overview of how we intend to make money from a particular business opportunity, and the business plan shows how we intend to implement the business opportunity. Both of these tools draw on various established theories and frameworks, which we will explore in the second module. For this reason, the business model and business plan are introduced in the business developer’s mindset module, so we may choose and interpret the theories and frameworks through a proper business development lens.

4.2 Module II: The business developer’s toolbox

In the second module, we will explore the tools for strategic management, value creation and appropriation. It does not really make sense to create a lot of value if you are unable to appropriate parts of it for your daily operations, future investments and decent dividends for you owners. A firm’s strategy typically provides the constraints in which the business developers operate and explore meaningful growth opportunities. The strategic management process is the overarching tool for thinking about how to gain a competitive advantage for the entire organization.

The business developer applies many of the same tools for exploring potential growth opportunities. In particular, the internal analysis of how the organization’s strengths and weaknesses match the opportunities and threats of the environment (the SWOT analysis) is a powerful tool if used wisely, which it often is not. We will explore the well-established theories and frameworks that provide the solid underpinning for these critical analyses. Finally, we will investigate the different ways in which our organization or particular project may appropriate value through industry-specific, firm-specific, relation-specific and legal means.

4.3 Module III: Crafting and implementing a business plan

The third module generally asks the basic and very interesting question ‘How does the business developer work?’ While the first two modules provided the mindset and tools, this module takes a step further towards the actual business practice and investigates how all previous theories and frameworks are used and integrated to craft and implement a superior business plan for a particular growth opportunity.
First, the business plan serves senior management (prior to an executive decision) as a roadmap for the analysis and intended implementation of a growth opportunity (or business idea). Second, the business plan is the manual for implementing the growth opportunity. As such, the business plan contains all aspects of the business and therefore draws on many areas of specialization. This is where the integrating general knowledge of the business developer becomes critical.

The business plan’s major components are the marketing plan, the organization plan and the finance plan. Put briefly, the marketing plan explains how we deliver superior customer value in our target markets. The organization plan explains how and with whom we orchestrate our resources and activities to create and deliver superior customer value. Lastly, the finance plan explains how we finance our operations and appropriate their value generation.

When the business plan is being implemented, it is important to note that the business developer is not part of the actual implementation that is taken care of by the respective line officers and their business functions. The business developer is, however, typically supervising and supporting the implementation of the particular project. When a project is operating sufficiently well on its own, the business developer returns to looking for new potential growth opportunities or to support and supervise other, ongoing, projects.

4.4 Enjoy the ride!

Besides the strong established theoretical foundation this book contains perspectives and speculation based on anecdotes and observations from my own experiences, business network, newspapers, books and other fields of research. These speculations are explicitly stated as such and should not be confused with the established research presented and explored in the book. Rather, the speculations should only be used as illustrative facets of particular business phenomena, as inspirations for your own business activities and, if possible, as a source of inspiration for further research on respective topics. After all, speculations have been the forerunners of our current and future theories.

In any case, I hope that you enjoy this book, that it makes you think and that you conclude that I have done you a favour by not playing by all the rules of the existing game, actually just like business developers would go about their daily activities. Enjoy the ride!

5 Key terms defined

Bounded rationality refers to the limits on decision-makers of the information available, the finite time available to make decisions in and the cognitive limitations that constrain decision-makers with respect to formulating and solving complex problems and in processing, that is receiving, storing, retrieving and transmitting, information.
A common generalist is a person capable of applying the necessary common general knowledge to sustain daily life but is not a specialist in any area or hasn’t the capacity to integrate knowledge from specialist areas.

An integrating generalist is someone able to integrate specialist knowledge for general purposes that lie beyond that of holders of common general knowledge and specialists. Opportunistic behaviour is behaviour where people take care of their own interests before the interests of others, such as their employers’ and the firm’s owners’ interests.

Processes refers, like activities, generally to the way you implement a task, such as how you build a house. Consequently, there are many different processes that may accomplish the same task.

A specialist is a person highly skilled in a specific and restricted field.

A task refers to something you have to do, such as building a house (see also Processes).

### 6 References


