

Entrepreneurship and the Business Plan

Kyne Solutions



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1 Abstract

Background: Starting up a business is not an easy task; it requires the translation of an idea into reality and requires discipline and a clear goal setting. Moreover with the increasing need of professionalism for outstanding web development and information technology, the plan of an enterprise with high end development and low cost is generated.

Purpose: This thesis has a dual purpose; firstly it sets the basis of understanding the terms of entrepreneurship and the environment where a business is created; moreover it explains the acquirement of resources and the structure of the business plan. The second objective is to develop a path for creating a web related business. This document will help to establish the goals and objectives for the performance of the company.

Method: The theory presents the relevant information that has to be considered inside the firm. After the theory a business plan was created with the objective of setting the direction of the company over the next years. It is important to mention that business plans are evolving documents that have to be updated according to changes in the environment or changes in the objectives.

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2 Introduction

The aim of this section is to introduce the topic of the thesis, to provide an explanation of what purpose the business plan serves for the entrepreneur and the importance of setting the environment for an internet company. Furthermore, the problem formulation is given and followed by an account of the purpose of the document as well as the constraints on the scope of the thesis.

2.1 Background

Starting up a business is transforming a thought or an idea into business opportunity, and requires a clear vision where setting the objectives and examining the barriers that might be encountered during the process that will ensure the success of the firm. The procedure of building a startup is engendered by an individual or group of individuals which organizes operates and assumes risks; these individuals are frequently labeled as entrepreneurs (Landström, 1999). The term entrepreneurship is a broad term that can be applied for setting up an organization and it also must take place in established ones.

Planning a business has the intention of drawing a map for reaching the goal, this provides the strategy that the company will follow, set the objectives and estimate and the finances. According to Burns & Dewhurst (1990) the document that helps the entrepreneur to crystallize and focus the ideas and aids him on measuring the performance of the business is called business plan. The business plan that is included in this document identifies the need of professionalism in the information technology area where enterprises can outsource their information technology developments; in specific on the development of a web presence.

The business plan presented symbolizes the alignment of skills between information technology and business administration through the starting and running of a web development firm. The reason for developing a web development firm is the years of experience of an entrepreneur in software related developments and managing technological related projects. In terms of technological entrepreneurship and its competitive market, the education that the entrepreneur holds provides a significant advantage over other startups. Even if Bill Gates and Steve Jobs bring the stereotype of college dropouts that start their own companies and become successful, Wadhwa (2008) reports that the entrepreneurs in technology are middle aged and well educated and do not come mainly from the top universities. However, 92% of the IT founders hold a bachelors degree.

The perception of a company on the internet relies mainly on the capabilities of the web developers in charge of the firm's website. The projection of a corporate image is a means to show the professionalism or seriousness of the company and can be a decisive point at the business level. Loughlin (1999) comments that the development of a website strengthens the company position on the market. Watkins & Marenka (1995) remark the possibility for a small business to project a strong corporate image by having a high quality

presence on the internet; this implies that managing a web development process must have professionalism and ought to be deployed by qualified teams.

Kyne Solutions core business is the creation of technology and consultancy in the IT sector mainly focused on startups or small firms where web development, on its own, has the capability of generating new ventures. It is important to follow the entrepreneurial mode defined by Mintzberg (1988) as "The active search for new opportunities and dramatic leaps forwarding in the face of uncertainty". This means keeping the awareness in the projects that can develop into a new venture and open for innovations that can produce a joint venture with our customers.

2.2 Problem

Entrepreneurs face various challenges when planning a business, the main aspect to recognize is the place or position that in a future time the entrepreneur wants to be or the objectives that want to be achieved. In order to find the right path that will lead to success the entrepreneur must analyze all the aspects that surround the business idea he intends to realize.

2.3 Purpose

This thesis has a dual purpose; firstly it sets the basis of understanding the terms of entrepreneurship and the environment where a business is created; moreover it explains the acquirement of resources and the structure of the business plan. To fulfill the two purposes, this thesis will be divided into a theoretical background and the actual business plan. Furthermore, the first section provides understanding of the business language and terminology that link together the acquired skills from information technology and the new knowledge of entrepreneurial management.

The reason for following this format is that business developers and venture capitalist usually require a business plan that will help to establish the goals and objectives for the performance of the company. Moreover, this part will also be used for communicative purposes for managers, employees and investors regarding the firm and it will measure the performance of the firm. Thus, the thesis document can be divided and the business plan can be presented as a full functional document, in case it is needed by an external entity.

2.4 Delimitations

The research and the thesis are limited into the creation of a web development and IT consultancy firm in the area of Jönköping, Sweden. This enterprise plans to grow and offer its services internationally in a later stage depending on the success of the firm. The business plan will evolve in parallel to the firm direction and growth.

2.5 Outline of the Thesis

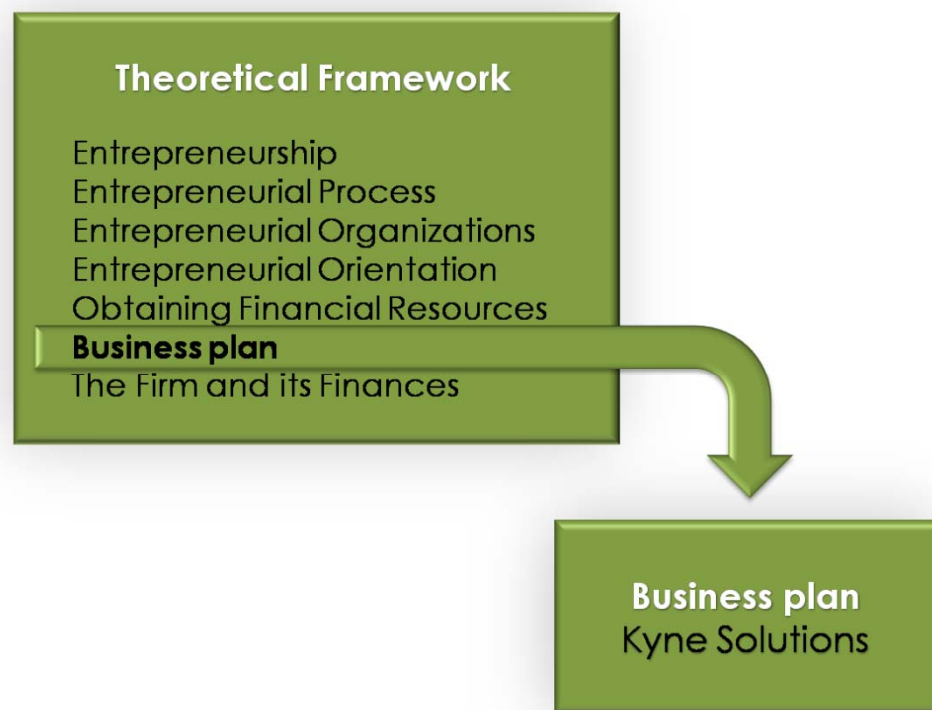


Figure 2-1 Outline of the Thesis

I start by exploring various definition of the word entrepreneurship, in order to get as wide a perspective as possible of the evolution and history of the concept. Furthermore, I locate the qualities of the entrepreneur and his position in the business creation process. The next step is to identify the three driving forces in the process and how the balance should be maintained. I also mention the dimensions of the entrepreneurial orientation and why they should be kept from the early established firms all the way to the larger, mature corporations. Thereafter the possibilities for the entrepreneur to obtain funding are highlighted and discussed. Having established the importance of attracting the capital, I move on to explain the concept of the business plan. Subsequently, the business and its finances are presented as a way of measuring the health and strength of the firm. Finally, it is time to introduce the main purpose of the thesis; the business plan of a web development firm.

3 Theoretical Framework

The aim of this section is set to explain the term entrepreneurship, mention the options where an entrepreneur can obtain funding for his/her venture and highlight the importance of the creation of a business plan. The theoretical framework chapter contains relevant literature that provides the reader with a background of the concept of entrepreneurship, as well as with the process of creating a new firm. The section also gives the terms that an individual must take into consideration when carrying out the process of starting up a venture.

3.1 Entrepreneurship

Even when entrepreneurship as a concept first appeared in the French dictionary in 1943, defining an individual as an active person that gets things done; the term entrepreneur had been used in Europe since the feudal political system. (Landström 1999). It was during the Middle Ages when emerging cities created the ground for an entrepreneur to market their productions from raw material, which being an entrepreneur was usually seen as someone tough and willing to risk life for a fortune. (Cornelius 2006).

On the 17th century the term entrepreneurship was related to a person involved in risk-taking activities but only if these activities were large scale undertakings, this means that usually the entrepreneur had a close relationship with the state; where the individual was responsible for the profit or loss coming from the operation. (Landström, 1999).

Cantillon (1931) in *Essay on the Nature of Trade in General*, places the entrepreneur inside the economic development, as the person who purchases resources at a certain price and then sells the products later at an uncertain price in an uncertain location. Cantillon (1931) classifies the entrepreneur as the risk taker that balances resources and opportunities.

In the 18th century, the French economist Jean Baptiste Say, describes the entrepreneurial activities and the location of the entrepreneur in the economy. He sees the entrepreneur as a negotiator between the manufacture and the knowledge, i.e. the reason for creating various ways of producing a product or service. Furthermore Say states that entrepreneurs are creators and doers that possess the ability to match knowledge and resources with the people. (Landström, 1999)

Joseph Schumpeters (1934) once again sees the entrepreneurial figure as a creation of innovation. After stating that equilibrium is predominant in any economic system he mentions that the entrepreneur breaks this balance by introducing innovations to the system by presenting new products, finding new markets etc. He suggest that entrepreneurs enjoy high positions in society, as they are responsible for pushing the economic process forward through encouraging individuals to eliminate the existing in order to create something more valuable. In opposition to Schumpeter (1934) Kirzner (1973) states that the

entrepreneur analyzes the existing environment, and links together the needs of the market, resulting in the balance of the economy.

The comparison that Wilken (1979) makes of entrepreneurship is accurate, he compares the definition with a mystical beast, large and intimidating. In reality even when the term has many roots and definitions, it refers to the creation of a new form of business by seizing an opportunity to create something new through the maximization of resources. It is important to mention Schumpeter's view (1934) that entrepreneurship is not only attainable for individuals but also within the reach of existing organizations.

The section above analyzed several definitions that identify an entrepreneur as "Someone who perceives an opportunity and creates an organization to pursue it"; but the one that exemplifies the essence of the term is based on Kao (1993) as: "Entrepreneurship is the process of doing something different for the purpose of creating wealth for the individual while adding value to society" (Kao, 1993).

3.1.1 The nature of the entrepreneurial decision making process.

Intuition is a tool for decision making, but managers should only use it selectively and base decisions on facts rather than "**gut feeling**". When deciding, it is mandatory to consider the risks of the actions being taken as well as the potential future situations. The value of intuition is embraced when detailed information and a conscious review of the course that could be taken are considered. Entrepreneurs can use intuition as an effective approach to important decisions when planning or adjusting, but in order to have a correct decision made; facts and a quantitative analysis must be obtained and considered. When the facts are gathered and analyzed, intuition presents the path for obtaining the best outcome of the situation. On the other hand intuition is a useful tool and especially adequate when a decision requires a rapid response, a fast paced change. It is also tolerable to rely only on intuition when there is no precedent or possibility of analysis. Furthermore, when the environment is hard to analyze due to rapid change or when the problem is poorly structured because of conflicting or ambiguous information; intuition is the advisable way of decision-making (Miller, 2005).

3.1.2 Entrepreneurial Process

Bygrave (1997, p. 3) specifies that "the entrepreneurial process involves all the functions, activities, and actions associated with recognizing opportunities and creating organizations to pursue them". It is common to refer to the process of starting a new venture as the entrepreneurial process. Since this process is dependent on instances, such as business idea, resources available, people involved or the industry it is hard to identify the beginning or the end of the process, which in some cases is seen as an iterative process, which goes back and forth and in some occasions is repeating itself. (Sarasvathy, 1997)

Timmons (1999) observes that despite the differences between the ventures, entrepreneurs or the location, successful businesses have characteristics in

common which can be evaluated, altered and influenced. (1) They are opportunity driven (2) they are led by an entrepreneur or by an entrepreneurial team (3) they are creative and have restricted resources.

The Timmons Model of the Entrepreneurial Process shows a balance between three main entities that guarantee the entrepreneurial success; these entities are opportunity, resources and the team. The entrepreneurs must use their ability to manage the entities since they will be moving in a dynamic environment. Furthermore, to have an understanding and a balance in the process; the business plan will set the communication code between the three driving forces (Timmons, 1999).

The first force is **opportunity**, (Timmons, 1999) ensures that the new venture creation process does not start with money, strategy or the team; it starts with an opportunity. It is said that an environment where creativity and communication are encouraged, opportunity identification generates the business context where value is added. Opportunity can be measured by parameters such as the size of the market, the demand or the market structure; these parameters produce the factors that differentiate an opportunity from only having an idea.

The next entity in the diagram is the **resources**, which can be defined as a procedure or a mean to accomplish a task; every business idea needs a correct organization of its resources so it can be exploited into a true opportunity. The resources needed in a venture are usually explained in the business plan, e.g. the financial resources needed along with the business assets and the required people. Furthermore, it is more valuable for a successful business venture, to have control and possession of the right resources rather than own a large resource pool with little control (Timmons, 1999)

The **team** is the last driving force that completes the diagram; this means having the right people working efficiently. This usually begins with a leader that establishes an entrepreneurial organization and culture based on skills such as dealing against adversity, integrity, honesty and dependability. These characteristics need to become a commitment as a team for motivation and tolerating ambiguity Timmons (1999) stresses the importance of a high level team in building a successful venture. He ensures that is better to have a grade A team with a grade B idea rather than a grade B team with an A grade idea.

The model of entrepreneurial process (Figure 3-1 Timmons Model of the Entrepreneurial Process (Timmons, 1999, p. 38)) should be balanced, and any change in the size of the entities might place the venture in a risky position. If the opportunity grows, and the resources become scarce, the whole model will tilt and an injection of capital will be needed to maintain the company's health (Timmons, 1999).



Figure 3-1 Timmons Model of the Entrepreneurial Process (Timmons, 1999, p. 38)

Behave (1994) suggests another model of the entrepreneurial process (Figure 3-2 Opportunity Recognition in Entrepreneurial Venture Creation (Behave, 1994, p. 229)); he describes how the entrepreneur is stimulated when creating a new business venture. Behave (1994) presents a model with a dual path in the beginning of every new venture creation which in both occurrences concludes on the identification of the business concept and a commitment to physical creation. The main differences are described as follows: (1) External Stimulated Opportunity Recognition, this is when the entrepreneurs find the motivation for creating a new business in the desire of creating a new venture, therefore the entrepreneur filters the ideas that might become a new venture and selects the one that might give him the success expected, after choosing the opportunity it is redefined and it is here that the entrepreneur identifies the business concept and commits to the creation of the venture. (2) Internal stimulated opportunity recognition, this is when the creation of a new company is not the main purpose that the entrepreneur has, instead the individual solves a problem or a need which later can be converted into a business (Behave, 1994).

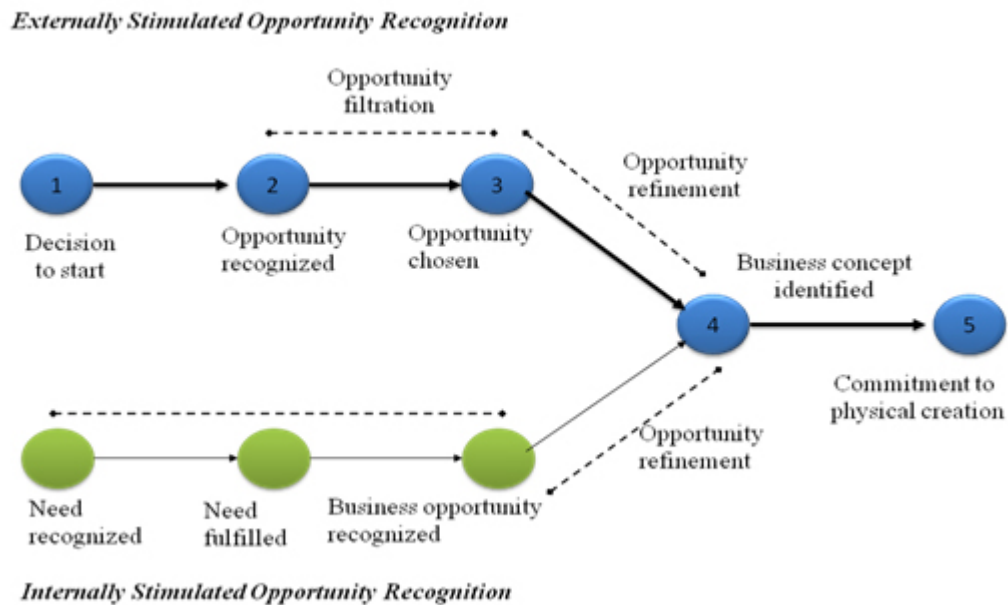


Figure 3-2 Opportunity Recognition in Entrepreneurial Venture Creation (Behave, 1994, p. 229)

3.1.3 Entrepreneurial Organizations and growth

Generally the concept of entrepreneurship is thought of in terms of new start-ups. However, it is equally important to maintain the entrepreneurial spirit even inside older and mature firms. According to Stevenson & Sahlman (1989), entrepreneurship can be seen as a management process, suggesting that entrepreneurial behavior is crucial to the long-term vitality of the international economy.

The concept of Corporate Entrepreneurship (CE) is defined by Sharma & Chrisman, (1999) as “the process whereby an individual or a group on individuals, in association with an existing organization, creates a new organization or initiate renewal or innovation between the organizations”. Entrepreneurial Orientation (EO) is the strategy that businesses follow to identify and launch new corporate ventures. (Dess & Lumpkin, 2005).

It is observed that growth in firms is mainly followed by joints ventures, mergers and strategic alliances. In today’s changing environment a focus on corporate entrepreneurship contributes in sustainable advantages that produce higher returns. Corporate entrepreneurship – “intrapreneurship” – refers to the building of new entrepreneurial businesses and ventures within the existing firm. (Pinchot, 1985). For producing a corporate entrepreneurship environment, firms must follow strategies and practices that generate a high drive for innovation as well as a risks taking mindset towards pursuing new corporate ventures. According to Dess & Lumpkin (2005)the correlation between the dimensions of competitive aggressiveness, risk-taking, innovativeness, proactiveness and autonomy bring together the term Entrepreneurial Orientation (EO).

3.1.3.1 Entrepreneurial Orientation

The five dimensions to which entrepreneurial orientation is delimited are: (1) Autonomy. The independent action by individual or team aimed at bringing forth a business concept of vision and carrying it through to completion. (2) Innovativeness. A willingness to introduce novelty through experimentation and creative process aimed at developing new products and services. (3) Proactiveness. A perspective of looking forward, being a characteristic of a leader, that foresees capturing opportunities in anticipation of future demand. (4) Risk Taking, making decisions and taking action without having certain knowledge of probable outcomes; some activities may also involve making substantial resource commitments in the process of venturing forward. (5) Competitive Aggressiveness, An intense effort to outperform industry rivals, it characterized by a combative posture or an aggressive response aimed at improving position or overcoming a threat in a competitive environment (Dess & Lumpkin, 2005).

Success in early established firms is attributed, in most cases, to a balance of the entrepreneurial orientation dimensions, as an example, to produce a high level of entrepreneurial development and a climate of innovation the main focus of the firm is on proactiveness and autonomy (Dess & Lumpkin, 2005)

Recommendations to improve the entrepreneurial orientation dimensions

To enhance **autonomy**, entrepreneurial thinking must be encouraged concerning innovation and new venture creation. The structure of the company is important to be taken into consideration; on one hand, the usage of a top-down approach gives the leaders the opportunity to incentive entrepreneurship, but the best ideas come from a bottom up approach and need to be listened by top (Dess & Lumpkin, 2005).

For **innovativeness**, as one of the mayor components of entrepreneurial activities, efforts should be directed to find opportunities and original solutions that will become new products and services. It is important to consider that even when innovativeness can be the source of progress; it might take several resources without producing a visible result. Therefore while it innovativeness means a strong corporate grow, it also involves major risks in R&D investments (Dess & Lumpkin, 2005).

To amplify the level of **proactiveness** organizations must monitor the trends and anticipate the changes in demand that might lead into new venture opportunities. According to Dess & Lumpkin (2005), common actions in firms toward proactiveness are the introduction of new products or technological capabilities ahead of competition and a continuous search for new product and services offering. In order that a firm maintains their level of proactiveness a careful monitoring on the environment and an extensive feasibility research is needed (Dess & Lumpkin, 2005).

Competitive aggressiveness presents the effort of a firm to exceed their competitors, this can be done by price reduction even if it reduces profitability

but gains market share. Recommendations for boosting the entrepreneurial position include: entering the market with low prices or duplicating successful business practices from competitors. On the other hand, gaining advantage by competitive aggressiveness can damage the firm reputation; therefore the usage of competitive aggressiveness must not be overused (Dess & Lumpkin, 2005).

An entrepreneur must be aware of the level of **risk taking** before launching any of their strategies. Mainly organizations take risks regarding business, financial or personal, and in order to maximize the outcome of the risks taking decisions, organizations must (1) Research and estimate risk factors to minimize uncertainty, and (2) Use tried-and-true practices and techniques that have worked in other domains. As an example the enthusiasm of a firm to take over a venture even when the success is not granted is related to the level of risk that the firm is able to take (Dess & Lumpkin, 2005).

3.1.3.2 Internationalization as a growth strategy

The changing world encourages companies to expand internationally, in order for that expansion be beneficial is critical that their operations foster entrepreneurship and be aware of factor as technological change and market requirements. Having an entrepreneurial vision inside the firm increases the chances for success in foreign markets. Entrepreneurship can also be referred as the activities, formal and informal, aimed at increasing innovation and venturing by a company. A firm must be alert to emerging opportunities and international markets in order to recognize define and peruse selected opportunities. Basically when companies aim towards international growth, several challenges must be managed and enterprises must be aware of the organizational skills to be learned by investing and developing core competencies in distant markets. "Entrepreneurship enables a company to deliver greater value to its customers, shareholders and stakeholders" (Birkinshaw, 2003).

Developing and executing an innovative and effective global strategy, represents an enhancement on the competitive position in international markets. Usually firms that expand internationally follow mainly two patterns: adapting their domestic goods or services to suit international customers or by applying their home practices into international markets.

As exemplified by Zahara & Hayton (2001) as international venturing takes the company into a new territory, market and industry exposing the firm to different cultures, markets and innovation systems. It also connects the firm to new networks of suppliers, competitors and customers. It is important to pay special attention to the knowledge that a new culture provides as well as the opportunities and innovations that this process might bring, as client requirements or competitors best practices. Internationalization increases entrepreneurship because of the exposure of the firm to new business environments and boost their curiosity towards goals resolution.

For promoting entrepreneurship and expanding internationally, four challenges and opportunities have to be addressed: (1) Managing the duality of entrepreneurial activities that refers to companies must balance the need to exploit existing knowledge to attain organizational goals, while learning and integrating new entrepreneurial actions to existing practices (Burgelman, 1983). (2) Cultural Adaptation and Organizational Identity Entrepreneurial Activities that are closely connected to its organizational culture (Kanter, 1983). And must adapt to market conditions and market culture where the expansion is developed. (3) Attaining Integration while avoiding organizational complexity. Internationalization brings the firm closer to the competitor's suppliers and customers and must be viewed as sources of knowledge. (4) Centralized vs. Diffused Entrepreneurship. Determining the appropriate location of the entrepreneurial activities is crucial for global firms, due to need for local responsiveness and organizational integration towards the local markets (Zahara & Hayton, 2001).

Managing the duality of entrepreneurship and learning: This challenge consist of two aspects. First, managers need to balance the exploitation of opportunities through formal and informal entrepreneurship, while learning and integrating new knowledge that after will allow developing skills and competences (which in turn stimulates international expansion again according to the cycle of creative destruction). Entrepreneurial activities in a firm require managerial supervision, in order to pursue opportunities, and this moves away managers' focus from the learning and integrating of knowledge coming from these entrepreneurial acts. Thus managers concentrate on pursuing opportunities in new international markets but do not take stock of the knowledge learned in these markets. The other aspect regards the balance between the exploitation of knowledge in current international markets and the gaining of new knowledge from frontier or new international markets. Pursuing opportunities in new international markets involves supporting internationalization via formal and informal entrepreneurship, i.e. capitalize on emerging opportunities and get information on opportunities in new markets. Exploiting opportunities in current markets doesn't stimulate international expansion but rather supports the development of and new modes to employ the firm's existing skills and capabilities (Zahara & Hayton, 2001).

Cultural adaptation and organizational identity: Firms that wants to achieve sustainable international growth must adapt its organizational culture to the local market's culture and conditions, while maintaining its organizational identity since it functions as an important non-reproducible competitive advantage. However, if the firm imposes its cultural traits to its international subsidiaries, suppliers or agencies conflicts with local employees will arise and the company focus on entrepreneurship will decrease. Although, if a firm adapts excessively the results may not be effective as strategic coherence and common mission can blur contributing to weakening organizational identity. But cultural adaptation may also induce creativity, innovation and diversification trough multiculturalism and competing values. Thus, cultural adaptation can be good or bad for entrepreneurship. Therefore it must be implemented to the degree that it

encourages entrepreneurial actions without affecting negatively organizational identity (Zahara & Hayton, 2001).

Attaining integration while avoiding organizational complexity: firms that expand internationally want to integrate knowledge from their subsidiaries so that the whole organization can benefit from it. But this knowledge is dispersed, intricate, split and far from the headquarters. Therefore transitions become difficult and complex as well as decoding information gets complicated for managers. Integrating such knowledge is crucial to support entrepreneurship in a firm that grows internationally. To avoid complexity in a large international firm, headquarters must ensure that knowledge flows in from its subsidiaries and is shared among them. To do this the development of a sophisticated communication strategy might be really important as information and knowledge must be shared between different units in several locations and to the headquarters in a way that maintains entrepreneurship at the pace of international growth, because if the knowledge doesn't flow correctly entrepreneurship will decrease and internationalization will not reach its full potential (Zahara & Hayton, 2001).

Centralized versus diffused entrepreneurship: a place where entrepreneurial activities could be allocated is crucial for global firms, it concerns responsiveness to local markets, product customization, and timing to satisfy demands. Centralized entrepreneurship may satisfy the demand of international products faster because of quick communication and processes. Whilst decentralized entrepreneurship stimulates responsiveness to local markets' needs and product customization. Firms with more international products should adopt centralized entrepreneurship, and firms that compete in specific local markets with a focus on product customization should decentralize its entrepreneurship (Zahara & Hayton, 2001).

3.2 Obtaining Financial Resources

For materializing an idea into a business or when the business needs to expand, financial problems are faced and in most cases and companies need to acquire external help. Depending on different aspects, such as the level of control over the company, different methods need to be analyzed. While the most common methods for external finance are venture capital, bank loans or angel funding investment; bootstrapping is a commonly used method used to rely on external finance from debt holders or new owners. Therefore, choosing among the many possible sources of financing may be an important issue for companies to consider. Different financing sources will be discussed.

3.2.1 Bank Loans

One of the most common ways of obtaining finance is through banks or other financial institutions. With bank finance, the owners of companies can retain full control of their business since the bank has no input into the managerial efforts or affairs in the firm and as a result, there is no loss of control leaving the owners with full ownership of the firm (Bettignies & Brander, 2007). However, some firms may

encounter difficulties in getting bank loans due to the financial gap which can be explained by the information asymmetry between external financiers and business managers (Storey, 1994). Sometimes, banks are not willing to lend to firms because banks could not obtain sufficient information about the firms to take a lending decision. In order to solve the information asymmetry between banks and firms, two approaches for banks have been disclosed.

The going concern approach emphasizes on the future of the firm while the gone concern approach focuses on the past and the current situation of the company. Through these two approaches, banks make their lending decisions. Berry & Grant (2004) explain as "the going concern approach" the activity of collecting information about future prospects of the SME as in business plan, interviews, accounting information and market data. Opposite to that approach is situating the firm in the worst case scenario; "the gone concern approach" which encourages bankers to collect credible signals from companies concerned with securing the repayment through valuations of the asset base (Berry & Grant, 2004). To reduce the information symmetry from the perspective companies, the transparency of should be increased by disclosing their complete financial statements. In order to reinforce reliability of the information provided by the companies, a recommendation would be that the financial statements are developed by a respected accounting company. In order to obtain the financial resources from the bank as well as favorable repayment options; the previous recommendations regarding both approaches must be followed.

3.2.2 Investments from Venture Capitalists

Venture Capital Financing is another common source of financing for SMEs. The major difference between Venture Capitalists (VC) funding and bank finance are the managerial contributions from the venture capitalist towards the new venture. Venture capital finance consists primarily of equity which implies that venture capitalists take part in the management of the firms, in this way they secure partial owners of the company gaining a level of control in the new venture. This attribute of VC could be a benefit to companies that need external financing and managerial inputs for the firm, that is, by shared ownership of the venture the firm will receive the advice and experience of the venture capitalist, instead of only having the passive monetary input of the bank loan.

It is important to denote that venture capitalist financing could lead to the "double moral hazard" problem. The double moral hazard refers to the unverifiable effort provided by both entrepreneur and VC (Bettignies & Brander, 2007). In some cases, the entrepreneur's effort concerning the business is weakened by the partial ownership from the VC. If venture capitalist have high equity share of the firm, it will generate conflicts arising from the entrepreneur's loss of control. However, if the equity share owned by VCs is too low, it may decrease the managerial inputs towards the firms. Therefore, the portion of equity owned by VCs and the relationship between them and entrepreneurs is crucial. Between the inputs from the venture capitalist to the firm should be,

beside the financial resources, knowledge about the market, the industry and management (Bettignies & Brander, 2007).

3.2.3 Investments from Business Angels

Business Angels tend to be wealthy individuals who value anonymity and their privacy and, unlike venture capitalists, tend to take more risks and invest large amounts of money into a new venture. It is however advisable to have a background check on the person who is investing in the company and it is important to know exactly the outcome expected on the arrangement by each of the party involved. Added benefits of Business Angels is that they could also provide additional knowledge and encouragement in the hard times, introduce you to potential customers and clients, and assist in finding essential employees for the new venture (Bettignies & Brander, 2007).

It exist a similarity between business angels and venture capitalists, in contrast business angles represent an informal way of obtaining financing for new ventures. In today's business environment, venture capitalist funds prefer to invest in projects which they have knowledge and experience and that are valuable to them, therefore making it difficult sometimes for entrepreneurs to gain access to these types of funds. Using data gathered from statistics, it is estimated that business angels have actually invested twice the amount of money into new ventures than venture capitalists (Bettignies & Brander, 2007).

3.2.4 Share Purchasing by Larger Firms for R&D purposes

Dix & Gandelman (2007) speak about large corporations purchasing small startup ventures for research and development (R&D) purposes as opposed to carrying out these tasks internally. Research has shown that entrepreneurs tend to be more concerned with profitability and ownership sharing and that R&D carried out in new ventures tends to be more profitable.

It is also suggested that projects that are riskier, more difficult and of a higher quality tend to works better in new ventures. As a result, large corporations tend to be willing to invest in a new venture especially where both are likely to benefit from the results produced.

3.2.5 PIPE (private investments in public equity)

Venture Capitalists tend to avoid risky projects. Gill (2006) describes the case of Bill Burns, the CEO of Minrad, the financial situation of the company and the desire to obtain more financing. One of the options his investors gave him was PIPE. This allows publicly traded companies, mostly SMEs that trade stock over the counter, to sell stock to high net worth investors at discounted prices. Most of these investors are referred to as Hedge funds which are actually interested in investing in early stage companies. It is an advisable option especially since it is possible to obtain finances through this.

3.2.6 Financial Bootstrapping

In addition to external finance sources, small businesses could also apply different kinds of financial bootstrapping methods. Financial bootstrapping is a concept introduced by Winborg & Landström (2001) and refers to the use of methods for meeting the need for resources without relying on long-term external finance from debt holders or new owners.

Due to the information asymmetry between the external financier and the small businesses, the financial cost is higher for small businesses. The high financial cost makes small businesses to use financial bootstrapping methods such as delaying payments, minimizing accounts receivable or using subsidy finance to satisfy the need for resources. Through research using a number of small businesses, one of the conclusions drawn was that the majority of the examined small businesses tried to manage without the aid of external financiers. An example is that 70% of the businesses try to buy used equipment. This is an ideal solution when obtaining external financing is difficult or when external financing is simply one option in a pool of financial resources.

There are many groups of financial bootstrappers with different orientations toward resource acquisition. The most controversial one is relationship-oriented bootstrapper. The relationship-oriented bootstrappers primarily obtain the resources based on their personal relations. The use of socially oriented solutions seems to be complementary to financial market solutions. However, it may result in abusing relations, and furthermore lead to a risk of jeopardizing the trust which is the very basis for the relation (Jarrillo, 1989). Thus, entrepreneurs should carefully use the relations to acquire resources they need.

It is hard to say which choice of financing or cost saving is appropriate and it would not be correct to appoint only one type normatively to all companies. Such a choice would depend on the type of the company, its age or stage of development, the market dynamics and many more factors. While some factors may be more important than others at first say, it may be better to consider most factors simultaneously in order to get a more realistic and holistic picture of the potential of the company and its development. By introducing the different alternatives of finance sources, companies could consider the advantages and disadvantages of each choice for themselves based on the factors mentioned.

3.3 Business plan

The business plan is defined as a formal, written document which describes the nature of the business, operations and strategies for the firm. (Dollinger, 2003). According to Burns (1990) the business plan underlies the opportunities of the venture and helps to recognize the strengths and weaknesses while adding structure to the proposal of the entrepreneur.

Business plans are considered a highly valued tool to be used in obtaining finance, forming alliances, setting the direction of a company or as a tool to measure the performance of the firm (Burns & Dewhurst, 1990).

Since planning provides a clear goal and a strategy to obtain it, the success of the business plan as a document, must stress the company's capabilities, objectives underline the path of action for accomplishing the goals (Burns & Dewhurst, 1990). A good business plan must recognize strengths and weakness of the venture.

Developing a business plan sets one of the most important transitions for the firm. It defines the stage when an idea becomes into a tool for generating value and growth. It is argued by Burns & Dewhurst (1990) that the process of planning the venture needs an extensive understanding of the business and its environment. It also prepares the owner to foresee challenges and serves to steer the business into the desired direction.

Burns & Dewhurst (1990) establishes that every business opportunity contains different characteristics and can be viewed from several different perspectives. Adapting the business plan to the target specific stakeholders and according to the outcome pursued makes it an excellent tool that gives a better understanding of the business.

From the investor's point of view, a business opportunity must be backed up by a business plan that gives a potential of a high return and an efficient way of exploiting the opportunity presented (Burns & Dewhurst, 1990). Furthermore Rich & Gumpert (1985) ensures that in order to attract investment an idea must be supported by a complete business plan that reveals the customer's interest and the way that the financial projections will be.

The quality of the team that is developing the idea is said to be crucial for investors, Timmons (1999) describes the benefit of having a great team with a good idea rather than a good team with a great idea.

Burns & Dewhurst (1990) highlight the principle of keeping the business plan concise; it must contain enough substance in the chapters to be able to cover the subjects effectively while maintaining the reader's interest.

Even when Rich & Gumpert (1985) state that a business plan must contain projections with a five year profitability, that will show the investors when they receive the return of their money, Sahlman (1997) recommends to include no more than a year in financial projections, since a new company faces too much unpredictability to produce a real forecast. What is true is that the financial projections and forecast need to be included; the financial information must present the business model that the venture will hold and how it will become profitable.

Sahlman (1997) provides a framework where the business plan must follow, it includes the critical factors where a venture relies on becoming a success or a failure; these are (1) The people that are starting the venture as well as the outside parties that provide services or important resources.(2)The opportunity and profile of the business itself and the way it can grow or expand; it is also important to include the economics and the barriers that prevent its success.

(3)The big picture or context, that refers to variables that the entrepreneur cannot control as the regulatory environment, the interest rates or demographic trends (4) Risk and reward, an understanding of the things that can go right and wrong and the strategy of the entrepreneurial team to overcome those situations.

Burns & Dewhurst (1990) ensure that there is no formula for writing a business plan, since every document of this nature must be adapted to the circumstances and with a focus on the target reader. Burns & Dewhurst (1990) provides general guidance as outline when writing a business plan. It must contain an (1)overview of the company, (2) information about the industry where is going to be established, (3)the products or services offered, (4)the market and the marketing, (5) design and development of the product, (6) manufacturing and operations, (7) management team, (8) financial projections and requirements, (8) financial plan and (9) appendix.

Comparing the proposals form Burns & Dewhurst (1990) and Sahlman (1997) the next figure is built (Figure 3-3 Comparisons between Content of a Business Plan (Burns & Dewhurst, 1990) (Sahlman, 1997)). The model shows the different sections that the entrepreneur must stress in order to have a successful venture. The success of a venture depends on a well thought business plan which communicates a deep understanding of the venture.

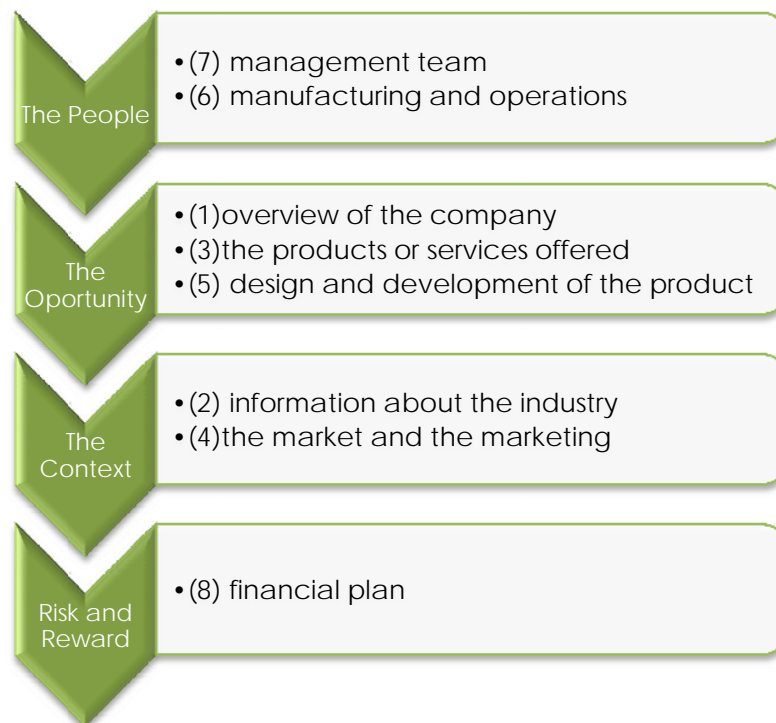


Figure 3-3 Comparisons between Content of a Business Plan (Burns & Dewhurst, 1990) (Sahlman, 1997)

3.3.1 The Business and its Finances

As stated above, there is a variety of factors on which a venture depends. However, a component that is always pivotal for the business plan is the finances. Since the remaining variables are uncertain and interchangeable, I have chosen to focus on the terms used in the financial section of the business plan. For a business to be successful the business plan should include a comprehensive financial plan in order to launch and develop strategies for the venture. The financial plan is a vital tool that helps the entrepreneur manage the business and also attract possible investors. It is important to see the financial statements as a way to measure the health and the strength of the firm, instead of only a reporting tool for assets and liabilities that the firm has. Due to the importance of shareholder value, financial statements provide a crucial ingredient in order to explain the value of the firm and a basis for a decision making process or a strategy creation (Collier, 2007).

Since entrepreneurs come from almost any discipline, it is mandatory that they have an understanding of accounting and overcome the "language barrier" that might exist with an accountant, this is, have a comprehension of the financial statements, the vocabulary on the field, and meaning of key ratios. The main financial statements that show how the company is working financially are the balance sheet, the income statement and the statement of cash flow (Cornwall & Vang, 2004)

The balance sheet is a picture that contains the financial position of the business; this gives the owners an estimate of the worth of their company on a given date. It is composed by two mayor sections: one that presents the assets that the business own and the other one the liabilities that the owners have against those assets (Zimmerer & Scarborough, 2008).

The fundamental equation for accounting builds the balance sheet report, where assets must be equal to the liabilities plus the owner's equity. That means that any increase or decrease on one side of the equation must increase or decrees on the other side aiming for the balance of the money in the firm.

Following the fundamental equation, the balance sheet is divided into three sections; the **Assets** where the list of possession of the firm owns are displayed. The **liabilities** referred as the obligations of the company towards the creditors and the **owner's equity**, which is the right of an owner towards the value of the owner's investment in the business.

Taking a step forward in the level of abstraction on the components of the equation; assets are categorized into (1) current assets composed by cash and items that will be converted into cash within one year of operating cycle of the company. (2)Fixed assets are those obtained for a long term use in business such as land, buildings or equipment. Liabilities are composed by two sections current liabilities and long term liabilities where the first refers to the debts that must be paid within one year while long term refers to debts due after a year (Zimmerer & Scarborough, 2008)

For explaining the income statement it is easier to refer to it as a profit and loss statement which compares the expenses besides the revenue in a specific period of time. This comparison brings the net profit or loss of the firm as a result and shows the evolution of the profit of the firm over time.

The next tool that Zimmerer & Scarborough (2008) clarifies is the statement of cash flows that is a reflection from the changes of the working capital during a year; this statement must show the source and the uses of the cash. For preparing the cash flow statement it is necessary to summarize the present year of operations based on the balance sheets and income statements.

In order to obtain business goal, a financial projection should be created. These projected statements are known as pro-forma statements, and they are used mainly to estimate the profitability and overall condition of the firm in the future. The development of this statements fulfill mainly two purposes, setting the path that the company will follow and to convince the investors for getting the company of the ground (Zimmerer & Scarborough, 2008)

3.3.2 Ratios

Zimmerer & Scarborough (2008) defines the ratio analysis as the “method of expressing the relationship between any two accounting elements that allow business owners to analyze the financial performance of their companies”. By looking at different ratios; investors, employees, managers and stakeholders can observe how the firm is behaving. The ratios and their interpretations helps to understand how the resources are being placed and the relationship they hold towards fulfilling specific demands.

The most common type of analysis used by entrepreneurs for measuring the break-even analysis, this type of study looks for the point where the firm changes from a loss to a profit, this point is located exactly zero, where the company does not earn or loses money. Another ratio used is the burn rate ratio; a concept related to the usage of investment inside the startup company when there is non-profit generated from sales. In specific it refers to the time that a new or unprofitable company uses up the initial investment until it runs out of money or it closes (Collier, 2007).

4 Applied Knowledge

Keeping all the above theoretical background in mind; from the definitions and functions of entrepreneurship to financial matters, a complete business plan for establishing a firm has been constructed. Creating this plan has provided deep understanding of the business and it sets the goals and objectives for the company as well as establishing a detailed projection about its future. Hereby follow the specific business plan for the venture Kyne Solutions; the various areas treated are presented in the table of contents below.

Business Plan

Kyne Solutions



José Alfonso Talamantes Pavón



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1 Executive Summary

Kyne Solutions is a web development company with an extensive skill set for understanding their clients' needs and developing their systems according to their requirements. We deliver creative, scalable web solutions that reflect the vision and needs of our clients. The success of our clients is our goal; we accomplish this by generating new business opportunities by their presence on the Internet.

Kyne Solutions is defined as a start-up firm located in the in Science Park in the city of Jönköping, Sweden. The firm offers web-related services and solutions which include website design, software development, system maintenance, consulting, web-marketing and web analysis.

The creators of the firm draw their knowledge from bachelor and master degrees in computer engineering, specializing in information technology. The firm's capability to assist other companies in providing superior service for any business- from start-ups to large corporations- comes from precedent experience in managing technology projects.

The demand rate for web development and IT consulting services in the small companies has and will continue to have a continuous growth. The ratio between web development companies and the demand from companies needing these services is still high and expanding. Kyne Solutions have the commitment of continuously enhance their process and procedures with the aim of being more efficient. Reduction of project costs allows us to produce a high quality web development services for corporations at a competitive cost for their clients.

This document will highlight the most important aspects of the business and procedures.

2 General Company Description

2.1 Mission

Kyne Solutions is an information technology provider that produces high quality services that generate and maximize business opportunity for their customers.

2.2 Company Objectives

1. Generate professional web development.
2. Produce and maintain satisfaction for all our clients.
3. Maximize the value of our customers firm by their presence on the Internet.
4. Project a strong corporate image and clear information of our services and sample portfolio.
5. Produce a detailed project process to set the boundaries, allocate resources, and accomplish time targets. This process aimed on efficiency and will help our clients understand the process.
6. Base the business practices on a high level of ethics.



2.3 Business Philosophy

Kyne Solutions is a web based development company with an extensive skill set for understanding needs and developing systems according to requirements. We deliver creative, scalable web solutions that reflect the vision and needs of our clients. Our goal is the success of our clients and the creation of new business opportunities by their presence on the Internet.

Our developments are mainly focused on:

- Start-up companies
- SME's (small and medium enterprises)
- Personal sites
- Students
- Associations
- Events

Kyne Solutions will develop into a sustainable company that generates knowledge, income and holds the ability of expansion.

2.4 Keys to Success

1. Clear understanding and identification of our client requirements.
2. Translation of our customer ideas into developments that fit their requirements.
3. Offer a high-end web development to business in a way that they can afford.
4. Efficient resource allocation to each project.
5. Documentation of the process and informing our clients about the progress.
6. Identification of the segments of our company that provides web related services (website maintenance, hosting, web redesign, and search engine optimization, marketing and consulting).
7. Establish strategic partnerships with service providers, consulting companies and web related marketing globally and regionally.

3 Company Presentation

Kyne Solutions is a web development company with an extensive skill set for understanding our clients' needs and developing systems based on their needs and according to their requirements. We deliver creative, scalable web solutions that reflect the vision and needs of our clients. Our goal is the success of our client and the creation of new business opportunities by their presence on the Internet.

Kyne Solutions is an Information Technology provider, where emerging companies and small business as our customers can rely for outsourcing their IT.



4 Corporate Overview

4.1 Creation of the corporation

In the year 2008 of Kyne Solutions emerge from several requests from startup companies to develop their website and corporate image to promote their products. As a team we observed that there were several firms that were producing sites and publishing them over the Internet and identified that the quality and client requirements were not fulfilled, that fact persuaded us to commit our efforts into building a web based solutions firm that serves a whole variety of enterprises, from the startup-company to a large government group firms, with an extensive range of services, located in one place.

Kyne Solutions offices are located on the Science Park in Jönköping, where the start up activity in this city takes place; it is located near Jönköping University where the majority of ideas emerge. As an internet firm we are committed on developing products and services that have their main focus our clients' advancement in a location free environment. We have as a common practice managing projects internationally aided by telecommunication technology.

4.2 The Team

4.2.1 José Talamantes (Founder /CEO)

José Talamantes is a dynamic leader with extensive experience in web development and design, project management and customer relations with private sector clients. He is familiar with technical environment and is constantly updated with the technological growth of the web. He holds a B.Sc. in computer science from the Institute of Technology of Monterrey, Mexico City, a Masters in Science with a major in Computer Engineering, specializing in information technology from the school of engineering in Jönköping and pursuing a Master of Science in Business Administration by Jönköping International Business School.

José has specific skills in the following areas:

- Project management.
- Imaging and web graphics.
- Time and resources optimization.
- Technical staff management.
- Consultancy.
- Business strategy and execution.
- Performance and quality control and assurance.
- Networking technologies.

4.2.2 Héctor Cárdenas (Founder /CTO)

Héctor Cardenas is an experienced software developer with over 7 years of combined experience in applications development and hardware support. He is familiar with the customer relationships with federal and state government customers. Héctor holds a B.Sc. in computer science from the Institute of Technology of Monterrey, Mexico City and also a Masters in Science with a major in Computer



Engineering specializing in information technology given by the school of engineering in Jonköping, Sweden.

Héctor has specific skills in the following areas:

- Information Architecture
- Distributed Applications Development
- Enterprise IT Systems
- Administration and support of Hardware and Software.
- IT Strategy and Execution.
- Backend elements programming

The CEO and CTO relationship is dynamic and complementary; both parties have clarity on their involvement and accountability inside the firm.

4.3 Legal form of company Ownership

Kyne Solutions is a trademark owned by its founders, José Talamantes and Héctor Cárdenas, who each have a sole proprietorship. As the operation grows, considerations will be taken into transforming the firm into a limited company depending on future business needs. Aktiebolag (AB) is the name that a limited company in Sweden. The difference between the limited company and sole proprietorship are the responsibilities and risks. The limited company provides a higher financial protection to the owners and provides a relationship between the stakeholders and the share they hold. ¹

5 Services

Kyne Solutions is a provider of full-service information technology for small businesses, which focus mainly web-based solutions. The services delivered are a reflection of the vision and needs of our clients having always their success as our motivation.

Our solutions are based on a consulting process that helps us identify our client's requirements and translate them into developments that help them reach their goals. The satisfaction of our client is our primary objective and we will assist them in reaching their technological business objectives.

Kyne Solutions offer high end solutions which are:

- **Websites.** - The outcome of this product is to generate an outstanding presence on the Internet. The focus of this solution is offering and promoting product/services over the Internet. It is included within this segment, website design and redesign, upgrades and website maintenance.
- **Web Based Applications.** - Internet as an interaction and communication tool gives the possibility to generate applications that produce business opportunities. This product/service will assist our customers to reach their business objectives and help them to control their business operations. As examples of this solution we can mention database construction,

¹ [Uhttp://www.bolagsverket.se/in_english/do_you_want/start_business/trading_partnership/U](http://www.bolagsverket.se/in_english/do_you_want/start_business/trading_partnership/U)



audio/video feed, e-education platforms and intranet development among others.

- **Consultancy Time.** Due to our background and knowledge we can offer solutions within any area of the Information Technology and Communication field. This service extends from a simple configuration to the complete management of a project.

5.1 Future Products and Services

It is important to remark that Kyne Solutions, as an IT company, is constantly being updated and aware of tendency in the technology as well as changes in the industry. The firm is committed to improve its business and process, renewing the ideas so it can offer high end developments. Furthermore, Kyne Solutions will incorporate some of the next services within a year, adjusting to the client needs and market trends:

- Web Hosting
- Education seminars
- E-learning
- Local Area Network (LAN) installation
- Intranet setup and installation
- Result-based website marketing
- Content management systems

6 Market Analysis Summary

Kyne Solutions will initially focus on web applications and web design. Mainly concentrating the web design is on small companies and start-ups looking to develop an outstanding Internet presence for the first time; this also includes those companies that had a previous development and need website redesign. Our services will be marketed to small business owners, with the aim of helping them to have a lasting impression of their company over the Internet. The developments must be adaptable to trends as well as changes in the market, and always according to the client's requirements on hand. Based on the frequency, volume and regularity a web-maintenance service can be built according to needs and budget.

The image projected of our products and services must be serious, efficient, objective- oriented, elegant and trustable. Initially we plan to target on clients who need an online presence having as our goal to provide a full range of services that our customers understand and benefit from. For example we can mention dynamic content, website features and database driven websites.

6.1 Market research

The market research is starts by understanding the potential users where our products can sold. The first segment is to obtaining the number of existing companies in Jönköping area for defining the size of the market. It is also important to consider the organizations in the universities and self-employed individuals who our services are beneficial for them. After analyzing the size on the market, potential customers are identified and also how the marketing mix applies to Kyne Solutions.

6.2 Size of the market

- Companies in the area of Jönköping Sweden
 - Total Market 9 384 companies in the area
- Self- Employed Individuals
 - Approximately 5 800 individuals. (SCB:s 2004)
- Emerging Companies.
 - 400 emerging companies in the year 2007.

According to a personal interview with Jonas Ivarsson, the Science Park in Jönköping is responsible for the 10% of the startups in the area (40 startups).

	Percentage	Number
Population Sweden	100.00%	9,107,795.00
Total working people	48.97%	4,460,000.00
Self employed	9.82%	437,972.00
Total		4,897,972.00

Population Sweden	100.00%	9,107,795.00
Internet Users	76.65%	6,981,200.00

Population Jönköping Area	100.00%	122,194.00
Total working people	48.97%	59,838.40
Self employed	9.82%	5,876.13
Total		65,714.53

New Companies Established	
Jönköping	400.00

Table6-1 Market Size

6.2.1 Market Segmentation

The market is divided mainly into three segments:

1. **Start-Up:** The first segment consists from the startup companies that emerge every year. On 2007 the companies that emerge in the Jönköping area was 400 firms. This segment will make the 50% of our target market².
2. **Self-Employed:** The second segment is the self employed that live in the region. This entity is formed by approximately 5,876 individuals and will conform our 10% of our target market.
3. **Established Companies:** The third segment contains the companies that are established in the area. 8,184 Micro companies and 1,650 small companies bringing a total of 9,834 companies in Jönköping, Sweden. This will conform the 40% of our target market.

² New companies Established (Statistiska centralbyrån, SCB Nystartade företag fjärde kvartalet 2007)
<http://www.itps.se/Archive/Documents/Swedish/Publikationer/Rapporter/Statistik/S2008/nystartade%20f%F6retag%20kvartal%204.pdf>

6.3 Market Entry Barriers

The barriers faced to when entering the market are:

- a) Consumer acceptance and brand recognition.
- b) Price and reputation ratio.
- c) High consumption of time in the developments.
- d) Sales force.

6.3.1 Overcoming the Barriers

- Consumer acceptance and brand recognition.
 - Project a self-strong image and clear information of our services and sample portfolio.
- **Price and reputation ratio.**
 - Ensure quality in our developments and be driven by reputation.
 - Projection of establishing and limited company.
- **High consumption of time in the developments.**
 - Hiring students for developing modules of projects.
 - Jönköping Technical School offers a program closely related to our developments.
 - Include projects to their courses will increase the level of understanding and application to a real life situation.
 - Identify patterns (development and implementation) when managing the web development and design to reduce our costs and be more profitable.
- **Sales force.**
 - Obtaining a sales workforce that work on commission basis, as a requirement is the usage of Swedish and English language and excellent negotiation skills.

6.4 Potential Competitions

6.4.1 Competition

The number of competitors in technical developments offering services similar as Kyne Solutions is extensive and can come from a number of international companies as well as small local competitors. A sample of the competitors in the area was taken and the services were analyzed. To standardize the sample we compared four of our nearest competitors and compared them to the services we are offering. The comparison served us to observe the business practices and tendencies of the market. Even when our competitors have the possibility of offering similar services, Kyne Solutions compete directly by having high quality and understanding the client requirements. It is also important to mention that a huge part of the market is unattended and in expansion.

6.4.2 Local competitors' services:

Company Name	Website	Web Applications	Consultancy
Bluerange Technologies AB	x	x	x
Litium	x	x	x
XXL Reklam & Kommunikation AB	x		
Reactor Graphics	x		

Table 6-2 Major Competitors

The following table (Table 6-3 Local Competitor Analysis) is a comparison between similarity and differences with our direct competitors, the areas compared are Product, Price, Quality, Expertise, Appearance, Company reputation and Product in the website development area. In the end a total score is presented. The data collection was carried out by the founders of Kyne Solutions, and represents a comparison of information from our local competitor's website matching a similar form our portfolio. The possible range of values for each of the categories is from 0 to 10 being 0 bad and 10 excellent. Furthermore, the importance of each category is represented by a percentage; this percentage shows the importance of the characteristic that is being evaluated for the customer.

Name	Product	#	Sum	Price	#	Sum
Bluerange Technologies AB	10	20%	2.00	2	25%	0.50
Litium	10	20%	2.00	3	25%	0.75
XXL Reklam & Kommunikation AB	8	20%	1.60	4	25%	1.00
Advanced IT Design And Solutions	8	20%	1.60	2	25%	0.50
Kyne Solutions	9	20%	1.80	9	25%	2.25

Name	Quality	#	Sum	Expertise	#	Sum
Bluerange Technologies AB	8	15%	1.20	8	10%	0.80
Litium	9	15%	1.35	8	10%	0.80
XXL Reklam & Kommunikation AB	7	15%	1.05	5	10%	0.50
Advanced IT Design And Solutions	6	15%	0.90	7	10%	0.70
Kyne Solutions	9	15%	1.35	9	10%	0.90

Name	Appearance	#	Sum	C. Reput.	#	Sum
Bluerange Technologies AB	8	20%	1.60	8	10%	0.80
Litium	8	20%	1.60	8	10%	0.80
XXL Reklam & Kommunikation AB	7	20%	1.40	7	10%	0.70
Advanced IT Design And Solutions	7	20%	1.40	7	10%	0.70
Kyne Solutions	9	20%	1.80	5	10%	0.50

Name	C. Reput.	#	Sum	Total
Bluerange Technologies AB	8	10%	0.80	6.90
Litium	8	10%	0.80	7.3
XXL Reklam & Kommunikation AB	7	10%	0.70	6.25
Advanced IT Design And Solutions	7	10%	0.70	5.8
Kyne Solutions	5	10%	0.50	8.60

Table 6-3 Local Competitor Analysis

Overall, the results show that the ranking of our products was better than the one the competitors provided. It is also to our advantage that we can adapt better to our client needs and our clients can find in Kyne high-end development solutions for affordable prices.

6.4.3 Niche

The niche that is identified for the production of affordable web solutions is the start-ups firms, companies that are emerging, and self-employed persons specially located in the Jönköping area. Kyne offers a proprietary process when developing solutions. It starts with the understanding of our client need and translating it into a development, satisfying their need.

6.4.4 Distribution Channels

- Web developments will be usually uploaded into servers and our clients will receive a hard copy (disk) of their product as well as well as the documentation.
- After the consultancy services are finished all documentation will be hand in printed and on electronic form.

6.5 Target Market Segment Strategy

Kyne Solutions will focus the majority of sales and marketing efforts toward attracting small businesses with the website design. The reason is to explain and sell our customers the importance of having a web presence and how this will increase the value of their company. Alternatively the advanced websites are to be focused on the already established companies that need applications based on the internet to enhance their productivity.

6.6 Reaching the Target market

The first step to reach the market is by promoting the products and services on the company website, with an appealing look that becomes attractive to the visitors

and maintain encourage them to select the products of their interest. The main objective when creating the site must be the production of results, which are, customer satisfaction, traffic, and sales. For using the website as the main marketing tool and must follow the following specifications:

- Search Engine Optimized will bring a good ranking and make the company visible to the world.
- Attraction of the targeted audience.
- Easy navigation focused on the visitors need.
- Maintain the visitors on the site until they produce our expected result as buying or contacting us.

Besides the website marketing is also important to have viral marketing, (word of mouth) that can be sustained by examples on the company website. It is also fundamental that the domain name is a word easy to remember so the word of mouth can translate into website traffic and into a sale. Supporting the viral campaign are the business cards with the company information including the internet address (URL).

It is important to take into considerations that the entrepreneurial activity mainly happens in the business incubators around Sweden and is an excellent place to market our services.

As an alternative to the website, personalized communication and offering our services and direct marketing will be present. Direct marketing will not be present in the start-up phase, since it is an expensive option, printing materials will produce more visits to our website and translate into sells.

Another type of marketing method that is under consideration is our development signature at the end of our developments linked to our site. However, the usage of this procedure must be accepted by our clients. The method would help them get a better ranking on their sites, since some of the search engines' ranking systems are based on links.

6.7 Marketing Mix Model (4p's)

6.7.1 Price

Kyne Solutions as a consultancy firm found that setting price by hours is a way to establish a balance between the value and the delivered project. Our hour rate is based on 590 SEK (Swedish kronor) per hour. This price applies for all our services as websites, consultancy reports and advanced developments. As an example a website from four to nine pages is around 7 000 SEK and 12 000 SEK. This price has a variation depending on the complexity of the design and the interaction within the elements inside the development.

It is important to remark that we have identified different types of customers: The ones that come already with a specific request of what they want and with simple collaborations and suggestions the development evolves. Conversely some of our previous customers came to us with only a briefly idea of what they want for a website and they did not know what they want to communicate or which



information has to be there. It has to be understandable that the situation produces a difference in the pricing of a similar end product.

6.7.2 Promotion

One of our offerings to our clients is the increase in their business by having their presence over the internet. In order to communicate effectively our goal, our main strategy is to have an excellent website, ranked efficiently within the search engines. The fact that our customers find our website will leverage part of the marketing of our services to the internet. Besides our site, our promotion strategy will be aided by email marketing, and printing materials, it is fundamental to have a strong network of clients and every development will have our signature ensuring quality.

6.7.3 Place

Mainly the place where our products and services will be offered are over the Internet, aided by telecommunication technology we can offer our presentations and meetings in virtual form at our client offices all over the world. Presently the product development and corporate offices are located in Jönköping, Sweden inside the Science Park, Jönköping Gjutergatan 9, 553 18.

6.7.4 Product

Our development team has an extensive knowledge in C#, C/C++, Microsoft .NET, ASP, JSP, PHP, Visual-Basic, Java, Dreamweaver, Flash, Illustrator, Photoshop, Databases in SQL and MySQL which translate into mainly three products.

- **Websites**. - The outcome of this product is to generate an outstanding presence on the Internet. The focus of this product is offering and promoting product/services over the Internet. This also includes website redesign, upgrades and website maintenance.
- **Web Based Applications**. - Internet as an interaction and communication tool gives the possibility to generate applications that produce business opportunities. This product/service will assist our customers in reaching their business objectives and help them to control their business operations. As examples of this solution we can mention database construction, audio/video feed, e-education platforms and intranet development between others.
- **Consultancy Time**. - Due to our background and knowledge we can offer solutions within almost any area of the Information Technology and Communication field. This service extends from a simple configuration to the complete management of a project.

7 Financial Plan

This segment of the business plan gives the financial information for establishing the firm and will also provide the forecast for the following three years of operation. The financial assumptions are based on a steady economy and standard numbers for a business. All numbers are in Swedish Kronor (SEK). This section will be divided into the following areas:



- Start-up Summary
- Sales Forecast
- Start-up Founding
- Profit and Loss
- Net Profit
- Gross Margin
- Cash Flow
- Balance Sheet

7.1 Start-up Summary

The company founders, José Talamantes and Héctor Cárdenas, will handle day-to-day operations of the business and will work collaboratively to ensure that this business venture is a success. The following table shows the start-up costs for starting up Kyne Solutions. Some of the costs presented in the startup requirements are recurrent costs that will show the in the cash flow statements.

7.1.1 Start-up Requirements

The following table will represent the expenses that the firm needs in order to be in operation. The total start up expenses is 28,455 SEK. The long term assets represent the technological equipment that is needed for developing the software that is 39,848 SEK.

Start-up Expenses	
Office Rent (monthly)	SEK 5,000.00
Skype Services (Monthly World Calls within Landlines)	SEK 115.00
Internet Services (Monthly Telenor Sweden)	SEK 270.00
Marketing Material	SEK 2,000.00
Office Supplies	SEK 500.00
Trademark registration	SEK 1,500.00
Microsoft Visual Studio Pro 2008 (.net framework)	SEK 4,245.00
Adobe Creative Suite 4 Web	SEK 11,625.00
Microsoft Office Small Business	SEK 2,500.00
Cellphone and Line 1 (monthly)	SEK 350.00
Cellphone and Line 2 (monthly)	SEK 350.00
Total Start-up Expenses	SEK 28,455.00
Start-up Assets	
Cash Required	SEK 5,000.00
Start-up Inventory	SEK -
Other Current Assets	SEK 7,000.00
Long-term Assets	SEK 39,848.00
Total Assets	SEK 51,848.00
Total Requirements	SEK 80,303.00

Table 7-1 Startup Requirements

7.1.2 Funding the startup Requirements

The financial method for obtaining the startup requirements is bootstrapping. Both of the owners will cover the equipment and expenses with by adding an investment 40,154 Swedish kronor (SEK) each.

Start-up Funding	
Start-up Expenses to Fund	SEK 28,455.00
Start-up Assets to Fund	SEK 51,848.00
Total Funding Required	SEK 80,303.00

Table 7-2 Funding Requirements

Assets		
Non-cash Assets from Start-up	SEK	46,848.00
Cash Requirements from Start-up	SEK	5,000.00
Additional Cash Raised	SEK	1,697.00
Cash Balance on Starting Date	SEK	6,697.00
Total Assets	SEK	53,545.00
Liabilities		
	SEK	-
Capital		
Planned Investment		
José Talamantes	SEK	40,154.00
Hector Cárdenas	SEK	40,154.00
Additional Investment Requirement	SEK	-
Total Planned Investment	SEK	80,308.00
Loss at Start-up (Start-up Expenses)	SEK	(28,455.00)
Total Capital	SEK	53,545.00
Total Capital and Liabilities	SEK	53,545.00
Total Funding	SEK	80,308.00

Table 7-3 Assets and Capital for the Startup Funding

The following graph shows how the investment will fund the assets and the expenses for the startup phase of the company.

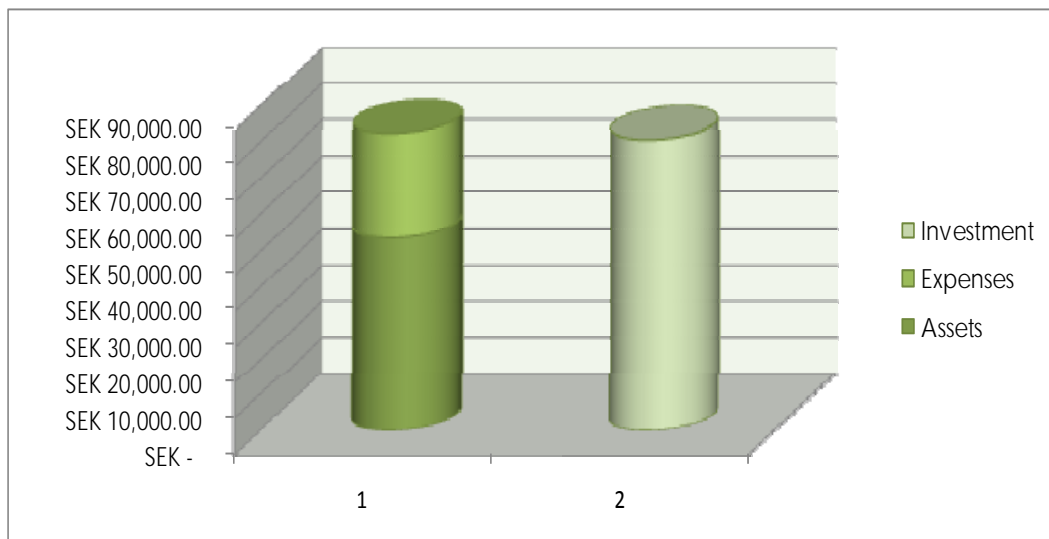


Figure 7-1 Investment= Assets + Expenses

7.2 Sales Forecast (2009-2011)

The profitable model of the business is billing an average of 65 hours per month and developing 5 websites. In the following years the amount of hours billed turns into 80 hours with 6 websites developed. It is important to mention that the amount of working hours in a month on a five-day week and eight hours per day is averaging 175 hours.

Unit Sales	2009		2010		2011	
Consultancy Hours	770		960		1,110	
Website Development (Estimated Price)	52		80		108	
Total Unit Sales	822		1,040		1,218	

Unit Prices	2009		2010		2011	
Consultancy Hours	SEK	590	SEK	590	SEK	750
Website Development (Estimated Price)	SEK	8,000	SEK	8,000	SEK	8,000

Sales	2009		2010		2011	
Consultancy Hours	SEK	489,700	SEK	566,400	SEK	832,500
Website Development (Estimated Price)	SEK	416,000	SEK	640,000	SEK	864,000
Total Sales	SEK	905,700	SEK	1,206,400	SEK	1,696,500

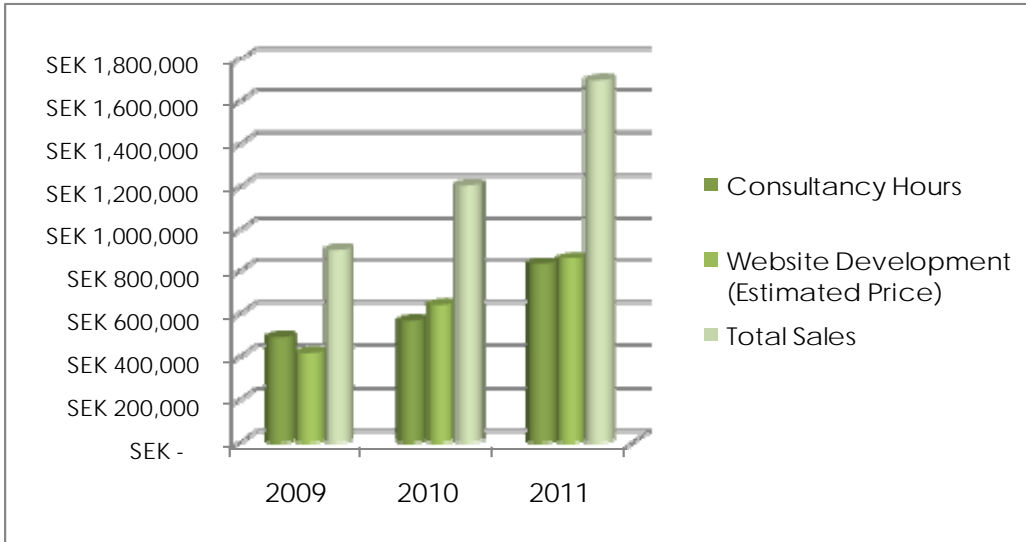
Unit Costs	2009		2010		2011	
Consultancy Hours	20% SEK	118	SEK	118	SEK	150
Website Development (Estimated Price)	20% SEK	1,600	SEK	1,600	SEK	1,600

Cost of Sales	2009		2010		2011	
Consultancy Hours	SEK	90,860	SEK	113,280	SEK	130,980
Website Development (Estimated Price)	SEK	83,200	SEK	128,000	SEK	172,800
Subtotal Direct Cost of Sales	SEK	174,060	SEK	241,280	SEK	303,780

Turnover	SEK	731,640	SEK	965,120	SEK	1,392,720
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Table 7-4 Sales Forecast (2009-2011)

According to the forecast the turnover generated by Kyne is enough for producing further investments. It also shows a rapid grow. To compare the source of the total sale figures, the next graph compares the consultancy hours and the website developments.



Graph 7-1 Sales Forecast 2009-2011

8 Appendix A

8.1 Curriculum Vitae José Alfonso Talamantes Pavón

Professional Objective

As an entrepreneur in the field of Information Technology it is my personal interest to pursue a consulting career in which I can utilize my gained knowledge in a range of challenging projects that need high performance solutions and require constant innovation. Personal strengths that allow me to successfully execute given tasks include competent team leadership, strong communication skills, the ability to manage several projects simultaneously and the competency to understand and translate business requirements into IT specifications.

Education

M.Sc. in Entrepreneurial Management	2007.08 to 2008.07
Jönköping International Business School (JIBS) - <i>Jönköping, Sweden.</i> Specialization in entrepreneurship, business development, corporate governance, strategic renewal and organizational change	
M.Sc. in Computer Engineering specializing in Information Technology	2005.08 to 2005.03
Jönköping University, School of Engineering (JTH) - <i>Jönköping, Sweden.</i> Specialization in Information Technology focusing on information & enterprise modeling with distributed applications development, software quality & project management, software engineering and the enhanced usage of knowledge in database systems	
B.Sc. in Computer Systems Engineering	1999.08 to 2004.12
Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) - <i>Mexico City, Mexico.</i> Specialization in information systems design, software architecture, networking and information security, computer visual design and multimedia	
Project in Television Production / Visual Communication / Radio Production	2007.03 to 2007.07
Jönköping University, School of Education and Communication - <i>Jönköping, Sweden.</i> Involvement in television production, live TV & radio broadcasts and visual communication in theory and practice	
Certificate in Wireless LAN Technology	2003.07 to 2003.08
South Alberta Institute of Technology (SAIT) - <i>Calgary, Canada.</i> Networking certification: Qualification to design, install, maintain and operate a wireless LAN solutions with the ability of understand radio technologies associated with the standards, the topologies and applications as well as determine the best options for designing an appropriate WLAN environment	
Certificate in Fiber Optic Networking Theory & Design	2003.07 to 2003.08
South Alberta Institute of Technology (SAIT) - <i>Calgary, Canada.</i> Fiber Optic certification: Understanding of fiber optic components, fiber optic theory, and fiber optics common terminology. The certification exemplifies the best practice techniques when designing a networking system that consists of fiber optics technology.	
Certificate in Computer Programming	2000.07 to 2003.08
Carnegie Institute of Technology (CarnegieTECH) - <i>Pennsylvania, United States of America.</i> Online certification program offered by the Carnegie Mellon University in collaboration with the Instituto Tecnológico y de Estudios Superiores de Moterrey : enables to perform object -oriented design and programming, user-centered interface design, web applications design, database-driven web systems and advanced programming techniques	
Computing Skills	
Operative Systems	Mac OS X, Windows (XP-Vista), Linux, UNIX.
Productivity Suites	MS Office (Excel, Word, PowerPoint, Outlook), MS Project, MS Visio and Lotus Notes.
Databases	SQL Server, MySQL, Oracle
Design Software	Adobe CS3 (InDesign, Photoshop, Illustrator, Flash, Dreamweaver, Premier) Final Cut.
Programming	ASP, JSP, PHP, Visual Basic, HTML, Java, C#, Microsoft .Net Framework.
Language Proficiency	
Spanish	Native speaker
English	Fluent

Professional Experience

CEO Co- Founder **2008.01 - Today**

Kyne Solutions - Jönköping, Sweden

Founder of a full service software development firm with focus on tailored systems and web applications. Start up activities for the establishment of the firm in the Swedish market which include long-term business planning, analysis of the market and the competitive environment as well as strengthening brand recognition. Offering website development services to start-up companies and managing international projects. Adding value by offering virtual presence and technical support via teleconferencing practices.

Project Manager **2005.01 to 2005.07**

General Motors México - Mexico City, Mexico

Responsible for coordinating and documenting the "Dealer Management System Certification" at GM. Analysis of GM's existing tools, systems and providers for managing automotive dealers in Mexico. Communication of the project description, allocation of resources and distribution of tasks for the certification process. Supervision of the procedure for obtaining the requirements from General Motors dealers. Definition of metrics and evaluation methods for the Dealer Management Systems (DMS) based on specified requirements. Evaluation and certification of suitable DMSs that are in line with General Motors' business practices. Documentation of the completed DMS Project according to General Motors standards (SDP21).

Information Systems Coordinator **2001.11 to 2004.12**

Plásticos Furbi - Mexico City, Mexico

Responsible for information management, system administration and enterprise communication. Local area network (LAN) implementation and intranet development ensuring an efficient usage of resources, dataflow and information storage. Development of software applications for managing the inventory supplies. Installation, management and support of hardware and software of servers and personal computer terminals. Implementation, customization and supervision of plastic blowing machinery PLC software (UROLA). Providing solutions for minimizing the production of dysfunctional products (in collaboration with the Quality Control department). Ensuring material availability and increasing productivity by analyzing patterns in client orders and trends in bottle designs. Development and publication of the company's web presence <http://www.plasticosfurbi.com/>

Consultant / Website Developer **2005.03 to 2005.08**

RH Consultores - Mexico City, Mexico

Responsible for developing a service oriented website for marketing purposes. Developed and designed RH Consultores' web presence <http://www.rhconsultores.com.mx/>

Technical Support Assistant **1999.06 to 2000.08**

H&B Software - Mexico City, Mexico

Responsible for server and personal computer maintenance, web development and technical support. Implementation of Lotus Notes platform, customization of IBM (AS/400) and sales of help-system products.

Personal Interests

Athletics, Photography, Automotive Industry, Design, Telecommunications, Media Production, Application of video and audio into wireless networking technologies, Educational Training , Business Negotiations.

Personal Information

Citizenship: **Mexican** Date of Birth: **19 March 1980**



8.2 Curriculum Vitae Héctor Cárdenas Martínez

Professional Objective

Computer Systems Engineer interested on Information Technologies development and solutions for companies based on Information Technologies. Searching for challenges requiring constant innovation, Great learning capacity, organization and adaptation in workgroups with facility to give practical solutions to complex situations.

Education

M.Sc. in Computer Engineering specializing in Information Technology 2005.08 to 2005.03

Jönköping University, School of Engineering (JTH) - *Jönköping, Sweden.*

Specialization in Information Technology focusing on information & enterprise modeling with distributed applications development, software quality & project management, software engineering and the enhanced usage of knowledge in database systems

B.Sc. in Computer Systems Engineering 1999.08 to 2005.08

Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) - *Mexico City, Mexico.*

Specialization in information systems development, data structures, and programming languages.

Computing Skills

Operative Systems Mac OS X, Windows (XP-Vista), Linux, UNIX.

Productivity Suites Microsoft Office (Excel, Word, PowerPoint, Outlook), Microsoft Project, Microsoft Visio and Lotus Notes.

Databases SQL Server, MySQL, Oracle

Programming C, C++, C#, Java, ASP, JSP, PHP, Visual Basic, HTML, Java, C#, Microsoft .Net Framework.

Language Proficiency

Spanish Native speaker

English 80%

French 50%

Swedish Basic

Professional Experience

CTO Co-Founder 2008.01 - Today

Kyne Solutions - *Jönköping, Sweden*

Co-Founder of a full service software development firm with focus on tailored systems and web applications.

Information Systems Coordinator 2001.11 to 2008.01

ARCYA S de R.L. - *Mexico City, Mexico*

Responsible for enterprise application and business models developer.

Consulting in projects assigned to the company. Server and personal computer maintenance and technical support.

Internet Applications Developer 1997.02 to 2004.10

MARBEN S.A. de C.V. - *Mexico City, Mexico*

Responsible for server and personal computer maintenance, web development and technical support
Development of systems to control movie shopping at the stores. Communication manager between MARBEN and VIDEOVISA applications

Personal Information

Citizenship: Mexican Date of Birth: 1 January 1980

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