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# PRACTICAL BUSINESS ESTABLISHMENT IN FINLAND

Case: Vietasia private trader

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## ABSTRACT

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The purpose of this thesis is studying practical approaches for the business establishment process in Finland. The study focuses on the applicability, effectiveness and efficiency of the practical approaches in order to propose a great and practical solution for entrepreneurs.

Participant observation is the main method of research as the author actively engages in a real business case with his own company. The business case covers the whole process of business establishment from the beginning to its current running at this moment.

The result should help entrepreneurs to be able to establish their own company in Finland effectively and efficiently by applying one or more of the practical approaches in this study. The effects are risk reducing, time and money saving during the early stages of a business. This finding is widely applicable for local Finnish people, immigrants, and foreigners living in Finland. It is also applicable for entrepreneurial organizations to understand and adapt to the trends of entrepreneurship since entrepreneurs are the key to boosting the Finnish economy. The study reflects a foreign student's experience and point of view towards entrepreneurship in Finland. Therefore, foreign students have one more alternative to be employed in Finland and Finnish universities can improve teaching methods for international students in entrepreneurship.

Key words: Entrepreneurship, Finland, business establishment, practical approaches, foreign students

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# 1 INTRODUCTION

## 1.1 Background

Entrepreneurship has been recognized as a vital role in national economy. It has created many positive impacts such as job creation, economic growth, poverty reduction and formalizing the informal sector (OECD 2013, 13). Although the rate of new enterprise creation has been slowing down because of the global financial crisis, especially in Europe, there are still increasing signals in some countries because of the support of government. The number of micro enterprises, which have less than 10 employees, still takes a huge proportion of the total. For example, the number of micro enterprises accounted for 94.2% in Finland (Official Statistics of Finland 2012) and more than 70% in most of countries (OECD 2013, 25). According to the newest book of OECD, the trend of youth entrepreneurship has been slightly increased (OECD 2013, 7).

Besides economic reasons, there are many personal reasons which motivate the author to become an entrepreneur and conduct this thesis. First, the author has strong interest in entrepreneurship and the ideas of being an entrepreneur: work for himself and have flexible work times. Second, there are many difficulties for foreign students, especially business students, to apply for a job in Finland. That makes being an entrepreneur an alternative option when they want to stay in Finland after graduation. Third, learning by doing is the author's effective way of learning.

Besides current business background, the author also has a background and experience in Information Technology (IT). Thus, many business ideas related to the combination of business and IT have formed during his studies. After researching Finnish IT outsourcing with some surprising information, the author decided to establish Vietasia, an IT services company, and started writing this thesis based on the experience of Vietasia's establishment.

## 1.2 Thesis Objective and Research Questions

During the process of testing and establishing a business in Finland, the author himself has faced many difficulties and gained experience. Thus, the objective of this thesis is to draw a guideline of how to start a business in Finland practically and effectively from a foreign student's point of view followed by a case study of the author's business. In order to achieve the objective, many research questions and sub-questions are formed to cover the topic as below:

1. How to make a good business plan?
  - a. How to form a concrete business idea from a thought?
  - b. Why do we need a business plan?
  - c. What are the contents of a good business plan?
  - d. How long should we spend to write a business plan?
  - e. Which tools and strategies can be used during planning?
2. How is the Finnish business environment for foreign entrepreneurs?
  - a. What is the process to establish a business in Finland?
  - b. What are special requirements for foreigners?
  - c. How does the Finnish government and organizations support new foreign entrepreneurs in Finland?
3. How to start a business in Finland practically?
  - a. How to test a business idea?
  - b. How to establish a business quickly?
  - c. How to manage finance?
  - d. How to manage risks?

## 1.3 Limitations

Although the author has been participating in many meetings with business advisors as well as testing the business idea through NY-Yritys program (Nuori Yrittäjys Ry 2013), there are some limitations in the thesis as listed below:

- It will focus on important parts of the methods, processes and possibilities of establishing a business.



- Important sections of a business plan will also be covered and analyzed briefly for better demonstration while less important parts will be left out.
- A specific measurement or metrics to evaluate the effectiveness will not be used.
- Organizations listed in this thesis are located mostly in Lahti and Helsinki.
- The case used in this thesis is only an example which is related to IT services, IT outsourcing industry and the author's experience. It might not be suitable for other industries or persons.

#### 1.4 Theoretical Frameworks

Many experts and researchers have debated about the need of a business plan for a successful business for a long time. For example, Anthony K. Tjan and his colleagues (2012) said that 70% of surveyed successful entrepreneurs did not start their business with a business plan while Rieva Lesonsky (2010) said differently based on her survey responses of 2,877 users. Thus, a completed business plan is not the only guarantee for a successful business. There are many factors affect the succeed of a business such as personal relationships, quantifiable and structured business (Bissell 2012, 19); solid business model, dynamic management team, customer understanding, and good leadership (Crisler 2010, 63); etc. Besides those factors, the author believes that practical approach is one of the keys for entrepreneurs to success. One practical approach which has been taught in many famous universities in the world included Stanford University is "Lean Startup". The Lean Startup approach was developed by Eric Ries (2011). According to Eric Ries, the Lean Startup approach can be applied flexibly in establishing a new business or implementing new product/service. The author himself also tested the Lean Startup approach in establishing his own business and it was a success. Therefore, the author believes that by applying one or many practical approaches properly, entrepreneurs included foreign students in Finland will be able to establish their own company in Finland effectively and efficiently. That is the theory of this study.

Beside the theory of practical approach, the author also believes that a business plan is also a must for a successful business in Finland. Based on many researches

and books of how to make a great business plan (Blackwell 2008; Finch 2010), a more-practical and suitable business plan for Finnish business environment will be proposed. Many analysis tools and methods include PEST analysis and Porter's Five Forces analysis developed by Michael Porter (2008); SWOT analysis; The New Business Road Test tool developed by John W. Mullins (2006); and Business Model Canvas developed by Alexander Osterwalder and Yves Pigneur (2010) are supporting frameworks in creating an effective business plan.

### 1.5 Research Methods and Data Collection

The research has been studied in both theoretical and practical ways. In the theoretical way, many theories related to business establishment has been studied and analyzed in term of feasibility and performance. The research also was studied practically through observation method with the author's business. The observation method used in this study is participant observation in which the author actively anticipates the whole process of his own business establishment. The data has been collected through the observed business case. In addition, data has been also collected through discussions with business advisors. Another main source of data has been collected is from articles, books and official websites. Since the methods and approaches used in the observed case are currently new in Finland, there are not enough samples for the author to conduct a survey for performance analysis research.

### 1.6 Thesis structure

The thesis is organized as the feature shown in the next page.



FIGURE 1. The thesis structure

At first, the introduction will explain basic information about the topic, the author and the reasons this thesis is conducted. In addition, some theoretical frameworks, research methods and data collection are also explained briefly in this part.

After the introduction, the main studies are followed in chapter 2 and chapter 3. Chapter 2 will explain the most important node during the business establishment process while chapter 3 will draw a big picture of Finnish entrepreneurship environment. Within chapter 2, the contents of a business plan, different methods, and different approaches will be covered. Chapter 3 will list many Finnish entrepreneurial organizations as well as their services providing to new entrepreneurs. In chapter 3, the second research question will be analyzed.

The case Vietasia will give a practical example of a business plan, in chapter 4, and an effective process of business establishment which the author believes, in chapter 5. In these two chapters, the author will also give his opinion and recommendation based on his own experience, especially for foreign students, who plan to establish a business in Finland.

The topic will be concluded in Chapter 6 with a list of findings and answers to research questions. Chapter 7 will summarize the whole topic and raise some questions for further researches.

## 2 BUSINESS PLANNING

As shown in the simple business establishment process, everything starts from an idea. Successful businesses usually stand for important ideas, as Taylor (2011, 48) mentioned “*ideas that shape the competitive landscape of their industry, ideas that reshape the sense of what’s possible for customers, employees, and investors*”. Most likely, ideas come to our head eventually in our daily activities, especially from difficulties, obstacles or challenges we have been experienced and trying to solve. The author has also experienced some difficulties such as language barrier, too much electrical equipment, too many wired connections around his computer, etc. Reed Hastings, founder of Netflix, has a lousy experience at the local video store (Taylor 2011, 49). Mark Zuckerberg, founder of Facebook, created Facemash for comparing which girl is hotter within his campus (Fincher 2010).

In fact, having an idea will not cost anyone anything. But it is a starting point to go further and turn the idea into reality. Ideas can’t be registered as a patent without any document or prototype. The one who bring an idea to the market faster will most likely be the winner. Thus, it is highly recommended for entrepreneurs to generate ideas all the time and move faster to the next step: Idea checking.

Among the 7.1 billion people in the world (United States Census Bureau 2013), the chance of many people having the same idea is pretty high, and markets for new ideas are rare nowadays. During the idea checking stage, we could pre-analyze markets, existing ideas, potential, feasibility of the idea, etc. Based on those pre-analyze, the idea and business model might be reformed, modified, improved and pictured better which will be ready for next stages. Eric Paley strongly believes that even if you are not the first one to implement the idea; you can still be the winner (Paley 2013, 45).

After having a concrete idea how the business idea will go and its potential, this is the time to write down a little more detail how it should be done for the best benefits. It is called planning. As defined in Cambridge dictionary (2013), “business plan” is “*a detailed plan describing the future plans of a business*”.

There are some questions concerned about writing a business plan such as “do we need a business plan?”, “how important a business plan is?”, or “how much time should we spend on writing a business plan?”

Debate around those above questions mostly ends up with many reasons to have a business plan. In his article at Entrepreneur.com, Mark Henricks (2008) emphasized the lead from having a business plan to actually doing business is closer than not having a business plan. With the same topic, Time Berry (2006) listed 15 reasons to have a business plan. The top 4 reasons are “*create a new business*”, “*seek investment for a business*”, “*back up a business loan application*” and “*grow your existing business*”. To confirm the importance of a business plan, Mark Henricks quotes Hackney’s speech that he would definitely write a business plan if he starts another business but the business plan will be much shorter with some core principles of what the business is in the contents. What are those core principles of a business plan? It will be explained in the next part.

Before writing a business plan, it is recommended to the author to understand clearly “what is the plan for?” and “who is the audience?” (Finch 2010, 2-4). In his book, Brian Finch listed many reasons of a business plan as well as advices related to different audience types such as the language, the emphasized content, the facts, etc. (Finch 2010, 5-14). The main reasons of a business plan fit this research’s objectives are to help you run your own business, to apply for grant and for investors to invest in your business idea. Target audience of this research is foreign students who are living and studying in Finland. Nevertheless, all of those reasons should be put into their business plan.

From this point, it is obvious and understandable that a business plan is important for a business. In the next part, some general and important sections of a business plan will be explained and analyzed.

## 2.1 Business Plan Contents

There are many ways of writing a business plan. However, within this section, the author will analyze some parts that he believes are important for the topic –

practical business establishment. When writing a business plan generally, those parts are also considered important. They are market research, business idea, business model, marketing plan, operational plan, financial plan and risk management.

### 2.1.1 Market Research

It is important to understand the market according to a business idea because an idea might work in one market and might not work in others. The better research, the less risk a business will take. For business owners, good market research helps them to avoid big unexpected issues as well as understand better how potential and difficult the market is. For investors, good market research gives them the impressive and persuasive message of the business potential. There is strong connection between marketing research, decision making and business opportunity (Zikmund and Babin 2009, 47). Marketing researches provide many key inputs for decision making process and the key decision might lead to the success or failure of a business. In this case, a good research will help entrepreneurs to make a decision in the early stage: drop the idea or keep going. Wrong decision might cost entrepreneurs time and money and they need to estimate how much would they lost in this stage to decide “is it worthy to keep trying?” The “acceptable lost” approach, which will be explained in further part, should be applied in this case to avoid a big lost.

Because of the importance of a market study, we should ask ourselves when doing this task: “what is good market research?” or “what should be included in good market research?” A market study can be evaluated in financial or non-financial terms or both. However, for start-ups and entrepreneurs, there is no need to do such evaluation as long as the research provides good and useful information. A good market research should include the whole picture as well as detailed information of the specific market that the business targets. There are many criteria for a market research which depend on the purpose of the market research. Criteria include methodologies, data validity, facts, reliability, research scope, sources, etc. In addition, a market research should follow the code of marketing

research standards because of many positive reasons (Marketing Research Association 2007).

At a nation-wide level, the PEST or PESTLE analysis should be included. The tool will analyze many factors of a nation which might affect many industries and businesses. Those factors are Political, Economic, Sociological, Technological, Legal and Environmental (The Chartered Institute of Personnel and Development (CIPD) 2010). The tool will give entrepreneurs and businesses useful information for making strategic decisions as their long-term targets.

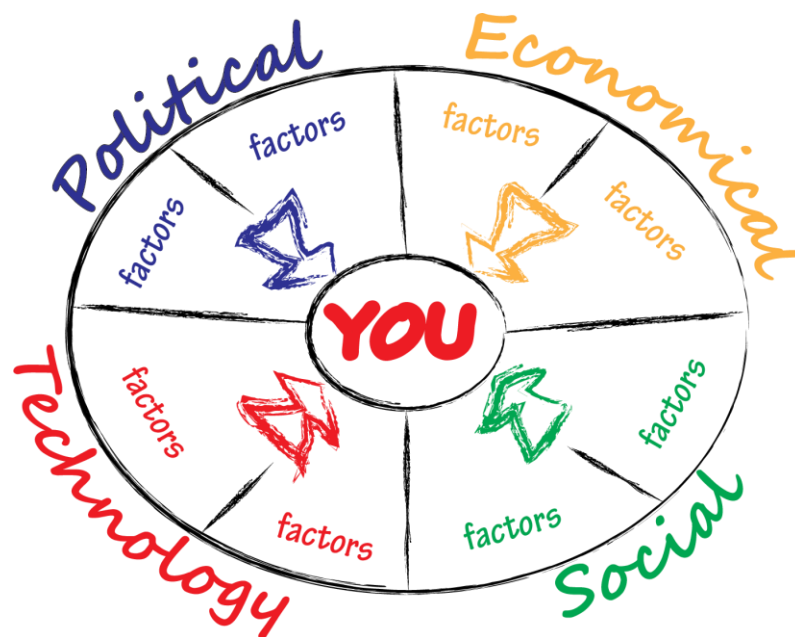


FIGURE 2. PEST analysis (modified from Beckmann 2011)

In addition, market research should be able to reveal the competition in the industry as well as opportunities for the business to get into the market. As quoted by Sun Tzu:

*“If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle.” (translated from “The Art of War” by Sun Tzu) (Giles 1910, 52)*

Thus, an analysis of the competition of the industry and self-analysis are recommended to be included in the market research. Michael E. Porter published an article *“The Five Competitive Forces That Shape Strategy”* which can be used

as a tool to analyze the competition of an industry in order to position your company well at the weakest forces. As the figure below, the Five Forces include Threat of New Entrants, Bargaining Power of Suppliers, Bargaining Power of Buyers, Threat of Substitute Products or Services, and Rivalry among Existing Competitors. The popularity, usability, feasibility, clarity, simplicity and generality of Porter's Five Forces have been proven in many documents and cases (Ormanidhi and Stringa 2008).

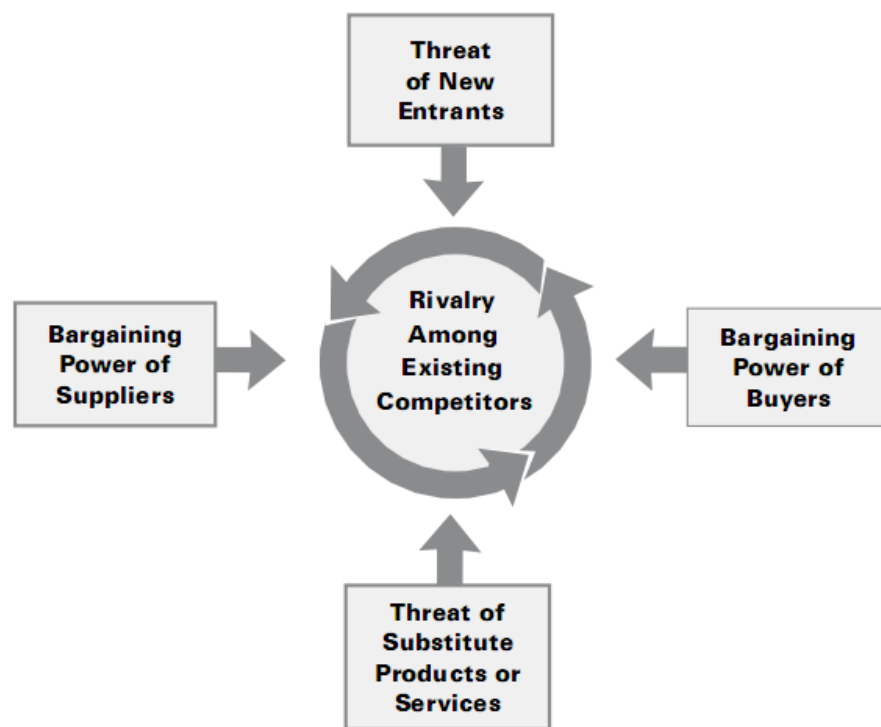


FIGURE 3. Porter's Five Forces (Porter 2008, 27)

The final important part of a market study is the SWOT analysis which will analyze internal and external factors of a business in order to understand your own capabilities, opportunities and risks of the business. SWOT stands for Strengths, Weaknesses, Opportunities and Threats. It is previously named S.O.F.T which stands for Satisfactory, Opportunity, Fault, and Threat (Humphrey 2005). Based on the analysis, businesses can focus more on their strengths and opportunities as a positive side while being aware of the other side included weaknesses and threats.





FIGURE 4. SWOT analysis (Xhienne 2007)

Although market research is important, one should not spend too much time on researching because the given facts are the past and future predictions are just estimations without certainty. Trends are changing quickly and business plans should be updated to the present in regard of current feedback and comments from real customers. That is when Lean Startup approach is applied. The Lean Startup is a practical approach for new start-ups which reduces most of wastes included time and money when establishing a business. It will be explained in more detail in further section within this chapter, chapter 2.

After researching and understanding the market, problems and the business potential when solving the problems, a business idea and business concept should be explained based on the studied information.

### 2.1.2 Business Idea and Concept

Once again, business idea is just an idea to solve community problems. The profits from solving the problems will be turned into a business. Eric Paley (2013) explained the idea from his article “A great idea is never enough”. He focuses more on the problems need to be solved than ideas because an idea can be changed for better solutions. Thus, problems should be stated within this part based on the researched and studied market in the previous part. Consequently, a

solution packed within a business idea and concept should be explained. Expected outcomes can also be listed in this part as goals of the business.

This part should be written briefly but clearly and interestingly. If readers, such as investors, are interested about the problems and the solution, they will read further to understand more. There are some criteria which should be noticed when writing a business plan in general or listing the problems and drawing solutions in particular: brevity, logic, truth, and figures (Blackwell 2008, 5-6). In fact, figures are important for explaining the whole picture briefly, clearly and visually. A business also needs a business model as a general picture to show how the business will operate. Thus, business model should be the next part of a business plan.

### 2.1.3 Business models

Business model as Cambridge defined is “*a description of the different parts of a business or organization showing how they will work together successfully to make money*”. In other words, a business model is a big and general picture of a business in which many key elements of a business such as customer segments, products/services, value, cost, income, key activities, resources, and so on are shown. Business models also provide a strategy view for managers and owners to analyze the connections between elements. A business model can also be used for other purposes, but generally a business model will explain a business in short, visual and easy-to-understand way. As David J. Teece explained:

*A business model articulates the logic and provides data and other evidence that demonstrates how a business creates and delivers value to customers. It also outlines the architecture of revenues, costs, and profits associated with the business enterprise delivering that value. (Teece 2010, 173)*

Depending on each purpose, a business model is designed and demonstrates differently and specifically. The thesis will explain two of the most popular business models which are in used: Hoffren’s Business Model and Business Model Canvas.

### 2.1.3.1 Hoffren's Business Model

Hoffren's Business Model is the most popular business model which is used and recommended in Finland. It was introduced in 2002. The elements of the model are market need, image, product/service, target group, mode of operations and resources. The table below shows the top-down connections between the elements of the model.

<b>Market Need</b> Why does customer buy the company's products/services?	<b>Image</b> Why does customer want to buy from your company?													
<b>Target Group</b> Who buys the products/services?	<b>Product/Service</b> What are the values of products/services?													
<b>Mode of Operations</b> What is the firm's motto and what are the values which lead to it? What is the typical function of the company? How marketing, logistics, pricing, financing and management are organized														
<b>Resources</b> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="373 1234 724 1272"><u>Physical</u></th> <th data-bbox="724 1234 1054 1272"><u>Finance</u></th> <th data-bbox="1054 1234 1458 1272"><u>Human</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="373 1290 724 1328">- Offices</td> <td data-bbox="724 1290 1054 1328">- Funds/Assets</td> <td data-bbox="1054 1290 1458 1328">- Staffs</td> </tr> <tr> <td data-bbox="373 1350 724 1388">- Machines</td> <td data-bbox="724 1350 1054 1388">- Loans/Debt</td> <td data-bbox="1054 1350 1458 1388">- Skills/Abilities</td> </tr> <tr> <td data-bbox="373 1411 724 1449">- Rights/Licenses</td> <td data-bbox="724 1411 1054 1449">- Securities</td> <td data-bbox="1054 1411 1458 1449">- Motivations</td> </tr> </tbody> </table>			<u>Physical</u>	<u>Finance</u>	<u>Human</u>	- Offices	- Funds/Assets	- Staffs	- Machines	- Loans/Debt	- Skills/Abilities	- Rights/Licenses	- Securities	- Motivations
<u>Physical</u>	<u>Finance</u>	<u>Human</u>												
- Offices	- Funds/Assets	- Staffs												
- Machines	- Loans/Debt	- Skills/Abilities												
- Rights/Licenses	- Securities	- Motivations												

FIGURE 5. Hoffren's Business Model (modified from Hoffrén 2002, 10)

The model starts from the market need and ends at the necessary resources for the business to satisfy the need of the market. Target groups and products/services are basic elements that are included in most business models. Besides, the image element will separate the company to other competitors as the company's core competences or advantages. By using this business model, almost all information will be analyzed for decision making as well as strategy planning.

### 2.1.3.2 Business Model Canvas

The Business Model Canvas was introduced in 2010 by Alexander Osterwalder and Yves Pigneur. The model has become more popular and been being used at many universities around the world, included Stanford University. The business model canvas approaches to business elements visually and flexibly. As the figure shown below, the Business Model Canvas includes 9 elements: Customer Segments, Customer Relationships, Channels, Value Propositions, Key Activities, Key Resources, Key Partners, Cost Structure and Revenue Streams.

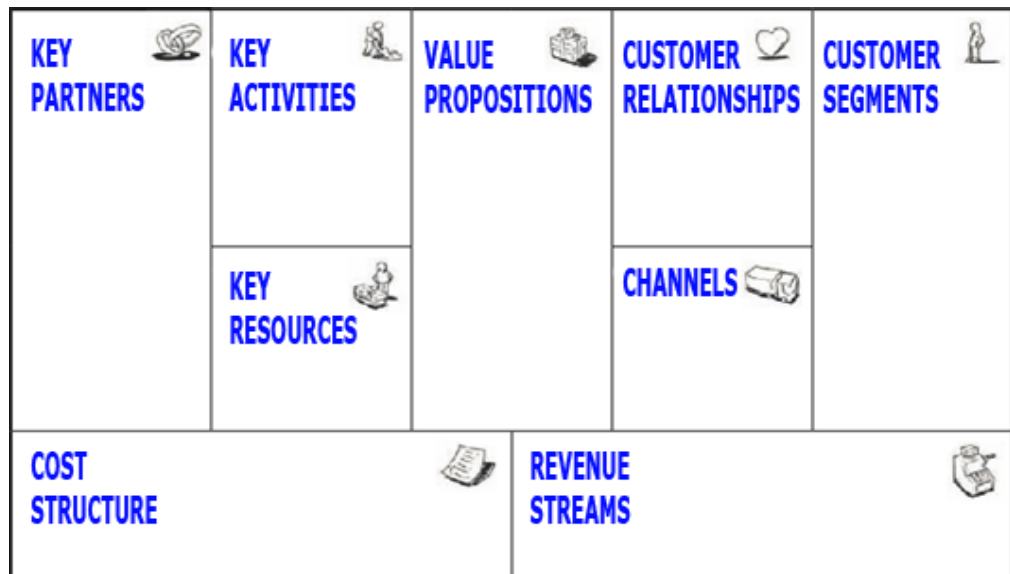


FIGURE 6. Business Model Canvas (Osterwalder and Pigneur 2010, 44)

All elements of the Business Model Canvas are explained in the book *Business Model Generation* by the same authors. Readers are encouraged to modify or renovate the model differently for their own use. The explanation video from their website uses customer segments as the core to expand the model so-called Customer-Driven model. Besides the Customer Driven model, the epicenter of the model creates flexibility for entrepreneurs with different models: Resource-Driven, Offer-Driven, Finance-Driven and Multiple-Epicenter Driven.

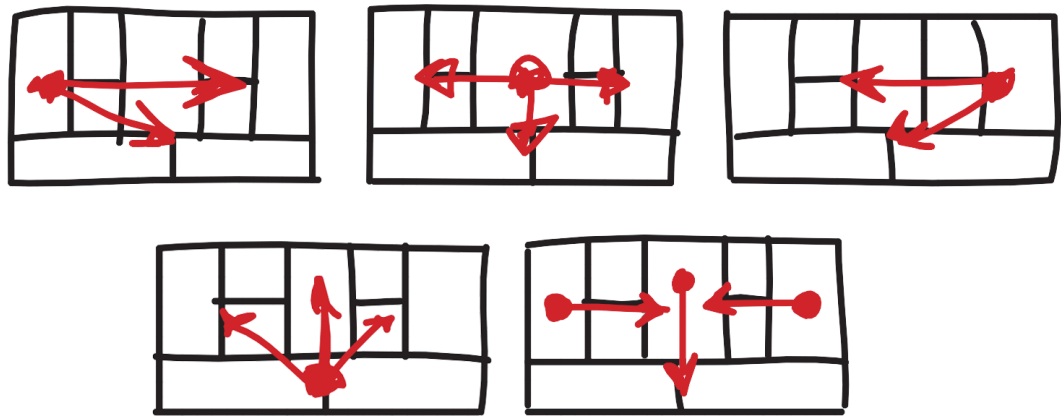


FIGURE 7. Different driven factors of the Business Model Canvas (Osterwalder and Pigneur 2010, 138-139)

Although the epicenter of the Business Model Canvas allows entrepreneurs to use the model flexibly, a lack of market analysis is missing. This leads to the next part, an extension of the Business Model Canvas.

### 2.1.3.3 An Extension of the Business Model Canvas

The author believes this extension will help the Business Model Canvas present better the whole picture of a business according to the root of the model. The extension will explain from where the business model is created. The extension helps readers, both entrepreneurs and investors to understand better and clearer the current situation, which leads to the establishment of the business.

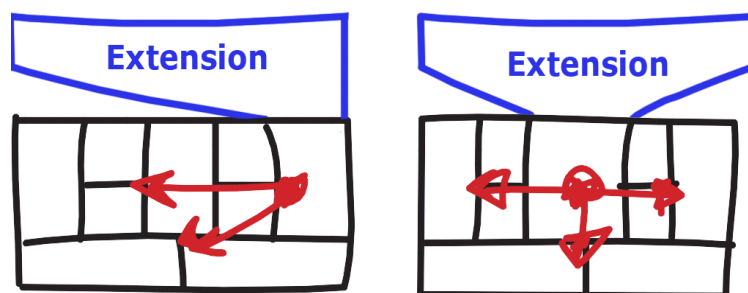


FIGURE 8. Extension for the Business Model Canvas

As in the figure above, the Customer-Driven model will have an extension explains about the needs of some groups of customers based on some facts and market researches. Because of understanding those needs of segments as well as its potential, the model will start from Customer Segments. Similar to the Offer-

Driven model, the extension explains the advantage of values that the company is currently having at the moment. Based on that, the model will strengthen their core competences and affect other elements in the model such as customer segments which would benefit the most from those values.

#### 2.1.4 Marketing Plan

Marketing is important to almost every business success. However, many small companies have not paid enough attention in the results that good marketing can bring to their business (McKeefry 2007). There are many reasons for small business and entrepreneurs to make this mistake such as lacking of resources, lacking of skills, focusing on sales, not paying attention on brand, etc. In order to avoid this mistake, entrepreneurs should prepare a strong, well-executed marketing plan which is integrated into the business plan. The most important part of a marketing plan is marketing mix. Besides marketing mix, market research and SWOT analysis, which are mentioned in the previous part, are also helpful in forming a marketing strategy.

Marketing mix is used for forming a strategy to target and approach a market. Most popular marketing mix includes product, price, place, and promotion so-called 4Ps or 7Ps with 3 extras: People, process, and physical environment.



FIGURE 9. Marketing mix - 4Ps (learnmarketing.net n.d.)

The 4Ps marketing mix explains the most fundamental elements of a marketing plan. Unlike customer-driven business model, marketing mix shows more detail of the values propositions through two separated parts: Product and Price.

Products or services are the key of a business since great marketing is not able to cover bad products/services. Product decision also depends on what customers need and at which price customers are willing to pay. Thus, pricing strategy is also important. The right products with the right prices will win customers and boost the sales through the help of right places and promotions.



FIGURE 10. Marketing mix - 7Ps (smartdraw.com 2013)

The 7Ps marketing mix is more suitable for service companies since it adds three extras related to more-human-related tasks: Physical environment, People and Process. The extra 3Ps will help business to identify the right operating process,

the right people with well-trained skills, and the right appearance or business premise image in customers' eyes (Arizona Office of Tourism 2008).

Based on either 4Ps or 7Ps marketing mix, marketing strategies should be formed with objectives. Marketing strategies are closely related to business strategies since marketing activities promote directly the business brand, the products/services and the message of the company to the public. Successful marketing activities will create public attention and drive customers to the company. "Nothing happens without the customer" (Frith 2010, 43).

#### 2.1.5 Operational Plan

An operational plan is important when a business has many entrepreneurs, partnerships and employees. It is considered a part of strategic planning (Job 2012). Operational plan will focus mostly on the processes of business operations related to resources, communication, roles, and management. A good operational plan is able to show clearly all company's processes when an event happens so that employees will know their own role to proceed quickly and smoothly. In addition, it is easier for business owner to manage business resources.

For investors, a good operational plan will let them know the organization structure of a business clearly so they can assess the potential of a business due to resources arranged. More detailed operational plan might have objectives, standards, inputs, outputs, monitoring methods, evaluating methods and timetables (Job 2012).

#### 2.1.6 Financial Plan

The financial plan is one of the most important parts of a business plan. It is not only important to entrepreneurs but also for investors. A good financial plan not only helps entrepreneurs to be well-prepared during and after the business establishment but also helps investors to analyze the potential and risks of the business they would like to invest.



A financial plan within a business plan should explain costs and sales forecast properly based on the facts, research and logic. The costs included fixed costs and variables costs will help entrepreneurs to prepare for their finance issues.

Entrepreneurs should be capable to cover all the costs in the worst scenario, zero income, during a period of time planned. Conversely, sales forecasts are expected to cover the costs and bring profits to the business. Entrepreneurs should not exaggerate the number of sales forecasts in order to show the big and beautiful numbers. Instead of doing so, it is better to lower the forecast as the reality is not always as they expect. In addition, low sales forecasts will reduce the risks when things go negatively and surprise the investors when sales are higher than their expectation. In either case, the result should not be negative. The more detailed a financial plan is, the better the chance for entrepreneurs to get investments. Based on the figures from costs and sales forecasts, entrepreneurs can estimate the time to reach the break-even point.

There are many tools to evaluate a business financially based on financial statements, financial ratios, or profitability calculations. A practical way which is popular used in Finland by entrepreneurial organizations, such as EnterpriseFinland or Uusyrityskeskus, is profitability calculations. The tables below are useful for entrepreneurs when planning their business finance. The tables, provided by Uusyrituskeskus (2011), can be accessed through the website [www.liiketoimintasuunnitelma.com](http://www.liiketoimintasuunnitelma.com). Entrepreneurs just need to fill in the numbers. The results will be calculated automatically by their system.



FIGURE 11. A financial tool for entrepreneur (Uusyrityskeskus 2011)

The figure above shows the process of filling the financial template forms. The first form is capital requirements (see Appendix 1). It will help entrepreneurs to know how much capital they need to prepare before the business starts running. This is the minimum capital an entrepreneur should be capable of in order to

avoid pressure and out-of-control situation. The tool helps entrepreneurs to fill in the blanks by showing instructions when users move their mouse over the textbox.

After understanding how much capital is needed to establish a business, entrepreneurs need to fill the sources of capital form (see Appendix 2). From the result, they will understand their current financial situation in order to plan properly. When the total amount of capital sources is less than capital requirements, it means that business should be altered to “start small” or ask for more funds/investments.

After the capital is arranged and planned, the next form, Profitability (see Appendix 3), will show the total sales or invoicing requirement entrepreneurs need to reach their targets of their income. The form also shows all operating and fixed costs that a normal business requires. Based on the final results, hourly target invoicing will be calculated so that entrepreneurs will know which hourly price should be charged to fulfill the total requirement. The calculated price also gives entrepreneurs some hints how they should plan their pricing strategies compared to other competitors according to their position.

TABLE 1. Sales forecasts template form (Uusyrityskeskus 2011)

	Product 1	Product 2	Product 3
<b>Price</b>	0	0	0
<b>- costs</b>	0	0	0
<b>= margin</b>	0	0	0
<b>Customer</b>	Product 1	Product 2	Product 3
Segment 1	0	0	0
Segment 2	0	0	0

	Month	Per year
Net revenue (excluding VAT)	0	0
Total costs	0	0
Sales margin total	0	0
Sales margin requirement from the profitability (11 months/year)	0	0
<b>Difference (possible need of additional sales)</b>	<b>0</b>	<b>0</b>

In order to fulfill the total sales requirement in the profitability table, a proper sales estimation should be planned. The sales forecasts form (TABLE 1) will

calculate the total sales based on the input of different products and different segments. The final result is the difference between estimated sales and total required sales. When the result is negative, the business should boost more sales or reduce costs in order to achieve the positive figure. As mentioned earlier, the figures should be estimated properly and logically to reduce risks as well as avoid unexpected negative situations.

By using and filling in all the forms provided online by Uusyrityskeskus, the financial plan is generally enough for assessment at many organizations in Finland. Special cases might need more information which depends on each organization.

### 2.1.7 Risk Management

Opportunities usually go together with risks. In the global report of Ernst & Young in 2011, the top 10 risks and opportunities were revealed among global organizations. Every entrepreneurs and new businesses have to deal with them every day. This part will explain some important contents related to risks and risks management for new business in general.

Business risks include internal and external risks. Internal risks are risks arise from the inside of a business which can be controlled by the management team. Generally, internal risks might occur due to internal factors of a business such as human factors, technological factors, or physical factors. External risks are risks from the outside of a business which are usually out-of-control of the business owners. External risks might happen because of economic changes, climate changes, or political changes. (Government of India n.d.)

Specifically for entrepreneurs and small businesses, risks are classified into 3 types: financial risks, market risks and operational risks (Saskatchewan Sage 2005). Financial risks and operational risks are internal while market risks are external. Since internal risks are manageable, entrepreneurs should be able to see ahead all risks that possibly happen and have proper solutions for each of the risk. It is also recommended to evaluate the risk as well as its damage cause to the business in order to prioritize the risks. On the other hand, a business should try

their best to avoid external risks because they are beyond the expectation and control. Insurances are good solutions for both internal and external risks. Entrepreneurs should know which types of insurance they buy to reduce risks as well as redundant expenses.

Usually, the risk management part is the final part of a business plan. However, it is also useful and practical to identify risks in the beginning during market research process. John W. Mullins introduced “the seven domains of attractive opportunities” in his book named “the new business road test”. The seven domains of attractive opportunities will analyze 3 main categories - industry, market, and team – in both macro and micro level in order to answer the question “why will or won’t this work?”. In other words, the tool will help entrepreneurs to identify the flaws of their business before a business plan is written. It will save time, money and efforts for entrepreneurs as well as reduce the risks from getting into a flawed business (Mullins 2006, 5-23).

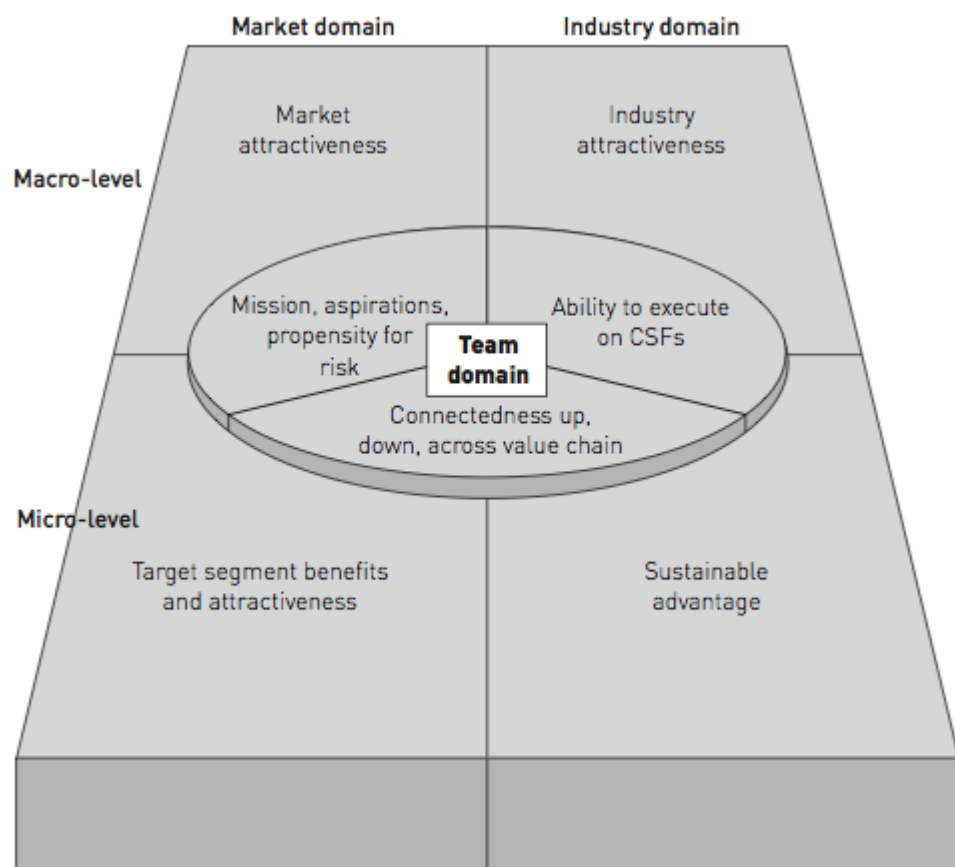


FIGURE 12. The seven domains of attractive opportunities (Mullins 2006, 6)

This is the final part of chapter 2.2 – Business Plan. In the next section, practical approaches of business establishment will be introduced. Entrepreneurs can apply either one or a combination of these approaches to gain the most for their business.

## 2.2 Practical approaches

### 2.2.1 Lean Start-up

Invented by Eric Ries, a student in Customer Development class of Steve Blank at Berkeley (Blank 2013), the Lean start-up has been used widely at many universities in the US, included Harvard University, and worldwide. The core of the Lean start-up is laying on so-called “validated learning” and “Build-Measure-Learn” process. The Lean startup is inspired by the lean manufacturing revolution at Toyota, so that its fundamental features are applied to entrepreneurship (Ries 2011, 18).

Eric has listed many successful examples in his book related to many innovative businesses who have been applied the Lean startup approach. There are many fields which are applicable perfectly such as IT products or e-commerce while some other fields might not get much benefit from it. Lean startup is not only applicable for new businesses but also for existing businesses or big enterprises when launching new innovative products or ventures. Those also considered as startup with visionaries (Ries 2011, 25).

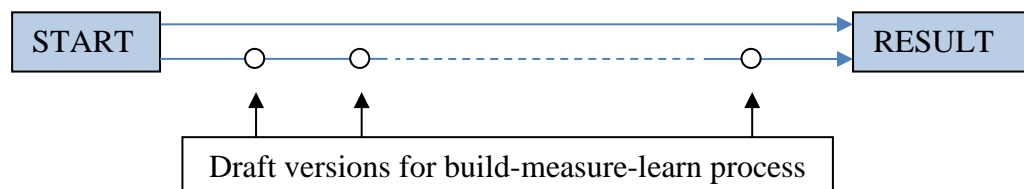


FIGURE 13. Comparison between traditional and build-measure-learn process

By applying the Lean startup, entrepreneurs can test their idea shortly and practically through real customers’ feedback. Based on the feedback, the idea is improved and published again to the market to get more feedback. This non-stop process will happen until the idea has failed or succeed. If the idea has failed, it

would be recognized at the early stage and would reduce wastes of time and efforts for entrepreneurs. There is no certainty that an idea will actually succeed or not without testing it. A business plan is not an exception since it will be improved over time even after the establishment.

### 2.2.2 “Acceptable Loss”

“Acceptable loss” is a euphemism originally from the military.

*Acceptable damage so-called acceptable losses are casualties or destruction inflicted by an enemy that is considered minor or tolerable. (Spears 2005, 3)*

The loss in war is a metaphor for the loss in business. Because of a fail business, entrepreneurs might lose time, money and many things. When entrepreneurs have passion and strong belief about their business idea, they usually invest almost everything to make it works. However, it is an uncertainty and risks should be recognized and managed wisely so that they won't lose everything included their passion and attitude to a fail business. “*You shouldn't put all of your eggs in one basket*” is always right in business.

Acceptable loss fits well with the Lean startup because of the build-measure-learn process. The whole process is divided into smaller pieces to test and be ready to fail. It is more effective and efficient when losing small and quick by testing a business idea in the early stage than waiting till the product is completed in the end. By understanding the “acceptable loss”, entrepreneurs are willing to bear the loss to test their idea which is worthy to know the result as soon as possible. This mindset will also encourage more people to become entrepreneurs as the titles of Paul B. Brown's article: “*Becoming an entrepreneur is less scary than you think*” (2013) and Peter Sims's article: “*Reinventing you with little bets*” (2013) in the website forbes.com.

### 3 FINNISH ENTREPRENEURSHIP ENVIRONMENT

#### 3.1 General Environment

Finland is located in the northern part of Europe, separated to the mainland Europe by the Baltic Sea. With the population of 5.4 million, GDP of Finland reached \$250 billion in 2012. Finland's GNI per capital was \$46,940 in 2012 which was higher than the average high-income countries. (The World Bank 2013)



FIGURE 14. Finland map (Google 2013)

As reported in 2013, Finland was ranked #11 among 185 countries at the ease of doing business (The World Bank 2013, 3). Information in Finland is transparent which makes it easy to be accessed. The trading across borders of Finland was ranked #6 and the cost per container was ranked #3 among the lowest costs (The

World Bank 2013, 86-87), which proved the easiness of doing international business, import of exports in Finland. For foreigners, it shows a big opportunity when thinking about business ideas. However, it is not so easy for entrepreneurs to obtain credit, funds and investment in Finland proven by the rank at 40<sup>th</sup> of getting credit (The World Bank 2013, 164). In addition, visa issued for entrepreneurs are not easy compared to Chile. There is no requirement of minimum investment for entrepreneurs to come to Chile while the Chilean government also pays \$40,000 and take no equity for those businesses to attract talented entrepreneurs (The Economist 2012). On the other hand, there have been many discussions about visas for foreign entrepreneurs in Finland and most of them show some negative experience (Arctic Startup 2011; Vilpponen 2012).

Since more than 50% of the Finnish population are over 40 years old (Statistics Finland 2013), Finland has loosened the laws for immigrants in order to attract more labor force. In addition, 99% of enterprises in Finland are small and medium-size enterprises (SMEs) where micro enterprises accounted for 94.2% in 2011. With huge contribution to the GDP of Finland, SMEs take an important role in Finnish economy. Recently, the Finnish government has encouraged entrepreneurship in Finland by many programs, support organizations and funds. It is considered a national strategy and objectives for entrepreneurship, especially in creative industry (European Commission 2007). Some of government-owned entrepreneurial support organizations will be explained in further section.

### 3.2 Business establishment process

Because of the growth of business establishment from immigrants as well as the need to encouraging people to become entrepreneurs, Suomen Uusyrityskeskus has written a guide of “becoming an entrepreneur in Finland” and translated it into many languages. In the guide of Suomen Uusyrityskeskus, the process of establishing an enterprise in Finland is divided into many stages as shown in the next page.



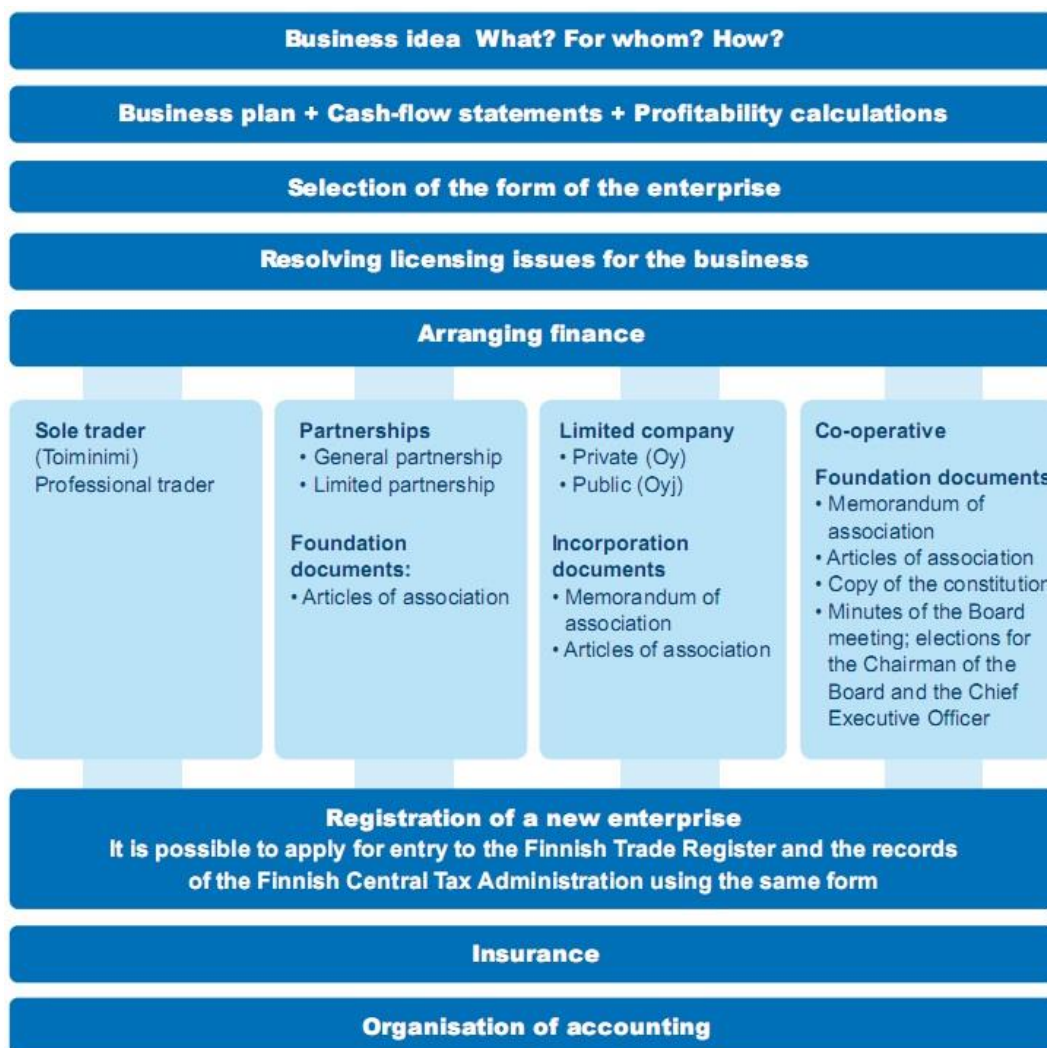


FIGURE 15. Stages of establishing an enterprise (Suomen Uusyrittyskeskset ry 2013, 8)

According to the figure, not only a business plan but also cash-flow statements and profitability calculations are considered important. Suomen Uusyrittyskeskus has forgotten or left out the testing process in between. In other words, the business idea will be tested until the business is established. It might probably fail and as a result a lot of time and efforts will be wasted because all planning and calculations are based on estimation and prediction. A simple but practical business establishment process is proposed by the author.

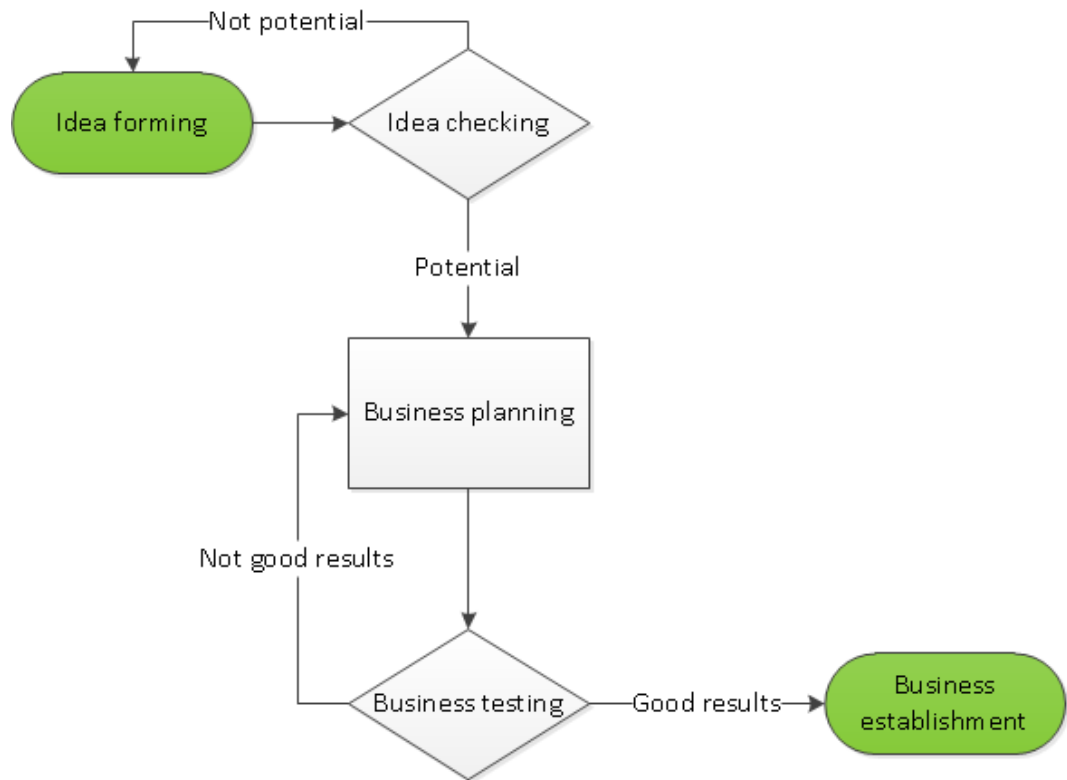


FIGURE 16. Simple business establishment process

In this figure, “idea checking” and “business testing” stages are added in order to reduce the waste of time and effort. The process is based on the Lean Start-up and “acceptable lost” approaches. The idea checking stage basically can be done by doing market research. A good market research will be able to show is the idea possible or not. The business testing stage can be performed through tools, programs or supports from different entrepreneurial organizations in Finland, which will be explained more in further sections. The thesis will not go into detail about each stage as mentioned in the limitations.

### 3.3 Requirements for foreigners

Foreigners residing outside of the EEA need to apply for a trade permit from the National Board of Patents and Registration. Particularly for foreigners residing outside of the EEA, trade permit is required when establishing a private company. General and limited partnerships require at least one partner is a resident in the EEA. The Managing Director of a limited company has to be a resident in a country belonging to the EEA since share subscribers do not need to be.

Depending on the type of a business, more trade permit or licenses might be required such as industry related to food, alcoholic beverages, etc. More information about permits for different types of business forms can be found in the book named “Establishing and doing Business in Finland” by Holopainen 2009.

It also means that foreign students in Finland are allowed to open their business while studying as long as their working hours will not exceed the limits of the student visa. This issue was asked and confirmed by the immigrant officer at Päijät-Häme Police Station (2012). Student visa allows foreign students to work no more than 25 hours per week during academic terms and full freedom to work during summer (The Finnish Immigrant Service 2013). Students with their company might be able to apply for entrepreneur visa (The Finnish Immigrant Service 2013) and KELA card (KELA 2012).

### 3.4 Entrepreneurial Supporting Organizations

There are many different entrepreneurial supporting organizations in Finland. This thesis will only list some of them that the author has been in contact with or had experienced. Most of those organizations are working under EU funds or national funds which support entrepreneurship. Communications between entrepreneurs and employees are available in English at almost all of organizations which makes things easier for foreign entrepreneurs.

#### 3.4.1 National wide organizations

In this section, some of Finnish organizations which support entrepreneurship in the whole country are mentioned. Most of nation-level organizations are funded and managed by the government such as Enterprises Finland and Uusyrityskeskukset. Other organizations are rooted from abroad and run in Finland as a branch such as JA-YE Finland. By understand their operations, entrepreneurs can benefit from their services during the process of business establishment and business development.

## **Enterprise Finland**

Enterprise Finland is coordinated by the Ministry of Employment and the Economy. The official website is [www.yrityssuomi.fi](http://www.yrityssuomi.fi), which is part of Regional Administration Information Management Unit (AHTi). The service is funded by the Finnish government and partly by the European Social Fund. Enterprise Finland operates in a national scope. Besides, there is Enterprise Europe which, operates in bigger scope and Enterprise Helsinki which operates within Helsinki region. Enterprise Finland also cooperates with other governmental organizations such as Tekes, TE office, ELY center, Finnish Industry Investment, etc. in providing many services. (Ministry of Employment and the Economy 2013)

Their main objective is supporting entrepreneurs in starting and doing business. The services they provide are free of charge and include information, advice, training, funding, developmental support, or subsidies (Ministry of Employment and the Economy 2013). Enterprise Finland can give comments directly to TE-keskus about your business plan and profitability calculation as a reference of starttiraha decision making. It also depends on which area you apply.

In 2013, Enterprise Finland Venture Forum was organized in Espoo by Finnvera, Industry Investment and Tekes. Entrepreneurs with high potential growth had opportunities to meet investors who could boost their business success quicker.

## **Uusyrityskeskukset**

Uusyrityskeskukset (start-up centers) are government-funded advisory centers where entrepreneurs can visit and ask for advices free-of-charge. Their offices are located almost all over Finland. They will support entrepreneurs to start their business from the starting point – business idea. They also provide an entrepreneur guides available in many languages and the online tool to make a business plan [www.liiketoimintasuunnitelma.com](http://www.liiketoimintasuunnitelma.com) which is available in English, Finnish and Swedish. Entrepreneurs can also benefit from their network of businesses by getting information of services or products of registered companies. Entrepreneurs can also register for a paid-membership of Uusyrityskeskus to get benefits from their offers. (Uusyrityskeskukset Ry 2013)

## **JA-YE Finland**

JA-YE Finland is part of JA-YE Europe while JA-YE Europe is the European Regional Operating Center for JA Worldwide. JA-YE term stands for Junior Achievement - Young Enterprise. The idea of JA organization is to “*allow young people to experience the entire company life cycle*” through JA Company Program which dated back to year 1919 (JA Worldwide 2013). Through the JA Company Program, young people in educational institutes included vocational schools and universities are able to establish their own company and test their business idea with the minimum risk while learning how to do it. Participants of the program in Finland are also able to win €15,000 in seed money through Hyundai and have a chance to present their business idea in Europe to get more investment (Nuori Yrittäjys Ry 2013). It is also a good place to experience, learn and expand entrepreneurs’ network.

JA Company Program is an ideal place for entrepreneurs to test their business idea with the Lean Start-up and “Acceptable Loss” approaches. It also reduces the risk of running an actual business since the educational institutes allow them to use their business ID in actual transactions. However, there are also some limitations of the program that the author has experienced such as:

- JA Company will have to end the program when they exceed the limit of €8,500 in revenue.
- JA Company is not allowed to hire employees for their business. However, participants can cooperate with each other.
- Participants have to be students in the same educational institute.
- Participants also have to notice that they are not allowed to charge VAT tax to their customers.

## **Finpro - Foundation for Finnish Inventions**

When a business needs to internationalize and expand their market abroad, Finpro would be a good place to visit. Founded in 1919, Finpro has established a strong international network in almost 50 countries (Finpro 2013). The services provided

by Finpro include information, consulting, and networking within their members. The services are mostly dedicated for Finnish companies to go international. Finpro is also a means for foreign companies who want to do business in Finland or with Finnish companies.

### 3.4.2 Regional organizations

Although there are organizations supporting entrepreneurship in a nation level, there are still needs of regional organizations in order to focus and specialize in particular sectors, industries or regions. For example, there are many green businesses and green-tech projects are supported by regional funds in the Lahti and Päijät-Häme area. Thus, regional organizations are also helpful for entrepreneurs.

#### **Enterprise Helsinki**

Enterprise Helsinki is part of Enterprise Finland. However, it serves only people who are living in the Helsinki area. All services are similar to Enterprise Finland as Helsinki is the area where most of businesses are established. Enterprise Helsinki also has connection with TE center in Helsinki. It means that TE center in Helsinki will ask comments from Enterprise Helsinki about applicant's business idea and business plan. Based on that, TE center will make decision for starttiraha. In other cities, TE center will examine the business plan, business idea and profitability calculation by themselves, for example, Lahti TE center.

#### **LADEC**

LADEC was newly created in 1.1.2013 by the joint of 3 existing operators in Lahti area: Lahti Science and Business Park Ltd, Lahden tiede- ja yrityspuisto Oy and Uusyrittyskeskus of Lahti. It is owned mainly by the city of Lahti. Their target is to focus on environmental technologies, especially Clean Design. Besides their own development projects and investment, they provide similar services to

Uusyrityskeskukset but mostly for Lahti region. Moreover, they also provide advisory services related to finance and funds as well as an opportunity to meet their investor network such as Cleantech Day. Other entrepreneurs from outside of Lahti region are able to apply for their services. (Lahden Seudun Kehitys LADEC Oy 2013)

LADEC also has a strong connection with companies outside of Finland. Entrepreneurs can contact and ask for opportunities in cooperation.

### **Protomo**

Protomo was initiated and network coordinated by Hermia Ltd. At the moment, Protomo has offices in Tampere, Jyväskylä, Espoo, Salo, Helsinki, Kymenlaakso, Seinäjoki and Lahti. Since 2009, Protomo has helped to create 216 start-ups and 562 people have employed through Protomo (Protomo 2013). In Lahti region, Protomo is managed by LADEC since 2013. Because of the lack of resources happens usually in entrepreneurs, Protomo exists with the idea of bringing projects and people together. In Protomo, students and entrepreneurs can cooperate with other entrepreneurs to fulfill their needs of resources without paying employment cost. The stages of cooperation range from idea forming to company establishment. Members can agree with each other about the cooperation for the stage after the company is established.

For potential ideas, Protomo is willing to pay for market research cost, finance, and partial employment costs to make the ideas become true. Protomo also provides premises and tools for product development as well as working spaces. Students and entrepreneurs can also improve their practical knowledge through extra courses related to business and entrepreneurship organized by Protomo. It is free of charge for joining Protomo where participants can get a lot of benefits.

### 3.5 Financing and Funding

Finance is always one of the most important factors for a business to succeed. In this part, some popular sources of finance in Finland are covered included funds, loans, and investments.

#### 3.5.1 Start-up fund

Employment and Economic Development Office so-called TE-center in Finnish provides start-up funds (“starttiraha” in Finnish) for new entrepreneurs. The start-up fund is meant to secure the livelihood of entrepreneurs who plan to or have just established a business. In 2011, there were 8036 positive decisions given to entrepreneurs in the whole Finland (Sundvall 2012, 8).

There are some requirements to get the start-up grant according to TE-center such as entrepreneur(s) has to work full-time in the business, the business has not been registered in tax-liability, the profitability calculation is positive, etc. Application is the same to foreigners who are living in Finland. The final decision might be varied depends on each business. The amount of start-up grants is between €550 – 880 gross per month. Start-up grants can be provided to several entrepreneurs at the same time in the same business, for example, in partnership form of business. The grant is considered as taxable income (Suomen Uusyrityskeskset ry 2013, 21).

#### 3.5.2 Loan finance

Besides start-up grants, entrepreneurs can finance their business by asking loans from banks or financing companies. The biggest and most popular one in Finland is Finnvera.

Finnvera is owned by the State of Finland and a member of Enterprise Finland. From their website, it is said that Finnvera is specialized in financing the start, growth and internationalization of enterprises. The interest rate of loans from Finnvera is also considered low which may be linked to Euribor reference rate. In



order to receive supports or loans from Finnvera, a detailed financial plan should be provided (Finnvera 2013).

Usually, banks require real security for the capital such as house or other assets which might not be suitable for foreigners, especially students, who are living in Finland. In addition, good Finnish language skill or at least one Finnish speaking member in the team is highly recommended.

### 3.5.3 External investors

External investors are also good sources of finance if a business has an interesting and attractive idea. External investors include capital investment companies and business angels. They will invest in a business in order to get the shares of the company in return. It is considered hard to get investment from those companies without a great and convincing business idea because external investors take more risks (financially) than the company. The figure below shows some statistics related to Finnish investment industry in 2012.

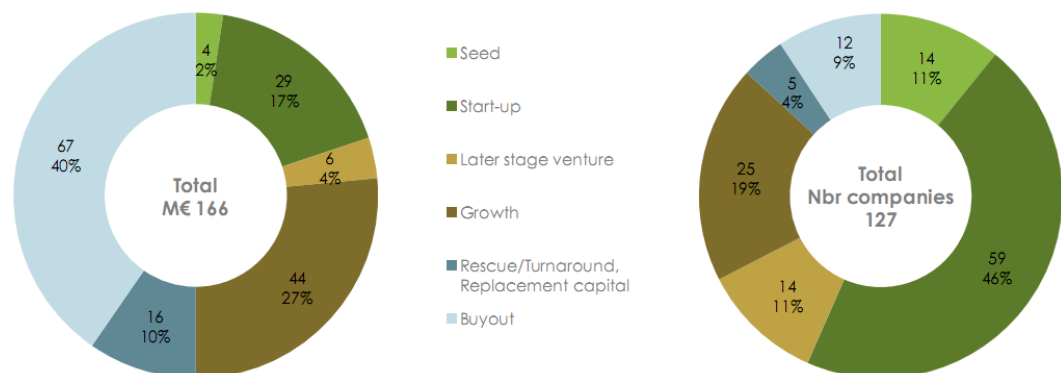


FIGURE 17. Stage distribution of investments by Finnish PE firms in H1/2012 (Finnish Venture Capital Association 2012, 12)

During the first half of 2012, the Finnish private equity firms invested 166 million euros in domestic and foreign portfolio firms. The investment for seed and start-up, included buyout accounted for over 50% of the total. Finnvera also has 3 subsidiaries in venture capital investments in enterprises such as Veraventure Ltd, Seed Fund Vera Ltd and Matkailunkehitys Nordia Oy. The Seed Fund Vera Ltd accounted for 106.5 million euro in June 2013 according to their recent interim report (Finnvera 2013, 9).

Entrepreneurs can also seek for funding and investment from business angels through the Finnish Business Angel Network (FiBAN). It is a non-profit association of private investors with over 300 approved angel members. In 2012, the number of investment from angels in Finland accounted for over 14 million euro (FiBAN 2013).

#### 3.5.4 Business subsidies

Many business subsidies in Finland are government-owned subsidies. This section lists a few of them.

#### **ELY center – Centre for Economic Development, Transport and the Environment**

*ELY Centers support the establishment, growth and development of small and medium-sized enterprises by providing advisory, training and expert services and by granting funding for investment and development projects. (ELY-keskus 2013)*

ELY centers are governmental organizations which cooperate with other main governmental organizations to help the regional development. They have three main key areas of responsibility and one of them is business and industry. It seems like a center of centers to deliver and supervise many investment activities. Entrepreneurs can ask for investment from ELY centers or their subsidiaries as they addressed such as Enterprise Finland, TEKES or TE centers.

#### **TEKES – The Finnish Funding Agency for Technology and Innovation**

TEKES – as the title said – invests mostly in technology and innovation business ideas. They support technological companies in Research and Development (R&D) process both in companies and educational institutes. The amount of funds can range from a few thousands to hundreds of thousands depends on the project. There are about 1500 business R&D projects and about 600 public research projects are financed by TEKES each year. (TEKES 2013)

Students and entrepreneurs can access to TEKES's funds directly through their website [www.tekes.fi](http://www.tekes.fi), through incubators, or through some business competitions supported by TEKES. Besides funding, they also give loans. It is believed that TEKES is a good source of finance for innovative technological business ideas.

### **Finnish Industry Investment Ltd**

Finnish Industry Investment Ltd is another government-owned organization which focus on "investing in growth" as mentioned in their official website. The organization supports growth Finnish companies who need investment. In return, the organization receives equity of the company. It is a big step for high-growth entrepreneurs to achieve after proving their potential. Potential companies can also get investment during the early-stage as they have invested €60 million in about 100 early-stage companies from 2004-2007. Generally, the organization has invested €540 million in funds with a total capital of €8.4 billion. Besides finance, they also provide expertise and networks to the companies they invest. (Finnish Industry Investment Ltd 2013)

## 4 VIETASIA – BUSINESS PLAN

The business plan of Vietasia has been changed through many versions during the process of its establishment. Therefore, the version in this document is the newest version according to the date this document is finished. Due to the limit of space, only the important parts of the business plan are mentioned. The actual business plan might be longer with more detailed information.

### 4.1 Market Research

The author has a strong background in Information Technology and interest in entrepreneurship. Nevertheless, the author will focus on business ideas related to information technology both software and hardware. While living in Finland, the idea of establishing an IT company in Finland is always in the author's head. Those are the drivers for the author when doing market research for his business. The market research will cover from a nation level with PEST analysis to personal assessment with SWOT analysis and the content will focus on the Finnish IT industry.

#### 4.1.1 PEST analysis for Finland

The analysis will analyze and focus on 4 big national level factors in Finland: Political, economic, social and technology. The results from the analysis will demonstrate the influences or possible impacts of four factors to businesses in Finland so that businesses. Those impacts are beyond business owners' control so that they need to understand and take into consideration in planning.

The PEST analysis studies many smaller factors within each main factor (political, economic, social and technology). Those smaller factors are collected and filtered from the template provided online (RapidBI 2007). Factors which are unrelated to information technology industry and the author's business are left out. A detailed table shown below is the result. In the potential impact column, 'H' stands for high, 'M' stands for medium, 'L' stands for low, and 'U' stands for undetermined. In the 'Type' column, symbol '+' stands for positive while symbol '-' stands for negative. In the 'Impact' column, symbol '>' stands for increasing,

‘<’ stands for decreasing, ‘=’ stands for unchanged, and ‘U’ stands for unknown. The results are mostly based on the author’s perspective after looking for information online. An actual research or survey related to the PEST analysis is unnecessary to the author’s business.

TABLE 2. PEST analysis for Information Technology in Finland

PESTEL Analysis factors	Potential Impact	Implication and importance		
		Time frame (months)	Type	Impact
<b>POLITICAL</b>				
Funding grants and initiatives	M	12 – 24	+	>
Home market pressure groups	L	24+	-	>
International pressure groups	L	24+	U	U
Inter-country relationships	M	24+	-	U
<b>ECONOMIC</b>				
Home economy situation	L	24+	+	>
Customer/end-user drivers	M	12 – 24	U	U
Unemployment	L	24+	+	<
<b>SOCIAL</b>				
Brand, company, technology image	H	12 – 24	-	<
Consumer buying patterns	L	12 – 24	-	=
Buying access and trends	L	24+	+	>
Lifestyle changes	L	12 – 24	+	>
Population shifts	L	24+	+	>
Attitudes to entrepreneurship	M	24+	+	>
<b>TECHNOLOGY</b>				
Information and communications	L	12 – 24	+	>
Licensing, patents	L	12 – 24	-	U
Intellectual property issues	L	24+	+	=
Information technology	M	12 – 24	+	>
Internet	L	24+	+	>

The PEST analysis table above can be explained briefly here.

**The first factor is political issue.** The funding grants and initiatives in Finland have been increased during recent years and in the future (Government Communications Department 2013). Most of funds focus on research activities from private companies to big enterprises. In 2013, the government fund for R&D activities was about 2 billion euro (Statistics Finland 2013). Some biggest funding agencies in Finland are Academy of Finland, Tekes, Sitra, CIMO, and Council for Finnish Foundations (EURAXESS 2013). Because of the funds, businesses will have more capability in purchasing services which are not their core competences in order to focus totally on their core business activities. That is a positive trend. However, Finnish culture, media and publications seem to be biased for Finnish businesses. The recent rise of True Finns party has raised the awareness and discussion around this issue. As a result, this issue will affect international and foreign businesses somewhat. The effects of this political issue can be determined and measured.

**The second factor is economy.** After the slow recover from the world financial crisis in year 2009, the unemployment rate has been increasing again due to the recent euro crisis. The unemployment rate for young people aged 15 to 24 who belong to the labor force accounted for 35.2% in May 2013. The rate was quite high which is a negative signal to businesses (Statistics Finland 2013) but it is predicted to reduce because of the government funds. On the other hand, it is also a positive signal in the price competition when Vietasia is able to provide cheaper services for companies during the recession. Besides, the Finnish economy is considerably stable with small GDP growth changes since 2010 (Trading Economics 2013).

**The third factor is social issue.** As mentioned earlier, local products or services have more advantages than international brands. Therefore, international businesses are in the lower position in competing with local businesses. It would take more time, effort and money for international companies in order to acquire Finnish customers. However, internet life-style and the popularity of online shopping are making it easier for them. Since the population of Finland is getting older, the young generation which is more active and international will be

replaced their position. In addition, entrepreneurship is highly encouraged in Finland. Generally, there is a positive trend in social issues for international companies in Finland.

**The final factor is technology.** Finland has been known as high technology country in the world. Besides the new guarantee from the government about the legal right of 100 megabits per second (Mbps) broadband connection (YLE 2009), Finland has the most wireless broadband connections per capita in the world with the average speed of 7.7 Mbps (YLE 2013). It is absolutely a positive sign for everyone and a big potential for IT companies.

#### 4.1.2 Porter's Five Force analysis

Based on the background and existing network of the author, the idea of an IT services company seems to have advantages. The Porter's five forces analysis will study the IT Outsourcing Industry in Finland in order to specialize which IT services would be the best entry mode for Vietasia.

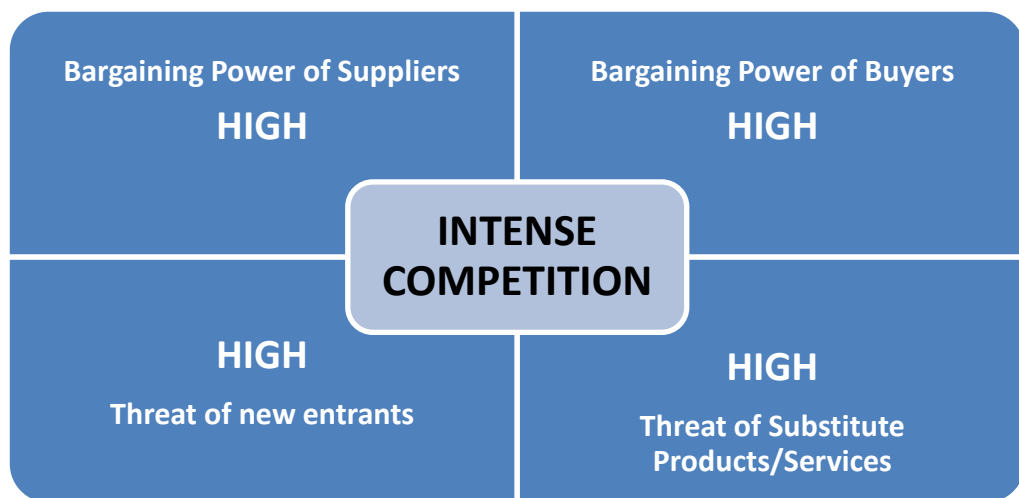


FIGURE 18. Porter's Five Forces in Finnish IT Outsourcing Industry

The competition in the Finnish IT Outsourcing industry is really intense based on the facts that there are so many companies, both local and international, providing similar services. However, the ITO Intelligence Report for Finland 2011 concluded that customers have not been satisfied with the current IT Outsourcing services and there are still lots of potential for IT services providers. Particularly,

about 35% of all enterprises haven't outsourced their IT/Software development. Among companies outsourced their IT/Software development, 60% of projects fell into web and mobile applications, which are the author's expertise. In addition, 83% of companies are not totally satisfied with provided services. (IT Sourcing Europe 2011)

The needs of IT outsourcing services have been increasing since entrepreneurship has become more popular in many developed and developing countries. The author believes that Vietasia will be able to improve the quality IT outsourcing in Finland. By doing that, the business will be able to survive and grow. Therefore, Vietasia business plan will be made although the competition is intense.

#### 4.2 Business Idea and Concept

Based on result of the market research, IT out-sourcing in Finland is still facing problems of ineffectiveness. That is the reason of the establishment of Vietasia – an IT services company. Vietasia will provide IT out-sourcing services with better quality for a better price. The figure below shows Vietasia's concept of time which might bring something new to the out-sourcing industry.

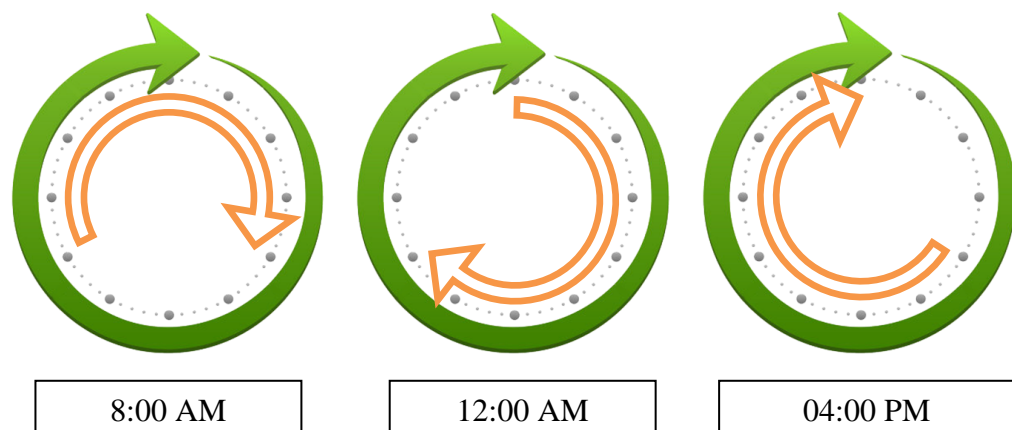


FIGURE 19. Vietasia's business concept

The concept is about taking advantage of different time-zones in the world to maximize the working hours per day to 24 instead of 8. The scenario will look like this: After a team has finished their working day in Finland at 16:00 (GMT+2), the project will be forwarded and continued in Texas, US (GMT-6) because it is just 8:00 here; the project keeps being forwarded to another country



with 8-hour time-zone difference until it is done. The best and perfect result could be **3 times faster** than a normal process. Another advantage of this process is that the price might be cheaper when resources are located in developing countries.

### 4.3 Business Model

Entrepreneurs and SMEs mostly need out-sourcing because of lacking human resources and finance. Thus, they are the main customer segments of Vietasia’s business model. A customer-driven model is presented in the following table followed by explanation of each block in the model.

TABLE 3. Vietasia's Business Model

KP	KA	VP	CR	CS
- Technical partners - Domain & hosting providers - Ent. organizations	- Software Dev. - Sales and Marketing - Projects Mgt.	- Quick result delivery - Effective com. - Affordable with good quality - Lean startup approach	- Responsive - Supportive - High satis.	- Entrepreneur - SME
	KR		CH	
	- Project managers - Technical Partners - Mgt. System		- Online - Peer References - Business partners	
CS		RS		
<u>Fixed costs:</u> Website, Management System, Server, Mobile devices, Hosting, Salary, Premise, Computers, Licenses <u>Variable costs:</u> Software development, Commission, costs related to each project, and others		<u>One-time payment:</u> Projects (Web Application, Mobile Application, further modification) <u>Monthly payment:</u> Services (Online Marketing, Hosting, Maintenance) <u>Investment:</u> Sweat equity		

## Customer Segments

As mentioned earlier about the potential market and the needs of entrepreneurs as well as SMEs, quality, time and money are the most important issues for them. By understanding their difficulties and needs, Vietasia will focus on entrepreneurs and SMEs in Finland. Another possible customer segment is big enterprise when we are capable to provide quick services professionally.

## Value Propositions

There are many benefits that Vietasia can bring to the targeted customers:

- **Quick result delivery:** The business concept is trying to finish one task as soon as possible. By providing quick result, entrepreneurs, SMEs or even big enterprises will save a lot of time in fast pace market and competition.
- **Effective communication:** The Company targets to be responsive by paying attention and improving communication with customers. It also strengthens the understandings of each project.
- **Affordable with good quality:** By outsourcing, the price of projects might be cheaper than in-house development. Near-shore and onshore teams will assure the quality of projects.
- **Lean startup approach:** Vietasia targets to stand close to customers in order to understand their needs during the early stages. The high rate of result delivery will help Vietasia and Vietasia's customers to react quickly to the feedback of their customers as the key of Lean-startup approach.

## Channels

The channels that help Vietasia to bring benefits to Vietasia's targeted customers are internet, entrepreneurial activities, preferences, and business partners. By delivering high quality service and satisfaction, Vietasia targets to improve its reputation in the industry. Through Vietasia's network of business partners, entrepreneurs and SMEs will be recommended to the right value propositions of Vietasia.

## **Customer Relationships**

Responsiveness, supportiveness and high satisfactory are among the most important issues of entrepreneurs and SMEs. Nevertheless, Vietasia aims to create and remain these standards in customers' perspective.

## **Revenue Streams**

Based on the services and value propositions provided, the main income will come from projects and services related to hosting, maintenance, etc. When Vietasia has enough customers, the monthly passive income from the services can guarantee stable income for Vietasia. Since Vietasia has capital and resources, investment activities in entrepreneurs and SMEs will generate another income source for Vietasia's long run.

## **Key Activities**

Vietasia's value propositions require key activities such as product development, project management, sales and marketing. Project management is the most important task due to the 24-hour concept. Projects have to be managed smoothly to assure the value propositions are delivered and achieve customer relationships.

## **Resources**

Based on key activities, the resources needed to ensure those activities operating well are good project managers, an effective management system and professional employees included partners. The Management System will keep track on production process for quality and time assurance. The system also will manage all company resources such as employees, projects, feedback, etc. as well as be a channel to support customers (CRM). Project managers are the key between the development team and customers. Development teams also need to be standardized with high performance to avoid conflicts and delay of projects. There will be spare resources to cover the risk of lacking resources or emergency cases.

## Key Partners

Besides Vietasia's own resources and employees, external resources are also important in the product development process. Partners can be located in Finland or abroad where suitable for the 24-hour concept.

- **Erobis (Vietnam):** Erobis will provide services mostly related to web application. Erobis's team leader is an old friend of Vietasia who has experience and skills as well as business thinking. Besides web application, the team is capable for simple mobile application included iOS and Android OS. The cooperation between Vietasia and Erobis can be based on each project or dedicated employee.
- **Iteknot (Vietnam):** Iteknot is founded by 2 persons who are also friends of Vietasia. Their company has a long experience in mobile application industry with big projects and companies. The company is capable for big and complex mobile application in different OS. Besides their strengths in mobile application, Iteknot is able to develop web application as well.
- **Other technical partners:** Together with those two main partners, other companies can be in consideration because the more resources we have, the less risk of lacking resources we will face. Thus, partnership should be based on project in order to avoid high fixed costs. Vietasia will keep track of delivered results from partners and might create competition between them for better quality, faster speed and cheaper price if possible.
- **Domain and hosting providers:** Domain and hosting are obligatory resources for website projects. Vietasia can buy those resources in the name of customers or resell those services to gain more income.
- **Entrepreneurial organizations:** This is another channel for Vietasia to promote its business. Entrepreneurial organizations usually are the first check-point of entrepreneurs and SMEs for information and advisory services. Win-win relationship should be established between Vietasia and these organizations.

## Cost Structure

- **Fixed cost:** In the beginning, beside the cost of management system and salary for employees, operating cost won't be so much during the first stage. The management system takes time to be developed so that in the beginning, project managers will manage projects manually. It is optimal to develop the system while the company has its own available resources. According to employment fee, the company can hire part-time employee in Finland to manage projects while other development tasks will be forwarded to partners. More technical employees will be needed only when there are many projects. Sales employees are more important but also risky since the employment costs in Finland is quite high.
- **Variable cost:** Variable costs include costs related to sales activities such as development cost, sales commissions, hosting, domain, etc. Variable costs account for small proportions of a project so that Vietasia's target is achieving a large number of projects in its early stage. The commission for salesperson ranges from 10% - 20%, depends on the salesperson's performance and the amount of work, of each project acquired.

## 4.4 Marketing Plan

Due to the current market situation and Vietasia's approaches, the business will be operated on a limited scale during the early stages. As described in the figure in the next page, target market for Vietasia's early stage is new established companies in Finland.

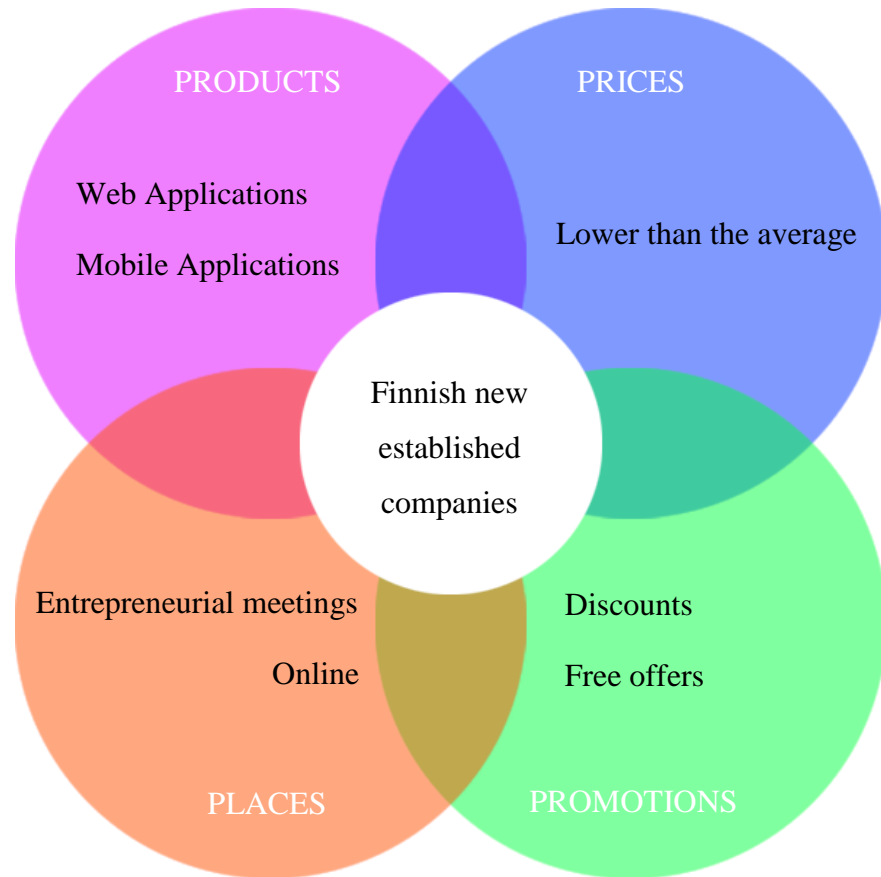


FIGURE 20. Vietasia's marketing mix

### Products

During early stages, the company will focus more on web applications because of their quick turnover compared to mobile applications. Besides those applications, Vietasia also provide services such as hosting, maintenance, marketing, SEO, etc. These extra services will create passive money in-flow to the business since projects are one-time income. Web applications can be divided into 3 smaller packages as shown in the table below:

TABLE 4. Vietasia's web application packages

	Simple	Advance	Premium
Info	<ol style="list-style-type: none"> <li>1. Basic features</li> <li>2. No CMS</li> </ol>	Advance features CMS user-friendly	Complex features CMS user-friendly

	<b>3. Template design + small modification</b> <b>4. Premium design (optional)</b>	Template design + some modifications Premium design (optional)	Template design + full modification Premium design
<b>For whom?</b>	Company introduction website, not much content update frequently, etc.	Website with dynamic content, structured sitemap, updated information, etc.	E-commerce website, custom content management, unique requirements, complex content and interaction, etc.
<b>Example</b>	www.reissumiespub.fi flemari.reissumiespub.fi	www.vietasia.fi	https://kikoi.fi www.ebay.com
<b>Time</b>	1 - 7 days	7 - 30 days	Depends
<b>Hosting</b>	€10 / month	€10 / month	€20 / month
<b>Maintenance</b>	Not necessary	€40 / month	€80 / month

Extra optional tasks can be provided together with project development based on customers' request. The extra tasks can be:

- Smart bot: The smart bot will be placed into a website to follow, summarize and analyze users' behaviors when they surf the website. It helps companies to understand deeper users' actual desires and habits. Based on that information, they can improve their product or service more properly as stated in the build-measure-learn of Lean Startup approach.
- Statistics: Statistics of the website's flow include the demographic of visitors, devices used to visit, driver to the website, etc. can be provided as request. The statistics will help the web owner to understand more about the market they are targeting, the efficiency of their marketing campaign, or their strategy, etc.
- Search Engine Optimization (SEO): SEO services will help the website become more popular in web search engine, for example the biggest search engine Google.

Vietasia is also capable of mobile applications during the early stage. Mobile application services can also be divided into smaller packages: Informative and Interactive. The table below will show some description of each package.

TABLE 5. Vietasia's mobile application packages

	<b>Informative</b>	<b>Interactive</b>
<b>Info</b>	<ol style="list-style-type: none"> <li>1. Basic design</li> <li>2. Normal features</li> <li>3. No graphical interaction</li> <li>4. Less than 5 pages</li> </ol>	<p>Advance design with pictures, interesting ideas.</p> <p>Rich features</p> <p>Possible graphical interaction / animation</p> <p>No page limits</p>
<b>For whom?</b>	Normal applications which focus on functionality more than graphic design, usually suitable for small companies	High profile applications which show the professionalism in both functionality and graphic design, usually suitable for medium & big companies
<b>Example</b>		Danske's mobile bank app ( <a href="#">link</a> )
<b>Cost</b>	hourly basis	hourly basis
<b>Time</b>	depends	depends
<b>Server</b>	depends	depends
<b>Maintenance</b>	depends	depends

It is noted that the time of delivery can vary depending on each particular project as well as requirement. Since mobile application is not the key focus of Vietasia due to the need of customers, resources for mobile application will be limited.

### **Price**

There is no fixed price for each package because all projects are different. Basically, the price of a project depends on its requirements. The price-list below is just a guideline to have general idea how much it would be compared to the



market. The price-list is considered low or acceptable after researching prices from other companies in Europe. Another alternative of pricing model is hour-rate price. After receiving all requirements for a project, the project manager will estimate the time to complete the project in hours and then multiply with hour-rate cost to have the final price.

TABLE 6. Vietasia's service prices

	Simple	Advance	Premium
Price	570	1545	3525
Cost	300	710	1710

There are some notes related to the price:

- Prices are updated on May 27, 2013 when the business plan was updated for starttiraha application.
- Prices do not included extra services such as further modification, change of design, or any significant change.
- Prices are tax excluded.
- Prices might be changed any time to adapt situations.

Prices from competitors range from unbelievably cheap to super expensive. In Finland, the average price for one hour is about €80 which is considered high compared to other countries. Thus, Vietasia will focus on niche market with better offers but still keep the good quality. With Vietasia's value propositions and strategies for the long run, Vietasia believes that there is a way out in this competition. The more detailed analysis of competitors and the competition is left out of this document.

## Place

Important places are those which attract the most targeted customers. For Vietasia, the best places might be entrepreneurial activities that attract lots of new or will-become entrepreneurs. Besides those activities, other places are shown in the figure next page which could bring lots of customers also.



FIGURE 21. Vietasia's sources for customers

Strategies to approach those places include direct or indirect participating entrepreneurial meetings, activities or seminars. Conversations with new entrepreneurs can be through online or phone contacting through a list of new established businesses in Finland. Becoming a member or supporters of entrepreneurial organizations can put a hook for entrepreneurs to become Vietasia's customers.

### **Promotion**

There are many promotions that we can give to our customers. Most of the promotions won't cost much to the company budget. Those promotions are:

- Free domain .fi or common names (.co, .com, .net, .org, etc.) for 1 year
- Free hosting for the first 3 months
- Free maintenance services for the first 3 months
- Flexible payment

Most of customers are small businesses with low budget and lack of IT employees for their website, so that discount is the most common method used in discussing with customers when it comes to bargain stage. In addition to discount, full

management and maintenance service with acceptable cost can be another discount because it will reduce a lot of time and efforts for those companies. Vietasia can provide free services for the first few months to prove our services quality as well as the profits companies can get. Flexible payment is not a promotion method. However, it can help to close the deal with customers when they are low in cash at some period of time.

Although promotions are given away, Vietasia will keep the high quality to ensure reputation and receive good feedback from customers. Psychologically, customers like something 'FREE' extra. In addition, a small amount of monthly fees can be broken down into daily fees to make it even smaller (€1/day sounds smaller than €20/month and even smaller than €200/year). When a customer pays a big amount of money at once, they will feel guilty and careful, but €1/day seems not much in their thinking.

#### 4.5 Operational Plan

Vietasia's business operation is divided into different stages. At the moment, only early stages and middle stages are planned. The figure below expresses visually how Vietasia will be organized in the early stages of its business.

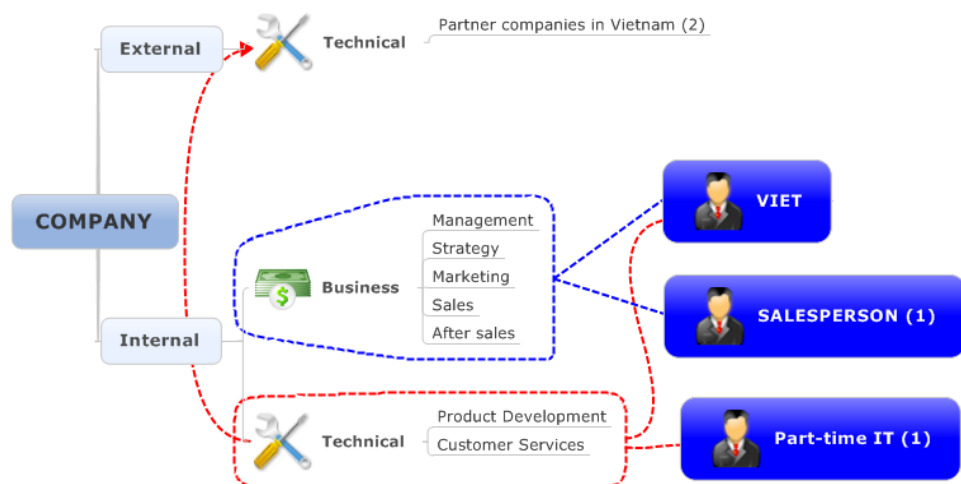


FIGURE 22. Vietasia's organization structure for the 1<sup>st</sup> stage

Because Vietasia is small and new, the resources are limited. In order to reduce the cost of product development, most of technical works will be passed to the partners in Vietnam and managed by part-time IT employees in Finland. In addition, operation mode is mostly online and distance work which is believed optimal in the first stage.

Resources needed for the first stage also are optimal. Technical employees will be responsible of the product development as well as customer technical support. The part-time IT employee in Finland has to verify the quality delivered by partners to fit the Finnish standards. Sales employee(s) will be responsible for sales, marketing, after sales and customer care. The founder of Vietasia will be responsible for strategies, management and partly marketing. Besides contracted employees included one salesperson and one part-time IT employee, Vietasia will recruit interns as extra resources.

Early stages can take from one to three years until Vietasia has a large number of customers and potential growth. When Vietasia intends to expand the business operation, the organizing structure will be moved to the middle-stage as shown in FIGURE 23.

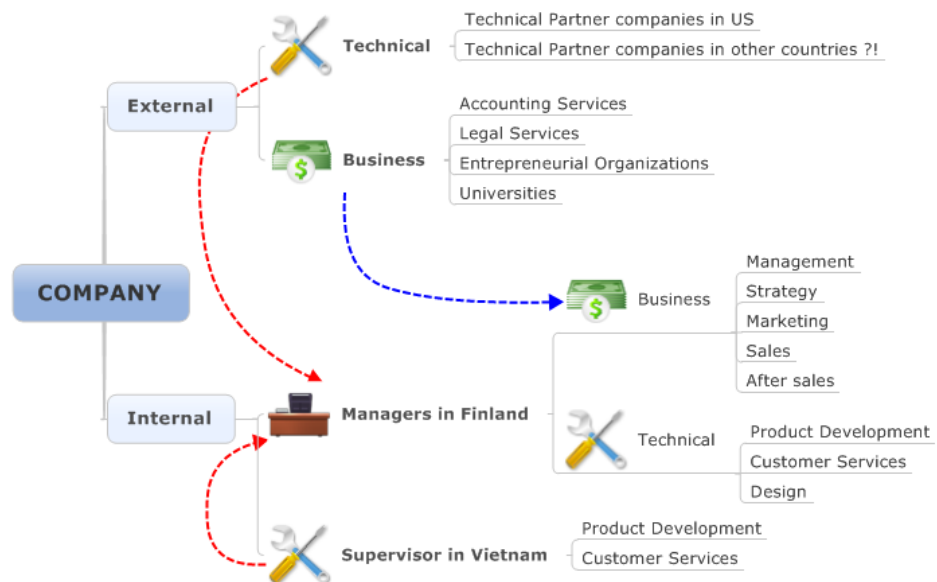


FIGURE 23. Vietasia's organization structure for the 2<sup>nd</sup> stage

Vietasia will acquire the resources in Vietnam and designate a supervisor there to manage the product development tasks. Besides the technical resources in Vietnam, Vietasia will find technical partners or resources in Texas, US to fulfill the concept of 24-hour service. In addition, business partners such as entrepreneurial organizations are important for Vietasia's growth. All activities are managed by headquarter team in Finland. At this point, the company should have a 24h-project management system to control projects smoothly and easily.

Beside the management system, standards and process plans should be implemented as a business code. Regarding to projects, project flow and information flow are considered important. The production flow explains how projects will be handled as shown in the FIGURE 24. The information flow explains which information is needed in each step as shown in the FIGURE 25.

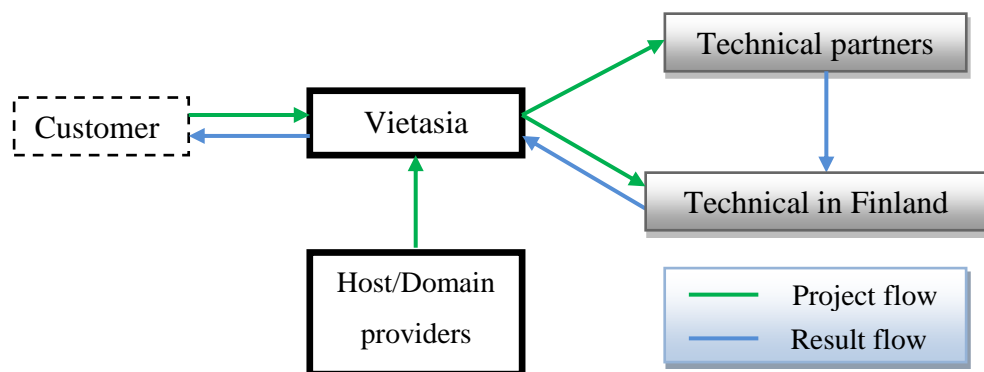


FIGURE 24. Vietasia's production flow

The product flow runs as described below:

- After meeting with a customer and the contract is signed. Vietasia will have 2 options:
  - o Develop the project in-house with technical employees in Finland
  - o Pass the project to Vietasia's technical partners and manage the result.
- When the project is passed to technical partners. All requirements from the customer as well as needed materials will be delivered to them.
- After the project is finished at technical partners, it will be delivered back and verified by technical employee in Finland.

- Finally, the final result will be delivered to the customer. We will receive their feedback and modification requests.

A modification request will start another round. Thus, this flow will happen as a loop until the customer accepts the final result.

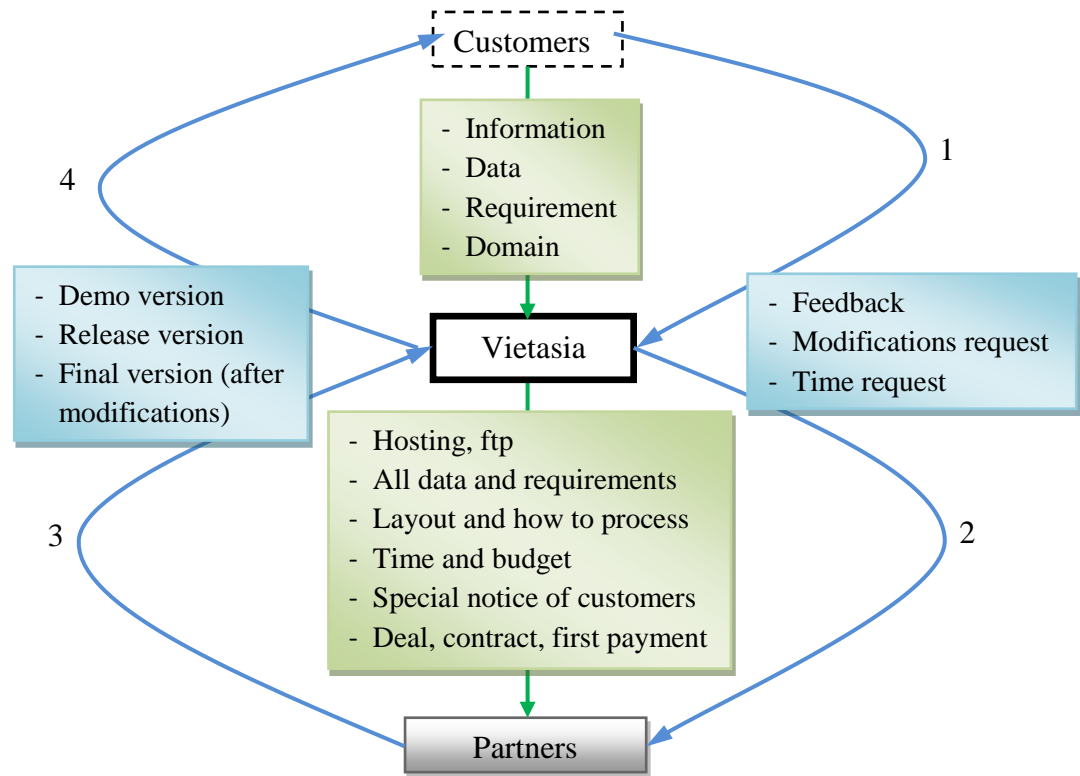


FIGURE 25. Vietasia's project information flow

A step-by-step explanation of the project information flow can be explained as below:

- Step 1: All information, requirement and project data will be provided by customer.
- Step 2: After receiving all information and requirements from the customer, Vietasia will transfer materials with some extra needed information to Vietasia's partners in order to develop the project within agreed time and budget.
- Step 3: Partners will deliver demo version, release version and final version to Vietasia in agreed timeline.
- Step 4: Vietasia will verify and modify if needed before sending to customers.

Vietasia will receive feedback and modification requests, then pass them back to partners again. This process is a loop until the project is done completely.

#### 4.6 Financial Plan

Vietasia's financial plan is mostly based on the tools provided by Uusyrityskeskus as mentioned in the theory parts. Because the author planned to apply for start-up grants from TE-center, the usage of these tools are highly recommended. It will make the process of assessment easier and faster for TE-center since they are familiar with these tools.

The first table needed in the tools is the capital requirements. This table will help Vietasia to prepare sufficient initial capitals for business establishment.

TABLE 7. Vietasia's capital requirements

INVESTMENTS		
<b>Immaterial goods</b>	Registration costs	105
	Business License	100
<b>Machinery and equipment</b>	IT	200
	Production equipment acquirements	100
	Phone/fax/internet including installation	400
<b>Working capital (3 months)</b>	Initial advertising/brochures	100
	Rent and rent deposit	1800
	Entrepreneur's personal living costs	600
<b>Capital requirements in total</b>		<b>3765</b>
CAPITAL SOURCES		
<b>Equity</b>	Personal funds invested	2000
	Personal production tools & equipment	360
	Others: Hosting	200
<b>Other sources</b>	Family	1500
<b>Sources of capital in total</b>		<b>4060</b>

The difference between the sources of capital in total and the capital requirements in total is €295. It shows that the initial capital for establish the company is sufficient.

Profitability table is the second required table to show how much the business would needs to carry on for a year. Based on the total amount of money required,

the owner will understand how much sales they need to get as well as a proper price for products/services. The numbers are put into the table as below:

TABLE 8. Vietasia's profitability calculation

	Monthly	Yearly
<b>= TARGET NET RESULT</b>	2500	30000
+ Loan amortisement	0	0
<b>= INCOME AFTER TAXES</b>	2500	30000
+ Taxation 30.70%	1108	13296
<b>= CAPITAL REQUIREMENT</b>	3608	43296
+ Company loan interests	0	0
<b>= OPERATING MARGIN</b>	<b>3608</b>	<b>43296</b>
+ YEL (22%), Income level (43000), Sale (20%)	629	7548
+ other insurances	100	1200
+ salaries	2000	24000
+ salary related 50.00%	1000	12000
+ company premises	600	7200
+ leasing payments	0	0
+ communication	50	600
+ accounting, tax declaration, etc.	120	1440
+ office expenses	50	600
+ travel, vehicle, etc.	100	1200
+ marketing	100	1200
+ education, books, magazines	10	120
+ fixing and maintenance	50	600
+ unemployment fund	0	0
+ other expenses	50	600
<b>= TOTAL FIXED COSTS</b>	<b>4859</b>	<b>58308</b>
<b>SALES MARGIN REQUIREMENT</b>	<b>8467</b>	<b>101604</b>
+ purchases (excluding VAT)	0	0
<b>= NET REVENUE REQUIREMENT</b>	<b>8467</b>	<b>101604</b>
- other net income	0	0
+ VAT 24.00%	2032	24384
<b>= TOTAL SALES / INVOICING REQUIREMENT</b>	<b>10499</b>	<b>125988</b>

Based on the total sales requirement, an estimation of invoicing will be calculated.

TABLE 9 shows invoicing target based on the input of 11 working months per year, 21 working days per month and 6 hours working per day.



TABLE 9. Vietasia's invoicing target

		Excluding tax	Including tax
Monthly invoicing target	11 months/year	9237	11454
Daily invoicing target	21 days/ month	440	546
Hourly invoicing target	6 hours/day	73	91

As a result, the hourly rate for Vietasia should be €73 excluded VAT in order to cover the expenses of the business.

After figuring out the total requirements for the operating, the estimation of sales was made to reveal the possible amount of revenue the company will earn for a year. The sales estimation is based on a sales team with 2 persons, 1 full-time and 1 part-time.

TABLE 10. Estimated sales per month

Customer	Simple	Medium	Complex	Hosting	Maintenance
Small	6	1	0	5	3
Medium	0	4	0.5	4.5	4.5

From the estimated number of customers together with the price and cost of each service, the final estimation of revenue was made and compared with the total requirement as in TABLE 11.

TABLE 11. Sales results

	Month	Per year
Net revenue (excluding VAT)	13227.5	145502.5
Total costs	-3875	-42625
Sales margin total	9352.5	102877.5
Sales margin requirement from the profitability (11 months/year)	9237	101607
<b>Difference (possible need of additional sales)</b>	<b>115.5</b>	<b>1270.5</b>

As planned, the company can get an average profit of €115.5 per month in the first year when the company can achieve the number of sales as estimated or more and there is no other significant expense during its operation. A positive figure is a

good sign to go for a business. In the long run, with passive income and further activities, the company can earn more.

#### 4.7 Risk Management

At the moment, the 24-hour model has not been tested; the business is new with limited resources. Nevertheless, there are obvious risks about the business.

The first risk is the time delay of the model. Time delay will affect the trust of customers and in some cases it would affect customers' plan and process. As it is crucial to business's image, time should be managed precisely and try to avoid risks as much as possible.

TABLE 12. Time risk and possible solutions

Possible reasons	Possible solutions
- Lack of resources (e.g. too many projects, too few human resources)	- Backup resources (more available resources and partners)
- Lack of communication → misunderstanding, not fulfill everything on-time with right quality	- Emergency team with high cost and high speed (accept lost to recover trust from customers)
- Wrong project estimation	- Better communication channels
	- Allocate spare time for project

The second risk is quality. In order to reduce the cost of development to compete against competitors, high quality is unconvincing. Lower price also has negative effects on the image of the company as well as its products and services. Vietasia should not leave quality issues totally and chase the lower price which is not sustainable.

TABLE 13. Quality risk and possible solutions

Possible reasons	Possible solutions
- No standard, no framework, no experience and no cultural understanding	- Good and skillful leaders - Keep in touch closely and frequently to everyone within projects
- Complicated projects	- Develop our own framework and standard forms to fasten processes
- Old technologies and methods	

The third risk is sales. This is also a crucial risk which could harm business's life. In order to keep the business running, Vietasia should at least achieve the minimum target per month. It means that Vietasia should have at least one good Finnish-speaking salesperson in order to eliminate the language barrier.

TABLE 14. Sales risk and possible solutions

Possible reasons	Possible solutions
- Bad channels	- Observe and analyze effectiveness in channels
- Tough competitions	- Look for niche market, find 'the right customers'
- Sales skills	- Learning, training and daily improving
- Non-working strategy	- Performance of doing business should be measured - Hire good local salespersons

Besides those main risks, there might be some other risks which are small or might be unpredictable. For safer move, the business should be careful on each move of spending money as the "Acceptable Loss" approach.

## 5 VIETASIA – BUSINESS ESTABLISHMENT PROCESS

This chapter will cover the process of Vietasia's business establishment. Since the process started, the author is still a student and the process is a trail of his learning-by-doing process. Therefore, it has taken him more time and more efforts than if he would do it at the moment. The process is not a proof of a lean way to test business idea or establish a business as discussed in the theory parts. However, the process will give readers an example in a foreign student's perspective and way of establishing a business in Finland.

The process will be explained based on the FIGURE 16. Simple business establishment process mentioned. The market research was already mentioned in previous parts, which has proven that the business has potential and it leads the author to the planning stage. While explaining the process, some analysis and recommendation for improvement will be mentioned as good or bad experience that readers might learn from. Due to the limit of this thesis, some information that is not important will be left out.

In order to express the whole process with a timeline clearly, a timeline figure will run through the whole explanation in the following parts.

### Jan 2013 — 5.1 Planning

The planning started in January 2013 by some discussions with a friend in the Netherlands. He is also running a company with similar services in the Netherlands which brought up an idea of cooperation. Besides, the author also has connected with many friends within his previous network of Information Technology industry in Vietnam as well as in Texas to arrange cooperation to manage the 24-hour concept.

It took quite a lot of time in this stage in order to come up with a mutual agreement related to how to do the business, time and cost issues. At the time planning the business, the author also had some classes to attend but it was not intense. The communications needed

some time which created some gap time for planning and studying. It is recommended to take fewer courses in order to have more time on the business. For foreigners, it is hard to find internships related to business in Finland and Europe. However, working with your own business is also an alternative to complete practical training since you can also learn a lot from doing. The author's case was the first case in the school and it was accepted. In the author's opinion, he believes that it would be much better than going back to Vietnam because he had worked in Vietnam for 2 years.

The business plan was basically completed after 1 month. After that, the author has contacted many organizations in Finland to verify the feasibility of the business idea as well as ask for advice. Uusyrityskeskus Lahti was the first place of visit as recommended by an entrepreneur friend. It was useful to visit Uusyrityskeskus because they know a lot of things, they have information and the people there are experienced. They will give you not only advice but also questions in order for you to think and sharpen your business idea to become more convincing. The business plan was improved after that and their words were "give it a try".

## Feb 2013 — 5.2 Business Idea Testing

During the planning stage, the author happened to know a program so-called "NY-yritys" from which a student can open a business while studying. The program was discussed in the theory part. It was a practical tool to test your business idea. Students do not need much initial capital as well as the risks are lower since their businesses are allowed to borrow school's business ID. Normally, entrepreneurs open their company in a "private trader" form which they take all responsibilities personally.

A NY company can be formed through school system and it requires a supervisor. The supervisor in this case will also provide

tips and advice to students as a part of studying process. A NY company can be one or a group of students who will share their particular role in their business. After all paper work, an NY company will receive a certification of its business so that the student can open a bank account and start doing business. The author did not have enough time to find a partner since the application deadline was close and it was the author's business idea only. It would be great if there was at least one Finnish-speaking partner in the team. Thus, it is recommended for foreigner students to cooperate with others to share the load of works, especially Finnish-speaking students when doing business in Finland.

15 Feb — The trial was Vietasia's website as it was totally needed. The trial period also showed the entrepreneur how their production and operation plan works. The author realized some parts of the plan did not work well and needed to be improved. The lesson learnt from this was "do not risk your reputation in testing with real customers". During this time, marketing and sales activities were also activated in order to find customers.

29 Feb — The first customer was acquired through a friend in Helsinki. The customer also did another project with Vietasia after that. Since the company has no reputation, the first source of customer is usually from friends and relatives.

Apr 2013 — The second customer was acquired directly by the author. It took quite a long time since the first approach in the beginning of March. It was not easy, especially in B2B business. Unfortunately, the skills and knowledge taught in school are not enough to deal with real life situation. That was the reason it took time to observe and learn. Entrepreneurs need to be patient while learning.

The business also participated to NY Best Company competition. From there, the business idea was presented to many people. Comments and questions from experienced judges around the

business idea were great and helpful in order to improve the business idea more. The competition is also a good place for networking and looking for resources, partners or even customers. After the competition, once again, the business plan was improved. The competition closed at the end of a one-year-period NY program. With 3 actual projects, the author recognized it was the positive signal to go for a real business.

### Jun 2013 — 5.3 Business Establishment

Based on information received from another entrepreneur friend in Helsinki who is a foreigner and got accepted for starttiraha, the author followed the lead to Enterprise Helsinki for advice and business plan check. The business idea got some criticism because of the financial calculation. After that, the author had to make financial calculation again through the financial tool which was introduced in the theory part. It also helps the author to understand practically how the financial calculation should be made and what issues should be prepared before applying for starttiraha.

Jul 2013 — Starttiraha was granted to Vietasia and the business was established. Since the business was registered at the National Board of Patents and Registration of Finland, many other paper work and information has to be cleared for an official business such as pension, tax, insurance, etc. Again, it would be much easier if entrepreneurs in Finland are capable of understand Finnish well or at least have a Finnish-speaking member in the business because most of the papers are in Finnish. It is highly recommended for foreign students who want to stay and do business in Finland to learn Finnish seriously and look for Finnish partner. In fact, no matter how good and skillful you are, the language barrier can still slow your business down.

Aug 2013

## 5.4 Current situation

Since the establishment of Vietasia, there has not been any project except some hosting services. As mentioned, the language barrier did slow down the business because there is no Finnish-speaking sales employee in the company. It is also risky in order to hire employees at the moment because the employment cost will exceed the Acceptable Loss. As a result, the entrepreneur has to improve his Finnish as quickly as possible to take care of the sales, get some income so that the company will be able to hire Finnish-speaking salespersons.

Besides short-term activities, Vietasia is planning to create its own product for the long-term. The language barrier is the biggest problem that the author noticed a few years ago. That leads to another business idea that Vietasia is pursuing. The new business idea might need a business plan, and this time will be leaner and better based on experience the author has gained. Albert Einstein once said *“You have to learn the rules of the game. And then you have to play better than anyone else.”*

NOW



## 6 CONCLUSIONS AND FURTHER RESEARCH SUGGESTIONS

### 6.1 Answers for Research Questions

To conclude the thesis, a table of answers for research questions mentioned in the beginning is made. A question is considered “answered” when there is a clear explanation about it. However, an answer is just an alternative. There might be other answers with better explanations.

TABLE 15. Questions and Answers

Questions	Answers
<b>1. How to make a good business plan?</b>	<b>80%</b>
a. How to form a concrete business idea from a thought?	Not clearly explained yet
b. Why do we need a business plan?	Documents for entrepreneurs and investors
c. What are the contents of a good business plan?	Market research, marketing plan, financial plan, etc. <i>See more at chapter 2.1</i>
d. How long should we spend to write a business plan?	Not much. Lean start-up approach.
e. Which tools and strategies can be used during planning?	Many tools are introduced in the theory parts.
<b>2. How is the Finnish business environment for foreign entrepreneurs?</b>	<b>100%</b>
a. What is the process to establish a business in Finland?	Normal process: 8 stages Simple process: 5 stages <i>See more at chapter 3.2</i>
b. What are special requirements for foreigners?	Within EEA: No requirement Outside EEA: Trade permit <i>See more at chapter 3.3</i>
c. How do the Finnish government and organizations support new foreign	Information, advice, funds and loans <i>See more at chapter 3.4 and 3.5</i>

entrepreneurs in Finland?	
<b>3. How to start a business in Finland practically?</b>	<b>100%</b>
a. How to test a business idea?	NY Program
b. How to improve the time and money effectiveness during the process?	Lean Start-up and Acceptable Loss approaches <i>See more at chapter 2.2</i>
c. How to manage risks?	Internal risk: Plan ahead External risk: Insurance <i>See more at chapter 2.1.7</i>

Based on the answers table, the question “How to form a concrete business idea from a thought?” has not been answered clearly enough to be considered as “answered”.

When most of the questions are answered, readers, especially foreign students in Finland, will be able to establish a business in Finland practically. By applying the tools and practical approaches in this study, an effective and efficient result can be expected compared to traditional ways. Because of the characteristics of the practical approaches, the business establishment process is flexible for all types of business. Entrepreneurs will also be able to modify and improve those approaches to fit their own situation. Although there are many supports for foreigners to set up a business in Finland, there are still some obstacles which reduce the attractiveness of Finland as a “dream-land” for start-ups. Some of those obstacles are language, visas, etc.

## 6.2 Reliability and Validity

Most of the information in the theory parts are based on scientific research and published books. The case used in the thesis is a real case with all real figures. The case was also a test by the author and it was successful. The business is still operating at this moment. Therefore, the content is considered reliable. Readers are recommended to read the referenced resources in order to understand deeper all methods, tools and techniques introduced. However, the case was tested in a

limited situation which is only applicable for the IT industry, to the author's backgrounds and to people who are living in Finland. It might not be valid for other industries, persons or countries.

### 6.3 Further Research Suggestions

As stated in the limitation of the thesis, the case was tested in the limited situations. The locations are limited within Lahti and Helsinki. Therefore, the situation might not be similar in other areas. The number of organizations is also limited in this study. There are still many other organizations and programs in Finland ranging from small to huge, private to public. By studying more other organizations, entrepreneurs will have more options and opportunities to succeed. In general, further research conducted in other environments, cities, persons, industries, etc. is suggested.

Researchers are recommended to analyze more cases, both successful and failed cases, in order to have more accurate results. According to results and accuracy, a measurement system or measuring metrics should be developed based on entrepreneurial success factors such as time, revenue, profit, etc. Because the effectiveness of solutions should be comparable, a measurement system is necessary.

Regarding the case Vietasia and the author, testing other business models and practical approaches is recommended when launching a new product. Because launching new products and services are the long-term strategies, the long-term plan should be added into the business plan and a PEST analysis should be studied carefully. An exit plan is also one missing part as it usually happens in the entrepreneur's life cycle.

There is another topic which, the author believes, is interesting for both foreign and Finnish researchers. Since the author himself has experienced during his studies, a theory, "political matters affect foreign businesses in many decision making processes such as funding, licensing, investing, etc.", has been formed.

## 7 SUMMARY

The thesis started with a big question “how to establish a business in Finland practically?” from a foreign student’s perspective. Since every business starts with an idea, the content of the thesis also covers the process of forming a business idea with some reality success stories such as Facebook, Netflix, etc. A discussion around business idea leads to a business plan as well as the important contents of a business plan, for example market research, a marketing plan, a financial plan, etc.

A business plan is just a theoretical part of business establishment. From planning to doing, practical approaches are introduced include Lean Startup and Acceptable Loss. Those approaches might help entrepreneurs to save a lot of time, money and efforts during not only business establishment process but also their future business career. Approaches from a student background are different than approaches from an experienced wealthy business man. Therefore, students or new entrepreneurs need some supports such as information, advice and resources. Lists of Finnish organizations that support entrepreneurs in Finland are given to guide them about what resources are available and where to get them. As long as entrepreneurs apply those practical approaches, they won’t lose much when testing their business idea before starting a real business with bigger investments.

A real case, Vietasia - private trader, is proven to give an example of how it would be done. Based on the case, readers will understand better the theoretical parts as well as verify those by themselves.

The thesis is concluded with a table of answers briefly. In the conclusion part, a few existing obstacles to foreign entrepreneurs in Finland are also mentioned. The topic is big and flexible, so that further research in other environments is recommended. Together with other research, hopefully a broader experience-based guideline for foreigner entrepreneurs is formed to make Finland more attractive to talented entrepreneurs.

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## **Films**

*The Social Network*. 2010. [Film] Directed by David Fincher. United States of America: Columbia Pictures.

## APPENDICES

## APPENDIX 1

## Capital requirement template form (Uusyrityskeskus 2011)

INVESTMENTS			
<b>Immaterial goods</b>	Registration costs	<input type="text"/>	
	other	<input type="text"/>	
<b>Machinery and equipment</b>	IT	<input type="text"/>	
	Production equipment acquisitions	<input type="text"/>	
	Assets, in kind	<input type="text"/>	
	Vehicle	<input type="text"/>	
	Furniture	<input type="text"/>	
	phone/fax/Internet including installation	<input type="text"/>	
	Installation of machinery and equipment	<input type="text"/>	
	Renovation of premises	<input type="text"/>	
	<b>Movables of the company</b>	Office supplies	<input type="text"/>
		Other devices	<input type="text"/>
<b>Working capital</b>	Initial advertising/brochures	<input type="text"/>	
	<input type="text"/> month		
Costs of the premise	Rent and rent deposit	<input type="text"/>	
Equipment costs	Equipment rental/leasing costs	<input type="text"/>	
Salaries	Personnel costs	<input type="text"/>	
Entrepreneur's personal living costs		<input type="text"/>	
<b>Sales and</b>	initial inventory	<input type="text"/>	
<b>Financial assets</b>	Cash reserve	<input type="text"/>	
<b>CAPITAL REQUIREMENTS IN TOTAL</b>		<input type="text"/>	

## APPENDIX 2

## Sources of capital template form (Uusyrityskeskus 2011)

CAPITAL SOURCES		
<b>Equity</b>	Share capital	<input type="text"/>
	Personal funds invested	<input type="text"/>
	Personal production tools and equipment	<input type="text"/>
	other <input type="text"/>	<input type="text"/>
<b>Equity loan</b>	Shareholder loan	<input type="text"/>
	Bank loan	<input type="text"/>
	Finnvera loan	<input type="text"/>
	other <input type="text"/>	<input type="text"/>
	Supplier loan	<input type="text"/>
<b>Other sources of financing</b>	<input type="text"/>	<input type="text"/>
<b>Difference</b>		<input type="text"/>
<b>SOURCES OF CAPITAL IN TOTAL</b>		<input type="text"/>

## APPENDIX 3: Profitability template form (Uusyrityskeskus 2011)

	Per month	Per year
<b>= TARGET NET RESULT</b>	<input type="text"/>	<input type="text"/>
+ Loan amortisements      Years: ____ Amount: ____	<input type="text"/>	<input type="text"/>
<b>= INCOME AFTER TAXES</b>	<input type="text"/>	<input type="text"/>
+ Taxation      % <input type="text"/>	<input type="text"/>	<input type="text"/>
<b>= CAPITAL REQUIREMENTS</b>	<input type="text"/>	<input type="text"/>
+ Company loan Interests      % <input type="text"/>	<input type="text"/>	<input type="text"/>
<b>A = OPERATING MARGIN</b>	<input type="text"/>	<input type="text"/>
+ YEL % ____      Income level ____ Sale ____%	<input type="text"/>	<input type="text"/>
+ other insurances	<input type="text"/>	<input type="text"/>
+ salaries	<input type="text"/>	<input type="text"/>
+ salary related      % <input type="text"/>	<input type="text"/>	<input type="text"/>
+ Company premises	<input type="text"/>	<input type="text"/>
+ leasing payments	<input type="text"/>	<input type="text"/>
+ communication	<input type="text"/>	<input type="text"/>
+ accounting, tax declaration etc.	<input type="text"/>	<input type="text"/>
+ office expenses <input type="text"/>	<input type="text"/>	<input type="text"/>
+ travel, vehicle etc.	<input type="text"/>	<input type="text"/>
+ marketing <input type="text"/>	<input type="text"/>	<input type="text"/>
+ education, books, magazines	<input type="text"/>	<input type="text"/>
+ Fixing and maintenance <input type="text"/>	<input type="text"/>	<input type="text"/>
+ unemployment fund	<input type="text"/>	<input type="text"/>
+ other expenses <input type="text"/>	<input type="text"/>	<input type="text"/>
<b>B = TOTAL FIXED COSTS</b>	<input type="text"/>	<input type="text"/>
<b>A+B = SALES MARGIN REQUIREMENT</b>	<input type="text"/>	<input type="text"/>
+ purchases      Margin %      or EUR ____ (excluding VAT)	<input type="text"/>	<input type="text"/>
<b>= NET REVENUE REQUIREMENT</b>	<input type="text"/>	<input type="text"/>
- other net income	<input type="text"/>	<input type="text"/>
+ VAT      % <input type="text"/>	<input type="text"/>	<input type="text"/>
<b>= TOTAL SALES / INVOICING REQUIREMENT</b>	<input type="text"/>	<input type="text"/>