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**“DEVELOPING A FUNDAMENTAL BUSINESS PLAN
TEMPLATE TARGETED TO SWEDISH VENTURE
CAPITALISTS”**

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Executive Summary

Title	“Developing a crucial business plan template targeted to Swedish Venture Capitalists”
Authors	Maral Aghaee, Isabelle Björkman
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Objective	To study if the Swedish venture capitalists consider business plans in their screening process, and in such case, what aspects they evaluate in order to develop a targeted template for Swedish entrepreneurs. A secondary objective is to describe what other factors Swedish venture capitalists evaluate as a part of their assessment.
Methodology	The method, which has been used in order to test the objective, has been carried out through extensive literature and article studies, interviews, and distribution of a short and comprehensive questionnaire to a multiplicity of venture capitalists throughout Sweden.
Conclusion	Generally, the findings of this thesis suggest that a business plan should include elements such as a summary of important elements, a thorough market analysis, financial information, exit strategy, and the risks associated with the project. The empirical material also reveals that venture capitalists also evaluate factors such as ownership influence, the entrepreneur’s industry knowledge, product knowledge and the personal chemistry in their evaluation process. The people writing these documents are therefore also very important and indeed influential for the outcome.
Key Words	Business Plan, Venture Capitalist, Entrepreneur

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Thank you!

Lund, January 2006

Maral Aghaee

Isabelle Björkman

Table of Contents

Definitions	6
1. Introduction	8
1.1 Background	8
1.1.1 The Swedish Venture Capital Market	9
1.2 Problem Description.....	11
1.3 Objective	12
1.4 Thesis Outline	12
2. Methodology	13
2.1 Approach	13
2.2 Data Gathering	13
2.2.1 Primary data	14
2.2.2 Secondary data	14
2.3 Selection	15
2.4 Questionnaire and interviews	15
2.5 Loss of reply- analysis.....	16
2.6. Analysis of material	18
2.7 Validity and Reliability	18
2.8 Criticism of Study	19
3. Literature- and article review	21
3.1 The business plan- a Ticket of Admission	21
3.1.1 The business plan - a necessity?.....	23
3.2 Diverging Perspectives.....	24
3.3 The entrepreneur	25
3.3.1 Entrepreneurial activities on the Swedish market	25
3.4 The venture capitalist	26
3.5 The Entrepreneur - Venture Capitalist Relationship	29
3.6 Prior Research	30
3.7 Scrutinized Markets.....	31
3.8 Conclusions	31
4. Empirical Findings	33
4.1 Business Attendance and Investment Range.....	33
4.2 Shareholder structure.....	35
4.3 Business Plan Emphasis	35
4.4 Preferred Elements	36
4.4.1 Compile of Result Synopsis	36
4.4.2 Summary	37
4.4.3 Introduction	38
4.4.4 Business Idea.....	38
4.4.5 Market Research.....	38
4.4.6 Project Specific Risks.....	39
4.4.7 Financial information	39
4.4.8 Organization	40

4.5 Additional Opinions	41
4.6 Entrepreneur Specific Criteria.....	42
4.7 Conclusions	44
5. Analysis	45
5.1 Breakdown of Results	45
5.1.1 Business plan accentuation.....	45
5.1.2 Empirically Anchored Business Plan.....	45
5.1.3 Targeted Template.....	46
5.1.4 Comparison with untargeted template.....	48
5.2 Entrepreneurial Emphasis	48
6. Conclusions	50
6.1 Synopsis	50
6.2 Contribution to entrepreneurs.....	51
6.3 Future Research.....	51
6.4 Practical Implications	51
List of References	53
Appendix 1	58
Appendix 2	60
Appendix 3	63
Appendix 4	66

Definitions

In order to enhance the understanding of the thesis brief definitions of significant concepts will be given below.

Angel Investors

Angel investors are wealthy individuals that offer venture capital to seed or early stage companies. They can usually add value through their capital, contact network, and expertise. A business angel often has own experience from being a company leader and has the time, the commitment and the capital to engage in new, promising business ideas.¹

Business Plan

A business plan is a long term, financial and operating plan that supports the strategic plan in fulfilling organizational objectives. It provides the high-level detail for the strategic considerations of market, product, facility and resource positioning.²

Furthermore, the business plan can be seen as an internal mean. The entrepreneur herself can read it but it could at the same time be targeted to someone, such as a venture capitalist, a lending institution or to a big client.³

Entrepreneur

An entrepreneur is a person that creates a new business. This can be done through organizing the market in a new and innovative way. The majority of all entrepreneurs have their own businesses or are dedicated to a family business.⁴

Gut Feeling

An intuitive sense about something or someone.⁵

¹ <http://foretagarguiden.nutek.se/sb/d/463/a/1451> 2005-12-02

² www.bridgfieldgroup.com 2005-12-02

³ Erhardsson, Ronny., Tovman, Peter., "Affärsplan, en handbok, lärobok och uppslagsbok", Industrilitteratur.,1995., p.12

⁴ Nationalencyklopedin, Bokförlaget bra böcker AB., Höganäs 1994, 15th tape, p.575

Screening Phase

The first phase of a Venture Capitalist's investment decision process is the screening phase. In this phase Venture Capitalists screen the hundreds of proposals they receive to assess which deserve further consideration.⁶

Venture Capital

Capital invested in a project that contains a great deal of risk taking. In strict sense, venture capital entails money used to purchase equity-based interest in a new or existing company. A venture capitalist's return usually derives from preferred stock, a share of profits, royalties or capital appreciation of common stock. Most venture capitalists select companies with high growth potential.⁷ In this thesis, the term encompasses all sort of raised capital that can be connected with some kind of risk.

Venture Capitalists function in environments where their relative efficiency in selecting and monitoring investments provides them with comparative advantage. They are usually prominent in industries where informational concerns are important, such as Biotechnology, computer software, etc., rather than in "custom" start-ups such as restaurants, retail outlets, etc.⁸

⁵ www.highbeam.com/ref 2006-01-18

⁶ Zacharakis, A., Meyer, D., "The potential of actuarial decision models – can they improve the venture capital investment decision?", Journal of Business Venturing, 2000, Volume 15., Issue 4., p.323

⁷ Nationalencyklopedin, Bokförlaget bra böcker AB., Höganäs 1991, 5th tape, p.536

⁸ Amit, R., Brander, J., Zott, C., "Why do venture capital firms exist? Theory and Canadian evidence- an essay on the economics of imperfect information", Journal of Business Venturing, 1998., Volume 13., Issue 6., p.442

1. Introduction

This introductory chapter consists of a diminutive background, the purpose of the thesis, the limitations that the authors had to make, and the target group. The chapter ends with a short outline of what is to come.

1.1 Background

Economic development derives, many times, from small or medium sized companies, whose owners are willing to take risks in order to invest for the future. These risk taking entrepreneurs are looking for possibilities to start up or develop their companies. A well written business plan can increase their possibilities for financing and is sometimes the best way to create interest, and get financial funding, for the business idea⁹.

A lot of different free, but also expensive, business plan templates and software are circling around the Internet and they all promise the entrepreneur that their model is the best and winning one. These companies have created a business concept in itself in developing the ultimate business plan for fund seekers. Even though this kind of activity should be stimulating for the economy as a whole, all these different types of templates can leave the entrepreneur confused and ambivalent about how to structure their idea. It is therefore essential for her to make up her mind about the target group of the business plan. Should the business plan be targeted to financial institutions, clients, insurance brokers, angel investors or to venture capitalists?

The predicament is that these different fund providers demand diverse information of a business plan and some of them might not even want that at all. It is therefore difficult to find a template that matches all desires of these different players. The business plan has to be customized after these different desires and needs, a task that many of the companies mentioned above fail to

⁹ Connect Sverige, "Så skriver Du en vinnande affärsplan, En praktisk handledning", Andra utgåvan., sthlm 2004.26 s. 5

complete. For that reason, the authors intend to develop a customized and targeted business plan to Swedish venture capitalists.

In most cases the business plan, its structure, and design has an American focus. Therefore the authors strive, with this thesis, to provide the Swedish entrepreneur with a Swedish centre of attention when it comes to writing such document.

1.1.1 The Swedish Venture Capital Market

The Swedish venture capital market came forward in the 1970s, when cooperation between the banking sector and the government resulted in the establishment of the first Swedish venture capitalist.¹⁰

The following thirty years were characterized by cycles of growth and retrenchment and during the early 1990s the Swedish venture capital industry could almost be regarded as dead. In order to get to grips with the situation, the government created two large investment companies with a venture capital focus named Atle and Bure. Nowadays, both of these investment companies are totally private-owned. The later part of this decade was characterized by growth deriving from increasing capital supply, dramatic development in high growth sectors of the economy, and from increasingly flexible new markets for trading shares in small and medium sized companies. By the end of the decade, there were around 50 Swedish venture capitalists and they managed roughly 25 billion SEK.¹¹

Today, the figure has grown to approximately 200 venture capitalists in Sweden and these companies are about to spend 150-200 billion SEK in the following years.

The Swedish venture capitalists are found all over the country, except on the island Gotland¹². A particular feature of the Swedish venture capital market is its concentration to Stockholm. A survey conducted in 2002 showed that almost 85 per cent of all venture capital investments could

¹⁰ Isaksson, Anders., Cornelius, Barbara., Landström, Hans & Junghagen, Sven., "Institutional theory and contracting in venture capital: the Swedish experience., *Venture Capital*, January 2004., Vol.6, NO.1, p.47

¹¹ Ibid.

¹² Ibid.

be derived to that specific area.¹³ The most common industries invested in are the service industry (17 per cent), traditional manufacturing (15 per cent), and IT (13 per cent).¹⁴

At the moment, Sweden is on top when it comes to venture capital investments in Europe. During 2004, the Swedish market exhibited the highest share of investments in venture capital in relation to overall GDP in Europe, according to a report from the European Venture Capital Organization.¹⁵ Consistent with Nuteks and the Swedish Venture Capital Association's quarterly report for the second quarter 2005, the companies' investments amount to 16.1 billion SEK, which represent a 34 per cent increase compared to the previous quarter¹⁶.

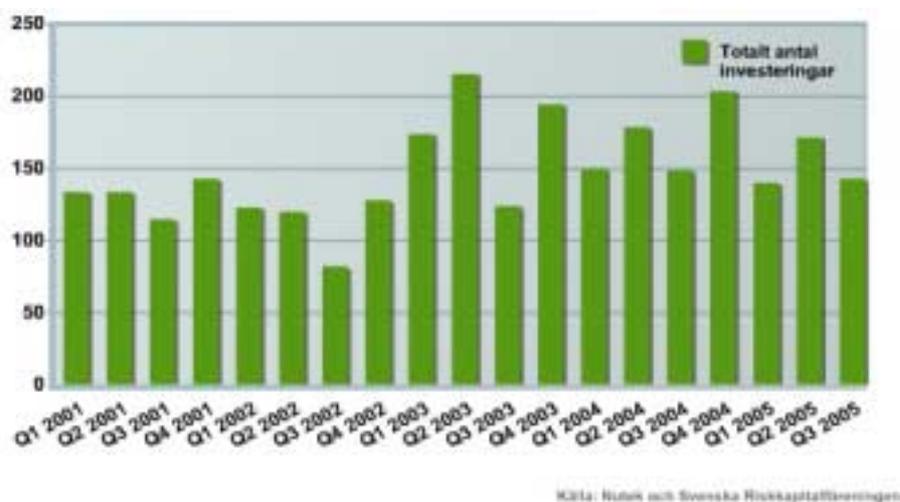


Diagram no. 1 Swedish Venture Capital investments

The diagram illustrated above shows that the Swedish venture capitalists have made approximately 150 investments per quarter since 2001.¹⁷

The Swedish venture capital companies' portfolio companies have grown with 21 per cent in turnover the last five years. This could be compared to a 1,5 per cent growth for all other active

¹³ Isaksson, Anders., Cornelius, Barbara., Landström, Hans & Junghagen, Sven., "Institutional theory and contracting in venture capital: the Swedish experience., Venture Capital, January 2004., Vol.6, NO.1, p.48

¹⁴ <http://www.nutek.se/sb/d/198/a/2746> 2005-12-16

¹⁵ <http://www.electrum.se/artikel/787/se> 2005-11-15

¹⁶ <http://www.nutek.se/sb/d/198/a/2273> 2005-11-09

¹⁷ <http://faktabanken.nutek.se/sb/d/214> 2005-12-16

companies in Sweden. The venture capitalists' portfolios contribute to the GDP with almost 7 per cent; have a total turnover of approximately 169 billion, and employ 117 306 persons.¹⁸

Although there has never been this much capital on the Swedish market, many entrepreneurs face difficulties when it comes to finding capital for their ideas, even when the requested amounts are relatively modest. The answer to this could be that the entrepreneur, who seeks capital, and the venture capitalist speak different languages¹⁹. A solution to this dilemma could be to try to map out what criteria the venture capital companies use in their evaluation of an entrepreneur, especially when it comes to the structure of the business plan, which many times represents the primary entrance.

1.2 Problem Description

At present, little consideration is being put on the fact that different financial institutions, angel investors, suppliers and distributors view and value diverse aspects of a business plan in their investment decision process.

Entrepreneurs are being beleaguered with business plan templates that are claimed to be suitable for all sorts of investors. This is often not the case in real life and many of these entrepreneurs find themselves without financial means to sponsor their ideas. Several actors on the market imply that a business plan can only be successful, in terms of providing the fund seeker with financial means, if it is accurately targeted and adjusted to the specific investor's needs and criteria. Therefore, the authors have chosen to investigate the Swedish venture capital market.

Less than one per cent of all the business plans that are handed to a venture capitalist make it through the screening process. In most cases the business plan represents the entrepreneur's first contact with the venture capitalist and for that reason, the authors have chosen to study and emphasize the elements that a venture capitalist think a business plan should contain.

¹⁸ <http://www.nutek.se/sb/d/198/a/2746> 2005-12-16

¹⁹ www.riskkapital.org 2005-11-09

1.3 Objective

The objective of this thesis is to study if Swedish venture capitalists look at business plans in their screening process and, if so, which aspects they evaluate in order to develop a targeted template for Swedish fund seekers. A secondary objective is to describe what other factors they evaluate in as a part of their assessment.

1.4 Thesis Outline

Chapter 2 will provide the reader with an understanding of the method and approach that has been utilized and of the data collection process. Finally, a general discussion will be held about the loss of replies, the validity and reliability of the thesis along with criticism of the conducted study. **Chapter 3** discusses a framework, derived from extensive article- and literature studies, and present facts and drawn conclusions from these studies. **Chapter 4** is dedicated to a presentation of the results of the interviews and the questionnaire. Further, it piles up the important and general findings suggested by the empirical material. **Chapter 5** analyses the preceding chapter and culminates in a business template targeted to Swedish venture capitalists. This template is then compared to the untargeted template. **Chapter 6** briefly highlights and discusses the conclusions that can be drawn from the analysis. Moreover, it mentions areas of interest for future research and practical implications.

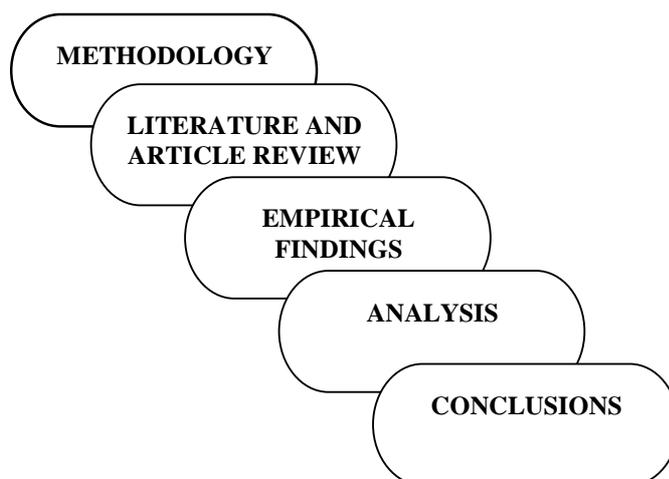


Figure 1. Structure of thesis

2. Methodology

This second chapter is dedicated to describing the method that has been used in order to study and fulfil the purpose. The authors provide the reader with information about their approach and how the empirical data has been assembled. Furthermore, a general discussion will be held about the validity and reliability of the data and criticism of the conducted study.

2.1 Approach

The authors have employed an explorative approach to facilitate an understanding of Swedish venture capitalists and their criteria when assessing a business plan in the screening face.

Furthermore, the authors have employed a study, which covers assessment with both interviews and a questionnaire. Even though it would have been vital to get deep and broad interviews with all the 85 contacted companies this was unattainable and so the authors were left with no other choice than to distribute a short but comprehensive questionnaire.

The authors have made use of a descriptive approach; pointing up literature and articles in the area of entrepreneurship and business plans. The empirical findings have subsequently been compared with and evaluated against the article and literature review. In other words, the authors have conducted the study with an abductive perspective²⁰.

2.2 Data Gathering

The gathered data can be divided into primary data and secondary data. While the primary data has been collected mainly through telephone interviews and through distribution of a questionnaire, the secondary data mainly consists of literature and article studies. This data gathering process will be accounted for more in detail below.

²⁰ Holme, M& Solvang,B.,”Forskningsmetodik, Om kvalitativa och kvantitativa metoder”.„Sudentlitteratur 1997, p75

2.2.1 Primary data

In the initial phase, the authors sent electronic mail to 85 venture capitalists around Sweden asking for interviews. Contact information about the venture capitalists were found on the Internet. Out of these 85 venture capital companies only three responded.

Those who did not reply were contacted again, this time by telephone, and asked if they had the time to answer a short questionnaire²¹ either on the telephone or by electronic mail. Many agreed to answer it through electronic mail and promised to reply within a few days. However, after more than a week the authors had received not more than five questionnaire responses. This forced the authors to change their data gathering strategy and simply ask for a semi-structured interview on the telephone when calling.

The conducted interviews were semi structured; the interviewees were asked the same questions as the ones stated in the questionnaire but with more emphasis on the content of a business plan and their opinion of it. This change of emphasis derived from the discovery that many interviewees wanted to talk about other important criteria in an investment proposal instead of the business plan.

The interviews were held with CEO's, investment managers and partners and were approximately ten to fifteen minutes long, depending on how much information the interviewees wanted to provide. The interviewees were all working operatively with assessing business proposals and business plans which provided additional credibility to the study.

2.2.2 Secondary data

In order to find relevant data, literature, and theories the authors made use of the University databases ELIN and LOVISA, online search engines, the venture capitalists' homepages, reports from NUTEK²² together with article and literature studies. A majority of the studied articles

²¹ This is presented in appendix 4.

²² The Swedish industry and technology development department.

concerned the North American market, which represents a more mature and strong market than the Swedish market.

The authors tried to amend this strong orientation towards the American market through extensive search for Swedish literature. This turned out to be a difficult task since there is very little written about Swedish venture capitalists and what they evaluate in a business plan. On the other hand, this absence represents a contribution opportunity for the authors.

2.3 Selection

The authors have strived to achieve a satisfying spread concerning investment industry, investments size, investment phase and geography when selecting the venture capitalist companies included in the study.

Moreover Nyföretagarcentrum's untargeted template, that has been compared to the authors' targeted one, has been selected as a template in view of the fact that Nyföretagarcentrum is an acknowledged association that is also sponsored by NUTEK.

2.4 Questionnaire and interviews

Every venture capital company was, as mentioned above, sent a questionnaire. In order to achieve the highest reply rate as possible, the distributed questionnaires had to be short but comprehensive, which was a complicated task. This predicament eventually culminated in a survey containing eight questions, which are presented in the appendix. The main objective of this diminutive questionnaire was to gain information about business plan prominence, preferred elements in a business plan and the role of the entrepreneur.

The interviews conducted on the phone provided the authors with many advantages. During these interviews the individual herself had the possibility to speak about what she thought was relevant. This also opened up an opportunity for the authors to ask resulting questions. Another advantage with these telephone interviews was that they were spontaneous so the venture capitalists did not have time to prepare, which might result in more straightforward answers. On the other hand this

stressful situation could have led to a disadvantage, for instance if the venture capitalist did not recall valuable information.

One of the few venture capitalists that replied to the first sent electronic mail was Patrik Söderlund, CEO for the Lund based venture capital company Lumitec. He also agreed upon a personal interview. This interview lasted for one hour and provided the authors with an opportunity to carry out a deeper going discussion. In similarity to the telephone interviews, this procedure also conveyed the opportunity to ask further questions and through that gain a more profound perceptive.

2.5 Loss of reply- analysis

Although the authors had a very high ambition level when it came to getting hold of as many venture capitalists as possible, the loss of replies still amounted to 51 %. In total, 42 companies replied and their responses can be scrutinized into 36 telephone interviews, five questionnaires and one personal interview.

It is important to bear in mind that the severe loss of responses 43 (51 %) venture capitalists may have affected the results in a negative manner and left room for conclusions that are not applicable for the whole population of Swedish venture capitalists. Nonetheless, the authors still believe that 42 (49 %) replies from 85 venture capitalists represent strength in the thesis since it is very difficult to get held of venture capitalists.

The difference between the participated venture capitalists and those who did not participate are mainly their investment sizes. 17 (40 %) of the participated companies do not invest more than 10 million SEK per investment while only 5 (12 %) of those who did not participate have that amount as a maximum limit.

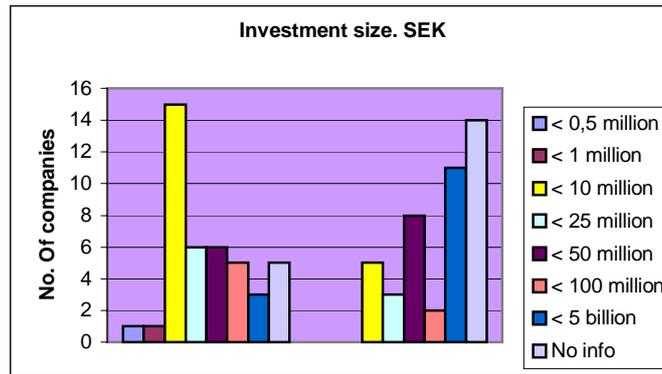


Diagram no. 2. **Investment size** VC's that participated VC's that did not participate

Only 3 (7 %) of the venture capitalists that participated in the survey invest more than 100 million per investment while as many as 11 (26 %) invest more than that amount. However, for 14 (33 %) of the venture capitalists that did not participate in the survey, the authors were not able to get hold of the investment range. Therefore, these differences in investment range, between the ones that participated and those who did not, may not be perfectly reliable.

The venture capitalists that did not participate in the survey tend to, to a high degree, invest in all kinds of investment phases. As many as 20 (47 %) of the non participating companies invest in all phases, whereas the participated venture capitalists are more likely to invest in either early or mature business phases, and only 8 (19 %) invest in all phases. This may be another indication of the difference in size between the participated venture capitalists and those who did not participate.

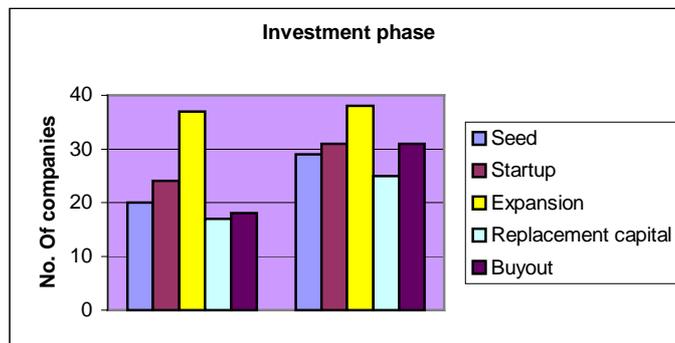


Diagram no. 3 **Investment phase** VC's that participated VC's that did not participate

The diagram above demonstrates a higher number of non-participating venture capitalists in mature investment phase (replacement capital and buyout) that are willing to invest compared to the participated venture capitalists. The largest difference is that 31 (72 %) of the non-participating venture capitalists are prepared to enter a prospect in the buyout phase while only 18 (43 %) of the participated venture capitalists are prepared to do so.

Moreover, the non-participating venture capitalists tend to invest in wider range of different industries. 24 (56 %) of them invest in all industries while 16 (38 %) of the participated companies invest in all industries.

The Swedish venture capital market is, as mentioned earlier, highly concentrated to the Stockholm area and therefore also the origin of a majority of the interviewed and the non-participating companies.

To sum up, the companies that did not participate in the survey seem to make higher investments, invest in a wider range of industries and get involved with mature businesses to a larger extent. In view of the fact that companies with an investment focus of more mature businesses, tend to put lesser emphasis on business plans, the authors believe that it does not have a negative impact on the results. Nevertheless, the authors have not left out any specific industry, investment size or investment phase. For that reason, the authors consider that they have enclosed general opinions and not left out significant judgments in the study.

2.6. Analysis of material

The authors have analyzed the results from the questionnaires and the interviews mainly through calculations in Excel. These calculations have thereafter been presented in diagrams. The calculations are more closely specified in appendix 1, 2, and 3.

2.7 Validity and Reliability

In order to assure that the reliability of the thesis reached a high level, the authors tried to get hold of as many venture capitalists as possible. As mentioned above, this ambition resulted in a

42 replies (49 %) from 85 contacted venture capitalists. Further, the authors tried to achieve a satisfying geographical spread through contacting companies with businesses in Stockholm, Gothenburg, Malmö, Linköping, Lund, Luleå, Umeå, Jönköping, Skellefteå, Halmstad, Västerås, Uppsala, Arboga, Karlshamn, Falkenberg, Östersund, Växjö och Uddevalla.

With the intention of authenticating the conclusions drawn from the interviews and questionnaires, and making them applicable to several industries, the authors chose to contact companies with diverse alignments and attentions. The average investments made in the venture capital companies also differed a lot from 100 thousand SEK and up to 5 billion SEK. The contacted companies also varied in their preferences for early or later stage investments.

To provide even further trustworthiness to the study, the investigated sectors contained both private and public venture capitalist companies.

2.8 Criticism of Study

The authors believe that the employment of a quantitative and explorative approach was suitable for studying this topic since it, easily and rapidly, provided them with a large amount of replies and opinions. A qualitative approach would perhaps not have been as valid and applicable for all the Swedish venture capital companies as the chosen quantitative one.

A disadvantage with the gathering of the primary data could have been the dominant presence of a pre-understanding. The queries in the questionnaire were assembled after extensive studies in the topic. The questions could therefore have been experienced as leading and left the interviewee with less choice to describe important elements in their assessment procedure. But, in view of the fact that all of the 42 venture capitalists have volunteered themselves to participate in the study, the authors believe that this increases the verification of trustworthiness in their replies.

The authors have tried to reduce this risk further by letting the interviewee himself finish the interview with a discussion of his own thoughts and ideas. Furthermore, the authors have tried to formulate the questions in the questionnaire as clearly as possible to eliminate the risk for misinterpretations. Consequently, the telephone interviews can be seen as an advantage, in

comparison to the questionnaire, since they provided the authors with the possibility to adjust their questions and avoid misinterpretations. Given that the number of questionnaire replies only amount to 5 (12 %), this advantage represents strength in the thesis.

Finally, and although, the loss of replies were severe (51%), the authors have still included 49% of the contacted companies opinions, which represents almost a quarter of all venture capital companies in Sweden.

3. Literature- and article review

This chapter presents conclusions drawn from the extensive literature and article studies that the authors have carried out. Moreover, it provides the reader with the need of the topic and a general overview. Finally, the chapter presents prior research within the area, other scrutinized markets, and the significance of the authors' angle.

3.1 The business plan- a Ticket of Admission

“The business plan is the minimum document required by any financial source”

- Kuratko & Hodgetts (2001)

Studies show that venture capitalists screen and assess business proposals very rapidly²³. The decision by the venture capitalist to proceed beyond the initial reading of the business plan to consider the proposal more specifically will hence depend on the quality of the business plan used to support the funding proposal. It is therefore of high relevance to find ways to design the business plan in a way that captures the attention and curiosity of the venture capitalist.²⁴ The entrepreneur should bear in mind that the business plan is a sales tool!

The opinions about how the business plan should be constructed, what it should contain, and how extensive it must be etc. are many and deviate significantly from each other. While some authors state that “the business plan is the entrepreneurs' road map for a successful enterprise”, many of these entrepreneurs get lost on the way among the thousands of templates they are fraught with²⁵.

²³ Hall, John., “Venture Capitalist's decision criteria in new venture evolution”, Journal of Business Venturing., Volume 8., Issue 1., January 1993, p.26

²⁴ Mason, Colin.,Stark, Matthew., “What do Investors Look for in a Business Plan?”, International Small Business Journal, Sage Publications, 2004, p.228

²⁵ Kuratko., Donald F., Cirtin, Arnold.,”Developing A Business Plan for your clients”, The National Public Accountant; Jan 1990;35., Issue 1., p.25

An untargeted template, taken from Nyföretagarcentrum, an association with the intention of stimulating entrepreneurship in Sweden, demonstrates that a business plan should be composed of the following constituents²⁶:

- **The business idea**
 - The business name
 - The vision
 - The customers
 - The industry
- **The entrepreneur**
 - Skills and experience
 - Private economy
 - Personal merits and characteristics
- **The market and the customers**
 - Customer estimation
 - Market size
 - Competition analysis
- **Marketing and sales**
- **Administration,**
 - Contracts, insurance and all other practical elements
- **Network**
- **Obstacles**
- **Financing**
 - Income statements and balance budget
 - Capital need
- **Start and time plan**
- **Analysis of strength and weaknesses**

According to this template, the business idea section should provide the reader with information about the vision, the business name, the product/service, the industry, and the customers. The following chapter should be devoted to a complete description of the entrepreneur covering her experience, private economy, personal characteristics etc. The market section of this business plan must include a thorough description of the customer, the size of the market, and information

²⁶ <http://www.nyforetagarcentrum.se/starta/affarsplan.pdf> 2006-01-05

about how the entrepreneur intends to reach the market and these customers. Moreover, it should include an analysis of the competitors.²⁷

Furthermore, the following sections of the business plan should provide the reader with information about how the entrepreneur intends to market and sell her product and contain a breakdown of all the administrative work including contracts and insurance. Moreover, the business plan should enclose a description of the entrepreneur's network, potential obstacles, and intellectual property rights. The last section of this untargeted business plan should be devoted to an overall account of the financial situation, the capital need, and be finished with an expected time plan and a presentation of the business' strength and weaknesses.²⁸

3.1.1 The business plan - a necessity?

Multiplicities of different authors, within the area of entrepreneurship, emphasize the construction of business plans in order for a fund-seeking entrepreneur to attract risk capital. Some even mean that the process of attracting an equity investor should not commence until a business plan has been constructed²⁹.

Tomas Karlsson, a doctor in Economics from Jönköping International Business School argues in his dissertation that the use of business plans can be questioned. He means that the motives that support business planning suits the bigger, more established companies in a stabile environment rather than the start-ups. Furthermore, he declares that it is impossible for new companies to produce a long-term business plan that is relevant and not rapidly changeable and obsolete.³⁰

Many universities, venture capitalists, lending institutions, and other researchers do however not share this opinion. Since many of these actors still place great value on business plans, the authors believe that there is a need for them.

²⁷ <http://www.nyforetagarcentrum.se/starta/affarsplan.pdf> 2006-01-05

²⁸ Ibid.

²⁹ Posadas, Harry., "Show me the money: getting ready for investment"., Australian accountant; March 1998., p 54

³⁰ <http://www.ihh.hj.se/doc/1014&channelitemid=5724> 2005-12-18

3.2 Diverging Perspectives

Much of the literature that concerns the construction of a business plan can be criticized for not considering the fact that it should be created with an awareness of whom the plan is being targeted to. The primary criticism of these general business plan templates is their adoption of a “one size fits all” approach. This is a task that is almost impossible since the readers of a business plan can represent a wide range of different people with different perspectives such as suppliers, major customers, outside consultants, bankers, angel investors and venture capitalists³¹. The criteria that lending institutions, venture capitalists and angel investors employ have been originated through prior articles and studies and are briefly compiled below:

Lending Institutions	Venture Capitalists	Angel Investors
Low risk	High risk	Agency risk
Margins	Financial return	Exit option ³²
Cash flow forecasts	Market potential	"Gut feeling" ³³ and personal chemistry
Financial control	Less significance of financial control	Less significance of financial control
The characteristics of the entrepreneur do not play a significant role	The characteristics of the entrepreneur play a significant role	The characteristics of the entrepreneur play a significant role

Figure 2. **Lending Institutions, Venture Capitalists and Angel Investors**

It is clear from the above shown figure that the financial lending institutions funding decision will stress the relevance of financial considerations such as margins, cash flow forecasts, gearing ratios, asset management ratios and financial controls. The angel investors are generally more concerned with agency risk³⁴ and therefore they put great emphasis on the entrepreneur in their investment decision process. They commonly look for subjective aspects such as “gut feeling”

³¹ Mason, Colin.,Stark, Matthew., "What do Investors Look for in a Business Plan?"; International Small Business Journal, Sage Publications, 2004, p.229

³² <http://www.busesseye.org.uk/2352.file.dld>. 2005-12-07

³³

³⁴ Risk caused by the separate and possibly divergent interest of entrepreneurs and investors

and personal chemistry between themselves and the entrepreneur. Moreover, they evaluate aspects such as being part of the entrepreneurial process and put slightly less significance on the financial returns than venture capitalists do³⁵.

Subsequently, the entrepreneur needs to differentiate the business plan to suit the different requirements and needs of the fund givers. The authors intend to provide the entrepreneur with a template that considers the venture capitalists requests and needs.

3.3 The entrepreneur

"Entrepreneurs are simply those who understand that there is little difference between obstacle and opportunity and are able to turn both to their advantage"

- Niccolo Machiavelli, Italian writer and statesman

The typical entrepreneur is represented by the thousands of people that each year recognize and exploit their business ideas.³⁶ The entrepreneurial concept has had many different meanings through the years but behind the classic economists view lays an assumption that the entrepreneur is a person that, when some prerequisites are given, will come forward and give rise to some sort of entrepreneurial activity.³⁷

Flourishing Swedish entrepreneurs that can be mentioned are Erling Persson, the founder of H&M and Ingvar Kamprad, the founder of IKEA.

3.3.1 Entrepreneurial activities on the Swedish market

It is a well known fact that entrepreneurial activities affect overall economic growth³⁸ and a big part of the Swedish market is built up from successful entrepreneurship. Unfortunately, the

³⁵ Mason, Colin.,Stark, Matthew., "What do Investors Look for in a Business Plan?"; International Small Business Journal, Sage Publications, 2004, p.232

³⁶ Landström, Hans., "Entreprenörskapets rötter"; Studentlitteratur 2005., p.11

³⁷ Hult, Magnus., "Entreprenören och företaget"; Utbildningsförlaget Brevskolan., Sthlm 1996., p. 23-24

³⁸ Delmar, Frederic., Aronsson, Magnus., "Entreprenörskap I Sverige"; Global Entrepreneurship Monitor 2000, ESBRI

national and regional summary of the global entrepreneurship monitor for 2004 shows that although there is a positive attitude and a high existence of skills and competence, Swedes seem to lack enthusiasm to pursue an entrepreneurial career. Furthermore, the total entrepreneurial activity index (TEA) has declined since earlier years and is among the lowest in Europe and behind the rest of the Scandinavian countries.³⁹

These low numbers of start-ups in Sweden during the last years has been recognized as a problem by the Swedish government and they have therefore tried to launch a new three year program in order to stimulate entrepreneurship from secondary school to universities.⁴⁰

3.4 The venture capitalist

Many companies, who are considered to show great credit risk, often cannot qualify for business loans. They get turned down for a variety of reasons including lack of assets and business experience. These companies and entrepreneurs have found that banks only are interested in loans with low risk and that they do not always make the best business partners. Consequently, many of these turn to venture capitalist companies to request risk capital.⁴¹

The typical venture capitalist is a member of a small, independent partnership with a professional staff of between six and twelve people⁴². These groups grant funding to entrepreneurs with a promising project or company. They have a strong value maximizing incentive and they receive at least 20 per cent of the profits on their portfolios.⁴³ They invest for own capital gain and, in contrast to the lending institutions, they share in the success of the business that they invest in. Nonetheless, their investment is fully exposed if the business fails.⁴⁴

³⁹ Hancock, Mick., Fitzsimons, Paula., "Global Entrepreneurship monitor 2004; National and regional summaries"

⁴⁰ Ibid.

⁴¹ Gutloff, Karen., "Five alternative ways to finance your business", Black enterprise, March 1998, p.81

⁴² Berlin, Mitchell., "That Thing Venture Capitalist Do", Business Review, Federal Reserve Bank Of Philadelphia., January/February 1998., p.15

⁴³ Kaplan, Stephen N, Strömberg, Per., " Venture Capitalists As Principals: Contracting, Screening and Monitoring", The University of Chicago, 2000., p.1

⁴⁴ Mason, Colin., Stark, Matthew., "What do Investors Look for in a Business Plan?", International Small Business Journal, Sage Publications, 2004, p.230

In the majority of venture capitalists minds is an exit strategy; to be involved with the fund seeking firm for three to five years, at which time the firm is merged or acquired by another firm or goes public. In other words, taking firms public is the main goal of the venture capitalist.⁴⁵

It is central to search for the criteria that venture capitalists employ when making their venture investment decisions for three reasons. First of all for the reason that venture capitalists are evidently thriving in their investment decisions and second of all since a better understanding could lead to an improvement in the success rate of new ventures. Finally, this subject is interesting to investigate further since venture capitalists investment criteria are of enormous significance to fund seeking entrepreneurs⁴⁶.

The performance of a venture capitalist is evidently a function of the success of the investments done. This is, in its turn, dependent on how well the investment decision process is carried out and the quality of its management and services after that.⁴⁷

3.4.1 The Venture Capitalists Investment Decision Process

Prior studies show that venture capitalists spend a significant amount of time and effort evaluating and screening the investment opportunity. They consider the attractiveness of the opportunity, the market size, the strategy, the technology, customer adoption, competition, the management team, and the contract terms.⁴⁸ In short, former authors stress the meaning of the entrepreneur showing up a potential market for the product, building your assumptions on facts, proving that the return on investment is not too distant and the possession of management skills.⁴⁹

New ventures must, as mentioned above, first of all pass an initial screening which typically represents a review of a business plan. This is then followed by months of due diligence.⁵⁰ The

⁴⁵ Berlin, Mitchell., "That Thing Venture Capitalist Do"., Business Review, Federal Reserve Bank Of Philadelphia., January/February 1998., p.22

⁴⁶ Hall, John., "Venture Capitalist's decision criteria in new venture evolution"., Journal of Business Venturing., Volume 8., Issue 1., January 1993, p.25

⁴⁷ Zacharakis, Andrew L, Meyer, G Dale., "Do venture capitalists really understand their own decision process?: a social judgment theory perspective"., Frontiers of Entrepreneurship Research., 1996 edition., p.12

⁴⁸ Ibid.

⁴⁹ Berlin, Mitchell., "That Thing Venture Capitalist Do"., Business Review, Federal Reserve Bank Of Philadelphia., January/February 1998., p.22

⁵⁰ Zacharakis, Andrew L., Meyer, Dale., "Do venture capitalists really understand their own decision process? A social judgement theory perspective"., Frontiers of Entrepreneurship., 1996 edition., p.26

authors Fried & Hisrich have proposed the following, more deep going, and six-stage phase model to describe the venture capital investment decision process:⁵¹

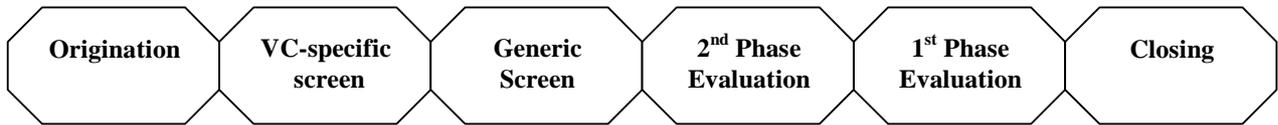


Figure 3. **The maturity of a company**

The first phase origination consists of finding an entrepreneurial company or, like in most cases, being contacted by one. Studies have shown that the business plan is a meaningful document even in this early stage of contact. After this phase, the venture capitalist will compare the entrepreneur’s business idea with his attendance in business, investment size, geographical location of investment etc. This stage will consequently eliminate the proposals that do not meet the venture capitalists criteria. The generic stage consists of a business plan screen to find out if the venture capitalist himself has enough knowledge about the proposal to endorse it.⁵² The second following phases are very time consuming and involve meeting with the entrepreneurial company, information gathering and general monitoring. During these evaluation phases, the collected information is compared to what is written in the business plan. Finally, if the proposal makes it through these stages, it will enter the closing stage that entails negotiations and contract signings.⁵³

A majority of all the literature and the articles found regarding this topic neglects the different parts of the investment decision process. The authors intend to draw attention to the stages that involve screening and find those factors in a business plan which provides the entrepreneur with an opportunity to get a foot in.

3.4.2 When to invest?

The venture capital business is sometimes referred to as the “business of building businesses” since its main purpose is to invest in companies with growth potential. These companies are often

⁵¹ Fried, Vance H., Hisrich, Robert D., “Toward a model of venture capital investment decision making”., Financial Management Magazine., 1994., p.6

⁵² Ibid.

⁵³ Fried, Vance H., Hisrich, Robert D., “Toward a model of venture capital investment decision making”., Financial Management Magazine., 1994., p.6-9

less developed and mature.⁵⁴ The development of an entrepreneurial business follows the subsequent pattern and the venture capitalist usually invests in businesses in the seed, start-up and expansion phase.⁵⁵

Seed → Start-up → Expansion → Capital replacement → Buyout

While the seed phase is typified by small capital investments, the start up phase involves more capital since it involves a company that is fairly developed but with a product that has not been tested commercially. The expansion phase is characterized by rapid growth in production and sales and therefore involves additional capital funding.⁵⁶ Finally, capital replacement and buyout can be characterized by purchases of shares from another investor and acquisitions⁵⁷.

3.5 The Entrepreneur - Venture Capitalist Relationship

The entrepreneurs often turn to venture capitalists for financing, for example because start-up firms have low or negative cash flows, which prevents them from borrowing or issuing equity. In addition, the venture capitalists become actively involved in management of the venture to assure its success.⁵⁸

Venture capitalists look to invest in start-ups with a track record of entrepreneurial success. Entrepreneurs that are passionate and driven but without long resumes, on the other hand, can not prove themselves without funding. This represents a typical catch 22.⁵⁹ Therefore, when approaching a venture capitalist, the entrepreneur should try to be as detailed as possible and be sure that she is in possession of a clearly outlined business plan that can help her sell her idea⁶⁰.

⁵⁴ <http://www.evca.com/pdf/Invest.pdf> 2006-01-05

⁵⁵ Larsson, Jon., Rooswall, Martin., "Overruling uncertainty; a study of venture capital decision making", School of Economics and Commercial Law., Göteborg University.,2000

⁵⁶ Larsson, Jon., Rooswall, Martin., "Overruling uncertainty; a study of venture capital decision making", School of Economics and Commercial Law., Göteborg University.,2000

⁵⁷ <http://www.evca.com/pdf/Invest.pdf> 2006-01-05

⁵⁸ Gifford, s., "Limited attention and the role of the venture capitalist", Journal of Business Venturing., 1997., Volume 12., issue 6., p. 459

⁵⁹ Braunschweig, Carolina., "No Business Plans please; If business plan competition say something about the times we live in, today's message is that two engineers with little more than a bright idea need not apply", Venture Capital Journal., Aug 1., 2003, p.4

⁶⁰ Hughes, Alan., "Q&A: Information is Key", Black enterprise, Volume 32, Issue 11., 2002

3.6 Prior Research

The criteria that venture capitalists employ, in order to select fund seekers for financing, has been an interesting and well discussed topic for several researchers and practitioners. Many conclusions have been drawn from the numerous studies performed within this area. Unfortunately, a majority of the studied articles derive from the United States, which represents a more established, mature, and strong market. One can therefore ask if this is applicable for the Swedish market as well. A brief presentation of some of these conducted studies and conclusions will nevertheless be presented here.

The author, and professor at RMIT University, Dr. Riquelme has found that Venture capitalists' screening process is judgemental to a high degree and that the important criteria appears to be the entrepreneur's experience and a deep knowledge of the product. Furthermore, the product gross profit margin and patent seem to play a significant role.⁶¹

Ms. Gracie, an author within the area of entrepreneurship, declares that preparation is everything and stresses the meaning of the entrepreneur herself and her product knowledge. Moreover, she accentuates the significance of a well structured and informative business plan and Curriculum Vitae.⁶²

Another study, conducted by author Ms. Thuermer, stresses the value of management expertise and a business plan. She advocates that management experience is a major consideration when venture capitalists evaluate financing prospects. Moreover, she specifically points out that the business plan should enclose a detailed presentation of management, the company's strategic position and exit as well as the business strategy, marketing plan, financial part and a thorough competition analysis.⁶³

Yet another author, Mr. Lebowitz, emphasizes the meaning of a well structured business plan in getting and holding on to a venture capitalist's awareness. He states that these possessors of

⁶¹ Riquelme, Hernan., "Hybrid conjoint analysis: An estimation probe in new venture decisions", Journal of Business Venturing, Volume 7, Issue 6, November 1992, p. 505

⁶² Gracie, Sarah., "How to seduce a venture capitalist", Management Today, London, April 1998, p. 110

⁶³ Thuermer, Karen E., "Creative Venture Capital- Taking on a partner", World Trade, March 1999, p. 74

financial funding place great judgment in how the idea is being presented. For instance, they make enquiries about detailed financial information and complete familiarity with the business.⁶⁴

3.7 Scrutinized Markets

An American research study, where 100 venture capitalists were surveyed via questionnaire, demonstrated that the perceived quality of the entrepreneur's experience or personality ultimately determined the funding decision. Furthermore, a great deal of weight was placed on the business plan because the content was necessary to suggest a successful venture. This study elucidated that venture capitalists assess ventures systematically in terms of six categories of risk⁶⁵:

1. Loss of the entire investment
2. Inability to bail out if necessary
3. Failure to implement the venture idea
4. Competitive risk
5. Management failure
6. Leadership failure

A similar study conducted for the British market showed that most potential funders wish to see a business plan as a first step in their investment decision process. Moreover, the British venture capitalists demonstrated a high consistency and valued aspects such as market issues, financial matters, the entrepreneur and the strategy.⁶⁶

3.8 Conclusions

The entrepreneurial activities in Sweden during the last years have been relatively low. This can be traced to a lot of different reasons. The authors mean that one of these reasons could be that the entrepreneur and the venture capitalists do not speak the same language. This dilemma could be solved by mapping out the requests of the venture capitalist and to mediate them in a business plan.

⁶⁴ Lebowitz, Stephen M., "When seeking venture capital, information is money"., The CPA journal., March 2004

⁶⁵ Mcmillian., "Criteria used by venture capitalists to evaluate new venture proposals", Journal of Business Venturing, 1985., p.1

⁶⁶ Mason, Colin., Stark, Matthew., "What do Investors Look for in a Business Plan?", International Small Business Journal, Sage Publications, 2004, p.227

The discussion held above demonstrates the importance of a business plan, yet the recommended elements of it are widely discussed. While some parties emphasize rudiments such as a market analysis, others advocate elements such as competition breakdown and strategy.

Moreover, it has been brought forward that the business plan must be tailor made to fit a specific investor. Different investors, such as lending institutions, venture capitalists, and angel investors have dissimilar requirements and emphasizes when it comes to the information they want to be given. Therefore, the authors intend to develop a customized business plan to meet the requirements of Swedish venture capitalists.

Furthermore, the venture capitalist and his investment decision process have been probed and it has been brought forward that the existence of a business plan is fundamental part in this process. However, the authors' development of a business plan targeted to Swedish venture capitalists mainly refers to the initial and the screening processes of Fried & Hisrich six folded venture capital investment decision practice.

4. Empirical Findings

This chapter is dedicated to a presentation of the results of the interviews and the questionnaire. Furthermore, it piles up the important and general findings suggested by the empirical material.

4.1 Business Attendance and Investment Range

It was found that business attendance among the studied venture capitalists differed a lot. While some of them invest in all kinds of products and industries, others restrict their attendance to industries such as Biotech, IT, and some only to business ideas that have already been commercialised and proven their ability to generate profits. A more detailed account of the venture capitalists' business attendance is given below.

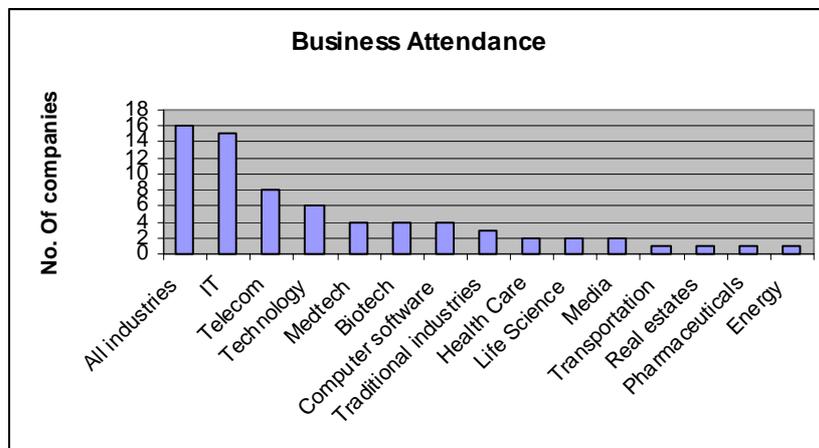


Diagram no. 4 **Business Attendance**

More specifically, 8 (19 %) of the studied venture capitalists invest in Telecom and 15 (36 %) invest in technology while 16 (38 %) claimed they invest in all industries. Furthermore, the empirical material suggests that venture capitalists invest in specific industries because they feel more comfortable if they have knowledge about the industry themselves. Therefore, it is essential

that the entrepreneurs are well informed of the industry of their product in order to make a competent impression.

The sizes of the venture capitalists' investments range from thousands of SEK and up to 5 billion. 16 (36 %) venture capitalists invest between 1 to 10 million SEK per investment.

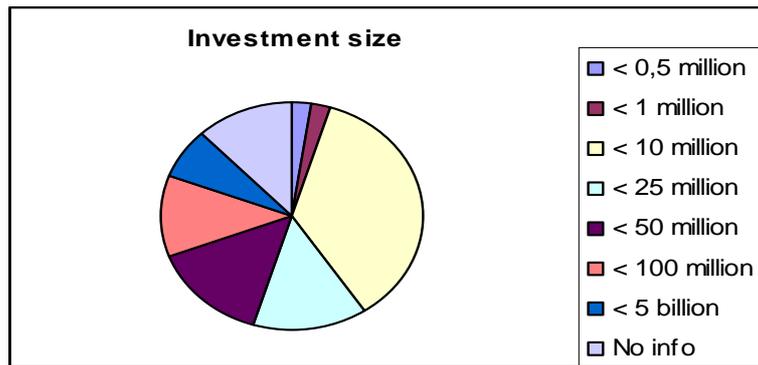


Diagram no. 5 Investment size

Only one venture capitalist of all 42 is open for only one investment phase, namely Chalmer's Invest that only invest seed capital. The rest of the venture capitalists are open to invest in more than one phase. 37 (88 %) invest in the expansion phase and is thereby a business phase that most venture capitalists enter. 8 (19 %) invest in all kinds of phases.

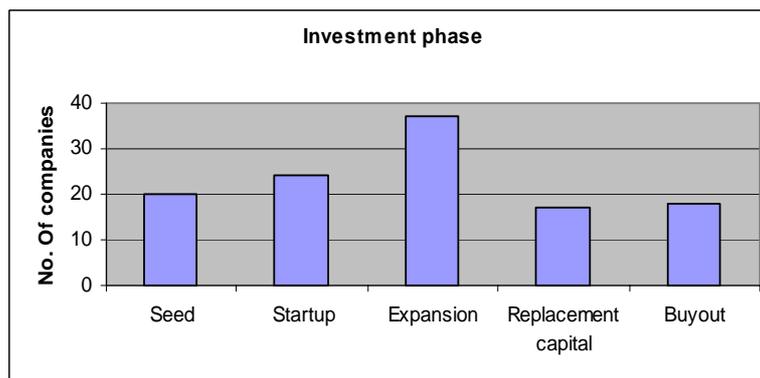


Diagram no. 6 Investment phase

4.2 Shareholder structure

According to all of the studied venture capitalists, the shareholder structures of the entrepreneurial companies are of high relevance when making an investment decision. They can be viewed as an obstacle if the entrepreneur possesses a small share because it often indicates a lack of passion in the business idea.

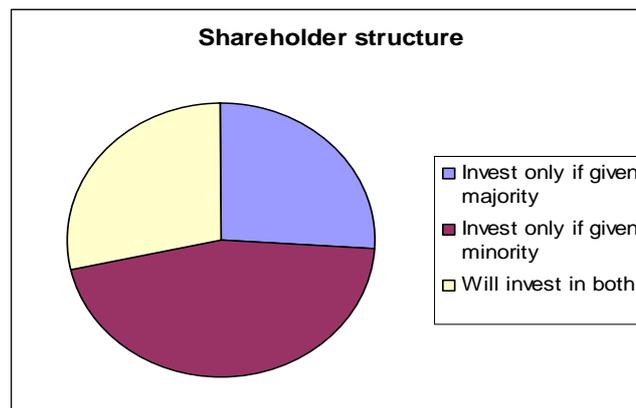


Diagram no.7 Shareholder structure

While 11 (26 %) of the studied venture capitalists want to attain majority when helping out with financial funding, 19 (45 %) of them preferred a minority share and 12 (29 %) were open for both majority and minority shareholder structures. Nevertheless, difficult and complicated shareholder structures are something that all the studied venture capitalists are reluctant against. This study showed an overall unwillingness towards entering such collaborations.

4.3 Business Plan Emphasis

While some of the venture capitalists said that they do not place great value on a business plan, a clear majority, 38 (90 %), claimed they put great emphasis on the presence of such a document. 16 (38 %) claimed that the business plan is the first element that their assessment was based upon and 4 venture capitalists sent us their own business plan templates. From the interview and the questionnaire, it emerged that 23 (55 %) of the venture capital companies want the business plan to be short and concise. Nonetheless, 4 (10 %) venture capitalists said they never even look at the business plan if they had not already been in contact with the entrepreneur.

Several venture capitalists based their emphasis or absence of it on the phase, which characterized the entrepreneurs business. They considered this fact and, for instance, put more emphasis on the business plan if the business is in the seed phase or start-up phase than they would if the business is in the buyout or replacement capital phase. In an early business phase the venture capitalists emphasize the business idea, the customer value of the product or service, and the market possibilities. For a mature business phase, however, the empirical material suggests that more emphasis is put on the company's history, financial information for the past 3 to 5 years and current board members' professional merits.

A common perception was that the business plan provides the venture capitalists with a first and general idea about the entrepreneur and if he knows what he is talking about. In that sense, the business plan is a critical document that should be well prepared and worked out thoroughly.

4.4 Preferred Elements

The ideal rudiments of a business plan differed between the studied venture capital companies. In order to develop a template that regards all these different needs, the authors have decided to include all the empirical findings.

As mentioned 23 (55 %) venture capitalists have accentuated the importance of short and concise business plans. They generally prefer business plans that are easily read with clearly formulated plans and goals. While some venture capitalists want the business plan to show that the entrepreneur has the ambition to “conquer the world”, others have more detailed and specific requirements. Nevertheless, a concise description of the preferred elements for the 42 studied venture capitalists will be given below.

4.4.1 Compile of Result Synopsis

The below-illustrated accumulation of some of the results shows that 29 (69 %) of all the studied venture capitalists favour the presence of an interesting summary in a business plan. Moreover, 34 (81 %) of them wish to see a company description and 40 (95 %) want to read about the business idea.

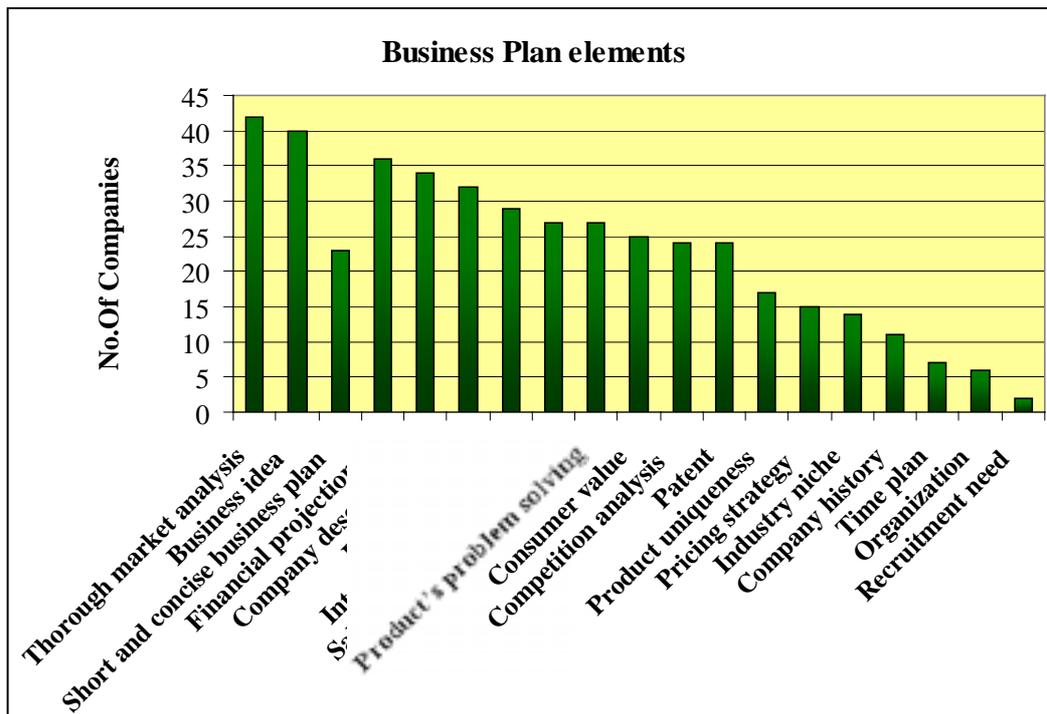


Diagram no. 8 Business plan elements

Exclusively all venture capitalists mention that one of the most important elements of a business plan is a thorough market analysis. Other constituents that are highly valued are a description of the business idea, financial projections, and an exit strategy.

The empirical material also shows that 25 (60 %) venture capitalists want to be convinced about the value of the product in a customer perspective and that the product is unique and really solving a problem. Finally, 14 (33 %) favour the presence of an industry niche and 2 (5 %) wish to be informed about future recruitment need.

4.4.2 Summary

A general opinion is that the business plan should start with a summary of the most important aspects. According to 29 (69 %) venture capitalists, this summary must be interesting and capture the venture capitalists' attention, this because most venture capitalists do not proceed to read the rest if the summary is not interesting enough.

The summary should contain a brief description of all the important features in the business plan, which is described more in dept later on. A common opinion seems to be that the summary should start with a description of the entrepreneurs and end up with the offer to the venture capitalist in terms of return on investment.

4.4.3 Introduction

The introductory chapter of the business plan should, according to 34 (81 %) venture capitalists contain a brief company description and evaluation. Furthermore, it should express the entrepreneurs' vision and what they want to achieve. Moreover, 11 (26 %) venture capitalists wish to see a thorough description of the company history up until today in this part of the business plan.

4.4.4 Business Idea

The interviews and the questionnaire shows that 40 (95 %) venture capitalists want to be given a methodical description of the product or service, how developed it is and what the entrepreneurs intend to do with it. Furthermore, they wish to be persuaded about the uniqueness of this new product.

4.4.5 Market Research

All of the considered venture capitalists viewed the market analysis one of the most valuable element of a business plan. The generally held opinion is that the market analysis should be thorough and contain elements such as market size estimation, market priorities and current and potential customers.

Furthermore, the venture capitalists imply that this part of the business plan is the most crucial one since it identifies if the entrepreneurs really "know" their market, for example in terms of growth, size, and customers. 25 (60 %) venture capitalists stress the importance of describing the value that the product brings to the customers. Moreover, the market opportunity and the need for the product should be expressed and illustrated. 27 (64 %) venture capitalists want to be told and convinced that the product is really solving a problem.

29 (69 %) venture capitalists also want to read about the entrepreneurs' strategies as a part of the opportunities related to the product. 27 (64 %) mention sales and marketing strategies and 15 (36 %) mention pricing strategies. Estimations referring to annual sales of the product could for example be mentioned here. Finally, a time plan that methodically points up important milestones and what they mean to the process is also essential, according to seven (17 %) venture capitalists.

4.4.6 Project Specific Risks

24 (57 %) venture capitalists want to see a thorough competition analysis with current and potential competitors in order to gain recognition of the risks associated with the engagement. In this sense, the entrepreneurs should bring forward a description of the company's strengths and weaknesses in relation to their competitors.

Furthermore, obstacles that could affect the outcome of the project must be mentioned and taken into consideration. In that sense, both upside and downside risk should be stated for. 32 (76 %) venture capitalists request either some sort of exit strategy to be clear about how to get out of the project or at least identify the entrepreneurs' attitude towards such an arrangement.

The ownership structure of the company is another important factor that should be considered, according to 36 (86 %) venture capitalists. In that sense, a strong financial commitment on behalf of the entrepreneur herself is an indicator of true passion and dedication to the product or service. Ultimately, 24 (57 %) venture capitalists indicate that patents and other product protections are essential for the outcome and should therefore be revealed.

4.4.7 Financial information

While a few of the studied venture capital companies claim that a financial section is an unimportant element in a business plan, 36 (86 %) claimed they put great emphasis on it. Therefore, the authors have chosen to describe this section further.

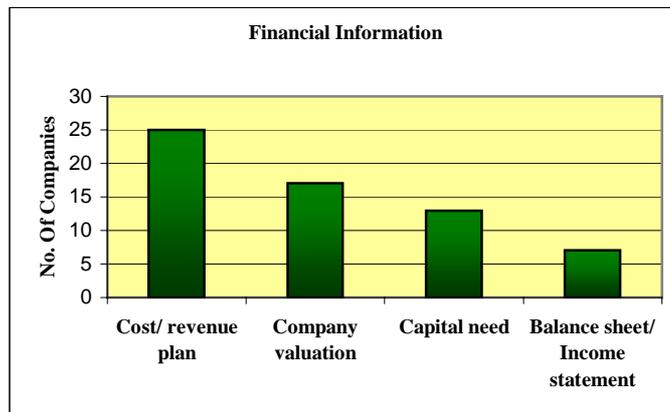


Diagram no. 9 **Financial information**

The financial section should, according to 25 (60 %) venture capitalists enclose expected revenue/cost plan. 13 (31 %) venture capitalists request information about the capital need over time. This essential part of the financial section should contain a prognosis for several upcoming years and the assumptions they are built on.

Moreover, 7 (17 %) venture capitalists want to see the Balance sheet and Income statement for the past 3 to 5 years in this section. This is however not applicable for companies in the seed phase with low or no historical revenues. All this should thereafter, according to 17 (40 %) venture capital companies, culminate in a valuation of the company.

4.4.8 Organization

Exclusively all the studied venture capitalists stress the importance of the entrepreneurs. They want to know how they are going to “lead the company to victory”. In other words, they request a presentation of the management and their involvement in the project. This sort of presentation should also reveal the core competencies, how they differ from the competitors, and the background of the involved individuals.

Furthermore, 5 (12 %) venture capitalists want to know how the organization is built today and how the entrepreneurs assess the future development. 2 (5 %) venture capitalists also request information about the estimated recruiting need for a couple of years ahead.

To sum up, the management of the entrepreneurial companies is an important parameter in the investment process. The empirical material suggests that the business plan should contain information about the people in management positions and if they are professional enough to put their goals into effect. The venture capitalists put forward that other factors such as former entrepreneurship are also important and should therefore be taken into consideration when assessing the project.

4.5 Additional Opinions

Besides from different wanted elements in a business plan, the empirical material indicates that the studied venture capitalists also make use of other criteria when assessing an entrepreneur. Many of these criteria can be derived to the entrepreneur herself, her experience and to personal characteristics. These entrepreneur specific factors will be more thoroughly analysed further ahead.

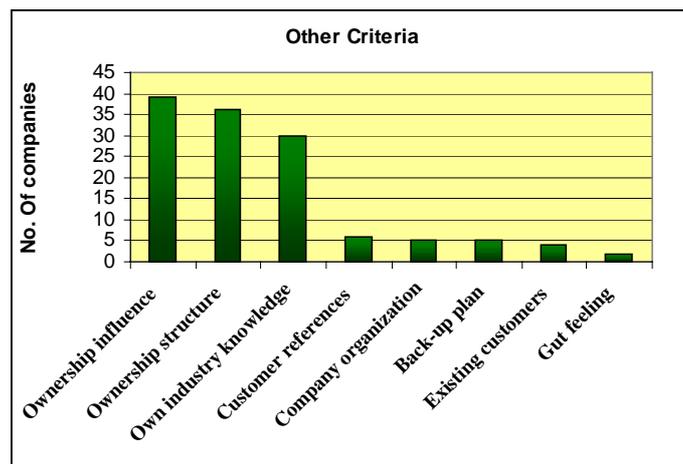


Diagram no. 10 Other Criteria

Out of all of the studied venture capitalists, 39 (93 %) are interested in the entrepreneurs' and their own ownership influence. 5 (12 %) venture capitalists also stress the significance of a prepared back-up plan. They meant that this shows that the entrepreneurs are capable of meeting unexpected setbacks. Finally, 7 (17 %) venture capitalists point out that the projected numbers in the financial section must be consistent with the market analysis.

4.6 Entrepreneur Specific Criteria

The business plan is a ticket of admission but it is important to accentuate that the venture capitalists invest in people and not just in ideas. Therefore it does not come as a big surprise that all of the studied venture capitalists claim they put great value in the entrepreneur herself.

According to the venture capitalists everything is dependent on the entrepreneur and her capability of realizing the idea. The studied venture capitalists want to know if the entrepreneur knows what she is talking about and if she has the competence, the drive and the strength to carry out the idea and not just present it in a business plan. Below the authors introduce important characteristics that the venture capitalist look for when evaluating the entrepreneur/entrepreneurs.

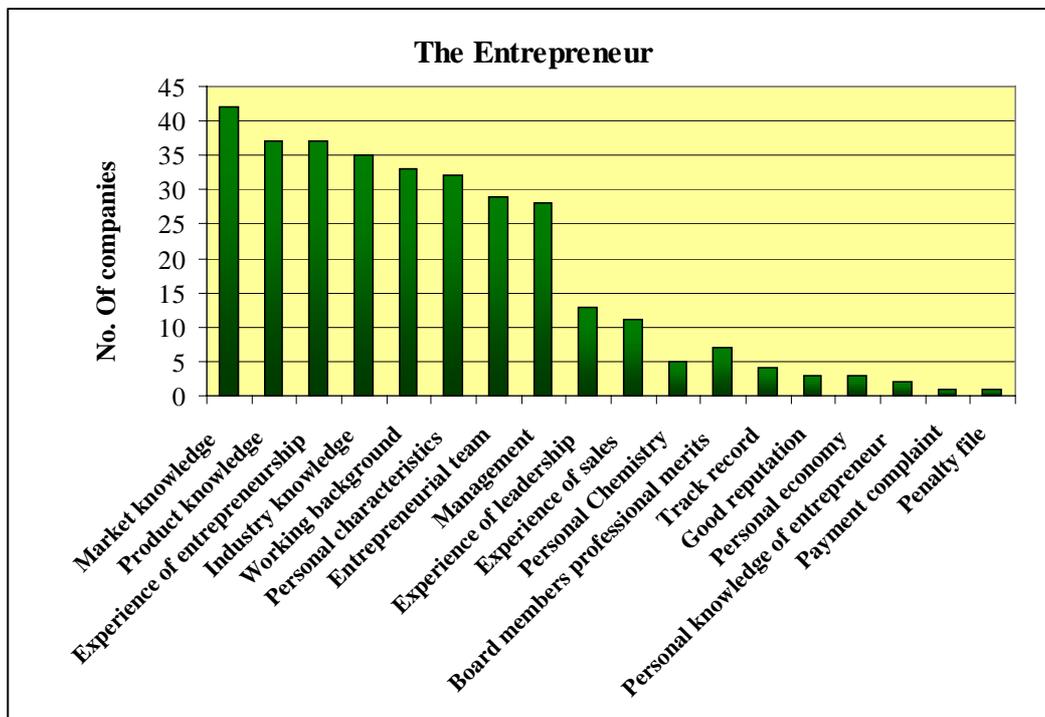


Diagram no.11 Entrepreneur specific criteria

The venture capitalists state that many business plans introduce products that are "nice to have" but not "need to have". The entrepreneur should therefore try to persuade the venture capitalist that she is really solving a problem with her product. One venture capitalist stated:

“If the entrepreneur cannot sell the product to me and my partners, then she can not sell it to customers either”.

The empirical materials also indicate the importance of the experience of the entrepreneur. 35 (83 %) venture capitalists find it essential for the entrepreneur to have long experience from the industry, which she intends to enter. The entrepreneur can for example not enter the Telecom business if she only has business experience from Biotech. All of the studied venture capitalists stress the relevance of market knowledge.

When choosing between different investments options, 32 (76 %) venture capitalists claim they pick the company where the personal characteristics match the requests. These characteristics are mainly hard-working, motive, skilled, honest, realistic, and reliable and know how to do business. 2 (5 %) venture capitalists say they go with their gut feeling and that it is all about assuring themselves that the entrepreneurs are trustworthy. 5 (12 %) venture capitalists need to assure that there is a good personal chemistry between the investor and the entrepreneur. This is important since they will be working together under several years and sometimes under pressured circumstances.

Some emphasis is also put on the status and the private economy of the entrepreneur. Venture capitalists have to be assured about absence of money laundry, illegal, and unethical activities in the project. If the entrepreneur has shown that she has a good “track record”, fine reputation and shown that she can sell a product then a venture capitalist can even invest in a half interesting product.

Finally, 29 (69 %) venture capitalists declare that entrepreneurs have a greater chance of gathering financial means if they act as a team. An entrepreneurial team is always more interesting than a single entrepreneur because it can consist of many different competencies that complement each other. “Relapse” entrepreneurs⁶⁷ are also more interesting since the venture capitalists already know the entrepreneur and what to expect from her.

4.7 Conclusions

The average Swedish venture capitalist prefers to invest in the Information Technology business and invest between 1 and 10 million SEK in risk capital. The average Swedish venture capitalist also prefers to become a minority owner in the company.

Moreover, the 5 most important elements that the average Swedish venture capitalist evaluate and that are not compensatory in the screening process are a thorough market analysis, a description of the business idea, financial projections, a company description and an exit strategy. Other important criteria for the average venture capitalist are their future ownership influence in the company, the ownership structure today in the company and that the venture capitalist himself has enough industry knowledge of the business he intends to invest in. Otherwise the venture capitalist is forced to hire a consultant to assess the product.

Finally the entrepreneur herself is the key determining factor for the average venture capitalist. The venture capitalist must be convinced that the entrepreneurs have market- and product knowledge, have previous experience from entrepreneurship and possess certain characteristics as hard-working, motive and realistic.

5. Analysis

This chapter analyses the results from the preceding chapter and culminates in a business template targeted to Swedish venture capital companies. Furthermore it analyses other criteria that the empirical material suggested the venture capitalists employ in their funding decision.

5.1 Breakdown of Results

5.1.1 Business plan accentuation

The empirical material demonstrates that a clear majority of the contacted venture capitalists request and value a short and concise business plan. However, 4 (10 %) venture capitalists claim they never even look at the business plan if they have not met the entrepreneur.

5.1.2 Empirically Anchored Business Plan

The results signify that a brief summary of the business plan is a critical element. According to the venture capitalists, such an introduction should include all the important aspects of the business plan and advocate curiosity. More specifically, it should start with a description of the entrepreneur and end up with the offer to the investors in terms of return on investment.

Moreover the results indicate that there is a strong focus on the market in a business plan. This market focus conveys and involves a thorough analysis of the opportunity that comes with the product, the size of the market, the current and potential customer, and the market priorities. These findings agree with the authors Mason & Stark accentuation of what venture capitalists consider evaluating an investment opportunity.

Many venture capitalists also wish to read about the, business idea, the background of the company and the activities that have been conducted up to date. Furthermore, the entrepreneurs

should provide the reader with a thorough description of the product and its development. The uniqueness and the need for the product must be brought forward. A general opinion is that the risks associated with the project are another aspect that should be brought into light. This account should portray impediments that can emerge, how and if the venture capitalist can get out of the engagement and a report of product protections such as patents. In agreement with prior studies, the empirical material suggests that the business plan should enclose an exit strategy.

Finally, there seems to be a strong focus on financial elements in a business plan. According to the results, this section should include cost/ revenue plans, Balance sheet and Income statement, the total capital need and a company valuation.

5.1.3 Targeted Template

The results from the conducted interviews and the questionnaire will be more specified and reflected in a template targeted to Swedish venture capitalists and represented below.

“The Successful Venture Ltd. Business Plan”

Executive Summary

This introductory part of the business plan should, describe the entrepreneurs, contain a synopsis of the most important element, and be concluded with an indication of the return on investment.

Management Team

The business plan must contain a thorough presentation of the core management and all other actors involved in the project.

Business Idea

A description should be given here about the background and history of the company in industrial as well as financial terms. Moreover, an interesting portrayal could be provided of the business idea and vision.

Market Analysis

This part of the business plan can be devoted to a thorough market analysis including an

1. Industry overview
2. The company's strategy (for example, mentioning the commercialization method)
3. Market size
4. Market priorities
5. Market opportunity
6. Realistic turnover/sales forecasts
7. Current and potential customers.

Finally, the market solution that the company's product represents should be accentuated and the uniqueness of the product should be brought forward.

Competitive Analysis

The competitive analysis could comprise a SWOT analysis that encompasses the company's strengths, weaknesses, opportunities and threats. Furthermore, this section ought to mention other aspects such as substitutes, barriers to entry and challenges.

The Risk

All the risks associated with the project must be mentioned in this part of the business plan and that encompasses both upside and downside risk. Moreover, exit strategy, intellectual property rights such as patents and other legal entitlements should be revealed.

Financial Information

This financial section could be commenced with a description of how the company has financed its activities up until now. Thereafter, the total capital requirement should be stated with a report of how much capital is needed at what time in the project. This part of the business plan should also contain a cost/ revenue plan and the assumptions that it is built upon. Depending on how developed the entrepreneurial company is, the Balance sheet and Income statement could be presented here as well. Finally, this ought to culminate in a valuation of the company that gives an indication about the return on investment.

5.1.4 Comparison with untargeted template

In divergence with the untargeted template taken from Nyföretagarcentrum in the preceding chapter, the above illustrated template targeted to venture capitalists stresses the meaning of an introductory summary of the business plan that captures the venture capitalists interest.

Furthermore, the market analysis requested by the venture capitalists is more detailed and contains elements such as what problem the product solves, the need for it, strategies to attain the market goals, and milestones. Although the untargeted template mentions the element obstacles, the targeted template accentuates both upside and downside risk along with an exit strategy for the venture capitalist.

In conformity with the untargeted template, the above demonstrated template mentions business plan elements such as the business idea and an analysis of the strength and weaknesses. The latter two elements are however more specific in the targeted template under the heading “competitive analysis”. Moreover, the untargeted template mentions the entrepreneur’s network but, in dissimilarity with the targeted template, not any future possible recruitment or competence need.

Both of the templates point out that the financial section of the business plan should contain the capital need, cost/ revenue projections, Income statements and a Balance budget/sheet. However, the venture capitalists stress the value of financial projections for three to five years ahead. Moreover, the targeted template provides the entrepreneur with more detailed information about this section and declares the relevance of a company valuation, which indicates the return to the investor.

5.2 Entrepreneurial Emphasis

Many venture capitalists accentuate the relevance of the entrepreneurs’ and their own shareholder influence. Furthermore, they evaluate factors such as their own industry knowledge and the entrepreneurial company’s ownership structure. Besides from the business plan, many venture capitalists evaluate aspects such as previous entrepreneurship, industry knowledge, product knowledge, and personal characteristics such as hard-working, motive and realistic.

Many venture capitalists also stress subjective factors such as the venture capitalist having a gut feeling, either about the business idea or that the entrepreneur is capable of realizing her idea to the market. When the venture capitalist has a gut feeling about something he has an intuitive sense that something might succeed. The authors believe that this gut feeling can arise either if the venture capitalist has facts of previous successes from similar businesses or only believes that the product or service “lies” in the future. When the venture capitalist has a gut feeling about the entrepreneur herself, the authors believe that, it is mainly because she has managed to sell her idea to the venture capitalist.

Another important subjective factor is the existence of a good relationship between the venture capitalist and the entrepreneur; that the personal chemistry is “right”. The venture capitalist and the entrepreneur are going to work together a long time, and sometimes under hard pressure, which is why conflicts are bound to arise. Consequently there must be great confidence between both parts at the very start. This can be simple things like having the same interests or “talking the same language”, but also that both parts are team players and patient.

These observations are in fairly congruence with the findings of author ms Gracie that stresses the meaning of the entrepreneur herself and her product knowledge. These, entrepreneur specific, aspects can scarcely be reflected in a business plan. At the best, the competence and the active involvement in the management representation can reflect trustworthiness and interest for the entrepreneurs.

The results also suggest that the entrepreneur will favour from being a “selling” person with relevant experience from the industry. Furthermore, acting as a team with other entrepreneurs, will enhance the entrepreneurs chances of raising capital. Finally, a good reputation and track record can also help accelerating the funding process.

To sum up, the results indicate, in conformity with the findings for the scrutinized American and British markets, that the entrepreneur herself and her qualifications, characteristics and experience are highly relevant in the funding decision process. The screening process is more judgmental than analytic!

6. Conclusions

This last chapter briefly highlights and discusses the conclusions that can be drawn from the analysis. Moreover, it mentions areas of interest for future research and practical implications for the fund seeking entrepreneur.

6.1 Synopsis

The findings of this thesis propose that a business plan is an essential constituent in the venture capitalists assessment of entrepreneurial fund seekers. This business plan should be constructed in a manner that regards aspects such as the market, the competition, the risks involved with the project, financial information, and the assumptions, which the estimations are built on. The section that analyses the market in the business plan is, according to all venture capitalists, the most important element and should therefore be very well carried out.

When comparing the targeted template, presented by the authors, to the untargeted one provided by Nyföretagarcentrum, the rudiments of the targeted template generally seem to be more profound. More specifically, the elements of the market analysis and the financial section in the targeted template are more insightful compared to the untargeted one. On the other hand, and in convergence with the untargeted template, the targeted template points up fundamentals such as the business idea, a thorough presentation of the entrepreneur and his network, and impediments that can arise. Moreover, and unlike the untargeted template, the targeted template, presented by the authors, considers the highly valued business plan element “exit strategy”.

The results showed that several venture capitalists follow other criteria, besides from the business plan, when assessing an entrepreneur. While some are interested in factors such as ownership influence, others value entrepreneur specific aspects such as relevant experience, competence and industry knowledge. The significance of a prepared back-up plan, showing that the entrepreneur is capable of meeting unexpected setbacks and a consistency between the financial section and the market analysis also represent factors that the venture capitalists point up.

Moreover, it also came into light that the venture capitalists employ subjective factors such as “gut feeling” and personal chemistry and characteristics in their evaluation process. In addition they also evaluate factors such as market knowledge, product knowledge, and entrepreneurship experience. In these senses, the people writing the document are very important and undeniably conclusive for the outcome.

6.2 Contribution to entrepreneurs

- A template targeted to Swedish venture capitalists in the favour of entrepreneurs
- All observed opinions about the structuring of a business plan
- The entrepreneur specific criteria and other important factors

6.3 Future Research

This thesis has been limited to studying what elements venture capitalists look for in a business plan and other criteria that they utilize. As mentioned earlier, many entities can provide the entrepreneur with financial funding such as lending institutions, suppliers and business angels. It would be very interesting to find out what aspects these actors evaluate in a business plan and from an entrepreneur. This is therefore suggested by the authors for future research.

6.4 Practical Implications

The authors believe that their small contribution could possibly enhance the entrepreneur’s understanding of the venture capitalists and their requirements. This input can give rise to many practical implications for fund seeking entrepreneurs.

First of all, a strong financial commitment on behalf of the entrepreneur will mediate a strong and true commitment of the product to the venture capitalist. When approaching the venture capitalist, the entrepreneur should demonstrate competence, drive and strength to carry out the plan.

The entrepreneur must construct a clear and concrete business plan in the early stage of her company. This business plan should mediate the entrepreneur's knowledge of market, product, industry, and illustrate the prospect in a pragmatic way. Furthermore, it should persuade the venture capitalist about what problem the product or service solves, mention future recruitment need, and contain realistic assumptions about potential markets which the revenue prognoses are built upon and. Moreover, a well-prepared back-up plan provided by the entrepreneur will prove her capability of meeting unexpected setbacks. Finally, it is important that the entrepreneur offers the venture capitalist a way out of the commitment; an exit strategy and points out the projects profitability to the venture capitalist.

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Appendix 1

Examination means	Quantity	Percentage
Telephone interviews:	36	86%
Questionnaire:	5	12%
Personal interview:	1	2%

Total 42 100%

Contacted companies: **85%**
 Participating per cent: **49%**
 Loss of replies **51%**

Venture capitalists that participated in the survey	City	Participation Mean	Venture capitalists that did not participate in the survey	City
1. AC Invest	Skellefteå	Telephone	1. Accent Equity Partners	Stockholm
2. Affärsstrategerna i Sverige AB	Stockholm	Telephone	2. Aktietorget Fyrbodal	Uddevalla
3. Ahlström & Partners	Halmstad	Telephone	3. Aldano AB	Stockholm
4. Amymone AB	Västerås	Telephone	4. Almi Företagspartner AB	Stockholm
5. Apax	Stockholm	Questionnaire	5. Altor Equity Partners AB	Göteborg
6. Atle AB	Stockholm	Telephone	6. Amplico Kapital AB	Göteborg
7. Arbustum	Arboga	Telephone	7. Biolin Medical AB	Stockholm
8. Catella IT AB	Stockholm	Telephone	8. BrainHeart Capital AB	Stockholm
9. Chalmers Invest	Göteborg	Telephone	9. Capman AB	Stockholm
10. CIMON Medical AB	Karlskrona	Telephone	10. Centrecourt AB	Stockholm
11. Dennis Bergström Invest AB	Stockholm	Telephone	11. Earlystage Financing	Stockholm
12. Emano AB	Umeå	Questionnaire	12. Global Power 2.0 AB	Jönköping
13. Engelsberg	Stockholm	Questionnaire	13. Hierta Venture AB	Stockholm
14. Framtidskapital	Falkenberg	Questionnaire	14. Idi AB	Stockholm
15. Four Seasons Venture Capital AB	Stockholm	Telephone	15. Industrifonden	Stockholm
16. Företagsbyggarna AB	Stockholm	Telephone	16. Industrikapital AB	Stockholm
17. Förvaltnings AB Metallica	Stockholm	Telephone	17. Innoventus AB	Uppsala
18. 3i	Stockholm	Telephone	18. Intermediate Capital Nordic AB	Stockholm
19. IT Provider Adviser AB	Stockholm	Telephone	19. Investor Growth Capital	Stockholm
20. Innovationskapital	Göteborg	Telephone	20. Karolinska Investment Fund	Stockholm
21. Investment Management Sweden AB	Stockholm	Telephone	21. MVI Sverige KB	Stockholm
22. ITEKSA	Linköping	Telephone	22. Nordstjernen	Stockholm
23. ITP	Stockholm	Telephone	23. Northzone Ventures AB	Stockholm
24. KTH Seed Capital	Stockholm	Telephone	24. Sanders & Wiklund Kapitalpartner	Stockholm
25. Ledstiernen AB	Stockholm	Telephone	25. Scope Capital Advisory AB	Stockholm
26. Litorina Kapital	Stockholm	Telephone	26. Segulah	Stockholm
27. Lumitec AB	Lund	Personal Interview	27. Servisen Investment Management	Stockholm

28. Lunova AB	Luleå	Telephone	28. Skanditek Industriförvaltning	Stockholm
29. MalmöHus Invest	Malmö	Telephone	29. Skyventures	Stockholm
30. Medicon Valley Capital Management	Malmö	Telephone	30. Smålandsfonden	Växjö
31. Novestra AB	Stockholm	Telephone	31. Smedjan Utvecklings AB	Jönköping
32. Priveq	Stockholm	Telephone	32. Slottsbacken Venture Capital	Stockholm
33. Ratos AB	Stockholm	Telephone	33. Speed Ventures AB	Stockholm
34. Remium AB	Stockholm	Telephone	34. Spread Corporate Advisors	Stockholm
35. Småföretagsinvest AB	Stockholm	Questionnaire	35. Startupfactory AB	Stockholm
36. Springboard Venture Capital AB	Stockholm	Telephone	36. T-bolaget AB	Göteborg
37. Swedfund	Stockholm	Telephone	37. Tectelos AB	Stockholm
38. Teknoseed AB	Lund	Telephone	38. Teknikbrostiftelsen	Linköping
39. AB Traction	Stockholm	Telephone	39. Uppfinnarspar AB	Stockholm
40. Uminova	Umeå	Telephone	40. Venture Partners AB	Stockholm
41. Y3K	Stockholm	Telephone	41. Wikow Invest AB	Göteborg
42. Z-Invest AB	Östersund	Telephone	42. WireEdge Ventures AB	Stockholm
			43. Zone AB	Stockholm

Appendix 2

VC's that participated	Preferred Industry	Investment Size, SEK	Investment phase
1. AC Invest	Industry	0,05 - 4 millio	Start-up, Expansion
2. Affärsstrategerna i Sverige AB	Life Science	1 - 25 million	All
3. Ahlström & Partners	Technology, IT	1,3 - 5,5 million	Start-up, Expansion
4. Amymone AB	IT, Software	No info	Expansion, Buyout
5. Apax	IT, Telecom, Health Care, Media	No info	All
6. Atle AB	Health Care	from 40 million and up	Expansion, Buyout
7. Arbustum	All	2- 10 million	Start-up, Expansion
8. Catella IT AB	Real Estates, Biotech	20 - 50 million	Expansion, Replacement Capital, Buyout
9. Chalmers Invest	Technology, IT	0.5 - 1 million	Seed
10. CIMON Medical AB	Life Science	1 - 25 million	Seed, Startup
11. Dennis Bergström Invest AB	IT, Software, Pharma	1 -10 million	Seed, Start-up
12. Emano AB	IT, Telecom, Biotech, Software	1 -15 million	Start-up, Expansion
13. Engelsberg	Technology, Energy, Transportations	5- 50 million	All
14. Framtidskapital	Technology	No info	Seed, Start-up, Expansion
15. Four Seasons Venture Capital AB	Traditional industries	No info	Expansion, Replacement Capital, Buyout
16. Företagsbyggarna AB	IT, Telecom, Medtech	1- 25 million	Seed, Start-up, Expansion
17. Förvaltnings AB Metallica	Metal	1 - 10 million	Start-up, Expansion, Replacement Capital
18. 3i	All	50 - 5000 million	Expansion, Buyout, Replacement Capital
19. IT Provider Adviser AB	IT, Telecom, Software	10 -70 million	Start-up, Expansion
20. InnovationsKapital	IT, Telecom, Biotech, Software	1 - 100 million	Seed, Start-up, Expansion
21. Investment Management Sweden AB	All	1 - 25 million	Expansion, Replacement Capital, Buyout
22. ITEKSA	IT, Telecom, Biotech, Medtech	2 -7 million	Seed, Start-up, Expansion
23. ITP	IT, Telecom, Biotech, Medtech	1 -10 million	All
24. KTH Seed Capital	Technology, Biotech, Medtech	2 -5 million	Seed, Start-up
25. Ledstierman AB	All	5 - 50 million	Startup, Expansion
26. Litorina Kapital	All	10 - 100 million	Expansion, Replacement Capital, Buyout
27. Lumitec AB	All	0,5 - 5 million	Seed, Start-up, Expansion
28. Lunova AB	All	Up to 2 million	All
29. MalmöHus Invest	Technology	3 - 30 million	Seed, Start-up, Expansion
30. Medicon Valley Capital Management	IT	60 - 500 thousand	All
31. Novestra AB	All	5 - 50 million	Expansion
32. Priveq	All	20 - 100 million	Expansion, Replacement Capital, Buyout
33. Ratos AB	All	250 - 1500 million	Expansion, Replacement Capital, Buyout
34. Remium AB	IT	Up to 10 million	Seed, Start-up, Early expansion
35. Småföretagsinvest AB	All	2 -10 million	Start-up, Expansion
36. Springboard Venture Capital AB	All	No info	All
37. Swedfund International AB	All	1 - 50 million	All
38. Teknoseed AB	Technology	1 -6 million	Seed, Start-up
39. AB Traction	All	0,01 - 100 million	Expansion, Replacement Capital, Buyout
40. Uminova	All	1 - 4 million	Start-up, Expansion
41. Y3K	IT, Telecom, Media	5 - 10 million	Expansion
42. Z-Invest AB	All	Up to 15 million	Start-up, Expansion

VC's that did not participate	Preferred industry	Investment Size. SEK	Investment phase
1. Accent Equity Partners	All	50 - 300 million	Buyout, Later-Stage expansion
2. Aktietorget Fyrbodol	All	10 - 50 million	All
3. Aldano AB	All	5 - 10 million	Expansion, Buyout
4. Almi Företagspartner AB	All	100 - 1000 million	All
5. Altor Equity Partners AB	All	250 - 1500 million	Buyout, Later-Stage expansion
6. Amplico Kapital AB	All	10 - 30 million	Expansion, Buyout
7. Biolin Medical AB	Life Science	No info	All
8. BrainHeart Capital AB	Telecom	10 - 200 million	Expansion, Buyout
9. Capman AB	Telecom, IT, Biotech, Medtech	10 - 500 million	All
10. Centrecourt AB	All	0,3 - 10 million	Seed, Start-up, Expansion
11. Early Stage Financing	All	No info	Seed, Start-up
12. Global Power 2.0 AB	Software, Media, Telecom	No info	Seed, Startup
13. Hierta Venture AB	IT, Media	5 - 50 million	All
14. Idi AB	All	No info	All
15. Industrifonden	Life Science, Energy	2 - 50 million	Start-up, Expansion, Seed
16. Industrikapital AB	All	500 - 1500 million	Buyout
17. Innoventus Procect AB	Biotech, Health Care, Medtech, Pharma	1 - 10 million	Seed, Start-up
18. Intermediate Capital Nordic AB	All	500 - 1500 million	Buyout
19. Investor Growth Capital	IT, Medtech	30 - 500 million	All
20. Karolinska Investment Fund	Biotech, Health Care, Medtech, Pharma	10 - 50 million	All
21. MVI Sverige KB	All	10 - 50 million	Buyout, Expansion, Replacement Capital
22. Nordstjernen	All	100 - 2000 million	Expansion, Buyout, Replacement Capital
23. Northzone Ventures AB	Telecom, IT, Computer Software	5 - 50 million	All
24. Sanders & Wiklund Kapitalpartner	All	No info	All
25. Scope Capital Advisory AB	Telecom, IT, Technology, Energy	1 - 15 million	All
26. Segulah	All	100 - 2000 million	Buyout
27. Servisen Investment	All	1 - 25 million	Expansion, Replacement Capital, Buyout
28. Skanditek Industriförvaltning	Telecom, IT, Computer Software, Biotech	10 - 1000 million	All
29. Skyventures	Media	50 - 1000 million	All
30. Smålandsfonden	Media	No info	All
31. Smedjan Utvecklings AB	All	No info	Expansion
32. Slotsbacken Venture Capital	Telecom, Computer, Media	1 - 50 million	Start-up, Expansion, Replacement Capital
33. Speed Ventures AB	Media	No info	All
34. Spread Corporate Advisors	IT, Telecom	50 -1000 million	All
35. Startupfactory AB	All	10 - 100 million	Seed, Start-up, Early expansion
36. T-bolaget AB	All	1 - 10 million	Seed, Start-up, Expansion
37. Tectelos AB	Telecom, Energy	No info	Start-up, Early expansion
38. Teknikbrostiftelsen	Technology, Biotech, Medtech	No info	Seed, Start-up, Expansion
39. Uppfinnarspar AB	Biotech, Energy	3 - 20 millio	All
40. Venture Partners AB	All	10 million and more	Seed, Start-up, Expansion
41. Wikow Invest AB	Media	No info	All
42. WireEdge Ventures AB	Technology, Biotech	No info	All
43. Zone AB	IT	No info	All

Industry	VC's that participated		VC's that did not participate	
	No. Of companies	Percentage	No. Of companies	Percentage
All industries	16	38%	24	56%
IT	15	36%	9	21%
Telecom	8	19%	8	19%
Technology	6	15%	3	7%
Medtech	4	10%	5	12%
Biotech	4	10%	7	16%
Computer software	4	10%	4	9%
Traditional industries	3	7%	0	0%
Health Care	2	5%	2	5%
Life Science	2	5%	1	2%
Media	2	5%	7	16%
Transportation	1	2%	0	0%
Real estates	1	2%	0	0%
Pharmaceuticals	1	2%	2	5%
Energy	1	2%	3	7%

Investment size, SEK	VC's that participated		VC's that did not participate	
	No. Of companies	Percentage	No. Of companies	Percentage
< 0,5 million	1	2%	0	0%
< 1 million	1	2%	0	0%
< 10 million	15	36%	5	12%
< 25 million	6	14%	3	7%
< 50 million	6	14%	8	19%
< 100 million	5	12%	2	5%
< 5 billion	3	7%	11	26%
No info	5	12%	14	33%
	42	100%	43	100%

Investment phase	VC's that participated		VC's that did not participate	
	No. Of companies	Percentage	No. Of companies	Percentage
Seed	20	48%	29	67%
Start-up	24	57%	31	72%
Expansion	37	88%	38	88%
Replacement capital	17	40%	25	58%
Buyout	18	43%	31	72%

Appendix 3

Business Attendance

Industry	No. Of companies	Percentage
All industries	16	38%
IT	15	36%
Telecom	8	19%
Technology	6	15%
Medtech	4	10%
Biotech	4	10%
Computer software	4	10%
Traditional industries	3	7%
Health Care	2	5%
Life Science	2	5%
Media	2	5%
Transportation	1	2%
Real Estates	1	2%
Pharmaceuticals	1	2%
Energy	1	2%

Investment range

Investment size, SEK	No. Of companies	Percentage
< 0,5 million	1	2%
< 1 million	1	2%
< 10 million	15	36%
< 25 million	6	14%
< 50 million	6	14%
< 100 million	5	12%
< 5 billion	3	7%
No info	5	12%
	42	100%

Investment phase	No. Of companies	Percentage
Seed	20	48%
Start-up	24	57%
Expansion	37	88%
Replacement capital	17	40%
Buyout	18	43%

Shareholder structure	No. Of companies	Percentage
Invest only if given majority	11	26%
Invest only if given minority	19	45%
Will invest in both	12	29%
	42	100%

Preferred elements in a business plan

Elements	No. Of Companies	Percentage
Thorough market analysis	42	100%
Business idea	40	95%
Financial projections	36	86%
Company description	34	81%
Exit strategy	32	76%
Interesting summary	29	69%
Sales/Marketing strategy	27	64%
Product's problem solving	27	64%
Consumer value	25	60%
Competition analysis	24	57%
Patent	24	57%
Product uniqueness	17	40%
Pricing strategy	15	36%
Industry niche	14	33%
Company history	11	26%
Time plan	7	17%
Organization	6	14%
Recruitment need	2	5%

Financial section in business plan

Elements	No. Of companies	Percentage
Cost/ revenue plan	25	60%
Company valuation	17	40%
Capital need	13	31%
Balance sheet/ Income statement	7	17%

Other valued criteria

Elements	No. Of Companies	Percentage
Ownership influence	39	93%
Ownership structure	36	86%
Own industry knowledge	30	71%
Customer references	6	14%
Company organization	5	12%
Back-up plan	5	12%
Existing customers	4	10%
Gut feeling	2	5%

The role of the entrepreneur

Elements	No. Of companies	Percentage
Market knowledge	42	100%
Product knowledge	37	88%
Experience of entrepreneurship	37	88%
Industry knowledge	35	83%
Working background	33	79%
Personal characteristics	32	76%
Entrepreneurial team	29	69%
Management	28	67%
Experience of leadership	13	31%
Experience of sales	11	26%
Personal Chemistry	5	12%
Board members professional merits	7	17%
Track record	4	10%
Good reputation	3	7%
Personal economy	3	7%
Personal knowledge of entrepreneur	2	5%
Payment complaint	1	2%
Penalty file	1	2%

Appendix 4

Questionnaire

- 1. What sorts of business ideas do you handle/ in which businesses do you consider yourselves being in attendance?**
- 2. In what range do your investments generally lie?**
- 3. Is the ownership structure of the company conclusive for if you choose to invest or not and if so, how and why is it important?**
- 4. In which development phase do you want a company/entrepreneur to be when seeking funds in your company?**
- 5. What kind of significance do you place on the business plans that are sent to you?**
- 6. What elements do you generally think that a business plan should contain and why?**
- 7. What element do you think a business plan should contain in terms of financial information and market surveys conducted by the fund seeking company?**
- 8. What other criteria do you follow when assessing an entrepreneur/a fund seeking company?**
- 9. What role does the entrepreneur herself and the owners of the company, that seek financial assistance, play in your assessment?**
- 10. What do you specifically value in an entrepreneur or finance seeking entity when it comes to aspects such as education and former entrepreneurship?**

