

Final year thesis

Lund Institute of Technology

Division of Product Management

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THE ESSENCE OF ENTREPRENEURSHIP

- A conceptual test of Magnus Klofsten's "Business Platform"

"The road to a stable company"

Jonatan Tullberg

Summary

Title	The Essence of Entrepreneurship
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Key words	Entrepreneurship, entrepreneur, development process, new venture, business environment, company relations.
Problem	Investigation of the correlation of the business platform theoretical stance with existing external relevant theories and models and the practical applicability, tangibility and portrayal ability of the model on entrepreneurial ventures.
Purpose	The purpose of this thesis is to, through analysis of the areas comprising the business platform, validate that the business platform can be connected to existing theory thus implicating that it might accomplish its intended purpose. The goal of the thesis is not to validate the purpose of the business platform but to anchor the theory behind the platform with external theories.
Method	The research behind this report is based on a qualitative study. The theoretical approach has been emphasised but additional information has been gathered from interviews and investigations into case companies. Secondary sources, literature, have been collected from books, brochures and articles in addition to Internet.
Conclusion	The business platform is a relevant and interesting model for company analysis. It covers all areas of importance and there is a clear connection between the aspects of the business platform and external theories. It is expected, based on the literature study, that the business platform is capable of achieving its intended purpose.

Preface

If I was to name one thing, during my university time, that has given me knowledge to bring into working life, this thesis has to be it. As my work progressed and I widened my knowledge base I had the feeling of bringing everything into my heart. I started to see structures, combinations and identified how everything around a company is entwined into each other. This was a great experience and so has writing this thesis been.

It has to be noted that C-J Asplund has further enhanced this feeling and I do not think that I would have managed it without his constant guidance and support. I am very grateful to Carl-Johan. I also wish to thank Magnus Klofsten, Hans Landgren, Marie Löwegren and every one else that has helped me during my investigation phase.

I hope that this thesis provides interesting reading and that everybody who reads it feels that they have gained a deeper insight into the world of entrepreneurship.

Lund, 29th of February 2004

Jonatan Tullberg

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1 Introduction

Chapter one is an introductory chapter aiming at providing the reader with a general oversight and direction of the paper. A short background is presented followed by the reasons for the report investigation area. After this there is a description of the report's disposition. In this chapter the problem formulation and intentions of this report will be presented.

1.1 Background

"Entrepreneurship is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently at hand" – Jeffry Timmons

In January 2003 EU commissioner Erkki Liikanen, responsible for the Enterprise and Information Society, presented the Green Paperⁱ on entrepreneurship. The Green paper aims at launching a wide public debate on the importance of increased entrepreneurship and small business growth. Commissioner Liikanen emphasised in his speech the importance of entrepreneurship not only for competitiveness, jobs and growth but also for its potential contribution to social cohesion. Liikanen believes that the entrepreneurial potential in Europe is largely unutilised. Although relatively positive attitudes towards entrepreneurship in Europe we experience a lower involvement in new entrepreneurial initiatives and demonstrate a slower overall business growth compared to USA. In USA entrepreneurial growth companies accounts for 2/3 of all new jobs created and 2/3 of all new technological innovationⁱⁱ.

The Green Paper focuses on two main aspects. One is how to produce more entrepreneurs and how to increase firm growth? A range of possible policy options concerning the reduction of barriers, increased motivation and education of actual and new entrepreneurs and finally attitudes of society at large are presented in this paper.

The preferred outcome of the Green Paper is a larger emphasis on education for entrepreneurship and the notion to Europe's policy makers to better adhere to small business opinions. It is important that an entrepreneurial culture and a suitable business environment are incorporated within and between all European countries.

Research around technology-based entrepreneurship is a relatively young discipline, with its roots in the late sixties. In 1973 Watkins, in an article, criticises and demands more European investigation into technology-based companies as a counterweight to the American dominance within this area. One point that he particularly stress is:

" Despite periodic journalistic interest in what is often described as the Rout 128 Phenomenon, particularly in France where the government has on several occasions indicated a desire to stimulate such activity, academic interest has been minimal (...) Apart from work carried out at Manchester Business school (...) **almost nothing in the way of systematic study has appeared (...)"**

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At large the same criticism is given in the OECD rapport 1971 (quote from Watkins, 1973):

“(...) the existing and widely held view that science-based entrepreneurship has not flourished in Europe may well reflect a lack of study of the phenomenon itself.”

Under the later part of the seventies the first actual European study of young technology based companies were conducted. This was a comparison between English and West-German companies and aimed at emphasising important environmental aspects that might have a positive influence on the growth of small business. Since then a number of studies has been conducted around and about technology based companies. One of the most famous investigations was done on technology-based companies in Cambridge, England, and came to be called “The Cambridge Phenomenon”.

In Sweden research into technology-based companies has been conducted at many universities since the beginning of the eighties. The research is often connected to the proximity to innovation parks such as in Lund, Linköping and Chalmers.

The Swedish research has mainly been directed towards four different areas:

- Studies aimed at describing, quantifying and analysing companies.
- Studies aimed towards the development of companies
- Studies with focus on the entrepreneur, his/hers background, driving force and psychology.
- Studies aimed at analysing the business environment, network and resources.

As can be understood form the above reasoning entrepreneurs and creation of new business is a vital ingredient in the development and flourishing of an economy.

1.2 What is the Business Platform?

After extensive literature studies and analysis of three case companiesⁱⁱⁱ Klofsten (1992) developed an entrepreneurial model called the “Business Platform”. The aim of the business platform is to establish guidelines for newly started and middle size companies to achieve a dynamic and stable internal and external development environment. The business platform directs itself towards demonstrating how important the initial phase of the development process in the individual company is for its future growth and prosperity. The business platform also seeks to aid in the process of identifying areas of improvement in a company. Company leaders can, through the application of the business platform, on his/her company, identify the company’s strong as well as weak aspects and receive indications into what area that should be improved to accomplish continuous improvement.

The analysis and evaluation of a company, with the Business Platform, is conducted through the investigation of 8 different cornerstones or aspects. These cornerstones are interconnected to create an overview of the future potential and survival possibilities of the company.

The Business Platform model was, as stated earlier, published in 1992. Vast amounts of interests have been accredited to Klofsten’s model due to the fact that it comprises all the four Swedish research areas mentioned in the section above.

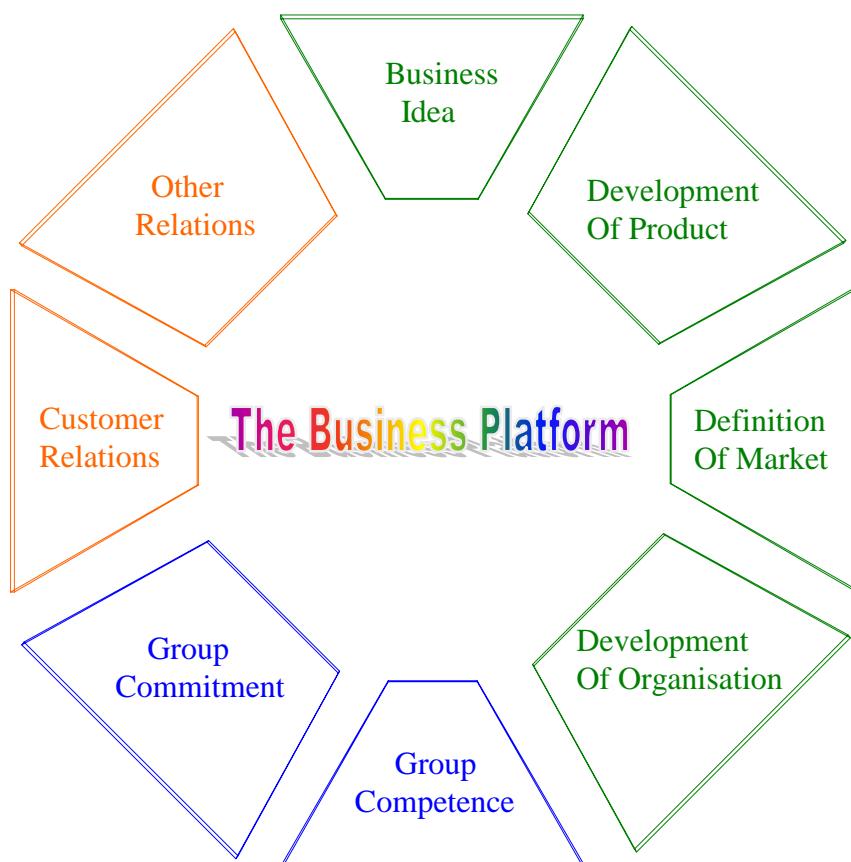


Figure 1: The Business Platform cornerstones

1.3 Why is Entrepreneurship and The Business Platform Interesting?

When delving deeper into the world of entrepreneurship it is interesting to examine its contributions to the community. The entrepreneur acts as the primary contributor and mobiliser of resources to develop an economy, provide employment and stabilizing the society. Jean-Claude Ndungutse^{iv} list a number of benefits that entrepreneurship and small business brings to an economy:

1. Provide a productive outlet for energies of enterprising and energetic people
2. Significant contribution to the economy in terms of output of goods and services.
3. Creation of jobs at relatively low capital cost, especially in the fast growing service sector.
4. Development of a pool of skilled and semi skilled workers who are the base for industrial expansion
5. Small businesses are a source of innovation in products, services and techniques
6. Strengthening forward and backward linkages among socially, economically and geographically diverse sectors of the economy.
7. Creating demand as well as supply
8. Contributing to increased participation of all communities in the economic activities of the country.
9. Offering excellent opportunities for entrepreneurial and managerial talent to mature, the shortage of which is often a great handicap to economic development
10. Supporting industrialization policies that promote rural-urban economic balance
11. Increasing savings and investment by communities and encouraging use of local resources, thus leading to more effective use of capital
12. Serve a social function by creating career opportunities and upward social mobility, and by preserving, in many instances, a set of values increasingly needed in these days of large impersonal firms.

To summarise the above entrepreneurs and small business is a very important element in the creation of employment and the production of goods and services which in its turn leads to healthy and viable economic communities.

1.4 Report Aim and Problem Formulation

“Investigation of the correlation of the business platform theoretical stance with existing external relevant theories and models and the practical applicability, tangibility and portrayal ability of the model on entrepreneurial ventures “

The Business Platform can be seen as a metaphor for entrepreneurship and all aspects surrounding entrepreneurship. The main purpose of this report is to make an in-depth investigation of the business platform. The report seeks to capture the essence of the entrepreneur and entrepreneurship from a theoretical reference frame through analysis of the important factors for a company on the road from infant venture to a stable company. Identification and analysis of the major areas comprising the platform forms the basis for a further illustration of two case companies.

Klofsten created the business platform with the purpose of creating a tool for:

- Measurement of soft aspects
- Support for communication
- Creation of commitment
- Development of competence
- Support during change management
- Support during the decision making process

The business platform is constructed around a number of aspects that together illustrate and illuminated problem areas within and around a company. The aspects or cornerstones cover many functions of a company, everything from business idea to customer relations. For the business platform to achieve its before stated aim it is important that the aspects or cornerstones gives a clear picture of the company and correctly measures all areas that are of importance. The aim of this thesis is to, through analysis of the areas comprising the different cornerstones, validate that the business platform can be connected to existing theory thus implicating that it might accomplish its intended purpose. The goal of the thesis is not to validate the purpose of the business platform but to anchor the theory behind the platform with external theories. This in its turn point to that the business platform have the capability of achieving its intended goal as mentioned earlier.

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Two main questions, comprised of three sub questions each, form the analysis criteria of this thesis. The two main questions are concerned with the theoretical and practical viewpoint of the business platform respectively.

- **Can it be expected from a theoretical viewpoint that the business platform can achieve its intended purpose?** This question seeks to answer if the business platform is adequately connected to valid and relevant theories concerning entrepreneurship. This is the main criterion for the business platform to achieve its intended goal.
- **Can it be expected from a practical viewpoint that the business platform can achieve its intended purpose?** Apart from the theoretical connection the business platform has to be an easily applicable and understandable model for company analysis. This question seek to answer how well adopted the business platform is for practical application on a company. It should be noted that this practical application part does not look at the managerial perspective of the company. This section rather gives an outside view of the practical aspects of the business platform.

The sub-criteria for the first major question are:

- **Does the theory behind the business platform relate to other existing models and theories?** This question looks as how existing theories and models can be used to confirm or disconfirm the theory around the different cornerstones. Is it the case that the cornerstones cannot be anchored with other theories or do they conform to them?
- **Are the different cornerstones relevant, correctly and adequately formulated?** This question seeks to examine if every cornerstone is relevant and formulated in a fashion that enables the user to gain the most benefit from it.
- **Are there other relevant areas that the business platform does not cover?** Here the question is whether the different cornerstones cover all areas that are important during the initial start-up of a company.

The sub-criteria for the second major question are:

- **What is the portrayal ability of the business platform?** As the business platform has been developed to function as a tool for investigation and analysis of a company's current situation and future potential it is important that it gives a correct image of the company. The portrayal ability criterion aims at measuring the extent to which the business platform evaluation of a company corresponds to the actual perceived situation of the relevant company.
- **How relevant is the business platform for the individual company?** One of the main purposes of the business platform is to convey information to entrepreneurs of the current health and future potential of their company. Strengths and weaknesses should be acknowledged

and directions for improvement established. Due to this it is important that the business platform covers areas that are of relevance to the entrepreneur. Are there areas that appear under or over examined to convey an accurate picture for future prosperity?

- **How tangibility is the business platform?** How tangible are the results from a business platform analysis? Is it difficult to grasp the aspects and extrude preferable improvement actions?

To connect the business platform with reality investigations into two case companies has been made. They serve as illustrations of the usability of the business platform and are assessed according to the criteria described in the section practical section above.

1.5 Limitations

This thesis is limited to investigation of company performance and potential according to the guidelines of Klofsten's "Business Platform". Company illustration will only be investigated at their current position and no follow-up will be conducted to establish validity of the business platform. All evaluations using the business platform are intended as illustrative examples and empirical data for analysis purposes are not collected to validate or disprove the model.

Analysis of the business platform will only be made with respect to the assessment criteria presented.

1.6 Target group

This thesis is directed towards providing a fundamental insight in specific aspects of the business platform. Intentions are to provide entrepreneurs and others, in entrepreneurship-interested professionals, with a deeper theoretical investigation into a number of areas of the business platform. It is expected that this thesis might provide useful guidelines for future studies into areas concerning entrepreneurship, ranging from investigations into the time before company foundation to the time after a business platform is reached.

1.7 Thesis Outline

Chapter 1 is an introductory chapter. In this chapter a general oversight of the thesis topic is given and the direction of the paper. The reason for topic choice and the problem formulation is presented.

In *Chapter 2* the thesis methodology is presented. Methodological approach and data management together with established frameworks is given.

Chapter 3 presents the theory involving the business platform. This is based on Klofsten's presentation of the business platform. The whole model including the individual cornerstones will be defined.

Chapter 4 is the main part of this thesis. In this section the theory involved with the answering of the problem formulation is presented. Here is an in-depth study of the three main parts that comprise the business platform.

In *Chapter 5* the case illustrations are presented. The business platform is in this chapter applied to both case companies. The aim of this chapter is not to evaluate the individual company but to provide the basis for answering the assessment criteria connected to the case companies.

Chapter 6 is the analysis of the literature study and aims at connecting the collected theory with the business platform. This analytical process forms the basis for the discussion and result.

Chapter 7 deals with the analysis of the case illustrations. The analysis is based on the business platform and the assessment criteria and forms the basis for the discussion and result.

In *Chapter 8* a discussion around the main areas and the individual cornerstones is given. The illustrative case companies and the problem formulations around them are also presented here. The discussions are concerned with answering all the questions in the problem formulation.

Chapter 9 presents the result of this thesis together with additional comments. Future research topics are also given.

2 Methodology

This chapter concerns the overall methodology of this thesis. An explanation will be given to the methodological approach that has been used and how data have been collected and managed. The framework for the empirical study is presented and what approach that has been taken towards the analytical work. The collection process of the various types of data and criticism of sources are also covered in this chapter.

2.1 *Introduction*

The intention of this introduction is to give an overview of the practical methodology undertaken in the creation of this thesis. The foundation of this thesis is based on three connecting areas. The first part introduces the business platform followed by the second that makes an in-depth analysis of the three major areas comprising the business platform. The analysis of the platform is built from literature studies and expert interviews. This is done to better illustrate and formulate the importance of the various cornerstones/aspects of the business platform. The third section is concerned with further illustration of the use and applicability of the platform. In this section case companies have been studied and examined with a standpoint in the business platform and the assessment criteria.

2.2 *Introduction to Research Methodology*

The determination and identification of a problem formulation must, according to Patel and Tebelius (1997), firstly be defined in order to select and apply a suitable research method. There exist a number of different techniques when conducting a study, and deciding among them can prove to be rather difficult. Often there is a natural choice of method connected with the aim and procedure of the study but on occasions the need for a mixed method might occur. It could also be the case that investigation method has to be changed during the investigation phase. This study aims at using a qualitatively study which indicates a limited number of observations and more in-depth analysis of the various aspects. This is the opposite of a quantitative study that is the description of a study including many observations and a more shallow study of the various aspects.

2.3 Investigation Methodology

To achieve a deeper knowledge within the research area the investigation method for this thesis has largely been a modification of the hermeneutic method.

The hermeneutic spiral, indicating a process for cyclical understanding, has been the guideline during the investigation phase. The image below describes the different cycles conducted in this investigation.

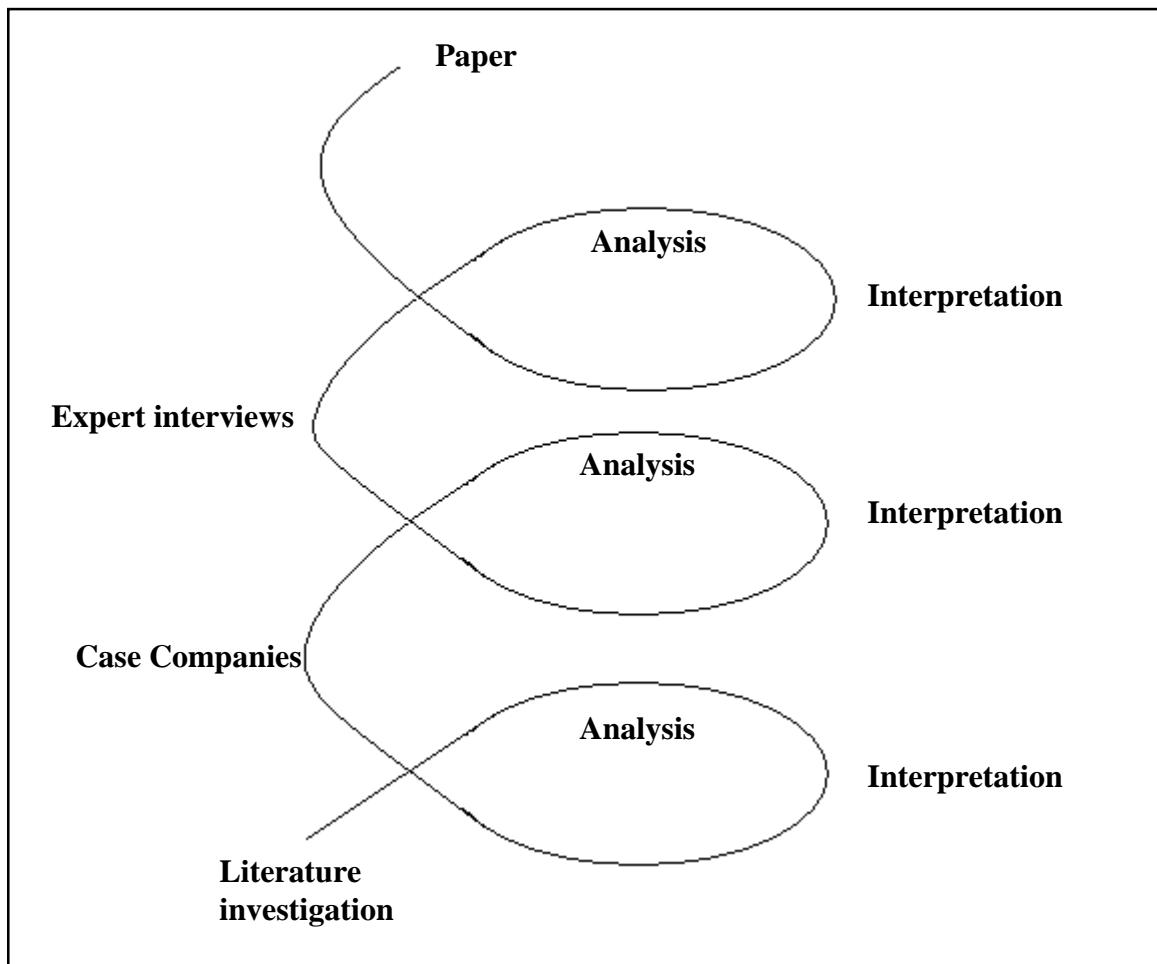


Figure 2: Research method according to a modified hermeneutic spiral

This approach has had the advantage of creating a triangular direction of the research in this thesis. Through triangulating between literature studies, case companies and expert interviews various insights were brought to life that covers all aspects of the business platform.

Theoretical insight was given through the literature study and more practical, hands on empirical data, was collected through the case companies. To connect, entwine and clarify expert interviews was conducted to cover every important area.

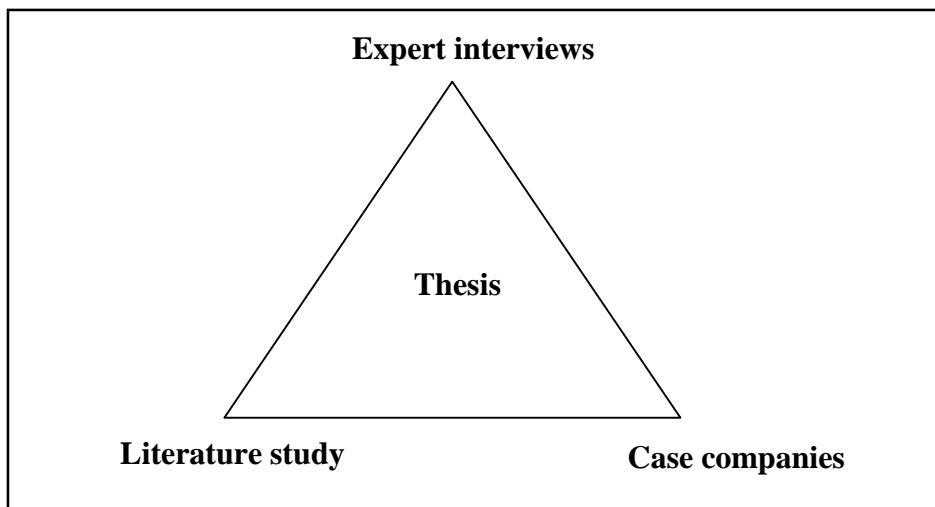


Figure 3: Triangular approach to research

2.4 Problem Approach

Eriksson and Weidersheim-Paul (1997) formulates three different approaches to a research problem:

- General Approach
- Scientific Approach
- Practical Approach

The general approach discusses different perspectives of a problem whereas the scientific approach refers to the scientific views, which the used methods are based upon. The practical approach deals with the means for data collecting.

2.4.1 General Approach

There are different means for a scientist to observe events and occurrences in experiments. The general approach establishes a frame of reference, which refers to the total knowledge, norms and values. The frame of reference works as an individual scale of which the researcher approach is based upon. This means that the person, in this case the researcher, who makes the investigation, affects the conceptions of different perspectives. It is therefore of vital importance to keep an objective approach when conducting an investigation. To be able to facilitate for a more objective approach a thorough literature study has been conducted including both strong and weak aspects of various theories. It is however important to

acknowledge that a completely objective and unbiased rapport is virtually impossible to produce due to that reference literature often include biased thoughts.

2.4.2 Scientific Approach

The scientific approach refers to the scientific point of view, which the method is based upon. Through empirical and rational research two, in principle, partly different approaches can be established:

- Deduction (rational): From theories hypothesis are formed that are, in its turn, verifiable statements of reality. Through logical deduction a result is presented.
- Induction (empirical): From different observed phenomenon in reality more general theories are established.

The method used in this paper is the deductive method as the research is based on a theoretical framework. From the theory hypothesis has been drawn to in later stages be verified by empirical investigations.

2.4.3 Practical Approach

This approach refers to the means of obtaining data. The collecting of data has been conducted through interviews with relevant players. Further discussed below.

2.5 Information and Data Gathering

After clarification of purpose and direction of this rapport a through literature study and data gathering activities were undertaken to expand the knowledge base. All information gathered was based on the theoretical framework established early on in the investigation period. Various literature and information has been acquired from books, Internet, articles and brochures.

When a knowledge base had been established empirical data was collected through interviews with leaders of small newly started companies. The aim was to use companies with an age of no more then 2 years.

The empirical study was expanded with expert interviews that clarified and exemplified question marks raised during the two initial stages.

The above activities has lead to that two kinds of data has been collected, primary and secondary.

2.5.1 Primary Data

Primary data is data that has been collected as a complement to the existing secondary data or the case where no secondary data exists.

Two kinds of primary data have been collected as mentioned earlier. The first is interviews with company leaders about their company history and expected future. These interviews

were based on the business platform and the questions were formulated in a fashion to accommodate for discussion rather than straight answers. Apart from attaining valid information about the company it was also important to gain a feeling for the company and the motivation level of their employees. This will be covered in later sections.

The second kind of primary data was gathered from expert interviews with foremost Magnus Klostern, founder of the Business Platform, and other experts within various areas of the business platform (Hans Landgren and Marie Löwegren). The aim of these interviews was to obtain their view on particular areas within the platform and clarify issues that had arisen during the investigation phase. This was done in order to complement and solidify the existing and expanding views of the business platform.

2.5.2 Secondary Data

Secondary data is information from sources such as books, Internet, databases and so forth. The main bulk of secondary data in this report has come from literature books and Internet, but a number of articles and brochures have also been used.

Examples of key words used during Internet search is:

- Entrepreneurship
- Entrepreneurs
- Company development process
- Life cycle
- Relationship marketing

References from articles and books have also been used and Magnus Klostern's literature study has been acting as a primary guideline for the investigation areas.

2.6 Validity and Reliability

2.6.1 Validity

Eriksson & Wiedersheim-Paul (1997) defines validity as the ability of a measurement instrument to measure those factors that are intended to be measured. It is important that measurement tools actually measures those values that are intended. There exist two different aspects of validity, internal- and external.

Internal validity refers to the conformity between concepts and the operational definitions of these. This leads to that internal validity can be investigated without actual empirical data collection.

External validity refers to the conformity between the measured values received when using an operational definition and reality. External validity is independent of internal validity and cannot be determined without insight into how the empirical data has been collected and what it looks like.

2.6.2 Reliability

Validity is predominantly the most important demand on a measuring instrument. If the tool, or instrument, does not measure the correct factors it does not matter whether the measurement is reliable or not. Further demands can be put on various measurements and one of these is reliability. This implies that the measurement instrument should give dependable and stable readings. For example could the question be asked whether a different result would be given with an alternative measuring instrument and if a repetition of measurement would yield a different result? A valid measurement tool should therefore have high reliability and be independent of the investigating person.

2.7 Credibility of the Thesis

To determine whether a collected data is valid, reliable and relevant it is important to criticise the source. The aim of this study is manly to investigate and illustrate the usability of the business platform. With this kind of investigation procedures there is a high risk that the investigator affects the research process in a biased way. Since one person does the gathering and analysis of the material there is a higher risk for biased thoughts and constant awareness that personal colouring might be present is of importance. The tendency is that qualitative studies have a higher tendency for biased angling, compared to quantitative, whereas a combination of qualitative and quantitative research tends to be more unbiased.

There is also a risk of misunderstanding between the researcher and the respondent, or that false information may have been provided. Attempts have been made to overcome this problem through recording of all expert interviews. From the recordings corrects statements has been able to be presented.

2.7.1 Primary Data

The primary data consists mainly of interviews. These interviews were conducted in the form of an informal discussion with guiding questions. There are a number of different interviewing techniques; from standard questions to unstructured open-ended interviews (Silverman, 1993). Depending on the information demanded different techniques should be used during the interviewing process. When hard data such as number of employees and formal relationships is required it is preferable to use a structured questionnaire. This is, however, not a particularly useful method when you want to understand why or how certain events occur, and you do not have the alternatives beforehand. In this case the loosely structured interview have an obvious advantage. They are more open to what the respondent feels is important and draws a richer picture when information is gained about the respondents experiences, ideas and impressions (Alvessons, 1996). The main disadvantage of these interviews is that they cannot be used as a mirror of the real world since the interview situation, the respondent's feelings towards the interviewer, the interviewer's appearance etc affect the answers. Due to this, interview statements should not be taken for granted. It could be expected that in some cases the company leaders paint a more positive picture around the company then the actual perceived image.

Interviews have been made with experts within the various areas and with two case companies. These two case companies are pure technology based companies.

2.7.2 Secondary Data

The secondary data is predominantly from books and Internet sites. The literature from books has to the furthest extent been cross-referenced and different views and opinions have been adhered to. There are, however, different opinions about various aspects in this research area and there is a risk that personal beliefs have coloured this rapport.

When examining Internet references it is important to acknowledge the lack of verifiability in these sites. When Internet information has been gathered that is related to the literature study comparison with and examination of reference literature has been made. Figures and data from Internet has been trusted if the information has come from an objective and unbiased source. Internet sources with relation to the case companies have only been used in order to describe a company's function and market.

3 Theory: The Business Platform

This theory chapter will handle the basic theory of the various parts of the business platform. Here the various concepts and definitions around and about the business platform are presented. The aim of this chapter is to lay the foundation for a deeper understanding of the literature study following in the next chapter. This is Klofsten's personal definition of the business platform.

3.1 *Introduction*

During the twentieth century the influence of technology based companies has heavily increased in the Swedish economy. Technology-based companies are often related to major multinational players such as ABB and Ericsson. Lately however interest in small and young technology based firms has greatly increased. According to Cooper (1973) the reason for the increased interest in newly established technology based firms can be linked to three main factors.

- Technology based companies are an important sources of innovation and they are highly successful in the disperse of new technology on the market
- Technology based companies have a vitalising effect on the industry as a whole and complement individual large companies.
- Technology based companies offer alternative carrier routs for engineers and other technically oriented professionals.
- Technology based firms are out of regional economic standpoint important through the attraction of high educated workforce, increased employment in the subcontractor section mainly in the electronics side and increased R&D intensity in the region. This leads to a broadening of the economic base in the region.

Since the beginning of the eighties a strong increase in the amount of newly established firms in Sweden can be detected. The majority of these firms are often directly linked to large universities and are therefore concentrated to areas where high technical knowledge exists. In Sweden this phenomenon can mainly be seen in Gothenburg, Stockholm, Linköping, Lund and Uppsala.

3.2 Definition of Technology based companies

The definition of a technology-based company can seem rather obscure. As an illustrative example picture two different companies in an established value chain. The first company develops high technology software for logistic and order handling. This company would according to most schools be defined as a technology based company. The big question is whether this also applies for the second company that only sells and markets software for logistics and order handling? This leads to that a certain grey zone in the definition of a technology-based company can be detected where opinions differ between different schools. In general terms it could be said that technology based companies are characterised by the utilization of technical knowledge and methods in a commercial sense. Some technology-based companies are very knowledge intensive and base its operations on continually changing technology. These companies are often called high-technology companies and they usually operate in technological areas such as computers, electronics, medicine and medicinal technology.

According to Cooper (1971) technology based companies are R&D intensive and aims at exploiting new technological knowledge and innovation.

“A technology based firm is defined as a company that emphasises research and development or that places major emphasis on exploiting new technical knowledge”

To be able to do an operational or quantitative definition of a technology based company it is often common to look at the percentage engineers and other technical staff employed and how large proportion of a companies turnover that are used for R&D. The U.S Bureau of Statistics classifies companies as technology based if the segment of engineers and other technical staff is twice as big and/or that the R&D expenses share is doubled compared to the average company. A number of objections has however been raised towards classifications of a technology based company based on R&D spending share of turnover. This is due to that it often is rather difficult to separate R&D expenses from other costs of the company. It is also often the case that R&D expenses are not reported separately from other overhead.

Klofsten (1992) defines technology-based companies as companies whose main strength and competitive edge is based on technical knowledge of individuals tied to the company and that this knowledge is converted into products and/or services on the market. The technology incorporated in the products and/or services that the company offers should either be a result of existing technical knowledge incorporated in a new way or based on completely new technical knowledge.

3.3 The Character of the Business Platform

It is a known fact that newly started ventures are more vulnerable the older and more established companies, why is this the case? One reason could be that the company is small or as Starbuck (1965) expresses it:

"Large organisations have more leverage over their environment than small organisations do"

It could be thought that a smaller company has a higher degree of dependency on its immediate surroundings in the shape of access to services and products from external companies. More established companies could, to a further extent, alter and disregard the close proximity environment. Companies that introduce something completely new on the market is especially vulnerable. These new innovations, which could include organisational structure as well as new products or services, lead to that a company has to practice new functions and tasks. It is often the case that the members of a new venture have general knowledge incurred during earlier employment or similar. It could be the case that this accessible knowledge is not directly applicable to the existing venture, which leads to that the company will have to invest in education and training to be able to incorporate the new members to embrace the new assignment.

The large investments that a new company will have to put into the development of external actors induce a high risk for the company before a mutual and trustworthy relation is established.

In larger more established companies where the organisational mindset is established within the company older employees can help and guide new employees with their roles and tasks. A large company usually also have well established relations with other actors on the market and a mutual trust exists. It can also be the case that customers, to older and more established companies, has developed a knowledge bank around their products and services, which in its turn's ties the customer to the company. It can be argued that older and larger companies have better internal resources and that a successful past creates a higher level of legitimacy on the market.

Singh (1986) postulates that "liability of newness" can be a consequence of either an imperfect internal coordination and/or a lack of connection to the surrounding environment. He found out that "liability of newness" was most commonly a consequence of the later. This could mean that the new venture vulnerability could be a result of that the company has not yet been able to create an adequate amount of quality relations in the immediate environment. It is important that a company to at an early stage in its development connect itself to the market. One definition is that a company becomes market connected when it has achieved the ability to transform different forms of resources, such as monetary to real resources and real recourses to products and services. In this context a catalyst, an initial resource, is a vital must to create a stable flow. A critical mass of relations has been achieved when enough relations has been established to ensure that the operations is to a high degree self-sufficient. The company has at this point reached a state of stability and will receive the vital resources required for future development.

There are many obstacles confronting a newly started company on the market. One of these are that small companies often have the problem of establishing itself on the market, getting

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of the ground. Those companies that have survived the initial couple of years have a much larger survival potential and have established a foundation from which to build and develop.

According to the studies above it could be argued that there exists a boundary at which a newly started company becomes less vulnerable. Mayer&Goldstein (1961) show that companies that survive the initial two years of operation has a much higher ability to survive and develop. This shows that young companies are very unstable and are running a large risk of failure and bankruptcy at an early stage, whereas companies that successfully manage to pass a number of critical stages are more likely to survive and become more stable.

Klofstens (1992) study aims at exploring the early development up to when a company becomes less vulnerable. This is where the concept of the business platform is brought into consideration. When a company has reached a business platform it has passed the initial critical stages and is more prone to survive and develop, given that no dramatic incidents occur in the enterprise or the immediate surroundings.

For a company to be able to reach a business platform two main criteria have to be fulfilled. Firstly the resource flow in the company has to be secured. Secondly the ability to utilize these resources must be developed. With a standpoint in these main criteria the business platform could be defined as a state at which the company is supplied resources and has the ability to utilize them in a fashion that leads to a higher survival potential and development within the company, under fairly normal circumstances. After achieving a business platform a company can to a much higher degree, on its own, acquire adequate resources in a satisfactory fashion.

The business platform is both internally and externally entailed. Externally entailed in the sense that the company must establish relations on the market with for example customers, suppliers and financial contacts to supply resources. Internally entailed through that an effective internal structure and process has to be developed to be able to administer the organization and establish, maintain and develop relations.

3.4 Foundation of the Business Platform, The Cornerstones

Klofsten's^v intentions with the business platform were to construct a model depicting a resource-based perspective of a company. Resources constitute the basic requirements for a company and the intentions of the model is that analysis of the resource flow should give a judgment whether a company has, or has not, reached a stable platform. This is done with a quick analysis of their ability to handle resources and the resource flow in the company. For further information and guidance one has to delve into the business platform cornerstones.

The foundation of the business platform is formed out of the identification of eight different cornerstones. These cornerstones are important in the description and analysis of the early development patterns within a company. All of the eight cornerstones are, both separately and in conjunction with each other, associated to the survival potential and development capability of a company. The eight cornerstones are, according to Klofsten (1992), chosen with respect to the main purpose of the business platform. This is to, through the study of them, obtain a complete overview of the essential parts of the early development process.

The eight cornerstones can be divided into three sub-categories. The first part deals with the development process and the intentions is to, through width, cover all important areas. The section below is an extract from Klofsten's article (2002)^{vi}

- Formulation and Clarification of the Business Idea: The idea must be clarified so that the special know-how that makes up the commercial springboard is understandable and can be communicated internally and externally.
- Development to finished Product: Once the product is available, it must gain acceptance by one or more reference customers – the firm has then proven that it is capable of satisfying markets' needs and wants.
- Definition of Market: The firm must define a market that is large enough and profitable enough to ensure survival.
- Development of an Operational Organisation: The running of business operations requires the existence of an organisational structure that facilitates functional coordination. This structure should take advantage of the firm's inherent flexibility and innovative ability and should be fairly effective at internal coordination and at maintaining and developing external relations.

The second section looks more in to the actors close to the company such as CEO and members of the board, entrepreneurs. These people can, through their knowledge and expertise, immensely influence the development of the company.

- Core Group Competence: A business firm must have technological and commercial competence to develop its products and market – it is crucial to have access to expertise for solving the firm's real problems.
- Commitment of the Core Group and the Prime Motivation of Each Actor: A basic requirement for development is that at least one person is highly motivated and that the other key actors are committed to the business idea.

The last part involves those cornerstones that concern the external resource generating. For a company to be able to survive it has to develop tools for generating and allocating resources.

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It requires a number of different resources from many different areas to work together and complement each other.

- Customer Relations: The customer base must be qualitatively and quantitatively strong enough to generate operating revenue.
- Other Relations: The firm sometimes needs additional capital, management, know-how, or other relations to complement the customer relationship.

All of the above mentioned cornerstones exist within a company in one shape or another. One of the major discussions today is how developed and anchored they are within the company. To be able to define how far a company has reached within the eight different cornerstones Klofsten has defined three levels of achievement that indicates the level of advance. The three levels range from *low*, *medium* to *high*. The lower definition indicates that the cornerstone is very weak or not developed at all while the high level point toward a strong and sustainable level of development within a cornerstone. The medium level in a cornerstones development shows that the company has almost reached the high level but has not completely achieved the strength and sustainability required for the high level. Through this indication levels of the cornerstones it is possible to measure when a company is believed to have reached a stable platform or receive signals into what areas that must be developed to achieve a stable platform for future development.

The reason to why the scale is only divided into three categories is that a scale with more levels would be more difficult to grade and would not be very meaningful. With more levels the differences between the levels would be smaller and assessment of the cornerstones would be increasingly difficult. If the different levels is given a numeric value 0, 0.5 or 1 respectively a value of the companies total existing business platform can be obtained and a comparison between different firms can be made through a summation of the eight values. This kind of numerical transformation is of course not scientifically correct but it is relatively illustrating. The table below illustrates the differences between high and low level of each cornerstone:

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	Low		High
Business Idea	The idea about what the firm's operations should be is not particularly specified Within the firm there is some lack of clarity as to what ideas should be pursued Is relatively unclear what type of need of what type of customer the firm's idea might satisfy.	vs. vs. vs.	There exists a very clearly specified idea for what the firm's operations should be Everybody in the firm is completely clear about what ideas to prioritise Is completely clear what need for what type of customer the firm's idea can satisfy.
Product	There is no developed product No user has tested the product No reference customers can verify the usefulness of the product	vs. vs. vs.	There is at least one well developed product that is entirely ready for sale The product has been tested by a number of potential users A number of reference customers exist, who can verify the usefulness of the product
Market	The firm has no limitations as to what customers it turns to It is not possible to say what characterizes the firm's customers The market is worked up mainly through random contacts The firm sees a large number of customer categories all of which are deemed equally important to cultivate	vs. vs. vs. vs.	The firm turns itself to a very specific customer category There exist a number of criteria, which precisely define the potential customer The firm allows a structured strategy for working up the market The firm gives clear priority to certain customer categories over others
Organisation	All staff do most types of work There are no specified organisational units Members of the organisation are recruited on the basis of the founder's personal network The firm's operations are adapted to the situation and governed by events that come up Everybody in the firm has responsibility and authority within most areas	vs. vs. vs. vs. vs.	All staff have clearly delimited tasks It is possible to clearly describe the firm in an organisational chart Members of the organisations are there because of conscious recruitment of specific competences A disciplined and goal oriented effort towards developing the firm is being implemented There is a strict division of authority and responsibilities within the firm
Competence	To some extent the firm lacks knowledge about the market for its products To some extent the firm lacks competence in marketing and selling To some extent the firm lacks expert knowledge within its	vs. vs. vs.	The firm is very well equipped with knowledge about the market for its products The firm is very well equipped with competence in marketing and selling The firm is very well equipped with expert knowledge within its domain

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	domain To some extent the firm lacks experience and competence in the area of leadership The competence the firm has will not cover its needs for the future	vs.	The firm is very well equipped with experienced and competence in the area of leadership The competence the firm has will completely cover its needs for the future
Drive/Motivation	The founder's primary goal within the firm is to provide employment for him/herself and perhaps some friends The founder regards the firm as one of several possible ways of earning his/her living Work must not intrude on the leisure of the people involved For all parties concerned their involvement with the firm can be characterized as modest	vs.	The founders goal is with the firm is to "amaze the world"; build a growth company vs. The founder is completely geared towards a future as business owner-manager vs. All time is invested in the firm vs. All parties concerned have a very large involvement with the firm
Customer relations	The firm has yet not sold any product to a customer It is not likely that any customers will repeat purchase the product It is difficult to create sales to new customers The customers are sometimes dissatisfied	vs.	The firm has a large number of customers who have bought its products vs. It is very common that the firm's customer make repeat purchases vs. The firm constantly gets loads of new customers vs. The customers are always very satisfied
Other relations	There exists no relationship with banks or investors The firm has a shortage of financial capital There exist no contacts that can provide credibility for the firm in the eyes of the market There exist no contacts that can provide the firm with additional management competence	vs.	There exists very good and stable relationships with banks and investors vs. Access to capital for the firms operations is no problem whatsoever vs. The firm has well developed contacts with other actors who give the firm the complementary resource credibility vs. The firm has well developed contacts with other actors which provides the firm with the additional management competence

Table 1: Assessment criteria for the various cornerstones

It is important to notice that the cornerstones flow into each other. They function as amoebas that connect to each other and build a structure. The cornerstones are not comparable vertically and can only be looked at horizontally.

3.4.1 Formulation and Clarification of the Business Idea

The early development process stretches, as mentioned in the corporate life cycle section, from the time the idea is implemented until the time a business platform is reached. The implementation of ideas means that the founder's notions are converted into action. This indicates that the company is founded and development begins.

The start of a new business venture can take place in a variety of ways. One of the more common is that an idea stems out from university research. Scientist from these universities come together, formulates an idea or goal and found a company. Another situation is where an inventor or inventors/entrepreneur or entrepreneurs come up with a new solution that is commercially interesting. The last and most common reason is that employees from a large company are presented with the option to purchase a product, invention or concept from the mother company. What all of these have in common and what is the base of entrepreneurship is that a company is founded from the development of an idea and that this idea is a solution to a problem. The idea is unique and diversifies the company from others.

During foundation of a company the idea is probably not very well developed. It is however of vast importance to fast formulate and clarify the aim of the company and its products.

3.4.2 Development to finished Product

A company must have something to offer the market, such as a product or a service. The aim of a product or service is to satisfy a customer need.

When a company is founded it is usually not the case that a completely developed product is available for sale. Some companies have a long way to go before they have a functioning product ready for the market where as others have a, at foundation, working prototype or similar with a development potential. During the initial stages of the corporate development it could be the case that there exist a number of interesting ideas but a lack of resources limits the scope a company can take and prioritisations has to be made.

The objective of product development is to quickly produce a product that is acceptable on the market and ready for delivery to customers. This does not mean that the product has to be 100% ready, but it should be able to maintain basic requirements.

A product is not finished until one or more reference customers have accepted the product and it brings the customer a value added.

3.4.3 Definition of Market

The market is defined as the actual and potential customers of a company's product. The customer could for example be another company, a sub-contractor or a reseller who sells the company's product to end user consumers.

It is important for a recently started company to be active on the market at an early stage and find the relevant customers for their business. They need to find, screen and prioritise among customer categories to find the most rewarding segment to aim their promotion activities towards. The basis of this cornerstone is to at fundamental level form a definition of a market

that is adequately big to support the company and be prosperous. This does not mean that a position on the market has to be reached; it is enough to know what market to direct efforts towards and how to penetrate it.

The markets that a newly started company turns towards can have very shifting character. There could already be an established market with a clear need for the product. In this situation the company has to develop a superior product than all existing to compete and fulfil more of the customers needs. The second situation could be that there is no existing products but a clearly defined need among the customers. This market has great potential granted that the right product is developed. The third market is where there is a small or no demand for a product from customers. To penetrate a market with these characteristics is often connected with high risk since the company has to induce a need with the customer and there is a chance that demand for the product will be low or not occur at all.

3.4.4 Development of an Operational Organisation

The meaning of operational organisation is the work structure of the company. The organisation during the early stages primarily concerns the founders and employees but also other actors such as the members of the board. This implies that an operational organisation can only exist after a company has been founded.

Directly after the foundation of a company the operational organisation is usually very simple, flexible and informal. It is based on the close proximity and network between the people involved. This is natural as the number of people working in the company initially is very limited. Some functions have not yet been developed and this structure is the most suitable for this situation. As the company grows it will be demanded that a more structured and effective operational organisation is developed to better accommodate for new functions.

The operational organisation has reached an adequate level when it makes it possible to coordinate both internal and external activities to work towards integration, coordination and collaboration of market activities, product development, organisation and resource build up.

3.4.5 Core Group Competence

The actor's competence refers to their business and technical knowledge. The ability to identify and satisfy the customers needs and wants and to be able to conduct lucrative transactions is the markings of business knowledge. Technical knowledge refers to the ability to develop products that satisfy customer needs and wants. It is important for a company to gain fast experience and knowledge within these two areas. This is especially important in knowledge that is vital for the current situation they are facing.

Knowledge within these areas can be obtained in different ways. It could have been attained through formal education within various related subjects, previous employment and formal background.

It is not likely that one single actor holds all the relevant knowledge, which leads to that a group of people, working in the same direction, with various backgrounds is needed.

3.4.6 Commitment of the Core Group and the Prime Motivation of Each Actor

During the early company development stages high motivation and a strong commitment is needed to build the enterprise. This is connected with an active presence on the market and a willingness to establish effective structures, as the situation requires. It is important that there at all times are at least one person with a high motivation and that the rest of the group is committed. If this is not the case there is usually alternative motives for the start-up of the company.

3.4.7 Customer Relations

Customer relations are especially important, as they are the players that bring turn over to the company. These are the relationships that, in the long term, are supposed to carry the company. The amount and quality of the customer relations varies greatly. Some companies have already at foundation established relations with one or more customers. In some cases it could even be that the company has started around a product idea that is initiated by a customer. Another situation is that it requires a large initial effort to establish customer relations. This is especially demanding if the market is new or does not exist.

3.4.8 Other Relations

Among the other relations the financial relations are of most importance. During the early development stages the company is often in need of financial resources, functioning as a catalyst. The most important financial resources are capital through its ability to be a relatively stable and convertible resource. If a company has access to capital it can acquire the required resources for further growth.

The acquisition of financial resources during the initial development process can be done in a variety of ways. Often it is the cases that the founders bring capital into the company or that external actor bring capital in the form of a loan or ownership loan. There are however other forms of financial resources in the form of grants.

4 Theoretical Study

In this chapter models and theories in that might be connected to the business platform is presented. This chapter forms the basis for the analysis and discussion chapters. It is divided into the three main sectors of the business platform.

4.1 *Background to the Business Platform*

Why is the business platform interesting? Over the last couple of years the interest in the business platform has gradually increased. Later models are not as hands on and often not very model-oriented. This leads to that they are not very applicable to real life, which is the opposite of the business platform, and this is what makes the business platform interesting. Magnus Klofsten^{vii} feels that later models are not as elegant as the business platform. Klofsten's opinions could however be questioned as he is the founder of the model.

Before examining the business platform in detail it could be interesting to examine the origin of the factors and standpoints that symbolizes the business platform. This section will firstly talk about different development processes in a company. It is often the case that the development of a company is described in the shape of a life cycle. There are numerous examples of life-cycle models and two of these will be presented below. A number of objections has been raised concerning the describing of the development process in a company by using an organic life-cycle. These objections will be discussed in conjunction with the presentation of the corporate life-cycle models.

The first four cornerstones (Clarification of business idea, development of product, definition of market and development of organisation) are all concerned with the development of functions and the development process within a company. This development is the results of internal efforts to better adhere to external demands on the company. To pin-point how and when the different cornerstones are developed is extremely difficult because it will probably vary between each individual company. There is however a development process within each company in which these functions are developed and it can be presented through the use of life-cycle models.

The second part will look into the people behind an entrepreneurial venture. What are the qualities and virtuous of an entrepreneur and how important are they in the day-to-day running of a company? Whether the founders of a company are scientists, inventors or just driven people they are all entrepreneurs, good or bad. Commitment and core group competence, that are the two cornerstones of this section, cannot be understood without an insight into what kind of people entrepreneurs are. The nature of the entrepreneur often helps during the founding of a company and at the same time prohibits further development due to their personal beliefs. To further develop this section a through look into how the entrepreneur thinks and functions will be made. A reference to entrepreneurial activity will also be discussed.

The third and last part will examine the various relations for a new venture. Within this area discussions into the environment, network on different levels and the formation of various relations will be made. The two cornerstones discussed in this section is customer- and other relations.

4.2 The Development Process

There are a number of different models available from research that describes or attempts to describe the development process in a company. Some of these models use biological analogies to describe the economic phenomenon that occur. The probably most renowned of these biological analogies is the lifecycle model. The life cycle model have over they years been applied to everything from products to technology and companies. They are all based on the same general appearance with a number of different phases along a curved line, as depicted below.

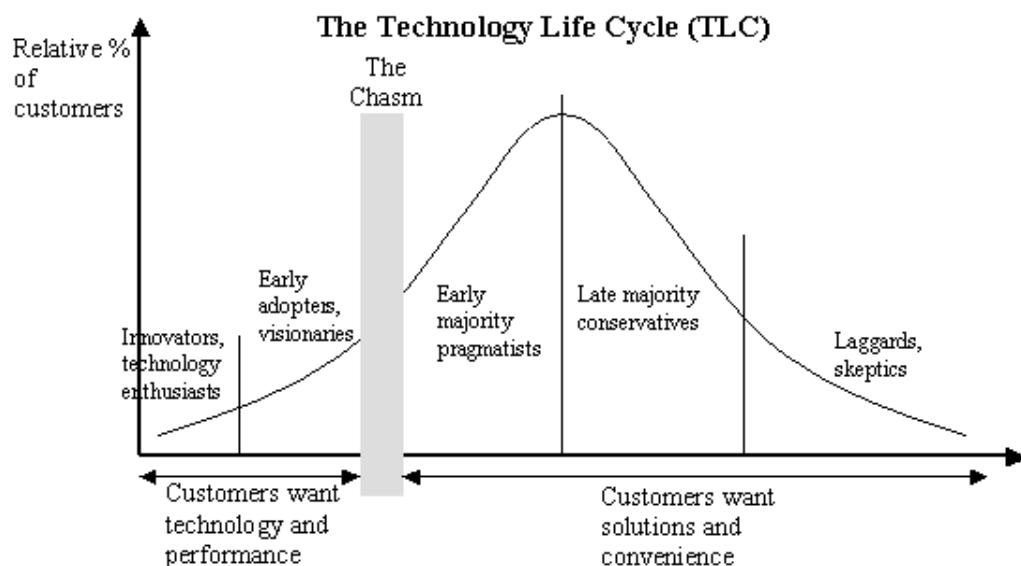


Figure 4: The Technology Life cycle^{viii}

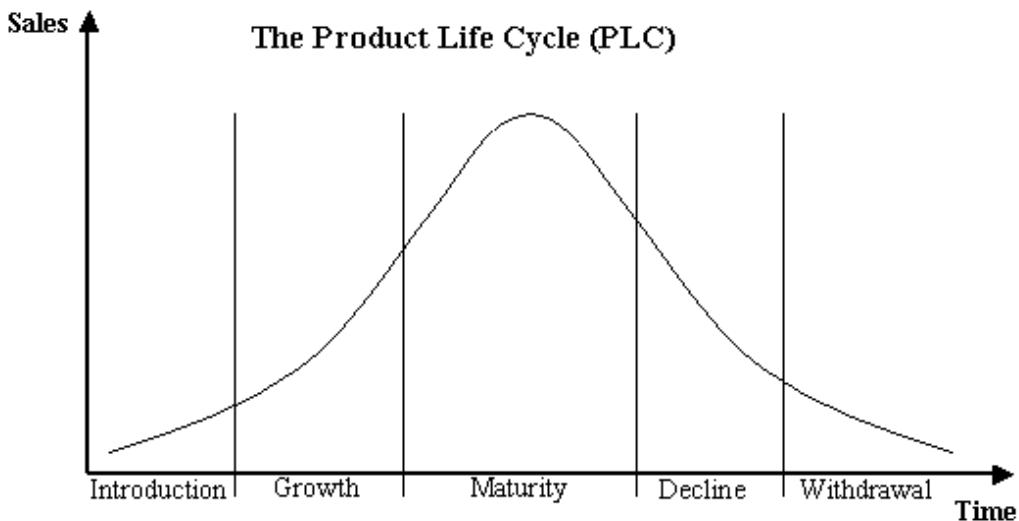


Figure 5: The Product Life Cycle^{ix}

One of the first economists to use the lifecycle analogy for a company was Marshall (1890) where he compared the company development with that of a tree. In 1980 Kimberly and Miles describes the development in a company according to a process of birth, transformation and decline. From this point it can be seen that researchers, applying the lifecycle model, looks at the development process as a chain of interlinked activities. It is assumed that actions and decisions during the company's early development stage not only influences the early development but continues to affect the organisation even at later stages.

One important aspect to consider is when a company actually is formed. According to many researchers there are stages that precede the founding of a company that are of importance to examine. This concept goes against much of the research done on the company life cycle as they often take the standpoint from an already established company.

A number of economists have analysed the concept of a preceding phase to the actual foundation of a company. This phase has come to be called everything from idée-stage (Adizes, 1988), foster-stage (Katz&Gartner, 1988) and pre-start-up (Kazanjian, 1988). As a reference it can be noted that work is currently ongoing at Lund University to examine the process in not yet formed companies. This project is called "Venture Lab" and is conducted by the department of business administration.

4.2.1.1 Examples of corporate life-cycle models:

There are two main characteristics that are argued common between companies and all living life, including humans. The first thing is that they tend to go through cycles. That is to say, firms in market economies tend to emerge, prosper, and mature, and then, all too often, to fade sometimes as rapidly as they arise and expand. The regression is often a very long and painful process, sometimes lasting for a decade or more as companies resist change or are unable to respond effectively to external and internal forces.

Secondly it seems as companies evolve gradually through long stretches of time that are characterized by relative stability in performance ("equilibrium periods") and then to change

abruptly and dramatically ("revolutionary periods"), after which the firms have established substantially new missions and begin another relatively stable period of equilibrium.

The foundation and the number of phases vary greatly between different life-cycle models. Life-cycle models may contain everything from 3- 12 phases, some argue that that development is only possible for a company by moving from one adjacent phase whereas others argue that it is arbitrary how a company jumps between different phases.

The overall general theme is that the company life cycle chain starts with birth followed by growth, maturity, and death according to the following figure.

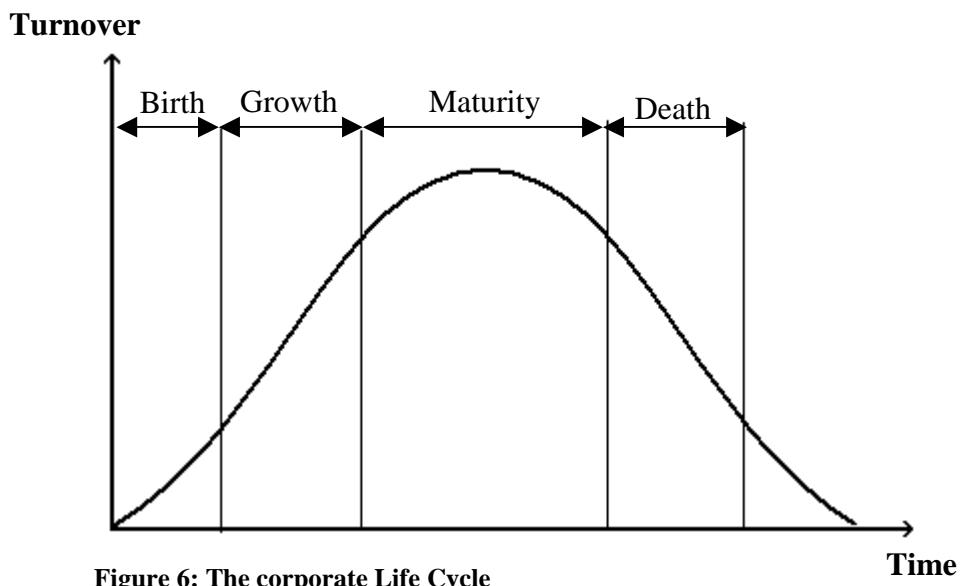


Figure 6: The corporate Life Cycle

Below will follow a description of two different corporate life-cycle models. Adizes (1988) describes a standard life-cycle model whereas Miller&Friesen (1984), which will also be described below, differs from normal life-cycle models in that they argue that a company does not necessarily have to go through the life-cycle phases in a predetermined order.

4.2.1.2 Adizes

Dr Ichak Adizes is a renowned business guru and theorist who now runs his own organisational development company, Adizes Institute. Adizes claims to be "one of the world's leading experts on improving the performance of business and government by making fundamental changes without the chaos and destructive conflict that plague many efforts"^x. He is also a lecturer and author of several books. Notably, 'Corporate Lifecycles: How Organisations Grow and Die and What to Do About It' (1988) is regarded by some as a classic in management theory. Adizes has a Ph.D. and M.B.A. from Columbia University and a B.A. from Hebrew University. According to his website profile he works in English, Spanish, Hebrew, Serbian, Croatian and Bosnian, and that he understands Bulgarian and Portuguese^{xi}. During his work as a researcher and consultant Adizes discovered the usefulness of the life cycle model in the analysis and problem solving activities in companies. The life cycle model he developed describes how and why a company grows and ages. The transition between the different phases takes place through change activity within the frame of four actions: Produce result (P), Entrepreneurial conduct (E), Administration of rules and procedures (A), and integration of individuals in the company (I). Corporate life cycles are defined by the interrelationship of flexibility and control. The definition is not based on a company's age,

sales, assets or number of employees. A company is expected to, during its development, go through the following ten phases but the goal is to reach, and stay at, Prime. Following is an excerpt from Adizes's book The Pursuit of Prime (Adizes, 1987).

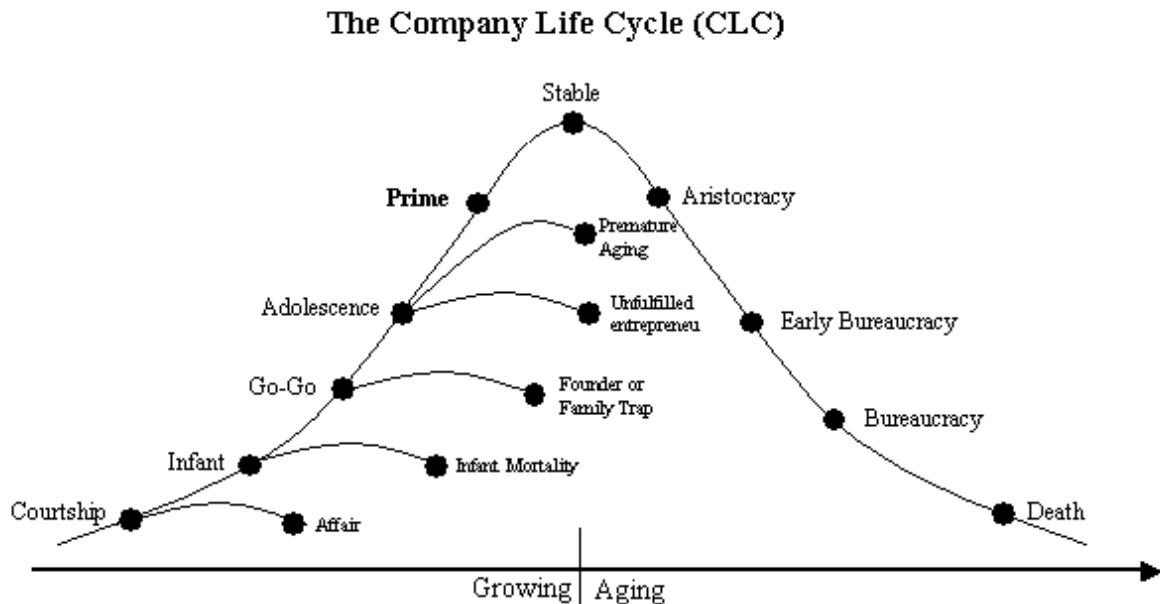


Figure 7: Adize's Company Life Cycle^{xii}

1. *Courtship.* Would-be founders focus on ideas and future possibilities, making and talking about ambitious plans. Courtship ends and infancy begins when the founders assume risk.
2. *Infancy.* The founder's attention shifts from ideas and possibilities to results. The need to make sales drives at this action-oriented, opportunity-driven stage. Nobody pays much attention to paperwork, controls, systems, or procedures. Founders work 16-hour days, six to seven days a week, trying to do everything by themselves.
3. *Go-Go.* This is a rapid-growth stage. Sales are still king. The founders believe they can do no wrong. Because they see everything as an opportunity, their arrogance leaves their businesses vulnerable to flagrant mistakes. They organize their companies around people rather than functions. Capable employees can, and do, wear many hats, but to their staff's consternation, the founders continue to make every decision.
4. *Adolescence.* During this stage, companies take a new form. The founders hire chief operating officers but find it difficult to hand over the reins. An attitude of us (the old-timers) versus them (the CEO and his or her supporters) hampers operations. There are so many internal conflicts people have little time left to serve customers. Companies suffer a temporary loss of vision.
5. *Prime.* With a renewed clarity of vision, companies establish an even balance between control and flexibility. Everything comes together. Disciplined yet innovative, companies consistently meet their customers needs. New businesses sprout up within the organisation, and they are decentralized to provide new life-cycle opportunities.

6. *Stability.* Companies are still strong, but without the eagerness of their earlier stages. They welcome new ideas but with less excitement than they did during the growing stages. The financial people begin to impose controls for short-term results in ways that curtail long-term innovation. The emphasis is on marketing and research & development diminish.
7. *Aristocracy.* Not making waves becomes a way of life. Outward signs of respectability, dress, office decor, and titles, take on enormous importance. Companies acquire businesses rather than incubate start-ups. Their culture emphasizes how things are done over what's being done and why people are doing it. Company leaders rely on the past to carry them into the future.
8. *Recrimination.* In this stage of decay, companies conduct witch-hunts to find out who did wrong rather than try to discover what went wrong and how to fix it. Cost reductions take precedence over efforts that could increase revenues. Backstabbing and corporate infighting rule. Executives fight to protect their turf, isolating themselves from their fellow executives. Petty jealousies reign supreme.
9. *Bureaucracy.* If companies do not die in the previous stage, maybe they are in a regulated environment where the critical factor for success is not how they satisfy customers but whether they are politically an asset or a liability, they become bureaucratic. Procedure manuals thicken, paperwork abounds, and rules and policies choke innovation and creativity. Even customers, forsaken and forgotten, find they need to devise elaborate strategies to get anybody's attention.
10. *Death.* This final stage may creep up over several years, or it may arrive suddenly, with one massive blow. Companies' crumble when they cannot generate the cash they need, the outflow finally exhausts any inflow.

4.2.1.3 Miller&Friesen (1984)

Miller&Friesen discusses the relevance of the life-cycle curve shape for a description of the company development process. With their standpoint in a literature analysis they extrapolate a five-stage model, which shows differences regarding strategy, situation, structure and decision basis. They then use this as a basis for analysis of 527 companies^{xiii}. The result supports the initial idée that there tends to be a “cycle” in a company’s development. During its development a company goes through a number of different phases, which are all unique in their own sense. During the transition from one phase to another the company goes through a “revolution”. As mentioned earlier. Miller&Friesen did however not find any evidence that support the notion that companies goes through the different phases in a specific order. Hence, a determined development process could not be determined but a number of patterns could be observed

The five steps in Miller&Friesen corporate life cycle is:

1. Birth Phase: The organisation is very innovative and new solutions to customer problems are continuously sought. This is the first contact the company gets with trying to establish a competitive product or market strategy. To be able to avoid to big markets and competitors niche segments are identified. Large amount of networking

activity is conducted. The company has a simple structure, which is mainly centred on the founders. The decision making process is relatively bold and there is only a small amount of administrative control.

2. Growth Phase: The aim is more directed towards growth and diversification and less to revolutionizing product innovations. The market niche strategy plays a minor role and the product lines are widened to better accommodate the customer demand. The founders' power has been reduced and the ownership of the company is more spread out. The market is more heterogeneous than during the birth phase and the company has become more structured and organized. The decision making process is less risking and proactive and the number of people involved is larger. The decision making process is also more analytical and better-integrated than during the birth phase.
3. Saturation Phase: During this phase the company has taken a more conservative stance. The innovative forces are very low and the earlier diversification activities have diminished. The company now tries to follow the competing firms and imitate their strategies. Old products sell on an existing market and efforts are put towards creating volume and economies of scale in production and sale. At this point it is often the case that the founders leave the company. The company is very administrative but there is a small delegation of responsibilities to lower level managers. Result, cost control and budgeting are of vital importance. The tendency moves to solving immediate problems instead of looking at the benefits in the long run.
4. Renaissance Phase: In this phase the company regains its vitality and innovative capability. New products are developed and differentiated to better suit the customer and market demand. The ability to differentiate increases and is often executed through takeovers. At this point the company has reached its largest capability in size. There is large disagreement concerning how the business is supposed to be run and how it is running. All the power resides with top management. An innovative, proactive and risky decision making process is adopted and the leadership is very engaged in their task, often in project groups where people from many disciplines gather for problem solving.
5. Downturn Phase: The company adopts a passive stance on the market and their products begin to age and become obsolete and sales prices are lowered. Problems in change management, resistance to change. The size and age is about the same as during the saturation phase. A tendency of acting of owner want instead of market requirement. There is a lack of information handling and top management takes all decisions.

Miller&Friesen emphasize that there is no indication of that a company follows a pre-determined route through the different phases. They proclaim that there is no telling in what order the various phases come due to that all companies function differently and are unique. Hans Landgren^{xiv} also feels that there is no cycle set in stone that determines the development of an individual company. It is possible to identify a certain pattern within a specific business area but a cross comparison is virtually impossible.

4.2.2 Critical views to the life-cycle model

There has been lots of criticism towards the use of a biological model when describing the corporate life-cycle model. The basis of this critic comes from that the analogy is not functional when conducting more in-depth studies of the development process. Kimberly and Miles (1980) are both pro life-cycle models but raise a couple of warning-signs. The first point is concerning the death in biological life and that in companies. The second one looks at the whole development process:

“First, biological organisms begin to die the minute they are born. Death is an inevitable feature of biological life. The same cannot be said of organisation life in itself that, of necessity, implies organisational death. Death is not an inevitable feature of organisational life. Second, whereas biological organisms seem to go through relatively clear and predictable stages in development from simple to relatively more complex, the same is not necessarily true of organisational life, although there may be remarkable similarities among the development patterns of development of organisations, analogous to those that apparently govern the development of organisms, they are yet to be discovered.” (Kimberly&Miles, 1980)

Penrose are also critical to the life-cycle perspective and argues that there is no reason for believing that the development of an organism is the result of an inner will, where as it is reasonable to expect that the development of a company is the result of individuals decision and actions.

4.3 *Entrepreneurs*

“Entrepreneurship: The process of creating something new with value by devoting the necessary time and effort, assuming the financial, physical, and social risk, and receiving the resulting of monetary and personal satisfaction and independence.” (Hisrich & Peters, 1998)

To fully understand the human resource side and the intricacy of a newly started company it is important to gain an understanding of the people behind entrepreneurship, the entrepreneurs. The term entrepreneur means “Between-taker” or “go-between” in French. The definition of entrepreneurship and entrepreneurs is however often very altering, but with a clearly defined trend.

Entrepreneurship is the pursuit of opportunity without regard to resources controlled. It is any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, a team, or an established business. Entrepreneurship is a way of thinking and acting that is opportunity obsessed, holistic in approach and leadership balanced – for the purpose of wealth creation^{xv}. To become a successful entrepreneur it is important that you acquire special knowledge and skills. Some of the skills and knowledge that directly influence how successful an entrepreneur could for example be:

- Creativity and opportunity evaluation
- Real-time strategy and decision making
- Comfort with change and chaos
- Basics of start-up finance and accounting
- Teamwork
- Evangelism, selling, negotiation, and motivation through influence and persuasion
- Oral and written communication

Jeffry Timmons “Entrepreneur matrix” clearly illustrates the position of the entrepreneur compared to other professionals.

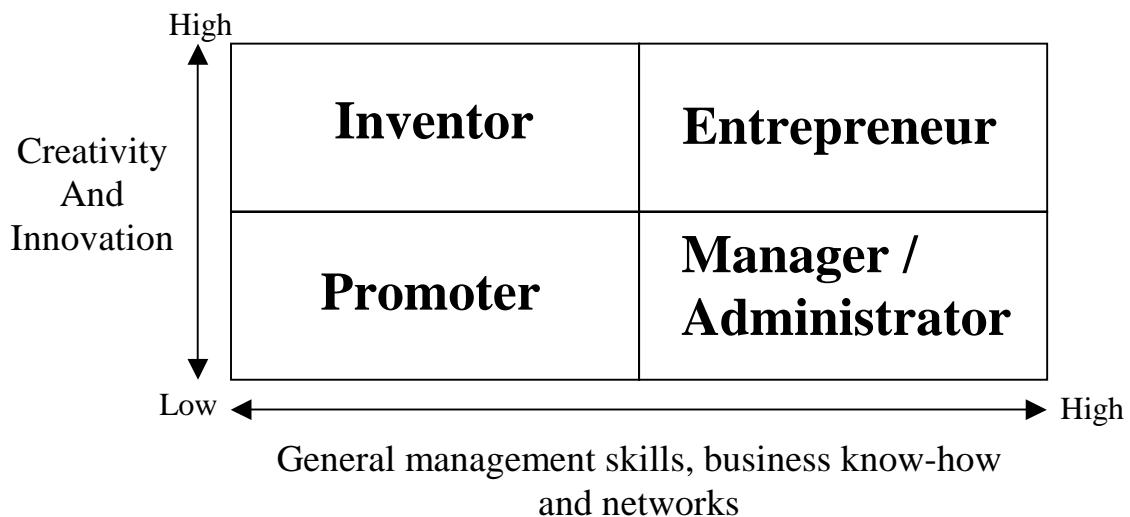


Figure 8: Jeffry Timmons “Entrepreneur Matrix”

To further evolve this reasoning the question what process an entrepreneur becomes involved in when undertaking a new business venture can be asked. Shalman (1999, The Entrepreneurial Venture) depicts the entrepreneurial process in the following way:

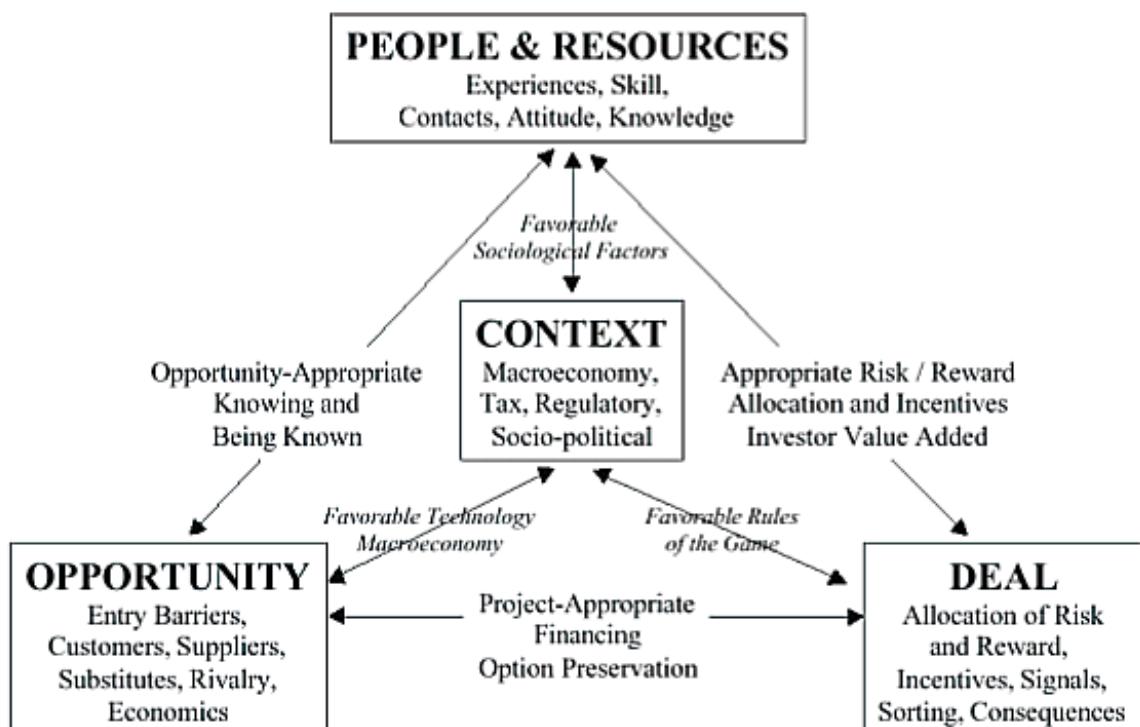


Figure 9: Shalman’s Entrepreneurial Model

In the following text when entrepreneurs is mentioned it incorporates everything from one to many entrepreneurs to established companies conducting an entrepreneurial venture.

A company's goal and the driving force of the entrepreneur are inseparable. The early infancy period of a company is the time when the personality of the entrepreneur strongly influences the culture of the new company. The entrepreneur establishes his own plans and guidelines and is willing to take risks. As the company matures this influence will diminish and there is a transition from entrepreneurial people to administrators who are better at running the company in the long term.

There have been a number of studies into entrepreneurs and entrepreneurship but criticism has been directed towards them due to that they mainly focus on successful entrepreneurs and that there is a tendency to glamorise and romanticise their work. The reality of the entrepreneur is much harder and less glamorous than various studies portray.

The first person to look into and develop a theory around the entrepreneur was the French economist Cantillon (1725). He described the entrepreneur as a risk taker who bought something at a certain price and sold it at a non-established price and thereby took a risk.

4.4 Entrepreneur Competence

There is a wide range of skills an entrepreneur has to master to become successful. Hisrich & Peters (1998) suggests some of the characteristics an entrepreneur should possess of succeed in their profession:

Technical Skills	Business Management Skills	Personal Entrepreneurial
Writing	Planning and Goal setting	Inner control/disciplined
Oral Communication	Decision-making	Risk-taker
Monitoring Environment	Human relations	Innovative
Tech. Business Management	Marketing	Change-oriented
Technology	Finance	Persistent
Interpersonal	Accounting	Visionary Leader
Listening	Management	Ability to Manage Change
Ability to Organise	Control	Coaching
Network Building	Negotiation	Managing Growth
Management Style	Venture Launch	

Table 2: Hisrich&Peters characteristics of an entrepreneur

Besides these skills the entrepreneur also has to fulfil a number of conditions that are vital for the development of a company. The entrepreneur should also be able to (Hisrich & Peters, 1998):

- Identifying and evaluating the economic opportunity of an idea, taking into consideration its value, risks and returns, personal skills and goals, competitive situation.
- Developing a business plan that involves a series of plans such as a financial plan, marketing plan, production plan, organisation plan, operational plan, besides executive summary, summary and appendices.

- Evaluating the required resources taking into consideration the existing ones as well as those that are missing and their sources, plus personal and environmental contexts.
- Evaluating the management team and its ability in coping with internal functions, taking into consideration the style and variables for success, as well as the identification of systems of control and potential problems.

4.4.1 The Driving Forces of the Entrepreneur

There are different motives for the driving forces behind entrepreneurs. These driving forces are of great interest to many researchers. Some argue that the driving forces predominantly emerge from physical and sociological needs, values, knowledge, interests and life situation. They argue that the entrepreneur has driving forces that influence their behaviour and these will strongly influence the way the entrepreneur functions and who he/she runs a company. In Klofsten and Lindell (1988) 25 young technology based companies, in the Linköping area, were investigated and the result showed that the company growth rate was directly linked to the amount of driving forces behind the founding entrepreneurs. The survey also showed that companies with a higher motive for earning money had a greater chance of success.

McClelland, a noted psychologist during the 80s, established a theory concerning the driving forces of entrepreneurs, which have received great acceptance and are currently widely used in research within the area. He suggests three motives for the founding of companies:

1. The need for Achievement: The person has the need to conduct tasks as well and effective as possible. To always reach for a better result and show to himself and others what he can accomplish.
2. The need of Affiliation: The person has a need for friendship and contact with other people. To be on everyone's good side and to not appear too deviant.
3. The need for Power: The person has a motive to lead others. Authority and status is important.

McClelland discovered that the typical trait of an entrepreneur is a high achievement standard and he characterized the entrepreneurs as having:

1. Desire for responsibility – Entrepreneur demonstrates a willingness to shoulder responsibility. They do not shrink responsibility; on the contrary, they are motivated by situations that allow them to demonstrate competencies and capabilities and thus their ability to carry responsibility.
2. Preference for moderate risk - Successful entrepreneurs are very careful at calculating the risks involved in any new venture. They identify opportunities where others see only problems and difficulties, they carefully weight their chances of success and only when they feel that the chances are in their favour, they commit.
3. Confidence in personal success - Self-confidence is of paramount importance to entrepreneurs. Although many express self-doubt and admit to many situations of difficulty and uncertainty, they remained steadfast in their belief in their own personal abilities and competencies. This confidence in them selves is essential in making

other people believe in them and thus support them in the implementation of their plans.

4. Desire for immediate feedback - Need to achieve success within a short period of time is a strong force for many to leave successful careers which offers slow but steady growth and opt for entrepreneurship which offers them the chance to achieve success in a far shorter period of time.
5. High level of energy - Successful entrepreneurs is a very active individual with many commitments at work and in their private lives. They have varied interests and are at ease moving from one activity to another often under tremendous time pressures.
6. Future orientation - Some people talk of the good old days, others are obsessed with the present difficulties and problems. Successful entrepreneurs are mostly concerned with the future. They were far more concerned with what they are going to achieve rather than with what they had achieved in the past.
7. Skill in organisation - Entrepreneurs demonstrate a strong organisational skill, enabling them to plan, delegate, co-ordinate, and monitor complex operations with minimal involvement.
8. Feeling that money is a great way to keep score, but it is not as important as achievement - Money is not the main driving force of their success. Entrepreneurs of course expected to make money, but many of them had made more money than they could spend and still remained very active entrepreneurs. The driving force is the satisfaction of being right, of having proved themselves to themselves. Making money is just a reward for getting things right, it is also a way of showing the world that they do things right!

Entrepreneurs are not set in a fixed mould, and no one set of characteristics can predict entrepreneurial tendencies or success. There is no one set of characteristics that will guarantee success in entrepreneurship. Similarly there is no personality type or character that will guarantee success. Ultimately, successful entrepreneurship is about doing things right and not talking about the right things! It is about the individual's ability to identify opportunity where others see obstacles. It is about having the courage to risk one's wealth and prosperity on his/her own capabilities and competencies.

4.4.2 Entrepreneurial Data

As a conclusion to this entrepreneurial section it could be interesting to look at the entrepreneurial activities in different countries. It was discussed earlier that it is important that individual economies support and encourage entrepreneurship through different channels. GEM^{xvi}, Global Entrepreneurship Monitor, continuously observe the entrepreneurship trends in various countries all over the world. They create statistics for both individual and cross-reference between various economies. At the millennium shift the situation was the following:

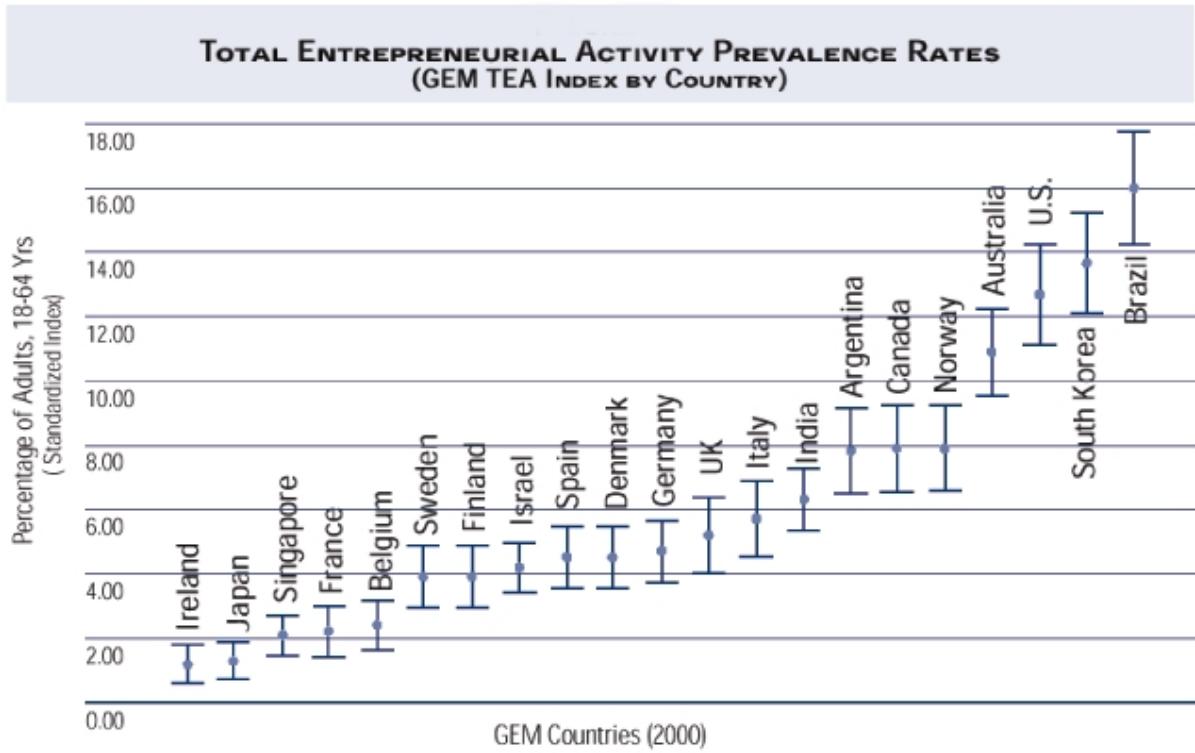


Figure 10: Total Entrepreneurial Activity Prevalence Rates

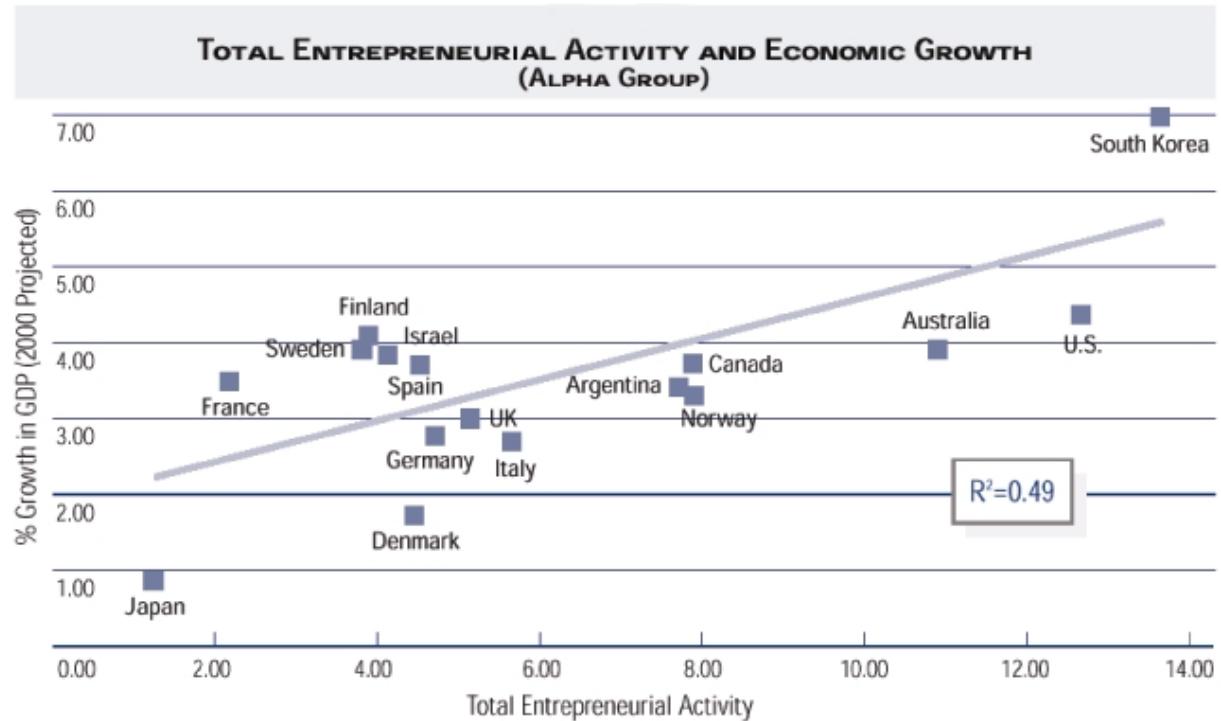


Figure 11: Total Entrepreneurial Activity and Economic Growth

4.5 Business Relations

What is business environment? Much effort has been put into this question but it is very difficult to give a clear definition due to the nature of the business environment. The reason for this is that the business environment is not exactly tangible or continuous. It could rather be described as unique to every individual company.

Buckely (1967) defines the environment in the following fashion:

“The environment, however else it may be characterize, can be seen as a set or ensemble of more or less distinguishable element states, or events, whether there discriminations are made in terms of spatial or temporary relations properties.”

Kotler (1992) defines the environment out of a marketing perspective. The standpoint is that there exists a force in the environment, which influences a company’s ability to conduct transactions with the target market. This will be discussed in more detail in the section below.

What everything comes down to in the end is that a company needs to exist in an environment where some kind of exchange is taking place. A company is reliant on constant exchange and this is the basis for the resource generating activities a company undertake.

4.5.1 Relationship Marketing

RM or Relationship Marketing is marketing activities that focus on relations, networks and interactions. The foundation of RM started in the nineties and has been built on by 1:1 and CRM. CRM is relationship marketing values and strategies converted into action, especially in the concept of customer relations.

Relationship marketing is based on long-term relationships. The basic relation is the one between the supplier and the customer but RM also includes the relationship to the company’s other partners. The importance of RM is often emphasized in order to enhance the customer’s loyalty. The sale does not end by a delivery of goods/services but furthermore the salesman’s role is to maintain the good relation to the customer so that he/she will remain as a customer. The foundation values of RM are (Gummesson 2002):

1. Marketing management should be seen as market oriented business control: According to Gummesson there is a difference between marketing- and sales department and marketing- and sales function. The point is to acknowledge that marketing and sales is more than just a specialized function. They are functions that run through the whole company.
2. Long Term cooperation and win-win: The most important contribution of RM is its emphasis on cooperation. This means that a company should consider suppliers, customers and other relations as partners. RM should be more of a win-win than a win-lose, more of plus-sum game than a zero-sum game
3. All actors in a relation have a responsibility for every outcome. Everyone must be active: RM should not be confused with normal sales techniques. This indicates more of a deliverance system between producer and customer and does not focus on the mutual relation between the parties.

4. Relation and service values rather than bureaucratic and judicial values: Bureaucratic and judicial values are identified by lack of flexibility, application of inadequate regulations and rules, focus on internal routines and an over belief in experts opinions. Customers are the source of income and should be placed in the centre of the organisation and the company's task is to produce value for its customers.

For a company to successfully achieve their marketing objectives it is important to have a rigid strategy outline that includes various elements – the various parts of the marketing matrix. The name matrix indicates that the right balance between the different elements is important. Often it is the case that one part of the mix is assumed to be wrong where as it could be that it is another. As an example, if take-up of a newly priced product is poor, it could be that the answer is to change the product, or to deliver it in a way that is more convenient to the user, or to improve the quality of the promotion rather than to cut the price of the product. It is easy to assume that one part of the mix is wrong, when in fact it is another.

McCarthy (1994) identified during the eighties the four P's of the marketing mix:

- Product: Defining the characteristics of the company product or service to meet the customers' needs.
- Price: Deciding on a pricing strategy. Even if a company decide not to charge for a service it is still a pricing strategy. Identifying the total cost to the user (which is likely to be higher than what a company charge) is a part of the price element.
- Promotion: This includes advertising, personal selling (eg attending exhibitions), sales promotions (eg special offers), and atmospherics (creating the right impression through the working environment). Public Relations are included within Promotion by many marketing people (though PR people tend to see it as a separate discipline).
- Place or distribution: Looking at location and where a service or product is delivered

The four P's can be extended by an additional factors that influence the relationship marketing of a company. These additional two are usually more important for a service company.

- People: Good information services are not likely to be delivered by people who are unskilled or demotivated.
- Process: The way in which the user gets hold of the service.

Kotler (1992) continued McCarthy's original reasoning but changed the 4 P's to 4 C's instead. The 4 C's were actually developed by Robert Lauterborn but put forward by Kotler.

- **Place** becomes **Convenience**
- **Price** becomes **Cost to the user**
- **Promotion** becomes **Communication**
- **Product** becomes **Customer needs and wants**

The 4 C's reflect a more client-oriented marketing philosophy. They provide a useful tool when for example considering the convenience of the client when deciding where to offer a service. Some would argue that the marketing mix is too product-oriented, and that modern marketing should not focus on it. However, it does provide a handy framework for marketing analysis. The C's are also not nearly so memorable as the P-words, and marketing texts still tend to use the latter to describe the elements of the mix.

4.5.2 Network

There exist three different kinds of ties between companies. The first relation concerns relations where companies activities, such as administration, technical or marketing, ties companies together. These are called activity links. The second tie is when companies share and exchanges resources of both material, such as machines, and immaterial kind, such as knowledge. This kind of link is called a resource tie. The third and last tie is called actor bond and are represented by people how exerts an influence on each other and establishes opinions about each other.

Gummesson (2002) looks at the general dynamics of relationships and starts of with identifying 11 properties to consider. These 11 aspects are important qualities in a company's business relations.

1. Collaboration: To what extent does the company collaborate with their customers? The higher degree of collaboration the more likely the customer is to feel involved.
2. Commitment, dependency and importance: If a relationship is important, a company is more dependent on it and therefore must commit to making it work.
3. Trust, risk and uncertainty: The success of closer collaboration between customer and supplier is often credited on trust.
4. Power: Is there an equal power distribution between the company and the customer? The more unbalanced the power is, the higher the potential for defection.
5. Longevity: In general, a long-term relationship will increase the cost for a customer to switch. However, many companies are surprised by the defection of a long-term client whom they thought was satisfied.
6. Frequency, regularity and intensity: The more frequent and/or the more intense the relationship the more opportunities to cement loyalty.
7. Closeness and remoteness: Closeness can be physical, mental or emotional. Closeness strengthens the feeling of security.
8. Formality, informality and openness: In industrial marketing informality is an absolute necessity as a supplement to formal agreements.
9. Routinisation: Is there still an excitement in the relationship? Routine procedures may very well be needed for efficiency but it is good to incorporate it with other more "romantic" activities.

10. Content: The content of a business relationship has been traditionally described as an economic exchange. However, in new marketing theory the relationship is increasingly seen as interaction and joint value creation. The content of a relationship is often knowledge and information.
11. Personal and social problems: Age, sex, profession, education, personality type, geographical and mobility; and personal traits such as lust for power, charm, charisma, trustworthiness - all contribute to the quality of a relationship. The real relationship in business is not between companies - it's between people.

One question to answer is which of the 11 properties that are the most important. The idea is that the 20/80-rule applies to this situation. 20 percent of the properties accounts for 80 percent of the final effect. Collaboration is a founding property for all relations.

It is very important for a company to establish a relevant exchange process with its environment. This can be accomplished through creation of relations with other actors on the market, thus creating a network. Relations in networks can have very different character. A relation could involve a mutual exchange of resources or hostile relations between competitors. Relations can be direct or indirectly connected. Networks that are not created out of an economical or business perspective have strong influence of social aspects. Relation's builds on mutual trust and responsibility between both parties and are often built up over long periods of time.

The 30 R's, developed by Gummesson (2002), are all tangible and identifiable. They are of vital importance in the decision making-, action- and result process. The 30 R's applies to all kinds of relations such as customers, competitors, staff and mass medial or judicial and the properties of those relations such as closeness and environment. Each en every one of the relations represents many properties in combination. To simplify the outline of the relations Gummesson has divided them into market-relations, mega-relations and nano-relations. Only explanations and not examples of the different relations will be presented, due to that they individually have no relevance for this investigation.

4.5.2.1 Market-relations

The market relations form the bases for marketing activity. The first three (R1-R3) are known as the classical marketing relations. This applies foremost to the first R (R1) where the classical supplier – customer relation appears and symbolises the mother relation of marketing. The special market relations (R4-R17) emphasize separate aspects of the different relations.

4.5.2.2 Mega-relations

A level above marketing management, as well as company management and the market as a whole, exists the mega relations (R18-R23). These relations comprise a support and sometimes a necessary prerequisite for market relations. Here we find lobbying, alliances and mega alliances.

4.5.2.3 Nano-relations

The nano-relations (R24-R30) exist in a company's organisation, system and processes. . Example of relations is internal customers and relations to owners/financial owners.

4.5.3 Competitive advantage (Porter, 1989)

There is a limited amount of strategic decisions for a company to implement. Aldrich (1979) postulated four factors that limits the strategic choices for a company:

1. Environmental barriers in the form of economies of scale, absolute costs or product differentiation. Companies must have some cost advantages to be able to be competitive or create a brand name or customer loyalty.
2. Ability to affect the environment. There exist two kinds of companies. Those who through size have the ability to influence the environment and small companies that are affected by the environment. Since the number of sufficiently large companies is very limited relatively few players can only conduct the first strategic choice.
3. Employees in the company. Employees have the tendency to get stuck in routines and have a limited ability to produce actual decisions.
4. Legal factors. Examples of these are environmental legislation, building permits and other public laws and restrictions.

Competitive advantage is the heart of a firm's performance in competitive markets. Many firms lose sight of competitive advantage in the search for growth and pursuit of diversification. The importance of competitive advantage could hardly be higher today. The reason to why many companies fail to accomplish or sustain a competitive advantage is often an inability to translate a broad competitive strategy into the specific action steps required.

Competitive strategy is the search for a favourable competitive position in a market. There are two central questions in the choice of a competitive strategy. The first is attractiveness of individual markets for long-term profitability and the second question is the determinants of relative competitive position within a market. This is what makes the choice of competitive strategy very important.

Competitive strategy grows from a deep understanding of the rules of competition that determines the market attractiveness. The ultimate goal of a competitive strategy is to control and change the rules in favour of the company. In any market, whether domestic or international, or producers, product or service, the rules of competition is embodied in the five competitive forces:

- Entry of new competitors
- Threat of substitutes
- Bargaining power of customers
- Bargaining power of suppliers
- Rivalry among existing competitors

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The collective strength of these five competitive forces determines the ability of a company in a market to earn rates of return on investment in excess of capital cost. The market profitability is not a function of product characteristics but of market structure. It depends on how strong the different five forces are and how effectively companies can alter their strategy to cope with these threats. The five forces influence the price, costs and requirements of investments in a market and as a consequence of this they also determine the profitability and return on investment. The strength of each of the five competitive forces is a function of the market structure or the underlying economic and technical characteristics of a market.

Entry Barriers

- Economies of scale
- Proprietary product differences
- Brand identity
- Switching costs
- Capital requirements
- Access to distribution
- Absolute cost advantages
 - Proprietary learning curve
 - Access to necessary inputs
 - Proprietary low-cost production design
- Government policy
- Expected retaliation

Suppliers

Bargaining power of suppliers

New Entrants

Threat of new entrants

Industry Competitors

Intensity or Rivalry

Rivalry Determinants

- Industry growth
- Fixed costs/value added
- Intermittent overcapacity
- Product differences
- Brand identity
- Switching costs
- Concentration and balance
- Informal complexity
- Diversity of competitors
- Corporate stakes
- Exit barriers

Buyers

Bargaining power of buyers

Determinants of Supplier Power

- Differentiation of inputs
- Switching costs of suppliers and firms in the industry
- Presence of substitute inputs
- Supplier concentration
- Importance of volume to supplier
- Cost relative to total purchases in the industry
- Impact of inputs on cost or differentiation
- Threat of forward integration relative threat of
 - Backward integration
 - Firms in the industry

Determinants of Substitution Threat

- Relative price performance of substitutes
- Switching costs
- Buyer propensity to substitute

Determinants of Buyer Power

Bargaining Leverage

- Buyer concentration versus firm concentration
- Buyer volume
- Buyer switching costs
- Relative to firm switching costs
- Buyer information
- Ability to backward integrate
- Substitute products
- Pull-through

Price Sensitivity

- Price/total purchases
- Product differences
- Brand identity
- Impact on quality/performance
- Buyer profits
- Decision makers' incentives

Figure 12: Competitive Advantage illustration

In the figure above all the market elements that may drive competition in a market are listed. In any particular market, not all of the five forces will be equally important and the particular structural factors that are important will differ. Every market is unique and has its own unique

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structure. The five-force framework allows a company to see through the complexity and pinpoint those factors that are critical to competition.

It is difficult to understand competitive advantage by only analysing an individual company. Competitive advantage stems from many discrete activities a company performs in designing, producing, marketing, delivering, and supporting their product. It is important to have a systematic approach to examining all the activities a company performs and how they interact for achieving competitive advantage. The value chain is a tool created for this purpose. The value chain disaggregates the company into its strategically relevant activities in order to understand the behaviour of costs and the existing potential sources of differentiation. A company gains competitive advantage by performing these strategically important activities more cheaply and/or better than its competitor.

There are a number of activities that are directed towards designing, producing, marketing, delivering and supporting products or services of a firm. These activities are the same for all companies. The value chain, see figure below, represents all of these activities:

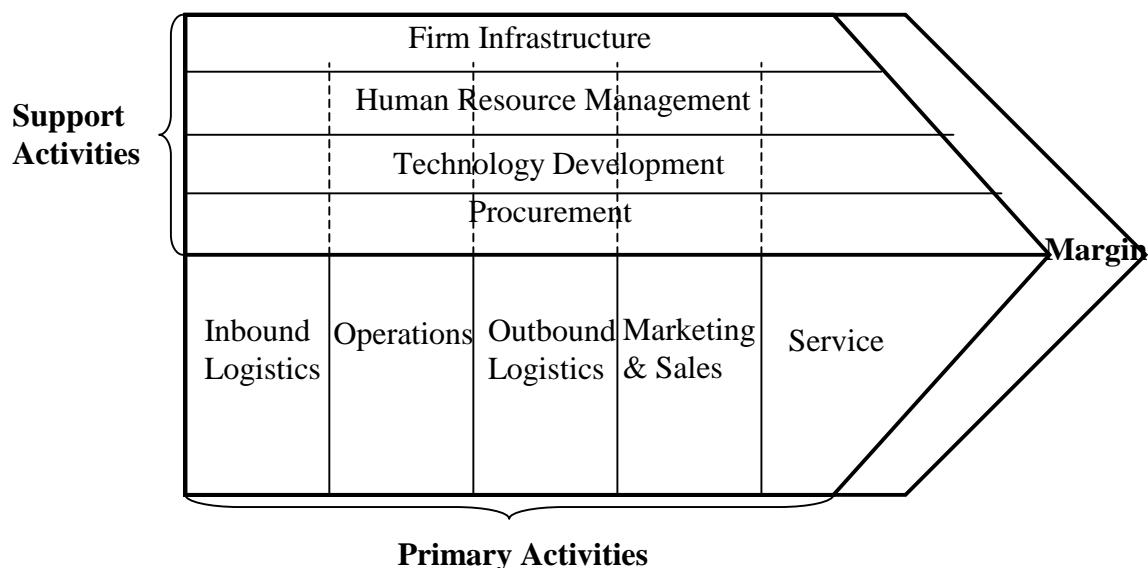


Figure 13: The Value Chain

The value chain displays total value and consists of value activities and margin. Value activities are the physically and technologically distinct activities a company performs. These are the building blocks that through which a value is created for the customer. The margin is the difference between the total product value to the customer and the collective cost of performing the value activities.

5 Case Company Illustrations, Empirical Data

This chapter involves the business platform illustration of two case companies. The case companies will be analysed with standpoint in the business platform and the relevant literature studied in earlier chapters. The intention of this chapter is to integrate an actual real company analysis with the business platform. To be able to directly compare the three companies the analysis is done in parallel.

5.1 *Introduction*

The intention of the business platform is to provide business leaders and other business actors with a tool for measuring the stability and survival capabilities of newly started ventures. The business platform should give indications surrounding the soft factors of a company as well as create commitment and communication within the company. It should also give support during change management and the decision making process.

In this thesis a number of assessment criteria has been put up to measure the usefulness of the business platform. These criteria are portrayal ability, relevance and tangibility. All of these criteria are explained in the “Problem Formulation” section of the “Introduction” chapter.

Due to that the analysis in this chapter connects to the literature study of this thesis references will be made to specific parts in this rapport.

5.2 Structure

To be able to illustrate the differences and similarities between the companies the case analysis will be done in parallel. This structure might perhaps impose a difficulty of getting an accurate picture of the individual company as they are analysed simultaneously. The aim of this section is however to identify the usefulness of the business platform, according to the earlier mentioned criteria, and not to address separate problems in the individual companies. For this purpose the selected structure is preferred.

An introduction of the three companies will firstly be presented. In this section a short background of the company is given and an outline of important events in its history. The second part involves the resources in the company and the company's ability to handle resources. The third part discusses whether the company has or has not reached a business platform. Following this all eight cornerstones will be analysed for every company in conjunction with models and theories presented in earlier chapters. There is a different section for each cornerstone.

5.3 Company Presentation

In this section a presentation of each company is given. The purpose of this is to give an insight into the history and foundation of the company. Important events in the company's lifetime are also presented.

5.3.1 Data-Base AB

Data-Base AB was founded in April 2001. The founders Benny and Albert were old friends since their university time. They felt that they complemented each other in a positive way. Benny engaged in the role as CEO where as Albert acted as head of development. Currently Data-Base has its home office on Ideon Science Park in Lund. The company's main product, The Data-Base Foundation Builder, enables the user to generate fully functional Java applications in a few hours or days using database structure as a source for the initial application design. The target user-group for this tool is experienced systems developers with basic database design skills.

Benny puts it the following way:

“Data-Base products help you build robust professional applications efficiently without limiting your influence on any part of the development process. At last there is a safe way to build complex computer systems thanks to the low risk-taking needed with Data-Base’s development process and tools”

Development of their main product, the “Foundation Builder”, has been ongoing for the last two years. Data-Base had their pre-release of a 0.97 version the last of February 2003 and launched the 1.0 solution the last of June 2003. An updated version came to the market during Ideon public days on the 25th of September.

The company has only received external capital during the initial start-up. A small amount was contributed from LUA.

The Essence of Entrepreneurship

Schematics over important events in Data-Base history:

Year	Month	Event
2001	April	Data-Base Solutions founded by Albert and Benny Receives minor financial contribution from LUA Employ the first full time employee
2001-2003		Nothing big occurs, apart from the hiring of two additional employees. Work continues on development of their product.
2003	February	Data-Base Solutions changes name to Data-Base AB as part of a marketing preparations for their first product. Pre-release their main product, a 0.97 version
2003	June	Big product release, 1.0 version
2003	August	Benny leaves the company for another job, he is still active in the board
2003	September	New release of main product
2003	September	Sale of first product to a very discounted price, a reference sale

Table 3: Data-Base History

5.3.2 Motion Perfection AB

Motion Perfection AB was founded in December 2002. The founders of Motion Perfection are Dennis (Chairman and Chief developer), Sara (marketing director) and Carl (CEO and sales director).

Motion Perfection is a hardware and software developing company who develops and produces products for motion capture and analysis. Their initial market is the golfing community. Through providing a system for capturing and analysing the golf swing they aim at penetrating the European golf market.

Motion Perfection's head office is at Lund Ideon Science Park. Since the start of Motion Perfection one additional partner Patric has been introduced into the company. Patric is responsible for all financial matters concerning the raise of and handling of funds and resources.

The idea for Motion Perfection's main product "SwingIT" was came up 3 years ago and a number of prototypes has been developed before the company was founded and marketing activities were undertaken. This lead to that Motion Perfection had an almost functioning product early on after foundation.

Motion Perfection's sets out to become the market leader in video recording and high technology analysis systems for primarily the sport leisure market by introducing innovative, easy to use, quality equipment to the market. They emphasize close customer contact and excellent channel relationships, Motion Perfection expect to meet the needs and gain the trust of market customers.

The first customer introduction of Motion Perfection's main product SwingIT was done at Lunds Akademiska Golfklubb on the 25th of March 2003.

Funds for operation of Motion Perfection has to current date been private resources and consulting in conjunction with the market. They have however interesting contacts with risk capitalists and it is expected that funding for an expansion will soon be available.

The Essence of Entrepreneurship

Schematics over important events in Motion Perfection history:

Year	Month	Event
2000		Development on SwingIT started
2001		First SwingIT prototype finished
2002	December	Founding of Motion Perfection AB
2003	March	SwingIT is introduced on the market and a number of customer connections is established
2003	May	First installation of a SwingIT product on Abbekås GK in Skåne
2003	June	Patric joins the Motion Perfection AB Team
2003	August	Motion Perfection moves into Ideon Science Park Discussions are started with two interesting capitalists.
2003	November	CEO Carl leaves the company for another employment
2004	December	A replacement for Carl is hired, Fredrik
2004	February	Outside funding is established

Table 4: Motion Perfection History

5.4 Resources and Ability to Handle Resources

The business platform is created with the intentions of constructing a model that has a resources-based perspective of a company. Through analysis of existing- and ability to handle resources an indication of to what extent a company has reached a platform can be made. Resources constitute the basic requirements of a company and are often the determining factor for company growth and survival.

This section involves the companies' ability to raise and handle resources. As all analysed companies are in the start-up phase the bulk of capital is most probable raised through investments from external relations.

5.4.1 Data-Base

The development in the company is characterised by a slow and careful growth. Expansion has always been weighted to current available resources.

During establishment of Data-Base the two founders were the initial employees and with the help of a grant from LUA they were able to hire an additional person. Existing recourses were, apart from the small grant from LUA, the founder's own capital. Data-Base's premises are situated in the Lund science park. They have an office in the incubator. The incubator is a residence for newly founded companies and there is a very low rent and availability to an already established network of resources.

Data-Base did not have a functioning product at foundation and the two first years has been allocated to developing their primary product. To facilitate with resources during this time only one person have worked full time at developing the product. The others have consulted 80% of their time and worked on the system the reminding 20%. This has had the consequence of delay of the product but on the other hand they have not had the need to take any loans. Data-Base's economic situation is favourable at the moment.

There has not been any active networking with the market or with other external resources. There seems to be a tendency of wanting to make everything on their own and a lack of initiative to initiate in new relations.

Data-Base experienced their largest growth phase, since foundation, during 2002 when they hired an additional two people. These two were directly allocated to consulting in exterior companies.

Other forms of resources that Data-Base have used are engineering students that conducted their final year project on their system, hence developed a part of the system.

5.4.1.1 Ability to handle resources:

From foundation to current day Data-Base have been very restrictive in resource usage and have tried to the furthest extent to not run over budget. This could indicate a positive way of handling resources, but in Data-Bases situation there might be a need for a more expansionistic method to get them off their feet.

During the initial year the company mainly consisted of the two founders and one employee. They were all highly motivated but had limited knowledge of how to run a company. Basic functions in the company hardly existed and the work distribution were very floating. There was no established organisation.

After the initial period two additional people were employed, as mentioned earlier, this lead to that a more structured way of work was made possible.

The overall development of the company has been somewhat stagnating from the very foundation. This is mainly due to that no finished product has been available for sale and that there have been no efforts in making outside connections.

It is virtually impossible to determine Data-Base's ability to handle resources as they have not yet generated any resources from sales. All generated resources have been obtained through consulting with companies that are not connected to the preferred business area of Data-Base.

5.4.2 Motion Perfection

The growth of Motion Perfection is relatively slow due to a lack of adequate funds. There have been instances where the company has tried to expand beyond its capabilities and hence have experienced liquidity problems.

When the company was founded the only employee was Carl and his main functions was to coordinate and manage sales. Dennis and Sara worked and works 40%-60% for the company. Resources during start up have mainly been private capital but discussions are being made as to how to raise adequate funds for Motion Perfection expansion and operation.

Motion Perfection had a functioning prototype at start-up and development to a functioning product took approximately 2-3 months. During the summer of 2003 there was a great increase in the amount of customer and other relations. Networking activities has been ongoing since the beginning of Motion Perfection and currently they have a relatively stable consortium of close contacts with both customers and other interested parties.

The other forms of resource that Motion Perfection have used are engineering students that have conducted their final year project on their system, hence developed and enhanced a part of the system.

5.4.2.1 Ability to handle resources:

Due to that Motion Perfection employees have experience in the area of project management and budgeting there has not been a critical liquidity situation. The lack of resources has demanded that alternative routs to production and development had to be taken. Funds have been well allocated between the various functions in the company with a small overweight on the development side.

In the beginning all partners in Motion Perfection were highly motivated and directed their efforts towards a common goal. As time proceeded this enthusiasm declined and currently the situation is deteriorating. Carl, CEO, left the company in December, for another employment and was replaced by Fredrik.

The expansion of Motion Perfection was very intense during the initial 6 months but as the golf season came to an end so did the activity in the company.

5.5 Has a Business Platform Been Reached?

5.6 Data-Base

Data-Base has not yet reached a business platform and still have a long way to go. There is a lack of coordination between basic company functions and too much effort has been put on developing their product where as no time has been allocated for marketing and networking. The situation of consulting 80% of the week has had the consequence of lack of focus and a deteriorating enthusiasm. The largest problem for Data-Base is their lack of coordination with the market and the non-existent network.

5.7 Motion Perfection

Motion Perfection has not reached a business platform and still has a long way to go. The lack of motivation combined with the limited work effort all partners allocate there is a risk that the company will stagnate.

5.8 The Case Companies Cornerstones

In this section the eight cornerstones of the business platform will be applied to each company. Each cornerstone will be introduced with theory and followed by company analysis. The first theory that will be presented is the degree of development a company must have attained to reach a specific level. This is then followed by additional relevant theory. A score for each company on each cornerstone will be given. To further illustrate the numerical value on each cornerstone an altered version of Matheson and Matheson's (1998) "Decision Quality Web" is used.

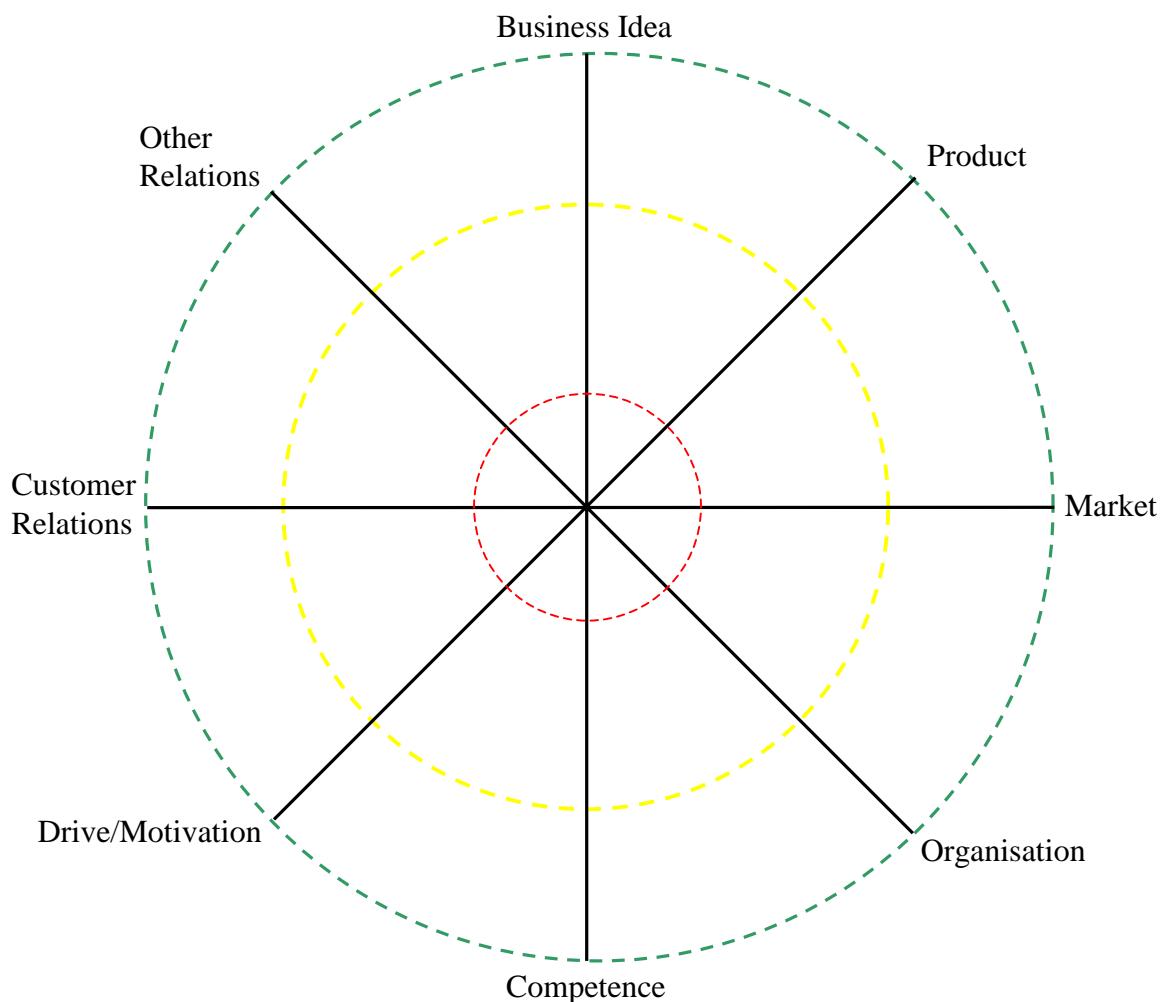


Figure 14: Matheson & Matheson "Decision Quality Web" on the Business Platform

Instead of the six factors that comprise a quality decision the above model uses the eight different cornerstones. M&M uses a value between 0-100% where 0% is an aspect that has not been analysed and 100% an aspect that is fully analysed. In the business platform exist only three levels, low, medium and high. These are indicated in the model with coloured circles. The innermost red circle indicates a low level of development of the cornerstone. The centre, yellow, circle is medium level and the outermost, green, circle is the high level of development.

5.8.1 Formulation and Clarification of the Business Idea

Achievement criteria:

Low

vs.

High

The idea about what the firm's operations should be is not particularly specified

Within the firm there is some lack of clarity as to what ideas should be pursued

Is relatively unclear what type of need or what type of customer the firm's idea might satisfy.

There exists a very clearly specified idea for what the firm's operations should be

Everybody in the firm is completely clear about what ideas to prioritise

Is completely clear what need for what type to customer the firm's idea can satisfy.

It is important for a company to quickly formulate their business idea. This gives the company a goal and strategies. To reach this goal will be easier with an established and clear business idea. The company now exists in the courtship phase of Adizes (1988) life cycle model. Ideas and future possibilities are discussed and a base line for a business idea is produced.

To be able to formulate a sound business idea a company will have to, as the achievement criteria above emphasises, identify what need the product should fulfil and what type of customer to reach.

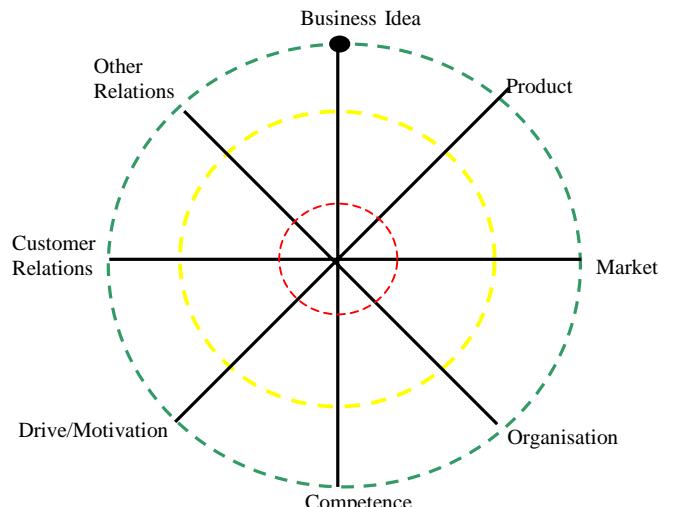
The business idea is often rapidly changing during the initial phase of a company. It is important to first look at the individuals in the company before looking at the idea. The idea is an early guide that creates opportunities but it is not the founders that grow with the idea, it is the idea that grows with the founders.

5.8.1.1 Data-Base

When Data-Base was founded there was a clear idea of what product the company were about to develop and market. Everybody connected to the company was clear about what ideas to prioritise. They had a clear picture of what they wanted to develop but had however no insight into what market and through what medium they were to convey their products. They did know what customer needs to fulfil and who the potential customer might be.

Since there was a clear vision of how the product should function, work on developing the product was relatively quickly on the way.

Data-Base reaches the high level on all of the criteria in this cornerstone and receives a score of 1.



5.8.1.2 Motion Perfection

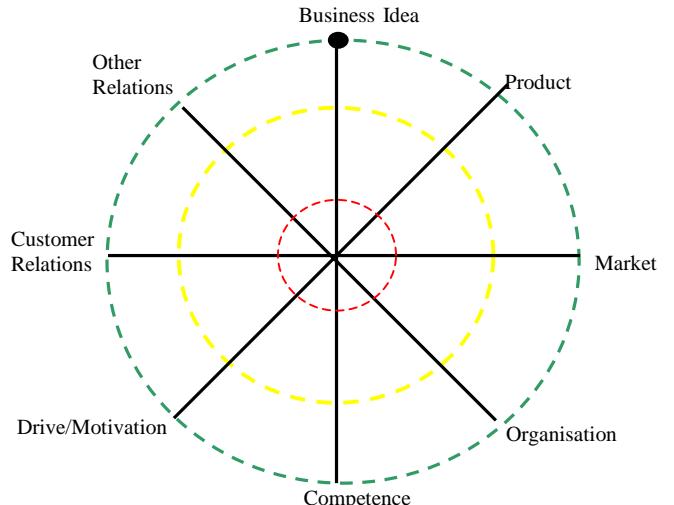
At foundation of Motion Perfection there was a clear idea of what they wanted to produce. The target market and customer was identified and the final stages of product development were underway. There was a clear customer need and the aim for Motion Perfection was to fill this need.

As contacts with Motion Perfection customers were increased the vast potential and need for additional features were acknowledged. The first goal for Motion Perfection was to develop the basic product and then add additional tailored functions to the system to better adhere to customer demands.

The initial and long-run markets for the SwingIT product was identified and investigations into market potential was conducted.

Motion Perfection had a clear view of their business idea with a specified idea of what the firms operations should be. Everybody in the company was clear about the idea. It was defined what customer need the product should fulfil and everyone involved in the company had a clear idea of the company strategy.

Motion Perfection reached a high level on all the criteria and receives a score of 1.



5.8.2 Development to Finished Product

Achievement criteria:

Low

vs.

High

There is no developed product

There is at least one well-developed product that is entirely ready for sale

No user has tested the product

The product has been tested by a number of potential users

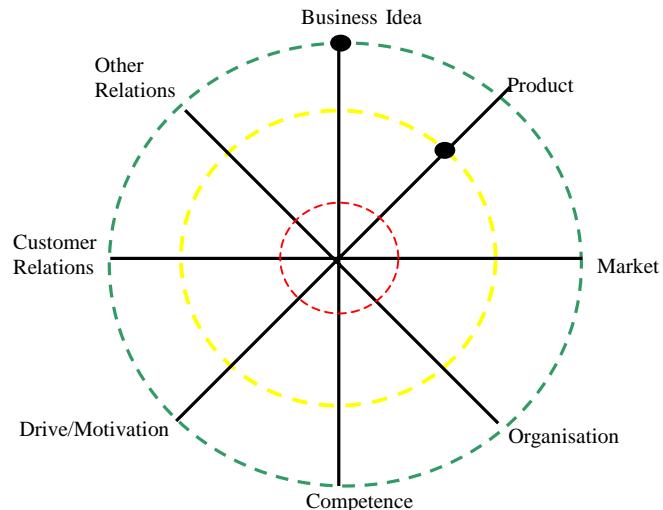
No reference customers can verify the usefulness of the product

A number of reference customer exist, who can verify the usefulness of the product

Every company must have something to offer its customers, such as a product or service. This product or service must fulfil a need that the customer experiences. It is important for a company to quickly develop and produce a product or service and to be able to present it to the market. The company still exists in Adizes “Courtship” phase but are starting to move into the “Infancy” phase.

5.8.2.1 Data-Base

At the foundation of Data-Base there was no functioning product in the company. There was however a clear vision of how the product was to function and what need it should fulfil. During the development phase the product underwent a number of changes and adaptations to better suit for the competitive market it was about to enter. The most important additions, which came during development, were the continuous adaptation- and the rapid foundation tool. These tools allowed the customer to quickly generate required codes. These codes were also alterable, by the customer, to better suit the individual company's needs.



Data-Base had their first pre-release the last of February 2003. The pre-release product was labelled 0.97. In conjunction with a company fair at Ideon Science Park, last of June, Data-Base launched their first actual product, the 1.0 release. After an in-house evaluation period they released an update on the 25th of September.

The current product is 90% finished. Reminding development that has to be done is confined to fine-tuning and adapting the system to be more tailor-made for reference customers.

There is currently no professional documentation around the product; they are however working on this.

A summation of the above is that Data-Base currently has a functioning product but it has not been tested by an adequate number of potential users. There exist no viable reference customers. Data-Base receives a score of 0.5 on the cornerstone “Development to Finished Product”.

5.8.2.2 Motion Perfection

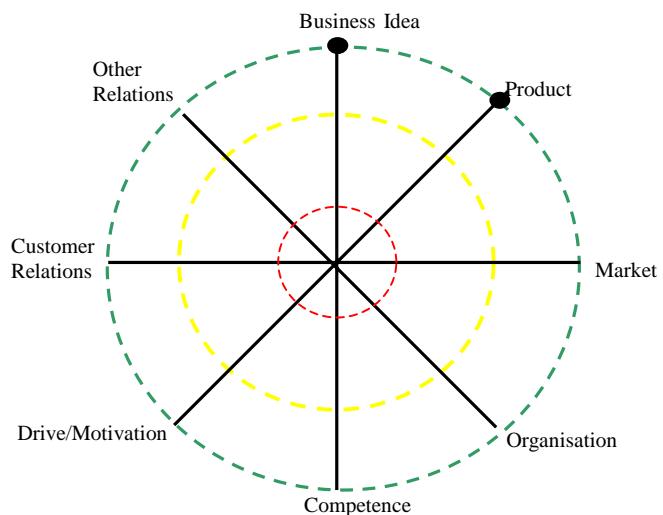
As mentioned earlier Motion Perfection had a functioning prototype product at foundation of the company. After 3-4 months they introduced their first product to the market. The market greeted the product with acceptance and additional tailored functions were decided to be developed to better fill the need of individual customers.

The first product was installed at Abekås GK as a test site. Test were conducted to increase reliability and to establish future marketing routes to end customer.

The SwingIT product has been presented and demonstrated in many different customer situations since the introduction in March 2003.

Even though there is only one reference customer on the market there is additional market connected people that act as reference for the product. Contacts have been established with organisations connected to Motion Perfection’s market and they are all familiar with the product and its capabilities. They function as references and continuously refer additional customers to Motion Perfection.

Even though Motion Perfection does not fulfil the high level requirement on all the criteria they have a functioning reference base for their product. Due to this they receive a score of 1 on this cornerstone.



5.8.3 Definition of Market

Achievement criteria:

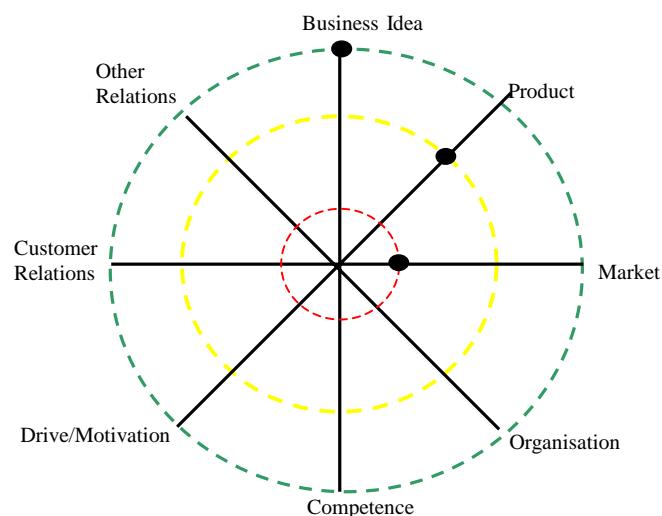
Low	vs.	High
The firm has no limitations as to what customers it turns to		The firm turns itself to a very specific customer category
It is not possible to say what characterizes the firm's customers		There exist a number of criteria, which precisely define the potential customer
The market is worked up mainly through random contacts		The firm allows a structured strategy for working up the market
The firm sees a large number of customer categories all of which are deemed equally important to cultivate		The firm gives clear priority to certain customer categories over others

The potential customer base for a company is by definition different from the actual customer base that a company can reach. The potential customer base could often be very large and it is important for a company to identify individual segments to target. This should be done through some kind of screening process where prioritisations among the market actors are made. It is important to identify a market that is adequately big to support the company, stays relatively stable and that holds the test of time.

When a company engages in more market activity it may have reached the “Go-Go” phase of Adizes model. In this stage sales is king and huge efforts are made towards capturing the market.

5.8.3.1 Data-Base

There has hardly been any effort conducted to reach the market. When Albert acted as CEO his responsibility was to examine the market tendencies and establish a role-out plan for their market penetration. After Benny left Data-Base there is no person available with the right motivation or knowledge to reach the market. Efforts have been made to incorporate outside knowledge in the form of business experts to help in guiding Data-Base into the right track. Discussions into how the market should be reached have



been loosely discussed but there is currently no consensus on the subject. An outside party has stressed the importance of aiming towards a single market with enough players to ensure a stable turnover. Albert, who is currently Data-Base CEO, has however another opinion and feels that they should aim for the whole market.

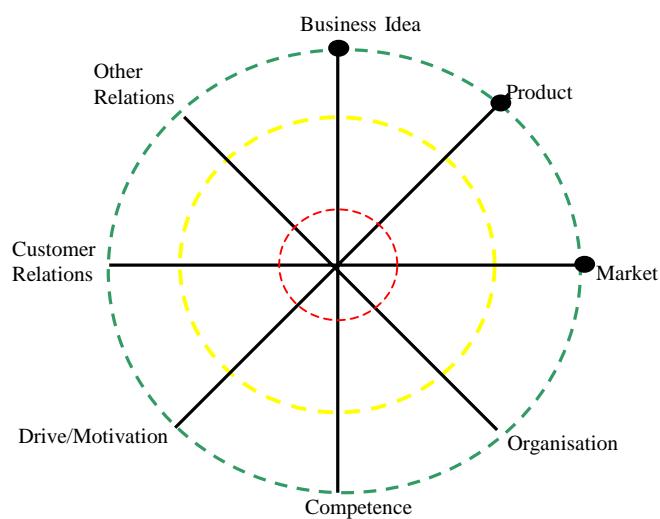
The overall market for Data-Base is wide and large. It will be necessary to concentrate on a limited segment to attain the best market reach. Formulation of company profile and investigation into outsourcing of marketing and sales are items that Data-Base should take into consideration.

There is a lack of limitations in Data-Base's customer market and an absence of investigation into their customer profile. Data-Base have no structure for addressing and sustaining important customers and they have not been able to ascertain what niche segment is the most important. They rather consider all segments equally important. Data-Base only reach the low level of achievement on the criteria in this cornerstone and receives a score of 0.

5.8.3.2 Motion Perfection

Efforts have been made towards estimating and classifying both a short-run and a long-run market for Motion Perfection. There is a clear definition of what market segment and what customer to target. Market penetration of the short-run goal is ongoing and rollout plans for future markets are in the process of being established.

There is adequate knowledge within the company to establish marketing- and sales plans in Motion Perfections short-run operations.



The target customer is clearly characterised and the target market is limited to an attainable segment. The target market and customer is very structured due to that all potential customers have to be registered in local organisations. This leads to that Motion Perfection can extract full information about potential customers through organisation contacts.

The clearly defined market and the structured target customer gives Motion Perfection a score of 1 on the cornerstone "Definition of Market". They fulfil all of the criteria.

5.8.4 Development of an Operational Organisation

Achievement criteria:

Low

vs.

High

All staff does most types of work

All staff has clearly delimited tasks

There are no specified organisational units

It is possible to clearly describe the firm in an organisational chart

Members of the organisation are recruited on the basis of the founder's personal network

Members of the organisations are there because of conscious recruitment of specific competences

The firms operations are adapted to the situation and governed by events that come up

A disciplined and goal oriented effort towards developing the firm is being implemented

Everybody in the firm have responsibility and authority within most areas

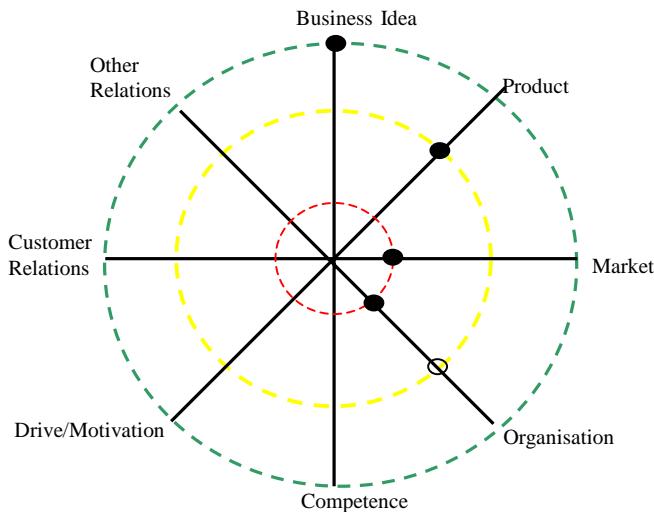
There is a strict division of authority and responsibilities within the firm

The work structure of the company is defined as the company's organisation. The organisation in a small company usually only comprise the founders and a limited number of employees but all other actors, such as members of the board, connected to the company is involved in the organisation.

The company may now be in the “Adolescence” or “Prime” phase of Adizes model. This is where a company takes on a new form. Functions are better allocated between everyone in the company and employees have clearly defined areas of responsibility. The company is disciplined yet innovative.

5.8.4.1 Data-Base

The number of employees at Data-Base is currently five including a student making his final year project. It is a small company with limited resources and there has always been a simple organisation structure. There has been some division of functions but it has often been the case that the framework for function allocation has been very varying. The incident where Benny left the company in 2003 have had the impact that no person is interested or motivated for the marketing side of the company. This change has been negative for Data-Base and there are difficulties in creating stability in the company. Due to the loss of Benny Data-Base was forced to initiate contacts with outside actors to further develop their market and sales activities. As mentioned earlier a business expert was hired, on consultancy basis, to help with target marketing and market definition.



Due to the current size of Data-Base it is difficult to adapt to a rigid organisational structure. As the company grows it could hopefully be expected that they will achieve an improved organisational structure.

All of the employees engage in all types of work and there are no specified organisational units. The recruitment is based on employee's personal networks and the organisation and operations is governed by events that appear in the short run. There exist no strict division of responsibility.

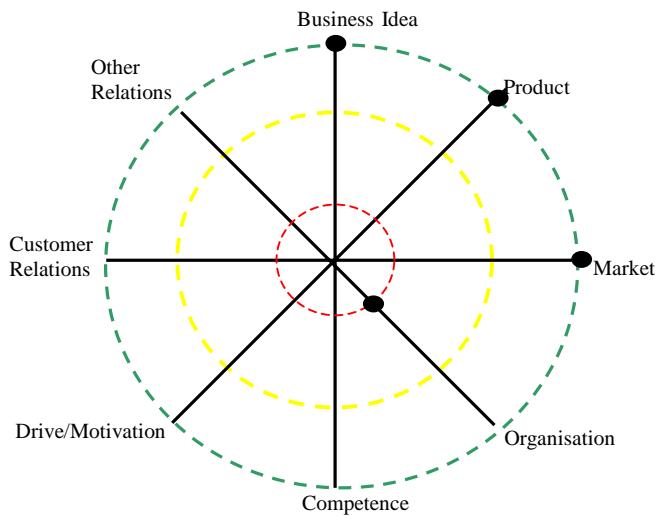
The score on the cornerstone "Development of an Operational Organisation" is 0. This could be questioned however. As the size of Data-Base is relatively small there might not yet be a need for a more structured organisation, Data-Base could function with this organisation as long as they do not grow. There is however no reference frames or strategies for an organisational improvement once the growth of the company commences. No thoughts have been put into this matter as it constitutes a long-term problem and it can be expected that difficulties will arise.

5.8.4.2 Motion Perfection

Motion Perfection has currently three people employed part time and one person on full time. Every member of the Motion Perfection team has defined roles and responsibilities. Even though everyone has their own area of responsibility every medium and major decision is solidified between all team members. This leads to that everyone has an input in every function and there is a tendency of lack of focus. There is no established plan on how to develop the organisation in the case of an expansion.

The consequences of that Carl left the company did not have a very big impact on Motion Perfection as a whole. Fredrik was employed in conjunction with Carl's departure and all vital company and customer contacts were relayed.

In Motion Perfection there is specified functions of responsibility for everyone within the company but there is a tendency for everyone to be involved in all functions. The organisation today is a result of various events that have happened during the company's lifetime and all members are recruited on the basis of the founder's personal network. Due to the above reasons a score of 0 is given on this cornerstone.



5.8.5 Core Group Competence

Achievement criteria:

Low

vs.

High

To some extent the firm lacks knowledge about the market for its products

The firm is very well equipped with knowledge about the market for its products

To some extent the firm lacks competence in marketing and selling

The firm is very well equipped with competence in marketing and selling

To some extent the firm lacks expert knowledge within its domain

The firm is very well equipped with expert knowledge within its domain

To some extent the firm lacks experience and competence in the area of leadership

The firm is very well equipped with experienced and competence in the area of leadership

The competence the firm has will not cover its needs for the future

The competence the firm has will completely cover its needs for the future

The core competence of the founders and employees of a company is important for the future development and prosperity. The ability to handle and control all functions of a company in symbiosis is one major ingredient for creating a stable platform. To be able to achieve this there has to be a wide knowledge base within the company. The knowledge base refers to both the technical knowledge of product development/production and business knowledge including marketing, sales and organisation.

As discussed earlier it is often the case that the founders of a technology-based company only have knowledge within their technical field. This could lead to implications as the company grows.

This cornerstone is a continuously changing cornerstone and changes rapidly over time as the players attain more knowledge.

5.8.5.1 Data-Base

During foundation of Data-Base the competence in the company was relatively good. Albert is highly competent on the technical side of their market and Benny, even though he had no practical experience, showed signs of interest and desire to learn and bring Data-Base's products on to the market. What can be said is that Data-Base had good technical knowledge but lacked adequate competence in the areas of economics and marketing where their knowledge was restricted to theoretical.

As Data-Base employed more people the emphasis was put on their technical knowledge and that they could function in the group. The reason for this was probably that their aim in the short run was to develop the primary product. They had little or no prospect vision of where they were going once the product was developed.

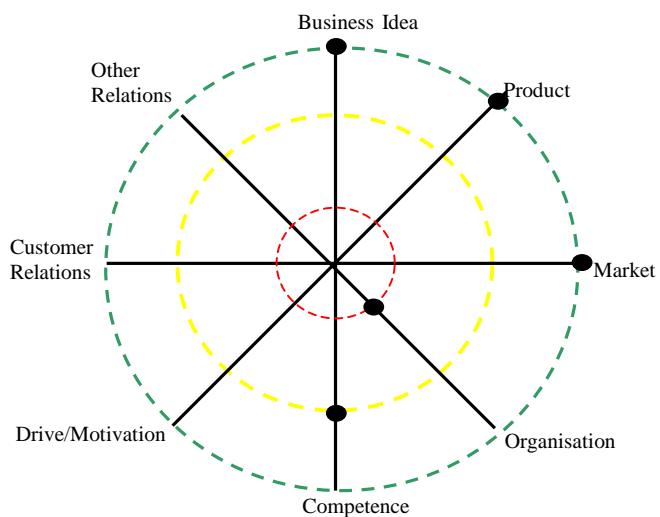
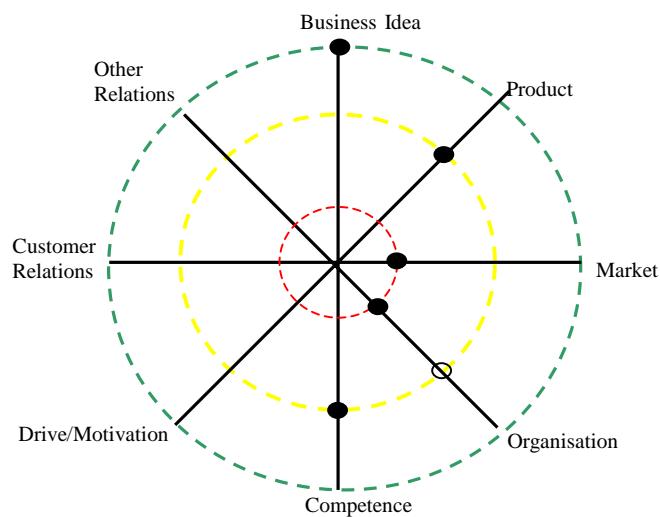
As Benny left the company the little knowledge they had in the areas of business and marketing disappeared.

There is a lack of knowledge about Data-Bases customer market and no competence in the area of sales and marketing. They do however have excellent knowledge within their technical domain but lacks the leading ability to convey the message both within and outside of the company. The current competence in the company will not sustain Data-Base in the future.

Data-Base fulfils some of the criteria that is set up for this cornerstone and receives a score of 0.5.

5.8.5.2 Motion Perfection

The three members of Motion Perfection at foundation all had varying experience and competence. Dennis has vast technical knowledge and has developed the complete product with the aid of Carl who has some technical knowledge. Sara furthermore has experience in the marketing area. Carl also had some selling experience but he mainly rested on theoretical knowledge.



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During the summer of 2003 Patric was brought into the company. Patric is a business expert and have immense company knowledge and a well-established contact network ranging of everything from potential customers to investors.

When Motion Perfection employed Fredrik it was to compensate for the loss of Carl. Fredrik have a long experience in sales, both domestic and international, and will therefore bring new interesting knowledge to the company. Fredrik also have additional knowledge within the Motion Perfections market.

The current competence in Motion Perfection is expected to be adequate in the short- and medium-run. There is relatively good knowledge of the market, marketing activities and sales. This gives Motion Perfection a score of 0.5 on the cornerstone “Core Group Competence”.

5.8.6 Commitment of the Core Group and the Prime Motivation of each Actor

Achievement criteria:

Low

vs.

High

The founder's primary goal within the firm is to provide employment for him/herself and perhaps some friends

The founder's goal is with the firm is to "amaze the world" build a growth company

The founder regards the firm as one of several possible ways of earning his/her living

The founder is completely geared towards a future as business owner-manager

Work must not intrude on the leisure of the people involved

All time is invested in the firm

For all parties concerned their involvement with the firm can be characterized as modest

All parties concerned have a very large involvement with the firm

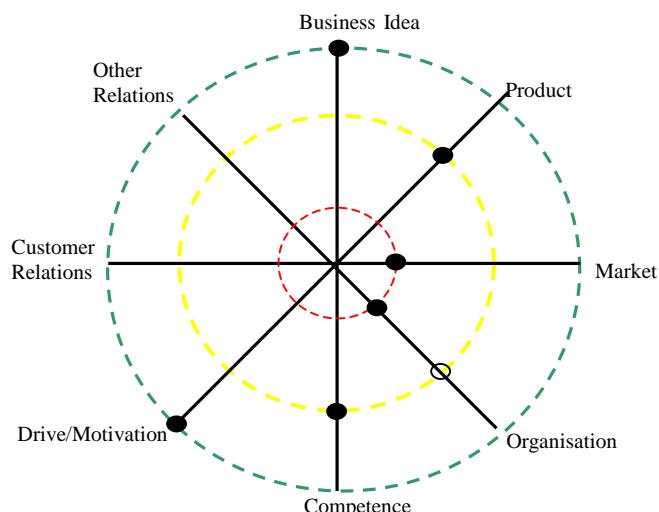
The commitment of the actors in a company is of uttermost importance during a company start-up. An active presence on the market and a willingness to advance and establish an effective structure is very important.

5.8.6.1 Data-Base

Even though the founders had different personalities the motivation behind them in the founding of the company was high. During the first year there was a high level of activity and new ideas were examined.

As Data-Base came closer to launching their product and hence reached uncertain area misfortunes have lowered the motivation in the group. They still see themselves succeeding but as Benny left the company they have realised how long way they have to go.

The employees of Data-Bases main goal are to "amaze the world" or as Albert expresses it "Our goal is to put a custom designed software on every desk in the world, WE want to be the new Oracle". The remanding founder is completely geared for a future of business owner-manager but he believes that his post in the company should be on the technical side not in



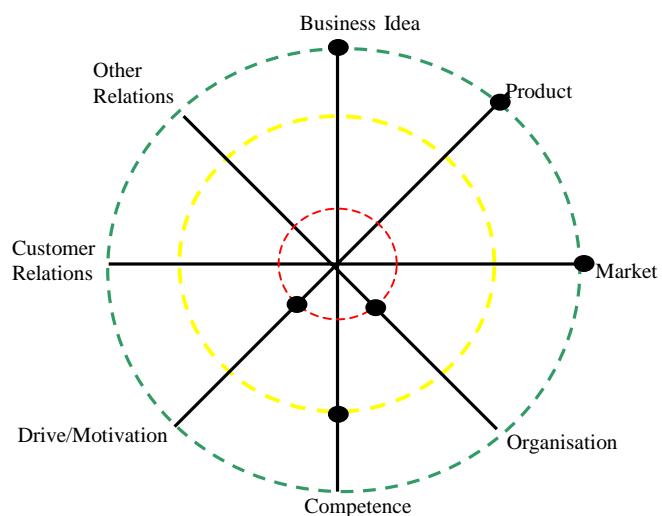
sales and marketing. They all invest a great deal of their time and are involved in every step of the development.

Even though there seems to be a deteriorating motivation of the team the score on this cornerstone is 1.

5.8.6.2 Motion Perfection

During the initial six months of operation the motivation and drive within Motion Perfection was very high. As the golf season came to an end in the fall the motivation started to deteriorate. The motivation remained low with occasional upspring of enthusiasm due to events in and around the company.

It seems however that there exists motivation but due to that everyone on the Motion Perfection team have other occupations they find it hard to allocate the time. This is a large problem as the team members are reluctant to completely engage in the company and leave their current occupations.



The founders regard the business as one of several different options to earn a living and they highly regard leisure time. The involvement and participation level of all team members can be described as modest. This gives Motion Perfection a score of 0 on this cornerstone.

5.8.7 Customer Relations

Achievement criteria:

Low

vs.

High

The firm has yet not sold any product to a customer

The firm has a large number of customers who have bought its products

It is not likely that any customers will repeat purchase the product

It is very common that the firm's customer make repeat purchases

It is difficult to create sales to new customers

The firm constantly gets loads of new customers

The customers are sometimes dissatisfied

The customers are always very satisfied

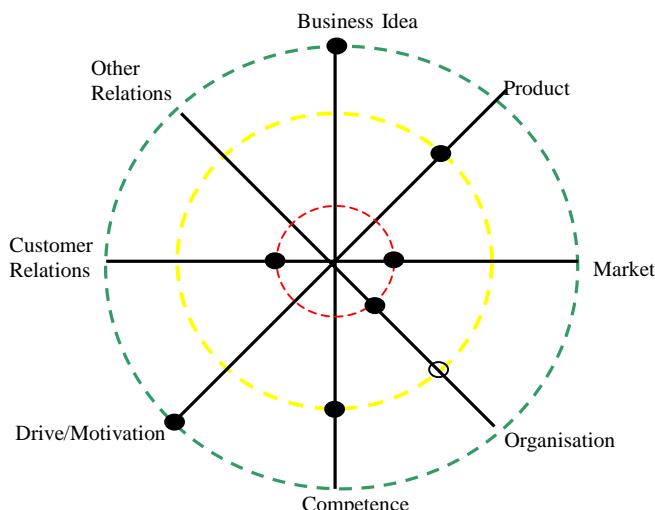
This cornerstone is especially important, as customer relations are a company's means for establishing a turnover. These are the relations that in the long run should carry the company.

5.8.7.1 Data-Base

Apart from one large reference customer there is a complete lack of customer relations in Data-Base's network. This is the weakest aspect of the company as a whole. No efforts have been put on acquiring market relations and there is no established plan on how to reach customers.

No person on the Data-Base team has the incentive or knowledge to establish a functioning sales and marketing department.

Data-Base have not yet sold a full price product but it is expected that repurchase from existing customers is possible, but not proven. There is great difficulty in creating sale and it is problematical to guesstimate the satisfactory level of future customers.



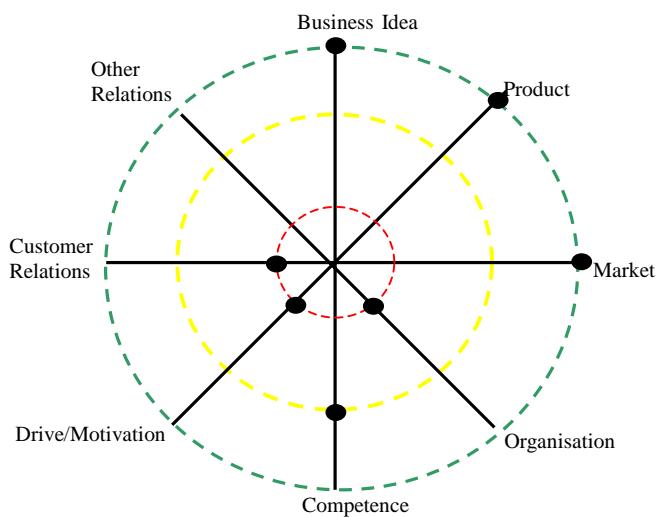
Due to the above reasons the “Customer Relations” score is 0.

5.8.7.2 Motion Perfection

Motion Perfection has one reference customer and a number of other references in the market. As the SwingIT system is relatively expensive it is somewhat difficult to sell the product. It is however expected that there is great potential for customer resale and upgrade. There is a degree of dissatisfaction from the customer due to that the first installation mainly has functioned as a test system.

Even though a number of reference has been established the predicted sales has not been achieved at all.

There is only one actual reference customer and the product is rather difficult to sell. This leads to that a score of 0 is given on this cornerstone.



5.8.8 Other Relations

Achievement criteria:

Low	vs.	High
There exists no relationship with banks or investors		There exist very good and stable relationships with banks and investors
The firm has a shortage of financial capital		Access to capital for the firms operations is no problem whatsoever
There exist no contacts that can provide credibility for the firm in the eyes of the market		The firm has well developed contacts with other actors who give the firm the complementary resource credibility
There exist no contacts that can provide the firm with additional management competence		The firm has well developed contacts with other actors which provides the firm with the additional management competence

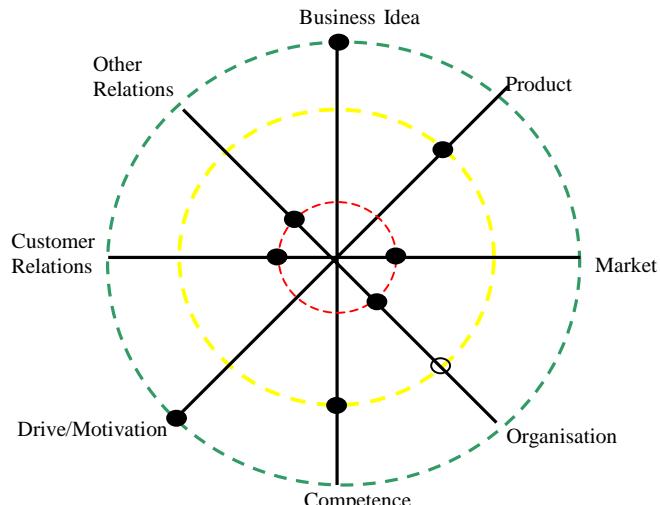
Other relations involve everything from financial to supplier relations. Financial are among the more important other relations that a company have. This is especially true in the early development stages of the company.

5.8.8.1 Data-Base

Apart from the one reference customer Data-Base have not established any more outside relations. There have been attempts to establish relations with other companies but there has been little success. Data-Base have two cooperation relationships with outside companies but they are both not very rewarding.

They have no contact with distribution channels or potential risk capitalists.

There exist no relations with banks or investors, apart from an account. There is however currently no shortage of funds due to the careful expansion. There are connections with outside parties that might provide the company with additional management competence but there are currently no contacts that can provide credibility of the firm on the market.

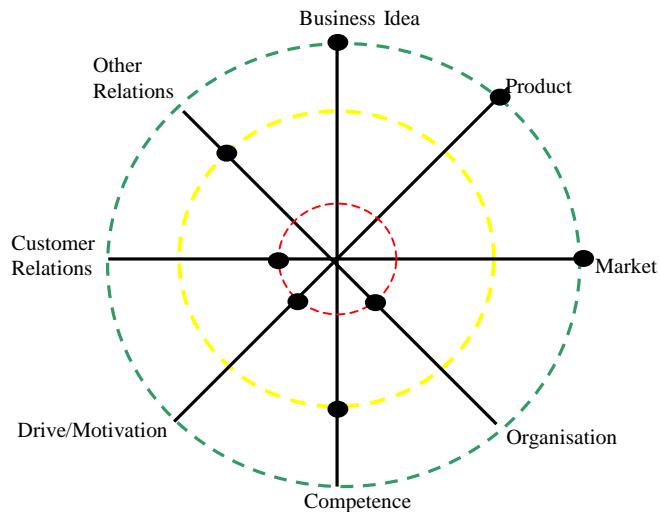


Data-Base score a 0 on this cornerstone.

5.8.8.2 Motion Perfection

Motion Perfection has established a network surrounding the company, within both investors and market relations. There are a number of interested investors and discussions concerning funding are underway. Motion Perfection expects to receive a small investment during spring 2004. There is a shortage of capital in the company, which might pose a future problem.

Motion Perfection have however contacts in the market that brings credibility and customers to the company. Furthermore is there a vast network concerning additional management competences.



Motion Perfection scores a 0.5 on this cornerstone.

6 Theoretical Analysis

The aim of this chapter is to connect all relevant literature with expert interviews and case companies. This is an analytical process, which forms the basis for the discussions. The implication of this analysis will be discussed later.

6.1 *Introduction*

During the introduction of this thesis the four major entrepreneurship areas in which research has been conducted in Sweden were presented:

- Studies aimed at describing, quantifying and analysing companies.
- Studies aimed towards the development of companies
- Studies with focus on the entrepreneur, his/hers background, driving force and psychology.
- Studies aimed at analysing the business environment, network and recourses.

The business platform connects all of these areas in one single model that is easy to understand and apply on any technology-based company. The business platform describes a company and provides a frame for quantifying its achievements. It is directed towards development companies and the development process within the company. It focuses not only on the development process in the company but also on the actor's within as well as relations around the company. Here the three major areas comprising the business platform can be seen, the development process, entrepreneurs and business relations.

Through classification of the 8 cornerstones into 3 separate groups it was made possible to receive an overhead view of the theory and connect the various aspects. During the study it was seen that all the cornerstones melted into each other and functioned in symbiosis. The complete lack of one cornerstone would lead to that the company might stagnate and disappear.

The purpose of Klofstens's business platform is to convey a message to the company concerning its current health. It seeks to identify problem areas and communicate them with all actors involved. The business platform is intended to be an instrument for:

- Measurement of soft aspects
- Support for communication
- Creation of commitment
- Development of competence
- Support during change management
- Support during the decision making process

To be able to achieve this the business platform will have to correctly describe the company and comprise all areas of the company that is of concern. Does the business platform do this?

This chapter will be divided into three parts, each covering the areas comprising the business platform.

6.1.1 The Development Process

The development process involves four different cornerstones:

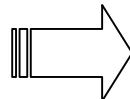
- Formulation and Clarification of the Business Idea
- Development to finished Product
- Definition of Market
- Development of an Operational Organisation

These four cornerstones are all concerned with the early development of a company. They are internal functions of a company and operate as the foundation for the company direction and structure.

The life-cycle models, presented in the “Theoretical Study” chapter, represent the development process of a company over the length of its lifetime. The section comprising the development process of the business platform therefore has to be sought in the beginning of the life-cycle models.

In Adize’s model the first 4 or 5 phases apply to the business platform. It can here be seen how the different functions of the platform evolves over the different phases. During courtship companies aim at generating ideas. It could also be assumed that a product is developed in this phase.

Courtship. Would-be founders focus on ideas and future possibilities, making and talking about ambitious plans. Courtship ends and infancy begins when the founders assume risk.

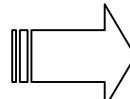


- Formulation and Clarification of Business Idea
- Development to Finished Product

Figure 15: The Courtship Phase

Further on in the infancy stage companies will have to look more into what market to target and how to penetrate it to make revenue.

Infancy. The founder’s attention shifts from ideas and possibilities to results. The need to make sales drives at this action-oriented, opportunity-driven stage. Nobody pays much attention to paperwork, controls, systems, or procedures. Founders work 16-hour days, six to seven days a week, trying to do everything by themselves.

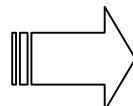


- Definition of Market

Figure 16: The Infancy Phase

During the third phase, Go-Go, the lack of organisation leads to that the company cannot function at full capacity. The founders usually try to be involved in every decision in the company and other employees do not feel empowered due to the constant involvement. During the Adolescence stage a new and more stable organisation of the company starts to take shape. Founders still have a hard time letting go of the reigns but the foundation of an organisation is developed.

Adolescence. During this stage, companies take a new form. The founders hire chief operating officers but find it difficult to hand over the reins. An attitude of us (the old-timers) versus them (the CEO and his or her supporters) hampers operations. There are so many internal conflicts people have little time left to serve customers. Companies suffer a temporary loss of vision.

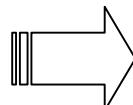


- Development of an Operational Organisation

Figure 17: The Adolescence Phase

When a company has reached the fifth phase, Prime, they have also reached a stable platform within the four cornerstones of the initial section. They have at this time developed a sound idea and produced a viable product. Further they have defined a market and established a functioning organisation.

Prime. With a renewed clarity of vision, companies establish an even balance between control and flexibility. Everything comes together. Disciplined yet innovative, companies consistently meet their customers needs. New businesses sprout up within the organisation, and they are decentralized to provide new life-cycle opportunities.



- A Business Platform is reached

Figure 18: The Prime Phase

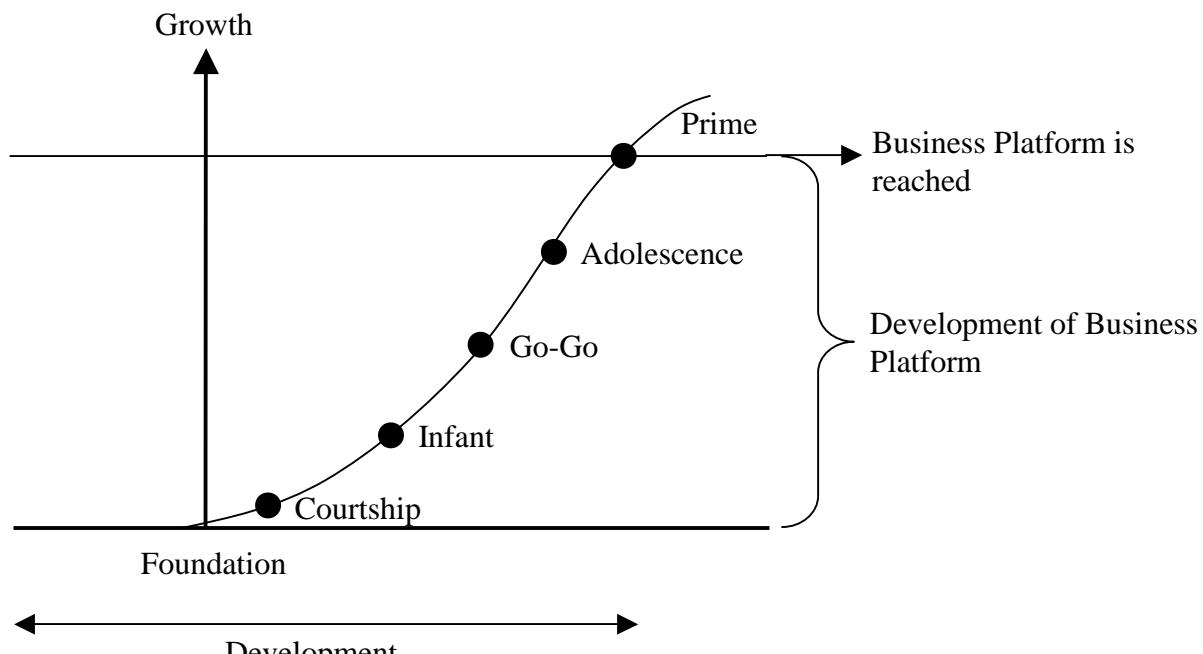


Figure 19: The road to the Business Platform

In Miller and Friesen's model the business platform development process can be compared to the two initial phases, birth phase and growth phase. In these two phases you can find all of the five initial phases that was presented in Adize's lifecycle model.

1. Birth Phase: The organisation is very innovative and new solutions to customer problems are continuously sought. This is the first contact the company gets with trying to establish a competitive product or market strategy. To be able to avoid to big markets and competitors niche segments are identified. Large amount of networking activity is conducted. The company has a simple structure, which is mainly centred on the founders. The decision making process is relatively bold and there is only a small amount of administrative control.
2. Growth Phase: The aim is more directed towards growth and diversification and less to revolutionizing product innovations. The market niche strategy plays a minor role and the product lines are widened to better accommodate the customer demand. The founders' power has been reduced and the owner ship of the company is more spread out. The market is more heterogeneous then during the birth phase and the company has become more structured and organized. The decision making process is less risking and proactive and the number of people involved is larger. The decision making process is also more analytical and better-integrated then during the birth phase.

What Miller and Friesen wants to emphasize however is that there is no indication that the different phase during this stage follows in the pattern that Adizes has proclaimed. Adizes says that courtship is followed by infancy that is built on by go-go coming up to adolescence and then finally followed by prime. Miller&Friesen however says that there is no telling in what order these phases come due to that all companies function differently and are unique. Hans Landgren^{xvii} also feels that there is no cycle set in stone that determines the development of an individual company. It is possible to identify a certain pattern within a specific business area but a cross comparison is virtually impossible. That a company moves from one stage to

another is pretty straight forward, what is even more interesting however is how this change comes about. What are the dynamics in a company that leads to this revolutionising change? There is little insight into this phenomenon and researchers all over the world is working on constructing a model for describing this phenomenon.

Mayer&Goldstein (1961) found that a new venture was the most vulnerable during the initial two years of operation. This point could in some ways indicate that a stable platform is reached after approximately two years. But according to Klofsten's studies the start-up period is much longer and seems to constantly increase. Klofsten have seen cases where a stable platform has not been reached until year five or six of operation. This is very strange, as the increasing pace in the world market today should bring about a narrower lifecycle indicating a decreased time to achievement of a platform. Speculations to the reasons for this are the increased competition on the market and the current globalisation.

6.2 *Entrepreneurs*

The entrepreneurial area of the business platform concerns two cornerstones:

- Core Group Competence
- Commitment of the Core Group and the Prime Motivation of Each Actor

Due to that a company during foundation is mostly comprised of only the founders we assume that core group competence and commitment of the core group refers to the founding entrepreneurs.

It was noted, in Jeffery Timmons “Entrepreneur Matrix”, that an entrepreneur must exhibit high creativity and innovative capability as well as good management skills, business know-how and networks. There is a high demand on an entrepreneur to have a wide range of skills and master them.

Looking at Hisrich & Peters (1998) suggested characteristics that an entrepreneur must exhibit it could be seen that they can be divided among the seven categories mentioned in the introduction of the entrepreneur chapter. The seven criteria are directed to general entrepreneurship and due to that Hisrich & Peters (1998) look at technology-based companies one additional criterion “Technological Skills” will have to be added.

- Creativity and opportunity evaluation
 - Business Management Skills
 - Personal Entrepreneurial Skills
 - Risk-taker
 - Monitoring Environment
 - Innovative
- Real-time strategy and decision making
 - Planning and Goal setting
 - Decision-making
 - Venture Launch
- Comfort with change and chaos
 - Inner control/disciplined
 - Change-oriented
 - Ability to Manage Change
 - Ability to Organise
 - Control
- Basics of start-up finance and accounting
 - Finance
 - Accounting
 - Managing Growth
- Teamwork
 - Human relations
 - Interpersonal
 - Visionary Leader
 - Listening
 - Management
 - Coaching

- Management Style
- Evangelism, selling, negotiation, and motivation through influence and persuasion
 - Marketing
 - Persistent
 - Network Building
 - Negotiation
- Oral and written communication
 - Writing
 - Oral Communication
- Technical Skills (addition to original seven criteria)
 - Technical Skills
 - Tech. Business Management
 - Technology

The above division has been done by the author and can be subject to change.

From the above it can be understood that for a company to achieve a high score on core group competence there has to be a wide range of knowledge within the group. All the areas are of importance and the amendment of one might lead to that the company will not grow and prosper. According to Hans Landström, Marie Löwegren and Magnus Klofsten there is a tendency of technological entrepreneurs to only possess knowledge within their technical field. Although they have great knowledge within their technical field they lack the ability to establish many other equally important functions of a company. The cornerstone core group competence is a varying aspect. This aspect changes over time as the company incorporates more knowledge into the company.

Due to the lack of general knowledge and symbiosis between technology and business within newly founded technology-based companies it is expected that they seek to incorporate this knowledge from external resources. This concerns external relations and will be discussed in the next section.

A company's goal and the driving force of the entrepreneur are inseparable. So, a company's success depends on the driving force of the entrepreneur. McClelland Postulated three motives for the driving force of an entrepreneur:

1. The need for Achievement
2. The need of Affiliation
3. The need for Power

These are then connected to a number of traits that the entrepreneur exhibits. This leads to that commitment of the entrepreneur in a company is directly linked to the entrepreneurs thrive of fulfilment of personal need. It does not matter which of the three motives an entrepreneur has for engaging in entrepreneurial activity, the important aspect is that it drives him to achieve excellence.

Another essential point is that there is often a varying degree of commitment of the founding team for the company. There have been signs indicating that a member or members of the founding team leave the company during the early development stages for another company (Expert interviews and case companies). The company the person leaves for is often one in which the person has come in contact with during the running of their venture. It is often the

The Essence of Entrepreneurship

leader person of the founding company that leaves the venture. The situation the company faces often leads to that they make big changes in their structure and moves into a new phase.

There are entrepreneurs who specialise in entrepreneurship. They concentrate at establishing and develop newly started ventures and leaves them when they are adequately big to support themselves. Often when entrepreneurship is discussed one gets a picture of one individual, hence entrepreneurship is individualised. This is however not the case, entrepreneurship is a social phenomenon and Hans Landgren expects that at least 90% of all new ventures are started together with other companies. A company is in demand of a certain tool. An entrepreneur founds a company to develop this tool with the financial resources from the customer company. Once the order is fulfilled the new venture might discover further possibilities with its product and from there enters the market.

6.3 Business Relations

The business relations' section of the business platform involves the following cornerstones:

- Customer Relations
- Other Relations

The customer relation is one of the more important relations for a company. It is the customer relation that is supposed to generate future resources for the company. These relations must be quantitative, qualitative and strong enough to generate an operating profit. A company should in a customer relation opt for creating a long-term relation based on mutual trust and commitment.

The foundation of relationship marketing is marketing management, long-term cooperation, mutual responsibility and relation and service values. This is equally valid for all relations a company has. The customer relation is based on the marketing activities a company undertakes. Jerome McCarthy (1994) identified the 4 P's of the marketing mix. The marketing mix looks at means of attaining quantitative customer relations.

- Product:
- Price
- Promotion
- Place or distribution

This matrix will have to build on by Gummesson (2002) dynamics of relations to further add to the quality of consumer contacts:

1. Collaboration
2. Commitment, dependency and importance
3. Trust, risk and uncertainty
4. Power
5. Longevity
6. Frequency, regularity and intensity
7. Closeness and remoteness
8. Formality, informality and openness
9. Routinisation
10. Content
11. Personal and social

These aspects are valid for all kinds of relations, which brings in other relations to the question. The cornerstone "Other Relations" comprise many different relations that a company can encounter. In the early stages of a company's lifetime it is expected that financial relations are of most importance. But as the company grows and income is generated from customer relations other relations become more and more important to acknowledge. Relations that emerge here are entry of new competitors, existing competitors, bargaining power of suppliers and customers and rivalry among relations. Competitive advantage is the constant search for a favourable market position and are concerned with all relations surrounding a company. Competitive advantage is based on strategic decisions made by the company in how to respond to external relations.

The Essence of Entrepreneurship

The ability to analyse, reflect and act upon competitor's decision is one of the means of which a company can stay in front and make a profit. Further, when looking at the value chain it depicts all those functions within a company that has to function. If a company lacks the knowledge in one area it is important that they incorporate this knowledge from and outside resource to stay competitive.

7 Practical Analysis

This chapter deals with the analysis of the practical application of the business platform. Firstly the case companies analysis result will be presented. This is followed by an analysis of the practical applicability of the business platform. The analysis is made according to earlier established assessment criteria.

7.1 *Introduction*

Theory and practice could both go hand in hand and in different directions. This practical application of the theoretical knowledge should close the loop and thereby verify the original theoretical stance. The practical application of the business platform, from an outside perspective, should convey an accurate picture of the company, touch all areas of interest and present the information in a tangible manner. If the analysis were made from a managerial perspective the assessment criteria would be very different, due to the differentiating information need. The assessment criteria of this thesis look more into whether the business platform might achieve its intended purpose, not what information it brings to a company manager.

7.2 *Case Company Result*

7.2.1 Data-Base

As can be seen in the business platform web much improvement has to be made in Data-Base in order for them to reach a stable platform. Most importantly they must concentrate in establishing a target market and try to connect to this market. Furthermore they have to engage more in networking with other actors around the company. This includes bringing in people that have experience in the various business areas apart from only technical knowledge.

The Essence of Entrepreneurship

Data-Base have a good idea and an excellent product that can be both profitable and very competitive on the open market. A plan on how to achieve this has to be formulated however.

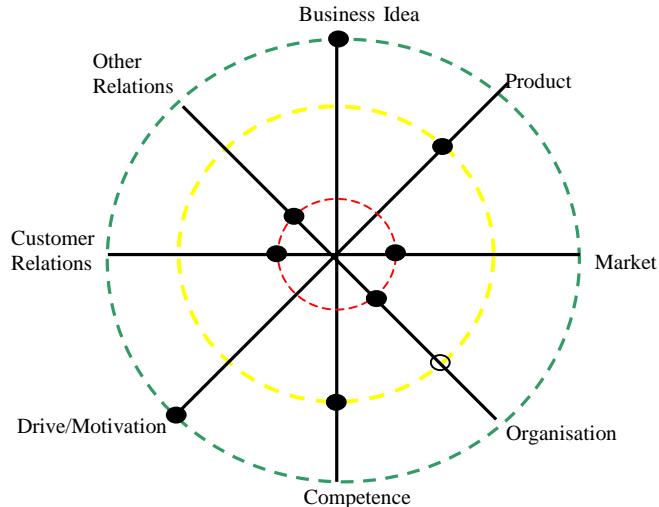


Figure 20: Data-Base total score

Data-Base have vast potential if they manage to move into a new phase and thus develop some of the cornerstones more. Data-Base receives a total score of 3 (3.5)

7.2.2 Motion Perfection

Motion Perfection has a very good idea and a functioning product. They have engaged in marketing activities and a number of references have been established. They do however need to work more on how to sell their products. The most critical problem in Motion Perfection is the low motivation in the company. With this level of motivation they will not be able to expand and develop.

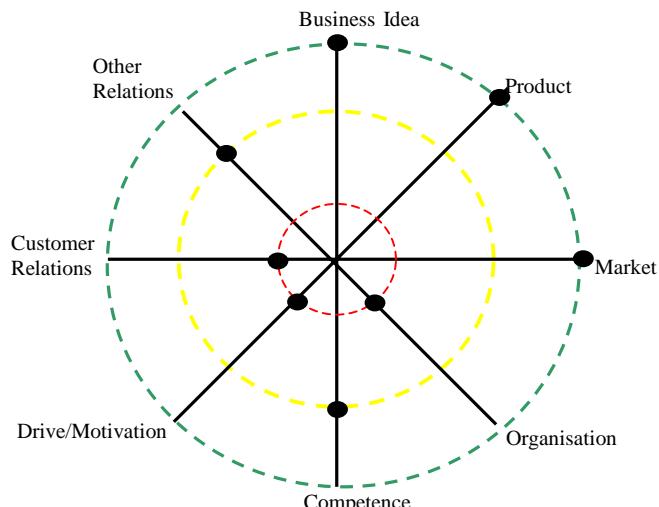


Figure 21: Motion Perfection total score

The total score for Motion Perfection is 4.

7.3 Practical Application

To be able to convey a correct picture of a company an analysis will have to:

- Address all areas of importance
- Provide a quantifiable method that is both internally and externally entailed.

What areas within a company analysis are important to cover? In Sweden, as mentioned before, entrepreneurial research has been directed into four major areas. These include the development process, the nature of the entrepreneur, business environment and quantifiable means of company analysis. From this it can be deducted that areas of importance are development, entrepreneurs and environment. As was discussed in the theoretical analysis the business platform incorporates all of this information and provides a quantifiable means for assessing company performance.

From the above it can be expected that the business platform adequately provide information regarding important areas in the company and a quantifiable method for assessing their current internal health. The resulting result will provide a manager with information regarding what areas that need improvement and it will grant a sense for his/her company situation. Is the business platform however externally entailed? There exists no means for assessing company performance between different companies. The total score for Data-Base was 3 and for Motion Perfection 4. From this it could be expected that Motion Perfection has a more evolved platform then Data-Base. But is this correct?

Data-Base's major problem is definition of market. As a consequence of a lack of target market Data-Base have not been able to acquire reference customers or establish any customer relations. Motion Perfections major problem on the other hand is their lack of drive/motivation. Data-Base that received a high score on this cornerstone can be expected to continue work on defining the market and thus raising many cornerstones and receive a score of over 5. There is however no indication that Motion Perfection will be able to bring this about when their main problem is drive and motivation. Thus it can be said that Motion Perfection are worse of even though they today have a higher score then Data-Base.

This leads to the implication that without a weighting system of the different cornerstones the business platform is not externally entailed. The cornerstones are assessed with a score ranging from 0, 0.5 to 1. From this a further weighting constant for each cornerstone would provide a tool for comparing different company scores.

The grading standards for each cornerstone, presented in "The Business Platform" chapter, provide an easily understandable guideline for internal company assessment. This gives a tangible outline on the gathered information and forms a basis for the analysis. Furthermore are the standards easily understood and graded so that every person with some business knowledge is capable of understanding them.

Another important aspect to mention is that a company analysis is dependent on both the validity of the analysis tool and the experience of the investigating person. The business platform is dependent on the experience of the person conduction the analysis. There is no guarantee that the same analysis result is yielded from two different investigators.

8 Discussion

The attention of this chapter is to conduct a discussion around the literature to establish an answer for the postulated questions of this thesis. Due to that the discussion mainly consists of my own findings and interpretations a more informal language will be used. The three major areas will be discussed respectively and in each area answers to the sub criteria will be given. The intention is that through answering the sub criteria an overall resolution of the two major, over all, questions.

8.1.1 The Development Process

The development process is defined in the business platform with four cornerstones. They are all important in the early development of the company as was displayed in “The Development Process” chapter. Whether the lifecycle model is directly applicable to real life I do not know. I do however feel that this model is a good way of illustrating the current position of company. It also measures and indicates areas that need to be improved to further develop the company.

The different phases in a lifecycle model can be seen as individual platforms built upon each other, creating ladder. If I connect the literature study with the case companies and the expert interviews I tend to think that Miller & Friesen are correct in their belief that there is no specific chronological order in which a company develops its various business functions. As an example Adizes recognised that a company starts with the development of a product idea in the courtship phase and moves on to explore the market in the infancy phase. This might be true for many companies but I believe that some companies are founded on the basis of an existing market potential. With this I mean that a company sees opportunities in a market and defines this market. From this they move to generate ideas for products and services they can offer to this market. In other words they move from infancy to courtship.

Whether or not it is the case that the phases follow in a specific order or not I tend to believe is of minor importance. What is important on the other hand is how a company moves from one phase to another. What are the internal and/or external mechanisms that bring about this paradigm shift in a company? I have not been able to find a good explanation of this but when a model for this is introduced the use of lifecycle models will be greatly diminished. I detected instances in the case companies where large changes in a company brought about a change of phase. I do however think that it does not require a revolutionising incident to bring about a large change. I would rather tend to believe that it depends more on how the company functions and to what extent they are receptive to external and internal sources.

One question I encountered when I examined the lifecycle model was when a company is actually formed. At what point in time is a company founded? There are very different views of this today and an increased interest in the stages before foundation can be seen.

What is also very interesting concerning the birth and death of companies is what happens to a business idea when a company goes out of business. Does the business idea die with the company or does it survive in the original or in a new form?

If we look at some of the individual cornerstones I have found that the Formulation of Idea and Definition of Market is very closely tied together. They both tend to be rather abstract cornerstones with market predominantly so. It is very difficult to quantify what level, high or low, that a company has reached in definition of market. If a company has a clear idea of its market, what is there that determines that this market will hold in the long run or during a depression?

The definition of idea is also very abstract in the sense that it is a constantly changing factor. During the early phase there is often very big changes in the original idea. This is mainly linked to how the entrepreneur/individual of the company acts and functions within the company. I believe that this leads to that an explanation must first be sought in the individual before looking into the idea generating. The idea is an early guide that creates possibilities but it is not the founders that grow with the idea, it is the idea that grows with the founders.

Further it can be questioned what comes first, idea or opportunity (market)? An idea will never be profitable without an opportunity and an opportunity will never be profitable without an idea. Once the idea and opportunity comes together all other cornerstones will follow and this is what creates Norman's famous "Business Idea", which is a collection of many different aspects.

8.1.2 Does the theory behind the business platform relate to other existing models and theories?

So does the development process cornerstones relate to other existing theories and models? I believe that these cornerstones are well anchored in established and recognised theories. They look into critical areas concerning the early development process in a new company, which is exactly what they are supposed to do. The early development process is mainly concerned with the internal development of a company and the four cornerstones capture this.

8.1.3 Are the different cornerstones relevant and correctly and adequately formulated?

The cornerstones are all relevant and the formulation is in a straightforward fashion. It was seen in both Adize's and Miller & Friesens models that all of the cornerstones were represented in their different phases. It could be argued that there should be some reference to the decision making process within the "Development of an Organisation" cornerstone of the business platform. My opinion is that Klofsten mostly emphasises the creation of an organisation with the purpose of division of labour and areas of responsibility. The decisions making process is an integral part of this area and should at least be recognised in the definition of the cornerstone.

8.1.4 Are there other relevant areas that the business platform does not cover?

I have not detected any additional areas that are of such great importance to require an extra cornerstone. I discussed the decision making process before and I tend to think that this aspect is better incorporated in an existing cornerstone than placed in a completely new one. The reasons for this is that a decision-making cornerstone would be somewhat misplaced among the other four and it is, as I mentioned earlier and integral part of the organisation.

8.2 *The Entrepreneur*

Moving into the area of the entrepreneur it was noticed, within case illustrations and interviews, that they often possessed a very limited knowledge base. Entrepreneurs tend to look into their major area of interest and disregard of other factors that are of equal importance to the company. The lack of knowledge about other functions leads to that there is no incentive of acquiring these functions and the company is doomed.

Another essential point is that there is often a varying degree of commitment of the founding team for the company. There have been signs indicating that a member or members of the founding team leave the company during the early development stages for another company. The company the person leaves for is often one in which the person has come in contact with during the running of their venture. It is often the leader person of the founding company that leaves the venture. This indicates to me that there is a lack of loyalty within the company and that this greatly influences their development. It is not only negative that this situation comes about. The reason for this is that it often leads to that the company has to take drastic measures to compensate for the loss of knowledge. This might lead to a positive paradigm shift in the company in the form of that an external relation. This external relation might bring important knowledge with him/her into the company and the company can move to a new phase.

It is important for a newly founded venture, especially a technology-based company, to continuously monitor its core group competence. As was just mentioned there is often a lack of knowledge within certain area that may have devastating consequences.

In Marie Löwengren's study "New Technology Based Firms in Science Parks" she found that the use of external resources is directly linked with what kind of management functions that exists in the company. There exists two different kinds of new companies, founder- and recruitment managed companies. Recruitment managed companies tend to make use of external relations to complement the existing knowledge within the company while founder driven does not. Here the core competence ties into the relation part that will be discussed in the next section.

When a company is managed by the founder/founders it is often the case that they forget to incorporate important functions into the company. Why? One can ask. The most probable reason is that "what you don't know that you don't know you doesn't know that you need to know" (Quote from Marie Löwengren). This is often the case in founder driven companies. The founder does not exactly know how for example marketing is conducted and because he does not know he does not care. This leads to that the company goes into stagnation and does not develop. When external people are brought into the company they often hold different

knowledge then the founders and are aware that more functions are needed and thus widens the company's knowledge base.

It is however the case that founder driven companies tend to move towards becoming recruitment driven. What brings about this change in management? One hypothesis, which came up during discussions with Marie Löwegren, was that once founder driven companies reach a specific knowledge base they realise that they need more knowledge. Another reason is as stated before that the loss of a founder leads to that more knowledge is brought into the company from an external source.

8.2.1 Does the theory behind the business platform relate to other existing models and theories?

The cornerstones of this section refer to the core competence and the commitment of core group. These cornerstones are defined rather general and covers thus a very large field. It is determined from the literature that there is a great need for both knowledge and commitment within a company, which leads to that the cornerstones are supported by other theories. On the other hand it can be argued that there exists many layers of these cornerstones and that they could have been better formulated to further clarify their wide scope.

8.2.2 Are the different cornerstones relevant and correctly and adequately formulated?

Continuing the argument above that the cornerstones could have been more clearly formulated does however not contradict the fact that they are relevant for the analysis of a company. They might however be formulated further to illustrate their meaning. Furthermore I have come to the conclusion that loyalty should be incorporated in the "Commitment of Core Group" cornerstone. There are a number of instances, in both Kolfsten's case companies and my own illustrations, where it was seen that even though commitment to the company was high there was no loyalty when another opportunity appeared. Landgren and Löwegren had also seen tendencies of this.

8.2.3 Are there other relevant areas that the business platform does not cover?

The two cornerstones in this section cover such a vast area due to their general formulation and I have not identified any other area that could be important.

8.3 Business Environment and Resources

This is the area of the business platform where we actually move outside of the company and looks at the company's environment. The variety and amount of relations that a company exhibits is probably very different between each individual company. There is however a number of vital relations that every company has to have to function. The most important of

these are customer relations. Further on it can be expected that a newly started venture is in the need of a financial relation to allocate resources in the start-up of the company.

There are relations that a company chooses to engage in and relations that are thrust upon a company. Examples of relations that a company engages in are alliances with other companies and suppliers. Relations that are thrust upon a company are those of competitors. I have seen that the coordination between and the development of relations is a difficult task. During the early development of there is great difficulty in creating stable and mutual trust in external relationships. Much effort has to be put into developing, sustaining and creating new and lucrative relations. Parallel to this a company constantly has to monitor and respond to competitor's actions and the bargaining power of relations such as suppliers.

This is where I have implemented the competitive advantage and value chain theory. The value chain it depicts all those functions within a company that has to function. If a company lacks the knowledge in one area it is important that they incorporate this knowledge from and outside resource to stay competitive.

There is a connection between market definition and customer relation that is rather abstract. It is important to at an early stage define a market segment for penetration, but if there exist no knowledge about the customers in that market it is very difficult to do. It is also very hard to examine customers to be able to define a market for a company with no functioning product to act as test tool.

In Löwengren's study it was noted that networks build on existing relations, not on new relations. When companies function in a science park they do hardly interact unless they previously have been in contact. This is one of the major problems facing today's science parks, how to create networks between companies within the park.

8.3.1 Does the theory behind the business platform relate to other existing models and theories?

I think that the theory behind the cornerstones of this area reflects theory on the specified area. The separation of customer and other relations is good and serves as a reminder that customer relations is very important.

8.3.2 Are the different cornerstones relevant and correctly and adequately formulated?

These cornerstones are extremely relevant and satisfactorily defined. Other relations is a very big cornerstone that cover a wide area similar to core group competence. I do however not see another way of achieving the intended purpose. Dividing other relations into more segments would probably lead to that the business platform would be increasingly difficult to use.

8.3.3 Are there other relevant areas that the business platform does not cover?

I think that the two relevant cornerstones adequately cover this area.

8.4 Practical Application

Is the business platform a good tool for analysis of a newly started company? My opinion is that it is an excellent tool for this purpose. The business platform tends to approach all vital areas in the forming of a stable company. It addresses the areas with an easily understandable angle and there is no need for a high level of theoretical knowledge. The assessment criteria, which should function as a guideline for determination of cornerstone development, are easily understood and applied. It has to be mentioned that an analysis of a company is only as relevant as the experience of the person conducting the analysis. My personal experience within this area is not vast but I feel that my knowledge base connected with the platform served me well when the analyses were conducted.

My overall opinion with the illustrative cases is that they give a clear picture of the company. The numerical values and all conclusions that can be drawn from a business platform analysis must however observe with an open mind. The findings during an analysis might not always be true and it can definitely be that a problem is identified that is only a symptom of a larger overall problem.

8.4.1 Portrayal Ability

The portrayal ability of the business platform is internally very good. An accurate picture of the company is given that involves all areas of interest. It is however the case that every company has to be analysed individually to be able to present any future prediction regarding their prosperity. External comparisons are difficult because the varying importance of the different cornerstones. This leads to that a company with identical total score have very different future potential.

It must be emphasised that even though the business platform might indicate that a company has or has not reached a stable platform it could not be assumed that the company will fail or prosper. There are many aspects in the surrounding environment that can bring about enormous changes in the company, both positive and negative. That a company that has reached a platform is no guarantee that is will grow and prosper and vice versa. A company constantly has to analyse it self to identify weak areas for further improvement.

8.4.2 Relevance for Individual Company

All of the cornerstones that are covered in the business platform are very relevant from a company perspective. The intentions of these aspects are to cover all business functions of a company. I feel that the cornerstones do this and that they give an understandable insight into how they work.

8.4.3 Tangibility

The Essence of Entrepreneurship

The result from a business platform analysis tends to be rather tangible. Identification of problem areas is clearly pinpointed with the use of the eight cornerstones. From this strategies can be erected to improve and develop the company. The aspects are clearly defined and does not need a deeper understanding of economic theory or what mechanisms that drive various activities.

There might exist some difficulties with the extrusion of improvement actions from the analysis. The reason for this as I see it is that the platform might identify a symptom of a problem and not the actual problem. This could lead to that energy is put into the wrong area and no improvements can be achieved. This leads to that it is important to further analyse any identified problem areas before establishing a correction strategy.

How tangible are the results from a business platform analysis? Is it difficult to grasp the aspects and extrude preferable improvement actions?

9 Result and Conclusion

This chapter contains the result from this thesis and conclusionary remarks around the rapport. Firstly the different problem formulations will be answered.

They will then be followed by what practical and theoretical contribution this thesis has. Further continuous research topics that can be based on this thesis are presented. The last section involves final comments and additional issues I want to rise.

9.1 Introduction

Entrepreneurship is something that involves everyone. It is the creation of wealth and job opportunities, it forms cohesion in society and increases every individuals ability to be anything he/she wants. Almost every government, every organisation, every company and every institution are in some way connected to and encourage entrepreneurship. Entrepreneurship is one of the basic building blocks of today's society and it concerns everyone.

Interest in entrepreneurial ventures have steadily increased as their importance have been more recognised. Governments now a day puts more effort into creating a suitable environment for new ventures (it can be questioned if this is the case for Sweden though as they continuously establish legalisation that inhibits new venture formation). More research is directed in this area and large companies more and more start to acknowledge the usefulness of small business.

This is way entrepreneurship is such an interesting area and my choice of topic for my thesis. This last chapter will firstly present the result from my research. This will then be followed by the contribution of this thesis and then by examples of further investigation topics. At last I will make some final comments about the business platform.

9.2 Problem Solution

The general questions will be followed by the sub-category questions.

9.2.1 Can it be expected from a theoretical viewpoint that the business platform can achieve its intended purpose?

The business platform goes in line with other relevant theories and there is no indication that additional areas are of importance. The cornerstones are adequately defined and formulated to encircle both the internal and external environment of a technology based company in its early development phase. The Business Platform is, further more, easy to understand and apply on a company. It quickly gives a clear picture of eventual problem areas and conveys these to the investigator.

I believe that the business platform is a very good tool when analysing a company. It can be used by both the company leaders and outside actors with interest in the company.

My conclusion is that, although some weaknesses, the business platform will be able to achieve its intended goal from a theoretical viewpoint.

9.2.2 Can it be expected from a practical viewpoint that the business platform can achieve its intended purpose?

It can from a practical approach be expected that the business platform can achieve its intended goal. The goal of the business platform is only to convey internal information to the company leaders, not to make an external company comparison. If this was the case the business platform would not be able to achieve this as it is not externally entailed.

My conclusion is that the business platform is practically applicable on a technology-based company when the intentions are internal information.

9.2.3 Sub-questions

9.2.3.1 Does the theory behind the business platform relate to other existing models and theories?

Every cornerstone in the business platform can be directly connected to relevant theories and models within the concerned area. There are many theories that explain separate areas in the business platform but I have not yet discovered another model that incorporates everything into one model. The reason for this is probably that when research is conducted into entrepreneurship it is often restricted to one specific topic and not to the whole concept. The business platform connects, in my point of view, all areas concerning entrepreneurship.

9.2.3.2 Are the different cornerstones relevant and correctly and adequately formulated?

All the cornerstones are relevant in their respective field. They all involve information that is of extreme importance for a newly started venture. As I mentioned in the previous question the business platform incorporates all aspects of entrepreneurship. The price that the business platform has to pay for involving so many areas is that there is no depth in the individual cornerstones and they are often expressed in general terms. The most general cornerstone, in my opinion, is "Other Relations". This cornerstone covers every external relation apart from customers. I think that this leads to that important information is lost. I have tried to establish how to solve this problem but have not come up with a good solution. Addition of more cornerstones would lead to that so many more had to be added and the model would grow out of proportion.

I have however identified additional clarifications to the formulation and definition of two cornerstones. I think that “Development of an Organisation” definition should involve a reference to the decision making process of the company as this is an integral part of organisation. This would further clarify the importance of task management and organisational structure.

Further more I have come to the conclusion that the cornerstone “Commitment of the Core Group and the Prime Motivation of Each Actor” should be changed to “Commitment of the Core Group and the Prime Motivation and *Loyalty* of Each Actor”. Both case companies and expert interview pointed towards that there often was a lack of loyalty among the actors on a company. Even though a person is committed to a company it might not be the case that he/she is completely loyal.

9.2.3.3 Are there other relevant areas that the business platform does not cover?

I have not found any additional areas that should be incorporated in the business platform. I have identified formulation and definition changes but every important area are covered. The reason for this is probably that the cornerstones are formulated in such a fashion that it covers a large area.

9.2.3.4 What is the portrayal ability of the business platform?

The business platform has a good internal portrayal ability but lacks the means of external assessment. This could be remedied by the introduction of a weighting system for the cornerstones.

9.2.3.5 How relevant is the business platform for the individual company?

The business platform is, from an outside perspective, relevant for the individual company. All areas of importance in determining the company situation is analysed.

9.2.3.6 How tangibility is the business platform?

The cornerstone assessment guidelines functions as a framework and provides tangibility to the business platform. The tangibility of the business platform is good.

9.3 Contribution

9.3.1 Theoretical Contribution

This rapport is based on theory and has an overall theoretical approach. The aim was to analyse the cornerstones of the business platform and determine their validity in the context.

The contribution of the theory is a deeper understanding of the mechanisms that construct the overall business platform. It looks into the basic factors for the use and formulation of the various cornerstones. The thesis seeks to enclose entrepreneurship and capture the core of the business platform through a deeper investigation into its origin.

9.3.2 Practical Contribution

There has not been a great emphasis towards the practical contribution of this thesis. The empirical data collected has mainly been to illustrate the usability and determine its relevance for a company. The empirical data was also collected to further solidify the theoretical analysis in the real world.

I do however recognise that this thesis has contributed with the knowledge of business platform as a viable tool for company analysis. The criteria involved in the case illustrations identify the applicability and relevance of a company analysis.

Due to the large scope of this thesis it is difficult to exactly pinpoint relevant practical contribution.

9.3.3 Further Research

Further research areas that have been identified during the discussion and could stem out from this thesis are:

- Investigation into the pre-start-up phase of a technology based company. What are the dynamics in a company before it is officially founded and what determines that a company is founded?
- Validate company analysis with the business platform. If a company is perceived to have reached a business platform do the company then actually have a larger survival potential than other companies?
- What are the mechanisms in a company that brings about a phase change? When a company moves from one phase to another what happens in the company? Is a phase change the result of an incremental development or is it a revolutionising incident that brings about this change? What are the internal dynamics?
- Does the Business Platform work on other than technology based companies? It could be that different dimensions in other business areas lead to that a different approach must be made. Varying demands on the extent of progress of the various cornerstones could also be expected from different markets. Hans Landström feels that this is very interesting.

9.4 Final Comments

The business platform is very interesting and exhilarating to analyse. It covers many areas and is involved with entrepreneurship, which is one of the most important ingredients in the global market of today.

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During my work with this thesis I often thought of how long this model would last and when or if it would someday become obsolete? There are many examples of models that have been valid during a certain period but have over the years become obsolete. One example is the Phillips curve that describes the correlation between inflation and unemployment. During the pre- and post-war era this relationship was clearly identified. Today however no such connection can be seen and the use of the Phillips curve have become irrelevant. I brought this up on discussion with Klofsten and his response to this was that the business platform, according to some people, have already become obsolete, at least for a certain period of time. During the “New Economy” at the end of the ninetieth and beginning of the 21st century many argued that Klofsten’s did not hold. They argue that emphasis had to be put on other areas in this new fast changing market. A company could not direct itself to a specific market segment but had to go global from foundation to survive. During this period the interest in the business platform was modest. But today we know, the new economy did not hold and the business platform is as valid as ever, if not even more so.

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End-Notes

- ⁱ http://europa.eu.int/comm/enterprise/entrepreneurship/green_paper/seminar_report.pdf
- ⁱⁱ <http://www.nvo.com/dbayless/nss-folder/publicfolder/Opportunity%20Landscape%20Presentation.pdf>
- ⁱⁱⁱ Three companies are presented but more have been analysed
- ^{iv} <http://www.sfu.ca/cedc/smallbiz/ndun4042.htm>
- ^v From interview
- ^{vi} Refer to article
- ^{vii} From interview
- ^{viii} http://www.nngroup.com/reports/life_cycle_of_tech.html
- ^{ix} http://www.marketingteacher.com/Lessons/lesson_plc.htm
- ^x <http://www.businessballs.com/adizeslifecycle.htm>
- ^{xi} www.adizes.com
- ^{xii} <http://www.chrisfoxinc.com/OrganisationalLifeCycles.htm>
- ^{xiii} According to <http://www.sbaer.uca.edu/Research/1999/WDSI/99wds068.htm.m> Klofsten claims that it is only 36 companies
- ^{xiv} From interview
- ^{xv} http://www.apsc.ubc.ca/student_info/Engineering/course_info/apsc450/old%20site/lectures/lec19/Entrepreneurship%20and%20Engineering.pdf
- ^{xvi} <http://www.gemconsortium.org/>
- ^{xvii} From interview