

**BUSINESS PLAN  
CONCON FINLAND LTD.**



**MIKKO ANTERO MANNI**

**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT  
OF THE REQUIREMENTS FOR THE GRADUATE SCHOOL  
STAMFORD INTERNATIONAL UNIVERSITY  
MASTER OF BUSINESS ADMINISTRATION  
ACADEMIC YEAR 2017**

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Stamford International University  
The Graduate School**

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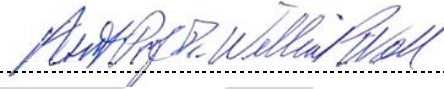
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## EXECUTIVE SUMMARY

In Finland, most of the residential buildings are built in 1950 – 1990 after the wars against Soviet Union and people started to move to cities from the country side. According to latest studies the repair depth in residential buildings in 2016 – 2035 is 3,5 billion € annually. The building sector in Finland in 2015 was 23 billion €, which is quite remarkable in a country of 5,5 million in population. The people in Scandinavia are growing older and this increases the need to build more retirement homes. This creates an opportunity for companies concentrated to Contract Management and Supervision of building projects (The Finnish Real Estate Federation, 2015) and (Statistics Finland, 2015).

The current trend in Finland has been that larger consultancy companies have sought growth by purchasing smaller consultancy companies and combining design services and management and supervision services. This gives them of course a wider selection of services for the customer but also makes them more bureaucratic and this increases the cost of services. Also, if a large company manages the whole project from inception to hand over and provides every service, like providing the designs, it might create a conflict of interests in say additional works etc. The fact that the start-up only looks after the customers interests in a project without being contestable creates more value for customers because customers are tired of been deceived with unnecessary additional costs in their projects. So, a company concentrated only on Contract Management and Supervision and have no financial ties to designers and condition inspectors and surveyors of buildings create more trust in customers because there is no conflict of interests.

The business plan should and needs to be modified and altered constantly to keep it up to date as the business environment is constantly changing.

## CONTENTS

	Page
<b>EXECUTIVE SUMMARY</b> .....	i
<b>CONTENTS</b> .....	ii
<b>LIST OF TABLES</b> .....	ii
<b>LIST OF FIGURES</b> .....	v
<b>CHAPTER 1 VALUE PROPOSITION</b> .....	7
<b>CHAPTER 2 GENERAL DESCRIPTION OF CONCON FINLAND LTD.</b> .....	8
2.1 Founding Team.....	9
2.2 Lenders & Investors.....	9
2.3 Key employees.....	9
2.4 Advisors.....	9
2.3 Other professionals.....	9
2.4 Markets of operation.....	10
<b>CHAPTER 3 PRODUCT AND SERVICES</b> .....	11
<b>CHAPTER 4 MANAGEMENT AND ORGANIZATION</b> .....	12
<b>CHAPTER 5 BUSINESS MODEL</b> .....	13
5.1 Marketing and Market Research.....	13
5.2 Economics.....	14
5.3 Customers.....	14
5.2 Competition.....	15
5.3 Markets.....	16
5.3 Marketing Strategy.....	16

## CONTENTS (Cont.)

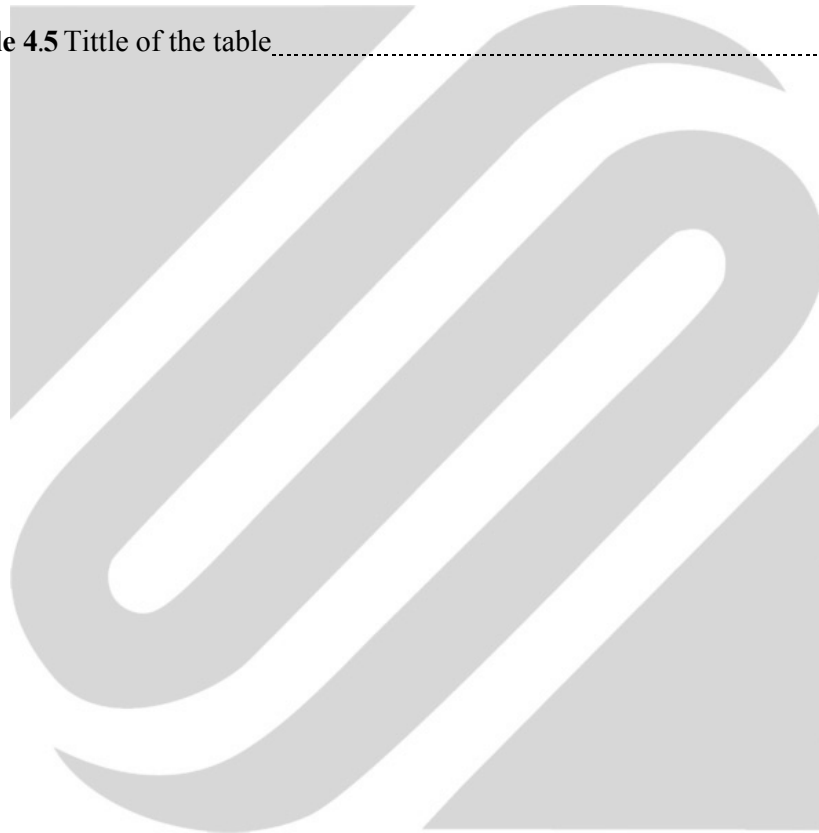
	Page
<b>CHAPTER 6 OPERATION PLAN</b> .....	17
6.1 Location.....	17
6.2 Credit Policies.....	17
 <b>CHAPTER 7 COMPANY VALUES AND THEIR IMPACT ON BUSINESS</b> ...	 18
 <b>CHAPTER 8 SWOT FORWARD WITH FUTURE STEEP ANALYSIS</b> .....	 19
8.1 Strengths.....	19
8.2 Weaknesses.....	19
8.3 Opportunities.....	20
8.4 Threats.....	20
 <b>CHAPTER 9 PESTLE ANALYSIS</b> .....	 22
9.1 Political Pressures.....	22
9.2 conomical Pressures.....	23
9.3 Social Pressures.....	24
9.4 Technological Pressures.....	25
9.5 Legal Pressuresc.....	25
9.6 Environmental Pressures.....	25
9.7 Impact on ConCon Finland Ltd.....	26
 <b>CHAPTER 10 FIVE FORCES</b> .....	 28
10.1 Rivalry from Current and Future Competitors.....	28
10.2 Bargaining Power of Suppliers.....	30
10.3 Customer Bargaining Power.....	30
10.4 Threat of New Entry.....	30
10.5 Threat of Substitute Products.....	31
10.6 Impact on the Start-up.....	32

**CONTENTS (Cont.)**

	Page
<b>CHAPTER 11 LEGAL ISSUES</b> .....	33
11.1 Company Name.....	33
11.2 Labour Laws.....	33
11.3 Consultants Responsibility.....	33
11.4 Competition and Operation Laws.....	33
11.5 Inventions and Intellectual Property Laws.....	34
<b>CHAPTER 12 DRIVERS FOR INNOVATIONS AND CHANGE</b> .....	35
11.1 Threats.....	35
11.2 Opportunities.....	36
<b>BIOGRAPHY</b> .....	63

**LIST OF TABLES**

	Page
<b>Table 1.1</b> Tittle of the table.....	2
<b>Table 1.2</b> Tittle of the table.....	3
<b>Table 4.1</b> Tittle of the table.....	10
<b>Table 4.3</b> Tittle of the table.....	11
<b>Table 4.4</b> Tittle of the table.....	12
<b>Table 4.5</b> Tittle of the table.....	13



## LIST OF FIGURES

	Page
Figure 1: Organisation chart of ConCon Finland Ltd.....	29
Figure 2: Organisation chart of ConCon Finland Ltd. After 3 years.....	30
Figure 3: Population in Baltic region.....	31
Figure 4: Crude oil price development. ....	31
Figure 5: Rouble Vs. Euro. ....	32



# **CHAPTER 1**

## **VALUE PROPOSITION**

The service of Contract Management and Supervision of construction projects make sense because usually the clients who construct buildings, be it office buildings, retirement homes, residential buildings, hospitals, piping renovations, etc. have not necessary the expertise or manpower to manage the project. The larger developers and constructors in Finland and Scandinavia are usually cities, insurance companies, pension trusts or companies that have concentrated their business to owning buildings but not to construct them. In smaller projects, say piping renovations, the constructor is the housing cooperative i.e. the people who live in the building own the building. They come from all lines of professional careers and have neither expertise nor time to manage a renovation project.

As building never stop, population grow, people grow older and building stock gets older and degrades and businesses grow, there's always demand for new buildings and renovation of older buildings. The writer of this is qualified Contract Manager and Supervisor by having MSc, MEng and BEng –degrees in engineering and management and an MBA –degree in General Management and is certified Construction Manager in Finland certified by FISE (FISE Ltd. is an enterprise operating in the building, HVAC and real estate sectors, that concentrates on verifying certifications of persons and developing them). Also, the Quality Manual the writer has created brings more value for the customers because all the information and instructions used in Contract Management and Supervision information is very scattered and requires several years of experience and expertise to master the information. Following the manual in a project diminishes the chance of errors in a project. The manual is also a good tool for briefing and educating new employees.

A value proposition canvas that simplify this can be found in Appendix 4 (Thomson, 2013).

## **CHAPTER 2**

### **GENERAL DESCRIPTION OF CONCON FINLAND LTD**

The start-up will concentrate only on Contract Management and Supervision and have no financial ties to designers, contractors, condition inspectors and surveyors of buildings because this creates more trust in customers because there is no conflict of interests. The goal is to start small, just five founding members and when the clientele is established and is on solid ground the purpose is to grow organically and after a few years the growth is sought by company acquisitions.

#### **3.1 Founding Team**

When starting the consultancy company all members of the company participate in project management and supervision of projects (Figure 1). The CEO concentrates also on creating customer relationships and governmental duties of the company. All members report to the CEO. It's important to have only 1 person in charge of the business so there are no conflicts between people how the business should be run, although every member of the team participates in decision making in the early steps of the venture and participates in creation of the business strategies together. The members of the team also bring psychological support to others in the inception phase of the venture when the order books are not necessary filled up and clientele base is not fully established.

The founding members of the company are all educated at least as Bachelor of Science in their related fields and possess at least 5 years of work experience in their related fields and senior members have 10+ years of work experience on project management and supervision of construction projects. The CEO of the company has Master of Science, Master of Engineering and Master of Business Administration degrees. All founding members are used to work very independently with construction projects and are very motivated to work as entrepreneurs as they are working for themselves. The

The founding team consists of 5 persons with high motivation for the venture and towards entrepreneurship. Each member has already an existing networks and clientele. Every member brings broad knowledge from their own field of operation.

#### **3.2 Lenders & Investors**

Every business need cash, especially in the inception phase. Cash is needed to cover rent, office equipment and supplies, etc. Also, the biggest expense in this kind of business is the salaries, the company needs cash to cover salary expenses long enough to establish clientele and that orders are on solid ground.

In Finland starting companies can get funding from financing company Finnvera Ltd., Summarum Ltd., Sitra Ltd. and traditional banks.

### **3.3 Key employees**

When the ventures operations and clientele are on solid ground and tenders start to come at a constant pace, it is time to start hiring more staff, mainly some key personnel who are able to take over responsibilities from the founding management team.

### **3.4 Advisors**

The venture hires senior entrepreneurs from management teams' previous jobs as advisors, they bring much needed knowledge to avoid any possible pitfalls that most certainly arise when running a business. These advisors are not employees but work on consultancy fees.

### **3.5 Other professionals**

Other professionals consist of people supporting the business and operations that can be outsourced like accounting, IT support and facility operations. Also, there are professionals from very narrow and specific fields like acoustics, lifts, condition surveyors, etc. that are needed in some projects and these professionals can be outsourced but it is important to create these networks.

Also, when the work load varies much, say, when there are many small projects that has to be taken care of because the clients are important, it is important to have sufficient sub consultant network that can be used with a short notice. These sub consultants are nor employees of the company but one man firms that provide consultancy services on smaller projects.

### **3.6 Markets of operation**

ConCon Finland Ltd. will operate mainly in Finnish markets, in 6 cities. Building services supervision and management services serve both internal market, providing services to other units in-house and external markets providing services to outside

customers and the share is rising mainly because of the rising number of piping renovations in Finland.



## **CHAPTER 3**

### **PRODUCT AND SERVICES**

The product the start-up is providing is contract management, project management and supervision of construction projects, so the product is intangible. More details of pricing of services can be found in Appendix 1, the financial examination of the start-up.



## **CHAPTER 4**

### **MANAGEMENT AND ORGANIZATION**

When starting the consultancy company, all members of the company participate in project management and supervision of projects as can be seen in Figure 1, the company structure in the beginning. The CEO concentrates also on creating customer relationships and governmental duties of the company. All members report to the CEO and weekly meeting are held to share information between all members.

The founding members of the company are all educated at least as Bachelor of Science in their related fields and possess at least 5 years of work experience in their related fields and senior members have 10+ years of work experience on project management and supervision of construction projects.

All founding members are used to work very independently with construction projects and are very motivated to work as entrepreneurs as they are working for themselves.

When the company has established its core customer relations and obtained foothold in the industry and the projects are increasing, it is time to hire more people and grow the company. At this point the CEO concentrates on customer relations and company governance, other founding members still work as project managers and supervisors but have employees to manage also (Figure 2). Accounting services and IT services are still outsourced as the company is still medium size with 8 – 12 people. At this point the company provides slightly wider selection of services. One of the senior founding members take the COO position at this point. At this point (3 years) of the company's life cycle the founding members concentrate more on engineering management and do less project management as the number employees has risen to 35 – 45 (Figure 2).

## **CHAPTER 5**

### **BUSINESS MODEL**

The business model of the start-up is a basic brick-and mortar model. The start-up is providing consultancy services in construction industry. A business model canvas that simplifies the business can be found in Appendix 3 (DIY, 2017).

#### **6.1 Marketing and Market Research**

Marketing is a vital part of any company's success in fast changing business environment. When starting the company, a marketing plan is created and it is developed constantly to adapt to changes in business environment.

Market research is conducted by searching data from industry publications and different union statistics.

#### **6.2 Economics**

Since the consultancy services are provided by educated experts there is no need to purchase large amount of expensive equipment, personal computers and telephones are enough. Also, the company needs facilities to operate, insurance coverage for facilities and operations, miscellaneous office equipment and office supplies and support services for the equipment which makes it easy to estimate the fixed and running costs of running a consultancy business.

Social, insurance and pension payments of employees and taxes are high in Scandinavia and because consultancy services are people driven and the employees must have a high level of education and experience the salaries are higher than average the operating margins are of moderate level but increase as more employees are hired as the economies of scale increase. (Finnish Tax Administration, 2016) and (Finnish Tax Administration, 2017). Further information can be seen in Appendix 1, financial examination.

According to latest studies the repair depth in residential buildings in 2016 – 2035 is 3,5 billion €, so there definitively is a demand and niche in the markets and a good growth potential for the start up. The overall invoicing of the consulting industry in

Finland in 2016 was 1,6 billion €, this figure also includes design services (The Finnish Real Estate Federation, 2015) and (The Finnish Association of Consulting Firms SKOL, 2017a).

### **6.3 Customers**

The larger developers and constructors in Finland and Scandinavia are usually cities, insurance companies, pension trusts or companies that have concentrated their business to owning buildings but not to construct them. In smaller projects, say piping renovations, the constructor is the housing cooperative i.e. the people who live in the building own the building. Also, the large construction companies who do property development and building need outside supervision for their projects. Since the customers do not have in-house expertise or man power they need an outside consultant to manage the procurement and supervision of their building projects.

### **6.4 Competition**

The service industry of Contract Management and Supervision Consultancy is quite fragmented in Finland at the moment, there are a few, maybe 6-8 larger operators and several small and medium-size operators. The large operators, over 1 Million € turnover, have most of the market share, that is 68 %. Companies with less than 1 Million € turnover have the market share of 32 % and this is where the start-up fits in (The Finnish Association of Consulting Firms SKOL, 2017b). Competition is hard so one has to stand out of the crowd with better customer service and competence. The small and medium size operators are focused more on piping renovations and smaller facilities like retail facilities and apartments and the larger operators on commercial and industrial buildings. Since the repair depth of residential building piping is large and there is a need for smaller and medium office facilities refurbishment, alternation and development, it would be here where a starting company would find customers. In Finland are 1 393 000 buildings from which ca. 86 % is residential buildings and the renovation debt of piping in them is ca. 3,5 billion € and overall construction was in the year 2015 23 billion €, this creates opportunities for several operators (The Finnish Real Estate Federation, 2015). Direct competitors for the star-up are covered in more detail in part 12.1 and in competitor matrix in Appendix 2.

## 6.5 Markets

The target market in the start phase of the company is the greater Helsinki region that comprises cities of Helsinki, Vantaa, Kauniainen and Espoo, the region population is approximately 1,5 million (Figure 3) and growing on a yearly basis due to influx of people for search of work from the country side and abroad. The region is a growing economic market. When the company is growing, and established more ground in the industry, the target market is expanded to the whole of Finland and further to the Baltic region at some point in the future because the population in capitals is almost the same as in Helsinki region and it is close to operation environment (Helsinki Business Hub, 2016). Also, rest of the Scandinavia is very attractive business region worth considering. The construction markets are influenced very much by the overall economic situation at a given time. At the moment, the situation in construction industry is good and the construction industry is growing despite Finland's economic growth is slow. Also, the influx of people to greater Helsinki region is positive which means people need more housing and the repair depth of building stock is growing rapidly. Also, the community technology, like district heating and -cooling pipes and sewers have a lot of repair depth. Energy industry is a growing industry branch in Finland, there is a lot of Innovation and R & D projects going on and the authorities' requirements are getting stricter every year, this creates business opportunities for the whole construction industry and thus for consultancy services (Motiva, 2016).

## 6.6 Marketing Strategy

The marketing strategy is that the CEO handles most of the new customer acquisitions by face to face marketing, i.e. personal visits to facility managers, developers, etc. Advertising is done in local professional magazines and by sending marketing material to potential customers like housing cooperatives and landlords. Also, every member of the company is the face of the company towards clients and it is emphasized to employees that they conduct themselves as such.

## **CHAPTER 6**

### **OPERATION PLAN**

As most of the work in consultancy is done in the office, the start-up wants to be close to operating environment. Site supervisors are mostly on the road so it is vital to provide tools that enable distant working. Distant working is possible for all employees if it does not disturb customer relationships, i.e. reports and contracts can be done distant, there is no need to come to the office for that kind of work, after all, it is the outcome that counts, not if you are present or not and today's digital world enables this.

#### **6.1 Location**

The office premises are located close to customers, in Helsinki region, just outside of city centre with good traffic connections so the rent is manageable when starting the business.

#### **6.2 Credit Policies**

The services provided are invoiced normally with 2 or 3 weeks' time to pay depending on the customer. No extra time for payments are given so that the cash flow would slow down and jeopardize payment of salaries.

## **CHAPTER 7**

### **COMPANY VALUES AND THEIR IMPACT ON BUSINESS**

One part of ConCon Finland Ltd. strategy is the knowledge that the people working there is their most valuable asset and thus the people are well taken care of by not having them working too long hours, to not put too much pressure on one individual but rather allocate the current tasks so the pressure is divided to the whole team working on the project. This approach reduces employee's sick days and lengthens their careers.

Education and constant training keeps employee's skills up to date which is vital in modern fast moving business world and this motivates employee's better than, say, annual bonus, which is also given to the employee's if they perform well.

ConCon Finland Ltd. is an independent company when it comes to relations with contractors, of course there is a list of reliable and skilled contractors with whom most of the collaboration takes place with but there is no conflict with that for the client and a zero tolerance with corruption applies. Also, the company is going to concentrate on after sales care to create more value for the customers.

Customers appreciate all above-mentioned values, which the company will adopt as part of its strategy because this brings value to their business and image also.

## CHAPTER 8

### SWOT FORWARD WITH FUTURE STEEP ANALYSIS

The SWOT analysis is used to analyse the product provided and internal potential rather than the surrounding factors such as environmental factors affecting the business environment. Using the SWOT analysis helps the start-up distinguish itself from the competitors (Mind Tools, 2017) and (Gamble, 2012). The parts of SWOT analysis are:

- Strengths
- Weaknesses
- Opportunities
- Threats

#### 8.1 Strengths

The strengths the start-up has are:

- Good existing personal relationships with potential customers → Easy to lure the customers to the new start-up
- High level of personal education and expertise in individual fields → Easy to sell the people for customers
- Good existing networks of sub consultants, designers and contractors → Good buffer if extra work is coming in and knowledge that projects perform more smoothly
- High adaptability for change in business environment → Easy to land new projects and customers
- Good knowledge of regulations, laws and energy efficiency → Bring advantage to competitors
- Dedicated founding team → Good working environment and low turnover of employees
- Dedication to bring more value for customers by after sales care and developed quality systems → Long lasting customer relationships
- CEO's MBA degree which brings more competence in economics of running a business and management skills which is often a shortcoming with engineers who run a

business (too technical mind set and no people management skills) → Competitive advantage to competitors.

## 8.2 Weaknesses

The weaknesses the start-up has are:

- Small size (5 persons) can worry customers → Customers may hire larger competitors
- Not easy to land larger projects in the beginning because of the size → Have to settle for smaller projects in the beginning.

## 8.3 Opportunities

The opportunities the start-up has are:

- Growth of piping renovation in Finland → Lot of work even if competitive environment
- Increasing energy efficiency regulations and demands in EU → Advantage for a competent team with good knowledge of these
- Increasing customer demands → Advantage for a competent team with customer service mind set
- The size is not necessary an obstacle in public acquisitions → Easy to acquire work because team members are highly educated and experienced which are requirements that give a lot of points
- Large companies are expanding by purchasing smaller companies (competitors) off the markets → Smaller projects are of no interest for them
- Innovative mind set of founding team, innovation plan is developed → Gives competitive advantage to competitors that work as 'we always have'.

## 8.4 Threats

The threats the start-up faces are:

- Many same size competitors who provide same services → Can bring the consultancy prices down

- Economic situation in Finland → Developers, etc. postpone their projects as they wait for better times
- Small size can be bad if there is a e.g. influenza outbreak and several people are sick at the same time → Customers can be careful and hire larger companies
- Finding new competent employees → Higher salaries



## CHAPTER 9

### PESTLE ANALYSIS

The PESTLE analysis used here is focused only on ConCon Finland Ltd., no consideration is made for client companies and competitors. The PESTLE analysis can be also applied to local competitors as the trend in Finland at the moment is to create similar joint venture companies that provide all services inside the building industry. The PESTLE analysis comprises of the following external pressures working for change on the organisation under survey: political, economic, social, technological, legal and environmental pressures (Pestle Analysis, 2017).

#### 9.1 Political Pressures

High taxation in Finland is a big constraint for foreign investors in Finland and the taxation tends to rise and fall with every new government. High taxation also affects employees' salaries and purchase power, which then affects to people buying own homes and this effects on the building of residential buildings.

At the same time, Finland's political system is very transparent and there is a very low corruption in Finland and Scandinavia all together (Transparency, 2017). This with high education level and good work moral produces many opportunities for Finnish companies abroad (Hancock, 2011). The biggest threats to the company and national markets come from Russian markets as it is very corrupted and the political system is oligarchic and unpredictable militarily, politically and economically (BBC, 2014).

EUs energy efficiency program tightens also the national regulations on building (EU, 2017) and this creates an opportunity for Finnish companies because of the high technical abilities, high education level and good work morals.

As the threat of Russia rises, there has been a lot of discussion about joining NATO lately. This would bring military security and would open new business contacts to west and reduce the dependence of Russian energy import. If by some miracle, Russia would be a politically stable democracy with low corruption, it would create Finnish consulting business a great advantage because of the location, trade history and knowledge of Russian markets and building sector especially (BBC, 2014).

## 9.2 Economical Pressures

The on-going economic recession in Europe and Russia affects heavily on Finland's building industry at the moment, investors are postponing the starts of the building projects. Finland has always had much trade with Russia. The sanctions set by EU and USA against Russia affects Finland economically the most of the EU countries. The fall of crude oil price affected Russian economy even further weakening even that the price has been rising for a few months now (Figure 4), (Nasdaq, 2017) and is causing rouble to fall with an increasing rate, (Figure 5) (ECB, 2017) and this affects to the average Russians economy and thus degrades the tourist flow and investments to Finland.

The increasing tightness of timetables and rising revenue expectations of the building industry will have a negative effect on the following:

- Quality of building
- Work safety
- Exhaustion of employees as the work load increases and work hours get longer

The lack of skilled and educated building services engineers is a real problem in Finland at the moment and this causes problems to the employer when the projects are increasing by number and it's time to recruit more employees. This is a problem that all companies face at the moment.

The aging population in EU creates a real problem for companies in Europe. This creates pressure for immigration of educated people and pressure to build more suitable homes for aging people; special homes old people can live by them self with minimum assistance and nursing homes where old people are taken care of.

Finland is located far away from central Europe and this creates costs in logistics but as the world is much smaller thanks to the Internet, the location is no obstacle anymore, especially for consultation business.

If the client is having difficulties with cash flow, this also affects oneself as the cash flow is vital to the company to keep the business running and especially for a consultation company as they are selling services provided by people and they have to be paid.

If a company concentrates on too narrow markets, this could affect the business all too much if the political or economic situation fluctuates.

### **9.3 Social Pressures**

The increasing immigration creates threats and opportunities; there are people with wide range of different skills, both good and poor. This affects the quality of building and it's expensive to train new employees with poor education and language skills. It also creates pressure to build more residential areas and buildings, which creates opportunities for building services companies. It is difficult to get educated and skilled foreign workers to Finland mainly because of the high taxation and location.

As global warming is a hot issue at the moment the green image of the company is very important, it can be as small as saving printing paper by using both sides of the paper. Adopting green thinking, use of LEED and BREEAM methods, use of renewable energy sources gives not only for one self a good image but also for the client.

### **9.4 Technological Pressures**

The increasing speed of development of technology and computer programs creates challenges to everyone on the building industry, a continuing education and self-development is crucial for keeping up with the competition. Especially the building Services industry have taken much larger piece of the cake in building projects as the systems have become more complex and people demand more of indoor climate and functionality of buildings. This creates pressure for building services designers and supervisors to develop new solutions for the client and have created pressure to widen their skills and knowledge.

The rising concern about global warming makes a consultant's knowledge and use of renewable energy sources very important to the client. Modern clients also expect the consult to master such systems as BIM, BMS and variety of project databases or project banks.

### **9.5 Legal Pressures**

With the continuing development of EUs energy efficient program the national legislation is constantly changing and it is crucial for the consult to keep up with the

changes. The latest EU project was harmonised standards (EC, 2017), which create more work for designers, managers and site supervisors but not necessarily increase the consultation fees.

### **9.6 Environmental Pressures**

Good knowledge of renewable energy sources, energy efficient systems, hazardous materials to the ozone layer (e.g. refrigerants, CO<sub>3</sub>, etc.) water saving systems in buildings are crucial to the consult and the modern client. Modern client is very aware of energy efficient systems and green image so the consult must have a wide range of knowledge of mentioned systems. Although there is plenty of water in Scandinavia, most of the world is going to suffer from water shortage in the future and this creates opportunity for Finnish consults, knowhow and products like water saving urinals, toilets and faucets and of course water export (The Guardian, 2015).

### **9.7 Impact on ConCon Finland Ltd.**

The most threatening impact above-mentioned external pressures for change come from lack of skilled new recruits when the older employees start to retire. This is though considered in the company strategy of investing in employee education and working conditions.

When the population is aging and the Finnish population is only 5,5 million people, the importance of skilled immigration rises so the company can recruit new employees. This has negative and positive effects; the cultural environment in the company becomes more divers and this can create cultural collisions if it is not taken into consideration, then again, diversity in employees can open new opportunities to export and different points of view in the construction business, after all the construction industry is very slow to change and take in new ideas.

The constant development of energy efficiency and environmental demands by EU and national authority creates pressure for constant education especially among building services consultants as this has a larger impact to building services than structural and architectural design, it is after all the building services engineer that does the energy efficiency calculation etc. rather than the architect.

As the Russian markets are important because of the history and location, this has to be carefully considered in the future because the Russian markets and political system is highly unpredictable. Since Finland is a bilingual country with Swedish as the second language, this creates opportunities to expand business towards western Scandinavia since one can manage with Swedish language in Sweden, Norway and Denmark.



## CHAPTER 10

### PESTLE ANALYSIS

Michael Porters 'five forces' model is used to assessing the forces for change in an industry sector, which in this case is consultation business in construction sector. An organisation should analyse the following forces of change to survive and prosper:

- Rivalry from current competitors
- Supplier pressure
- Customer power
- Threat of entry
- Entry of substitute products (Professional Academy, 2017).

#### 11.1 Rivalry from Current and Future Competitors

The competition of tenders is very hard at the moment and all same size companies compete of the same projects and the consultant prices are very close to each other's, so one have to stand out from the others. Not all projects are put to tender, many projects are received with general agreements.

Some rivalry comes from the smaller consultation companies and so called one-man companies but these won't last in the long run because of their lack of expertise and the narrow field of service.

As a consultant company, does not produce anything concrete but offers services, one have to monitor competitors level of service and if they have developed any new methods of working or having new research on going and what the outcome of the research is, this is usually public knowledge in Scandinavia if the research is not dealing with any sensitive subject for the military for example.

Direct competitors comprise of the same size SME companies in Helsinki metropolitan area and the most important of them are (Rakli, 2017):

- Premico Consulting
- Ecoreal
- Conect
- Devecon

- Indepro
- Saraco D&M

(Premico, 2017), (Ecoreal, 2017), (Conect, 2017), (Devecon, 2017), (Indepro, 2017) and (Saraco, 2017).

Indirect competitors are construction companies who provide turnkey services, i.e. provide consultancy services beside construction services. Consultancy services are not the main product of these companies, construction services are. These kinds of services create a conflict of interest because they are supervising their own work and this was done in Finland during the 1980's and the consequence was poor quality of buildings. Also, the large owners of real estate and real estate management companies have some consultancy departments but they are usually for their own real estate stock and don't possess a real threat.

Future competitors could be people of a department of a large company, people who are tired of rigid decision making and bureaucracy and working for 'The Man'.

To get an advantage to competitors one has to keep up the customer relations at all times with personal visit to the customer, customer dining, etc. and after sales care, in other words, one has to be more aggressive in customer relations and bring up the personal reputation and competence to the customers. Also, in the beginning of the start-up, before the customer relations are standing on solid ground one has to compete with a lower price of services than the competitors.

## **11.2 Bargaining Power of Suppliers**

As consultation business, does not produce anything concrete there is no real need for products except for computer programs and other software. The biggest risk building up for a consultant company is the lack of skilled people.

## **11.3 Customer Bargaining Power**

As the recession in EU is on-going, this gives the customers an advantage to tender the prices down in consultation business. One has to compete with competence and to offer the customer services that others don't offer and make it clear that customer's interests are consulted interests also. It's important to keep up the customer relations at all times with personal visit to the customer, customer dining, etc. and after sales care.

Educating the employees continually give the company good advantage to the competitors and by creating standardized methods to manage projects save time and money when conducting business. Also, it's important to benchmark the prices and services of the competitors continually to keep the competitive advantage to them.

#### **11.4 Threat of New Entry**

In the market that the start-up is going to operate, the biggest threat of entry comes from managers who decide to start their own company and take customers away. This could happen if the employee and manager's vision of the working conditions, strategy and business conducted in general differs a lot of the vision of the management. Starting a consulting company does not need large capital and the business model is not unique so constant innovation and development of the company as well as keeping your employees well educated, motivated and committed to the company is vital as is nurturing of customer relations.

The construction industry is quite fragmented and mature, there is a lot of operators in the field so the motivated and committed management team and employees and creating innovative and standardized procedures, good customer service and after sales care are vital for the success of the company.

Also, the location of Estonia is a threat, the language is very close to Finnish and Estonians have worked in Finland in large numbers since the Soviet Union crashed. Salaries and taxes are also much smaller than in Finland but the education level and employee's skills are higher in Finland.

#### **11.5 Threat of Substitute Products**

It is a growing trend in Finland that the large construction companies are the customer and the builder at the same time, i.e. they invest on a building project which they then build and sell to the end user which is a private person in case of residential buildings and maybe a real estate investor who hires office premises to end user in case of office buildings. This takes work away from consultation companies. The positive thing is that an enlightened customer like a real estate investor usually demands an outsider to manage and supervise the design and building so the builder does not supervise itself.

One has to be alert all the time and monitor competitors for substitute products and innovations to keep up with rivalry. Usually this applies more to building services contracting and production of new products because the consultation business is very standardised by using standard contracts and procedures, the best way to stand out is having capable and motivated employees who think the customers' interests is the consultants interest.

### **11.6 Impact on the Start-up**

The start-up has to establish good relationships to small and large customers by providing diverse services with capable people and the company must take care of its employees so the turnover of employees is small. This gives an advantage to possible entry of Estonian companies and since the managers like their job, the risk of them starting a rivalry company is rather small.

Since the start-up has established already very good customer relationships at personal level, a vast number of orders come by negotiation and thus the customer tendering has little impact on the volume of orders. An enlightened customer does not look at the price only but demands quality and competence, which the start-up has to offer.

Although a vast number of order comes from clients with whom the start-up is going to make general agreements does not mean that the company cannot seek new clients and tenders as the world-wide recession is on-going. Also, the constant benchmarking and monitoring of competitors' services is vital for keeping up in building industry.

## **CHAPTER 11**

### **LEGAL ISSUES**

Every starting consultancy company in construction business has to deal with a lot of legal issues concerning name, labour, responsibilities and operations. It is vital that the founders of the start-up know these laws and regulations because, in construction especially there are many laws and regulations concerning safety of people.

#### **11.1 Company Name**

When starting a Limited Liability Company one must make sure that the name the company is planning to take is not in use or pending. This can be checked from the Finnish Patent and Registration Office where one also has to register the company (Finnish Patent and Registration Office, 2017a) and (Finnish Patent and Registration Office, 2017b).

#### **11.2 Labour Laws**

Labour laws in Finland are very protective to the employees. It is very difficult to lay off employees even if they are incompetent and this creates a real threat for small and medium size enterprises. Also, people who are on maternity leave, cannot be laid off during the leave and the employer has to offer the work back to the employee after the maternity leave (Occupational Safety and Health Administration in Finland, 2017).

#### **11.3 Consultants Responsibility**

The most important document that specify consultants' responsibilities in Finland is the RT card number 13-10574, General Conditions for Consulting, it defines the responsibilities and liabilities of consulting and what is expected of a person who is working as a consultant. It also defines relationship and demands between the consultant and the client.

#### **11.4 Competition and Operation Laws**

There are no laws in Finland that regulate the price the consultant sells its services. There are laws that regulate the procurement processes and these laws affect government's, commune's, cities' and official procurement and thus the consultant must know the laws because they affect the consultant's operations. The law is called The Law of Public Procurement and Licence Agreements, 1397/2016 (Finlex, 2017a).

There are no laws that regulate private procurement. The document that regulates operations in construction in Finland is the RT card number 16-10660, General Conditions for Building Contracts.

#### **11.5 Inventions and Intellectual Property Laws**

In Finland, the company usually owns the rights to any inventions, researches, developed manuals, etc. if they are produced by request of the employer and while being employed in the company. The creator of such documents, etc. is though titled to a proper compensation of such productions if they are worth lot of money (Finlex, 2017b).

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**Please out the reference following by APA Style and in the alphabet order**

## **CHAPTER 12**

### **LEGAL ISSUES**

The main drivers for innovation and change for ConCon Finland Ltd. are:

- Economic situation in Europe
- Economic and political situation in Russia
- Aging population and immigration
- High taxation and high salary expenses
- EUs projects in energy efficiency and environmental issues
- The rising number of piping renovations in Finland
- Rivalry from competitors

It is vital in the modern fast changing business environment to keep up with the change, so a plan is developed to face and manage innovation and change.

#### **12.1 Threats**

As the economic crisis in Europe is ongoing the investments in Finland and in Europe are slim, this could create a situation where there is not enough work and this would lead to layoffs of employees. The economic situation could lead to cash flow problems also, cash flow problems of clients reflect also to cash flow problems for the company.

At the present Russia is a very unpredictable market because of its economic and political situation and there is no light at the end of the tunnel at the moment because Mr Putin seems to be a very power hungry man. Also, the military threat is very real as mentioned earlier.

As the after wars generation is soon to be retired, it creates a vacuum in the work force in Finland and the present immigration does not help the company because of lack of education and language skills on people who are immigrating into the country. Also, the building industry is not the first option for young people, so there is a real threat of shortage of skilled employees.

High national taxation and high salary expenses diminish profits from operations and high taxation of work weakens employee's purchasing power so they might move to other company after a higher salary.

EUs energy efficiency and environmental projects create pressure to excess training and education of different kind of directives and regulations so the engineers cannot concentrate fully in their core duties. Also, the regulations and demands are constantly developed so it is hard to keep up with them.

The rising number of piping renovations is luring smaller and less skilled operators into the business. Smaller operators can provide services with smaller fees and as in this case the client is not a professional in the building business but an on-time builder from variety of fields, the client usually looks only at the price given for the service. As the smaller operators may not be very skilled, there is a high possibility that projects fail and as the piping renovation have had a lot of publicity in Finland, this can affect to the image of skilled operators also. There is also the risk of rivalry inside the company and it can create bad atmosphere.

Rivalry from competitors may cause the company to lose clients and possibly employees if competitors offer them better deals than they have now.

## **12.2 Opportunities**

The economic situation of Europe weed out weaker and smaller operators and consultation companies off the markets, this creates an opportunity for the company to stand out and try to make contact to their clients.

The situation in Russia could give new opportunities towards Western Europe and Scandinavia if the company puts some emphasis on marketing.

Immigration could provide an opportunity for the company if the immigrants would be quickly integrated into the society and be educated; this would open new markets abroad when people with new language skills and contacts were employed.

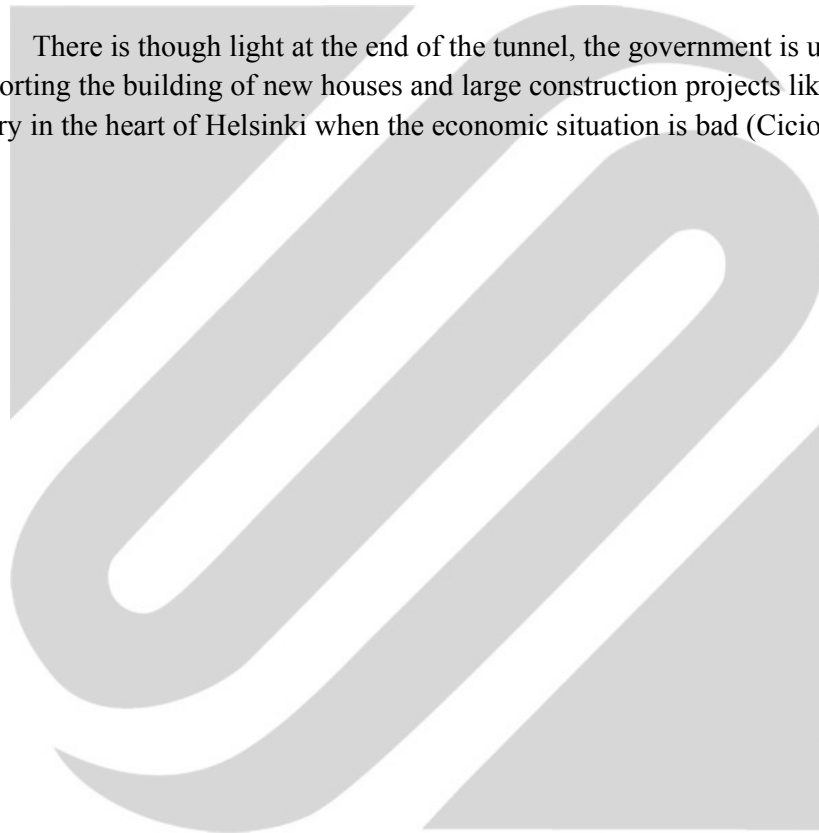
I cannot see any opportunities from high taxation and high salary expenses to the company; it is same for every company operating in the same markets. It creates disadvantage for Finnish companies compared to e.g. Estonian companies that enjoy lower corporate taxation.

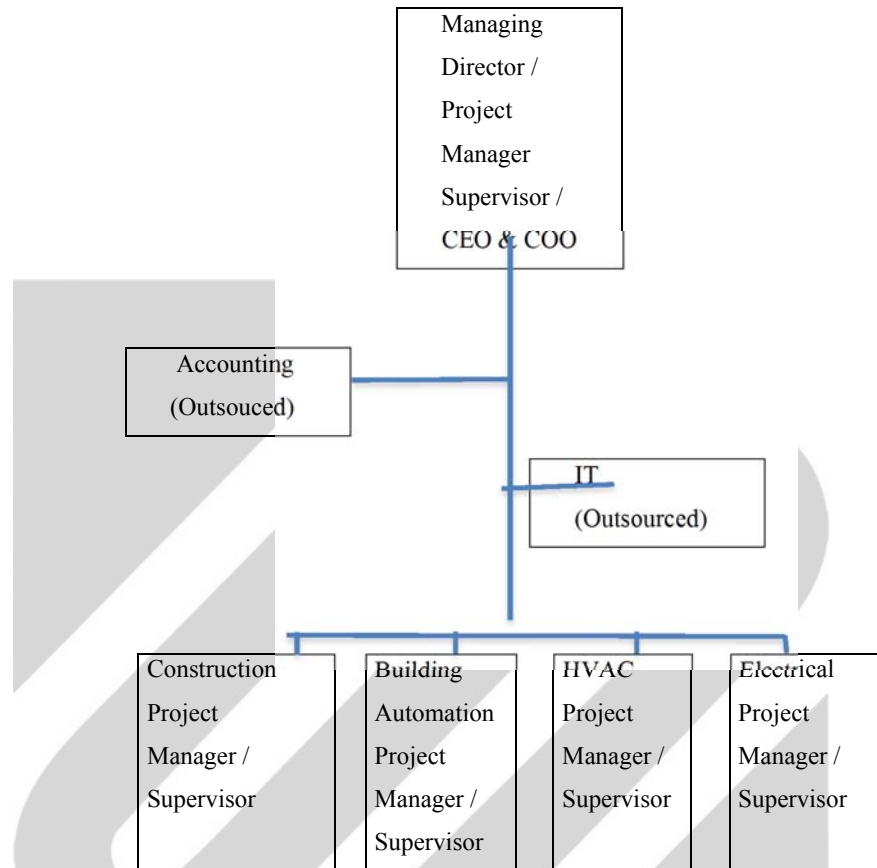
EUs energy efficiency and environmental regulations and demands need so much training and education and skills to implement them that the smaller and less skilled operators cannot keep up with them because it takes too much of their time away from core duties in their business.

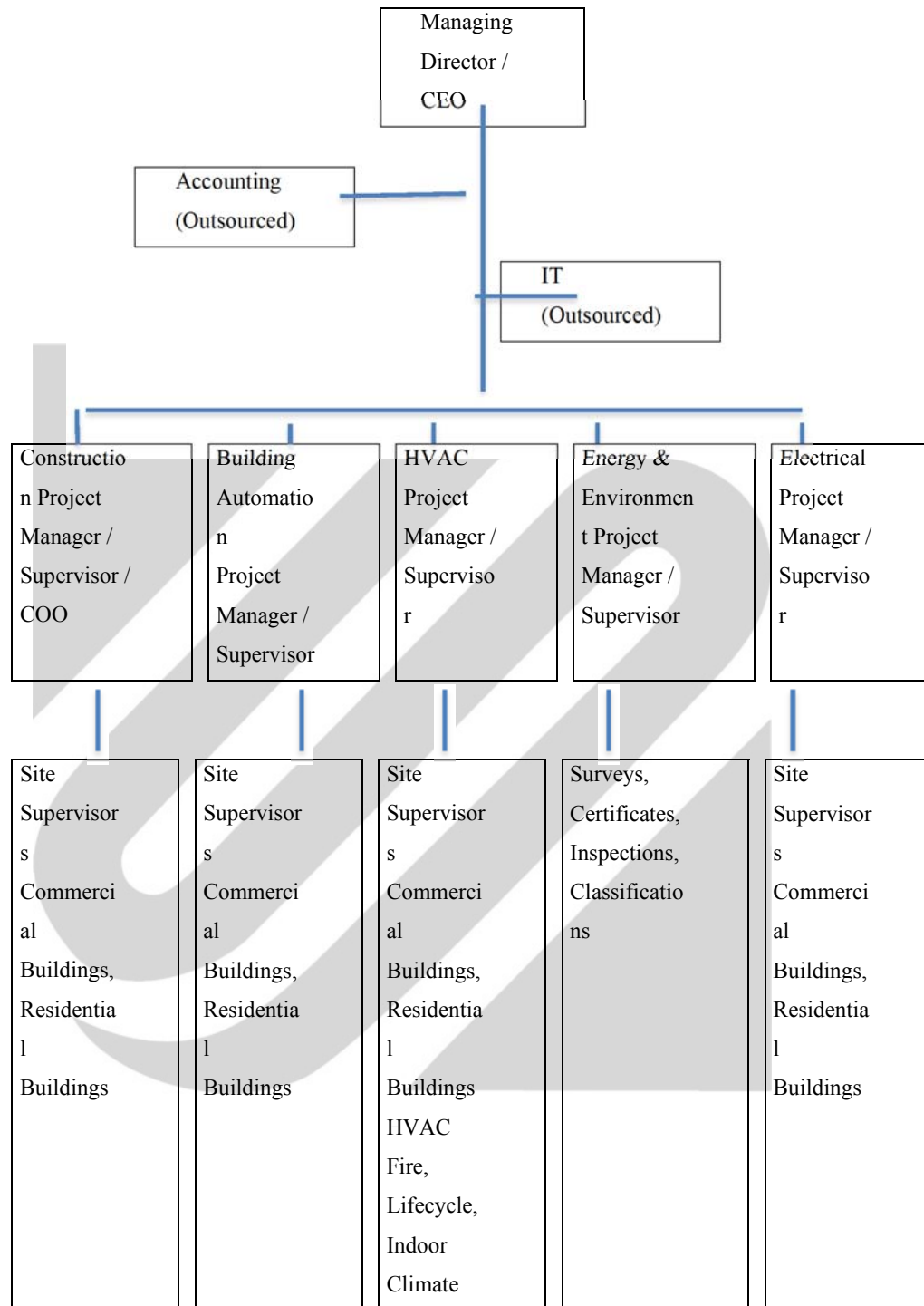
As piping renovations number is rising this creates opportunities for building services consultants as they are in main role in these kinds of projects. Piping renovations give the company visibility in the markets it is operating.

Rivalry from competitors forces the company to perform better on the markets it is operating and develop new services and procedures and to value its assets, the people. All before mentioned creates a better image for the company and this will be notice by the customers also.

There is though light at the end of the tunnel, the government is usually supporting the building of new houses and large construction projects like the central library in the heart of Helsinki when the economic situation is bad (Cicion, 2014).



**Figures****Figure 1:** Organisation chart of ConCon Finland Ltd.



**Figure 2:** Organisation chart of ConCon Finland Ltd. After 3 years.

### Population in the capitals of the Baltic Sea Region

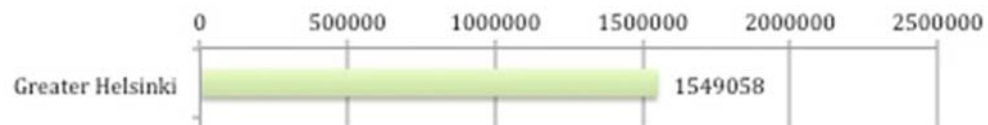


Figure 3: Population in Baltic region.

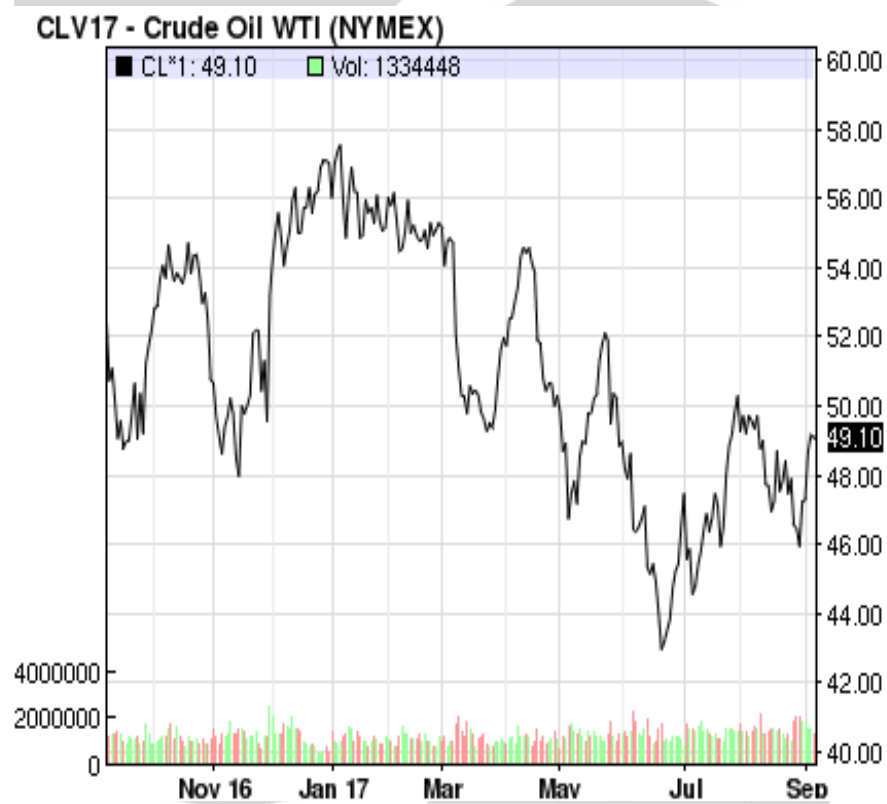


Figure 4: Crude oil price development.



**Figure 5: Rouble Vs. Euro.**

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<b>ConCon Finland Ltd.</b>		<b>Financial examination</b>
	Notes	Page 2
Marketing, adverticing, sales	5000 Professional magazines	
Premises rental	27 360 1 year	
Office equipment	10 000 PC's, copy machine, printers, etc.	
Office supplies	1000 Paper, pencils, folders, etc.	
Research equipment	5000 Heat camera, air volume meter, etc.	
Computer programmes	5000	
Salaries	270000 1 year	
Total cost	323 360 VAT 0 %	



Year 3

Year 2

Year 1

<b>Revenue</b>	Year 1	Year 2	Year 3
Consultancy revenue	€ 456 000,00 VAT = 0 %	€ 958 800,00 VAT = 0 %	€ 2 187 000,00 VAT = 0 %
<b>Total revenue</b>	<b>€ 456 000,00 VAT = 0 %</b>	<b>€ 958 800,00 VAT = 0 %</b>	<b>€ 2 187 000,00 VAT = 0 %</b>
<b>Direct cost</b>			
Rent	€ 27 360,00 VAT = 0 %	€ 27 360,00 VAT = 0 %	€ 27 360,00 VAT = 0 %
<b>Operating profit</b>	<b>€ 428 640,00 VAT = 0 %</b>	<b>€ 931 440,00 VAT = 0 %</b>	<b>€ 2 159 640,00 VAT = 0 %</b>
<b>Operating profit margin</b>	<b>94 %</b>	<b>97 %</b>	<b>99 %</b>
<b>Indirect cost</b>			
salaries	€ 270 000,00 (Incl. 40% of EF)	€ 432 000,00 (Incl. 40% of EF)	€ 810 000,00 (Incl. 40% of EF)
maintenance of equipment	1 000 (0 % of VAT)	2 000 (0 % of VAT)	3 000 (0 % of VAT)
new programmes	5 000 (0 % of VAT)	5 000 (0 % of VAT)	10 000 (0 % of VAT)
new equipment	16 000 (0 % of VAT)	4 000 (0 % of VAT)	20 000 (0 % of VAT)
marketing and sales	5 000 (0 % of VAT)	5 000 (0 % of VAT)	5 000 (0 % of VAT)
<b>Total indirect cost</b>	<b>€ 297 000,00</b>	<b>€ 448 000,00</b>	<b>€ 848 000,00</b>
<b>EBITDA</b>	<b>€ 131 640,00</b>	<b>€ 483 440,00</b>	<b>€ 1 311 640,00</b>
<b>EBITDA %</b>	<b>29 %</b>	<b>50 %</b>	<b>60 %</b>
Depreciation	23 794	23 794	23 794
Tax (35%)	46 074	169 204	459 074
<b>Net Income</b>	<b>€ 61 772,40</b>	<b>€ 290 442,40</b>	<b>€ 828 772,40</b>
<b>Net income %</b>	<b>14 %</b>	<b>30 %</b>	<b>38 %</b>

<b>Income statement</b>					<b>Financial examination</b>
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>TOTAL</b>	<b>Page 4</b>
<b>Sales</b>					
Revenue					
Consultancy	€ 456 000,00	€ 958 800,00	€ 2 187 000,00		
<b>Total sales</b>	€ 456 000,00	€ 958 800,00	€ 2 187 000,00		
<b>COGS</b>					
consultancy fees	€ 456 000,00	€ 958 800,00	€ 2 187 000,00		
total	€ 456 000,00	€ 958 800,00	€ 2 187 000,00		
<b>gross profit</b>	€ 456 000,00	€ 958 800,00	€ 2 187 000,00		
<b>gross margin</b>	100 %	100 %	100 %		
<b>expenses</b>					
salaries (Incl. 40 % EF)	270 000	432 000	810 000		
new programmes	5 000	5 000	10 000		
new equipment	16 000	4 000	20 000		
rent	27360	27360	27360		
maintenance	1000	2000	3000		
marketing and sales	5000	5000	5000		
<b>total expenses</b>	324 360	475 360	875 360		
operating profit	€ 131 640,00	€ 483 440,00	€ 1 311 640,00		
taxes (35%)	€ 85 566,00	€ 314 236,00	€ 852 566,00		
<b>Net profit</b>	€ 46 074,00	€ 169 204,00	€ 459 074,00	€ 674 352,00	

## Appendix 2: Competitor Matrix

Competitor Analysis	Start-up	Premico Consulting <a href="http://www.premico.fi">www.premico.fi</a>	Ecoreal <a href="http://www.ecoreal.fi">www.ecoreal.fi</a>	Conect <a href="http://www.conect.fi">www.conect.fi</a>	Devecon <a href="http://www.devecon.com">www.devecon.com</a>	Indepro <a href="http://www.indepro.fi">www.indepro.fi</a>	Saraco D&M <a href="http://www.saraco.fi">www.saraco.fi</a>
website							
<b>Features</b>							
<b>Point-to-Point</b>							
Services	3	3	4	3	3	2	2
Cost of services	4	3	3	3	3	3	3
Company size	3	4	3	3	3	3	3
Turnover	3	4	3	3	3	3	3
Clientell	4	4	3	3	3	3	3
<b>OUTCOME</b>	<b>17</b>	<b>18</b>	<b>16</b>	<b>15</b>	<b>15</b>	<b>14</b>	<b>14</b>

Notice! Appraisal points 1-4



**Appendix 3: Business Model Canvas**

**Business Model Canvas**

<p><b>Key Partners</b></p> <ul style="list-style-type: none"> <li>Networking partners</li> <li>Designers</li> <li>Contractors</li> <li>Sub consultants</li> <li>Advisors</li> </ul>	<p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>Project management</li> <li>Contract management</li> <li>Supervision</li> <li>Surveys</li> <li>Energy &amp; Environment</li> </ul>	<p><b>Value Propositions</b></p> <ul style="list-style-type: none"> <li>Agile management and supervision of customers' projects</li> <li>Better service for customers</li> <li>Competitive prices</li> <li>Independent operator</li> <li>After sales care</li> </ul>	<p><b>Customer Relationships</b></p> <ul style="list-style-type: none"> <li>Competence in services</li> <li>Reliability &amp; Loyalty</li> <li>Long term relationships</li> <li>Cooperation &amp; Communication</li> </ul>	<p><b>Customer Segments</b></p> <ul style="list-style-type: none"> <li>Developers</li> <li>Housing cooperatives</li> <li>Construction companies</li> <li>Individual customers</li> </ul>
<p><b>Key Resources</b></p> <ul style="list-style-type: none"> <li>Project managers</li> <li>Supervisors</li> </ul>		<p><b>Channels</b></p> <ul style="list-style-type: none"> <li>Personal interaction</li> <li>Word of mouth</li> <li>Professional publications</li> <li>Social media</li> </ul>		
<p><b>Cost Structure</b></p> <ul style="list-style-type: none"> <li>Rent</li> <li>Office supplies</li> <li>Salaries</li> </ul>		<p><b>Revenue Streams</b></p> <ul style="list-style-type: none"> <li>Consultancy fees</li> </ul>		

# Value Proposition Canvas

