

THE FLEX CONSULTING PROJECT  
BUSINESS PLAN AND VALUE PROPOSITION

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## **Abstract**

This study presents the business plan and value proposition for the startup company named *Flex Consulting*.

The project explains the strategic vision and creation process of this new business venture in IT management consulting.

The main goal of the *Flex Consulting* company is to create integrated business solution to compete in the global market. The most important concept is based in the innovative philosophy in business consulting: proper methods to work with the corporate core knowledge resources and the use of essential tools to promote the collaborative work. Another important aspect is the creation of a multidisciplinary corporate knowledge base to operate in multiplatform: global solutions for vertical requirements.

The author firmly believes that the adoption of business consulting solutions oriented to the problem solving, the regular focus on multidisciplinary knowledge embodied with organic flexibility and agile tools practice for new situations will provide a solid source of competitive advantage. It is also considered the creation of business solutions based on crowdsourcing systems, as it will allow the build up of a knowledge platform, public and internal, able to accelerate decision process, research and development of new applications.

*Flex Consulting* intends to address a new vision of business management, using the “open source” approach in business consulting and a very attentive posture to the progress of global economy. Thus, it focus on a new paradigm of development reinforced by the increased instability of markets which requires fast return on investment, as this implies a greater control, efficiency, and intelligence in business administration. Therefore, the future company aims to support the continuous monitoring of performance to optimize resource management and the consequent business efficiency of its partners to excel on the very competitive global market.

**Keywords:** Business Plan, Value Proposition, Strategic Management, IT Consultancy

**JEL Classification:** Startups (M13), IT Management (M15)

## Resumo

Este estudo apresenta a concepção do plano de negócio e conceito subjacente à criação da empresa *Flex Consulting*.

O presente trabalho, objectiva-se no desenho da estratégia e desenvolve o processo para a operacionalização da empresa vocacionada em consultoria de sistemas de gestão empresarial.

O objectivo da *Flex Consulting* é a criação de soluções para integração de negócios no mercado global. O conceito mais importante assenta na inovadora filosofia em consultoria: métodos próprios com recurso ao *corporate core knowledge* e aplicação de instrumentos essenciais de trabalho colaborativo no sentido de melhor promover conhecimentos multidisciplinares e operar em multiplataforma; construir, pois, soluções globais para exigências verticais. São, portanto, novas abordagens na concepção e desenvolvimento de soluções de negócio.

O autor considera, assim, que a consultoria de soluções de negócio orientada ao problem solving, o conhecimento multidisciplinar, a flexibilidade de ferramentas e agilidade perante novas situações criam, por si, sólida vantagem competitiva. Defende ainda a construção de soluções baseadas no sistema *crowdsourcing* empresarial, pois através da criação de plataforma de conhecimento interna e pública é possível acelerar decisões, investigação e desenvolvimento de novas aplicações.

A *Flex Consulting* pretende apresentar-se no mercado com uma nova visão da gestão de negócios com recurso a uma abordagem “open source” em actividade de consultoria e uma postura de elevado acompanhamento do desenvolvimento global da economia. Com efeito, hoje, vive-se um paradigma que proclama que dada a elevada instabilidade dos mercados, exige-se um rápido retorno do investimento. Deste modo é necessário um maior controlo e eficiência, e inteligência na gestão de negócios. Por conseguinte, a futura empresa tem por objectivo apoiar a constante monitorização de desempenho para obter a melhor gestão de recursos e a consequente eficiência nas parcerias de negócio no mercado global.

**Palavras-chave:** Plano de Negócio, Proposta de Valor, Gestão Estratégica, Consultoria de Sistemas

**Classificação JEL:** Startups (M13), IT Management (M15)

## **Preface**

This master's thesis is the result of the business plan made for potential investors, collaborators and other stakeholders interested on starting up a business venture in IT business consulting.

This master thesis is also the last requirement for the conferral of the Master in International Management degree at ISCTE Business School.

The Flex Consulting Project reflects the author's vision on how a business consulting firm shall develop a competitive posture in order to survive in the nowadays' turbulent market. This is also the result of a couple of years of hard work, perseverance and inner motivation to make this dream come true.

In this way, the document is planned to highlight the business idea and support the most important elements to strengthen the business value. Thus, two distinct moments are identified: the first part of the thesis that includes the five initial chapters, which presents the objective of the company, mission, values and strategic vision. While for the second part the goal is to develop a concrete business plan, which means to extend the main subjects of business administration: strategic marketing plan, the human resources plan and networks, the operational plan and the functional organizational chart of the company. Finally, it is developed a detailed financial plan with an accurate macroeconomic analysis and fundamental financial projections to support business evaluation. The present document is a milestone on *Flex Consulting* business start-up. It establishes the corporate foundations for stakeholders and all the people involved in *Flex* value chain. *Flex's* history starts here.

It is also important to highlight that the core processes and most important ideas on this work come from the author's vision and his management background. Thus, it explains the few sources and references used on project design to support the business model framework and to sustain most important ideas in specialized literature.

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## LIST OF ABBREVIATIONS/GLOSSARY

**ASP** - also known as Classic ASP or ASP Classic, was Microsoft's first server-side script engine for dynamically-generated web pages. It has now been superseded by ASP.NET.

**Corporate core knowledge** – defines formal and informal fundamental knowledge to manage the business. It's stakeholders' business information, regarding skills, process and social environment of a company. This document also considers it as a management practice focused in systematic ways to bring informal data to the core process, building logic workflows of information or teamwork, among other management methods.

**Crowdsourcing** - is a neologism for the act of taking tasks traditionally performed by an employee or contractor, and outsourcing it to a group (crowd) of people or community in the form of an open call. For example, the public may be invited to develop a new technology, carry out a design task, refine or carry out the steps of an algorithm, or help capture, systematize or analyze large amounts of data.

**EBT** – Earnings before Tax: is an indicator of a company's financial performance calculated as Revenue - Expenses (excluding tax). It provides a level measure to compare companies in different tax jurisdictions.

**EBIT** - Earnings Before Interest & Tax: is an indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest. EBIT is also referred to as "operating earnings".  $EBIT = \text{Revenue} - \text{Operating Expenses}$ .

**EBITDA** – is an indicator of a company's financial performance which is calculated in the following EBITDA calculation:  $EBITDA = \text{Revenue} - \text{Expenses}$  (excluding tax, interest, depreciation and amortization). EBITDA is essentially Net Income with interest, taxes, depreciation, and amortization added back to it.

**Entrepreneurship** – is the act of being an entrepreneur which is a French word meaning one who undertakes an endeavour. Entrepreneurs assemble resources including innovations, finance and business acumen in an effort to transform innovations into economic goods. This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity.

**ERP** – is a term usually used in conjunction with ERP software or an ERP system which is intended to manage all the information and functions of a business or company from shared data stores.

**FCFE** – is a measure of how much cash can be paid to the equity shareholders of the company after all expenses, reinvestment and debt repayment. Calculated as:  $\text{Net Income} - \text{Net Capital Expenditure} - \text{Change in Net Working Capital} + \text{New Debt} - \text{Debt Repayment}$

**FCFF** – Free Cash Flow for the Firm is a measure of financial performance that expresses the net amount of cash that is generated for the firm,

consisting of expenses, taxes and changes in net working capital and investments. It is calculated as: Operating Cash Flow – Expenses – Taxes – Changes in NWC – Change in Investments.

**Gross profit** – is a company's revenue minus its cost of goods sold. Gross profit is a company's residual profit after selling a product or service and deducting the cost associated with its production and sale. To calculate gross profit: examine the income statement, take the revenue and subtract the cost of goods sold.

**IT** – is the study, design, development, implementation, support or management of computer-based information systems, particularly software applications and computer hardware. IT deals with the use of electronic computers and computer software to convert, store, protect, process, transmit, and securely retrieve information.

**IT management** - is concerned with exploring and understanding Information Technology as a corporate resource that determines both the strategic and operational capabilities of the firm in designing and developing products and services for maximum customer satisfaction, corporate productivity, profitability and competitiveness.

**Net earnings** – company's total earnings. It is calculated by taking revenues and adjusting for the cost of doing business, depreciation, interest, taxes and other expenses. This number is found on a company's income statement and is an important measure of how profitable the company is over a period of time.

**Operating profit** – is the profit earned from a firm's normal core business operations. This value does not include any profit earned from the firm's investments (such as earnings from firms in which the company has partial interest) and the effects of interest and taxes. It is calculated as: Operating Revenue – Operating Expenses.

**Six Sigma** – is a business management strategy originally developed by *Motorola*. Six Sigma seeks to improve the quality of process outputs by identifying and removing the causes of defects (errors) and variability in manufacturing and business processes.

**Social network service** – focuses on building online communities of people who share interests and/or activities, or who are interested in exploring the interests and activities of others. Most social network services are web based and provide a variety of ways for users to interact, such as e-mail and instant messaging services.

**Working capital** – is a measure of both a company's efficiency and its short-term financial health. The working capital ratio is calculated as: Current Assets – Current Liabilities. Positive working capital means that the company is able to pay off its short-term liabilities. Negative working capital means that a company currently is unable to meet its short-term liabilities with its current assets (cash, accounts receivable and inventory).

## Sumário executivo

O presente trabalho académico tem o objectivo de desenvolver o plano de negócio e a estratégia de valor do projecto “Flex Consulting”. Estuda, assim, e analisa o conceito de criação e sustentabilidade da empresa *Flex*. Procura, portanto, estimular o interesse e o conhecimento pelas matérias do empreendedorismo, assim como a melhor aplicação prática ao sector da consultoria de sistemas e gestão estratégica.

É, pois, pretendido expor a maior transparência e rigor na descrição da proposta de valor, apurando a visão objectiva de mercado, o respectivo risco e necessário grau de incerteza associado à realização deste projecto. Trata-se, assim, de um documento com informação de âmbito genérico, onde se encontram distinguidas as principais linhas estratégicas da *startup*: importantes oportunidades e constrangimentos que resultam na apresentação do valor actual líquido da *Flex Consulting*.

Neste sentido, o referente estudo segue a orientação e principal inspiração nos modelos de gestão que formam sólida estrutura para a realização de planos de negócio. A informação quantitativa e qualitativa de carácter comercial, técnica, financeira, de recursos humanos, entre outros importantes elementos que suportam o importante processo de decisão e desenvolvimento da *startup*, são apresentados ao longo de seis capítulos divididos em duas partes distintas.

A primeira parte do trabalho (Cap. 1-5) compreende uma abordagem introdutória, onde é apresentado a ideia de negócio. Aqui é explicado o conceito da empresa, objectivo, o quadro da visão, missão e valores. De acordo com o processo de realização da obra, demonstra, assim, o estágio inicial, quando é projectado o quadro conceptual, o contexto empresarial e principais motivações do promotor do projecto, que entende o melhor aproveitamento da oportunidade de mercado de soluções informáticas para a gestão empresarial.

No que respeita à fase seguinte deste estudo, é pertinente denominar materialização da ideia proposta. Pois é neste momento que são tratados os aspectos lógicos e físicos deste documento, como a necessária abordagem ao mercado, é assim apresentado a avaliação de risco e oportunidades, exemplo da análise do marketing mix, são considerados, pois, os produtos, canais de distribuição, posicionamento no

mercado e a estratégia de promoção da empresa. Este capítulo tem, pois, o objectivo de apresentar medidas concretas, explanadas na organização funcional, acções a desenvolver, políticas de recursos humanos, ou o plano financeiro detalhado com apresentação de valores operacionais concretos.

Trata-se, portanto, do capítulo 6 – “Plano de negócio”, subdividido em quatro subcapítulos, a saber: o plano de marketing -, é, assim, apresentado o claro posicionamento dos produtos e serviços comercializados e principais estratégias de marketing a desenvolver; o plano de recursos humanos/*networks*, desenvolve a importância desta matéria para a sustentabilidade e sucesso do projecto, são apontadas directrizes, colaboradores e as relações estabelecidas; o plano operacional expõe a orgânica interna da empresa, e estabelece trâmites no âmbito do controlo de qualidade e gestão da produção; por fim, o plano financeiro, responsável pela viabilidade económica do projecto, são aqui expostos os valores previsionais no sentido de melhor controlar a estrutura de custos e apurar desvios com base nos reais resultados obtidos.

O autor considera que o preciso momento apresenta um conjunto de oportunidades que conduzem à criação de negócio em consultoria de gestão no sentido de suprimir actuais necessidade de mercado. Entidades reguladoras e fiscais exercem gradual exigência no sentido de obter rigoroso e actualizado suporte documental da situação económica das empresas, exemplo da lei recente que obriga a certificação de software, emissão do SAF-T-PT, ou as alterações decretadas ao novo Regime Contributivo, deveres transversais às empresas nacionais e internacionais.

Os recentes casos de sucesso de implementação de ERPs em diversos sectores de actividade tem demonstrado quanto obsoleto se encontra o parque informático das empresas nacionais. A qualidade e robustez do software de gestão a par da crescente competência dos consultores fundamenta a importância do sistema de gestão empresarial para o melhor controlo de gestão e eficiência dos recursos. Por conseguinte, o nível de integração do negócio, assim como os novos meios de relação com o cliente tem permitido melhorar a inteligência do negócio e, portanto, gerar significativos proveitos financeiros.

O empreendedor alega também que os sistema ERP estão ainda distantes do ponto de saturação de mercado devido à extensibilidade e escabilidade das referidas aplicações. Neste sentido, os sistemas de gestão alcançam novos mercados verticais,

apresentando soluções integradas a novas áreas de negócio como a indústria hoteleira e restauração, o mercado automovel, áreas da saúde e ambiente, entre outras áreas mais técnicas. E tal é possível devido ao elevado grau de customização destes sistemas e melhoria significativa de formação dos profissionais em consultoria de gestão.

Os sistemas ERP são assim essenciais para o desenvolvimento económico, apoiando a melhor aplicação de políticas empresariais no devido rigor da avaliação de desempenho dos recursos humanos até à criação de melhor relacionamento com os clientes. A *Flex Consulting* pretende, pois, dinamizar o conhecimento local e considerável experiência do mercado das PME no sentido de agilizar os processos de negócio das empresas, elevando a flexibilidade e eficiência operacional a custo competitivos.

A empresa, tem, portanto, o objectivo de criar soluções para integração de negócios no mercado global. Esta assumida ambição resulta da cultura cosmopolita e desenvolvimento tecnológico da empresa. Pois, quer as tecnologias apresentadas ou as necessidades em gestão de negócios são transversais a qualquer economia desenvolvida.

O conceito inovador e mais importante, assenta, pois, na consciência da alteração dos métodos de trabalho, a nova realidade económica implica, assim, reformar atitudes no âmbito da actividade em consultoria. Perante esta nova filosofia do trabalho, a *Flex Consulting* responde com o desenvolvimento de métodos próprios: exemplo da importância empregue aos recursos do *corporate core knowledge*, auxílio de instrumentos essenciais de trabalho colaborativo, e o sentido de melhor promover conhecimentos multidisciplinares de modo a operar em multiplataforma: construir soluções globais para exigências verticais. O autor considera, pois, que a consultoria de soluções de negócio orientada ao *problem solving*, o conhecimento multidisciplinar, a flexibilidade de ferramentas e agilidade perante novas situações criam, por si, sólida vantagem competitiva. Defende ainda a construção de soluções baseadas no sistema *crowdsourcing* empresarial, pois através da criação de plataforma de conhecimento interna e pública é possível acelerar decisões, investigação e desenvolvimento de novas aplicações.

Esta nova visão da empresa e abordagem “open source” em actividade de consultoria, encontra-se em consonância com o estado actual da economia. Pois, hoje,

enfrentamos novo paradigma -, o aumento da instabilidade dos mercados exige o rápido retorno de capital, e tal implica o maior controlo e eficiência na gestão de negócios. Assim, é essencial a constante monitorização de desempenho no sentido de obter a melhor gestão de recursos e consequente eficiência no mercado global, deveras competitivo. Portanto, esta realidade exige o necessário conhecimento e informação da evolução dos negócios em tempo real, e obriga o gestor ao recurso de ferramentas inteligentes no suporte à decisão.

O autor pretende, ainda, com os temas em análise provocar o maior entusiasmo e motivação de jovens criativos e demais empreendedores na senda da geração de ideias inovadoras e projectos de valor, que permitam, pois, desenvolver o tecido empresarial, ávido de mudança.

A terminar, é saliente a aplicação prática dos conhecimentos apreendidos no *Master in International Management* e a concepção do presente trabalho, que resultam na criação efectiva da empresa *Flex*. Deste modo, espero com firmeza que o maior interesse na leitura activa deste escrito permita o nascimento de novas ideias e soluções de negócio.

## 1. Introduction

The idea of doing this project was born from the perception of market need and determination to build a new company in IT business consulting. The author considers that there is a knowledge gap in this sector along with the lack of regulation and legislation, and so, it is expected that authorities will continue to develop new standards for better fiscal policy surveillance and it causes a push for IT investments, as companies are already looking for more efficient systems to reduce costs and to obtain substantial operational gains in this period of financial contingency.

In this way, the project promoter has decided to join together the perception of this opportunity and his background in management, adding working experience and the passion for this business area; relevant elements that were considered fundamental to develop the business plan and value proposition of “Flex Consulting” startup.

Following the best interest for entrepreneurship and strategic management subjects during the master programme, these themes had a positive stimulus in the creative thinking process founded on the sense of risk, pro-activeness and the motivation to innovate, topics that were trained in class and practiced on group assignments, and since then they were a motive of entrepreneurial enthusiasm.

In that sense, this work also intends to stimulate and to give its contribution to entrepreneurs that have intentions to startup a business, and seek for a practical application to the sector of the IT management consulting.

For the next 6 chapters it will be explained the business concept which highlight the strategic thinking of *Flex company* based in a solid structure and vigorous analysis to demonstrate the sustainability of this project.

In order to obtain essential information for the important decision process, this study researches and collects commercial, operational, financial, and human resources information, among other important elements to illustrate the integrated business process. Thus, it is intended to detail the description of the value proposition with precision, regarding the necessary uncertainty and calculated risk to accomplish this project.

The scope of presenting generic information complies with the nature of the business plan (McKeever, 2008), where it is distinguished the main strategic



guidelines for the startup company. It illustrates the important opportunities and threats that result in the net present value of *Flex Consulting*.

The goal of the *Flex Consulting* Company is the creation of integrated business solutions to compete in the global market. The most important concept is based in the innovative philosophy in business consulting: proper methods to work with the corporate core knowledge resources and the use of essential tools to promote the collaborative labour. Other important aspect, it is the creation of a multidisciplinary corporate knowledge base to operate in multiplatform: global solutions for vertical requirements.

These subjects are going to be expanded in 6 chapters divided in two distinct parts: the first (chapter 1-5) comprehends an introductory approach; it presents the business idea, describing the conceptual framework analysis, as the focus is on the objective, vision, mission and values. In the second part, the concern is to consolidate the business idea, considering the logical and physical aspects to setup the company. At this stage, it is studied concrete measures and actions in order to develop human resources policy, internal organization and the presentation of detailed financial plan with calculated prospect values and the necessary market evaluation, with risk assessment and measure of opportunity cost.

## 2. The Objective

*Flex Consulting* company purpose is to provide innovative services of the highest quality to the global market. This project main objective is to create business solutions for SMEs, the main responsible for the world economic growth and wealth creation.

In this way, the company adopts technological and strategic solutions for better business development and integration in international arena. Therefore, the firm aims to build its own proper methods in management consulting, endorsing multidisciplinary knowledge and promoting the dialog among diverse oriented business areas: from computer science to strategic and financial management.

Considering this, *Flex Consulting* is designed to operate in multiplatform: global solutions for vertical requirements. The promotion of corporate core knowledge resources, focused in systematic ways to bring informal information to the core process, as innovative practices of shared knowledge represent a new approach to develop new solutions and business ideas.

Finally, the company has as its main objective an active contribution to the competitiveness and innovation of its business partners, adding value to the supply chain and stimulating better growth and sustainable development.

In *Flex Consulting* the service does not end in the business solution, it starts with customer satisfaction.

The current project is also aware of its social role as it is engaged to contribute for “A green knowledge society” (Comission of the European Communities, 2009), promoting Europe’s future knowledge society. It is considered “ICTs are contributing substantially to growth and jobs in the EU and beyond. The benefits of using ICTs in work and everyday life are evident. Its importance for social and cultural participation everywhere is increasing dramatically. This influence is key for continual progress and prosperity” (Åsa Torstensson, Minister for Communications of Sweden).

Flex Consulting is also working on how to make Europe the most dynamic and competitive knowledge-based economy, and in doing so, transform it to an eco-efficient one.

## 2.1. The Problem

Success cases studies in IT management, especially in Enterprise Resource Planning (ERP) projects, are crucial to develop this dynamic sector, so important for the economic growth and business administration.

However, until the middle of the previous decade, the number of unsuccessful cases was a great deal, mostly due to lack of specific knowledge. Nonetheless, from those days the hardware, software and skilled services have been improving in performance, being able to leverage business integration and to consolidate the management of complex business needs.

As a consequence, the market faces at the moment two major trends: large companies, which have to deal with a great volume of data, increasing the complexity of international operations and financial management control: supported by agile and integrated solutions, as advanced needs of data analysis and management information: Business Intelligence.

On the other hand, there is a market push for SMEs to invest in management solutions in order to sustain their business growth. However, these companies do not have the adequate dimension to afford an IT department and the right solution is to outsource this business area. In this case, the consulting company has an important role to advise and support the customer in the adoption of competitive management solutions.

ERP revenue across all segments is expected to grow from \$28.8 billion in 2006 to \$47.7 billion by 2011 (Supply & Demand Chain, 2007), and the market is still far from its saturation point, mainly because the need to implement new management packages. This is extending the business solution – adding management functionalities, but also the horizontal concept that is expanding to new business areas. For that reason, the software industry is developing several vertical solutions to complement the business needs and to provide a whole solution, which means taking customization to the core. Moreover, managers do realize that information systems are crucial for performance management and business administration, so it is expected a continuous business growth rate in IT management for the next years.

There is also another important fact to consider when comparing the largest vendors in IT solutions and national software houses: Global software houses are having high difficulties to compete with local ones due to the lack of flexibility, higher price, and above all lack of SMEs market knowledge.

In light of the above, there are thousands of companies working with obsolete systems that cannot deal with today's business needs. Managers are quite often displeased with partial implementations and lower customization level that hinder operational activity. Subsequently, there are still "closed" applications in the market not offering extensibility and integration with digital/web platforms.

These circumstances have a considerable impact on productivity, furthermore in times of financial crisis, as a new international order urges for efficient resource allocation and flexibility to change.

At the end, the problems to deal with enterprise information systems also come from inadequate investment in ongoing training, including implementation and testing phases, as well as, a lack of a corporate policy on the protection of the integrity of data and its utilization (LIGUS, Richard G. (2004). It comprises the business consultant engagement and corporate commitment to build a win-win relationship, as this important synergy is part of the solution.

In a time of great uncertainty, return on investments must be faster. This thinking process is not implicit for many managers and entrepreneurs, so it will have to be passed on as soon as possible, and the means to do it *Flex Consulting*.

## 2.2. The solution

*Flex Consulting* is a concept based in business consulting services oriented to problem solving. The company's proposal is to set up strategic business ideas offering innovative tools and promoting collaborative project management in order to involve the customer knowledge and business requirements to leverage implementation process quality.

The competitive advantages come from the multidisciplinary teamwork knowledge, flexible management tools and boost for agile decision making.

This model of building new solutions is based in *crowdsourcing* systems to create an internal and public knowledge platform (*social networking*) in a way to speed up decision process, research and application development.

It is an innovative perspective engaged with collaborative work excellence, still not common in SMEs and hard to implement in larger companies because those companies produce static knowledge instead of dynamic learning. For that reason, the collaborative approach foster interaction among business consultants on internal company's network and business partner's relationship.

The most important goal is project management efficiency: information has to be available for qualified professionals, in a way that business consultants are able to produce knowledge, anytime, anywhere, to solve customer requirements.

*Flex Consulting* believes in this "open source" vision of business consulting, committed to build a new organizational approach supported by a conceptual framework able to add market value.

The company trusts in the inspiration of its best professionals to promote the talent, enthusiasm of learning and knowledge sharing.

In *Flex* people do think about the potential value of an integrated project, combining multiple realities and developing teamwork skills. So, the major goal is not about forcing functional divisions but the ability to develop nuclear competencies for a better performance in project consulting.

The *Flex Consulting Business Solutions* is working for a business partnership with *PHC* Company that will change the ERP's market concept in Portugal, offering a

complete solution for small firms. The company wants to be announced as the first certified partner of this innovative solution based in the model Software as a Service (SaaS).

The Internet is best place to work. As a consequence, this media will prevail in the near future, regarding investments in several business areas, from marketing management and CRM applications to manufacturing solutions.

Companies want to take part of the advantages of distributed systems running in web applications, with the goal to reduce costs, improve integration processes no matter of the geographic distance.

Considering this, the company aims to develop an important centre in ASP.NET language to provide excel business services over this outstanding platform. A higher performance on business data integration and great abilities in project management serve to attract the investment of intelligent organizations, which seek a complete solution to innovate services' and human resources' quality.

This value proposition guides the ambition for international recognition as a centre of business innovation.

### 3. Vision

Flex main purpose is to be recognized by presented ideas and solutions, and to achieve best partner's confidence in its brand: symbol of agility, accuracy and audacity.

Considering these inner values and attitudes, the strategic thinking of the company is based upon concrete goals to achieve in planned timeline (2010-2015). So, the first objective *Flex Consulting* has is to be ranked on top 10 *PHC* business partners. As mentioned before, starting a business is about being small and thinking big. Having this in mind, *Flex* collaborators will work hard on this innovative solution based in the model Software as a Service (SaaS) in order to sell larger quantities, reading the trends of marketing development and the need for cost effective solutions. In addition, it is expected that Cloud Computing, which is Internet-based computing, whereby shared resources, software, and information are provided to computers and other devices on demand, like the electricity grid (wikipedia.org, 2010), will prevail in the near future. Therefore, the company thinks that the second stage of SaaS development will bring higher business complexity and incremental services and products, attaining though SMEs and larger enterprises. Following this, *Flex Consulting* is determined to become top vendor in *PHC FX* (SaaS solution) in the analyzed period of time.

As already mentioned, the company aims to create considerable competencies in developing software for business integrations and customized applications. For that reason, the growing expertise in *MS-Sharepoint* and *.Net* programming languages have the clear intention to obtain *Microsoft* golden partner certification for both technologies in short-term. It is then expected that software development department by 2015 will surpass management consulting unit in terms of business value, once the customer's base will require advanced technologies to integrate several distributed services. Afterwards, in financial prospects (chapter 6) is shown that this is the segment with continuous growth, opposing the other business areas estimated to attain mature state by 2015.

Regarding *Flex's* business skills and higher concern with project management, the will adopt the *Iron Speed* solution for web agile development. This tool is very intuitive and enables the creation of fast business applications in order to respond to

today's business needs. The web 2.0 revolution involves millions of people making social activities as fast growing commercial acts.

By this, the company has the goal to promote E-business projects in order to meet the client's needs for E-commerce, social networking and other business's web requirements. By the way, the company estimates that this market segment will have a sustainable growth until 2015, and the presented solution has less costs than competition and is quite efficient for the target market.

Taking into account the fact that *Iron Speed* has no partnership in national market, *Flex* intends to represent the product in Portugal, creating a knowledge centre with certified personnel to promote this business solution as also outsourcing services.

Company's stakeholders are also aware of macroeconomic situation and conscious about start-up company difficulties at this moment. In that sense, the focus in people training for polyvalent skills and team building will be crucial for this period, as after crisis comes fortune. So, all *Flex* collaborators will have commercial objectives and operational incentives to leverage the business for solid performance in 2015.

In this company people work to build a national reference, thinking about a global image from the beginning, that means to adopt international best practices in management, English is the official working language, and staff is prone to a cosmopolitan attitude towards cultural or market values. This represents the first step in internalization process: the first move is to prepare internal openness and global mindset.

By the way, in order to attain the set out objectives, *Flex* wants to adopt internal processes and management methodologies close to the Lean Six Sigma, to achieve sustained quality improvement for continuous business success.

Vision is not about to foresee the future, but to act in change and do it in time to get the best opportunities.



## 4. Mission

*Flex Consulting* has the purpose to create innovative solutions for competitive companies. Its ambition is to develop successful business solutions for diverse market segments in order to contribute actively in management consulting development for the XXI century.

The internal processes of quality control and the continuous improvement system in this company are designed to achieve a comfortable customer's base from several economic sectors in 5 years time. Customers satisfaction and the attentive feedback from clients are key recognition and best return on investment. Thus, *Flex* is determined to emphasize successful business case studies as the main corporate marketing strategy, as it will involve company's stakeholders, expose internal knowhow and experience, and it will also have a thorough contribution for the economic sector through best recognition of IT management impact in overall companies' performance.

Therefore, *Flex Consulting* has the goal of offering the best management services oriented to business clients. From its data integration perspective, the company can measure the impact of project management in several business areas. Furthermore, there is a continuous focus on creating synergy to leverage business intelligence and productivity level in strategic sectors. By this, *Flex* consultants are trained to centre the business analysis on major operational obstacles to productivity, in order to increase competitiveness, faster economic growth and sustained company development.

The company intends to take its social responsibility on promoting qualified jobs and internships for graduate young people to access working experience and, in this way, leverage their contribution for company's innovation and corporate dynamic spirit. *Flex* is also aware of its role to support Europe's future knowledge society and demonstrate the benefits of using ICTs in work and everyday life. So the company will advertise the importance of ICT through social and cultural participation and work to make Europe the most dynamic and competitive knowledge-based economy, and in doing so, transform it in an eco-efficient one. Along with social concerns, it is intended to encourage green sport activities and its association with health care, as *Flex* aims to be identified with Tennis , Golf and Cycling.

The strategic thinking of Flex Consulting for the next five years is to become a national reference on software business consulting for SMEs, by developing internationalization processes in markets with cultural proximity to Portugal and promoting market entry strategies worldwide according to its global image.

## 5. Values

*Flex Consulting* values embody the spirit of company's teamwork.

### **Fun**

I do it for the fun of it.

Joy at work.

Make the good without looking to whom.

### **Labour**

Labour dignifies people.

Effort and responsibility are always rewarded.

The only place where success comes before work is in the dictionary (Einstein).

### **Energy**

Personal stimulus for value creation.

Determination and perseverance to overcome adversity.

The courage to decide for the most robust solution.

### **X - Independent variable**

Luck is no accident. It pursues dare people.

The market is our companion. It is expected trust and fellowship.

Always maintain active and dynamic social network such as a teenager.

## 6. Business plan

Following the clear definition of *Flex* business model and concise explanation of this value proposal, it is the moment to submit the project to the market.

The business plan is the main tool for structuring the *Flex Consulting* project. It is “a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture (Hisrich, D. Robert and Peters, Michael P., 2002). Thus, it is an essential working document responsible for most important company policies, guidance in major decisions and also to analyze practical matters to set up the business; it is so the operationalization of the proposed model.

According to Robert Hisrich and Michael Peters, “the business plan, although often criticized for being ‘dreams of glory’, is probably the single most important document to the entrepreneur at the start-up stage. Potential investors are not likely to consider investing in a new venture until the business plan has been completed. In addition, the business plan helps maintaining a perspective for the entrepreneur of what needs to be accomplished.”

Regarding these facts, *Flex* business plan is conceived to address the most important management areas of this particular business venture. It is an integration of functional plans such as marketing, finance, operational, and human resources. It also attends to both short-term and long-term decision making for the first five years of operation. Thus, the business plan is designed to answer to the main questions, where am I now? Where am I going? How will I get there?

Therefore, it is the company’s road map, the essential script to provide guidance and structure to management in a rapidly changing market environment. The ultimate purpose of developing this business plan is to have a successful business. And to achieve this goal the author have followed best business practices and references from renowned authors as Rhonda Abrams (2010), “as you create your plan, be certain do address the long-term needs of your business and devise strategies that enhance both overall performance of your company and your personal satisfaction”. So, the next chapters will show how the business should be run.

## 6.1. Marketing Plan

In the present chapter, the most important subjects related to the company's marketing strategy will be developed in detail. Therefore, it is explained the essential topics in market segmentation, sales channels, the development of brand recognition, communication and other relevant marketing issues.

According to McDonald (2002), a marketing plan "is the planned application of marketing resources to achieve marketing objectives. Marketing planning, then, is simply a logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them". Although, it is intellectually simple to understand, in practice it is the most difficult of all marketing tasks.

The author considers the marketing planning an essential business thinking process to understand and to better response to complex and instable environment in which the company operates. For McDonald "managers of a company have to have some understanding or view about all these variables interact and managers must try to be rational about their business decisions, no matter how important intuition, feel and experience are as contributory factors in this process of rationality".

So, the following ideas and marketing objectives are oriented to business strategy to help sharpen this rationality, in order to reduce the complexity of business operations and add dimension of realism to the company's hopes for the future.

### 6.1.1. SWOT Analysis

SWOT analysis is a strategic planning method used to evaluate the strengths, weaknesses, opportunities, and threats involved in a business venture. It involves specifying the objective of the project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective. "The application of a SWOT analysis is therefore instrumental in strategy formulation and selection" (Pahl, 2007).

Figure 1 presents the main positive arguments and major constraints that *Flex Consulting* will have to manage.

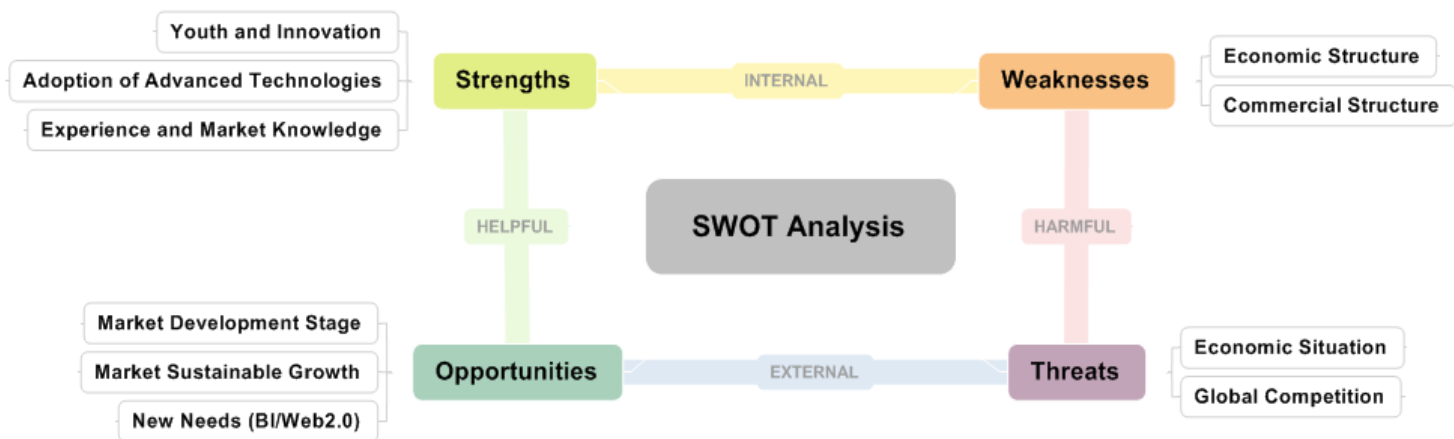


Figure 1 – SWOT Analysis

The figure above (Fig. 1) is elucidative of the competitive advantages that distinguish this company. Strengths denote professional skills and strategic positioning to adopt new methods and techniques. On the other hand, *Flex* has to deal with commercial adversities related with the reduced number of customers in current business partnership, and also a delicate economic situation caused by the small amount of working capital and the international economic crisis. However, *Flex* believes in market opportunities and its team is motivated to solve any new challenges. Therefore, this company has confidence in this business model, as it is expected a market growth and a sustained development of global economy.

#### 6.1.1.1. Business Strategy

“Strategic management is the conduct of drafting, implementing and evaluating cross-functional decision making that will enable an organization to achieve its long-term objectives” (David, 1990). Following the above considerations, it is now the moment to detail the company’s opportunities and threats, in order to develop an in-depth analysis over competition.

*Flex* compete at international level, although the preferential market is Portugal. There is an expectation that the country development distance to the most advanced economies can bring a range of opportunities. Although the macroeconomic situation is not being favourable, the public policies support people to get higher

qualification and managers realize the growing importance of management tools and business skills to improve company's performance.

Following this, next items intend to assess the major conditions for business venture accomplishment and the testing company core competences against other market players. The outcomes of the analysis are key factors to hinder or reinforce the expected company performance. In order to complement this analysis, it is taking into account another analysis tool in the financial plan chapter.

#### **6.1.1.1.1. Market Opportunity Evaluation**

##### **#1 – Is there a market? Yes!**

*Flex* compete at international level, even so the preferential market is Portugal. There is an expected thinking that the country development distance to most advanced economies can bring a set of opportunities. Besides macroeconomic situation not being favourable, politics support people in qualification and managers realize the importance of management tools and business skills to improve company's performance.

It corresponds to an economic paradigm in Portuguese way of doing business, as this open economy is now concerned to compete at European standards, which has a positive effect on board management competences.

##### **#2 - The market dimension is enough? Yes!**

##### **#3 - Is the market unsatisfied enough with the current solutions? Yes.**

Management software sector and business consulting are quite complex activities. Dimension and specific business needs are key factors in project management development. So, the competitive advantage is the focus in quality of

service and customer satisfaction. As mentioned before, it is not hard to identify project failures or partial implementations due to processes complexity.

Because of this, companies are reluctant to invest in IT management searching for more detailed information to support decision process, analysing software adequacy and quality of consulting service. In that sense, *Flex Consulting* is determined to adopt robust business solutions, paying attention in the implementation process in order to develop internal knowhow and business experience for better supporting service.

To resume, it is assumed that several companies do not have an optimized management system able to respond for today's business needs. There are several reasons for this situation, from project failures to obsolete systems. *Flex* considers that among these companies there are a considerable number of managers willing to invest on effective business tools in order to get sustainable growth.

**#4 – Is there distributors with capacity and willing to place the product in the market? Yes!**

*Flex Consulting* provides consulting services. So, the company is responsible for the operational activity, commercial and financial processes and technical support to the final customers. However, depending on business success and organic growth, it could be possible to develop franchising model, among others methods of business partnership.

**#5 – Is the current technology able to serve your costumers? Yes! Which is the probability to become obsolete? Reduced**

The company works with advanced technology related with sophisticated management software techniques and programming languages. As an IT corporation, there is an effective investment on research and development. *Flex* intends to develop new methods and techniques according with the best international practices.



**#6 – Can competition produce better and cheaper solutions in the future?**

**Yes!**

In this dynamic and competitive business, this concern is always present. It is up to *Flex* to take proactive measures and search for the best competitive advantages, in order to be competitive. The experience, knowledge and strategic vision are key elements for success in a company that wants to provide an outstanding service to its customers.

**#7 - Which are the economic expectations in the near future? Economic improvement!**

This international economic crisis has slow down several sectors of activity. However, the current situation had a push effect to create SMEs and governments expect a growing economical recovery in the next year, 2011.

**#8 – Is the bureaucratic process able to harm or to speed up the creation of the business?**

The *Flex Consulting* activity is management of consulting services, and so, it is not expected any additional legislative obstacle to the common process of business creation. The company will make use of the national service “*Empresa na hora*” (Company at hour) in order to speed up the bureaucratic process of company legal creation act.

#### **6.1.1.1.2. The Threats**

- Macroeconomic situation unfavourable

SMEs lack investment. Increase public deficit.

- Human resources qualification

Difficulty to hire qualified personnel with working experience.

- The concept perception by the market

There is still low investment in management solutions, as in managerial qualification.

- Return on investment

Considering present market conditions, it is not expected fast return on investment.

- Competition

The Flex Consulting concept is a business idea easy to replicate, so it is focused on the importance of marketing mix.

## 6.1.2. Marketing MIX

This theme is common to every company that trade products and goods, and *Flex Consulting* also develops here its concept of marketing mix. Besides not being usual to do it in this particular business area, the company consider it as an essential orientation for the company market positioning.

### 6.1.2.1. Product

**Major solutions:** PHC professional software, Ms SharePoint, Iron Speed (ASP.NET).



The best products selection represents the quality of business solutions. McDonald (2002) explains that “the central role that the product plays in marketing management makes it such an important subject that mismanagement in this area is unlikely to be compensated for by good management in other areas”. Consequently, there are vital aspects of product management that will be in discussion during the current chapter and are concerned with the nature of products, product life cycles, how products contribute to profit, the concept of the product portfolio, and new product development.

This product line reveals the brand identity, as an independent consulting firm which is able to integrate businesses, taking the agility concept and shared knowledge to distinct sectors of activity.

Thus, the company has a high level of competences to implement any production module of *PHC* software, a solid ERP solution with a robust management back office and consolidated vertical applications. *Microsoft Office Sharepoint* “is an integrated suite of server capabilities that can help improve organizational

effectiveness by providing comprehensive content management and enterprise search, accelerating shared business processes, and facilitating information-sharing across boundaries for better business insight” (Microsoft, 2009). The rapid evolution of this product confirm the business need to manage internal information supporting collaborative work and leverage communication levels between company and its collaborators. At last, *Iron Speed* solution is an efficient tool for web agile development, it can shape a solution for advanced business requirements faster and without losing business logic. The development platform is based on ASP.NET to make the creation of suitable fast applications possible. Web 2.0 applications represent the best way for companies to develop their business in internet.

**Official Solutions:** Outsystems, Ms Dynamics CRM, SAP



This second product line just represents market opportunity. It is presented at this point to illustrate the importance of these products on the company’s market segment. Taking into consideration the knowhow in management consulting, *Flex* as a dynamic corporation is aware of changing market needs, thus, it is capable to integrate business projects using mentioned technologies. The three references here are the state of the art in IT solutions. They are lined up with *Flex* business area, and the continuous business growth will challenge the company to adopt these official solutions.

#### **6.1.2.2. Distribution**

The *Flex* distribution policy is settled on network business logic. The first step aims to develop a close relationship with costumers from *Flex* business partners and to expand the network over project success and customers’ testimony.

Hisrich, D. Robert and Peters, Michael P. (2002) states that professional-support network is a “good source of advice that can be cultivated by establishing a

network of business associates. (...) Clients or buyers are a particularly important group to cultivate. This group represents the source of revenue to the venture and is the best provider of word-of-mouth advertising. There is nothing better than the word-of-mouth advertising from satisfied customers to help establish a winning business reputation and promote goodwill”.

By this way, *Flex* professionals will work hard for the best project management quality. The initial feedback achieved will be fundamental to promote marketing and sales techniques based in successful case studies. This strategy has the objective to develop gradually social networking over recommendation, knowledge and experience of *Flex* services. Afterwards, accordingly with business growth commercial plan will be developed to address new challenges and realities.

At the same time, *Flex Consulting* makes great endeavour on developing its internationalization process, centred on a global business insight.

Commercial plan is presented in detail next chapter, even so, it is here revealed the initial strategic marketing campaign for ERP business area: “The business in your hands!”. Regarding *MS Sharepoint*: “How can I find business data?”, whereas in development business area is named: “Take your business anywhere”.

### **6.1.2.3. Price**

The price policy has even greater relevance in existing market situation. In *Flex Consulting* it is assumed that effective cost management is founded on best internal process optimization. In this way, *Flex* intends to segment business solutions based on added value and competitive advantages for the customer. Therefore, the company philosophy is to concentrate project management on best quality-price relationship, and engage consulting team for an agile approach and problem solving attitude, as it stands for best clients’ confidence.

For that reason, the company considers that to centre the attention on final solution has a leverage effect at operational level, and so, it reflects on the financial situation. As a result, working failures are avoided and business competitiveness promoted.

The process of setting competitive and profitable prices is naturally broad, complex and quite challenging for the management board. The company knows that not accepting this fact, will invariably lead to wrong decisions. In many cases, the consequences of wrong decisions in prices will not be felt immediately, that is when the incorrect pricing can be more damaging to the company (McDonald, Malcolm 2002).

Regarding pricing policy and *Flex* strategy, there is a clear division between selling software and services. While software houses establish market prices and negotiate the margin with their business partners, according to commercial objectives and other factors, such as the technical skills of that particular business solution, the major deferential factor and complexity of price calculation on project management relies on selling services.

There are several factors that a company has to align with its strategic view when establishing prices. This decision will influence sales volume, sales revenue, market share, competitive position, company image and profitability. On the other hand, the factors that influence prices are cost, demand, competition, experience, customer perception and profit goals (McDonald, Malcolm 2002).

As there is a ferocious competition from large conglomerates, a small business has to provide a value added in its goods and services. This is the reason for the company to assume that the right price of a product or service should rely on one thing: the value-added of the product or service.

Following exposing matters, *Flex* intends to set service prices according to pricing standards and guidelines set by software industry.

Regarding this, the company will be attentive in monitoring operating expenses and project management performance, in order to maintain a sustainable margin.

*Flex* Price objective is to increase market share by 20% a year until the end of 2015.

#### **6.1.2.4. Promotion**

Promotion “is the communication link between sellers and buyers for the purpose of influencing, informing, or persuading a potential buyer's purchasing

decision” (Kurtz, 2010). It is considered that five specific elements are needed to create a promotional mix or promotional plan: personal selling, advertising, sales promotion, direct marketing, and publicity (Rajagopal, 2009). A promotional mix specifies how much attention should be paid to each of the five subcategories, and how much money should be allocated to each of them. The *Flex Consulting* promotional plan is in line with overall corporate strategy and addresses a wide range of objectives, including: sales increases, new product acceptance, creation of brand equity, positioning, competitive retaliations, and creation of a corporate image.

Fundamentally, the three basic objectives of promotion are: to present information to consumers as well as other stakeholders, to increase demand and to differentiate the product.

Thus, the company intends to promote the brand by professional communication means and innovative media solutions. That is, investing in target locations such as advertising in search engine *Google (AdWords)*, professional events (enterprise associations), and promoting learning sessions and events with best teaching institutions - high school, business universities and IT institutes.

*Flex Consulting* website is designed to build a knowledge platform with the purpose of developing crowdsourcing concept. This method aims to stimulate dynamism and creativity on social network, involving companies’ stakeholders in this process: business partners, collaborators, customers and suppliers. So, this media will contain a set of management tools to allow online collaborative consulting.

This model is meant to maximize the discussion of business ideas and solutions that support problem solving and the surpass of difficulties in project implementation.

The end goal is to create a solid knowledge base around *Flex* social networking, as it will facilitate innovation and the making of better business solutions, expanding, at the same time, the brand value and the company recognition.

*Flex Consulting* wants to promote strong brand image. So, there is a deep commitment to identify the company with sport activities, which result in the sponsorship of sport events.

In addition, the company centres its promotion strategy in the professional target audience based on low cost media, as most companies do in this industry. The working experience indicates the potential customers look for rich internet

information about the company, as successful case studies, important costumers or relevant business partnerships the company is connected to.

Then, through professional events, the company has the advantage of focusing its attention on particular markets and establish closer relationships to promote software demonstrations and business meetings, very common in enterprise association's seminars and exhibitions.

In the course of the incentive for innovation, *Flex* also intends to promote learning sessions and events with the best teaching institutions, as it leads to interactions with the best academic management practices, the support of research and development, human resources marketing and student's relationship with labour market.

Finally, the company admits to use traditional media, for instance, short radio spots to support a regional commercial campaign, as it is considered to be an effective mean of professional advertising with a good ratio price, efficiency.

### 6.1.3. Commercial Plan

As it was already explained the *Flex* product line in detail, it is time to analyze the product-market relationship.

Solution	Target Market
PHC	Small / Medium
MS Sharepoint	Small / Medium / Large
Iron Speed (ASP.NET)	Medium / Large

Table 1 – Market segmentation

As mentioned before, *Flex* consulting team has advanced knowledge and working experience in *PHC* professional management software. This is the leading business solution for Portuguese SMEs, offering a large experience on this segment with an optimal price-quality relationship.



The commercial campaign for this strategic segment is named “The business in your hands!” and aims to alert national entrepreneurs for the importance of the company control at moment, which means business data at real time, as it will support faster and better decision process.

Therefore, developing business with *PHC* will support the dynamic market evolution and decision making process. Only a company with an effective ERP system is able to manage quick complex situations and reach out the best opportunities. Regarding this, *Flex Consulting* can identify a high number of potential customers that require business logic oriented solutions to allow better resources management and means of production. It is frequent that due operational investments or concerns with core business objectives lead companies to disregard necessary investment on technological support, which impacts business productivity.

For this reason, *Flex* intends to align business in a way that production shortage is decrease. It represents the company code, which is to change organizational underperformance, unifying its management skills with the market experience.

In this way, the company decided to go on “To the conquest of the West”. That is the regional strategy based on the potential richness of this area. It is considered the interesting business volume and expected continuous growth in the region, adding public statements for coming investments on tourism activity, commercial, industrial and agricultural sector. Also notable is the increasing qualification of different services and the growing urban development as a natural expansion of Lisbon area.

*Flex* considers *MS SharePoint* a product that comes from market pull strategy; hence, there is a clear perception in demanding for this solution. The application works for diverse market segments, so, the importance of have it in *Flex* portfolio to better respond to SME request. SMEs managers, not interested in buying specific management software, can adopt this product to support business performance, develop data integration and centralize company information. For middle size firms, it is directed to build portals, advance data sharing or business workflows. This product could be also used by large companies that usually have specific requirements, such as, integration with several thematic portals, Business Intelligence, advanced policies,

security needs and data sharing. Collaborative labour and diverse corporate management contents are also included in this important knowledge platform to be developed and customized in *.NET framework*. The campaign “How can I find business data” has the main objective to alert managers for the relevant information flowing through the company productive process: security issues, access level (Internet), and efficiency of business process, among others. The preferential zone for promotion is Lisbon area.

“Take your business anywhere”. In order to complete the company’s portfolio solutions, there is *Iron Speed* to level the business for higher standards. The goal is to become the first national business partner in this robust and innovative solution, which is responsible for major successful case studies in the whole world. The concept is based on *ASP.NET* capabilities and it is designed for a better data integration and a higher flexibility in consulting project.

The development team has long experience in web agile development concept; as they can deliver rapid solutions to final costumers. The main concern is the process analysis and the business model considerations; hence this tool is oriented for process assistance on project management. In this way, IT professionals are focused in business logic while the programming languages run on background.

As a consequence, the development team will have to work closely with commercial department and project manager to measure working progress, while taking special attention to project milestones. This type of implementation involves advanced business adaptation, as some natural constraints regarding changes during project development and other limitations will hinder productive process. *Flex* will take this subject as a core management practice to deliver the final solutions on time, according to clients’ best expectations.

*Flex Consulting* plans to create a professional reference in web applications in short term, increasing the quality of its customer’s management tools.

The *Iron Speed* target market is technological advanced companies, with the regular need of data integration coming from multiple different sources.

At last, it is highlighted the importance of a developed marketing research in present analysis. Therefore, collected data will also support the communication process with potential customers, as it corresponds to the first move of internal Customer Relationship management (CRM). Furthermore, it is distinguished the

importance of social networking in commercial strategic orientation to identify new market opportunities. Following this, the company is determined to develop its internal marketing database, maintaining CRM policies and strategic direction aligned with this integrated business model.

At this stage, *Flex* sales force is incorporated by the company's business consultants, it means commercial expertises will be reinforced for all people involved in the company.

According to McDonald (2002) "personal selling has an important strategic role to play in communicating between a company and its customers." To have a chance of success, the author states that management must be able to answer to several important questions, such as "How important is personal selling?" or "What is the role of personal selling in the market mix?". So, regarding IT Management industry and company's market positioning, personal selling is considered the most usefully part of the *communications mix*. Having in mind the present logical framework, business consultants will also have to develop commercial skills in order to arrange their schedules for marketing research activities, commercial software demonstration and present the final proposal. In medium term, considering the five year's business prospects, commercial activities must be performed by an independent unit, absorbing *Flex* commercial values and developing depth knowledge and advanced skills in IT consulting commercial management.

#### 6.1.4. Competition

Competition for Michael Porter (2008) is “one of society’s most powerful forces for making things better in many fields of human endeavor. (...) Today organizations in all spheres must compete to deliver value. Value is the ability to meet or exceed the need of costumers, and do so efficiently.”

Therefore, companies have to deliver value to their customers to gain competitive advantage. This leads to the definition of value chain that comprises the chain of activities for a firm operating in a specific industry. As products pass through all activities of the chain, at each activity the products gain some value. The chain of activities gives the products more added value than the sum of added values of all activities.

As a result, companies to obtain competitive advantage will have to deal with higher prices or lower costs than rivals by operational effectiveness or strategic positioning. Regarding first option, companies have to compete to achieve best practices, this is what Michael Porter calls “competition to be the best”, in which is needed a continually improvement of operational effectiveness; this is a competition hard to win.

On the other hand, profitability differences most often arise from a distinctive strategic position, which is called “competition to be unique”. Competing to be unique is ultimately more sustainable than competing to be the best, and the following analysis will try to explain this statement, through integrative *Flex* business strategy.

In this chapter, it will be created a thorough competitive analysis to compare *Flex* with its most important competitors. This analysis provides both, an offensive and defensive strategic context, through which it will be possible to identify opportunities and threats.

In this way, the relevant sources of each competitor analysis are set into one framework to support efficient and effective strategy formulation.

As mentioned above, the company compete in three different market segments. In that way, *Flex* adopts different strategies according to each segment. In

table 1 (page 35), it is possible to review market positioning that supports the competitive analysis (table 2).

*Flex* core business is settled on management software for Portuguese SMEs. It is considered that this market segment is not saturated yet (table 18) and Portuguese companies still do not make the necessary investment in ICT, due to the several constraints already described in previous chapters. In addition, *Flex Consulting* presents an adjusted methodology to support the best ICT investment of Portuguese SMEs. Finally, the company's vision is supported on ICT European policy and its goals to 2015.

The document "A green knowledge society, An IT policy agenda to 2015 for Europe's future knowledge society" (FORGE, Simon et al. (2009) states that "We need to understand the particular needs of SMEs, especially for small enterprises employing less than 50 people, and understand the obstacles they face in adopting ICT. Surveys show that the main barriers to the adoption of ICT by micro and small enterprises are the perception that the company is too small and that the technologies are too expensive and complicated". This is the point, in which *Flex* intends to build its competitive advantage: role of a facilitator in changing process.

Following this, table 2 shows a competitive analysis considering the most important factors on business performance and necessary relationship with company products *PHC* (1) and *MS Sharepoint* (2), associated with SMEs market segment, and *Iron Speed* solution (3) for larger companies, which is designed for complex projects.

Taking into consideration the presented table of values and through a concise analysis, the following conclusions were deducted: 57 is the total value for ERP market segment (*PHC* product (1)) "importance to customer", *Flex* presents a total value of 62 from all performance factors. So, it is expected to fulfil the best customer

FACTOR		FLEX	Competitors (same solutions)	Competitors (other solutions)	Importance to Customer
<b>Products</b>	1 : PHC	1: 4	1: 4	1: 3	1: 4
	2 : MS Sharepoint	2: 4	2: 4	2: 3	2: 5
	3: Iron Speed	3: 4	3: 4	3: 3	3: 3
<b>Price</b>		1: 4 2: 4 3: 3	1: 4 2: 4 3: 3	1: 3 2: 4 3: 3	1: 5 2: 4 3: 3
<b>Quality</b>		1: 5 2: 5 3: 5	1: 5 2: 5 3: 5	1: 4 2: 4 3: 4	1: 5 2: 5 3: 5
<b>Service</b>		1: 5 2: 4 3: 4	1: 4 2: 4 3: 4	1: 4 2: 4 3: 3	1: 5 2: 5 3: 5
<b>Reliability</b>		1: 5 2: 4 3: 4	1: 5 2: 4 3: 4	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4
<b>Stability</b>		1: 4 2: 4 3: 4	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4
<b>Expertise</b>		1: 5 2: 3 3: 4	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4
<b>Company Reputation</b>		1: 3 2: 3 3: 3	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4
<b>Location</b>		1: 4 2: 4 3: 4	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4
<b>Appearance</b>		1: 5 2: 5 3: 5	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4	1: 3 2: 3 3: 3
<b>Sales Method</b>		1: 5 2: 5 3: 5	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4	1: 3 2: 3 3: 3
<b>Credit Policies</b>		1: 3 2: 3 3: 3	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4
<b>Advertising</b>		1: 5 2: 3 3: 3	1: 5 2: 4 3: 4	1: 5 2: 4 3: 4	1: 4 2: 4 3: 4
<b>Image</b>		1: 5 2: 5 3: 5	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4	1: 4 2: 4 3: 4
<b>Total</b>		<b>1: 62</b> <b>2: 56</b> <b>3: 59</b>	<b>1: 59</b> <b>2: 57</b> <b>3: 56</b>	<b>1: 55</b> <b>2: 54</b> <b>3: 53</b>	<b>1: 57</b> <b>2: 57</b> <b>3: 54</b>

**Legend:** - “Importance to customer” scale:

**1) irrelevant; 2) not very important; 3) Important; 4) very important; 5) critical**

- In other columns is related to performance measurement:

**1) very bad; 2) bad; 3) good; 4) very good; 5) excellent**

Table 2 - Competitive Analysis

expectations, scoring above competition. Competitors with the same solution have a 59 value, and competitors with other solutions have scored 55, which also proves the quality of ERP solution that the company has chosen to work with.

By this, *Flex* considers the technological developments of the ERP solution to promote a more cost effective adoption. One reason for that is new developments *PHC* software house has made, including Software as a Service (SaaS), where services reside on remote servers with fast and cheaper connectivity, which is making it much easier for SMEs to adopt advanced services.

European Union considers that applications enabling services-search engines, messaging via ISPs and portals service providers are the key for future ICT infrastructures (Fig. 8). It supports *Flex* commitment on *MS Sharepoint*, as the adopted solution to improve organizational effectiveness, through better integration on overall business processes. Regarding competitor analysis, company scores similar value to costumer importance and other firms. It has to do mainly, with a lower investment in advertising, credit policies or expertise, considering other companies with longer experience in this market segment. Nonetheless, *Flex* looks forward to the growing business needs in this area, so important to the value chain and best contribution to firm performance (Fig 7).

*Flex* also expects to perform above competition with *Iron Speed* solution, which is a technology that company members have known since the birth of agile web development concept. In “A green knowledge society” report (FORGE, Simon et al. (2009), access utilities and standards-browsers, OS, Media format, metadata, (mobile) web-interfaces to the internet (Fig. 8) are also considered as key elements for ICT future development. Following this course, there is a higher commitment with e-Government policies, and Portugal is on top ten of the e-Government European ranking (Table 18). Along with Portuguese “Plano Tecnológico” (technological plan), such measures contribute to the progress of fiscal and other statistical data interchange between public and private sector, which has also positive impact on this business growth.

As stated above, *Iron Speed* has a large market share in developed countries, but it has not well known in Portugal, which is regarded as a good opportunity, hence this solution is more flexible and robust than competition with similar price. In table 2 it is proved how *Flex* can surpass competition and costumer expectations. To

conclude, the company wants to master *Iron Speed* expertise to enter in public sector, integrate complex data infrastructures, develop web 2.0 projects, and create effective business solutions in a fast pace.

“Small and medium-size enterprises dominate the European Union’s economy, make up 99 percent of businesses, provide two-thirds of private sector jobs and create most new jobs. Thus, SMEs are the engine of the economy, and their success is critical for economic growth” (FORGE, Simon et al. (2009). Considering that European Union is undergoing a profound transformation, in moving from an industrial to a knowledge-based society, *Flex* notes a deep knowledge gap in this revolutionary thinking. So, it is very important to train people and implement structural policies for this new economical reform, in order for Europe to keep the pace in the leading innovation.

Portuguese SMEs investment in R&D is very small, as the number of employed people with ICT skills (Table 18). The ICT sector as a whole does not play a major role in the Portuguese economy, although some evidences suggests that the situation may have improved due to mentioned measures, e-Government support, for instance.

SMEs need support, especially those with potential for growth and innovation: *Flex Consulting* niche market. *Flex* is aware of companies that are conscious with ICT value chain and its contribution to firm performance (Fig. 7). Moreover, the company offers management consulting and business intelligence services to support strategic decision making and international business skills.

Finally, One must remember the importance of competition in every society, as Michael Porter (2008) highlighted, “I am increasingly convinced that lasting, self-sustaining solutions to these problems [environment, urban poverty, income inequality, health care and other social problems] lie in our ability to apply effectively the deepest lessons of competition. There are huge win-win opportunities for both society and for companies if we approach issues such as the environment, disadvantaged communities, and health-care delivery in the right way. Creating positive-sum competition in these arenas will foster innovation that produces enormous value for the society”.



### 6.1.5. Important measures to develop in Marketing

- ✦ *PHC* Pack complete solution (digital – web channel)
- ✦ Contribution on local press (business articles, advertising)
- ✦ Speed Auditing (consulting levels: reporting, BPM, integration)
- ✦ National phone number
- ✦ Online commercial support (chat interface)
- ✦ We call you now! Website interface asking to be contacted
- ✦ Promotion in Vehicles (advertising incentives)
- ✦ Thematic sessions (enterprise associations, education)
- ✦ Sportive events support
- ✦ Located promotion (*Google AdWords*)
- ✦ Crowdsourcing methodology<sup>1</sup> (incentive plans, ranking-reward)
- ✦ Biweekly Newsletter

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<sup>1</sup> The main idea is the foundation of a shared knowledge system over a business network. So, companies on this business network are able to sell online services to support problem solving in project management.

## 6.2. Human Resources Plan / Networks

“Human resource planning is the process of analyzing and identifying the need for and availability of human resources so that the organization can meet its objectives. The focus of HR planning is to ensure the organization has the right number of human resources, with the right capabilities, at the right times, and in the right places” (Mathis, Robert L. and Jackson, John L., 2007).

*Flex Consulting* human resources are the company foundations. The importance and complexity of this matter is fundamental for the company’s success. Thus, the main concern is on the essential organizational elements and strategic management that are focus in developing *Flex* human resources policy.

Therefore, key functions in human resources, like recruitment and selection, promotions, training and development, performance evaluation and management or career development should be presented in a detailed sectorial plan. Though, these subjects are considered in the development of a guideline and strategic planning for *Flex* Company HR.

*Flex Consulting* will start up activity with two executives who have the required skills and qualifications to manage the company with business success.

Carlos Passos is a business consultant, 28 years old. He is done a Master in International Management at ISCTE Business School and has developed a solid experience in management consulting in leading consultant companies, such as *Arquiconsult*, *PHC* software house and *DOIT*. His career development has been guided through increasing knowledge in programming skills and systems analysis, as well as, thorough professional evolution in leadership competences and financial management.

The other element for management board is Luís. He is kept in anonymous state at this stage, in order to safeguard its identity due to personal matters. Luís is an IT qualified professional with university degree in ICT. He has been working in IT management development area and quality control units using *.NET technologies*. The

notable knowledge level and experience on software management industry, as well as, business skills support advanced performance for programming department direction.

Finally, it is considered *Hospitality Business Solutions (HBS)* company the ideal business partner to encourage *Flex Consulting* success. *HBS* has a long working experience in implementing business solutions. The higher quality of its professionals and the adopted methodologies in project management can assure the best quality of service to 4/5 stars hotels chains worldwide. Therefore, *Flex* intends to strength operational capacity and business solutions with *HBS* customers' portfolio, in order to develop sustainable value by increasing the service level on this enterprise network. It is also noted the sound relationship between the founding partners and the recognized competence of both in management and in taking measured risks, which will work in favour of the expected company performance.

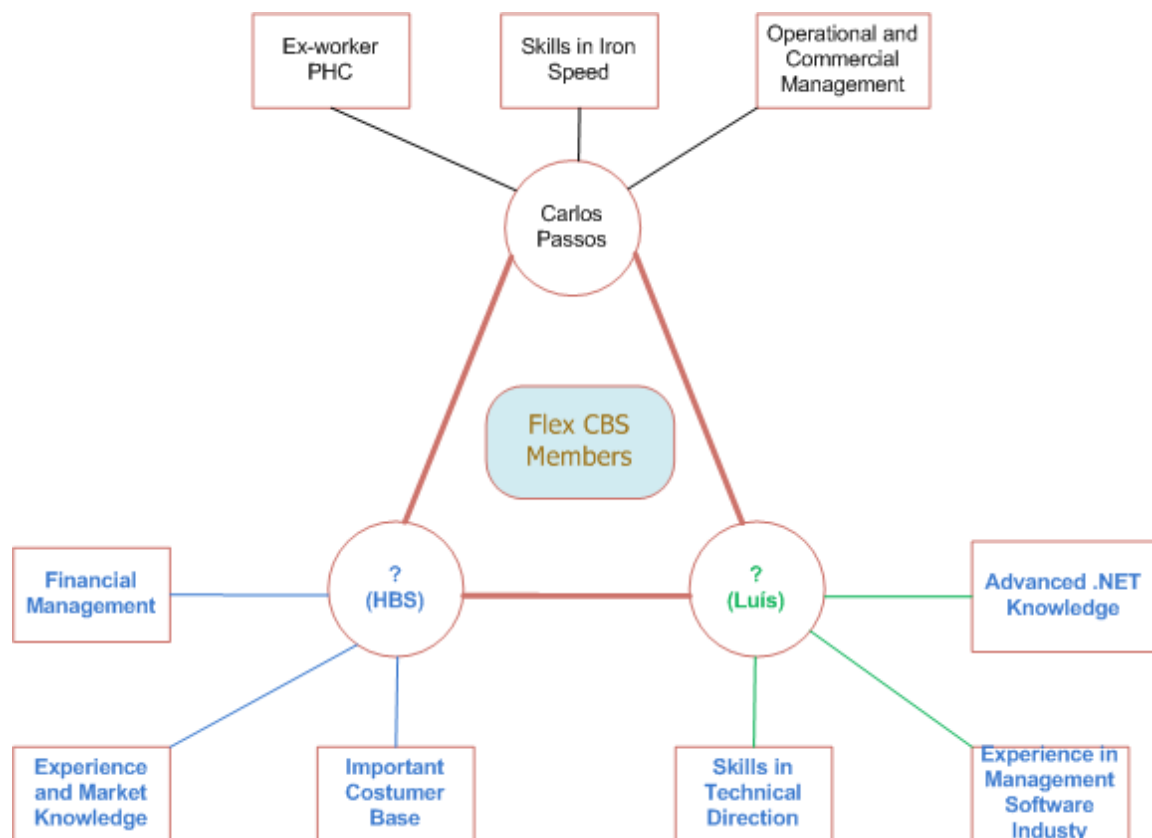


Figure 2 – Flex network

Figure 2 presents *Flex* Network. It illustrates relationship bonds, trust levels, already developed above, and business partners' important skills and connections.

Thus, it may be observed the multitude of talent, skills and social relationships that enriches and strength the company as a whole.

According to Hisrich “each entrepreneur needs to establish both a moral and professional-support network”. These contacts provide confidence, support, advice, and information. As one entrepreneur stated, “In your own business, you are all alone. There is a definite need to establish support groups to share problems with and gain overall support for the new venture”.

Therefore, *Flex* promoters believe in the importance of *moral-support network* of family and friends. Hisrich (2002) call it a “cheering squad”, and it “plays a critical role during the many difficult and lonely times that occur throughout the entrepreneurial process”. In fact, we have found a strong source of moral support in family and friends, as we get advices for free, receive understanding, real criticism and also give encouragement and even assistance in many difficulties and problems. Along with this helpful informal network, entrepreneurs will work hard to strength *professional-support network*, so essential throughout the establishment of the new venture, and very important for continually business growth. It comprises business associates, trade associations and personal affiliations – all members of a *professional-support network*. *Flex* will count on it for recruiting process, financial support, marketing and commercial activities, as well as, for important decisions to make.

Finally, after regarding strategic HR management and planning, the company considers to have the right resources linked to the right organizational strategy. At this stage, entrepreneurs are the working force, and it is assumed to have the best skills and experience in order to gain competitive advantage.

The qualified human capital on IT management industry dictates business success. So, *Flex* company put its best efforts on organizational culture and strategies to support advanced training and career development. Further, in Financial Plan chapter, human resources and employee cost (Table 7) are presented, and it can be analyzed the recruitment timeline and objectives for the five years period (2010-2015).

### 6.2.1. Important measures to develop in Human Resources

- ✦ Endorse empowerment: “(...) redistribution of power and decision making responsibilities [...] empowerment is based on the recognition that employee abilities are frequently underused, and that, given the chance, most employees can contribute more.” (BNET, 2009)
- ✦ Production/commercial incentives program (performance appraisal)
- ✦ Dress Code (dress suite, shirt *Flex Consulting*)
- ✦ Quarterly Performance Evaluation
- ✦ thematic events every semester
- ✦ Team building
- ✦ Support in sportive events
- ✦ Idea Management System (implementation of month idea / reward)

### 6.3. Operational Plan

The operational plan defines the management company structure. Thus, the main functional areas, internal organization and set conditions to manage production process, quality control or support department rules are settled for the best quality of service.

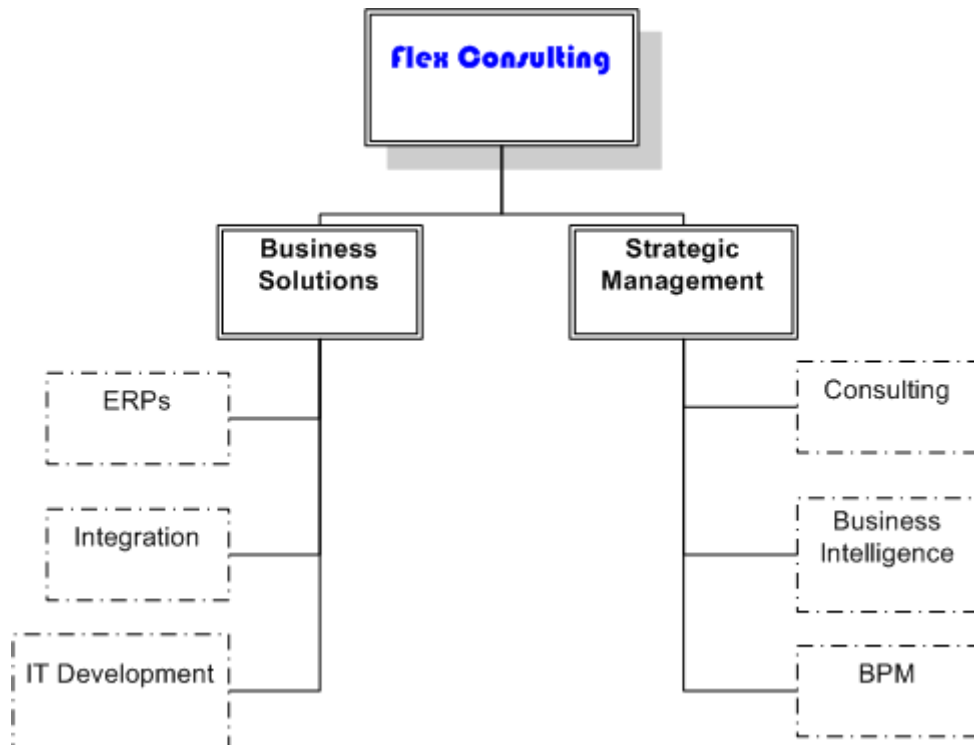


Figure 3 – Functional Organigram

Figure 3 presents the company functional organogram, which is designed to identify the simple structure and organization core business. As previously mentioned, *Flex Consulting* develops a flat model, and the primary principle is to thrive in innovation through knowledge transfer in different segments of business consulting.

The author thinks this logical division can stimulate higher involvement and working synergy that result in added value solutions.

It is also considered that such organic structure need higher flexibility in project management, as it requires advanced procedural support and documentation.

The management board is confident that this way of doing consulting will boost operational performance as the productive area will differentiate company in the market.

*Flex* takes this subject very serious for future business success. It is assumed that there is not a strategy without structure, and consequently, only a firm and proactive strategic management lead to a solid enterprise structure (KOBUT, B., 1999).

Thus, the company is committed to make a detailed sector analysis, as this document will develop key functions of operational plan, and by doing so, constitute a production framework and methodology for future developments.

In that way, the present chapter concern is to explain the idea of creating two business units oriented to effective synergies, thus promoting agility with solid documented support.

Finally, the reasons for this logical division (Fig. 3) are related to project management concept. Strategic Management unit, supervised by Carlos Passos, is intended to develop implemented solutions made by Business Solutions unit, on direct charge by Luis. Following this, it is considered that Strategic Management unit has higher expertises in functional consulting, as the main purpose is to add value to the final solution.

An operational planning also describes short-term ways of achieving milestones and explains how the strategic plan will be put into operation during an operational period of a fiscal year, and it will be controlled in a monthly base. The operational plan is the basis and justification of an annual operating budget request. Therefore, this five-year strategic plan will need five operational plans funded by five operating budgets.

Regarding physical necessities of business' operation, such as business' physical location, facilities and equipment, the company has already permission to use HBS partner's office located in Ameixoeira, Lisbon. It also comprises telecommunications and even network infrastructure, at this time *Flex* company will only have to invest in some tangible fixed assets for administrative purpose. The other costs for business operations are detailed in the Financial Plan chapter.

Entrepreneur's experience and knowledge of the studied industry alert for the risk of potential problems that may interfere with the production process, as they are highly correlated with project performance management. It was already explained above, in chapter 2.1 *The problem*, the main reasons for project failures and then costumers' dissatisfaction. Thus, *Flex* operation plan will set up metrics for project

management performance in order to excel the quality of service. For this, the company will develop a quality control program to produce robust business solutions and to achieve the best standards in technical assistance. Below, it is presented some measure to be adopted at operational level.

### 6.3.1. Important measures to develop at operational level

- ✦ Data infrastructure in Datacenter
- ✦ PHC Suporte digital – Importance for quality control
- ✦ Documentary management requirements: thorough description of processes, essential documentation of customer details (IT architecture) , project management board, project diary
- ✦ Team control - productivity indexes, financial/operational control
- ✦ Knowledge base importance - ranking consultants
- ✦ Quarterly report of technical activity for customers (BI)
- ✦ Team system (organization, integrity, quality, metric, transparency)
- ✦ Preventive cyclical system (customer care program, solving problems on-site)
- ✦ Green Site Certified
- ✦ ISO 9001:2000 certification
- ✦ Annual inquiry of customers satisfaction (web inquiry, final report delivery – use of dashboards)
- ✦ 2 weekly Meetings:
  - Friday: 18h00 - 18h30: kick off, elaboration of weekly calendar
  - Monday: 9h00 - 9h30: operations assessment, other procedures.
- ✦ Business contracts time based – technical support awareness (demanding time control)
- ✦ 3 case study / year



## 6.4. Financial Plan

In first chapters, it was written the physical setup of operations and plans for finding and reaching customers. The Financial Plan section is the quantitative interpretation of everything it was stated in the text portion of this business plan.

Meigs and Robert (1970) states that “in business, a financial plan can refer to the three primary financial statements (balance sheet, income statement, and cash flow statement) created within a business plan. Financial forecast or financial plan can also refer to an annual projection of income and expenses for a company, division or department. (...) It is an estimation of cash needs and a decision on how to raise the cash, such as through borrowing or issuing additional shares in a company”. For Pinson, Linda (2008), a “well-executed financial statements will provide you with the means to look realistically at you business in terms of profitability. Financial Plan is often the first section examined by a potential lender or investor.”

Considering this, the following plan will determine how the business will afford to achieve its strategic goals and objectives. The Financial Plan describes each of the activities, resources, equipment and materials that are needed to achieve these objectives, as well as, the timeframes involved in the process.

For that reason, *Flex Consulting* financial plan is an important text with solid elements to support the main objective of explaining the planned business prospects. It is also well founded on international economic forecasting, attentive market analysis and personal business experience in order to involve company’s performance with financial objectives. Thus, it will be used as an important management performance tool for financial control and necessary analytical process, in order to determine operational unit, human resources, and commercial department responsibilities in business results.

Therefore, this financial scenario follows present perspectives on this market segment in context with international market analysis.

The financial analysis is made by management board; in this case all shareholder members are included. Financial Director from *HBS* company will be in charge of this department. Thus, he will be responsible for financial management

control, business processes analysis and relevant counsellor for continuous improvement, and in addition, he will have to support external and internal auditing.

Financial projections represent the last fundamental element to determinate viability and attractiveness of this business idea for business partners and potential investors. In this way, the accurate analysis is based on sales forecast assumptions, projected cash-flow and expected income.

The following projected financial information has been done on an integrated calculation sheet. Through sensitivity analysis and simulation logic, it could be possible to create several potential scenarios. Thus, regarding studied business derivatives, it is considered that the exposed financial information reflects the optimal situation, according to the most consistent view of the company founders.

The presented financial information below is organized in data tables, it follows a logic order: at first, financial assumptions and business perspective are indicated then, the results of these assumed objectives are measured through income statement and balance sheet. Finally, project evaluation and other auxiliary analysis support the business prospects.

### 6.4.1. Financial Prospects

Currency	Euros	
1° Year activity	2010	
Aging of accounts receivable (days)	30	1,0
Aging of accounts payable (days)	45	1,5
Stock aging (days)	15	0,5
VAT tax – Sales	21%	
VAT tax – Services	21%	
VAT tax – COGS	21%	
VAT tax – SES	21%	
VAT tax – Investment	21%	
Average IRS tax	15,00%	
Corporate taxes	25,00%	
Short-term financial investment rates	0,70%	
Short-term loan interest rates	5,60%	
Long-term loan interest rates	6,60%	
Risk-free interest rate	1,60%	
Market risk premium *	10,00%	
Stock beta value	100,00%	
Cash flows growth rate in perpetuity	0,05	
* Bond Equivalent Yield		

Evaluation methods considered:

Free Cash Flow to Firm

Free Cash Flow to Equity

**Table 3 – Financial prospects**

Table 3 shows relevant macro-economic data that will impact business performance. These assumptions are taken from official data with the exception of aging of accounts receivable/payable items that was decided to follow the recommended market standards, as it will affect positively Flex economic cycle and its cash-flow. So, *Flex Consulting* is committed to meet the best financial responsibilities, and then, it is expected the same behaviour from its customers.

In 2008, the 200 largest IT companies in Portugal have grown 18% (average growth rate, *Semana Informática*, 2009). In addition, on the ranking bottom line, there are companies with reduced staff, that is, less than 15 employees, minimum value of social capital and equity, or null net income. In fact, the business growth rate indicator and turnover values reveal how dynamic this sector is.

In this way, considering the current economic situation and business outlook for the IT industry, it is acceptable to say that this sector is based on sustainable growth. Moreover, ICT is the key factor for business and social changes on a global scale, as it supports the vision of a green knowledge society -, an eco-efficient economy (Commission of the European Communities, 2009). This point of view supports *Flex Consulting* purpose along with its confidence in the adopted solutions and quality of service.

Sales forecast (table 4) is probably the most important and difficult financial subject to deal with *Flex* business plan. In fact, this is the main objective and the reason to initiate the present business venture.

Table 4 illustrate sales and services data divided into studied business segments and markets. In case of product sales, expected quantities and unit price are measured for the 6 years projected analysis.

In this period (2010-2015) it is estimated a total revenue growth rate of 20%, which is in line with market forecast. The major contributions to the present scenario come from sales in national market, for the reason that the company considers internationalization process will take longer and services (training, development) growth rate will be lower.

In the first year, *Flex Consulting* sales objectives show some conservative attitude because it is when business starts up. Though, the company aims to develop 8 new projects and support service assistance to other 8 costumers' business partner. From that point and taking into account the exposed strategic analysis, it is expected

that sales of product A (*PHC software*) will grow until 2013. After that, the support service contract (product D) will have higher importance on the company total revenue. The same behaviour is estimated for Product B (*MS Sharepoint*).

Last but not least, it is expected that *Iron Speed* business solution will attain sustainable growth, since it is assumed that saturation point of this product life cycle will surpass 2014.

## 6.4.2. Sales Forecast and Turnover

	2010	2011	2012	2013	2014	2015
<b>Growth rate of prices</b>		2,00%	2,00%	2,00%	2,00%	2,00%
<b>SALES – NATIONAL MARKET</b>						
	2010	2011	2012	2013	2014	2015
<b>Product A * PHC</b>	<b>20.000</b>	<b>25.500</b>	<b>26.010</b>	<b>31.836</b>	<b>27.061</b>	<b>22.082</b>
Quantities sold	4	5	5	6	5	4
Growth rate of units sold		25,00%	0,00%	20,00%	-16,67%	-20,00%
Unit price	5.000,00	5.100,00	5.202,00	5.306,04	5.412,16	5.520,40
<b>Product B * MS Sharepoint</b>	<b>8.000</b>	<b>12.240</b>	<b>16.646</b>	<b>21.224</b>	<b>25.978</b>	<b>26.498</b>
Quantities sold	2	3	4	5	6	6
Growth rate of units sold		50,00%	33,33%	25,00%	20,00%	0,00%
Unit price	4.000,00	4.080,00	4.161,60	4.244,83	4.329,73	4.416,32
<b>Product C * Iron Speed</b>	<b>8.000</b>	<b>20.400</b>	<b>24.970</b>	<b>29.714</b>	<b>34.638</b>	<b>39.747</b>
Quantities sold	2	5	6	7	8	9
Growth rate of units sold		150,00%	20,00%	16,67%	14,29%	12,50%
Unit price	4.000,00	4.080,00	4.161,60	4.244,83	4.329,73	4.416,32
<b>Product D * support service contracts</b>	<b>5.600</b>	<b>14.280</b>	<b>29.131</b>	<b>44.571</b>	<b>60.616</b>	<b>77.286</b>
Quantities sold	8	20	40	60	80	100
Growth rate of units sold		150,00%	100,00%	50,00%	33,33%	25,00%
Unit price	700,00	714,00	728,28	742,85	757,70	772,86
<b>TOTAL</b>	<b>41.600</b>	<b>72.420</b>	<b>96.757</b>	<b>127.345</b>	<b>148.293</b>	<b>165.612</b>
<b>SALES – EXPORTATION</b>						
	2010	2011	2012	2013	2014	2015
<b>Product B * MS Sharepoint</b>				<b>9.000</b>	<b>12.240</b>	<b>18.727</b>
Quantities sold				3	4	6
Growth rate of units sold					33,33%	50,00%
Unit price				3.000,00	3.060,00	3.121,20
<b>Product C * Iron Speed</b>				<b>9.000</b>	<b>12.240</b>	<b>18.727</b>
Quantities sold				3	4	6
Growth rate of units sold					100,00%	50,00%
Unit price				3.000,00	3.060,00	3.121,20
<b>TOTAL</b>				<b>18.000</b>	<b>24.480</b>	<b>37.454</b>

SERVICES – NATIONAL MARKET	2010	2011	2012	2013	2014	2015
Service A Development	1.000	10.000	14.000	16.000	18.000	22.000
Growth rate		900,00%	40,00%	14,29%	12,50%	22,22%
Service B Training	1.000	7.000	12.000	16.000	13.000	12.000
Growth rate		600,00%	71,43%	33,33%	-18,75%	-7,69%
<b>TOTAL</b>	<b>2.000</b>	<b>17.000</b>	<b>26.000</b>	<b>32.000</b>	<b>31.000</b>	<b>34.000</b>

SERVICES - EXPORTATION	2010	2011	2012	2013	2014	2015
Service A Development				7.000	10.000	15.000
Growth rate					42,86%	50,00%
Service B Training				7.000	10.000	15.000
Growth rate					42,86%	50,00%
<b>TOTAL</b>				<b>14.000</b>	<b>20.000</b>	<b>30.000</b>

<b>TOTAL SALES – NATIONAL MARKET</b>	<b>41.600</b>	<b>72.420</b>	<b>96.757</b>	<b>127.345</b>	<b>148.293</b>	<b>165.612</b>
<b>TOTAL SALES – EXPORTATION</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18.000</b>	<b>24.480</b>	<b>37.454</b>
<b>TOTAL SALES</b>	<b>41.600</b>	<b>72.420</b>	<b>96.757</b>	<b>145.345</b>	<b>172.773</b>	<b>203.067</b>
<b>SALES VAT</b> 21%	<b>8.736</b>	<b>15.208</b>	<b>20.319</b>	<b>26.742</b>	<b>31.142</b>	<b>34.779</b>
<b>TOTAL SERVICES – NATIONAL MARKET</b>	<b>2.000</b>	<b>17.000</b>	<b>26.000</b>	<b>32.000</b>	<b>31.000</b>	<b>34.000</b>
<b>TOTAL SERVICES – EXPORTATION</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14.000</b>	<b>20.000</b>	<b>30.000</b>
<b>TOTAL SERVICES</b>	<b>2.000</b>	<b>17.000</b>	<b>26.000</b>	<b>46.000</b>	<b>51.000</b>	<b>64.000</b>
<b>SERVICES VAT</b> 21%	<b>420</b>	<b>3.570</b>	<b>5.460</b>	<b>6.720</b>	<b>6.510</b>	<b>7.140</b>
<b>TOTAL REVENUE</b>	<b>43.600</b>	<b>89.420</b>	<b>122.757</b>	<b>191.345</b>	<b>223.773</b>	<b>267.067</b>
<b>VAT</b>	<b>9.156</b>	<b>18.778</b>	<b>25.779</b>	<b>33.462</b>	<b>37.652</b>	<b>41.919</b>
<b>TOTAL REVENUE + VAT</b>	<b>52.756</b>	<b>108.198</b>	<b>148.536</b>	<b>224.807</b>	<b>261.425</b>	<b>308.985</b>
<b>Provision for doubtful receivables</b> 4%	<b>2.110</b>	<b>4.328</b>	<b>5.941</b>	<b>8.992</b>	<b>10.457</b>	<b>12.359</b>

Table 4 – Sales forecast and turnover

As already mentioned above, the information to develop this projection is based on market prospects, as well as, entrepreneurs self experience on selling presented business solutions. Following *Flex* strategic view to focus the first year on ERP solution on national market for SMEs, it is expected to develop the other solutions in *Portugal at the* beginning and after go abroad. As table 4 shows, it is assumed PHC software sales will decrease after 2013. So, *Flex* estimates *Ms Sharepoint* and *Iron Speed* solutions will have a dynamic growth after this period, surpassing the initial core solution in terms of value and projects. Though, by 2015, support service contracts will have the major contribution on company total revenue, as they represent the best return on customer service fidelity investment. Training and development services are expected to perform at a sustainable growth, with the goal of overcoming the support service contracts after the period in analysis.

### 6.4.3. Cost of sales

COGS	Gross Profit	2010	2011	2012	2013	2014	2015
<b>NATIONAL MARKET</b>		<b>24.960</b>	<b>43.452</b>	<b>58.054</b>	<b>76.407</b>	<b>88.976</b>	<b>99.367</b>
Product A * PHC	40,00%	12.000	15.300	15.606	19.102	16.236	13.249
Product B * MS Sharepoint	40,00%	4.800	7.344	9.988	12.734	15.587	15.899
Product C * Iron Speed	40,00%	4.800	12.240	14.982	17.828	20.783	23.848
Product D * support service contracts	40,00%	3.360	8.568	17.479	26.742	36.370	46.371
<b>FOREIGN MARKETS</b>					11.700	15.912	24.345
Product B * MS Sharepoint	35,00%				5.850	7.956	12.173
Product C * Iron Speed	35,00%				5.850	7.956	12.173
<b>TOTAL COGS</b>		<b>24.960</b>	<b>43.452</b>	<b>58.054</b>	<b>88.107</b>	<b>104.888</b>	<b>123.713</b>
<b>VAT</b>	21%	5.242	9.125	12.191	16.045	18.685	20.867
<b>TOTAL COGS + VAT</b>		<b>30.202</b>	<b>52.577</b>	<b>70.246</b>	<b>104.152</b>	<b>123.573</b>	<b>144.580</b>

Table 5 – Cost of Sales/Costs of goods sold

In section 6.1.2.3 it was explained price calculation strategy for *Flex* product and services. As it was detailed, software houses establish market prices and negotiate the gross profit margin with their business partners, according to commercial objectives and other factors, as the technical skills of that particular business solution. So, the major differential factor and complexity of price calculation on project management rely on selling services, mainly due to the competitive pressure and human resources costs and competencies.

Regarding this, the company aims to establish long-term relationship and business trust with its suppliers to get better commercial and financial advantages.

### 6.4.4. Supplies and External Services

				2010	2011	2012	2013	2014	2015
<b>N° of Months</b>				6	12	12	12	12	12
<b>Growth rate</b>					2,00%	2,00%	2,00%	2,00%	2,00%

	VAT tx.	FC	VC	Monthly €	2010	2011	2012	2013	2014	2015
Subcontracts	21%		100%	20	120	245	250	255	260	265
Electricity	21%	80%	20%	30	180	367	375	382	390	397
Fuel	21%		100%	50	300	612	624	637	649	662
Water	5%	80%	20%	10	60	122	125	127	130	132
Other Fluids	21%		100%	5	30	61	62	64	65	66
Tools and utensils	21%		100%	100	600	1.224	1.248	1.273	1.299	1.325
Books and technical doc.	21%	80%	20%	30	180	367	375	382	390	397
Office materials	21%	70%	30%	30	180	367	375	382	390	397
Offerings	21%		100%	20	120	245	250	255	260	265
Rents	21%	100%		250	1.500	3.060	3.121	3.184	3.247	3.312
Representation expenses	21%		100%	150	900	1.836	1.873	1.910	1.948	1.987
Communication	21%	70%	30%	200	1.200	2.448	2.497	2.547	2.598	2.650
Insurance		100%		20	120	245	250	255	260	265
Royalties	21%		100%							
Transport of goods	21%		100%	20	120	245	250	255	260	265
Travel and accommodation	21%		100%	75	450	918	936	955	974	994
Commissions	21%		100%	30	180	367	375	382	390	397
Fees	21%	100%		20	120	245	250	255	260	265
Notary services	21%		100%	20	120	245	250	255	260	265
Maintenance and repair	21%	70%	30%	30	180	367	375	382	390	397
Marketing and advertising	21%		100%	30	180	367	375	382	390	397
Cleaning, hygiene and comfort	21%	100%		20	120	245	250	255	260	265
Surveillance and security	21%	100%		30	180	367	375	382	390	397
Specialized work	21%	100%		200	1.200	2.448	2.497	2.547	2.598	2.650
Other supplies and ext. services	21%		100%	20	120	245	250	255	260	265
<b>TOTAL SES</b>					<b>8.460</b>	<b>17.258</b>	<b>17.604</b>	<b>17.956</b>	<b>18.315</b>	<b>18.681</b>
<b>SES – Fixed costs</b>					4.668	9.523	9.713	9.907	10.106	10.308
<b>SES – Variable costs</b>					3.792	7.736	7.890	8.048	8.209	8.373
<b>TOTAL SES</b>					<b>8.460</b>	<b>17.258</b>	<b>17.604</b>	<b>17.956</b>	<b>18.315</b>	<b>18.681</b>
<b>VAT</b>					1.030	2.101	2.143	2.186	2.230	2.274
<b>SES + VAT</b>					<b>9.490</b>	<b>19.359</b>	<b>19.747</b>	<b>20.142</b>	<b>20.544</b>	<b>20.955</b>

Table 6 – Supplies and External Services



In table 6, it is mentioned the important fixed and variable costs of running this business. The most important concern was to address all items that can affect supplies and external service costs. These values are close to reality, as the entrepreneur will pay a significant attention through evolution expenditure, as it will have a permanent effect on firm cash flow and *Flex* is intended to keep a low cost activity course.

### 6.4.5. Human Resources and Employee Costs

	2010	2011	2012	2013	2014	2015
<b>N° of Months</b>	6	14	14	14	14	14
<b>Annual Increase (salary + lunch subsidy)</b>		0,50%	1,50%	1,50%	1,50%	1,50%
<b>Personnel</b>						
	2010	2011	2012	2013	2014	2015
Administration / Direction	1	1	1	1	1	1
Administrative Assistant					1	1
Production / Operational	1	1	2	2	2	2
<b>TOTAL</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>
<b>Monthly Salary</b>						
	2010	2011	2012	2013	2014	2015
Administration / Direction	1.200	1.206	1.224	1.242	1.261	1.280
Administrative Assistant					631	640
Commercial / Marketing (bonus-indicative)	500	503	510	518	525	533
Production / Operational	1.200	1.206	1.224	1.242	1.261	1.280
<b>Annual salary - TOTAL employees</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Administration / Direction	7.200	16.884	17.137	17.394	17.655	17.920
Administrative Assistant					8.828	8.960
Production / Operational	7.200	16.884	34.275	34.789	35.311	35.840
<b>TOTAL</b>	<b>14.400</b>	<b>33.768</b>	<b>51.412</b>	<b>52.183</b>	<b>61.793</b>	<b>62.721</b>
<b>Other Costs</b>						
	2010	2011	2012	2013	2014	2015
Social security						
Administration	21,25%	1.530	3.588	3.642	3.696	3.752
Other personnel	23,75%	1.710	4.010	8.140	8.262	10.483
Insurance Accidents	1%	144	338	514	522	618
Lunch subsidy	130,46	2.870	2.884	4.392	4.457	6.123
<b>TOTAL OTHER COSTS</b>		<b>6.254</b>	<b>10.820</b>	<b>16.688</b>	<b>16.938</b>	<b>20.885</b>
<b>TOTAL PERSONNEL COSTS</b>		<b>20.654</b>	<b>44.588</b>	<b>68.099</b>	<b>69.121</b>	<b>83.919</b>

<b><u>SUMMARY TABLE</u></b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Salary						
Administration / Direction	7.200	16.884	17.137	17.394	17.655	17.920
Employees	7.200	16.884	34.275	34.789	44.138	44.800
Charges	3.240	7.598	11.782	11.959	14.235	14.448
Insurance Accidents	144	338	514	522	618	627
Lunch subsidy	2.870	2.884	4.392	4.457	6.032	6.123
<b>TOTAL PERSONNEL COSTS</b>	<b>20.654</b>	<b>44.588</b>	<b>68.099</b>	<b>69.121</b>	<b>82.678</b>	<b>83.919</b>

<b><u>Personnel Retentions</u></b>		<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Employee SS retention							
Administration / Direction	10,00%	720	1.688	1.714	1.739	1.766	1.792
Employees	11,00%	792	1.857	3.770	3.827	4.855	4.928
Employee IRS retention	15,00%	2.160	5.065	7.712	7.827	9.269	9.408
<b>TOTAL Retentions</b>		<b>3.672</b>	<b>8.611</b>	<b>13.196</b>	<b>13.394</b>	<b>15.890</b>	<b>16.128</b>

**Table 7 – Human Resources and Employee Cost**

Table 7 values and presented calculations are in line with Human Resources Plan / Networks (Chapter 6.2), since the main policies and most important decisions to take during the period in analysis were thought and tested through potential scenarios while making of HR planning. So, the considered key points take place in 2012, when the company estimates having business condition to hire a new element for technical support. It will fulfil the first company objective that is improving customer service, developing technical department skills and then to provide the commercial focus for Business Manager that will invest more time in business development activities.

In 2014, the company aims to take on an Administrative Assistant, in order to manage organizational and executive tasks, with the main purpose of coordinating business activities and integrating most relevant administrative processes. Without this time consuming actions, management board will centre their attention in the relevant marketing and business strategy.

Flex Income Statement (table 11) shows HR costs take 50% of the company total revenues at beginning. Nonetheless, this figure decreases through out the projected analysis period. Therefore, it explains the importance of HR qualification for company's performance. Flex collaborators are expected to create business value for better company's sustainability.

### 6.4.6. Investment in Working Capital

	2010	2011	2012	2013	2014	2015
<b>Working capital need</b>						
Treasury reserve	2.500	2.500	2.500	2.500	2.500	2.500
Costumers	4.396	9.017	12.378	18.734	21.785	25.749
Stock	347	604	806	1.224	1.457	1.718
State						
<b>TOTAL</b>	<b>7.243</b>	<b>12.120</b>	<b>15.684</b>	<b>22.458</b>	<b>25.742</b>	<b>29.967</b>
<b>Source of working capital</b>						
Suppliers	4.961	8.992	11.249	15.537	18.015	20.692
State	1.768	3.171	4.874	5.852	6.626	7.169
<b>TOTAL</b>	<b>6.730</b>	<b>12.163</b>	<b>16.123</b>	<b>21.389</b>	<b>24.641</b>	<b>27.860</b>
<b>Need of working capital</b>	<b>513</b>	<b>-43</b>	<b>-439</b>	<b>1.069</b>	<b>1.101</b>	<b>2.107</b>
<b>Investment in working capital</b>	<b>513</b>	<b>-556</b>	<b>-397</b>	<b>1.508</b>	<b>32</b>	<b>1.005</b>

**Table 8 – Investment in working Capital**

The working capital represents the operating liquidity available to Flex business. Positive working capital means that the company is able to pay off its short-term liabilities. Thus, table 8 explains that the company is able to pay back creditors in the short term through out all those years in analysis, exception for 2011 and 2012; nevertheless, as it does not show a negative tendency, these figures do not have financial significance.

So, it exposes *Flex* promoter plan to operate this company in the most efficient manner. 2015 shows an increase in the working capital that is intended to balance in the future, by diminishing accounts receivable and inventory.

### 6.4.7. Investment

Investment / year		2010	2011	2012	2013	2014	2015
<b>Intangible fixed assets</b>							
Setup costs		500	100	100	100	100	500
R&D Expenses		200	150	150	150	150	700
Proprietary and other rights		200	100	100	100	100	200
Other intangible fixed assets		200	200	200	200	200	200
<b>Total intangible fixed assets</b>		<b>1.100</b>	<b>550</b>	<b>550</b>	<b>550</b>	<b>550</b>	<b>1.600</b>
<b>Tangible fixed assets</b>							
Basic Equipment		1.000	500	500	500	500	500
Office Equipment		500	400	400	400	400	400
Other tangible fixed assets		500	400	400	400	400	505
<b>Total tangible fixed assets</b>		<b>2.000</b>	<b>1.300</b>	<b>1.300</b>	<b>1.300</b>	<b>1.300</b>	<b>1.405</b>
<b>Total Investment</b>		<b>3.100</b>	<b>1.850</b>	<b>1.850</b>	<b>1.850</b>	<b>1.850</b>	<b>3.005</b>
<b>VAT</b>	21%	<b>420</b>	<b>273</b>	<b>273</b>	<b>273</b>	<b>273</b>	<b>295</b>
<b>Accumulated values balance</b>							
		2010	2011	2012	2013	2014	2015
<b>Intangible fixed assets</b>							
Setup costs		500	600	700	800	900	1.400
R&D Expenses		200	350	500	650	800	1.500
Proprietary e o.rights		200	300	400	500	600	800
Other intangible fixed assets		200	400	600	800	1.000	1.200
<b>Total intangible fixed assets</b>		<b>1.100</b>	<b>1.650</b>	<b>2.200</b>	<b>2.750</b>	<b>3.300</b>	<b>4.900</b>
<b>Tangible fixed assets</b>							
Basic Equipment		1.000	1.500	2.000	2.500	3.000	3.500
Office Equipment		500	900	1.300	1.700	2.100	2.500
Other tangible fixed assets		500	900	1.300	1.700	2.100	2.605
<b>Total tangible fixed assets</b>		<b>2.000</b>	<b>3.300</b>	<b>4.600</b>	<b>5.900</b>	<b>7.200</b>	<b>8.605</b>
<b>Total fixed assets</b>		<b>3.100</b>	<b>4.950</b>	<b>6.800</b>	<b>8.650</b>	<b>10.500</b>	<b>13.505</b>
<b>Amortization</b>							
<b>Total amortization</b>	<b>Tax</b>	792	1.255	1.718	1.815	1.970	2.221

Table 9 - Investment

*Flex* is a consulting firm based in low cost activity and table 9 reinforces this strategy for the 5 year period analysis. The company has not planned other investments besides the mandatory ones. For instance, to own vehicles or an office is not on the objectives.

## 6.4.8. Financing

	2010	2011	2012	2013	2014	2015
Investment = Fixed capital + WCN	3.613	1.294	1.453	3.358	1.882	4.010
Safety margin	2%	2%	2%	2%	2%	2%
<b>Financing needs</b>	<b>3.700</b>	<b>1.300</b>	<b>1.500</b>	<b>3.400</b>	<b>1.900</b>	<b>4.100</b>

Financing sources	2010	2011	2012	2013	2014	2015
Free cash flow				14.823	16.526	34.211
Social capital	15.000					10.000
Supplementary						
Partner loans						
Bank financing e other credit inst.	10.000		15.000		20.000	10.000
<b>TOTAL</b>	<b>25.000</b>		<b>15.000</b>	<b>14.823</b>	<b>36.526</b>	<b>54.211</b>

N.º years of loan repayment	5
Associated interest rate	6,60%

### 2010

	2010	2011	2012	2013	2014	2015
Outstanding amount	10.000	10.000	8.000	6.000	4.000	2.000
Interest rate	7%	7%	7%	7%	7%	7%
Annual rate	330	660	528	396	264	132
Annual repayment		2.000	2.000	2.000	2.000	2.000
Stamp taxes (0,4%)	1	3	2	2	1	1
Debt service	331	2.663	2.530	2.398	2.265	2.133
Amount owed	10.000	8.000	6.000	4.000	2.000	

N.º years of loan repayment	5
Associated interest rate	6,60%

### 2012

	2010	2011	2012	2013	2014	2015
Outstanding amount			15.000	12.000	9.000	6.000
Interest rate			7%	7%	7%	7%
Annual rate			990	792	594	396
Annual repayment			3.000	3.000	3.000	3.000
Stamp taxes (0,4%)			4	3	2	2
Debt service			3.994	3.795	3.596	3.398
Amount owed			12.000	9.000	6.000	3.000

N.º years of loan repayment	5
Associated interest rate	6,60%

**2014**

	2010	2011	2012	2013	2014	2015
Outstanding amount					20.000	16.000
Interest rate					7%	7%
Annual rate					1.320	1.056
Annual repayment					4.000	4.000
Stamp taxes (0,4%)					5	4
Debt service					5.325	5.060
Amount owed					16.000	12.000

N.º years of loan repayment	5
Associated interest rate	6,60%

**2015**

	2010	2011	2012	2013	2014	2015
Outstanding amount						10.000
Interest rate						7%
Annual rate						660
Annual repayment						2.000
Stamp taxes (0,4%)						3
Debt service						2.663
Amount owed						8.000

<b>Outstanding amount</b>	<b>10.000</b>	<b>8.000</b>	<b>18.000</b>	<b>13.000</b>	<b>24.000</b>	<b>23.000</b>
<b>Interests payment with stamp taxes included</b>	<b>331</b>	<b>663</b>	<b>1.524</b>	<b>1.193</b>	<b>2.187</b>	<b>2.253</b>
<b>Repayment</b>		<b>2.000</b>	<b>5.000</b>	<b>5.000</b>	<b>9.000</b>	<b>11.000</b>

**Table 10 - Financing**

*Flex* starts up with 25.000,00 € to apply in initial investments, social capital and working capital. The financing comes from entrepreneurs to fund social capital and bank financing for initial investments and expenditure.

During this period the company will apply for bank loans with concrete business objectives, in accordance with the company goals and negotiating the best possible financial advantages with credit institutions.

2012 and 2014 comply with the most productive and important investment moments of the company. *Flex* then will have to finance its activity through credit institutions in order to get operational and financial balance.

### 6.4.9. Income Statement

	2010	2011	2012	2013	2014	2015
Sales	41.600	72.420	96.757	145.345	172.773	203.067
Services	2.000	17.000	26.000	46.000	51.000	64.000
<b>Revenues</b>	<b>43.600</b>	<b>89.420</b>	<b>122.757</b>	<b>191.345</b>	<b>223.773</b>	<b>267.067</b>
Cost of Sales	24.960	43.452	58.054	88.107	104.888	123.713
Other Variable Costs	3.792	7.736	7.890	8.048	8.209	8.373
<b>Gross Profit</b>	<b>14.848</b>	<b>38.232</b>	<b>56.812</b>	<b>95.190</b>	<b>110.676</b>	<b>134.981</b>
	34%	43%	46%	50%	49%	51%
Fixed Costs	4.668	9.523	9.713	9.907	10.106	10.308
<b>Operating Profit</b>	<b>10.180</b>	<b>28.710</b>	<b>47.099</b>	<b>85.282</b>	<b>100.571</b>	<b>124.673</b>
Employee Costs	20.654	44.588	68.099	69.121	82.678	83.919
% of Sales	47%	50%	55%	36%	37%	31%
<b>EBITDA</b>	<b>-10.474</b>	<b>-15.878</b>	<b>-21.000</b>	<b>16.162</b>	<b>17.892</b>	<b>40.754</b>
Depreciation	792	1.255	1.718	1.815	1.970	2.221
Adjustments / Provisions	2.110	4.328	5.941	8.992	10.457	12.359
<b>EBIT</b>	<b>-13.376</b>	<b>-21.461</b>	<b>-28.660</b>	<b>5.354</b>	<b>5.465</b>	<b>26.174</b>
Financial Costs	331	1.311	3.206	2.527	2.187	2.253
Financial Revenues	75				33	339
<b>Financial Result</b>	<b>-257</b>	<b>-1.311</b>	<b>-3.206</b>	<b>-2.527</b>	<b>-2.154</b>	<b>-1.914</b>
<b>EBT</b>	<b>-13.633</b>	<b>-22.773</b>	<b>-31.866</b>	<b>2.828</b>	<b>3.311</b>	<b>24.260</b>
Taxes						
<b>Net Earnings</b>	<b>-13.633</b>	<b>-22.773</b>	<b>-31.866</b>	<b>2.828</b>	<b>3.311</b>	<b>24.260</b>
<b>% of Costs of Structure /Revenues</b>	<b>60%</b>	<b>62%</b>	<b>65%</b>	<b>42%</b>	<b>42%</b>	<b>36%</b>
<b>% of Net Earnings /Revenues</b>	<b>-31%</b>	<b>-25%</b>	<b>-26%</b>	<b>1%</b>	<b>1%</b>	<b>9%</b>

Table 11 – Income Statement

Income Statement is the *Flex* financial statement that indicates how the revenue is transformed into net income. Table 11 shows the financial data for the period in analysis, and it can be seen the five year's company evolution through the main important economic indicators. The company presents a 20% revenue growth rate from 2010-2015. In the first year, operating profit does not cover employee costs and company closes fiscal year with -13.376,00€. Costs of structure correspond to 60% of company's revenue. After the natural complexity of the first couple of years, the company consolidates its operating performance in 2013, when is expected the initial return on investment. It is first year positive net earnings and costs of structure fall out to 42%. By the last year of financial analysis, *Flex* confirms its operating and financial stability, performing well in most important financial topics, as net earning

attain 24.260,00€. Then, company will be able to increase social capital and to distribute dividends.

### 6.4.10. Projected Cash Flow

	2010	2011	2012	2013	2014	2015
<b>Projected cash-flow</b>						
Operational results	-10.032	-16.096	-21.495	4.016	4.099	19.630
Amortizations	792	1.255	1.718	1.815	1.970	2.221
Provisions	2.110	4.328	5.941	8.992	10.457	12.359
	<b>-7.130</b>	<b>-10.513</b>	<b>-13.835</b>	<b>14.823</b>	<b>16.526</b>	<b>34.211</b>
<b>Invest./Divest. in working capital</b>						
Working Capital	-513	556	397	-1.508	-32	-1.005
<b>Operating CASH FLOW</b>	<b>-7.644</b>	<b>-9.957</b>	<b>-13.439</b>	<b>13.315</b>	<b>16.493</b>	<b>33.205</b>
<b>Invest./Divest. in fixed capital</b>						
Fixed capital	-3.100	-2.801	-2.902	-3.103	-3.204	-3.605
<b>Free cash-flow</b>	<b>-10.744</b>	<b>-11.807</b>	<b>-15.289</b>	<b>11.465</b>	<b>14.643</b>	<b>30.200</b>
<b>Accumulated CASH FLOW</b>	<b>-10.744</b>	<b>-22.551</b>	<b>-37.839</b>	<b>-26.374</b>	<b>-11.731</b>	<b>18.470</b>

Table 12 – Projected Cash Flow

Following the income statement, cash flow is an important financial report to determine a project's rate of return or value. It reflects the movement of cash into and out of the firm and also determines business's liquidity.

From analyzing financial data in table 12, it is considered that the company earns more cash by its core activities after the year 2013, and it concerns the long term investments strategy the company leaders have adopted.

Until 2012, the company has to deal with financial difficulties, it is the crucial period of survival when production capacity increases, costs get higher and the return on investment is not as much as the necessary to become positive operating cash flow.

After financing the business for the beginning years, the free cash-flow in the left period of time will indicate company's financial strength. In 2015, free cash-flow achieve 30.200,00 €, which represents an accumulated value of 18.470,00 €.

“Companies with ample cash on hand are able to invest the cash back into the business in order to generate more cash and profit” (Investopedia, 2010). *Flex* will take this valuable argument in account and reinvest its net profits in the company innovation.



**Balance Sheet**

ASSETS	2010	2011	2012	2013	2014	2015
<b>Fixed assets</b>						
Intangible fixed assets	1.100	1.650	2.200	2.750	3.300	4.900
Tangible fixed assets	2.000	3.300	4.600	5.900	7.200	8.605
Amortization	792	2.047	3.765	5.580	7.550	9.771
<b>Stock</b>						
Raw Materials and Subsidiaries						
Finished and semi-finished products						
Goods for resale	347	604	806	1.224	1.457	1.718
<b>Short-term credits</b>						
Trade Customers	4.396	9.017	12.378	18.734	21.785	25.749
Bad debts adjustments	2.110	6.438	12.380	21.372	31.829	44.188
State and other public bodies						
Other debtors						
<b>Liquid assets</b>	13.156	2.500	2.500	2.500	7.145	50.975
Accruals and Deferrals						
<b>TOTAL ASSETS</b>	<b>18.097</b>	<b>8.585</b>	<b>6.340</b>	<b>4.156</b>	<b>1.508</b>	<b>37.987</b>
<b>EQUITY</b>						
Social capital	15.000	15.000	15.000	15.000	15.000	25.000
Supplemental Benefits						
Revaluation reserves						
Reserves and retained earnings		-13.633	-36.405	-68.271	-65.444	-62.133
Net income	-13.633	-22.773	-31.866	2.828	3.311	24.260
<b>TOTAL EQUITY</b>	<b>1.367</b>	<b>-21.405</b>	<b>-53.271</b>	<b>-50.444</b>	<b>-47.133</b>	<b>-12.873</b>
<b>LIABILITIES</b>						
<b>Provision for taxes</b>						
<b>Long-term trade creditors</b>						
Credit institutions	10.000	8.000	18.000	13.000	24.000	23.000
Fixed Assets Suppliers						
Supplies						
Other creditors						
<b>Short-term trade creditors</b>						
Credit institutions		9.828	25.488	20.211		
Trade creditors	4.961	8.992	11.249	15.537	18.015	20.692
State and other public bodies	1.768	3.171	4.874	5.852	6.626	7.169
Other creditors						
<b>Accruals and Deferrals</b>						
<b>TOTAL LIABILITIES</b>	<b>16.730</b>	<b>29.990</b>	<b>59.611</b>	<b>54.600</b>	<b>48.641</b>	<b>50.860</b>
<b>TOTAL LIABILITIES + EQUITY</b>	<b>18.097</b>	<b>8.585</b>	<b>6.340</b>	<b>4.156</b>	<b>1.508</b>	<b>37.987</b>

**Table 13 – Balance Sheet**

The balance sheet is a summary of the provisional financial balances of *Flex* business venture. Assets, liabilities and ownership equity are listed for the specific period in analysis. The difference between the assets and the liabilities is known as

equity of the company and according to the accounting equation, it must equal assets minus liabilities. Table 14 shows that company has a negative equity value by the end of 2015 (-12.873€), though an attentive analysis is able to support this situation on “Reserves and retained earnings” high negative figure. It stands for the initial years negative net income, in opposition with net income growth tendency for the last period in analysis.

Another way to look at the balance sheet equation is that assets equal liabilities plus owner's equity. Looking at the equation in this way shows how assets were financed: either by borrowing money (liability) or by using the owner's money (owner's equity). In this way *Flex* balance sheet reveals that the company borrow money from credit institutions to financing its short-term credits. As a start-up company the initial working capital is reduced and the source of funds mainly comes from loans received.

The author considers that *Flex* management board is concerned with develop a stable and solid financial structure regarding macroeconomic analysis and its best financial responsibility. Following the presented financial assumptions and firm ideas that have been discussed during this project it is expected that *Flex* can meet the projected scenario in five years time. After the beginning period of best operational and financial effort it is moment for advanced financial autonomy and to think about the next stage of doing business.

#### 6.4.11. Financial Considerations

The importance of the exposed detailed financial information justifies the location on this business plan, instead of the usual position in annexes. Thus, the main reasons are related with straightforward reading and interpretation, along with cautious integrative perspective, as it leads to paying more attention to the financial values and implicit information (attitudes and goals), rather than relegate it to second plan.

It is intended to stress out the accurate analysis of the developed work and exhaustive study that were in the base of multi-criteria decision-making process. So, *Flex Consulting* business assumptions are in accordance with conditioning market variables and business owner's perspectives.

In the reporting period 2010-2015, *Flex Consulting* projected business turnover is planned to attain 267.067 € in the last year (2015, Table 4). It represents an average business growth around 20% a year.

The accomplishment of this mark, according with expected company's performance, will lead to net profit for the year 2015 of 24,260 € (Table 14). It is the third year of positive net profit, revealing the concern for long term growth rate and sustainable development. Therefore, *Flex* projected net present value is 220.225 € (Table 16), which results in a payback period of 6 years and an internal rate of return of 73.96%.

The working group declare its entire commitment and total responsibility on the presented values. They are the final outcome of intense labour and major determination for project feasibility and effective creation process of *Flex Consulting* startup company.

Finally, the precise information exposed in this chapter intends to elucidate to potential investors, collaborators and other stakeholders, the way of doing business in *Flex Consulting*. The company follows a methodological approach, thinking ahead, consulting the market and taking firm steps. The company's end goal is to attain sustainable business growth and internal development for continuous innovation.

## 7. Conclusion

The Flex Consulting Business Model and Value Proposition project is inspired by the best enthusiasm for the creation process of a startup business consulting company. It results in an innovative organizational model, able to bring new ideas and business concepts to core processes. In that sense, throughout the project development, several management approaches were considered to incorporate the company major thinking of consultancy, that is, the creation of integrated business solutions to compete in the global market. Therefore, the most important concept is based in the innovative philosophy in business consulting: proper methods to work with the corporate core knowledge resources and the use of essential tools to promote collaborative labor.

The author sought to explain how this value proposal is worthy as a whole and unique, because it is considered that only an integrated view of the presented ideas is capable to encourage synergic forces and sustain competitive advantages. Though, this theory makes use of several studied concepts from management science, which is the case of flat organizational concept and its influence in the internal organogram, multidiscipline team knowledge application or its extension to empowerment approach.

In this way, it is expected that the present study can contribute effectively for entrepreneurial innovation. The author also believes that besides the addressed entrepreneurship subjects developed, there is a concrete set of attitudes and values in this document capable of arising someone's interest in organizing a business venture. By this, *Flex* project propose a systematic thinking process and creation of succinct methodology to support the business idea: the best planning against a business failure.

Aware of market opportunities raised by the problems of SMEs to deal with enterprise information systems that come from inadequate investment in ongoing training, including implementation and testing phases, as well as, a lack of a corporate policy on the protection of the integrity of data and its utilization. *Flex* intends to address the best management solutions to these companies working with obsolete systems that cannot deal with today's business needs.

Last but not least, IT management consulting is becoming more relevant as an important research area and development field for academics and business. This

means that there is much research in this area and many issues that remain to be solved, as business process complexity continues to grow.

Due to time limitations and project scope, it was not possible to develop many other topics that can be subject to further studies, for instance: corporate core knowledge concept, enterprise crowdsourcing method to problem solving and business solutions, how to manage for collaborative work performance, IT business consultant required skills, or ERP contribution on SMEs value chain.

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## **Annexes**

## Financial Plan

SOURCE OF FUNDS	2010	2011	2012	2013	2014	2015
Gross cash flow	-10.474	-15.878	-21.000	16.162	17.892	40.754
Social capital	15.000					10.000
Loans received	10.000		15.000		20.000	10.000
Divest. in fixed capital						
Divest. in WCN		556	397			
Partner loans	10.000					
Financial income	75				33	339
<b>Total of Source</b>	<b>14.600</b>	<b>-15.322</b>	<b>-5.604</b>	<b>16.162</b>	<b>37.925</b>	<b>61.093</b>
APPLICATION OF FUNDS						
Inv. fixed capital	3.100	1.850	1.850	1.850	1.850	3.005
Inv. working capital	513			1.508	32	1.005
Tax on Profit						
Dividend Payment						
Loan repayment		2.000	5.000	5.000	9.000	11.000
Financial Charges	331	1.311	3.206	2.527	2.187	2.253
<b>Total of Applications</b>	<b>3.945</b>	<b>5.161</b>	<b>10.056</b>	<b>10.884</b>	<b>13.069</b>	<b>17.263</b>
<b>Treasury annual balance</b>	<b>10.656</b>	<b>-20.484</b>	<b>-15.660</b>	<b>5.277</b>	<b>24.855</b>	<b>43.830</b>
<b>Accumulated treasury balance</b>	<b>10.656</b>	<b>-9.828</b>	<b>-25.488</b>	<b>-20.211</b>	<b>4.645</b>	<b>48.475</b>
<b>Applications / Short-term Loan</b>	<b>10.656</b>	<b>-9.828</b>	<b>-25.488</b>	<b>-20.211</b>	<b>4.645</b>	<b>48.475</b>

**Table 14 – Financial Plan**

### Financial and Economic Indicators

<b>ECONOMIC INDICATORS</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Business growth rate		105%	37%	56%	17%	19%
Operational efficiency		-15%	-15%	9%	9%	18%
Operating margin sales		-24%	-23%	3%	2%	10%
Net return on sales		-25%	-26%	1%	1%	9%
Personnel costs on Operational Profit		50%	55%	36%	37%	31%

<b>FINANCIAL - ECONOMIC INDICATORS</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Return On Investment (ROI)		-265%	-503%	68%	220%	64%
Return on Assets		-250%	-452%	129%	362%	69%
Asset Rotation		1042%	1936%	4604%	14838%	703%
Rotation of fixed assets		3080%	4045%	6233%	7586%	7152%
Return on Equity (ROE)		106%	60%	-6%	-7%	-188%
Rotation of Equity		-418%	-230%	-379%	-475%	-2075%

<b>FINANCIAL INDICATORS</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Financial Autonomy		-249%	-840%	-1214%	-3125%	-34%
Total solvency		-71%	-89%	-92%	-97%	-25%
Total Debt		349%	940%	1314%	3225%	134%
Long-term debt		93%	284%	313%	1591%	61%

<b>LIQUIDITY INDICATORS</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
General Liquidity		55%	38%	54%	123%	282%
Low Liquidity		52%	36%	51%	117%	275%

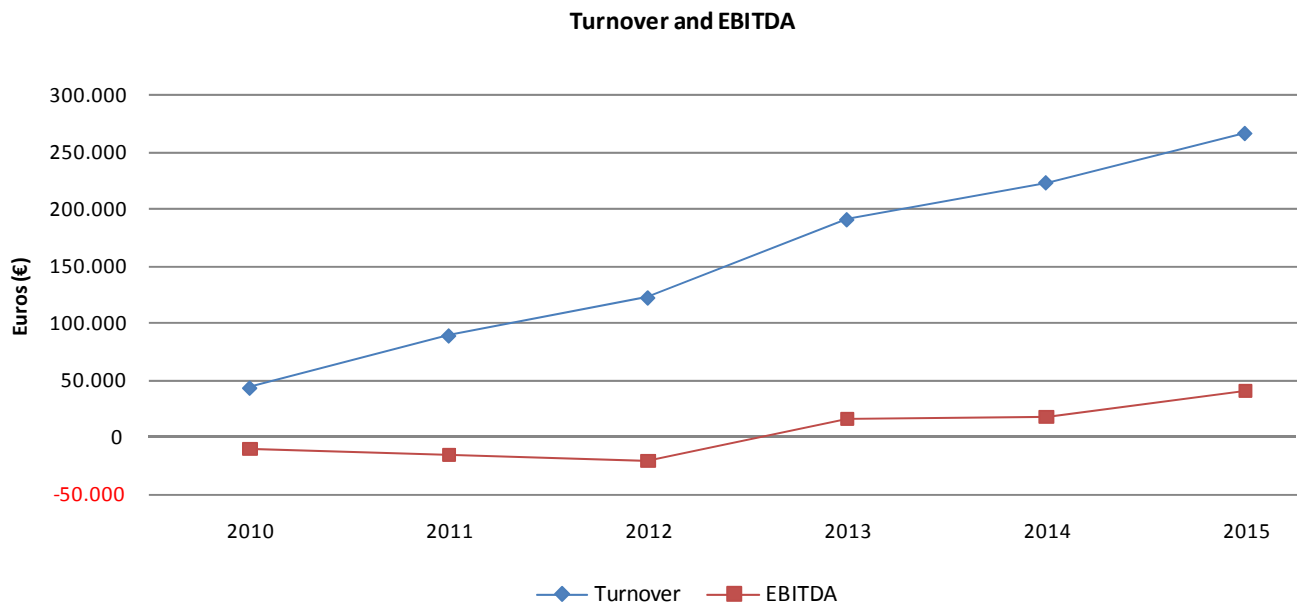
<b>ANALYSIS OF FINANCIAL BALANCE</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Equity and long-term debt		-13.405	-35.271	-37.444	-23.133	10.127
Fixed asset		2.903	3.035	3.070	2.950	3.734
<b>NET CASH FLOW</b>		<b>-16.309</b>	<b>-38.306</b>	<b>-40.514</b>	<b>-26.083</b>	<b>6.393</b>
Cyclical needs		9.620	13.184	19.958	23.242	27.467
Cyclic Resources		8.992	11.249	15.537	18.015	20.692
<b>WORKING CAPITAL NEEDS</b>		<b>628</b>	<b>1.935</b>	<b>4.421</b>	<b>5.228</b>	<b>6.775</b>
Active treasury		2.500	2.500	2.500	7.145	50.975
Passive treasury		12.998	30.362	26.063	6.626	7.169
<b>NET CASH</b>		<b>-10.498</b>	<b>-27.862</b>	<b>-23.563</b>	<b>518</b>	<b>43.806</b>

<b>CONTROL : NC = NCF - WCN</b>		<b>-16.937</b>	<b>-40.242</b>	<b>-44.935</b>	<b>-31.310</b>	<b>-382</b>
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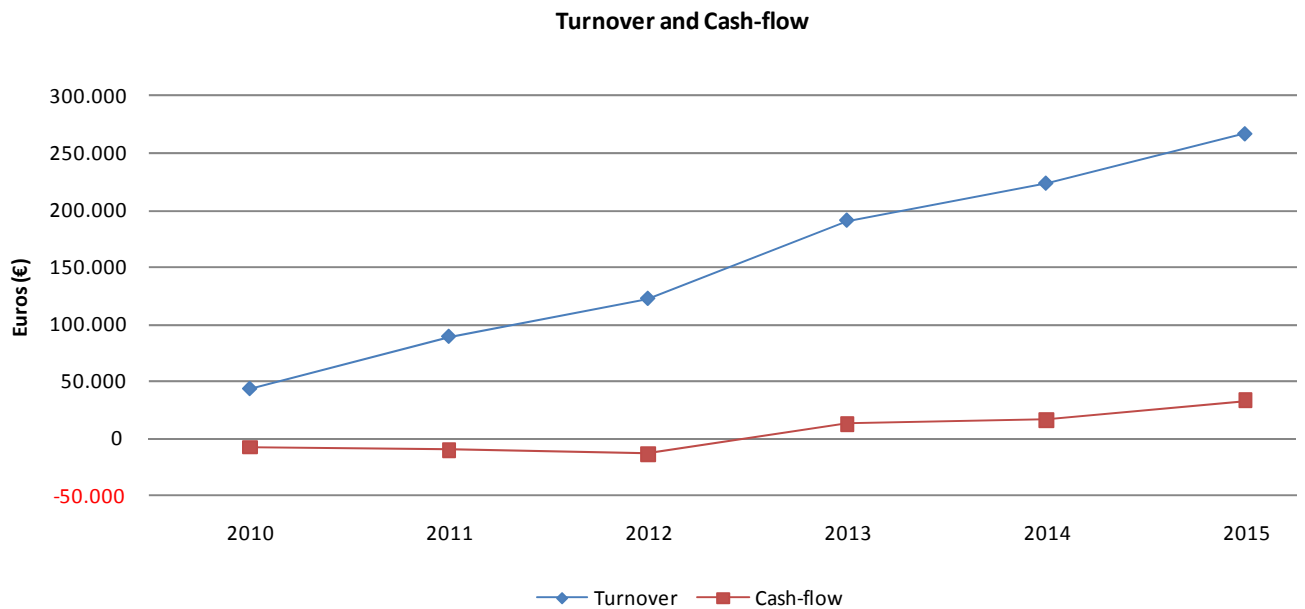
<b>NCF variation</b>			-21.998	-2.207	14.431	32.476
<b>WCN variation</b>			1.307	2.486	807	1.548
<b>NC Variation</b>			-17.364	4.299	24.081	43.288

<b>BUSINESS RISK INDICATORS</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Gross profit		38.232	56.812	95.190	110.676	134.981
Operating leverage ratio		-178%	-198%	1778%	2025%	516%
Critical point		139.615	184.684	180.582	212.723	215.281
Safety margin		-36%	-34%	6%	5%	24%

**Table 15 – Financial and Economic Indicators**



**Figure 4 – Turnover and EBITDA**

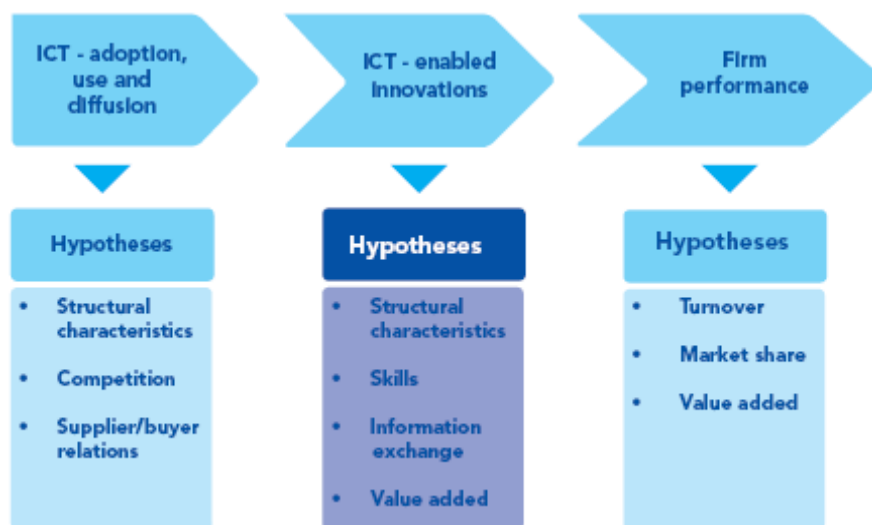


**Figure 5 – Turnover and Cash-flow**

- (1) Lack of Top Management Commitment
- (2) Inadequate Requirements Definition
- (3) Poor ERP Package Selection
- (4) Inadequate Resources
- (5) Resistance to Change/Lack of Buy-in
- (6) Miscalculation of Time and Effort
- (7) Misfit of Application Software with Business Processes
- (8) Unrealistic Expectation of Benefits and ROI
- (9) Inadequate Training and Education
- (10) Poor Project Design and Management
- (11) Poor Communications
- (12) Ill-advised Cost Cutting

**Table 16 - The reasons for ERP implementation failures**

Source: <http://rockfordconsulting.com/the-12-cardinal-sins-of-erp-implementation.htm>



**Figure 6 - The ICT value chain and its contribution to firm performance**

Source: European Commission, Eurostat. A green knowledge society.

[http://ec.europa.eu/information\\_society/europe/i2010/greenknowledgesociety.pdf](http://ec.europa.eu/information_society/europe/i2010/greenknowledgesociety.pdf)

Key infrastructure layers for today	Applications and content Application level interfaces/standards.
Key for the future	Applications enabling services- search engines, messaging, etc via ISP s and portals service providers.  Access utilities and standards-Browsers, OS, Media format, meta data, etc (mobile) web-interfaces to the internet.

**Figure 7 - Future infrastructure as a layered architecture**

Source: European Commission, Eurostat. A green knowledge society.

[http://ec.europa.eu/information\\_society/eeurope/i2010/greenknowledgesociety.pdf](http://ec.europa.eu/information_society/eeurope/i2010/greenknowledgesociety.pdf)

Description	2004	2005	2006	2007	2008	EU27	Ranking
<b>Broadband</b>							
% of enterprises with a (fixed) broadband access	49	63	66	76	81	81	15
<b>Internet Usage</b>							
% pop. who are frequent internet users	16	19	22	27	29	43	23
<b>Take up of internet services (% of Pop.)</b>							
ordering goods or services, over the Internet, for private use	5	6	7	9	10	32	22
selling goods and services (e.g. via auctions)	1	1	1			10	
internet banking	8	8	10	12	24	29	21
paying for online audiovisual contents					2	5	19
doing an online course				1	2	3	19
<b>eGovernment Indicators</b>							
% of enterprises using eGovernment services	57	58	60	72	75	68	14
% of enterprises using eGovernment services for returning filled in forms	50	52	54	66	68	50	6
<b>eCommerce</b>							
% enterprises selling online	6	9	7	9	19	16	7
% enterprises purchasing online	8	12	14	12	20	28	11
<b>eBusiness: % of enterprises</b>							
using applications for integrating internal business processes (all enterprises)					53	41	7
sending/receiving e-invoices				14	24	21	11
using analytical Customer Relation Manag.				15	16	17	11
<b>Indicators on the ICT sector, ICT skills and R&amp;D</b>							
% of persons employed with ICT user skills.	13,4	12,6	12,2	11,5	11,8	18,4	26
% of persons employed with ICT specialist skills	2,1	2,3	2,7	2,8	2,7	3,0	21

**Table 17 - ICT Country Profile: Portugal**

Source: Commission of the European Communities (2009)