

Need funding? - Take some advice

Funding as a key point to international success and growth; previous experiences from the perspective of start-up companies

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1. Types of growth companies (growth patterns)
2. Financing opportunities vs. different growth patterns
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Background of this presentation lays on three fundamentals

9. Several years of personal experience
10. Best practices & analysis
11. Research study among highly successive companies

Growth patterns

Different types of international growth companies

Polku	Vaihe 1 pre-start	Vaihe 2 Start	Vaihe 3 Kasvu	Vaihe 4 Kypsyys
<i>Orgaaninen</i>	<i>Idea, teknologisen tietotaidon kehitys Ei aiempaa kansainvälistä kokemusta, opitaan tekemällä</i>	<i>Räätälöity tuote Reaktiivinen ad-hoc kansainvälistyminen mahdollisuus yllättää, ei suunnitelmallista lähimarkkinat</i>	<i>Hidas kasvu Muutos projektitoimituksista tuotebisnekseen</i>	<i>Kansainvälisen verkoston rakennus ja kasvu Mahdollinen muutos born-global yritykseksi</i>
<i>Kollaboratiivinen</i>	<i>Idean kehitys yhdessä muiden yritysten kanssa Sosiaaliset verkostot</i>	<i>OEM tai white label valmistus Systeemituote</i>	<i>Tuotteistus ja hyppy born global uralle tai jämähdys hitaampaan kasvuun</i>	<i>Yhteistyön jatkaminen</i>
<i>Born global</i>	<i>Ydinteknologian kehitys ja radikaali innovaatio Kansainvälisesti kokenut johto Kasvuorientaatio</i>	<i>Tuotteen paketointi globaaliin markkinaan Proaktiivinen ja systemaattinen kansainvälisen verkoston kasvatus Kasvumarkkinat</i>	<i>Nopea kasvu, ulkoisia resursseja markkinointiin ja rahoitukseen Kansainvälisen verkoston kasvatus</i>	<i>Aktiivinen kansainvälisen verkoston johtaminen ja ylläpito Tuotevalikoiman kasvatus, jatkuva innovointi</i>

Kansainvälistymisen vaihtoehdot (mukailtu Kärre ja Kärre, 2005)

Different types of growth companies, my perspective

1. Start up with fast organic growth (born global)
2. Entrepreneurial growth company (organic growth)
3. High tech engineering (service) company with opening window of opportunity (re-born global)
4. Pull-mode growth (collaborative model, industrial partner)
5. Do others exist? Yes, many variations & combinations of these

Growth patterns vs. financing

Different types of growth companies

1. Start up with fast organic growth (born global)
 - Global opportunity
 - Experienced team
 - VC funding
 - Risk assessment high
 - Attitude: grow to sell
 - Operative mode: FF/SS (fast forward/single strategy)

Risks from investor's viewpoint: management, strategy, market opportunity

Different types of growth companies

2. Entrepreneurial growth

- Local/regional opportunity
- Visionary owner(s)
- Risk assessment high
- Attitude: grow to earn
- Organic & acquisitions (lead), financing seen as a vehicle
- Operative mode: dancer

Risks from investor's viewpoint: Organization, entrepreneur him/herself

Different types of growth companies

3. High tech engineering (service) company with opening window of opportunity (re-born global)

- Local/regional /global opportunity
- Committed owners, role of ownership changing
- Risk assessment low
- Attitude: grow if possible
- Organic, funding possible
- Operative mode: follower/dancer

Risks from investor's viewpoint: decision making, change in strategy & organizational behaviour

Different types of growth companies

4. Pull-mode growth (collaborative model, industrial partner)

- Local/regional opportunity
- Committed owners
- Risk assessment low
- Attitude: grow if necessary for survival
- Organic, no external fundind
- Operative mode: follower/dancer

Before you go ahead think

About your current state

- What is your opportunity?
- How does your strategy fit ?
- What type of a company do you represent now?
- Does it match to the opportunity
- Do you want/can you change when you need?
- Understand your targets and attitudes
 - Financing has to match to your values

And why do you need the money

- Competitiveness (technology, processes)
 - Are we on the level of the opportunity?
- Throughput (capacity)
 - Can we deliver?
- Visibility to customers (brand, sales power)
 - Do they know us
- To cover operational volatility (peace of mind, credibility)
 - Do they pay in time?

Some principle learning's from own experience

In capacity, competence and also visibility areas the two options are mostly present

- Buy
- Develop

And several means to pay the price for it

- More hours from entrepreneur
- Give some of your own shares to somebody
- Give someone some of your future profits
- Get a loan and pay interests

Use outside expertise to understand your case if needed!

VC:

- VC invests to business case they clearly understand
- VC looks for high risks with a FF attitude & clear strategy
- Dancer might be very successful, but it's not easy to analyze for the VC

Tekes:

- Is supporting companies to raise their competitiveness
 - Valmistelurahoitus: seeing the opportunity
 - R&D funds: creating new competencies & competitive technology
- Tekes wants a clear vision, how the funding raises competitiveness and how it's monetized

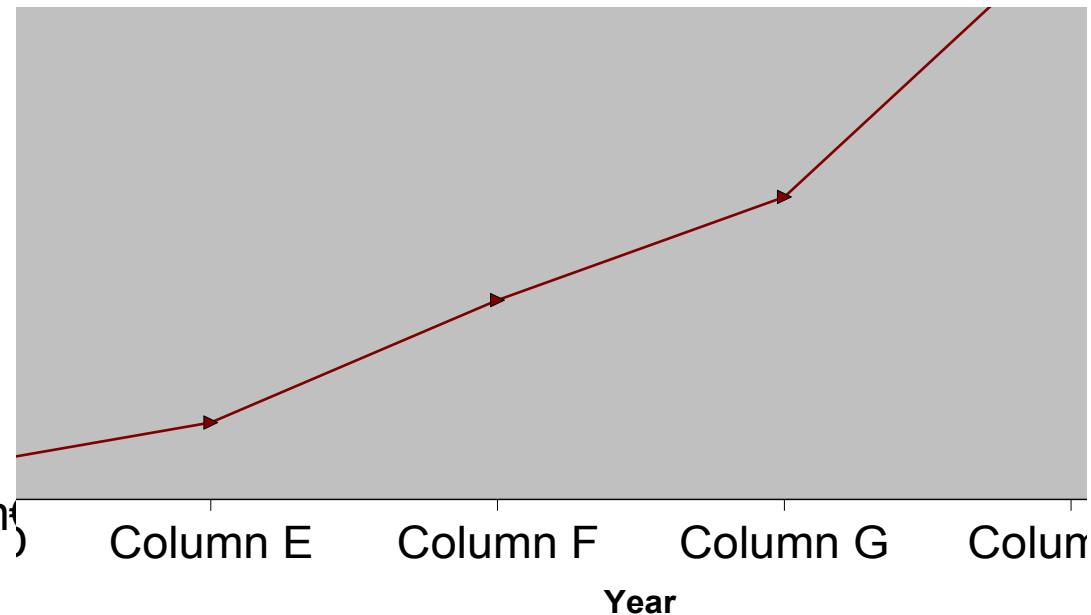
Bank&Finnvera

- Don't always need strategy, vision or written plan
- Previous history & results play also a big role

Case companies

Case companies

- 6 case companies
 - 4 in international markets
 - Company E (also smallest at the moment) having projects to international markets, but no offices yet
- Total investments to companies 11m)
- Companies done four acquisitions
 - 0, 1, 2, 0, 1, 0
- Financing also from Tekes, Finnvera, Te-keskus & banks, business angles
- 6 international daughter companies/offices in US, Europe
- Business fields include
 - Embedded software, mobile sw, digital media, mass production, small series production, ASP



Learning & growth paths & financing

Year 1/start-up phase

Global opportunity, local customers, dancer strategy

Challenge: competence level

Solution: Tekes start up loan 125t€

Global opportunity, global customers, dancer strategy

Challenge: competence level & visibility

Solution: Incubator following Tekes VaRa 40t€ + 15t€

Global opportunity, global customers, FF strategy

Challenge: competence level & visibility

VC investment, several M€

Global opportunity, global customers, dancer strategy

Challenge: competence, visibility

Business angels around 50t€

Local opportunity, local customers, dancer strategy

Challenge: competence level, visibility

Solution: Entrepreneur personally around 10t€ + hard work

Business angels around 50t€

Global opportunity, local customers, dancer strategy

Challenge: Capacity, competencies

Start-up phase:

- The dancers tried to learn the business
- The FF company started to execute
- Both Funded by the suitable means

Some picks:

- If you have a global market and not yet a clear strategy, you need to learn
 - By market investigation (go there and talk to customers)
 - Do something in nearby markets (sell services)
- Use Tekes Vara funding for hands on investigations

Who was fastest?

- The company with VC funding? No?
- One of the Business angel funded companies

Learning & growth paths & financing

Following years/growth phase

Still a dancer strategy

Challenge: Capacity, competence

Finnvera for operations, Tekes continuation for competence

Finnvera also gave stability

Going to FF strategy

Challenge: capacity

Finnvera + for stabilisation

1st acquisition for capacity, a fusion

Tekes for capacity issues

FF strategy continues

Challenge: competence level/product quality & visibility

Te-keskus for competence leveraging & visibility

Finnvera for stabilization / support competence dev.

FF strategy forming

Challenge: capacity, competence/product quality

Business angels investing a new round

FF opportunity, company stays in dancer strategy

Challenge: competence level, capacity, visibility

Finnvera + bank + 1st acquisition

FF opportunity, FF strategy

Challenge: capacity, competencies/product quality, stability

1st acquisition, Tekes funding, Finnvera

Growth phase

- Capacity issues raise
- Stability issues raise
- In some cases positive cash flow helps a lot

Some picks

- Only VC funded company not profitable after 2 years of operation
- Acquisitions as a solution for capacity & competence issues
- More or less a business models interesting to VC's, but the chosen strategy & mindset shuts VS's out

Experiences

Used instruments

- Incubator support (Hautomotuki)
- Liksa
- Vara
- Tekes Start-up funding (Pääomalaina)
- Business angels
- TE-keskus development support
- VC
- Bank (loans + account with limit)
- Finnvera (quarantines + loans)

Experiences

- Tekes Valmisteluraha
 - For hands on market information great
- Tekes R&D
 - 5/6 used, crucial for all 5
- Finnvera loans/quarantines
 - Crucial, entrepreneurs/companies did not have such available
- Sitra/Liksa
 - Helped in strategy, but not that meaningful
- TE-keskus
 - Incubator support needed, but not crucial
 - Other support important but not crucial
- VC
 - Funding crucial
 - Competencies crucial
- Business angels
 - Commitment&contacts crucial
 - Investments in start-up phase crucial

Notes!

- Tekes Vara was also crucial, because 1 companies would not have succeeded further without proper market understanding

Takeaways

VC vs. no VC

- Clarify your strategic options
- Understand your current growth pattern
- Change your growth pattern if needed to match your strategic options
- Ask!

How to go

- Global business needs global market info, use Tekes funding
- Hautomotuki / Tekes start up loan gives you time to find the focus
- Acquisitions/fusions are efficient way to grow