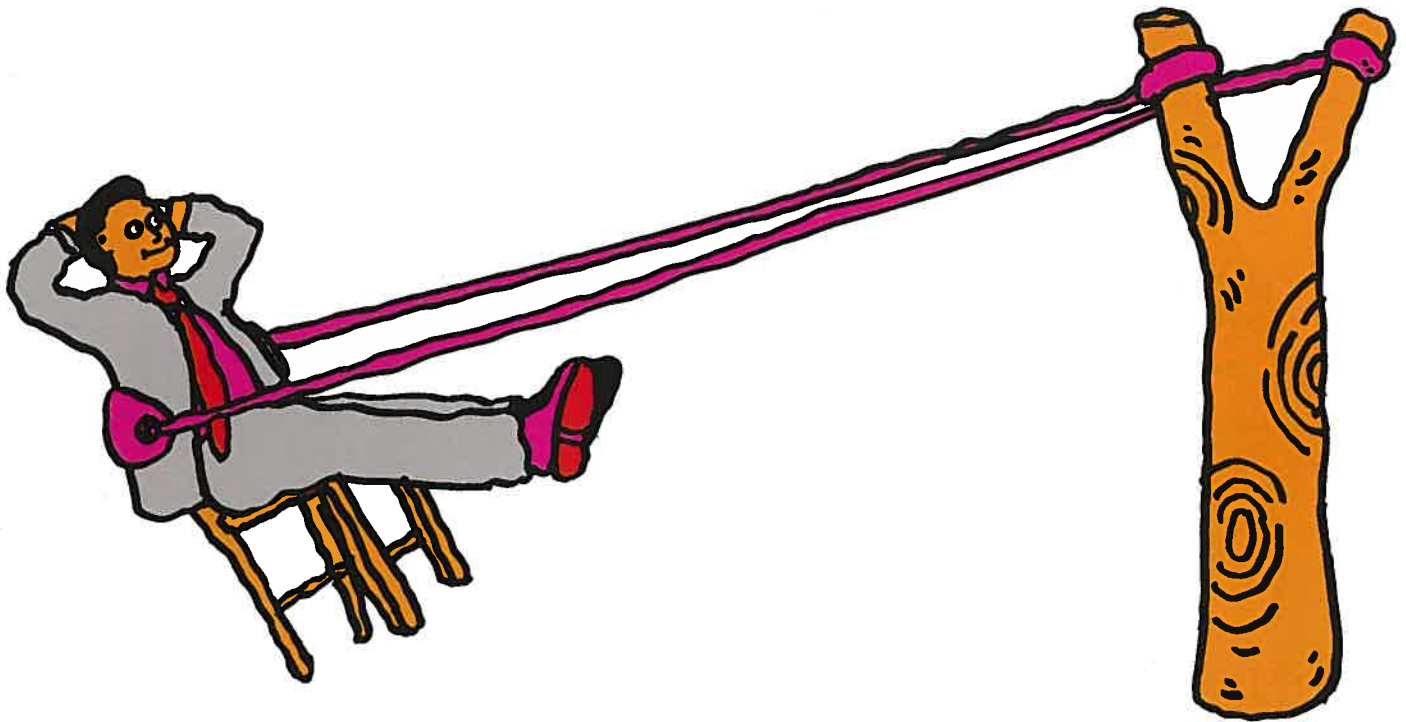


THE GLOBALLY POPULAR GAMES ANGRY BIRDS AND MAX PAYNE ARE THE BIGGEST FINNISH SUCCESS STORIES OF THE RAPIDLY GROWING ENTERTAINMENT BUSINESS. ALONG WITH GAMING KNOW-HOW, FINLAND IS ALSO HOME TO MANY SMALL GROWTH COMPANIES THAT ARE AIMING FOR INTERNATIONAL SUCCESS BY OFFERING SERVICES TO TRADITIONAL INDUSTRIES.

# LOOKING FOR **THE NEXT NOKIA**

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**A**ngry Birds is a Cinderella story unparalleled in Finnish business history. Rovio, which sprouted next to Nokia headquarters in Espoo, released the iPhone app in December 2009. Since then, it has been downloaded millions of times, quickly becoming the most popular product at Apple's AppStore.

Last year Rovio received a 42-million-dollar injection of capital from a group of investors that included Skype co-founder Niklas Zennström and the venture capital firm Accel Partners, one of the original investors in Facebook.

Funding can usually be found for good ideas, even if success is far from certain in advance. In Finland, the government actively helps guide fledgling enterprises onto the path of growth. Tekes, the Finnish Funding Agency for Technology and Innovation, and the state-owned finance

company Finnvera try to make investments that turn ideas into money. Without support from Tekes, Rovio's gaming platform and world success might never have come about.

#### FOREIGN INVESTORS FADE

The international financial crisis set off by the US housing market collapse in 2008 scared foreign venture capital investors away from Finland. Before that, more than half of venture funding came from abroad, a figure that has now dropped to one fifth.

Business angels and venture capital funds that invest in start-up or young growth companies count the notion that one major success can produce more profits than all of their own investments put together.

"Our portfolio includes 130 companies, out of which about one-fifth seem to be in a strong stage of development," estimates **Leo Houtsonen**, CEO of Veraventure, which manages Finnvera's early stage investments.

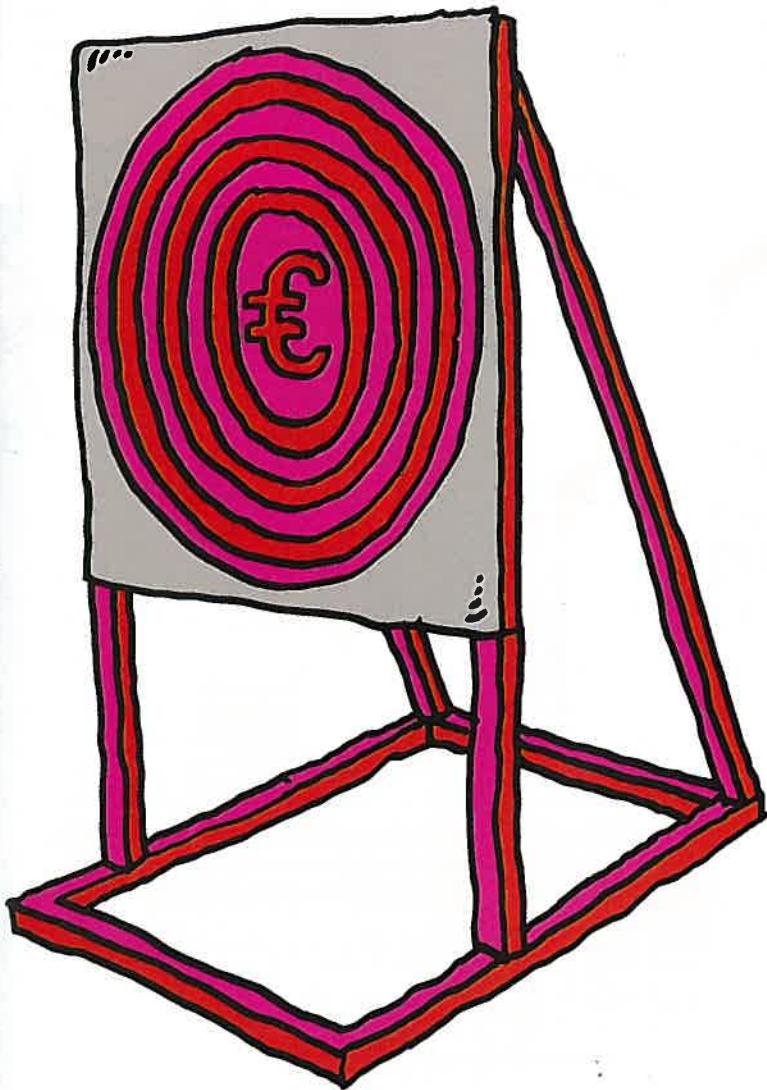
The withdrawal of foreign investors has particularly put a damper on financing for growth enterprises in the acceleration phase. Risk-aversion has also infected major Finnish investors.

"For instance it's become more difficult to attract pension funds to participate in early stage investments," says Houtsonen. "There's a move toward safer havens for investments. The same phenomenon can be seen outside Finland as well."

#### SALES NETWORKS NOT CHEAP

Often seed money can turn an idea into a product, but financing may dry up just when it is most needed. Gaming and software companies, which rely on digital distribution, can reach the world with the click of a mouse, but the internationalisation threshold is especially high for firms that require a wide-ranging sales or maintenance network.

Small growth companies aiming at international markets estimate that establishing a sufficiently broad sales and part-



ner network can easily cost 3-6 million euros. That kind of money can't be found in the petty cash drawer. Fortunately, venture capital investors may be gradually be overcoming their wariness.

"Luckily, we've had success stories in Finland such as Angry Birds. That changes attitudes and encourages investors to take more risks with companies that are not at the seed stage. Aalto University's Venture Garage has re-started Finland's start-up boom after a long hiatus," says Houtsonen.

#### THE DEEPEST ESSENCE OF LIQUIDS

Numcore was established in the eastern Finnish city of Kuopio in 2008, when seven recent doctoral graduates teamed up to put their ideas into practice. They combined mathematical modelling for measuring liquid mixing ratios with 3D-imaging.

"Besides successful gaming firms, we also need companies that serve basic industries, improve the competitiveness of Finnish companies and create jobs

throughout the subcontracting chain," says **Anssi Lehikoinen**, Numcore's CEO and co-founder.

Numcore's 3D machine vision probes the deepest essence of liquid processes. The firm's sensor is inserted into a process pipe carrying fluid. The mass flow inside the pipe is imaged directly onto a computer screen. Using this analysis, customers can fine-tune their manufacturing processes to boost quality and profits. The most promising areas so far for the technology are the mining, food, chemical and oil industries.

Tekes and Veraventure have bankrolled Numcore to the tune of a million euros. The founders have also put their own money into the firm, retaining 75 per cent ownership. Its customers already include large corporations such as Yara, First Quantum Minerals and Outotec. The aim is raise turnover

to the million-euro level soon and leap to international success.

"These kinds of products require a local presence. Building a network in different parts of the world will cost millions. That will happen slowly if we just pay for it out of our income. So looking for new investors is a likely alternative," Lehikoinen explains.

#### SPEEDING DRUG DEVELOPMENT

**Pasi Korhonen** and **Pekka Heikkilä** know all about statistical procedures used in pharmaceutical studies.

Through practical experience, they refined their strong academic background into a business idea. Now their former employers, Orion and Novartis, are among their customers.

Korhonen and Heikkilä noticed that drug companies spend tremendous amounts of time on the clinical stage of pharmaceutical studies: carrying out patient studies, analysing and reporting their results. So they developed a software product called eBESTreports that is based on statistical procedures and can cut the reporting phase from a month to a day.

"In large organisations, innovation often stagnates. We wanted to create a new operating approach, and the best way to do this was through our own firm," says Korhonen, who set up StatFinn in 2005 and remains its principal owner.

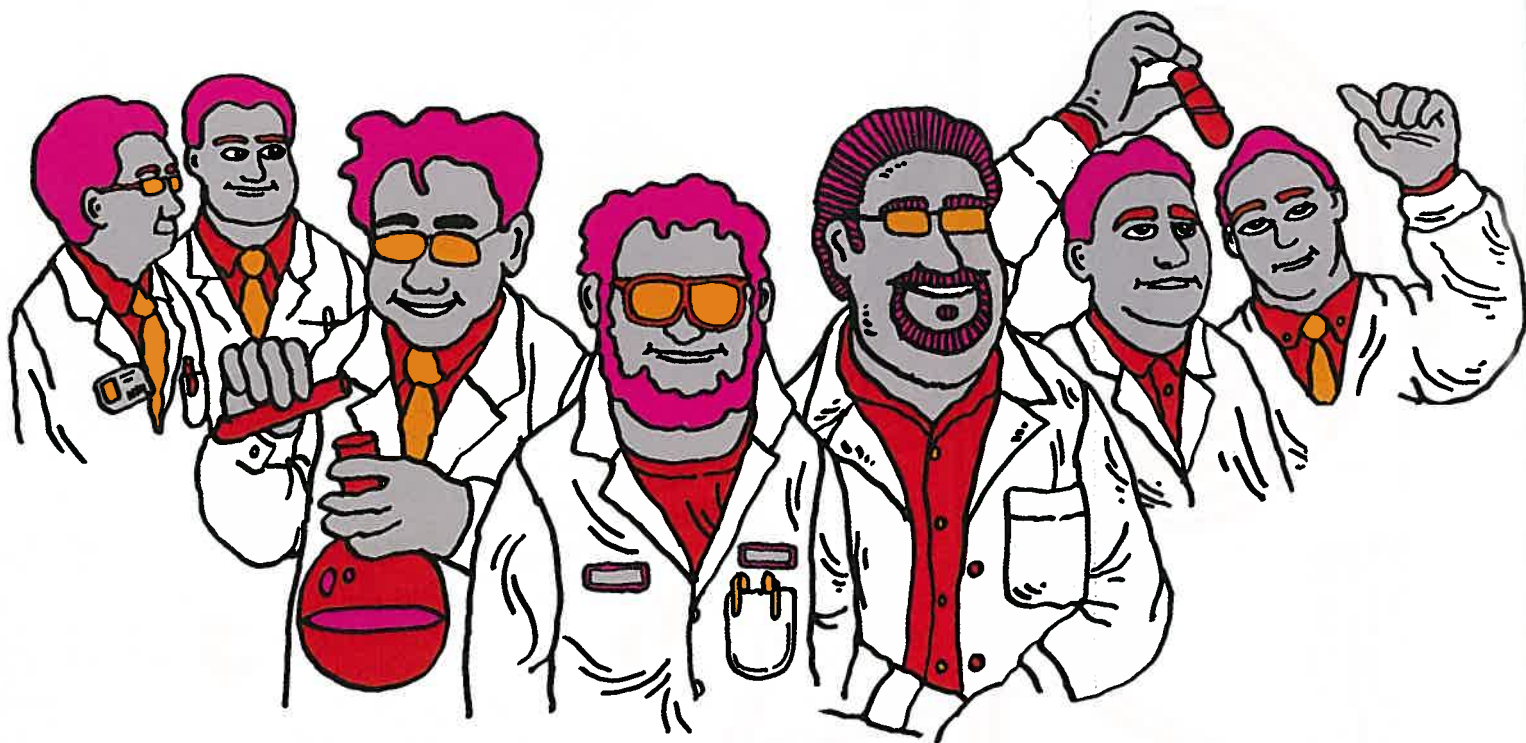
Potential customers have often been sceptical about what this product can do. Their expressions have changed from doubt to amazement as completed reports appear before their eyes in a fraction of

the usual time, with results that are at least as reliable – if not more.

"We're the only company that has developed this kind of calculation engine to

serve clinical research. Our customers save time, money and resources. The procedure can also be adapted for food research. Our next step is a jump up into the next size category," says CEO Heikkilä, who joined the firm a couple of years after it was established.

#### FINLAND'S START-UP BOOM HAS RESUMED AFTER A LONG HIATUS.



With offices in Espoo and Turku, StatFinn has 11 employees. The firm has received 350,000 euros from Tekes for product development and internationalisation. The rest of its growth has been covered through income financing. The business has been profitable since it was established. Over the next three years, the company aims to expand sales from a million euros annually to seven million.

"Growth requires financing, as it demands more resources for both manufacturing and sales. We're seeking three to five million euros in growth financing," estimates Heikkilä.

"We are actively looking for partners who could speed up our sales and distribution. Corporate acquisitions and mergers are possible alternatives. In this sector, there are lots of small operators and just a few global companies," Korhonen notes. Even if financing and partners are found abroad, the know-how will remain in Finland.

"Extra funding would bring new jobs to Finland, because research in this area is very cost-effective here," he adds.

#### EXTERNAL CAPITAL IS KEY FOR MARKET RESEARCH.

#### SENSIRE TRACKS TEMPERATURES

Sensire, based in the eastern town of Joensuu, offers services to ensure that food is maintained at the correct temperature as it travels around the world. The company's automated wireless temperature monitoring system collects and transmits real-time data about various conditions.

Sensire's probes track the temperature inside packages in refrigerated or heated deliveries, for instance, so that perishable goods reach their destinations in perfect

condition. Sensire's main transport partner is Itella, the Finnish postal corporation.

Sensire's sensors and wireless network record data about a wide range of conditions. The Metos Group, which produces professional kitchen equipment, uses the technology its devices to monitor temperatures from refrigerators to dishwashing machines. Temperature-sensitive pharmaceutical deliveries are also safeguarded with Sensire applications.

"We help our customers to maintain the quality of their products while improv-

ing their energy efficiency. The service is based on small, easily-installed sensors, which makes the system very flexible and easy to install. Along with temperatures, we can also track lighting and humidity levels within buildings, among other values," says Sensire's CEO and principal owner, **Jukkapekka Asikainen**.

Information about conditions inside packages, refrigerators or buildings is recorded in a cloud service, where they can be read in real time by a computer or smartphone located anywhere. The firm began developing its current products in 2007, and now has more than 200 customers in Finland. Last year, turnover expanded by 60 per cent, exceeding a million euros.

"This year our growth is accelerating, and we're aiming for the international markets. Growth may be realised through income financing, but we may also need external capital to do market research and build a partner network," Asikainen says.

As this kind of wireless environmental tracking service is unprecedented worldwide, the firm is targeting rapid expansion in Northern Europe for now. Landing a partnership with a global food or fast-food chain could bump them up into another size class in one fell swoop. ●