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Silicon Valley Journey

Experiences of Finnish IT Startups from Dot-Com Boom to 2010

Raija Rapo & Marita Seulamo-Vargas

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Foreword

To the Readers of Silicon Valley Journey

Having arrived to Silicon Valley over 11 years ago with the early boom of the Finnish companies and having stayed here ever since, I have both seen and lived many Silicon Valley Journeys. I am extremely happy that many of these unheard stories are now told in this book.

My sincere thanks go to Marita and Raija for digging out the stories from all the companies in this book. I'm grateful that the entrepreneurs cooperated so generously – telling about their ventures whether they were successful or not and thereby sharing their valuable experiences.

The shared knowledge will hopefully help new startups and entrepreneurs who are planning to take their ideas and companies to Silicon Valley – as well as those who have already started their journey. The valuable insights and experiences will contribute and assist in the navigation through the various challenges. Nothing will beat your own experiences – but being better prepared for your journey can save you money and time and reduce frustration. The book follows a handbook format so that it is easy to come back again to refresh your mind and thoughts.

FinNode USA – The Finnish Innovation Center – which started in Santa Clara, California in the heart of Silicon Valley has a mission to bridge USA and Finland. As sponsors of this book we hope that building better understanding of the challenges and opportunities that Silicon Valley represents prepares you better for the journey. In addition, many of you who have been part of this book or part of the experiences described in these pages might discover some things that you did not even know – or might have forgotten.

As this book encourages, have passion, never give up, and you can succeed! It is also the journey that matters – only through experiences you will learn.

Surf's up, dudes!

Pekka Pärnänen
Head of Finpro Silicon Valley
Finpro USA, Inc. / FinNode
Santa Clara, California

Acknowledgements

The idea to collect and analyze the challenges of young Finnish companies in Silicon Valley took form after more than ten years of writing news and articles on the subject. We wanted to understand what has been learned, and assist in passing it on to others. This kind of in-depth reporting is not possible in regular news work, so we are grateful for the opportunity to write this book. We hope the stories and our attempt to crystallize the "Lessons Learned" will be helpful to those who follow in the footsteps of the Finnish pioneers in Silicon Valley.

We thank everybody who generously gave their valuable time to talk with us and shared his or her insights. Clearly, this book is about the people who have done the work and those who are doing it now, the people "in the trenches." At the same time, we acknowledge that many worthwhile stories of Finnish startup experiences are not in this book and still remain largely untold.

We had the privilege of speaking with over 80 experienced entrepreneurs, executives and experts on the subjects relating to this book. We were impressed by how openly many of them analyzed and discussed not only their successes, but also their mistakes.

Very special thanks go to those individuals who read lengthy sections of the text, in some cases several versions, and patiently offered constructive comments.

We thank FinNode in Santa Clara for believing, like we did, that these stories are worth telling, and giving us the opportunity to get them printed.

Lastly, but not least, we thank our families and friends for their unwavering support during this process.

A note to the reader: the book is organized into chapters by themes. It follows that the stories are not chronological; rather, a story of a company is told in snippets in several chapters. The intent was that the book can be read as a handbook, which means that the reader is welcome to start at any chapter that she or he finds most relevant. There is some repetition of facts in the book because of this goal. We hope every reader will find some new or useful insights.

Finally, our goal was to provide an avenue for as many voices and opinions as possible, even if they were contradictory. There are and have been as many journeys as there have been Finns passing through the Silicon Valley business world, and there are just as many stories.

Silicon Valley, California

Raija Rapo Marita Seulamo-Vargas

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Chapter 1
The Boom and the Bust

Silicon Valley, 1999

The Internet boom was in full swing in the US. Dot-com startups were created in every imaginable niche and their shares were in high demand. Silicon Valley was the nexus of the boom; it was seen as the mecca of innovation, technology and entrepreneurship.

Venture capital investors and the public were competing to invest in the most promising Internet startups. The mania peaked on Tuesday March 10, 2000, when the NASDAQ Stock Exchange Index reached an all-time high and closed at 5048.62 points.

American venture capital eagerly looked for investment opportunities and companies raised $41.4 billion venture money in 1999. Next year the number rose to an all-time record of $100.7 billion, according to PricewaterhouseCoopers' Money Tree Report. Software company Siebel Systems was the fastest growing company in the US in 1999 with an astonishing 783 % growth rate, according to consulting company Deloitte & Touche.

It was speculated that traditional rules of business did not apply to Internet companies, and therefore they should not be measured by standard metrics.

Thousands of American and foreign companies set up their offices in Silicon Valley. Large corporations had hundreds of job openings at any given time. Sun Microsystems, for instance, doubled its workforce in two years. Indian, Chinese and Russian programmers were in high demand. High-tech firms lobbied the US senate to double the quota of H1B work permits, in order to be able to hire competent workers from abroad.

In Finland, cities and high-tech centers aspired to build their own "Silicon Valleys." In addition to the capital region and its technology hotspot Espoo, Tampere in southern Finland and the small town of Ii in the north were equally excited about the prospects of high-tech and Internet.

Initial public offerings by tech companies were in great demand. In 1999, 28 companies were listed on the Helsinki Stock Exchange, including two leading Internet security companies. Stonesoft Corporation offered its stock to the public in April and Data Fellows, later known as F-Secure, in November.

The magnetism of Silicon Valley, the "Eldorado of IT" reached deep into Finland. The phrase "the window of opportunity is now open" was repeated in the media and in high-tech circles. The government woke up to the importance of Silicon Valley as a technology hub. The Consulate General of Finland in Los Angeles, with Maria Serenius's leadership, refined its focus and actively assisted Finnish companies to connect with local academic, technology and business networks. Finpro and Tekes decided they needed to be closer to the center of technology and moved their California Offices to Silicon Valley.

Finnish tech companies saw Silicon Valley as the "Eldorado of IT." The phrase "the window of opportunity is now open" described what was to be expected once a startup moved to the Valley.

One of the first open source developers and the creator of Linux operating system, Linus Torvalds, had also found the Valley a good location for his work and moved to the area in 1997. His employer was Transmeta, a developer of low-power chips for mobile devices. Torvalds continued to write code for Linux kernel but because he was a well-known personality, he was occasionally asked to promote Transmeta's products.

Many Finnish tech companies saw that their golden opportunity had come and decided it was time to go global via Silicon Valley.

Timing seemed especially right for mobile and telecommunications companies, because they were in some cases years ahead of their American counterparts in technology. This was due to the know-how gathered over many years by several private telecom companies and the early experience from running NMT mobile telephone networks. The first GSM network had opened in Finland as early as 1991 (Radiolinja, now Elisa). Mobile text messaging was hugely popular in Finland, at a time when most Americans had no idea what was meant by the acronym SMS (short message service).

Finnish startups looked up to Nokia and its enormous success in Europe and other parts of the world. In 1999 Nokia was advancing well in the US, having managed to conquer over 30 % of the mobile phone market. Several Finnish mobile companies, having been successful in Europe, expected similar results in the US.

Unfortunately, the US market was more complicated than it appeared from the outside. The cellular network was patchy, and what really complicated matters for Europeans, who were competent in GSM technology, was the fact that most of the US operated under a competing CDMA-network. The GSM infrastructure was under construction. There were great expectations for the US to quickly reach the European level of mobile and cellular phone penetration, but the progress turned out be much slower than many expected.

Mobile services were in the infancy stage, even amongst early adopters. Most business people still relied on their pagers, which transmitted better than cell phones inside buildings. Cell phones were switched off in the evenings and on weekends.

On the larger scale, the telecommunications market was in the midst of disruptive change, with frenzied competition and acquisitions. It was very difficult to get a clear picture of what was happening and even more challenging to predict future moves.

Finnish telecommunications company Sonera came to the US in 1999. Its spin-offs Smart Trust and SoneraZed opened an office in Mountain View. SoneraZed was a mobile content provider, and SmartTrust offered mobile encryption technology. The boom raised the valuations of the spinoffs sky-high. Timo Korpela, who served as CEO for Sonera US, remembers that at some point the market capitalization of SoneraZed and Smart Trust was higher than that of Finnair, the national airline of Finland.

Bo Sörensen, who was working at SoneraZed, recalls that an American investment bank's evaluation for the company was around 11 billion dollars and that of SmartTrust was in the range of 10 billion dollars, both incredible sums for small startups.

Sonera practically glowed during the boom years. Korpela tells how Sonera was rumored to buy this and that and that there was a fierce debate in Finland about how the money should be spent. Would it go to pay the foreign debt of Finland or to benefit Finns' social security?

According to Timo Salomäki, who served as director of business development at SmartTrust, the US market was challenging: operators and banks were competing over which brand would dominate in mobile banking. Salomäki says the power struggle froze the market and closed the business opportunity for SmartTrust.

2000 – The Year of High Hopes

The largest wave of Finnish companies coming to Silicon Valley occurred between 1999 and 2000. In 2000, Finpro counted one newcomer per month. F-Secure had the most employees – 30 – in its San Jose office. In Finland the company employed 100 people, so the investment in Silicon Valley was relatively high. Alcom, a fax software company, had 20 employees in the US, and 3D industrial design company Design Power employed 15. Cybelius, Solid, Terapixel, Inreality, MadOnion (later Futuremark) Stonesoft, Modera, Tekla and Vaisala each employed between one to four people.

The beginning of the year 2000 in Silicon Valley was full of hope, dreams and expectations of limitless technology advancement and quick enrichment. But the limits to expansion were starting to appear in concrete issues like space and expenses.

Renting an office, house or apartment cost up to 50% more than the year before. An ordinary Palo Alto house with 3 to 4 bedrooms rented $7,000 at the low end and up to $12, 000 at the high end per month. House prices rose 20 percent during the first 9 months of the year.

The City of Palo Alto, home of Stanford University, enacted an emergency ordinance banning companies from setting up shop in street-level retail spaces. Several San Francisco peninsula cities closed the door to high-tech startups and their corporate counterparts that took over the vacant spaces once occupied by largely blue-collar shops and restaurants forced out by rent increases.

In San Jose, the largest city of Silicon Valley, some were concerned about the impacts of rapid growth. Protesters battled against Cisco Systems, which planned to build a $1.3 billion, 20,000-worker complex.

In early spring, it started to become evident that the wild growth could not last. The dot-com bubble started bursting soon after that highest peak of the market of March 10, 2000. The aftermath of the crash lasted several years, but for many Internet companies, the ax fell quickly. According to Webmergers.com, at least 210 Internet companies folded in 2000 in the US.

In Finland the tech boom continued in March 2000. The security software company Stonesoft, which had gone public the previous year, saw its market cap reach beyond that of elevator manufacturer Kone – a Finnish corporation that had 40 times higher sales numbers than Stonesoft.

Electronic payment software company Basware went public in the spring, creating a sight not seen before in Helsinki: the line of people wanting to buy the stock curved around downtown streets and the event ended up in the Guinness World Records. The company stock was oversubscribed by more than 50 times. Basware had 54, 000 stockowners, the same amount as Nokia. The number was equivalent to one percent of the Finnish population owning Basware stock.

Finnish tech firms received accolades abroad as well. For instance, Forbes listed five Finnish companies among the 300 best small-to-medium size enterprises in the world. Four of them were tech companies: Aldata, KSP Yhtiöt (now Yomi), Stonesoft and Vaisala.

Internet security company SSH Communications Security Corporation listed on the Helsinki Stock Exchange in December. The stock was oversubscribed 15 times.

2001 – The Crash

The year 2001 was the year of dying dot-com companies and melting stock markets. The Wall Street Journal reported a death toll of 537 companies in the US by the end of 2001.

The meltdown of the market was gradual: between March 2000 and October 2002, the combined value of companies listed at the NASDAQ stock exchange shrank by $5 trillion. Recovery took several years, and the IPO (initial public offering) market has so far not returned to pre-bubble levels. On March 10th, 2010, the tech heavy NASDAQ Stock Exchange closed at 2340.68 points, which was 46 % of the record ten years earlier.

Finnish startups in Silicon Valley got caught in the bursting dot-com bubble. Cybelius Software was one of them. The company had developed a 3D platform mainly targeted to large Internet portals.

"The whole business and everything related to it just disappeared. Nobody invested in them," remembers Cybelius's e-Chief Pekka Pärnänen, who was in charge of the company's marketing and business development.

"Our revenue model was broke, and we were not the only ones. There were a lot of companies working on 3D then in Silicon Valley." Pärnänen notes that similar ideas to what Cybelius was working on can only now be seen in e-commerce.

The effects of the crisis extended far beyond Internet companies. Finnish companies operating in Silicon Valley were just as hard hit as everybody else.

"Promised growth was frozen," says Jussi Harvela, ex-CEO of Solid Information Technology. "Half of our startup clients disappeared in 2001-2002. Large strategic customers like Alcatel, Check Point, HP, Nokia, Ericsson and Sonera stopped investing, and even today the effects of the bust linger in the market." The contrast was sharp to the previous years 1999 -2000, when Solid had doubled its sales.

Internet security business fared the dot-com bust better than many other sectors due to the increasing need to protect the growing information flow and control Internet hacker activity. The Finnish network security companies SSH, F-Secure and Stonesoft remained in the US adapting to the changing market. So far, none of them has gained enough traction or visibility to compete head-on with the local market leaders.

Too Much Money?

During the boom years, the large amounts of money that were invested in startups encouraged companies to spend lavishly on cool workplaces and perks for employees. At least one Finnish company in Silicon Valley ordered furniture and hardwood floors from Finland to complete a sophisticated Scandinavian office. SSH built a sauna in its Palo Alto office. In Silicon Valley at the time, extras like these were commonplace, as companies were competing for the best workers.

Petri Virsunen, who has worked in sales and marketing in Silicon Valley since 1991 for Finnish and American companies, describes the atmosphere of the boom years: "People did things they'd never do in normal circumstances, because they considered themselves incapable of making any mistakes."

Virsunen tells about a meeting with a venture capitalist. "The VC truly believed one needed to burn four million dollars to gain visibility – and fast, as the window of opportunity was small. Like having a TV commercial at NFL Super Bowl? With his suggestions, we would have run out of money in six months. I told him it was absolutely crazy. Instead, we spent less than a quarter million, using strategic placement and tracking of every dollar spent. We gained visibility and made deals."

Finnish investors had the same expectations for huge returns. Virsunen shares another telling example, this one about a Finnish company for which he was doing market research for. Virsunen visited a competitor in San Francisco; a company that could have also been a potential partner. "We had scheduled a one hour meeting and I presented our case. There was so much interest that the meeting continued for almost four hours. At the end of the meeting, I walked out with an offer to acquire the Finnish company for $16 million."

"I pondered the offer at a Starbucks coffee shop, wondering what time it was in Finland and if I could reach the majority owner and the VC there. When I called, the main investor said: 'No, it is too little.' The multiplier would have been four times the return on investment," Virsunen comments.

Virsunen says the story is characteristic of the mentality at the time. "There was no limit to expectations."

The Challenge of Timing

"All the Finns who came during the boom were out too early. Mobile infrastructure just wasn't ready." That is how several Finnish veterans sum up the early Finnish efforts to take on Silicon Valley.

Silicon Valley based serial entrepreneur Eero Teerikorpi says he experienced this with Capslock, a Finnish company that specialized in wireless security solutions. The broadband connectivity that was a precondition for Capslock to really be ready for a take-off did not develop as expected. After an unsuccessful attempt to get venture funding, it merged with a Finnish company called Mgine.

"At the time Americans pondered how to send an SMS from one operator to another," adds Mika Könnölä, who worked at Capslock at the time. "That's quite far from surfing the net with a cell phone."

Könnölä thinks that small companies considered Nokia as a company that couldn't be wrong. "The message was that in two years, there would be 3G all over and cell phones would serve as computers. That was only happening in 2009 with the iPhone, and it took seven years longer than what was the general view in 2000," he adds.

The problem for these mobile companies coming to Silicon Valley was that the focus was on the Internet, not mobile. The mobile infrastructure in the US was simply not ready for advanced mobile services and applications. It was like trying to start a car that did not have an engine under the hood. The fact that the engine was missing was not apparent before you stepped in and tried to get the vehicle running.

The mobile operators had the same blind spot as the mobile app developers as they invested in 3G networks. The slow pace of developing the 3G infrastructure was hurting the business of many Finnish mobile companies. Americans built these networks themselves, mostly on CDMA technology, where Finns either lacked know-how or otherwise did not have access.

Social media provides a new opportunity for Finnish companies. You can make money building mobile applications on top of an Internet platform.

A few Finnish startups were able to harvest results for their expertise a few years ago, when more advanced cell phones became available and early adopters wanted content. Several Finnish companies had the content, for example ringtones and games, ready to go.

The future looks different when observed as the past. In 2010 Pekka Pärnänen, who now heads Finpro office in Santa Clara, Silicon Valley, is convinced there is no way to know if the timing is right unless you try. "If you don't go to your target market, you'll never know if you're in time or if the opportunity has passed."

Pärnänen wonders if Finns panicked when the dot-com crash hit, perhaps missing the opportunities that might have presented themselves later. "Finnish companies drastically suppressed operations or closed them altogether," he notes. Once the economy started to recover, it was too late to start picking up speed again. "When it comes to mobility, years ago Finns were way ahead of Americans. Now Americans are ahead of us. What Finns don't understand is that things have changed. The know-how of developing applications moves from Internet to mobile, not the other way around. Many services, like maps, are available free on the Internet. Now you can make money building mobile applications on top of that platform."

Pärnänen is concerned that Finns may have missed the window of opportunity in social media. "Six months after Facebook opened its interfaces for developers, Silicon Valley had two venture capital firms exclusively funding Facebook application developers. Not one single application was published in Finland by that time," he remarks.

On a positive note, Pärnänen says that 2009 was the first year to see Finnish companies visiting the Valley even when the economy was bad. He hopes it is a sign that companies understand the recession is the moment to build your business. Otherwise you miss the train once the wheels start turning. "While Finland continues to experience recession, the US is already on the upturn."

Learn from Your Mistakes

Several experienced Finnish executives told us that making mistakes is the best – if not the only – way of learning. They voluntarily shared how stupid they felt with their inadequate high school English or how they did not feel confident presenting their boring slideshow in front of a couple of steel-faced VCs or an important customer.

The most important thing was they had not chickened out, but had done it anyway. They told their stories with good humor mostly without regrets.

Business failure has always been difficult for Finns to swallow. Even smaller setbacks have haunted those responsible for a business.

It is important to learn from your experience whatever it is, be it success or failure. Long term Silicon Valley pioneer and venture investor Michel Wendell, General Partner at Nexit Ventures, stresses the importance of a "post mortem" after a venture goes sour or fails. Because a business failure has traditionally been unacceptable, something to be ashamed of, the entrepreneur has preferred not to think about it and even less to talk about it.

"The cost of failure has been paid but no lessons have been learned," Wendell says. "The most efficient learning happens through mistakes. Learning through mistakes might not be the most pleasant or the easiest way of learning, but the ability to learn determines if a person is successful. Identify what went wrong and why, what should have been done differently, and then try to extract the learning into a more general context," he advises.

The message from Wendell is that if you go through the pain; why not take the gain as well. It would be dumb not to. You can learn and share your learnings with others.

If you have not failed, you either have not worked long or hard enough or have not taken any risks, or are just not admitting your failures. In Silicon Valley, people expect you to have failed in some things, and to have recognized it and learned from it.

The experiences of those who came to Silicon Valley also provide a manual for the new generation of entrepreneurs who are taking their companies to global markets, some to Silicon Valley, and others elsewhere. Starting is easier when you have people whom you can ask questions.

One anecdote shows the difference between the 1990s and today. Eero Teerikorpi arrived in Silicon Valley in 1993 to prepare Alcom, a Merita bank owned technology company, to be sold. At that time only he and a handful of other Finnish IT people were based in the Valley and basically none of them knew about each other.

In Finland Teerikorpi had owned and used a cell phone for several years. Over there it was his natural communication device and provided a network to act in.

"I was driving on Highway 101 and felt a bit isolated because I had no cell phone. Then I suddenly realized that I don't really need one. I don't need it because nobody knows me here yet and thus nobody would be calling me. And I didn't have anybody to call yet either."

Ten years later the situation is drastically different. There are many experienced Finns who can be a resource to tap into when moving to Silicon Valley. Miika Haapalainen, who recently established Ixonos's presence in the area, took advantage of the network of fellow countrymen, meeting for instance with MySQL's ex-CEO Mårten Mickos to get his advice on how to build a successful presence in the Valley.

Through boom and bust, economic expansion and recession, Silicon Valley has maintained its standing as the world's leading technology hub. In 2010, it is the trendsetting capital for all things Internet, social media, cloud computing and mobile technology. The major players in innovation, information technology and venture capital funding continue operating in the Valley and provide unique networks for small and large companies to tap into.

Lessons Learned

1. Do your homework and learn as much as you can about the market beforehand. Base your decisions on facts, not on hype.
2. Take advantage of a slow economy by doing market research. Get your company and products ready so you can advance at full speed when the economy recovers.
3. Go to the market early. If you don't go to your target market, you'll never know if you're in time or if the opportunity has passed.
4. A tight budget keeps people focused on the task. It is neither necessary, nor desirable to have too much money to spend on extras.
5. Mistakes are a part of life and not a sign of failure. Carefully analyze your mistakes, identify what went wrong and why. Then learn from them and next time use the knowledge you have gained.

Chapter 2
Making the Leap

You have to do it yourself; otherwise nothing is going to happen. Go to the market now. Not tomorrow but today. Step on the plane and start digging.

Ilkka Paananen, Co-Founder and former CEO, Sumea.

In this chapter, we will cover the following issues:

Reasons to Establish Presence in Silicon Valley
- Market pull
- Potential Markets and Partners
- Customer Feedback
- Bringing a New Technology to Market
- Funding and Exit Opportunities
- Talent and Essential Networks.

Do Your Homework
Time Zone
Flexibility
Lessons Learned

Finnish startups have had a wide variety of motives and goals for setting up presence in Silicon Valley. There have been companies that have literally been pulled to the US market and others who pushed their technology to the market. In this chapter, we will look why presence in Silicon Valley can be necessary or useful, and what has motivated Finnish companies to make that investment.

Geographically, Silicon Valley is located between San Francisco and San Jose in Northern California. More specifically, the name refers to the southern part of the San Francisco Bay area. Because Silicon Valley is a term and not an exact geographic area, its boundaries are not clearly determined. The region's core has been defined as Santa Clara county plus adjacent parts of San Mateo, Alameda and Santa Cruz counties.

San Francisco does not technically or officially lie within Silicon Valley, but in reality it is very much part of the ecosystem. San Jose may have declared itself as the "Capital of Silicon Valley," but San Francisco is "The City," the place of action in social media and content creation. Palo Alto is the beating heart, the home of Stanford University, which has since the 1950s been the birthplace of many of the most successful high-tech companies created in the region. As Palo Alto is relatively small in size, most high-tech companies are located in neighboring larger cities, including San Jose, Sunnyvale and Santa Clara.

Silicon Valley is one of the world's largest and most advanced technology centers. It is home to nearly three million people. In 2006, the area boasted the highest concentration of high-tech workers of any metropolitan area in the US, with 286 high-tech workers per 1,000 private sector workers. The numbers are from the Cybercities 2008 report by electronics trade group AeA, now part of technology industry advocacy organization TechAmerica. In terms of high-tech employment figures, the San Jose/Silicon Valley area ranked third of metropolitan areas, after the New York Metro area and Washington, D.C.

Silicon Valley has arguably the world's most advanced ecosystems for startups, with all the necessary key elements within a driving distance from each other. Just as importantly, there is a prevailing mindset that encourages entrepreneurship.

Ten years ago, Silicon Valley was the place to be for companies in the Internet, telecommunications, semiconductor and software sectors. Now the market opportunity is slightly different. Silicon Valley is a powerbase for mobile solutions, social media and the Internet. Clean tech is a growing sector – and one where great hopes are being placed as a future engine of growth. In addition, many software sectors, including enterprise software, still have global market leaders headquartered in the area.

If your company operates in any of the sectors that have a powerbase in Silicon Valley, the basic incentive for creating a local presence is the fact that Americans prefer to deal with local companies. This goes for customers, partners and funders.

George Adams, who served as CEO of SSH Inc for ten years, does not hesitate on this point.

"In the early stages, make your company look like a US company that is partnering with a Finnish company. Defuse nationalistic issues."

Adams says this is a purely practical approach. American customers prefer to deal with local companies because it makes support faster and easier, and there are no time zone issues.

It is evident that making deals becomes easier when you can meet customers at short notice. Business moves more effectively when you can make decisions quickly without having to consult with distant headquarters. There is little incentive for Americans to look outside the area, because there are already enough qualified companies and suppliers in Silicon Valley.

Deciding where to set up shop in the US needs to be taken as a strategic decision. Silicon Valley is one option among many locations in the US. Whether it is the best location for your company depends on many factors. Key issues to consider are: location of your customers and partners, talent or essential networks, cost, access to venture capital and time zone.

Reasons to Establish Presence in Silicon Valley

Many Finnish executives interviewed for this book have listed a combination of reasons to establish presence in Silicon Valley. The motives can be divided roughly into three groups: 1. Market pull, 2. Potential markets and partners and 3. Funding and exit opportunities. We will look at examples of each.

Market Pull

Providing local support was critical for securing an important new customer relationship for security testing software and services company Codenomicon.

Codenomicon was spun out of the PROTOS research project in 2001. PROTOS was a joint undertaking by Oulu University Secure Programming Group (OUSPG) and VTT electronics in 2001. The research had put the team in touch with Cisco Systems and other technology giants, which provided a good base for future business.

Mikko Varpiola, one of the founders, says it was clear from the start that the company would need to seek customers from abroad and many of them were in North America, including Silicon Valley. A couple years after Codenomicon was founded, the team attracted Cisco as a client.

"Our CTO and Co-Founder Ari Takanen visited Silicon Valley with the Global Software Program. We had set up a customer visit with Cisco. We demoed the software to them and they could tell we had further developed the product since they last saw it. They said it was promising, but at the same time they let us know that they would expect local support."

Codenomicon jumped at the opportunity and Takanen moved to Silicon Valley to start operations. In 2005 the company raised Finnish and other European venture capital to finance the Silicon Valley operation. In total the company has now raised about €7 million. The company currently employs about 40 people and it has been profitable since 2008.

Existing customers pulled technology company FogScreen into California. The company had developed a unique technology to produce a thin curtain of fog from regular tap water. The fog feels dry to touch, which allows for many possible uses. FogScreen's first customers were museums, amusement parks and concert and event organizers.

FogScreen had American customers from the very beginning, says CEO Mika Koivula. He says a US presence was required to better serve the existing customers and to attract new ones.

Koivula says California was an obvious place to go to, because it is a major location for the media and entertainment business. FogScreen looked at both Southern and Northern California.

"We did consider the Los Angeles region as well, but because we thought we may want to seek funding from the US at some point, Silicon Valley was a more attractive location," Koivula says, referring to the area's high concentration of venture investors. "In addition, we consider ourselves mainly a technology company, and Silicon Valley is more technologically friendly."

FogScreen had an international team from the beginning, which Koivula considers a great asset. He says the knowledge of local markets made international sales smoother. The team in Helsinki consisted of a Spaniard, a Frenchman, a Canadian and a Brit, in addition to Finns.

Koivula emphasizes the importance of preparing the set up of US operations thoroughly. Do your homework beforehand and put everything in order before you go, including the funding, he recommends. You will not have time to practice in the US, where customers don't have much patience with unsatisfactory service. They expect you to do business with the local rules and legislation from day one.

"The American customers are demanding, and you have to be ready to deliver," Koivula observes. "They expect a lot from you before they close the sale."

FogScreen's North American salesperson in Silicon Valley was a Canadian who had been working out of Helsinki. The benefits of moving to the other side of the Atlantic were obvious.

"Because of the time difference, doing the sales from Finland had meant that he worked at night a lot of the time. Visiting American customers from a US base was obviously a lot less expensive than flying to meet them from Finland," Koivula summarizes.

Some Finnish entrepreneurs came to the US simply because the demand for their product there was too strong to ignore.

"In spring 1998 we had so many sales to the US that we just had to go to the market," recalls Sami Ahvenniemi who was sent from Finland to set up American operations for the security software company SSH Communications Security Corporation.

"About 50% of our American OEM (Original Equipment Manufacturer) prospects were in Silicon Valley, maybe 25% in Boston and the rest in Austin and other parts of the country," Ahvenniemi says.

Being in Silicon Valley was critical, says Ahvenniemi, because the area was home to key customers, including Cisco Systems and Redback Networks, as well as key competitors like RSA Security based in Redwood City and Symantec and VeriSign Security in Mountain View.

The OEM-business is a type of contract manufacturing or outsourcing. It has been an avenue into American markets for many Finnish companies. In an OEM arrangement, one company acquires a product or a component and incorporates it into a new product with its own brand name.

"We had sales where we produced hundreds of thousands of lines of code to a router company, which then integrated it into their own program and router. It is not possible to do those kinds of sales over the phone. You have to be on location," Ahvenniemi says.

SSH started to benefit from the Valley's serial entrepreneurship when founders of successful networking technology companies -some of them SSH's customers – started new firms, backed by the same venture capital investors who had financed their first hit.

"They built a new, slightly modified product and came again to us to buy components. It was a constant flow of startups."

Potential Markets and Partners

Many Finnish companies have established presence in Silicon Valley to explore the market opportunity before they have had customers or partners in the area.

In the past, Finnish companies had a tendency to try to perfect their product before starting to sell, which was a handicap in the American market. Too often the approach was to offer a solution and then go look for the problem, rather than offering a solution to an existing need.

Fortunately, the attitudes are changing. Increasingly, Finnish ICT-companies are embracing a more customer driven approach, where early customer feedback is incorporated into product development.

"Don't wait until the product is ready," advises Bo Sörensen, who has worked at Sonera Zed and F-Secure in Silicon Valley.

"Go out and try to sell, listen to the feedback from the market and be prepared to change plans accordingly."

Customer Feedback

Ixonos is a publicly listed, global company with about one thousand employees, but in its recent launch into the US it acts much like a startup.

It could be said that the mobile solutions provider hitchhiked its way over the Atlantic on the wings of an existing large Scandinavian client.

"This client had moved some authority to the US, and many decisions relating to our field now happen here," explains Miika Haapalainen. He moved to Silicon Valley in March 2009 with his family and five suitcases to set up operations for the company's Media and Community business unit.

The recession in the US was another incentive for the timing.

"We want to expand our customer base. The time to build the foundation is now. If we try to do it when the economy starts picking up, it will be too late."

Being physically close to the customer, "on their skin," is important in Internet projects, Haapalainen adds.

"Typically the goal is not known at the start of the project, it gets defined on the way. We try a lot of things. If the work is split over many time zones, communication becomes slow and difficult."

Ixonos serves all players in the chain that brings digital content to users: device manufacturers, operators and content producers. Media houses and broadcasters are among the target clients. Media houses are concentrated on the West Coast, broadcasters on the East Coast. Ixonos is advancing simultaneously from both coasts: the headquarters of the US operation, as well as the Media and Community unit are near Boston.

Even though Ixonos is far from a start up, the US team is prepped to think and act like one. "We don't have the support of a big corporation on this continent. We are doing pioneer work," Haapalainen describes.

The hours certainly resemble startup hours. Haapalainen typically starts his workday at 6am or 7am with a call to Finland. Some nights each week he connects to Finland again at 10pm, after his regular day, to take care of time critical issues. Haapalainen is a sales person, but he also solves customer problems, does administrative tasks and attends phone conferences and meetings. Face time with the customer is what sales people are paid for, but in a one-person office the sales person will need to fill many functions.

Silicon Valley has arguably the world's most advanced ecosystems for startups, with all the necessary key elements within a driving distance from each other.

Haapalainen has gotten results quickly. Two weeks after landing in Silicon Valley, he sealed his first deal. The groundwork had been set a bit earlier.

"We were in contact with a potential client here before I arrived, and told them that we will soon be a local company. About a week after I moved, we got a request to submit a bid, and a few weeks later we had won the deal."

Haapalainen says the project is small compared to the ones Ixonos generally does. But the important part is not the size of the first deal, it is getting in.

"When we get in to work with a large corporation and do the work well, we get more projects with them later."

Software and design service company Movial established presence in Silicon Valley because it wanted to be close to major players in the telecommunications sector, which is undergoing disruptive change brought on by the Internet. The company is also interested in the funding opportunities. Movial has increased its investment in globalization gradually. The first international customer was in Europe; French mobile communications company Orange.

"It was a big milestone," CEO Jari Ala-Ruona comments. "The opportunity came through an American partner. We closed in summer of 2003."

While Europe was and remains a strong home market, Movial started to study global opportunities. Finpro's Silicon Valley office prepared the first market research for the US market. To explore funding options, Movial had started to talk with both Finnish and American VCs.

The founding team made frequent visits to Silicon Valley to meet with partners and to talk with Silicon Valley's venture capital investors, many of whom have their headquarters on Sand Hill road in Menlo Park. Progressively, steps were taken to establish a subsidiary in Palo Alto. American wireless and software industry veteran Wade Vesey was hired first as a consultant, and from 2009 onwards he has served as President of Movial North America Inc.

Movial provides subcontracting services and communication software to three customer groups: device manufacturers, software vendors and system integrators. The value-add to customers is reduction in R&D cost and a faster time-to-market.

Ala-Ruona estimates that Movial is leading the market and is a bit ahead of its time. He calls the concept "transformational Internet technologies."

"The sector is undergoing change and there is a need for services," Ala-Ruona notes.

Movial is an exception among Finnish technology companies in its origins. Typically Finnish IT startups evolve into a business from a research project or a technology. Movial began from a desire to start a business in a particular market niche, which is a classic way to create a startup in Silicon Valley, but not common in Finland.

The genesis of Movial was a realization by the three founders that the Linux environment held great promise for the mobile market, tells Ala-Ruona. "We saw that Linux will swim into these devices, including the smaller ones."

Ala-Ruona knew the field well. He was a veteran of the Linux/Open source environment, having founded and sold one company, Netmill, in the same sector. Lauri Vilamo, whom Ala-Ruona had met while studying at the Helsinki School of Economics, was a partner in Netmill and became a founder of Movial as well. The third founder of Movial, Jon Molander, attended the Helsinki University of Art and Design.

"None of us founders had an engineering background, which is quite unusual," Ala-Ruona points out.

Movial found its niche and organizational model through careful analysis of market opportunities. Ala-Ruona tells that they got a good start by subcontracting embedded Linux services. A customer at a large Finnish IT corporation provided a suggestion that partly inspired the future direction of the company.

"We were developing a VoIP for Linux-based devices. This customer suggested that it might be worth it for us to start exploring VoIP and instant messaging further, because he saw that was the direction the world was going to go."

The large Finnish corporation remains an important customer, but the founders had broader goals. "We did not want to be too dependent on one large customer. So we have invested all the money we can into getting international clients," Ala-Ruona says.

Bringing a New Technology to Market

Basware provides solutions for enterprise purchase-to-pay and financial management. The company was founded in 1985 as Baltic Accounting Systems, and bought by the management team in 1990.

Basware was listed in the Helsinki stock market in 2000. The company started exploring the US market from Silicon Valley that same year, tells Ilkka Sihvo, CEO of Basware.

Aki Aalto, who later became the country manager, travelled to Silicon Valley to map out the market situation. He visited universities to gather information on the state of electronic payment systems in the US. The conclusion was that the US had some catching up to do.

Sihvo tells about one professor, who had no idea what electronic payments were.

"His feedback was that this kind of software is not needed in the US. There was nothing like that in the American market at the time, it was all still paper based. The situation was about the same it had been in Finland three years earlier," Sihvo says.

Sihvo says the market research produced conflicting results. Basware attended trade fairs and interviewed potential customers and companies that operated in the same space. There were no direct competitors.

Sihvo says it took about 12 months to get visibility, find the right forums and get sales.

"The goal was to close the first sale during the first year. If you are selling a ready product like ours, you should be averaging one sale per month by the second year."

Basware did not stay long in Silicon Valley. It ended up moving its US subsidiary to the East Coast, closer to major customers.

Sihvo recommends choosing a startup location carefully. He says getting visibility is difficult in a country as large as the US, and managing the operation is challenging. He points out that entering a vertical market is more manageable than attacking a horizontal market.

Antti Korhonen, President and CEO of Ekahau says the company had a clear "new technology market strategy" from the start. The privately held company creates Wi-Fi based location tracking for enterprises.

"If your market is largely in the USA and innovations are starting there, you need to be present to be part of the early phases and leadership," says Korhonen who lived in the US for several years before joining Ekahau.

Ekahau had a readily available office space and a gateway to local networks through Nexit Ventures, one of the company's investors, which had an office in Saratoga.

In the beginning in 2002, Korhonen would travel to Silicon Valley from Finland approximately once a month. The following year he sent one of Ekahau's engineers from Finland to support a local business development consultant the company had hired.

Reflecting on the location decision, Korhonen says it worked because it provided a gateway to a network of companies like Cisco, Motorola, Nortel and others.

Ekahau later reconsidered its US location. The company faced a situation where the center of the technology sector was in Silicon Valley, but customers were mainly on the East Coast. Ekahau moved its headquarters to Reston, Virginia, on the outskirts of Washington DC.

The exact location on the East Coast was not a strategic decision but a personnel issue, Korhonen explains. The company had found an ideal candidate for the position of senior VP of marketing, Tuomo Rutanen, who happened to live in Reston.

"If you are looking for a VP, it is easier and less expensive to set up the office where that person is, rather than move his or her family somewhere else," Korhonen says.

Funding and Exit Opportunities

Silicon Valley is the world's most concentrated center for venture funding. The wooded hills of Sand Hill Road in Menlo Park, north of Stanford University, are the tech world's version of Hollywood's Walk of Fame: here, nearly all of the world's most legendary venture capitalists have their headquarters.

But venture capital is becoming increasingly global. Silicon Valley is from this perspective a place to make international connections. It is important to remember that Silicon Valley is not a destination in itself, but a bridge to global markets.

The most profound thing to know about Venture Capital is that it is not just about the money. VCs fulfill a much large role: they provide a direct corridor to a network of contacts. They know other companies in the sector your company is in, as well as possible key hires, good lawyers and others who can be crucial for success.

An ICT startup preparing a launch to global markets needs to have secure funding in place. The amount needed to start a serious effort based from Silicon Valley is generally estimated to be least $5 million. The first year alone will cost up to $1 million, for an office of three to five employees.

Large investment rounds are not easy for Finnish VCs to fund and they require syndicated rounds with a number of investors. Several Finnish startup companies have aspired or are currently seeking to get funded by Silicon Valley VCs. Many have tried, but few have so far succeeded. In some cases, investments by Silicon Valley VCs into Finnish companies have been made with satellite offices or partner funds in London.

What has worked for Finnish companies, however, is the exit path. Between 1999 and 2009, at least a dozen Finnish growth companies have found an exit in Silicon Valley. Silicon Valley corporations have significant purchasing power and are thus potential buyers to startups.

"North America is home to more publicly listed high-tech companies measured by their stock value than any other continent," notes Artturi Tarjanne from Nexit Ventures. "In comparison, Europe is a back country of high-tech."

Tarjanne notes that there are few leading European corporations that can compete with the Americans in their capability to take products to global markets and invest in startups with useful technologies.

"Maybe Nokia. There are very few Europeans who can do the same."

Here we will take a brief look at one case, the Silicon Valley steps of mobile game developer Sumea, which came to Silicon Valley to explore the market and exit and funding opportunities at an early stage. The company was founded in 1999, and in 2002 the founders started to meet with contact groups in Silicon Valley.

At the time, Sumea's CEO Ilkka Paananen was in his 20s, which he now calls a "childish young age." He recognized that he did not have a deep understanding of what was going on in the US game market, so he sought out local support. Sumea used a mixture of consultants and Finpro. "It could have been something else, but it needs to be a local source," Paananen underlines.

Paananen made frequent trips to Silicon Valley himself, to meet with potential customers and partners. He says nothing can replace your own presence and your own observations.

"You have to do it yourself, otherwise nothing is going to happen," Paananen reiterates. "Go to the market now. Not tomorrow but today. Step on the plane and start digging."

It is critical for the executives to be present in meetings and events. "If I had sent a sales person there and they would have returned with great excitement, I probably would not have believed half of what they said. When I was there myself, I saw with my own eyes how things were and I could make my own conclusions."

"In a narrow sector it is easy to find out whom it makes sense to talk with."

Making decisions was easy and fast, Paananen says, because he had personally been present and thus understood the market situation and knew who the players were.

"You have to keep your ears open and listen. Finns tend to think that Americans talk for the sake of talking, but you just have to fit your own message into the mix."

Paananen is grateful that they were out early. "If we had gone to market six months later, it probably would have been too late," he estimates.

Jussi Heinilä, who was head of Finpro in Silicon Valley at the time, remembers that the Sumea team also considered the Los Angeles area and met with "probably every movie studio" there. In the end, the verdict on location was clear.

"If you are in the Internet world, Facebook or Yahoo type of business, the San Francisco Bay Area is definitely right for you," Heinilä estimates, referring to the geographic location of Silicon Valley.

Talent and Essential Networks

Silicon Valley is home to some of the world's most brilliant ICT talent.. It is curious that few Finnish companies mentioned this as a motive to come to the area. Perhaps it is because Finnish engineers are considered by many to be among the best in the world. In addition, compared to Californian salaries, hiring a Finnish engineer is more affordable.

In sales, marketing, business development and venture funding, however, Finnish firms have recognized that Americans frequently outsmart them. Still, Finns seldom say they are setting up operations in the US to hire a local super star sales manager.

The networks available in a narrow geographic corridor are incomparable to anywhere in the world. If the key players in your field in Silicon Valley, you want to rub shoulders with them.

"You need to stay current on what others are doing and what the trends are," says Vivio World Inc. General Counsel and Co-Founder Pietari Grohn, who previously worked in the Bay Area with Fenwick & West, a national law firm that provides legal services to technology and life sciences clients.

"If you want to become the next Twitter, you don't have other options than to come to Silicon Valley," comments Grohn's friend Mikko Alasaarela, CEO and Co-Founder of Vivio World Inc. and Co-Founder of Rviewr Inc. Alasaarela lives in Foster City, a small city south of San Francisco, with his family. He is also Chairman of ZEF Solutions Inc.

Grohn and Alasaarela represent a generation of young serial entrepreneurs who typically are fluent in online communication. They use blogs, Facebook, LinkedIn and Twitter as tools in professional networking and ways to stay current on trends.

Alasaarela believes staying in Finland is a losing proposition if your goal is to build a big success story. Alasaarela is referring to companies in sectors that have their core players in Silicon Valley.

"By staying in Finland you make a choice to stay and watch the world go by. You are automatically behind others. And if you only travel to Silicon Valley, you do not get to make the type of connections that are based on trust."

Do Your Homework

Deciding the location of a US presence, sales office or subsidiary is a strategic decision that requires careful analysis. In the past, Finnish startup companies have not always perceived it as such. In addition, often they have not had the resources to do their homework as methodically as would have been ideal.

Small, fast growing companies often find it hard to dedicate the time and resources to do a full analysis. A thorough homework would include visits to the possible locations, mapping potential partners and consulting local networks and contacts. Especially in the past, when networks between Finland and Silicon Valley were much thinner than now, this was a tall order. As a result, some companies made moves based on insufficient analysis.

Risto Siilasmaa, Founder and Chairman of the Board of F-Secure, now thinks going to California was not the best choice for his company.

"It was a mistake," Siilasmaa says candidly 10 years later in F-Secure's multistory headquarters in Ruoholahti, Helsinki. "Without a doubt, it would have been better to establish our presence on the East Coast."

Finnish software companies are moving into international markets much earlier than a decade ago.

Siilasmaa lists three reasons why he thinks the other coast would have been a better choice: proximity to major customers, the more manageable time difference between the US operation and the headquarters, and the shorter physical distance from Finland.

In the mid-1990s, F-Secure set up presence in the US in the mid-1990s, largely inspired by the Hornet counter-purchase opportunity. The procurement of F/A -18 Hornet fighter jets by the Finnish Air Force included an offset arrangement that provided opportunities for exports and technology transfers to the US for Finnish firms. F-Secure, then called Data Fellows, set up its first office in Boston, but operations were later moved to California.

"We did not really analyze or debate the issue. It felt like a good choice," recalls Siilasmaa. He adds that Silicon Valley at the time was a "phenomenon"; it had a grand image, promoted by the media.

Of course, Siilasmaa is speaking with the wisdom of hindsight. Like many others, F-Secure changed its focus in the US a few years after the dot-com crash of 2000. As a result of strategic planning, F-Secure later concluded that operators were the most significant customers for the company, and many of the key customers were on the East Coast.

F-Secure has nevertheless kept its US headquarters in San Jose, California. Siilasmaa says the US presence continues to be valuable for the company. In 2008, about nine percent of the revenue came from North America. By comparison, in the late 1990s, North America at one point represented approximately 40% of F-Secure's global revenues.

Although Siilasmaa believes F-Secure's US subsidiary decision was not ideal, he has seen the benefits of being close to the customers. "It is useful because you are seen as more trustworthy and large enough. And in practical terms, you do have to have a local office because you do not form any human relationships without seeing people often enough. And that is not realistic if you have to travel all the time."

Like F-Secure, Sonera experienced some fumbling in deciding where to locate, when its spin-off startups SmartTrust and Zed entered the US market at the turn of the century.

Sonera partnered with many Silicon Valley based companies, including Cisco Systems, HP and Oracle. On the venture capital side Sonera worked with Benchmark Capital, Sequoia Capital and other top firms, says Timo Korpela who was in charge of Sonera's partnerships in the USA. "From that perspective, we had no other choice than to be present in Silicon Valley," he reflects.

SmartTrust and Sonera Zed opened an office in Mountain View in 2000. The startups dealt mainly with operators, which went through major reshuffling in 1999-2000 when many companies were merged or acquired and technologies shifted from one system to another.

"It was a challenge to know what was the best place to be in and whom to be with," Korpela observes. Now he advises entrants to the US to study their geography thoroughly. "It is worthwhile to carefully consider why you are here. And then choose the location."

Korpela draws attention to the distinction between customer and partner relationships and their location.

"For a company that partners in Internet or mobile technology and wants to get venture funding, Silicon Valley is the place to be."

As evidenced by the stories of new entrants to Silicon Valley, Finnish startups are increasingly sophisticated and goal oriented in researching and executing a move to California.

Evaluating the decision is now much easier than it was ten years ago. Internet has opened efficient means of communication that make it easy and affordable to get information over distances. Networking tools can be used to link quickly to relevant people.

"In a narrow sector it is easy to find out whom it makes sense to talk with," encourages Timo Rapakko, advisor and angel investor, who has assisted several Finnish companies in Silicon Valley. You just need to keep asking who knows the segment best, do research on the Internet and use your contacts, Rapakko recommends.

The existing network in Silicon Valley and Finland, comprised of people who have experience in the process, is a valuable tool that young entrepreneurs can tap into. The veterans have cleared the path to many doors and made many mistakes that can be avoided.

Ari Valtanen, ex-CTO of Solid estimates that effective use of networks and available external resources could shave up to a year and a million dollars off the cost of setting up a presence in Silicon Valley.

Finpro is a commonly used resource by Finnish companies. In Silicon Valley, Finpro and Tekes, the Finnish Funding Agency for Technology and Innovation, have combined their presence with VTT and Sitra in a shared facility known as FinNode, based in Santa Clara. FinNode serves as a bridge to connect Finnish and American entrepreneurs, companies and universities. The customers are both Finnish companies entering US markets and North American companies looking for opportunities in Finland or the Baltic region.

Quick learning is required to compete, because Finnish software companies are moving into international markets much earlier than a decade ago. This increases the need to have past experience either within the company or the capability and willingness to quickly acquire it from outside sources.

According to a study by Helsinki University, in 2000, the average age of a company at the time of internationalization was 12 years. Seven years later it was half of that, six years.

Companies can also expect to be smaller when they enter foreign markets: in 2000 the mean number of employees of the firms at internationalization was 111 employees, in 2007 it was only 44.

Time Zone

The time difference between Finland and the East Coast of the United States is seven hours, while Finland and California are separated by ten hours. For business communication, those three hours are an issue. Some say it is enough reason to reconsider California as a base for operations.

Risto Siilasmaa cautions decision makers to be very aware of the implications of the time issue for day-to-day management. "It may be easy to think you will make the sacrifices, work long days, fly a little longer flights. But when you do this for 15 years, you start to numb. The effect is erosive."

The East Coast is easier from this perspective. With a seven-hour time difference the workdays overlap at least for a couple of hours and communication is thus easier. On the other hand, some interviewees have noted benefits to the 10-hour time difference. Work can be done in one country, while employees rest on the other side of the Atlantic.

Flexibility

Ability to quickly adapt to change and change direction when needed is essential in global efforts.

"Not a single company we have invested in has executed exactly to the business plan that originally was funded. The environment and circumstances change, so the business has to adapt," says Michel Wendell, General Partner of Nexit Ventures, in the venture firm's Saratoga office.

Change is evident in those Finnish companies that survived the dot-com bust, and today continue to operate and make money. One of the first pieces of advice for the road is not to get too attached to remaining exactly the same as when you start the journey. You will need to adjust and change, which in fact may be one of the main reasons to expose the company to internationalization, especially in the constantly evolving environment of Silicon Valley.

Lessons Learned

1. Plan. Do the homework before making commitments that involve significant investments of people and money.
2. Make a market assessment. Do the critical parts of the homework yourself. Use consultants or other resources to help with research. But you need to do the legwork yourself. Meet contact groups, ask questions, listen, observe and make conclusions.
3. Take advantage of local networks and resources. You need to get a local partner if you do not know the market well.
4. For new technology companies it pays to take the customer driven approach. Go to market early. Listen to the feedback and be prepared to change plans accordingly. Don't wait to launch only when you think the product is perfect.
5. Secure adequate funding before you make the leap.
6. Hire or seek advice from people who have experience with the process.
7. Travel will be necessary regardless of where you office is. The United States is a large country with great distances between destinations. When choosing your location, you have an opportunity to choose how you will travel. Will you travel far or near? Will you be moving primarily by plane or by car?
8. Make sure you understand the implications of the time difference. Key people need to be prepared to work outside of office hours. Are there ways your company can benefit from operating in different time zones?
9. Move with an open mind. Be willing to learn and be flexible.

Chapter 3
Establishing Presence

An entrepreneur coming from outside will be swimming with the sharks.
He or she has to be faster, smarter and more connected.

Saeed Amidi, CEO, Plug&Play.

In this chapter, we will cover the following issues:

Ways to be present
- Web presence
- Virtual Office
- Local Help – Consultants
- The Network Method
- Accelerators and Incubators
- Setting up a Subsidiary

The Starting Team: Whom to Send?
The Finnish Perspective
Hiring Local Experts
- Law Firm
- Patents
- Accounting
- Visas

The Cost
Lessons Learned

If you want to sell your product, seal partnerships or get funded in Silicon Valley, you need to have a local presence. The form of that presence can differ greatly. The good news is that it does not necessarily involve a million dollar investment and you can gradually expand operations.

Petri Virsunen, a consultant who has a 19-year track record doing business in Silicon Valley, says the company has to have a commitment that to be present in some form. He lists several low-cost options for putting your name in the marketplace.

"It can be a US phone number and an address, an employee, a temporary employee or a part-time employee."

Most Finnish companies have used various methods, often at different stages. We will look at the most common options, starting with a virtual web presence, the lightest engagement, and ending with the heaviest commitment, moving the company headquarters to Silicon Valley.

Ways to be present

Web presence

For an increasing number of industries and companies, location matters much less than before in our networked, always-on world. Software, for example, can be sold over the Internet across oceans in seconds. It is possible for entrepreneurs to start earning revenues from a distant location without once setting foot on the ground there.

On the Internet, the first 15 seconds is your window to make a good first impression. The company website is the most important tool. When a customer is looking for a solution, he starts by making a Google search.

Given the importance of the web presence, it pays to build it as customer friendly and easily accessible as possible. Many Finnish company websites cater well to the European market, but would benefit from tailoring their image for the American market by having the messaging and style reviewed by a local professional. This can mean something as simple as having prices in US dollars and listing a US focused support service.

An excellent website is not only an image builder, it is a tool. Web is one of the least expensive ways to become present in the marketplace. Some Finnish companies have built awareness and impressive sales revenue from overseas before investing one dollar to hire a sales person in the US.

Documill is an 11-year-old Finnish company that offers software solutions for enabling visual search. CEO and serial entrepreneur Mika Könnölä describes how the company has gathered 80 % of its revenue from North America by selling over the web.

Könnölä attributes the sales figures to the strong IP and unique technology that the company offers. Perhaps just as important is the fact that Könnölä has an existing network and a deep understanding of how the American market operates, thanks to his earlier ventures in Silicon Valley. He served as an executive at Adobe and lived three years in San Mateo, after the software giant in 2004 acquired Macromedia, which had earlier acquired Animoi, Könnölä's earlier venture.

"This is go-to-market-through-the-web," Könnölä explains. "When somebody searches for what we offer and ends in our website, they can download a fully functioning solution and evaluate it for14 days. After that we start discussing the price."

Könnölä has been able to build sales and partnerships while keeping his residency in Finland, by spending one intense week every two months visiting key customers and contact groups in the US.

"Every time I leave, I can say: 'I will be back here in about two months, can we meet again then?'"

Könnölä typically builds long days, with three to four meetings per day when he is in the US. The cost of the week can be as little as $3000, he says, including flights, hotel, rental car and other expenses.

He adds that the arrangement requires the willingness to work at late hours. "It's not realistic to think you will sell anything to the US if you are not willing to be accessible. When you live in Finland, this often means phone calls at 11pm."

Virtual Office

A virtual office is a front that makes it look like the company has a local office or a salesperson, when in fact all employees are in Finland. The trick is offering an American number on the website as a contact.

Ekahau started with a virtual presence. The company built an American looking website in 2002 and created a virtual presence with a toll free number. In the beginning the messages were checked from Finland, tells CEO Antti Korhonen.

The company augmented its presence step by step. In 2002 Ekahau hired Blue White Partners to represent the company, a year later an engineer was sent to the US and later that year, when sales were evident, a local executive was hired in Washington D.C. as a senior VP of marketing.

Local Help – Consultants

Consultants come in two basic flavors: management consultants who advise in strategic decisions and consultants who represent the company to contact groups.

There are at least a dozen consultants in North America, who have worked with young Finnish companies in the past 10 years. Some do consulting as a side job; some consult full time and have several customers at the same time.

Local consultants can do marketing research, do preliminary presentations to customers and give useful practical advice. They can also be helpful in translating Finnish material written in engineer language into marketing text.

In California, Finnish companies have relied on both American consultants and Finns who live here. Consultants have been used for both management advice and sales leads. We will look at some basic principles on how to select a consultant for either purpose.

Be sure to enlist somebody you can trust and who has experience. Hire only those who have done the work, because knowledge does not come from books.

Trust is crucial but not always easy to establish. In the past ten years, some Finns have unfortunately had an occasional adverse experience among the many successful ones.

"There are sad stories about consultants who came to Finland in 2000–2001," says one senior Finnish executive who has worked for both Finnish and American companies in the past 10 years. Fortunately, many bad choices can be avoided by paying close attention to critical details.

First, do not believe everything at face value. Local consultants are generally extremely good at selling themselves. Check on all claims, ask for references and call them and ask them what services the consultant provided and how successful they were. Ask for specific information.

The way the consultant prefers to be paid provides some indication of what to expect.

"If the retainer is small and commission is based on results or options, it shows that the guy has faith in his selling abilities and the attractiveness of your product. I would immediately hire a salesman who would ask for a minimal retainer and a large commission when there is a deal," says Mika Könnölä, CEO of Documill and a successful serial entrepreneur.

"If the retainer is thick, you know this is not a first class salesperson," Könnölä alerts.

In the past, Finnish companies have received state funding for some stages of the internationalization process. If a consultant refers to the fact that some of his salary would be in fact be paid by the state, alarm bells should be sounding off loud and clear in your ears.

In addition to consultants who specialize in Nordic companies, there are others who have a long track record of assisting Israeli companies, with good results. During the research for this book we did not encounter any Finnish companies who have used the same firms as their Israeli counterparts. It might not be a bad option to consider, because the Israelis have a much longer track record of executing successful exits in the US.

The experience of the Finns indicate that being represented by a consultant who has a dozen or two dozen clients at a time can mean that some cases get more attention than others. There is a risk that presentations to potential customers and partners remain shallow and that the follow-through is not as systematic as it needs to be.

Expectations need to be clear between the consultant and the client. For example, the consultant may think he or she is doing what is required when simply asking potential customers if they would consider buying the client's product. The Finnish customer, however, may wrongly interpret a "yes" answer to this question as an indication that a sale is imminent, not realizing this is only the beginning of the sales process. Meanwhile, the consultant thinks he has done his job, giving the lead, and expects the client to follow through with the many more steps that might eventually result in an actual sales deal.

Jussi Heinilä is quite frank in estimating that some of the Finnish group programs have not been successful. He thinks one reason is that the participating companies have not always made a serious enough commitment, including doing the follow-up work, which is absolutely necessary.

The Network Method

One of the least expensive ways to start establishing a presence is doing it via online networks. The tools available on the Internet combined with personal connections can be an effective combination.

The networking method has the obvious advantage that there are no fixed expenses for offices or local salespeople.

"The Networking Model is very common and efficient, many small companies are using it for doing business locally and globally," says Tommi Ullgrén, CEO of Codento, a specialist company for software production and cloud computing, headquartered in Helsinki. He says the core team consists of CTO level software experts who have a deep insight on both software business and technology.

Like many others, Ullgrén uses LinkedIn as a primary tool to search for and establish business connections. Personal connections are essential as well. In fall 2009 Ullgrén estimated Codento had 10–20 active business contacts in its US network, as well as other customers, former colleagues and connections in a passive network. Active networking, supported by onsite visits and direct sales from Finland, has been found to be a cost-efficient method for finding the first customers in US. By fall of 2009, the company had two customers in the US.

Codento's business model is to provide high-end software production services and to create new products for its customers. In the US this includes working with venture capital investors who have a need for a new software-based product or have challenges in current software production in their portfolio companies.

Ullgrén has personally experienced that one contact leads to another. Potential prospects and especially satisfied customers refer to others who might need similar services, as do venture capital investors, who are a well-networked group.

Networking is particularly prevalent in the gaming industry. Events and conferences, including the Game Developers Conference (GDC) in San Francisco and the E3 expo in Los Angeles, are important opportunities to connect with others in the field. At these events, developers arrange meetings with publishers and pitch their products.

Some see that the business models in the gaming industry are moving more towards self-published games, but even if this is the case, events and conferences will likely remain important venues for the game developers. Some Finnish gaming companies have pooled resources with other Nordic game companies when attending events.

Finland boasts about 60 gaming companies, with about 1000 professionals. Several of them are export companies that do their R&D mainly in Finland. North America is the largest market.

"The number of developers is actually quite remarkable as the industry globally is relatively small," notes KooPee Hiltunen, who leads Neogames, the Center of Game Business, Research and Development, based in Tampere. He predicts that within a year to one and half years, some of the Finnish game developer companies will be knocking on the doors of Silicon Valley investors.

Accelerators and Incubators

At the turn of the century, several Finnish companies set up office in an incubator in Silicon Valley. In recent years however, accelerators have become increasingly popular. Business moves faster than it did ten years ago when the first wave of Finnish startups came to Silicon Valley. Accelerators are designed to assist companies in bringing their products or services faster to the market, but you still have to do your research.

Some of the incubators and accelerators offer only office space and no extra services like coaching. Some offer services à la carte for an additional fee, and most will be able to connect newcomers to local professionals who provide services startups typically need.

There are many benefits to parking your laptop at a desk in a cubicle surrounded by other cubicles that are occupied with people from all over the world trying to do what you are doing: grow a global company. This is one of the fastest ways to start getting into the local networks.

One of the largest accelerators in the San Francisco Bay area is Plug and Play Tech Center, with facilities in Palo Alto, Redwood City and Sunnyvale. It is one of the service providers that FinNode USA, the Finnish government backed innovation center in Santa Clara has used in its Gaselli program, which assists young companies in US market entry.

Tero Salonen from LinkoTec was the first Finn to pitch his company at a Plug and Play session, in May 2009. He had two minutes to tell a packed audience of other entrepreneurs and visiting VCs what makes Dazzboard, his company's mobile media management application unique. Dazzboard software helps users transfer photos, videos and music between devices and onto social networks via a browser.

Salonen, a serial entrepreneur, had attended a concise FinNode boot camp to prepare for the pitch, but found himself sweating in the tough situation nevertheless. A few weeks and dozens of meetings later, Salonen was pleased with the networking opportunities.

"The ecosystem and network were more than I imagined. Every day there are investors who come to hear pitches. In eight days I had five to six investor meetings. They are 20–30 minutes long first introductions. When you pitch, two to three people are listening and you get immediate feedback. They tell what they didn't get and give you advice on what to work on. Coaching is excellent."

"I am more convinced than ever that one should come here early to test the idea and learn what should be done with it. All the resources are here: the largest companies, the largest customers, the largest investors. Everybody is within a 30 minute driving time."

Salonen says it would have been impossible to do the same amount and quality of networking from Finland. "At Innopoli in Finland people go to their offices and maybe see others at lunch. Nobody asks what you do. Here, I take three steps and again somebody is asking what our company does and is ready to make an introduction to a person they think might be helpful."

Salonen was seeking \$1.5 million in venture funding to finance growing the company for the next 18 months. In February 2010, LinkoTec announced it had raised the desired amount in seed funding to boost the company's growth and global expansion. The investors were Finnish: HTT

Sixgen, a family owned VC firm and Veraventure Ltd, a capital investment company in charge of public early-stage capital investment activity in Finland.

LinkoTec was one of about two dozen international startups at Plug and Play in spring of 2009. Foreign companies will have to work exceptionally hard, says founder and CEO Saeed Amidi.

"An entrepreneur coming from outside will be swimming with the sharks. He or she has to be faster, smarter and more connected," Amidi suggests.

The most valuable service Plug and Play offers is connections. Through its extensive partnerships, it offers opportunities to meet with top tier venture capitalists and have access to networks of some of the largest IT-companies and top universities in the nation.

There are several incubators and accelerators offering services in Silicon Valley, each with their own focus. The US Market Access Center in San Jose, formerly the International Business Incubator, has been a resource for a few Finnish companies. The Oulu Region has an active co-operation with these Silicon Valley based consultants through their Global Clusters program.

An important launching pad for Finnish companies in Silicon Valley has been Nexit Ventures, whose office in Saratoga has served as an accelerator for its portfolio companies, including Conformiq, Hantro, Ekahau, Futuremark and Hybrid Graphics.

Timo Korpela from Gearshift Group is a fan of incubators.

"You meet other entrepreneurs in the same situation. You get to know people, understand the Silicon Valley dynamics, meet contacts that you would otherwise not be able to have access to, including significant venture capitalists and key people from big corporations."

Setting up a Subsidiary

Setting up an office or a subsidiary in Silicon Valley will greatly increase both the presence and the cost. Five million dollars is often mentioned as a reasonable budget that would be enough to create an American subsidiary and start Silicon Valley operations in earnest. One million has covered a kick -start by one or two people for some of the companies mentioned in this book. Some say an office with a couple of employees has cost half to one million dollars for the first year.

At this point, the company needs to allocate sufficient resources for the operation, says Gearshift's Korpela, who has recently assisted a few companies in setting up an "Inc.," a US corporation.

"The first thing to determine is the level of ambition. The company has to be at a stage it can invest a 7-figure number into the US. No matter how well you execute the operation, it will take a year to get into the Silicon Valley network," Korpela says.

Finnish companies have funded the start of operations in Silicon Valley with revenue stream or venture funding.

It is important to have a time perspective, remind experienced executives. It can take a whole year before results start really showing. Likewise, a company is wise to set clear measurable milestones in advance on what its goals are and when it expects them to be achieved.

"It is critical to start getting results fairly quickly. Otherwise it is easy to run out of money, patience and faith in the project," observes Mika Könnölä. Like many others, he thinks a small team of two to three people is a good way to start.

"It is tough to do it alone. The team members can support each other, which is important when you get bad hits."

Unless the company has headquarters somewhere else in the US, the Silicon Valley office usually becomes a subsidiary rather than just a sales office.

The most fundamental change is moving headquarters to the US. Some Finnish companies have done the operation, called "flipping," in the past. There are at least two commonly used ways to do this.

In case one there is a Ltd, a limited liability company, in Finland and a subsidiary Inc. in the US. Finnish and US investors own the Inc., but it can be flipped so that the Inc. owns the Ltd., which used to be the parent company.

In case two, a new holding company is established and incorporated in the US state of Delaware (chosen in many cases due to favorable tax laws), that is owned by US investors. The holding company becomes the owner of the Ltd. and the Ltd. owns the Inc.

The Starting Team: Whom to Send?

Finnish companies have often sent one or two of the company founders to start operations in Silicon Valley. An alternative is a key person who fully embodies the company DNA and has the decision-making capability to act efficiently.

Sending a founder is a strong signal to potential customers and partners. "Salespeople are not taken seriously," says Hannu Turunen, former chairman of network security solutions provider Stonesoft.

"The best scenario is to have the founder come to the US," echoes Ari Salonen, currently with Basware. "He should quickly get into the network, meet customers and understand who the competitors are and what is going on in the market." In the early 1990s, Salonen helped to find customers for Data Fellows, now known as F-Secure, and has since done three successful local, US-based startups in the software space.

It is imperative that the person in charge in the US be given sufficient authority.

"When you sit in the negotiation table here, everybody expects that you have the decision power. If your business card says 'CEO of the US operation' they expect that you make the decisions," says Timo Korpela from the Gearshift Group.

"If you say you have to talk about this with Finland, they will quietly wonder what is going on."

Many founders recommend having a strong Finn in a key position in the US at all times. Otherwise, they say, the US operation may start pulling in an unexpected direction.

F-Secure founder Risto Siilasmaa recommends sending a trusted Finn to start operations.

"You need a person who knows the Finnish company from the inside and can gather the support needed for the American operations," Siilasmaa says.

"It needs to be somebody who is assertive and a good communicator. And he or she needs to communicate daily with Finland," says Jussi Heinilä from Partner Up Finland.

"Americans are hungry for the sale," Heinilä observes. "If the strategy is not communicated clearly and precisely from Finland, Americans will very quickly create it themselves. If there is no communication from Finland, the Americans will move, because they are not used to just sitting still and waiting."

Heinilä remarks that if the company has no direction, then it might be quite fine for the American office to take the lead. However, if there is a direction, it has to be communicated daily.

Finnish companies who hired locals did not do it very successfully in this regard, Heinilä estimates. In fact, he considers that giving the Silicon Valley operation too much independence and not enough guidance was the biggest mistake Finnish companies made in the early years.

The Finnish Perspective

Because of cultural differences, it is valuable to have Finnish eyes and ears in the US. A Finn will see things from a different perspective than an American. Thus, the feedback from a Finn is also different, mainly because an American will always comment on things in a positive light. Finns tend to be more realistic and pragmatic, which is easier to interpret by the fellow Finns back at the home office.

Tero Sarkkinen who until 2007 was President of Futuremark Corporation's subsidiary in Silicon Valley, says the best person to start US operations is somebody who has experience in international sales.

"Not the CEO or CTO, they should come and visit as needed. The CTO is needed in Finland to oversee R&D and the CEO needs to oversee the whole operation."

Sarkkinen advocates initially sending a person from Finland, rather than hiring a local.

"If you immediately hire a local sales person, they will not know the company and the product as well. There is a greater chance that they will make promises that the company can't keep or lead it to a wrong direction. Additionally, the company may have a more difficult time getting direct feedback from customers and transfer it to Finland."

In most tech companies, at least one of the founders will typically be the technical wizard who will serve as the CTO. He or she can be the best person to attract customers, but it does not mean the CTO has to move to Silicon Valley. SSH Communications Security Corporation used their founder-CTO to effectively support sales.

At the turn of the century, Sami Ahvenniemi was in his mid-20s and still a student at Helsinki University of Technology when he was asked to relocate to the US by Tatu Ylönen. Ylönen was well known as a security software expert and the founder of SSH and inventor of its early key product Secure Shell Protocol. SSH worked to protect data in transit against network security threats.

Ahvenniemi moved to Silicon Valley, and when Ylönen travelled from Finland to the US to meet customers, the two formed an effective battle duo.

"Prospects greatly appreciated that the creator of the product was there. Selling was easy. Tatu would ask the critical questions from the customer and then tell them how to integrate the product and how long it would take."

Besides Ylönen's visits, SSH would send a Finnish engineer with a visa waiver to support sales and customers.

"It was necessary to have a technical person at the sales calls, to connect with the customers' technical people. I would talk with product and sales representatives," Ahvenniemi explains.

Ahvenniemi believes SSH succeeded in gradually building a local business. He does not, however, agree with those who say entering the US market is hugely is expensive.

"We went there to do one-to-one sales work, which does not require a big organization."

The US team leader needs to have not only the necessary skills and experience, but also a suitable personality. Whether one likes it or not, the US is a very social culture and it is essential to be able to adapt to this.

Finns often believe they do not know how to make small talk; sadly, and mistakenly, they think it's a superficial and useless activity. Quite the contrary, it is a simple way to break the ice and a lot of the time Americans are not any better at it than the Finns. The amount of small talk, however, needs to be kept to the minimum in business meetings.

Korpela tells of a client, a young Finnish executive who has lived long in the United States,"I could put him in front of powerful venture capitalists and they listened with astonishment to this articulate Finn who was not afraid to differ with their opinions."

Hiring Local Experts

In the early stages of internationalization, most firms need a lot of different types of expertise fast, often simultaneously. This is where Silicon Valley shines. A startup or growth company can find all the specialist services easily within a driving distance, many of them the best in the world in their field.

What follows is a list of the most common professionals and issues where a growth company will need to seek assistance.

Law Firm

In Silicon Valley, a lawyer often plays a key role in a startup's success. The relationship between the company and the lawyer is generally closer than in Finland, to the extent that the lawyer's role is similar to that of a general counsel or a business advisor. Lawyers are not used only for drafting legal documents; they are a critical resource for business development. This is not obvious to outsiders, because lawyers mostly work behind the scenes and prefer to stay out of the limelight.

Jussi Harvela, who started US operations for Solid in the late 1990s, says if he was to now set up presence for a startup in Silicon Valley, the first thing on his list would be to find a law firm. Lawyers can help calibrate what is happening in the marketplace, Harvela says.

"They know what kind of deals are being made and by whom. They will not be able to give specifics, but they can give general info on the market."

Law firms in Silicon Valley are highly specialized, which makes them very knowledgeable on their niche. Harvela estimates there are a handful of law firms in high-tech who "really get it."

Due to their extensive reach and depth of knowledge in their field, top law firms have excellent business networks from executives to superstar technologists. A startup that gets a top lawyer will benefit from his or her Rolodex or address book of contacts In addition, lawyers also know who might be available for a certain position or who might be interested in a board seat.

> The lawyer's role is similar to that of a general counsel or a business advisor.

It is best to hire a law firm within the state the company operates in. Laws and regulations differ between the 50 states in the US. Experienced executives recommend hiring the best law firm you can afford. "Do not try to save in legal expenses," counsels Ari Salonen from Basware. "There is nothing more expensive than an incompetent lawyer."

Antti Korhonen from Ekahau advises using a top notch, high priced law firm selectively and relying on other, less costly attorneys for simple matters. Korhonen says Ekahau used a Palo Alto law firm that cost $600 per hour, and supplemented them with a less expensive lawyer. He has also consulted with a law firm specialized on intellectual property when needed.

When making contracts, never rely on handshakes. Get every contract in writing. Templates exist for many contracts, but it is not advisable to depend on them. Templates are not specific enough and may be outdated. Business models, legislation and requirements change so fast that an existing template may be outdated. Always use lawyers to draft contracts.

Patents

It is best to take care of patents early on and properly to protect the intellectual property (IP) of your company. When not addressed proactively, patent issues can cause significant problems.

The US is a global clearinghouse for patents, and they are used as negotiation tools. Patent infringement cases are common. Getting caught in a lawsuit is expensive and time consuming and can also have an adverse effect on the daily running of the business, because managers have to spend their valuable time in the courtroom instead of on their job.

Patenting is not hugely expensive or complicated. A lot of the basic information on the patent process can be found by doing a Google search. It is possible to do the process in-house, but there are firms that can be hired to take care of the task. It is strongly recommended to have patent applications reviewed by a specialized lawyer.

A provisional patent is a useful and relatively inexpensive tool for young companies. The advantage of a provisional patent is that you get a priority filing date at a low cost, in effect putting your stake in the ground for purposes of priority. To hold that date, you do need to file a final patent application, in which you need to point to the text in the provisional application.

Richard Horning, Counsel with American law firm Sonnenschein Nath & Rosenthal, says the provisional patent has many advantages.

"If done properly, the provisional patent gives you a priority filing date as to the claims in that provisional at a relatively low cost," says Horning, who has practiced law in Silicon Valley for 40 years and has assisted both American and international technology companies, including Finnish and other Nordic clients.

Cost of the provisional patent application is about one third of the final application for clear-cut cases such as many software patents. The savings come from the low filing fee and the fact that the lawyer's time is reduced.

Approximately $12,000 would generally cover a straightforward application in the computer science field, Horning estimates. A provisional application would thus cost about $3,500. Horning emphasizes that the figures are generalizations, and complicated applications, including those in biotech would be much more costly.

One advantage of the provisional application is that it buys you time to determine if filing the final patent will really be worthwhile.

"You can file the provisional patent application and wait 11 months and three weeks to decide if you really want to pursue this patent application. If the answer is no, then you are out of the cost of the provisional application and the filing fee, which is a fraction of the cost of the real application," Horning says.

In the United States priority is important, although it is not the end of the story. "The US still has a first-to-invent system, as opposed to first-to-file. In Europe and the rest of the world, first to file is the rule and thus, the filing of the provisional gives you that early, low-cost priority date as long as you subsequently file the full patent application, which incorporates the details of the provisional," Horning notes.

The patenting process can be lengthy and it may take 3–7 years for a full application to be processed and for the patent to be issued. One example was a patent filed by Solid Information Technology: while being interviewed for this book in April 2009, Ari Valtanen, ex-CTO of the company, got a phone call informing him that a patent filed in 2004 had just been approved.

Patenting organizations and offices worldwide are making efforts to streamline the patenting system between countries. International patent filings can be made under World Intellectual Property Organization's (WIPO) Patent Cooperation Treaty (PCT).

At the time of writing this book, the US and Finland are in a trial period, set to expire in July 2010, to streamline patent applications between the two countries. Under the Patent Prosecution Highway (PPH) agreement between the US Patent and Trademark Office (USPTO) and the National

A provisional patent is a useful and relatively inexpensive tool for young companies. It buys you time to determine if filing the final patent will really be worthwhile.

Board of Patents and Registration of Finland (NBPR), an applicant receiving a ruling from either office may request a fast track examination in the other country. According to the NBPR website, the trial could be extended for up to one year, depending on the volume of requests and other factors.

Sometimes even proactive patenting does not prevent complications. Wireless enterprise solution provider Smartner Information Systems found itself threatened with a patent lawsuit that could have derailed the company's plans in the US.

"We had started to patent our inventions early. But when we were entering the US market, Visto Corporation, a strong local competitor, claimed we had infringed on their patents," tells Ari Backholm, Co-Founder of Smartner.

California based Visto holds several patents in push email. It had previously filed similar lawsuits against other companies in the field.

Visto filed a complaint alleging patent infringements in the U.S. District Court for the Eastern District of Texas. However, technically there is no lawsuit before it is physically handed to, or "served," to the defendant. In this case, of course, the defendant was based in Finland.

To complicate the matters, Smartner was simultaneously having talks about a possible acquisition by Redwood City based SEVEN, a leading provider of mobile email and messaging solutions.

Mark Addison, founder of PR firm Rocket Science, was working with Smartner on their US launch strategy. He wanted to get Smartner visibility at the 2005 CTIA wireless trade show in New Orleans.

"Smartner wanted to show the potential acquiring company that it was serious about entering the US market, either with them or on their own," Addison remarks. "It was a bold move."

"Given that there were these discussions of an acquisition it was strategically very important that they not be actively in a lawsuit. We had to make sure that any official, any board member or officer of the company could not be served those papers on US territory," Addison says. "This created a bit of a cat and mouse game at the CTIA, where Smartner was doing its US launch."

In the end, Smartner settled with Visto and licensed technology from them. Backholm explains that engaging in a patent lawsuit can be costly, whether you win or lose.

"If you don't defend yourself, you lose automatically, and may never be able to enter the US market. If you defend yourself, it may cost you millions." In addition, fighting a case is burdensome, because it takes time and energy away from developing the business.

Texas Eastern District is known for being a court where patent holders win a majority of the cases. Backholm explains that patents can be interpreted in many ways, depending on what the exact meaning given to each word is. An engineer may interpret a patent in a different way than a layperson in a jury deciding the case.

Backholm recommends not only filing patents, but also checking if they infringe on any existing patents. Willfully infringing on a patent will triple the verdict, he says. "To check, it will often be enough to quickly get a statement from a patenting office. If something looks suspicious, take it very seriously right away."

Accounting

Accountants are used for various matters, including filing for federal and state taxes, administration of employment payroll and retirement plans (called 401(k) in the US) and other benefits.

Most Finnish companies have outsourced these services, because it simplifies operations and ensures that everything is done correctly.

Visas

Getting visas to the United States is a time consuming process, to the extent that it can become a hindrance to the actual business operations. In addition, it can cost thousands of dollars. It pays to learn the basics beforehand.

For details on the visa process, please refer to chapter 9.

The Cost

Silicon Valley is one the most expensive places to live and work in the United States, comparable to New York City. Currently the Valley is relatively less expensive than it was 10 years ago.

The financial crises and the following recession have hit hard in Silicon Valley. In the fall of 2009 the unemployment rate was about 12 percent. Naturally, for an employer this means there is a pool of competent professionals available, as many are looking for employment.

During a recession, office and housing rental prices decrease and there is more availability. It is possible to find deals where you can lock up the rent and maintain the lower level even when prices go up as the economy recovers.

The following is a sample of typical cost of services and other expenses. Data is gathered from the executives interviewed and employment website Monster.com. It is intended to give the reader an indication of the cost of doing business in Silicon Valley, and is not a complete overview.

- Virtual office with an address and answering service: $250–$500/month.
- Desk in an incubator, basic fee: $700–$1000/month. Can be month-to-month.
- Two person office in San Jose: $1000+/month. Usually requires a 1–3 year agreement.
- One person office with use of conference facilities in San Francisco: $1000/month. Usually requires a long-term commitment.
- A local consultant who will represent the company to potential customers: starting at $5000/month for a part-time consultant. On top of this, you would likely pay a success fee.
- Lawyer, hourly rate: $250–$600.
- H1B or E visa: $10–20,000 per employee.
- Examples of average base salary ranges for ICT professionals in Palo Alto, CA (from Monster.com in March 2010):
  - Software Engineer $61,000–$75,000
  - Software Engineering Manager $123,400–$160,000
  - IT Project Manager, level II $93,000–$116,000
  - Regional Sales Manager $100,600–$143,000
  - Database Administration Manager $115,000–$145,000
  - Marketing Director $137,000 to $202,000
  - Chief Information Technology Officer $211,600–$330,600
  - Chief Financial Officer $300,000–$508,000
  - CEO $620,000–$1,085,000
  - In addition, bonuses may be expected. All key US employees should have stock options in a startup.
  - Part of salary that goes to pay services typically covered by government in Finland: $60–80,000/year.
- Headhunters: start negotiating at 28–35 % of yearly salary for search. Processing resumes: 20%/yearly salary.

”There is nothing more expensive than an incompetent lawyer.”

Lessons Learned

1. A local presence is necessary to sell, partner or get funding in Silicon Valley. There are many ways to be present, and the first step does not need to be setting up an office.
2. Lightweight options to create a presence include a website localized for American audience and a virtual office.
3. Consultants can be hired to advise on strategy or represent your company. Choose the consultant carefully: always check references and talk with previous clients. It is essential to clarify expectations and make sure both sides understand them.
4. Accelerators or incubators can offer a fast track into local networks. But it will still be up to you to make use of the opportunities, so you need to be active and dynamic.
5. A subsidiary will substantially increase the cost, complexity and commitment of a Silicon Valley presence. Secure sufficient funding and other resources before advancing.
6. Carefully consider whom you will send or hire to start the Silicon Valley operations. Look at skills, experience and personal characteristics. Desirable qualities include assertiveness, good communication skills, high motivation, flexibility, expertise and trustworthiness.
7. Set measurable milestones for the Silicon Valley operation. Measure the progress and make changes if goals are not met.
8. Communicate the strategy clearly on both sides of the Atlantic.
9. A lawyer is a key contact in Silicon Valley; he or she is much like an advisor or a counsel. A law firm can be a crucial networking tool.
10. It is highly advisable to use legal help in all contracts.
11. Take a proactive approach to patents. A provisional patent offers a lower cost way to secure a priority filing date.
12. Silicon Valley is not a cheap area to do business or reside in. Research costs beforehand so you have a realistic base for budgeting.

Chapter 4
The Silicon Valley Mindset

Of course winning here is exhausting. This is the Olympic level competition in certain IT sectors. It is just as tough as winning in the Olympics.

Mårten Mickos, former CEO of MySQL.

People here want to build something new constantly. They think it is fun and if they are not doing it, they feel they are out of the game. It is a creative culture.

Mika Salmi, Founder of Atom Films,
former President of Global Digital Media, MTV Networks.

A startup is not just a workplace, it is a lifestyle.

Sami Inkinen, Co-Founder, COO, Trulia.

In this chapter, we will highlight characteristics of the Silicon Valley way of doing business:

Ambition
Urgency and Timeliness
Constant Creation
Help Others, Others Help You
Manners
Entrepreneurs Are Heroes
Lessons Learned

Silicon Valley is one of the world's most studied ecosystems of innovation and entrepreneurship. The magnetism of the area has for decades pulled in the best, brightest and most ambitious minds from all corners of the globe.

The term "Silicon Valley" was first published in Electronic News in 1971 by journalist Don Hoefler. He was describing how electronic firms were mushrooming in Santa Clara County, then poetically known as the "the Valley of Heart's Delight," thanks to the abundant orchards and the thriving fruit industry in the area. By the 1970s, things had changed. The Valley was more about silicon, the element used as raw material in the semiconductor and computer industry. Prune, cherry and apple orchards were replaced by chip manufacturing plants and offices for the fast growing computer industry.

Now Silicon Valley is much more than a congregation of high-tech companies and cities on a map. It is a mindset and a particular way of being, learning and doing business.

When starting operations in Silicon Valley, you are taking more than a geographic leap. You need to shift your mindset.

When starting operations in Silicon Valley, therefore, you are taking more than a geographic leap. To be successful, you need to shift your mindset.

While it may be impossible to appreciate the essence of Silicon Valley before experiencing it, there are a few central characteristics that can be fairly easily defined. Being aware of them should help a newcomer in getting settled.

Ambition

Silicon Valley is the Olympics, the NHL and the Bolshoi of entrepreneurship. It is where the world's best IT companies compete. "Don't come here, if you are not ready for what it takes," advises Mårten Mickos, former CEO of MySQL.

"The toughest players are here. It is just as hard work for an entrepreneur as for Teemu Selänne in NHL."

Mickos admits he himself had a little bit of naive self-confidence when moving to Silicon Valley. That is actually not a bad thing, he says. You just have to get over it. "You have to get down to reality and start working really hard."

There is no doubt that Darwinism is alive and well in Silicon Valley. Only the best win and the ones who can't keep up will fail. The risk is still worth taking, Mickos encourages. Finns actually have a great advantage compared to many other nationalities, because they always have the fallback option to return home, he reminds. Or, we might add, they can try again.

Silicon Valley is the Olympics, the NHL and the Bolshoi of entrepreneurship.

Sami Inkinen, a Finnish entrepreneur who has embraced the local mindset, says the whole core team has to have a high level of ambition.

"If only one person in a company of less than 20 employees is 'just working', the game is over. You can not build a winning team, if everybody does not have the startup mentality," says Inkinen, Co-Founder and COO of San Francisco based online real estate company Trulia.

"It makes no sense to start a company that you are not passionate about. If your goal is only to make money, it is not worth it."

Urgency and Timeliness

In Silicon Valley, perfection is the enemy of good enough. Speed is more important than getting something absolutely perfect before it is out, whether it is an idea or a demo product. Things move fast from an idea to execution. The same sense of urgency applies to business relationships.

People are very punctual; they start meetings in time and end in time. The sheer amount of contacts that a Silicon Valley executive meets in a given week limits the time available for each encounter.

The first rule for anybody doing business in Silicon Valley is to be on time. Being late for other than a compelling reason is a bad start. Despite the importance and simplicity of this basic guideline, many Finns have taken it way too lightly, jeopardizing business relationships.

"Some Finns don't seem to really care. They arrive late to a meeting and then joke about being late. Here you call and apologize if you're four minutes late," Mickos reiterates.

"Ninety percent of Finnish groups have arrived late when visiting us and have not let us know they are delayed. They don't understand that this may kill a business opportunity. Some of them don't even know how to say 'sorry.'"

You need to have an agenda ready beforehand on what will be discussed, what should be achieved and how much time it takes. Contrary to a common belief, small talk is limited to a few sentences. Do not waste time on explaining the background, nobody is interested in it, recommends Mickos.

The details can be taken care of later, adds Timo Korpela from Gearshift. ”The high level decision-making takes place at the meetings. That’s where the agreement is made. The technical or legal details are taken care of afterwards. You have to decide on your limits beforehand, you can not say ‘I will ask the CEO’ or ‘I will sleep over it.’”

In customer relationships, reacting promptly is essential. Miika Haapalainen, who moved here to start operations for ICT software services company Ixonos six months ago, has quickly learned the basics of speed requirements.

“Business is much more hectic here than in Finland. When a customer asks us for something; maybe a question on how a product works, or they want us to make an offer on a bid, they expect to have the answer right away. Not sometime later.”

Follow-up needs to be swift. ”When you meet potential customers at a conference or elsewhere and you both agree there is enough reason to continue talking later, you organize the conference call or meeting that same week. If it has to wait till the following week, that is ok, but after that, it is a lost chance.”

Constant Creation

One of the unique features about Silicon Valley entrepreneurs is that when they hit the jackpot, they don’t quit playing. Unlike in some other places in the world, success is not mainly defined here by money or by the car you drive or how big your house is. Success is internally driven.

“Here it is always about what your project is now or what it is next. Everybody thinks about their next thing,” contemplates Mika Salmi, Founder of Atom Films and former President of Global Digital Media with MTV Networks.

Darwinism is alive and well in Silicon Valley. Only the best win and the ones who can’t keep up will fail.

“In France, for example, it is different. We had some French visitors, and they were wondering why are these successful and famous people are still working? My own conclusion is that those people keep working because they think it is fun.”

Salmi adds that there is also a sense of being left out of the game, if you stay on the background, as an investor, for example. ”People always do more and more. It gives them a sense of pride or self-worth.”

What Salmi describes is a model of entrepreneurship over 40 years old, where a successful exit does not mean you will go and retire to a castle far away from action. Quite the contrary, you go and learn again and maybe assist somebody else along the way.

Help Others, Others Help You

One of the first pleasant surprises a newcomer encounters in Silicon Valley is the way entrepreneurs and others are interested in what you do and happy to give you helpful suggestions and referrals.

“Silicon Valley is a curious blend of intense competition and helping others,” remarks Mika Salmi. He notes that getting access to the decision makers does not happen overnight.

”How can I help you, how can you help me?” That is the spirit of Silicon Valley.

“It will take two to five years to get into the inner network and it is not easy, but when you are there, you meet all kinds of people at the high level. People get to know what your interests are and refer you to others.”

In Silicon Valley, it is not *what* you know; it is *whom* you know and *what value* you bring to the table that makes the difference.

Mika Könnölä, a serial entrepreneur and CEO of Documill, says one connection leads to another.

"It is not so much about who your friends are, but whom they know." Könnölä tells an example from a time he needed to get to high-level people in the enterprise search sector.

"I had friends who knew some of the grand old men, who in turn could make C-level introductions (CEO, CFO etc) to large corporations."

"One time I got to do an hour and a half presentation of our product at a CEO's home. The opportunity came after a friend called his friend and said, "Do you have time? I have come across something interesting that I have never seen before. I think it might be good for you."

You will not get far just by talking to dozens of people, if you never find the rainmaker. Unfortunately, finding him or her is not easy.

In Silicon Valley, it is not *what* you know; it is *whom* you know and *what value* you bring to the table that makes the difference.

"You need to learn the social nuances," says Mårten Mickos. "The dynamics of how things work and what it means when each person says things. It is not obvious right away who is the diplomat who only talks, but doesn't make any decisions, and who is the real decision maker."

Teemu Huuhtanen has done business in California, both Silicon Valley and the LA area for several years, first with Orchimedia in the late 1990s and early 2000s, and with online social media company Sulake, creator of Habbo Hotel, since 2003.

Like others, Huuhtanen notes that building relationships takes two to three years. First you create the network, and then the business follows, he says. In the beginning, Huuhtanen was surprised by how tight and small the decision-making circles are in the California tech and media hubs.

"People call each other and ask others if the newcomer is an ok person and if it is worth doing business with the company."

Huuhtanen advises Finnish companies to think long term and appreciate the employee who has worked to build a network over many years. "You can not switch a network to somebody else. The new people will need pretty much just as long to create the relationships themselves."

Everybody is treated in a very friendly fashion, and Finns have sometimes mistakenly believed that the pleasant comments mean that business is imminent. What really happens, however, is a whole different thing. Huuhtanen says that over time one develops a sense that tells when people are really serious and not just being polite.

Mikko Alasaarela has built a network twice, and comments on the degrees of confidentiality. "The first network I created by visiting here about 30 times. Now I am a local. I go watch our kids' soccer games and stand on the side of the field with friends who are also entrepreneurs. The difference between an acquaintance and a friend is massive."

To be a valuable part of the network, you need to be active and share information. Giving information freely is common in Silicon Valley.

Many Finns say information does not flow as easily in Finland.

Timo Korpela from Gearshift notes that it is better to be a node in the network than just a member. "Being a node means that people are trying to come to you, rather than you trying to get to them."

Non-disclosure agreements (NDA) are not as commonly used in Silicon Valley as in Europe, which can lead into awkward situations.

Rocket Science Founder and PR professional Mark Addison explains why.

"We open up. We open up source code and we open up ideas. When I am in Europe entrepreneurs want me to sign an NDA before they talk about anything. Here in Silicon Valley people talk without it, because they are convinced that their own idea is better than anybody else's. They would rather recruit you to help them with their own idea than try to steal yours."

Unfortunately, some Finns have not been aware of the standard conduct regarding NDAs. Sami Ahvenniemi tells a cautionary story.

"A startup went to Cisco Systems to meet with a VP – a meeting that had taken a lot of work to arrange. The Finn starts by handing over a NDA and says 'Sign here and then we can talk.' This is the greatest insult to the leading router technology company in the world. In essence, you are saying 'we have such a unique technology that we cannot tell you about it unless you sign'. Usually a VP would walk out of the meeting at that point."

One saying you hear a lot in Silicon Valley when you tell about your successes, small or big, is "Good for you." It may be a surprise to many, but most often it reflects a genuine sentiment and is not just a phrase. People are happy when good things are happening for you, and they are happy to help if you ask. So ask for help. The worst they can say is "sorry, I wish I could help but I can't." And the best they can do is open another door.

A newcomer will just have to go out, get involved and work the room at networking events. Richard Horning, Counsel at American law firm Sonnenschein Nath &Rosenthal, says opportunities to network are practically everywhere in Silicon Valley.

"There is such a density of population here involved in one aspect or another of innovation. You can hardly stand in the line anywhere; at a Safeway, at the soccer field or the famous Taqueria La Bamba in Mountain View without running into somebody who can help make an introduction. 'How can I help you, how can you help me?' That is sort of the spirit of Silicon Valley."

Be on time. Have an agenda ready on what will be discussed, what should be achieved and how much time it takes.

Horning's advice: "Pass out your business cards and introduce yourself to people. Be willing to take assistance from someone who has been in Silicon Valley for an extended period of time and is willing to coach you. At the end of the day, it is the network that is the secret sauce of Silicon Valley."

Sometimes help appears from an unexpected source at a time you most need it. Petteri Koponen, Co-Founder of Jaiku, tells how a barber stepped in to assist him in a tight spot. Koponen was meeting investors in Silicon Valley and had stepped in for a haircut on University Avenue in Palo Alto between appointments. He says he had then not yet figured out that a car is practically essential on trips in the US, and had not rented one. So he asked the barbershop to call for a taxi to drive him to meet with Intel Capital in Santa Clara, a 20-minute drive.

"The taxi company said the cab is on its way, but time went by and no taxi shows up. I went back inside and said 'This turned into an expensive haircut – I have an appointment with a venture capital investor, and they are not going to be happy if I don't show up!'" The middle-aged barber who had just cut Koponen's hair said, "Now, this is important! I will come drive you," dropping his work and directing the entrepreneur straight outside into a beaten up red car. He did not leave Koponen in a lurch in Santa Clara, either. The helpful barber offered to wait while the Finn had his meeting, and then drove him to the next appointment, back through Palo Alto and onto Menlo Park, through the golf fields near Sand Hill Road, parking next to the luxury cars owned by the venture capitalists in their offices.

Koponen says crazy things sometimes happen, and when faced with challenges in a startup life, "the thing to do is to not give up, but to think how to go forward."

Manners

One of the strengths of the Silicon Valley business environment is its diversity. You meet people and companies from all over the world and you get to understand how an Indian, an Israeli, a Brazilian or a Chinese does business.

About half of Silicon Valley tech companies have been founded by foreign entrepreneurs or entrepreneurs who were born outside of the US. Most immigrants adapt to local manners, while keeping some ethnic flavor from their homeland.

Mårten Mickos advises newcomers to be humble, even if they are senior level executives.

"I have seen quite a few experienced business people who are arrogant. They come here and pretend to be insiders who know everybody and everything. They are not insiders. You need to be humble. You have to come here with your eyes and ears open and learn."

Marketta Silvera, who moved to Silicon Valley as a young woman and became a serial entrepreneur, agrees that arrogance has no place here.

A founder and top executive of one the world's largest Internet companies once received a Finnish prime minister in biking shorts.

"You have to be confident, but not arrogant, you have to listen and be humble. That is maybe not always easy for a Finnish entrepreneur who is a brilliant inventor."

Showing respect for others is a must in every situation. Plain old good manners carry a long way, Mickos has noticed.

"Open doors, let people go in before you, apologize when needed and be polite. You need to communicate with words and gestures that you respect the other person."

Business people in Silicon Valley are generally very disciplined, which extends to habits like alcohol intake. While in Europe people may drink a couple glasses of wine and maybe a digestive during a business dinner, here the meals are strictly for business.

"The use of alcohol is very limited during business dinners. People start dinner at six, and at eight everybody goes home. You don't order coffee, and you definitely do not order cognac," Mickos counsels.

The casual dress code in Silicon Valley has surprised many visitors. In many companies, Fridays are officially a "casual day" when the employees can show up in informal attire, which may be even something less formal than jeans or khaki pants. A founder and top executive of one the world's largest Internet companies once received a Finnish prime minister in biking shorts.

Jukka Salminiitty from Tekes's Santa Clara office has learned to keep a tie in his car for trips to San Francisco, where the dress code is more formal than in the Peninsula, where ties are seldom seen. He did make a dress code mistake once.

"I had put on a tie and suit to accompany a Finnish minister on his visit to Google. The security people thought I was a bodyguard and directed me in through a different entrance."

Entrepreneurs Are Heroes

Many Silicon Valley success stories are created by serial entrepreneurs. This continuing cycle of company creation is one of the unique strengths of the region. It is a tradition of going to battle again and again, which in turn creates a network of veterans who have created successful companies. The model of how to create a success is constantly being honed and polished.

In the US, and especially in Silicon Valley, entrepreneurs are celebrated heroes. They are the rock stars. Their stories are told over and over again, inspiring young men and women to go after their own dreams. Elementary school students may choose Steve Jobs as an example of a famous Californian when doing a school report.

"Here entrepreneurs are the most respected people: Bill Gates, Larry Page and Sergey Brin, Larry Ellison. They are highly esteemed business icons and it is acknowledged that they create jobs and wealth," says Sami Inkinen, himself a serial entrepreneur, adding, "This country is built on entrepreneurship."

Inkinen co-founded one company, Matchem, in Finland before moving to California to attend Stanford University. He sees a difference in attitude towards startups.

"In Finland, a safe job with Nokia is a more celebrated career choice than entrepreneurship. Some people even suspect that entrepreneurs are less than honest in their dealings," Inkinen ponders. As an example, he recalls his grandmother's comment when he told her about starting his first company, "She said: just remember not to do anything dishonest!"

Going into semantics, it is interesting to note differences between Finnish and English. The word "enterprise" means a daring new project and readiness to undertake new ventures. In the Finnish language, "entrepreneurship" has a somewhat regrettable connotation. The corresponding Finnish word for "entrepreneur" is *"yrittäjä,"* which literally translated means somebody who is "trying" things.

"The connotation is that you try, but do not succeed. Whereas in the US being 'an entrepreneur' is something grand, you are creating an enterprise," reflects serial entrepreneur Petteri Koponen, Co-Founder of Jaiku.

The difference between prevalent attitudes about entrepreneurship is well exemplified by two commonly used proverbs:

Finland, "The one who tries to reach the fir tree will fall into the juniper" *("Joka kuuseen kurkottaa, se katajaan kapsahtaa")*. In Silicon Valley, you are more likely to hear something like, "Shoot for the moon, land in the stars."

Where would you rather land, in a scratching juniper bush or among the shining stars? It is not difficult to imagine which image would encourage an entrepreneur to take risks and go after his dream.

Entrepreneurs are celebrated heroes. They are the rock stars.

Lessons Learned

1. To succeed in Silicon Valley, you need to understand the local business culture and mindset. This is an ecosystem that thrives on innovation, and people are constantly looking for the next big thing.
2. Be ready to face the toughest competitors. Silicon Valley is the Olympics of high tech.
3. Move fast, don't wait even when you think you can. There is a sense of urgency, and if you don't move at the speed required, you will be left behind.
4. Open up. Share your ideas and help others when you can. One connection leads to another: seize every opportunity to become an active node in your network.
5. Good manners get you through many situations. Respect schedules, be attentive and courteous, express interest in others and their message.
6. Adopt a hero's mentality – in Silicon Valley, entrepreneurs are the idols.

Chapter 5

Marketing – Listen to your Customers

First local clients are fundamental; they determine the future of your business.

Timo Korpela, CEO, Gearshift Group.

We realized that the users are the owners of our social media community. We have to be responding to their demand and not trying to create demand.

Teemu Huuhtanen, President, Sulake Inc.

Issues discussed in this chapter:

Keep Focused
Collaborate in Marketing and PR
Participate in Industry Groups
Web as a Marketing Tool
Opportunities in Social Media
Get Analyzed
Trade Shows
Lessons Learned

One of the first and most critical tasks for a Finnish startup in the US is to get local customers. To achieve this you need to rise above the noise level and gain visibility in a competitive market. To become visible you have to promote your company effectively in multiple ways and at various forums.

Focusing on the essential message of the company is vital because it implies your company knows exactly what it does. "Have one clear focal point in the beginning and carry it through. Otherwise you don't rise above the noise level," says Pekka Pärnänen from the Finpro office in Silicon Valley.

Unfortunately, many Finnish companies continue to ignore the importance of having a clear focus. Pärnänen reminds that being polyvalent may work in a small market like Finland but not in the US.

Pärnänen admits it is difficult to shelf some of the ideas that you maybe have worked with for a long time and concentrate only on a few of them. His advice is to act the same way you would when setting up a soccer team: select those players who are the best.

"Offer solutions to your customers' needs and problems, but don't try to solve all of them, or your message gets blurred. Follow Google's example: they started with a simple search algorithm. Because the technology was the best at the time, the search engine became very popular. Now, years later, the company offers a multitude of services," Pärnänen says.

Focusing on one product leads a company to its goal better than betting on several avenues.

Pärnänen recommends having a dialogue with potential customers to find out what is selling in the US. "The dialogue brings up different needs and ideas and among them you will find the most promising ones. Analyze your findings, take them into account in your marketing and you'll see good results. You will eventually get above the noise level and attract interest in your company," he says.

Marketing a new product may involve distributing your beta version to your partners, signing them up and providing them with new releases for free. It may be useful to give the first customers rebates on your products or other benefits. In return, you should ask for referrals. You do need to ask and often you will need to negotiate what that referral would involve. A referral by a well-known company is the best marketing you can have. The goal is to get your customer to recommend your company, products and services to others. This is a highly effective tool, but something that Finnish companies have generally not used very much.

Once you have customers, it is equally important to keep listening to them in order to continue providing value. Social media company Sulake experienced this first hand a couple of years ago.

"You need to collect feedback from your users, and this is especially critical if they are teenagers. The faith of your business is in their hands," says Teemu Huuhtanen, President of Sulake Inc., who took Habbo Hotel to the American market.

"Until 2007, or maybe even 2008, at Habbo, we felt that we could predict and know what users want and plan what we'll do next, which features to develop or update," Huuhtanen tells. "Then we realized that the users are the owners of our social media community. We need to ask them what they want, do research based on the data, and then develop focusing on those features. We have to be responding to demand and not trying to create demand."

Habbo started to look for teenage world trends: what they watch on TV, what kind of music they listen to. The company was able to provide relevant content and the product was developed according to what the users prefer. "We do serious research instead of pretending that we know what the teenagers think," Huuhtanen concludes. The new approach worked, and Habbo got fresh wind into its sails.

Collaborate in Marketing and PR

Once you have a large, well-known customer, it is beneficial to collaborate in marketing and PR in some form. Pekka Pärnänen says many companies don't think about the opportunity but highly recommends doing so.

"Shared PR may consist of you being able to refer to them as your customer or partner and vice versa. You might have a customer that does not want to publicize the fact that your company has provided an important component to their product, but another company may find it beneficial. It is always worth while to negotiate to see what kind of collaboration is possible," Pärnänen says.

Some Finnish companies have found such a win-win situation with their large American partners. One example is videogame maker Remedy Entertainment, which provided marketing support for the world's largest semiconductor manufacturer Intel during the Intel Developers Forum in San

Francisco in 2006. In his keynote CEO Paul Otellini demonstrated how Intel chips performed while running Remedy's fast moving Max Payne game. The Finnish company, in return, got noted among industry peers.

American customers expect you to approach them like an American company would do.

Another example is Elektrobit, a company that provides embedded software and hardware solutions for automobile and wireless industries. While promoting the new Atom microprocessor in 2007 in San Francisco, Otellini showed the first ever MID- device (Mobile Internet Device) – a multimedia-capable handheld computer providing wireless Internet access. The reference design was created by Elektrobit. The Intel Atom chip has since then established a dominant position in small netbooks. The partnership between Intel and Elektrobit has continued and the Finnish company has developed more handheld devices showcasing Intel's technology. In 2009, Otellini again showcased an Elektrobit-designed MID – this time to promote the Atom chip for the fast growing market of smart phones and the future market of combined cell and satellite phones.

In January 2010 at Consumer Electronics Show in Las Vegas it was Aava Mobile's turn. The start-up from Oulu had built a reference smart phone for Intel to demo the performance of its new mobile Moorestown-chipset.

Ixonos, which provides solutions for mobility, social media and digital services, has been collaborating for a number of years with Intel. So did video codec specialist Hantro. "As our demos were running on their platform, both companies got visibility. It was pure marketing; it was not about sales," says Eero Kaikkonen, ex-CEO of Hantro.

Participate in Industry Groups

Active participation in the industry has been an important marketing tool for many Finnish companies. This includes giving speeches, attending standardization committees and communicating ideas in e-mail groups. The method is still relevant, especially for companies in new technologies.

The founders of social media company Jaiku gained good exposure by organizing events, giving speeches and, overall, remaining as visible players in the social media community. Another example is SSH Communications Security Corporation. At a time when the focus was on advanced Internet technology, SSH built its brand in OEM-business attending and shining in standardization committees, where the company representatives stood out from the crowd because of their expertise.

Software companies Cybelius and Futuremark were active participants in computer graphics groups. Graphics technology company Hybrid Graphics employed the same strategy to gain visibility. "All our marketing was technical and it happened through standardization committees," tells Ville Miettinen, one of the founders.

"Our engineers attended standardization conferences over the phone every week and e-mailed back and forth. It was very tedious but it provided a springboard for our business because our potential customers and partners attended the same meetings."

"At the time the mobile telephony standardization group Khronos had all possible firms as members, over 100 companies. Hybrid Graphics was on the board of directors – a tiny thirty-person hot dog stand from Finland. Other companies on the board had thousands of employees. It raised some eyebrows, and at the same time, it raised our profile considerably," Miettinen remembers.

"Our expertise was valued. Mobile phone makers were new to computer graphics, but we were already experts in the area," he says.

Web as a Marketing Tool

When you introduce an innovative and attractive niche product with spectacular features, a website may be an effective tool to start marketing. The message can be spread globally through a well designed website. The first step may be relatively easy but the challenges remain the same: how to sell the product to more and more customers?

FogScreen offers the kind of product many people have not seen before: a projection screen formed by a thin screen of fog. It is a stand-alone product that can be integrated into environments like casinos, malls, showrooms, convention centers, museums or TV shows.

According to company CEO Mika Koivula, the product incites interest because it is so spectacular. The company website has been an excellent marketing tool for FogScreen, bringing in small and large customers. According to Koivula the website has about 100,000 visitors and 5,000 incoming inquiries yearly.

FogScreen has had American customers since the company was founded in 2003. One of them is The Walt Disney Corporation. "Disney came the same way as our customers often do. We present our product on the website and tell how it can be used. The prospect analyzes how it could benefit from it in its application or attraction. Disney tested the product and decided FogScreen fitted their needs," Koivula tells.

Koivula says the company has strong PR and marketing to the point where customers come to FogScreen to ask for the product. General PR was first handled from Finland but it was soon understood that US marketing needed to be managed by local PR professionals. Koivula says a local PR company knows the nuances of the target market. In particular, they have better contacts and a feel for local media, including social media.

"Our product is clearly a marketing case. Had we not done any marketing or PR, it is difficult to imagine the market would have come to us by itself," Koivula concludes.

The company has spent about 200,000 euros yearly for global tradeshows, including the five most important shows. He puts the cost of one tradeshow to about 30,000 euros. Advertisement and materials cost comes on top of that.

"Tradeshows have been our most important investment, and they have brought most of our business. More than half of the 13,000 contacts in our database have originated from tradeshows," Koivula tells.

Some companies market and sell online only and depend totally on their website. The website gives the first impression of your company so it needs to be well constructed and optimized in order for search engines to find it easily.

In the US market the website should have an American look and feel in details like layout and organization, colors and wording. One important aspect is the language: the same English does not fit all countries where English is spoken. The "wrong English" catches the eye of US consumers very quickly.

"You need to use the same vocabulary, same wording and concepts that are used in your industry and the specific market. Finns get the grammar and spelling often correct and the message without errors, but if it's UK English, it will sound awkward to an American," says Antti Korhonen of Ekahau. "If you're not yourself in the US, ask for help with the language. The customer won't tell you if something is wrong."

Korhonen stresses: If you localize the website properly, the visitors will judge the company on its merit. They will not start wondering from where the company comes from, or if they can trust it or how they will get the tech support during office hours. All of Ekahau's marketing material was created in the US and for the US audience. Nothing was ported from Finnish marketing material.

Opportunities in Social Media

Social Web is the new way of executing effective Web marketing. Michael Terpin from Social Radius PR firm describes two primary ways to use this tool.

First , create a blogosphere, authored by company executives who are respected among peers and prospects, in which they engage in discussions with fellow thought leaders and with editorial blogs. The conversation is similar to one that would take place in traditional media, albeit with different rules of engagement.

Large companies don't mind collaborating in PR with small companies because it doesn't hurt their market share.

The second element is community, primarily social networks. A company can use hybrid social or content platforms. The first refers to closed communities like Facebook and LinkedIn. According to Terpin, they build loyalty and move prospects into customers and customers into evangelists. Content platform is a broadcast (one-to-many) medium that can be highly targeted. Examples include Twitter and YouTube.

Opportunities grow due to combinations of marketing and advertisement methods and channels. One important piece in this mix is viral marketing where the marketing message spreads organically in pre-existing social networks from one member to another. Learning to use viral marketing is a key for net startups in gaining visibility in global markets.

Terpin stresses that viral marketing requires a viral product or viral message. It's easiest when there's something free to pass along. For game developers viral marketing has been a useful tool for a long time. Once a user finds an interesting game, he or she rapidly spreads the message to other gamers, colleagues, friends and other groups.

Small content creators can benefit from the viral spreading potential of Internet marketing. On the entertainment side one interesting example is the "Rare Exports Inc." movie. A group of Finnish moviemakers have been showing their short films about Santa Claus on YouTube for a few years. Due to their popularity the group has attracted Hollywood attention and is now producing a full feature Santa Claus film with a planned release in Christmas 2010.

Even large corporations are now using viral channels in their marketing mix combined with more traditional methods. Advertisements can feed the original message, which then spreads through friends and colleagues, different interest groups and websites to potential customers.

Get Analyzed

Getting to the radar screen of industry analysts is crucial for some companies. The need for analysts' coverage depends on your specific industry and business segment. It is especially important for early movers in a new technology segment. There are industries where executives and managers read analyst reports as if they were the Bible; in other industries, analysts don't have much influence.

"Analysts are useful only for vendors who sell to companies that hire analysts to help them make IT decisions," says Mark Addison from Rocket Science. One example could be a company that sells big infrastructure type technology to large banks and the purchase has strategic implications on its whole IT infrastructure.

"If you work for a company that wants to invest in building a new data center, you will look at what Gartner says about various data center technologies and the vendors that are providing it. Those data center vendors should cultivate relationships with the analysts," Addison explains.

Manufacturers of consumer products are in a different position. "They don't need to spend much time with the analysts because consumers don't read analysts reports."

Analysts are especially important when a new market category is being created and your company is part of the new sector. They have important information that can be useful to you. "Get in touch with the analysts," advises Korhonen from Ekahau. "They can validate the new category and tell you who the main players are."

Analysts help if they are taken in proper doses.

Ekahau was in a new category, but interestingly enough analysts did not know enough about it. "We had our first commercial product in 2002, but the analysts did not wake up until 2004-2005, when they produced the first lengthy reports," tells Korhonen. He says Ekahau never paid anything to analysts. "They actually needed to come to us to get information for their predictions about the market."

What are the benefits of getting in touch with the analysts? "If you go to the most respected ones, like Gartner or Forrester Research, they may lift you to the same reference group with the large and better known competitors," stresses Jussi Heinilä from Partner Up Finland.

"If you are within a megatrend and your product is five times better than the others, you need to get analysts to notice you," he adds.

George Adams, ex-CEO of SSH agrees it is vital to get positioned well on the radar screen of the main analysts in your sector. In addition, he suggests getting in contact with smaller, but highly specialized analysts who focus on disruptive innovation in your technology sector.

The analysts' services are rarely free but there are several options to choose from. Adams estimates that a $5,000 subscription fee can open the door to the smaller ones.

For QPR Software, a software vendor and service provider specialized in process design and control for risk management and compliance, meeting analysts proved much more useful than doing market studies. VP of Sales Finland Matti Erkheikki says responses to market surveys in the US are close to zero, which differs from the situation in Finland. "In Finland the response rate in selected target market can be up to 20 percent, providing a significant amount of qualified leads with immediate sales opportunities."

Erkheikki says analysts' recognition, e.g. Gartner and Forrester, was very important and helpful for QPR, although it was expensive. "We turned to analysts as the marketing campaigns felt like throwing money in a black hole," he comments.

Jari Kaitera, who established QPR's presence in California in 1998, tells about a meeting with an analyst that would cost 10,000 dollars. He adds that an article telling about a customer's success story published in a paper had a price tag between $30,000 to $50,000. Kaitera and Erkheikki agree that a story published by Gartner or Forrester Research was worth its price as it placed QPR in the same playing field with large companies.

Later QPR found an interesting option: going to vertical niche markets and getting visibility by sponsoring events in sectors where the company had business opportunities. Erkheikki mentions airport management and police operations as examples. "Our software could be used to monitor and manage operations at an airport or at a police department. Sponsoring their events gave us visibility and qualified leads very easily because our products fit their needs well and none of the main competitors were present at the shows."

Trade Shows

If you think you can make deals merely by traveling from Finland to attend trade shows, you are in for a nasty surprise. Timo Korpela has seen Finnish companies come to a trade show in order to start climbing the corporate ladder, hoping to find the person who can close deals.

"Proceeding that way would take several years to get results," he warns. Other Finns have noticed the same.

Mikko Varpiola from Codenomicon puts it bluntly, "Trade shows are expensive. If you haven't defined your goals there is no use attending at all. You need to have at least five appointments scheduled beforehand with prospective customers' top executives – and something essential prepared to discuss with them."

"Without proper planning the probability to get a new customer at a tradeshow is close to zero," Varpiola warns.

The price of attending a tradeshow depends on the show and the size of the booth. "The most significant expense is the cost of having your top executives take time out to fly in and lodge for the meetings, which easily presents at least the half of the cost," remarks Mark Addison. The total cost of attending may be in the order of tens of thousands of dollars.

Lessons Learned

1. Even great products or groundbreaking technologies don't market themselves.
2. Start product marketing before the product exists. Ask your potential customers: if I make this, will you buy it? Once the product is in beta testing, it may have five customers. If you just come and propose your finished product, it does not work.
3. Focus on one thing. Make it, launch it and improve it.
4. Create a really simple product version, distribute it for free and then build your business based on the needs of those who are using the free version. Give out your beta version to your partners, sign them up and provide them with new releases for free. In return, ask referrals to other potential customers.
5. Localize your product offering. Get help from somebody who knows the target market and respect the customers' tastes, which do tend to change.
6. Localize your website to appeal to US customers. Create an American look and feel.
7. Be aware that Finnish or European consumers make totally different choices on what to buy, how to buy, where to buy and how much to pay on products and services compared to American counterparts.
8. Keep your eye on new trends in marketing. Use the growing opportunities provided by social media.

Chapter 6

Positioning, Visibility and PR

Silicon Valley is the place to be if your company is a trailblazer in Internet, social media, mobile, cloud computing or cleantech.

Pekka Pärnänen, Finpro Silicon Valley.

If you have a well-defined focus, PR companies are useful. They know the editors and can talk them to write articles about your company.

Antti Korhonen, CEO, Ekahau.

Issues discussed in this chapter:

Before you can effectively communicate what your company is and what you do, you need to position your company in the marketplace. The purpose of positioning is to create a beneficial perception of the company and its products or services in relation to competitors.

One example of successful positioning is that of open source database company MySQL. It targeted customers who were not adequately served; namely Internet and web companies looking for an affordable and effective solution for their database needs. MySQL was perceived as a trustworthy company that provided a reliable open source alternative to enterprise databases offered by large established competitors.

Media liked to portray MySQL as David and the larger players as Goliaths. According to Mårten Mickos, the ex-CEO of the company, adopting the strategy of a little guy was not deliberate in the beginning. However, defining the company as a small but smart challenger proved to be a good tactic and was used in a few occasions.

"Positioning against the database giants brought attention to our company. We looked for differences and made sure the areas we excelled in were highlighted," Mickos explains. "When other database companies bragged about how many features their product had, we emphasized simplicity, ease of use, stability and performance. Our pricing was different too: when others charged per user, we charged per server. In addition, our product was much less expensive."

Competition between small and large companies always attracts attention. For MySQL the assumed rival was Oracle, the world's largest enterprise software company, headquartered in Silicon Valley. The uneven competition between MySQL and Oracle increased the interest of the market. MySQL took full advantage of the situation in its positioning strategy.

For example, at one point Oracle had created a database migration translator, which was able to read MySQL code. MySQL reacted immediately on its website, claiming, "Great! MySQL is so important that Oracle needs to create a migration tool for it."

A small company can be perceived big for its size, if it rides among the first and brightest of a new disruptive wave.

Another instance of clever messaging by MySQL occurred when Oracle acquired Finnish start-up Innobase Oy. Innobase was an important company to MySQL as it provided a popular transactional storage engine for the MySQL database. The media kept asking how the company would survive if Oracle did not renew the contract that MySQL had with Innobase. Mickos referred to the company's dolphin mascot and stated, "Trying to kill MySQL by buying Innobase is like trying to kill a dolphin by drinking the ocean!"

In contrast to industry giants, who typically are arrogant, MySQL was like its mascot, a sympathetic dolphin that customers could relate to. The jumping dolphin logo was presented in July 2001 and it proved to be a beneficial symbol. The characteristics that the company wanted to emulate were speed, intelligence and good nature.

Slogans and sound bites are another important positioning tool. Mickos says at MySQL they were planned carefully. One of the earliest ones claimed MySQL was "the world's most popular open source database."

Mickos also compared his company to the Swedish furniture and houseware giant IKEA by stating that "MySQL is the IKEA of databases: good simple design, easy to use and inexpensive."

The comparison to IKEA refers to MySQL's early customer base. From the start, the company served customers who were not served adequately; those who could not afford or did not need to use expensive, complicated database management systems. The developers were offered free downloads, and those who were interested could license the database for use for commercial purposes at affordable prices.

Mickos notes that in the early years, it was vitally important to position MySQL as a leading open source software product. A huge and growing phenomenon, open source was disrupting old ways of doing things, and fostering new innovation on a global scale, thereby challenging old closed source products. The use of open source software was expanding on all continents.

In later years, MySQL's positioning centered around the online nature of the product. The business had not changed, but with the rapid rise of Web2.0 and the mobile Internet, it made sense to position MySQL as a platform for modern online applications.

Leading a Disruptive Change

MySQL managed to take a leadership position in the open source movement early, before it became a global disruptive force. For a small Finnish company, the opportunity to be at the forefront of large and disruptive change provided a powerful path to visibility. It is a model well worth following.

”To gain the image of a leader and trailblazer in a disruptive technology trend, you should take advantage of the current before it reaches the ocean and becomes the mainstream. You will be among those surfing on the top of the current,” Pekka Pärnänen, from Finpro, Silicon Valley compares.

“Being at the forefront, you get more easily noted by the analysts. They, in turn, will bring your company beneficial attention in the marketplace and in the media. If the analysts believe your company is a trailblazer, it confirms you are in the right place at the right time.”

Don’t lose sight of changes and new trends in the market for a second. Catch the opportunities without hesitation.

Pärnänen refers to disruptive changes from Google search, Wii, iPod and, iPhone. The companies behind the technologies brought a new approach to the market which made them successful.

To be perceived as a leader in an industry segment that is undergoing a disruptive change, the company needs to be present where the key players are. “Silicon Valley is the place to be if the company is a trailblazer in Internet, social media, mobile, cloud computing or cleantech,” he says.

His advice is not to wait too long in becoming part of the ecosystem. “You need to be aware of what is happening in the market and act accordingly, swiftly and determinately. If you don’t move fast enough, there will be too many competitors and you will be lost in the current. It will be much harder to get noticed.”

Michael Terpin from PR company Social Radius boldly proposes that if you can’t be #1 or #2 in an existing industry segment, your company should “create a new category where you are automatically the leading player.”

Beginning last summer Social Radius has worked with Finnish mobile company LinkoTec in Silicon Valley to launch its content sharing Dazzboard software to global markets. “We launched a new category – the universal media manager that works with any device (an iTunes for any device), including most known cell phones,” Terpin tells.

The launch was covered by TechCrunch and the New York Times. Terpin says LinkoTec has continued to build a ”rolling thunder” approach of new features, new platforms (like an application store) and new ways of using the product that have continued to build the company’s presence in the US by being presented to millions of readers in relevant publications.

“Third-party credibility is a very important reason for PR’s effectiveness – an ad has no outside credibility – with PR the trust you have in the publication is transferred to the company being written about,” Terpin says.

Announcing successful funding also builds trust for the company. LinkoTec recently announced the news of its seed funding in the Mobile World Congress in Barcelona. Another wave of top-tier media coverage, from Tech Crunch to the San Jose Mercury News was kicked off after Barcelona, Terpin says.

Terpin warns that it is a waste of money to start advertising, until PR has thoroughly established a brand. “PR builds brands, advertising reinforces them,” he says. Exceptions are very selective micro-campaigns in search engine marketing or social networks to identify response levels.

Creating a New Market Segment

Creating a new market category is a challenging task, especially when you have a technologically complex product and market. It may be impossible to educate a whole new market segment, even if you have a large marketing and PR budget. Instead, you need to be innovative and create a clever strategy.

The marketing of location-based tracking company Ekahau provide an instructive example. The management had a couple of challenges: the company was targeting a new technology segment and offering a new technology product. And, of course, this was a small, unknown startup coming from a tiny, relatively unknown and distant country.

Ekahau's technology category was RTLS (Real Time Location Systems), which was quite unknown within the marketplace, especially among the hospitals that were targeted as customers. Hospitals are ideal customers for location-based tracking technology because they need to locate patients, staff or instruments very quickly in an emergency.

"There were a few other companies providing this type of technology. Ekahau wanted to be a pioneer and a disruptive player in this category," says Antti Korhonen, CEO of Ekahau. "We knew our technology would be a good fit in that kind of environment."

The problem was how to get Ekahau's message through. The hospitals didn't know that they should be looking for an RTLS solution, because they had never heard about that category before. But Ekahau learned that some hospitals were using "active RFID"- (Radio Frequency IDentification) technology for tracking assets. So RFID was already an established category. While RFID requires proprietary RF-readers to be hard-wired throughout the entire building, Ekahau's technology utilizes small tags, which communicate through existing Wi-Fi networks, with no need to create a new infrastructure.

Ekahau decided to tell the market that its technology is similar to active RFID, but cheaper and faster to deploy and it saves hospitals millions of dollars in installation costs.

"It is difficult to create a new market category and expensive to educate everyone on the planet about it. Sometimes you need to find a more elegant solution," explains Mark Addison from Rocket Science whom Ekahau had contracted to help with PR.

Once the message was clear, the marketing traction happened pretty quickly according to Addison, "Using RFID as an analogy, the media immediately understood Ekahau's RTLS technology and really liked the story. During the first 90 days Ekahau already was in more than 200 articles."

Slowly there have been more competitors entering the market with other RTLS solutions and now RTLS has become an established category. In the 3rd generation of its website, Ekahau now calls itself an RTLS company.

Korhonen says working with new technologies and new markets is challenging, but very interesting.

"The more complete your product is, the easier it is to sell, even in big quantities through the channel partners. With the completeness, I am also referring to the ability to tell a simple story of what exact customer problem the product is solving, and why it is better than competition."

"If you have this 'whole-product' story available, you just give the datasheet and a pricelist to the dealer with eventual discounts. As long as the market is there, and the product works as promised, all is well."

Korhonen adds that when creating a new market category it is imperative to be able to build your own direct end-customer success stories early on, to motivate channel partners to begin their active selling.

Soap in a Box but not a Soapbox

An early episode from Ekahau's conquest of global markets shows how little details matter. It also demonstrates the value of innovative salesmanship.

In his youth, Korhonen had an interest in music and radio transmitters. He played in a band and at one point built a pirate radio transmitter in a soapbox, which he adjusted to an FM frequency, so that all the neighbors could hear him play the guitar. His innate marketing talent came into use at Ekahau. Korhonen tells about one morning back in 2005 in Silicon Valley before a scheduled meeting with a large Japanese electronics company.

Korhonen was in his motel room preparing for the meeting, weighing a tag mock-up enclosure in his hand. It was built by the Ekahau product director, because there were not enough actual working units yet to carry around. The tag felt almost weightless and Korhonen concluded that it would not be convincing enough. He unscrewed the box, fetched a small hotel soap from the bathroom, placed it inside the box and fixed the screws back on. The box now had the right weight, look and feel of the actual commercial product.

The Japanese partner was very interested in Ekahau's product. Korhonen however experienced a tense moment when the partner wanted to see how the electronics looked inside the box. The story does not tell how Korhonen was able to talk them out of opening the box, but the partnership continued positively forward. He jokes about how his career started in Finland with a radio in a soapbox and continued in the US with a soap bar in a radio box, and continues, "You should never, ever lie in customer communication, but still always focus on creating a positive perception of what you actually have."

Repositioning

F-Secure provides a good example of how an established company can skillfully position and rebrand itself according to the needs of the market. During its Silicon Valley years, the company had to rethink its communications strategy several times.

The company was first known in the US as Data Fellows. The name was changed to F-Secure before the company went public in 1999 at the Helsinki Stock Exchange. The IPO and the name change required a new approach in communications.

"The IPO was one of the best possible communications tools for us," says Chris Vargas, the president of F-Secure Inc. at the time. "The exposure from such an event is enormous. However, high visibility is also a two-edge sword, and it is equally important not to make a misstep. At F-Secure, the 'free PR' created from the IPO helped to position the company in the US market."

"During an IPO, many critical eyes and ears are suddenly on you. The market interest is magnified and the customers want to understand your new vision. We would regularly go to New York and San Francisco to visit large customers and financial analysts, to position the company as an enterprise security provider. We captured a lot of attention," Vargas recalls.

Until 2003 F-Secure was known in the US as a vendor of SSH encryption technology, selling mostly to US government agencies. The company's consumer antivirus products, which were well known in Europe, were completely unknown to US consumers. The US antivirus market was dominated by three large companies, McAfee, Symantec and TrendMicro. They were selling their antivirus products through retailers and had very strong consumer brands.

F-Secure chose not to go directly against them, instead, it decided to sell its antivirus technology to Internet service providers and telecommunications companies, who provided Internet access to consumers.

Mark Addison of Rocket Science, who was helping with the launch of F-Secure's consumer antivirus security products, says CEO Risto Siilasmaa took a risky but clever approach to position his company in the market. Addison says the new positioning of the company in the marketplace was absolutely brilliant.

Seize PR Opportunities

In 2003, a serious Internet security threat provided F-Secure an exceptional opportunity to showcase its unique expertise. F-Secure chief research officer Mikko Hyppönen was about to travel to the US to meet members of the American press and incite publicity for the company. Just before his scheduled departure for the US, Sobig.F, a potentially destructive mass-mailer worm made its appearance on the Internet. Swiftly Hyppönen led the team that disarmed the worldwide network used in the attack.

Personal computers were infected and programmed to log in to a predefined list of 20 "master" servers in order to download additional attack instructions. Hyppönen and his team contacted the respective Internet Service Providers and were able to shut down 17 of the master servers. For the three remaining servers he needed to work with the FBI, Microsoft and Carnegie Mellon University's Computer Emergency Response Team.

F-Secure was in the right place at the right moment. The swift and efficient action brought a lot of visibility to the company. "F-Secure was on the front pages of the largest American newspapers. The MSNBC was supposed to give us half a minute but Hyppönen was interviewed live for seven minutes during the day, and NBC talked about us in the evening news. Vanity Fair published a seven page story about F-Secure in January 2004," recalls Bo Sörensen, who was working in the company as VP of sales and marketing.

Sörensen says it was very important to get the attention in the antivirus market because F-Secure didn't have a large advertising budget, nor could it attend all the trade shows. Sörensen says they also had far less salespersons than competitors.

"The image was that the F-Secure antivirus program was an efficient and secure tool which caught more viruses than those of the competitors. There were customers who wanted only F-Secure," Sörensen recalls.

Hyppönen had another opportunity to shine when the Sasser worm broke out on the Internet in 2004. He gradually became a renowned expert in data security.

"F-Secure developed a remarkable reputation as the security company that was smarter, faster and more efficient than others at detecting viruses. Hyppönen's 'Finnish style' of communicating – candid, truthful, direct and sincere – was a tremendous asset that helped F-Secure's global brand," estimates Chris Vargas.

Believing in Success

When communicating in the US it is important to use bold, captivating statements. Modesty is not appealing. Believe in the uniqueness of your company and tell it; otherwise you won't get noticed.

American companies like to tell how they want to change the world when they talk about their motives and goals. Google's slogan "Don't be evil" is perhaps the most famous world changing statement by a high-tech company.

The American way of communicating may be different from what Finns are used to, but it is the one that works. Even small companies may claim they are "leaders" in their niche, a claim routinely made by the large ones. It is part of the American character to always present things in the most positive (if not slightly over-stated) light.

Startling and even contradictory messages captivate the attention of the market. One good example is that of American company Salesforce.com. The 10-year-old company started challenging software giants Microsoft and Oracle with a slogan promoting "the death of software." This was a peculiar choice as the company itself was also selling software. However, the slogan proved to be brilliant and it worked. It positioned the company's revolutionary business model in the market: to offer software as an "on-demand" service by subscription over the Internet.

The outspoken CEO Marc Benioff kept the slogan even when the employees strongly opposed it. He clearly positioned his company in "the war against the traditional and ineffective way software was delivered." The success did not come overnight, but it did arrive: the company that was founded in 1999 is now a billion dollar enterprise.

It may not be easy – or even credible – for small Finnish startups to be that bullish in the US market. Believing in the success of your company and communicating it to the prospective customers, however, is possible and strongly recommended.

Multiply your trust in yourself and your company. It doesn't hurt to be too positive.

Being positive permeates into the way your company walks, talks and does business.

Jussi Heinilä, from Partner Up Finland, has been coaching numerous companies on their trips to Silicon Valley. He states that he is frustrated when he sees Finns being too modest to show intense pride in their company, sometimes even deliberately downplaying the company's importance.

"Don't be modest. What ever you say, Americans adjust it by dividing the figure by three," Heinilä warns. "Therefore it is better to multiply by three. You may say: 'we are about 30 people,' since there are always your friends and sub-contractors who can be counted on to be part of the 'development team.' Never start by saying, 'we only have two clients,' instead, say, 'we have a number of clients.' If you are unable to say it yourself, hire somebody who can."

There is a fine line between being opportunistic and misleading, of course. This applies to all communication, web pages included. Nobody recommends lying because lies always come back to your face.

Pasi Sorvisto, partner at High Growth Venture Partners LLC, emphasizes the importance of having ambition and shedding unnecessary modesty.

"If Finnish growth companies would be exposed to the same mindset and environment as the companies in Boston or Silicon Valley, they would go to a mode where they have much higher goals, focusing on building market understanding, and creating real value for customers. Passion to make meaning and value is extremely important. If you are prompted all the time to be cautious and not to think too highly of yourself, you will not target to succeed in something big. In other words, you are the fruit of your own thoughts and beliefs," says Sorvisto, who has consulted Finnish startups, specializing in the Israeli model of starting global businesses.

PR: Local Help

In order to effectively communicate the North American way, you may need local help. As described earlier in this chapter, several Finnish startups have used local PR companies to gain visibility in the marketplace. Executives say such help is essential in creating compelling press releases and opening connections to the US media. They agree that without local help the PR and marketing efforts might have taken much more time.

LinkoTec CEO Tero Salonen says the monthly fee they are paying for PR – which corresponds to a marketing professional's salary – has been well worth the money. The feedback they have received after the announcements and press releases has been very good.

Bo Sörensen tells how F-Secure stock once jumped up by 11 percent in one day. He credits the gain to a well-written press release that created the buzz and influenced the stock market. He adds that using PR wisely and systematically can be a very cost-effective way to facilitate sales.

"If you have a well defined focus, PR companies are useful," says Ekahau's Antti Korhonen. "They know the editors and can talk them to write articles about your company. Of course you also need to have something important to tell," he adds.

"A good PR person knows how to write a good press release," confirms Ari Valtanen, ex-CTO of Solid. "Remember to stick to the facts. If you don't have something worth telling, your potential customers see through the crap," he warns.

Announcements about new products or significant new customers are the best possible PR according to Valtanen, who has been working in Silicon Valley for more than ten years. "If you have a slow quarter, you should still find something exciting – but real – to tell to the media to maintain momentum. For instance, you can talk about your high customer satisfaction ratings, conduct a survey or communicate an analyst quote that supports the vision of your company."

It is difficult to measure the impact of PR. Large corporations sometimes underestimate the value of effective PR and the benefit of using local help, says Timo Korpela, who first took care of Sonera's business strategy and local business development in the US and later became CEO of Sonera US.

"A large company might not have much more knowledge about the market than a small one does. The most valuable knowledge might well reside outside the corporation," he stresses.

During the dot-com boom many companies spent lavishly, although this was not necessary for all sectors. At that time, it was difficult for startups to decide how much PR was realistically needed and to estimate what results it could bring.

One example comes from embedded systems industry. Some companies that provided for embedded systems spent heavily on PR during the dot-com boom, as if it were critical to develop a large, well-known consumer brand. However, in embedded systems your market is well defined and there might be only a dozen companies that need to know about you. Instead of PR, it may be wiser to spend on channels and strategic business partnerships.

"We spent more than one million dollars for PR in one single year," tells Jussi Harvela, who was CEO of Solid at the time. "I found it was too much, but it was justified at the time, given the market."

For small companies investing in PR may be challenging; they would like to use outside help to gain visibility but don't have the time or money. According to several executives, the cost of using a PR company may vary between \$5,000 and \$20,000 per month. When resources are extremely limited and all is optimized, this may be too much.

Lessons Learned

1. Positioning is critical. Position your company in the marketplace and in the minds of your customers, channels and stakeholders.
2. Localize your communication strategy. Once you have defined a communications strategy, embrace it on all levels of the organization. Refresh the strategy as needed and keep it in line with changes in your company and market.
3. If you are going for a truly disruptive market, be one of the first players and trailblazers. You will get the most visibility and most importantly, you will control the positioning of the market. This key advantage allows you to position all of the "late entrants" long before they enter the market to compete with you.
4. Do not hesitate to use local expertise for branding and PR. Communicating in the US is distinctly different from Finland and Europe. Local expertise will allow you to be more effective in the US market.
5. Be careful of getting pulled into overspending on Public Relations. Good PR is about great quality and great timing of the message. Spending heavily does not always give the best results.
6. As a startup, consider carefully if ad campaigns would work for you. PR builds brands, advertising only reinforces them.
7. Believe in your vision, position and message and let it show. Demonstrate a positive attitude, confidence, and determination. It is good to use creative marketing in the US, but do not lie.
8. Communicate openly, clearly and decisively on all levels: employees, customers, channels, investors and the market. The market really is listening to you if you have something interesting to say.

Chapter 7
Selling – Art and Hard Work

Had we not talked face to face with the customer, we would have spent several years without making any progress, wondering why the product does not sell.

Ari Valtanen, ex-CTO, Solid Information Technology.

The truth is that a Finn has no chance to compete with a true American salesperson. You need to trust him because he brings in the money.

Mika Könnölä, CEO, Documill.

Issues discussed in this chapter:

The merging of Internet and mobile business has opened up new exciting opportunities for Finnish companies to sell their products in the US. The arrival of the iPhone in 2007 started a new era in mobile communications market. A year later Apple opened up the interface for all application developers. The new Apple tablet computer, iPad, with the same platform as the Apple phone, further expands the opportunities for developers. The sector is in full swing and the market shares are far from established. Google's response to mobile space, Android platform, and respective devices, are in the spotlight in 2010.

The advantage of the new digital age of doing business is you don't need to establish an office to start sales in the US. No visa issues, no staffing, not many business trips. Low cost start. Pure talent works.

This is the fresh case of **Elias Pietilä**, and his iPhone application "Wooden Labyrinth 3D," that won Apple's best iPhone Student Application award in June 2009.

"In the first 11 months the game generated 150,000 euros in revenue," says Pietilä, who started when he was still a student at Aalto University. He now has his own company Qvik.

In October 2009, Pietilä's team was earning on average 500 euros from the paid version of the Labyrinth per day. The free version brought in about 110 euros ($150) per day. The income from the free version comes from pop-up ads that show on the players' iPhone screen.

Considering he coded the game alone in about a month – using help only with creating fields, sounds and music and spending no money on marketing – the result is impressive.

Wooden Labyrinth had been downloaded five million times by its 10th month. The progress is easy to track on Pietilä's tweets: in May 2009 the game broke top 50 in games, in July it reached top ten of all free iPhone applications.

Pietilä says the tweets on Wooden Labyrinth were written by one American fan. He incited several YouTube and website reactions. "Think how to get benefit from your fans, they can be extremely useful," he recommends.

Getting noticed by game bloggers and critics is also important. Pietilä says he kept bugging bloggers of the most popular sites and would send free codes to critics so they could download and review the game.

Other Finnish developers have gotten on the iPhone bandwagon. The developers at Digital Chocolate (ex-Sumea) in Helsinki are the third largest provider of iPhone games when measured by sales. Their "Crazy Penguin Catapult" game has been one of the most popular ones.

As attractive and even lucrative it is, the iPhone application market is also challenging. When more than 100,000 iPhone applications are available for consumers, gaining the visibility and making money on an application is a growing concern for developers. iPad will most probably attract many iPhone developers and create more vibrant business in the future.

Companies developing applications now have the luxury of choice between new and promising US focused mobile platforms to develop for, be it for a smart phone, netbook, tablet, notebook or any other mobile device.

Mobile software developer LinkoTec has been exploring for almost a year to find out how its Dazzboard content sharing solution would place itself in the market. The company CEO Tero Salonen has been scouting the Valley since last summer, talking with mobile operators, device manufacturers and investors. He says the conclusion of the weeks spent in the Valley was to focus on the Android platform. "This is our choice as Android based products are in strong demand and our solution fills an apparent gap in the market," he says.

Salonen expects some iTunes users to turn into Dazzleboard users in the future, as they want to be relieved from the dependency on a specific application and one single music store. Dazzboard enables the transfer of digital content between a PC and any kind of mobile device. The key point of the application is that no installation is needed, transfer happens via browser. According to Salonen, it is something that did not exist before.

BLStream joined the 2nd generation of Finnish entrepreneurs in Silicon Valley last fall. The 10-year-old convergence specialist company, which helps major brands to enhance their user experience, is looking for opportunities in the new mobile environment.

Even before BLStream established presence in Silicon Valley, the US had been its most important singular market. It made a majority of its sales in the country without ever establishing local presence. The company has provided software for both large companies and selected startups. Now the goal is to move from services to products.

The US is not Europe

The US market is challenging not only for startups, but also for large Finnish companies that have been successful in other parts of the world. American business has its own specific rules and to succeed you need to play the game accordingly. A strategy which works somewhere in Europe, does not necessarily bring satisfactory results in the US market.

When selling in the US, remember: this is America. A strategy which works elsewhere may not bring results in the US.

Europe consists of several different markets, which are relatively small in size. Even small companies have fared well in Europe by establishing sales channels within one country. The countrywide sales channels habitually take care of marketing and sales, which is not the case in the US.

"Small companies are not attractive to US sales channels, because the sales channels are typically large, up to one billion dollar companies. Those are more like 'box movers,' and their salesmen are not keen on promoting sales under one million. You need to do your own work and make your own effort. American sales channels won't do your marketing," warns Pekka Pärnänen from Finpro.

Another ongoing challenge for Finns has been to understand the importance of focusing on the customer. The product must correspond to his/her needs and tastes. The US customer is mostly interested in the ease of use and the quality of service provided. The technology is a secondary issue as long as the product works.

Lack of understanding customer needs has been a stumbling block for even large companies. In the US, it is critical to comprehend the trends and respect customers' preferences. To grasp some of the challenges, and place them in perspective, we'll look back to the years of the dot-com boom again. The pioneers then brought back home valuable experience that the new generation of entrepreneurs can learn from.

The CTO: Listen to the Customer

Who should start sales in a technology startup established in the US? The majority of our interviewees agreed on bringing one of the founders first to the marketplace. However, some of them recommended the CEO to stay home to oversee the company business and the CTO to stay back to take care of R&D, as we discussed earlier in Chapter 3. Here we look at the issue on sales particularly.

The selection of the person to start US sales process is very much based on company size and the willingness and especially the experience of the person to come. In many cases the CEO has been the most natural choice. Whoever comes, will soon need local help in the form of an experienced salesperson. It is good to know that the road to successful sales is long and takes time and perseverance.

"Founders or principals should start the sales because they have the deep understanding and the passion to convince early adaptor customers in the market. Often, the CTO is the best dealmaker," says Jussi Harvela, who served as COO/CEO at Solid Information Technology in Silicon Valley between 2001 and 2005. The company had its headquarters in the Valley.

Harvela was the first to move to Silicon Valley in 1998. The following year he was followed by Ari Valtanen, who took the demanding job of technical presales on North American territory without having any sales experience.

"I had been working in product development in Finland for 7–8 years, but I had never seen a live customer," confesses Valtanen, who soon became the CTO with Solid in the US. He now works as director at the IBM SolidDB group.

When he came to Silicon Valley in 1999, Valtanen traveled extensively with a local salesperson to learn about customer needs. During the first four to five months he collected 50,000 air miles.

He flew from one prospect to another, gathering information. "Working together with the R&D in Finland we were able to develop the product to the point it fit the planned market," he says.

"Had we not talked face to face with the customer, we would have spent several years without advancing and wondering why the product does not sell. If the developers see you are serious and you have something interesting to offer, they will open up and communicate. It is in their interest to find a supplier who can help them to speed their market entry."

"At the same time we collected a lot of useful information. We understood the value of our product, pricing it to correspond to customer expectations and building the support and services in the product package."

"We did it case by case. It is hard work. You need to do about 20-30 cases before you can see the pattern and the business opportunities for your company."

Many of the companies Valtanen visited during the first year were startups. He benefitted from the opportunity to follow the market: he saw which companies had recently had an investment injection, which one had a lot of customers, which were candidates for future success, and which might be worth investing in.

"At the turn of the century, the money was flowing. We started cold calling when we saw a startup had raised money. We called and asked what they planned to do with the money."

"For the cold calling game it is very important to have salesmen who have large networks and good connections. The customer needs to be caught exactly at the time when he's planning a new architecture or investment. Don't forget a customer even when he says no. If he is not interested today, he might be in six months," Valtanen advises.

Excelling in Tech Sales

In some cases, the engineers may the best people to start sales. This is particularly true when sales are very technical. Hantro from Oulu provides one such example. Their offering was video technology for mobile devices, which they started to sell in the US in 2002. Hantro was one of the beneficiaries of Nokia technology.

"We had 15 years of 'Nokia school' behind us. We had taken advantage of the technical and commercial know-how of that company and were able to speak the same language with the customers. We were a million kilometers ahead of competition," explains Eero Kaikkonen, founder and ex-CEO of Hantro, not even attempting modesty.

Hantro came to US market in 2000. Six years later, the company owned 50 percent of the video-codecs market in the mobile industry.

How did they do it?

Hantro came in the US to make deals with large semiconductor companies like Intel or AMD. At the time Silicon Valley was the natural starting point.

"We were moving early, we had a good background, and we had the know-how. In addition, we could already show how our technology had been put in use."

"We were moving early, we had a good background, and we had the know-how. In addition, we could already show how our technology had been put in use."

The tipping point in the US was in 2002 when Hantro closed a deal with Motorola. "We had closed a deal with Nokia earlier the same year, so getting Motorola as well was fantastic. The competition had nothing. I think the visibility the deals created was as important as the money from the deals. It was a valuable business card for further deals."

Kaikkonen gives the credit for the Motorola deal to a competent salesman who brought in the US customer.

"Our sales team was a salesperson and a technical support person working in one geographic area. The salesperson was a local; the support person came from Finland. We took this approach and later used it in all new markets: in China, Europe. It worked well."

"We met with our customers face to face. The customers and the deals were quite large. In the beginning we handled all sales from Finland. Then we moved technical experts to the Silicon Valley sales office because it improved the efficiency and lowered the cost of traveling. It was reasonable and possible as we had people who wanted to do it."

One successful strategy Hantro used was to regularly rotate the engineers who came from Finland.

"I noticed that if you stayed outside the home base for too long, you'd lose touch of the technology. It is not enough to communicate over the phone or e-mail. Salespeople needed to understand the product deeply. Our sales were very close to product development, very much 'on the skin.'"

Kaikkonen reminds that when hiring salespeople, it pays to remember that nobody can be perfect in everything. Some salespersons are good at getting leads; others are good at closing deals.

"In our segment the road to a sales contract is long. It takes 6 to 12 months from the moment the customer needs something, to the moment he signs. Some salespersons can lead the customer through more rapidly."

"The deals would be worth millions of dollars and that was challenging for the customer. The risk 'Mr. Qualcomm' or 'Mr. Texas Instruments' took was huge. He needed to decide on a contract covering a hundred million circuit boards for a client – so he would say to himself, 'if the components from this penguin from Polar Circle won't work, I'd have a hundred million components in my hands and I lose a billion dollar business!'"

Kaikkonen says the goal was always to sell a high quality product for a high price.

Today the picture is very different, as the semiconductor industry has changed profoundly. The only big player left in Silicon Valley is Intel. Out of the 50 customers Hantro had, the majority have disappeared. Almost all competitors have gone under.

In 2007, Hantro was sold to video-compression-technology vendor On2. Google proposed to acquire On2 in 2009, and the deal was closed in February 2010. It was valued at 124.6 million dollars. Hantro technology and products are alive and sold under the Hantro brand.

People Buy from People

The experiences of Finnish engineers in Silicon Valley demonstrate that they can be efficient technical salespersons; social skills and the ability to adapt to the local environment are important, and lack of them may sometimes undermine sales efforts.

"First you sell yourself, then your product. Every customer relationship is incredibly important."

"The salesperson's integrity is crucial in creating mutual trust between business partners," says Ari Valtanen and adds, "First you sell yourself, then your product. You need to have patience and a long-term commitment. Every customer relationship is incredibly important."

Valtanen stresses that what you leave behind may pop up in front of you. "You need to have integrity all the time. If you behave badly or tell a lie, it may come back. The integrity increases the trust in you and your indirect authority grows. People know you and your word weighs more than the word of those who are not known," he says.

"The sales always happen between two people. You need to be polite but persistent. You need to have a proper dose of self confidence, but you need also to be humble," lists Tero Sarkkinen, ex-CEO of Futuremark. "Try to leave a positive impression. Never forget the follow-up," he adds.

Timo Korpela from Gearshift underlines the importance of language skills. Your personality comes through better if your English is good. "In Silicon Valley the work should be also a pleasure so you need to be able to talk about what happens in the world instead of bits and broadband only."

Most executives say that the companies should look American. However, people coming from different continents don't need to abandon their origins. All people are accepted and appreciated regardless of their background.

"Being a Finnish entrepreneur has some PR value if used in right proportions," claims Mika Könnölä, CEO of Documill.

"People here are proud of their origins, be it Italian or Indian, French or Mexican. They are Americans, but also have something from their original country," Könnölä says. "Being Finn gives you a solid background, other people with similar values and the same language. You can't just be from nowhere. As a Finn you can share something interesting others don't know about. It works well to break ice in discussions. It makes you a global citizen who has traveled, been in places. The feedback is often very positive."

The Art and the Artists of Selling

Finnish engineers may excel in technically complicated sales, but this does not rule out the fact that local salespersons are needed. "They are vital to a company's success," says Mika Könnölä, who has 11 years of experience in the US market. His advice: "Respect your salesperson, because he brings in the money. The salesman is the most important team member."

Könnölä shares an illustrative example about the different styles of a Finnish and an American salesman.

"We were listening to an American salesman talk and started to count how many superlatives he used. We compared it with a Finnish salesman's superlatives. The ratio was 70 to 1," Könnölä tells.

"The Finns would easily say the American guy is lying and worth nothing but I say a Finnish salesman has no chance when competing for a deal with a true American salesman."

"Selling is really difficult in the US. I have been working with talented salesmen who aren't afraid of a customer of any size. The bigger the clients, the fiercer they are because it brings them larger commissions."

"Some salespersons are able to close deals without even understanding what they are selling. It means they manage the sales process without falling into the trap of details," Könnölä states.

He reminds that it is good to understand that a salesperson's unique task is to close the deal. Other people will take care of the delivery. So he/she might not care bending the curves a bit and embellishing the product offer if it is needed. The Finn, however, tells the truth even if it kills the customer's interest. He is worried about the lie coming back to haunt.

"It has been difficult for Finns to find local salesmen they have been able to trust. The fault does not lie in Americans but in the fact that Finns don't listen to, believe in or trust the American salesmen's process. They have burnt their fingers with swindlers so they think all salesmen are suspicious," Könnölä says.

"The problem is that some Finnish salespersons won't be successful. The company then wonders why the efforts don't bring results."

"Some salespersons are able to close deals without even understanding what they are selling."

Könnölä thinks the discontent may be mutual. Americans find Finns complicated to deal with. When the American salesman asks for a quick response to a hot lead, the Finn is in no hurry, "It is late. It's too early. Can't we talk about this next week?"

The pace is different in the US than in Finland. It is today, now, yesterday, and not tomorrow or next week.

"Customer service is one of the most important, yet also one of the most overlooked functions by European firms when moving to the US."

"You need to accept the quick pace, the urgency. These are the rules of the game: 'Ok, can you email me the deal? We'll check it the first thing in the morning,'" Könnölä advises. He says he is very proud of Finnish products but ashamed by the poor overall performance of Finnish salesmen in the Bay Area.

For some people with an engineering background, selling may never be a good fit. "Engineering is a demanding, complex, precise discipline. Selling and marketing, however, are more art than science. They require a flexible, emotional engagement, with a high degree of networking. US sales managers often agree that customers prefer to buy from people they like. This is difficult to measure," explains Chris Vargas, who helped in setting up F-Secure's US sales.

"To successfully sell in this market, you need people who enjoy and thrive in this kind of environment. That is typically not engineers or strong technologists. It is people with good personal, networking and communication skills. It is people who can read body language and detect subtle nuances. It is a very different approach. As long as the customer is happy, you have done the job well," Vargas continues.

Selling Internet Security

To put in perspective how Finnish companies have fared in business in the US over the years, we have collected the stories of the three Internet security companies –SSH Communications Security Corporation, F-Secure (first known as Data Fellows) and Stonesoft – which came to Silicon Valley before and during the dot-com boom. Several people attached to these companies shared their experiences, challenges and successes with us.

The world has changed considerably since the late 1990s, and how these companies fared may now look different from what it looked like at the time of the boom. There are some regrets, but also a strong feeling that those pioneers brought the companies useful experiences and a valuable network.

In late 1990s the Internet was widely used in business all over the world, but the security on the net was still very patchy. Almost all hacker attacks went undetected. Internet security provided excellent sales opportunities in the US for a few Finnish companies, even in periods of weak economy.

It all started with a unique technology.

In 1995 in Espoo, software engineer Tatu Ylönen put the final touches in his code lines providing secure communication between two points over the Internet; a unique code in the world at the time. Great interest and a lot of downloads persuaded him to soon create a company, SSH Communications Security Corporation around the technology.

"SSH was international from day one. Most downloads originated in the US and the users needed support for the product. We saw an important business opportunity," says Sami Ahvenniemi, who brought SSH to Silicon Valley in 1998 and served as the first executive of SSH Inc.

"Secure Shell was very special, because there was virtually no Internet cryptography at the time. It was one of the first software products to be distributed freely over the Internet from one of the first industry websites in Finland," he tells.

SSH's Secure Shell and IPSec products – and the experts that the company employed – had gained visibility and respect in standardization boards and security industry as a whole, which made calling on leads easy.

During the first summer of SSH in the US, Ahvenniemi and Ylönen were busy touring the country from prospect to prospect. "The prospects appreciated the fact that the guru who had developed the software and written standards came to see them in person. Tatu would ask the specifics of the customer's product, then he would write on the whiteboard exactly how SSH code could be integrated. He would tell how much time it would take and tailor the solution for the customer there on the spot," Ahvenniemi remembers.

It became a rally called "Tatu in Town."

However, the debut of SSH in the US market was far from easy. "Because we had so little money, we were extremely efficient and aggressive and fought every deal through. We were busy building our OEM licensing business and, in fact, did not miss many of the deals we were engaged in."

"We did not need to raise money from Silicon Valley, because when our OEM deals started rolling in, we raked in hundreds of thousands of dollars from most deals. Our first major deal was with Sun Microsystems which paid our salaries for quite a while," Ahvenniemi says.

He says the Sun deal validated SSH. "At the time Sun had the hottest Internet server operating system, Solaris. Once you get your product introduced as part of such globally known brand, nobody questions your validity." The sales expanded also by satisfied and faithful buyers, who continued to license from SSH even when they switched jobs.

When you're small, you might need to make your own rules to survive. "To make the ends meet and speed up cash flow, we asked the customer to pay the full sum for a one-time license upfront before we released our source code to them. It was very untraditional but we did not want to be prisoners of a large corporation procurement system, where they knowingly delay their payments up to three months. This made customer's product development people pressure their procurement instead of us needing to do it. They wanted to get their hands on our code in order to meet their product development schedules," Ahvenniemi tells.

"We never gave out the product before it was paid for. I once went to Redback Networks to deliver our code and software, which I had on a CD-ROM. Face-to-face with the company engineering VP, I gave him the CD and he handed me the check. I returned to our office waving a check worth tens of thousands of dollars."

Ahvenniemi admits that customers did not always appreciate SSH's way to deal with payments, but SSH just had to do it. In some big corporations it caused quite a stir.

At the time Ahvenniemi was in his mid-twenties, with no sales experience. An earlier high school exchange program had given him some cultural understanding about how to behave in the US. His young enthusiasm and open-mindedness combined with the interesting product his company was offering must have worked for his advantage.

Sales "al Americano"

To grow the sales in the US market, SSH embraced the "Americanization." In early 1999 the company had recruited a seasoned American executive, George Adams. Tatu Ylönen had early on given F-Secure an exclusive license to sell Secure Shell. That license was modified in the spring of 2000 giving SSH the right to sell their own product directly to corporations. On the signing date of the new agreement, SSH started selling Secure Shell directly to corporate end users in addition to selling IPSec to OEMs. That's when Adams and Ahvenniemi organized the sales team in the American style, separating inbound and outbound sales.

Inbound sales reps sat in the office and mainly took in phone calls and, occasionally did prospective sales, but they wouldn't visit customers. The outbound sales group consisted of the sales people who regularly met with major customers face-to-face. There were also a few premium account managers that dealt mainly with OEM customers.

The sales strategy worked well. "Inbound sales deals brought in deals from a few hundred dollars up to a few thousand dollars. Payment and delivery happened online. Secure Shell was so famous that a third of the sales took place over the Internet," tells Ahvenniemi. Adams was Ahvenniemi's first co-worker and long term CEO of SSH Inc. The large scale corporate sales model involved a complete support structure with a 1–800-number and on-site sales support.

"In the OEM business it was all direct and, often, consultative sales where you help the customer integrate your elements into their product. We had only three salesmen working with OEM accounts. Most of the sales staff worked with Secure Shell corporate sales with hundreds of prospects and customers. We had more than ten salespersons, inside and outside, taking care of it."

The two business lines were totally different from each other, but according to Ahvenniemi, they were built side by side without problems.

Piggybacking to Sales Channels

Software company Stonesoft was drawn to the US in late 1990s. In 1996 the company had developed a high availability firewall technology to protect information transfer. "The US market was attractive, because the use of internet in business processes was expanding more rapidly than elsewhere and this produced a growing need for Internet security. It was also a large market," says Hannu Turunen, CEO of Stonesoft at the time. Naturally the competition was also intense.

Stonesoft's sales strategy was built on piggybacking the company's StoneBeat software on the software of Check Point, the industry leader from Israel. StoneBeat replaced a competitor's more expensive device-based solution and offered considerably better value with minimal extra cost.

"Check Point had customers, sales strategy and working sales channels," lists Turunen. "Through their sales channels we got to know the most important partners."

The Check Point deal had been initiated in Finland. "Check Point's own product was still on beta when we needed it for a customer project. I asked for a pilot and we became their vendor in Scandinavia. We learned their technology and built a value adding solution on top of it."

According to Turunen, Stonesoft had no reason to make noise about itself in the US because the channel worked very well. "I think the smartest way to grow rapidly in software business is to add your product or service component to a partner's successful product and take benefit of the channel," he says. He adds that is important that the pricing and operational model generate money for the channel partner as well.

Turunen stresses the importance of updating your product so that it stays attractive for the sales channel. "If the sales channel loses interest, sales may dry out. Bringing in a new product is very expensive. It takes time to compensate the investment in it."

"In Europe and the US, the attention span is short; in Asia, however it is possible to develop a collaboration which works for many years," concludes Turunen.

Bootstrapping to Market

Stonesoft and other Finnish Internet security companies took advantage of a counter-purchase opportunity when entering the American market. In 1993, the Finnish government had signed a deal to buy Hornet fighter jets from the US, and the agreement included an offset clause to help Finnish companies' entry into American markets. Finns were assured to get their products sold in the US worth 3.35 billion dollars.

By 2000, this agreement was fulfilled. The clause had assisted about 200 Finnish companies in bringing sales. One fifth of them were small or medium size enterprises.

Before the Hornet deal antivirus company Data Fellows (known as F-Secure from 1999 on) had already considered the possibility of entering the US market. The deal offered marketing and sales support worth around 150,000 to 200,000 dollars. It was decided that engineer Petri Laakkonen would post the Data Fellows flag in Silicon Valley in the beginning of 1995.

Laakkonen remembers Data Fellows as a bootstrap venture with less than 30 employees working for the founder – a student with very limited resources. There was no venture capital backing. The company was operating on cash flow from sales.

At that time Finnish IT companies did not have many sales professionals or engineers with international sales experience. They placed their trust on those who knew the technology from the bits up to the product: the engineers.

Thus the salesman, who was sent abroad, was an engineer with decent language skills. He – very rarely she – started the US conquest with a modest set-up consisting of a phone line and a desk somewhere in Silicon Valley to set down his laptop.

Cold calling prospective customers at daytime and responding to incoming inquiries and support calls, day and night, was routine for Laakkonen. "I ran the business with a minimal budget paying the salesmen very little. I received a salary which would not have attracted an American secretary at the time," he tells.

Data Fellows established presence with minimal investment, and the strategy produced modest sales. Laakkonen tells the first US product, a groupware product called Vineyard, won awards in the US. Still, it was a challenge to launch a product that did not have a well-established market category and required a lot of missionary sales to explain its potential applications to customers. This implied direct sales, which made it hard to jumpstart the selling. The company did have an antivirus product, F-Prot, which had been selling well in Europe, but due to licensing issues F-Secure was not able to sell it in the US.

Sales didn't pick up until 1998. F-Secure had licensed the Secure Shell technology from SSH and had developed additional functionality around the product. The company also attempted to sell its antivirus software in the US after settling the licensing issue. In this segment, however, it was late to the US market, where US giants Symantec and McAfee were already strong.

The turn of the century brought Data Fellows the next challenge in the form of a disagreement about the company's rights to sell products based on SSH's Secure Shell technology. It had an exclusive license to Tatu Ylönen's creation, which SSH wanted to sell now too. The SSH lawsuit came one day before Data Fellows' IPO in 1999.

In the spring of 2000, Data Fellows (now called F-Secure) and SSH came to an agreement about the issue, the exclusivity was revoked and a royalty deal was closed. It helped both companies develop and sell the SSH product independently, further boosting their sales.

Risto Siilasmaa, founder and chairman of the company, today says it was a mistake to engage in two different businesses in a moment when there was no indication that Internet security would be a strong growth business.

"The rationale was to try which one of the products lines would sell and then focus in its development. We were unable to abandon one or the other because we would have abandoned our clients too. In addition, we would have had to cut the staff."

"In hindsight we should have abandoned the groupware product earlier than 1996 and put all the eggs in the same basket to develop Internet security products. But engineers like to try different things and there are a lot of interesting things to tinker with," Siilasmaa says, with the wisdom of hindsight and experience.

Getting off the Ground

Data Fellows' version of SSH software became the company's leading product in the US. "We gained a good reputation, a good standing and got access to governmental institutions. It was surprising, as our company's resources were close to nothing. For instance, we made a deal with the US Department of Defense, somewhere between 150,000 to 200,000 dollars at a time when our company had annual sales of a couple of million dollars. It took at least 30 phone calls and numerous emails to get the deal," Laakkonen tells.

Since there was no special benefit of having a Finnish background, in the beginning, Data Fellows Inc. did not make much noise about its origins. "At the time in the US nobody knew that Finland was actually a country. If somebody thought he knew about Finland and Nokia, his knowledge was that Nokia was a city in Japan. We mentioned in the very last pages of our sales material that the R&D was located in Finland," Laakkonen remembers.

Laakkonen thinks it may have been the fame of Linus Torvalds and a few Finnish companies that some time later gave Finland a glowing brand of modernity and leadership. "Then, instead of hiding our Finnish roots, we started to place the Finnish flag on the first page in our presentations and other marketing material," he tells.

By 1998-99, Data Fellows sales had grown to about 25 million dollars. The company established an office on North First Street in San Jose and the staff was expanded from 7 to 30, just before the IPO in Finland.

Growing Fast

After the very successful IPO in 1999, Data Fellows, renamed as F-Secure, had reached a market cap of 1.6 billion dollars.

Inside the company, the high valuation inspired jokes about an eventual hostile takeover of the American competitor McAfee, which was much larger but had a smaller market cap during its low days and stock market fiascos.

Successful US sales encouraged the company to expand the operations in Silicon Valley. To proceed in the American way to further expand their US sales operations, they lured Cisco sales executive Chris Vargas to lead US operations.

The company was developing a new and more complex suite of security products for enterprise customers. This also meant a more complex sales cycle. Thus the company decided it needed to adjust its sales strategy and increase its marketing presence to serve the higher value – enterprise sales opportunities. The sales team was doubled, a VP of marketing was hired and the company significantly increased its investment in its US customer support.

"The US team led a change in F-Secure's customer support which is a critical element when selling to the US market," Vargas explains. He recruited Jim Abrams, who had been Cisco's Vice President of Customer Support to help in developing and implementing a new global model for customer service.

From Speed to Halt: Adjusting

Like many other companies, F-Secure found its expansion cut short when the Internet bubble burst in 2001.

"Corporate spending had started to lag in the middle of 2000. By January, February 2001, sales had slowed down dramatically. The terrorist attacks of September 11th certainly did not cause the market slowdown – that was already long in place," Vargas remembers. But it crushed any momentum or recovery in IT spending.

"Relative to the wild, hey-days of the late 90s, it felt like we went from going 100miles/hour in one quarter then right into a wall the next one. The only consolation was that every company experienced the same slowdown," Vargas states.

"Nobody at the time could forecast how long it would last, so management teams needed to cut expenses to prepare for a potentially very long and difficult period," he says.

"F-Secure adjusted to the change in the market by reducing its US operations and cutting the headcount significantly. In addition, all North American functions were centralized, reporting to headquarters in Helsinki. These changes were a reasonable response to a dramatic change in the global IT market."

However, after implementing the changes, Vargas decided to leave F-Secure. "My goal was to manage and lead a company that was lead primarily by the US market and the needs of US customers. This was clearly not the direction F-Secure was going," Vargas states.

F-Secure Inc. brought in a Finn to head the smaller and streamlined US operation. Looking back, Vargas thinks the company could have done better adjusting the strategy and products to the needs of American customers. Naturally, as president of the Inc. he was among those responsible for the decisions that were made.

Many European companies assume that what works for European customers will also work for US customers. "Not necessarily true," Vargas points out. "US corporations, by virtue of their sheer size, – often many times larger than the average Nordic corporation – demand a higher level of product localization and customer support."

He adds that customer service is one of the most important, yet also one of the most overlooked functions by European firms when moving to the US.

IT spending in the US did not pick up again until 2003. The recovery started for F-Secure when the company found a new business selling security for Internet service providers.

Risto Siilasmaa says the business has been profitable and the US presence has been important for establishing contacts with large local companies. Yet F-Secure remains a Europe-focused company. Around 80 percent of the company's sales revenue comes from the old continent. In the US, F-Secure serves 10 percent of the end-users' broadband connections.

Stonesoft, at its best, got 30 percent of the US market in some of its product categories.

In terms of segmental market share SSH's US subsidiary has been quite successful over the years. It produced 65 to 75 percent of all the sales of SSH Corporation during George Adams's tenure. The company also successfully sold its OEM business in 2003 to SafeNet Inc., and has since focused on the enterprise market.

According to Adams the best year for SSH was in 2007 with sales of 17 million dollars. So we asked, "Why didn't the company continue to grow?"

Adams thinks there was an opportunity to scale up sales expectations to 50 million dollars like some VPN competitors did. "If the company had invested in developing or acquiring products faster to further penetrate the rich base of Fortune 500-customers, as well as in establishing sales channels and productizations for small and medium-sized companies, it might have been possible," he says.

Ultimately, SSH chose not to focus on acquiring smaller firms. Finnish companies have, so far, done very few company acquisitions while operating in the US. SSH's valuation at the time of IPO was around 400 million dollars. "There was more than enough cash and the company had the opportunity to grow with acquisitions. Instead they decided to grow organically," Adams notes. He left SSH in May 2009 but participates in SSH's advisory board. The US subsidiary did not immediately replace Adams with a new CEO.

Lessons Learned

1. Concentrate on what your company can be and what you came to do in Silicon Valley. Be prepared to be patient, because it almost always takes years to reach success.
2. Look for new markets, scout for future opportunities. Focus on one niche and be really good at it, otherwise you waste your resources and your money runs out. It is a bittersweet recipe, but one that has worked the best for several companies.
3. Be prepared to scale your business. When you work in a corporate environment, you have to provide faster responses, immediate repairs, and adequate service support.
4. Consider piggypacking your product or service component to a partner's successful product. You will save time and money.
5. Use local sales talent but do your homework before hiring. Be active and open-minded, communicate, ask and respond.
6. Establish good communication and support between R&D in Finland and the sales team in the US. Rotate the engineers coming from Finland in order to avoid losing touch with the technology.
7. In the US, it's a unique market and it's the US way. Develop your product to fit the customer, the trend and/or the market. Listen to your customer!

Chapter 8
A Deeper Relationship – Finding Partners

I can see all my business partners from here!

Jussi Harvela, then-Executive VP Americas of Solid Group in Mountain View, California.

Choosing a partner is a more delicate issue than deciding on a sales channel. Put a lot of effort and time to do a thorough research on companies you wish to partner with, and build relationships with their team.

Petri Virsunen, Blue White Partners.

Issues discussed in this chapter:

Get Multiple Partners
Demonstrate Benefits
Look for Hidden Partnership Opportunities
Another Option: Merger or Acquisition
Nordics in Silicon Valley: Few Partnerships
Look for Win-Win but Define the Rules
Be Prepared for Challenges
Choose Your Partners Carefully
Secure Your Intellectual Property
Lessons Learned

Finding business partners has been the main reason for several Finnish companies to come to Silicon Valley, the marketplace for IT business. The Valley has some unique advantages that no other place has: within a one-hour drive you can meet a variety of technology companies originating from the four corners of the world. It is an ideal place to look for partners.

In the late 1990s a local presence was a must in order to build partnerships. IT trade shows were numerous and hugely popular and Finnish business representatives were eagerly running from one show and expo to another to discover market trends, check the competition and look for partners.

Several partners multiply a company's value.

"One of the agreeable surprises of Silicon Valley was that we could find partners from all over the world. We didn't need to go to Korea to talk with Samsung. They had office in Silicon Valley with people who communicated well in English. It was easier to do business in English with Koreans in Silicon Valley than in Seoul," tells Jussi Heinilä, who was head of the Finpro office in Palo Alto in the early 2000s.

"Most B2B partners for our client companies were found in Silicon Valley, including European ones."

Jussi Harvela, Executive VP Americas of Solid Group at the time, summed up Silicon Valley's partnering opportunities in 1998 to looking out of the windows of his company's high-rise office on Castro Street in Mountain View, "I can see all my business partners from here."

"To get into partnerships you need to play in the same field as the potential partners," says Pekka Pärnänen, who was responsible for Solid's partnerships from 2003 to 2005. "A company needs more than one partner, because several partners multiply the company's value."

"Your company and your partners form together an ecosystem, which accumulates the value of all its components. Your company's value comes from being part of that ecosystem: your partners bring value to you and you bring value to them. For Solid that ecosystem was being one essential component in a data management system."

"Understanding the business models of the partners is indispensable; otherwise you can't support them. The ecosystem does not work," Pärnänen warns. "Once you demonstrate successful sales in the partner ecosystem, the salesmen of your partners get interested in your company and they begin to support you for a good reason: at the same time your sales grow, their revenue grows and money comes in faster."

Pärnänen says that was how it worked with Solid's relationship with Intel. "We started to build a setup where Intel's and our value propositions were met and we got closer to Intel than its other partners did. It resulted in accelerated product development and brought in cash flow for Intel and us at the very the moment when our common customer started shipping the product."

After Intel, Solid moved on to see what IBM partnerships offered. "Their partnership program consisted of 10,000 partners. We said 'no way' and went directly to look for opportunities within IBM's business units. Had we proceeded through regular partnership programs, we'd never had found the way out," Pärnänen concludes.

The road to a partnership is long. The larger the partner, the longer the road.

Many Finnish companies partner with big US players in Finland or Europe and hope they will facilitate your future partnering. Pärnänen remarks that in Europe you deal with the European salespeople, who don't usually lead in partnering in the US. The people responsible for US business are based in the US.

Solid established its first US partnership with Hewlett-Packard in the US. The sales strategy was to tailor the product for HP's needs and then adjust the product to be more generic. Once Solid had core competence and a lead customer, its salesmen could sell a cloned product to new customers.

"The customers do not buy if they don't totally trust a startup, and if the product doesn't exactly fulfill their need. Our product was technologically the most advanced and it fit them perfectly," Harvela says.

"We were able to develop a product which was very competitive and could even surpass Oracle in some applications. We positioned ourselves in a small market segment where we were better than others and then we focused on it," then-CTO Ari Valtanen explains.

Later on, Valtanen tailored IBM a business solution to demonstrate how Solid would complement IBM's offerings. It was one of the elements that lead to Solid being acquired by the Big Blue.

Valtanen wants to stress the importance of mutual trust between business partners. "You need to have patience and a long term commitment. Every customer relationship is incredibly important," he says.

Demonstrate Benefits

There's a chicken-and-egg problem for a startup company to get on the radar screen of larger companies: without local presence it is difficult to find interesting local partners, without local partners it is difficult to start a business in a foreign country.

"You can't just sell your products. You need to offer something that benefits the partner," advises Tero Sarkkinen, ex-CEO of Futuremark. This may sound self-evident, but according to a few sources observing Finnish entrepreneurs, many of them still believe that Finnish technology is so attractive it sells itself.

"This is valid for any situation where you try to convince a large company, either to find a partner or sell your products or services," Sarkkinen adds.

The road to a prospective partner is long and may take a year or two. The larger the partner, the longer the road.

Sarkkinen tells about his efforts to find the first partner for Futuremark (then known as MadOnion), which had established its presence in San Jose in 1999. Like other Finns, Sarkkinen participated actively in industry standardization groups in order to gain visibility and find business partners.

> "If you don't know how and why you are better than the competition, your partner won't know either."

Futuremark wanted to partner with large semiconductor companies. This was because its product offering was benchmarking the performance of computers while they were running comprehensive graphics or high speed games.

Semiconductor maker Texas Instruments (TI) was planned to be the first partner. Sarkkinen explains he had attended numerous conferences and seminars looking for a "guy with a budget," the only one to advance his case.

Once he finally found the person he was looking for, Sarkkinen made his elevator pitch and pointed out that all of TI's competitors were using Futuremark products as well as their largest customers and mobile phone makers. "It would be logical that TI should also become a Futuremark user," Sarkkinen stressed.

The final result was a partnership with Texas Instruments, one of the largest mobile chip makers. It took exactly two years and 11 months for Futuremark to reach that goal.

Sarkkinen stresses you need to work towards the opportunity. "Before you get to the person who will actually make the decision, you should be wooing others in the company. This guarantees that once the contract is signed, you are already there, people know you, trust you and are willing to work with you," he says. He adds that often a large company does not believe your small company will live long enough to complete a contract.

Maybe it was because he knew how to proceed or thanks to the TI deal, Sarkkinen signed another important partnership contract with chipmaker Qualcomm, in only about half of the time it took him to woo TI.

In past ten years, Futuremark has worked with many of the largest IT companies in the US, and could count Microsoft, Intel, NVIDIA, Texas Instruments and several others as partners.

To raise the interest of a potential partner you need also to demonstrate that you are more interesting than the competition. Antti Korhonen, CEO of Ekahau, confirms other Finns' experiences with large corporations. "If you just have a technology platform and hope that a company like IBM will start selling your technology for a specific purpose, it won't work. You might need to call it quits and go home," says Korhonen.

"If you don't know how and why you are better than the competition, your partner won't know either. Once you know your story and you believe in it yourself, it will work," he says.

Ekahau has about 100 partners all over the world. It has taken time for his company, too. "In 2002, I was presenting our system to Cisco in their offices in San Jose. It took three years from there to get the first Cisco certification, and suddenly we were competitors. Now we are more like partners," Korhonen says.

Look for Hidden Partnership Opportunities

The growing complexity of technologies, players and markets gives an opportunity to find new and unexpected partners. If you are moving ahead of others, you may find uncovered nodes in the net as Movial did.

Movial offers client software that enables device manufacturers and service providers to rapidly launch revenue generating converged services.

It was very difficult to get in the radar of large device makers. "We attended all possible conferences and events and tried to tie direct contacts. It was hard, impossible, nobody knew about us," Movial CEO Jari Ala-Ruona explains.

"Then we found companies which developed server programs but had no programs to offer to user devices and no knowledge how to develop them. We contacted them and formed partnerships. Little by little we entered in dealership contracts with these large companies, which then will represent us for end customers such as operators and device manufacturers."

A major milestone for Movial in 2006 was a partnership with telecommunications company Ericsson, which paved the way for the young Finnish startup to sell its IMS-based client software to American mobile operators and device manufacturers.

Now Movial was able to deal directly with big partners.

"The partner in this may be a Silicon Valley chipmaker or a global telecom equipment manufacturer. They might introduce us or sell our integrated product or service to end customer. In the summer of 2009 we entered in a partnership with software maker Adobe to bring Flash to mobile devices," Ala-Ruona says.

Another Option: Merger or Acquisition

Mobile device manufacturers and operators often have a dominant position in their respective industry sector or country which may complicate partnerships. By the end of the day a merger with a complementing American company may be the most reasonable choice for a startup.

Mobile game developer and publisher Sumea had its window of opportunity open around 2002, when the small startup was able to partner with big American mobile operators. "It still feels incredible that we got Verizon, the largest mobile operator in the US, as a partner," says Co-Founder Ilkka Paananen in September 2009 in Helsinki.

> A merger with a complementing American company may be the most reasonable market entry choice for a startup.

"Good downloadable games were scarce at the time, and we were there at the early stage. The window of opportunity was open for us for about a year. There was huge demand for interesting games, and everybody was welcome. Finpro was arranging meetings for us."

"Fortunately we did not quite realize how huge a company Verizon was – today the same situation might be scarier. Now it would not be possible," Paananen mentions.

It was not easy at that time either. "Another large operator, Sprint-Nextel, gave us 45 seconds, no more. There was no way to deal directly; we had to go through their partners. Several operators had middlemen, wireless development agencies or so-called content aggregators."

At the time, Sumea had already partnered with all the important European operators.

The partnership with Verizon had its challenges. The mobile game business works in a way that when people access a mobile portal, the games that are shown first on the "deck," attract most players.

"It was really difficult to get to prime positions on the deck. It required close relationships with the operators, tailored marketing programs, pure cash and everything in between. We did not have enough muscle to do that, especially in a market that was so distant from Finland, i.e. in the US."

"That is why, in the beginning of 2004, when the advantage of timing and the product started to fade, we saw a glass ceiling above us. To build a sales organization in the US, we saw that we would need a huge amount of money or we had to find a partner," Paananen tells.

"When we merged with Digital Chocolate, the same person from Sprint-Nextel placed our products on premium positions," he recalls.

Partnering with the operators has been challenging for many Finnish companies. Merging with a US company was also a preferred solution for Smartner, which noticed partnering with US operators was complicated. The company specialized in providing access to email through all kinds of mobile devices.

In the beginning, Smartner had been lucky to partner with Ericsson, who took Smartner's mobile e-mail solution to its customers and brought strong growth. In 2005, half of Smartner's customers came from Ericsson, says Ari Backholm, one of the founders.

"Ericsson sold our solution to operators really well, even in countries where they didn't have mobile networks in place, much less mobile email. Everything was bundled in a mobile network deal that was sold. Just check the box including the email service. This was the case in some African countries."

Backholm admits that only later did they fully understand that Ericsson's business model – they sold large network solutions – had no incentives to advance Smartner's goal to bring in more end customers. The interests were actually conflicting as Smartner's income depended on the number of email users and Ericsson concentrated on selling more of its own products instead of luring more end-users.

Somewhere in 2004 – 2005 Smartner noticed that in order to grow the company it needed to get to the US market; to get access to the US market, it had to find a US partner.

"The best solution was merging with an American competitor SEVEN as we had complementing businesses: Smartner was strong in Europe and Asia and SEVEN was strong in the US and Japan. Had we tried to enter the US, we'd be in a head-on collision with that company," Backholm says.

Nordics in Silicon Valley: Few Partnerships

The Nordic telecommunications companies, Ericsson and Nokia, provided the springboard to global markets for quite a few Finnish mobile startups. However, coming from the same parts of the world and having similar values and business practices did not automatically lead to partnerships in Silicon Valley.

During the last ten years there was some turnaround in workforce among Finnish companies. But according to several executives we spoke with, there was no specific reason for the companies to collaborate, work together.

Solid and MySQL may have been the only ones to have some kind of partnership. Those companies were at the same time competitors and partners in the open source database segment.

Ari Valtanen, ex-CTO of Solid, says that the companies were in a process of bringing a "turbocharged" version of MySQL, solidDB for MySQL, to the market. "The combination was planned to bring added value on regular MySQL database. Solid would have benefitted getting to new markets."

"We had a value-added reseller contract where Solid could create its own version of the product. Some other ways of collaboration like cross-licensing were under consideration."

The project advanced quite well during a couple of years and raised interest in customers according to Valtanen. Then the interests of both companies differed. Sun Microsystems acquired MySQL and IBM acquired Solid.

Look for Win-Win but Define the Rules

There needs to be a win-win for both partners. The fundamental reason to form a partnership is to increase sales or decrease costs. Partnership should leverage your strengths; not to address your weaknesses. If a company forms partnerships to hide its weaknesses, it doesn't work. All the aspects of a partnership need to be openly discussed and agreed upon before signing a contract.

Mikko Varpiola, one of the founders of Codenomicon, a software testing company, now based in Silicon Valley, shares the experience of how his company formed a partnership. Codenomicon offers a testing tool with the advantage that the user does not need to access source code to find application vulnerabilities.

> "Before signing the partnership we proceeded to technical evaluations about how each one of us worked and how well the respective teams would work together. Only then did we negotiate the partnership details and sign the contract."

Being a relative newcomer in the US market, Codenomicon had thought about forming a partnership with a larger company. They had observed Ixia, a much larger test and measurement provider. The companies were aware of each other because Ixia often had inquiries about services Codenomicon offered and the latter had inquiries about what Ixia offered.

"Before signing the partnership we proceeded to technical evaluations about how each one of us worked. We assessed how well the respective teams would work together. Only then did we negotiate the partnership details and sign the contract," Varpiola explains.

"To ensure the best possible results we provide training for Ixia's sales engineers and provide the backup for partner's sales support, if needed."

Varpiola says it took one year to get things going smoothly in the partnership but most pitfalls have been avoided. "Our partner now considers our product as part of their offering. This has helped our marketing a lot because they have larger marketing budgets than we do. We have also profited from Ixia's know-how in marketing and have been able to utilize material created by them also outside our partnership."

"Once the partnership is up and running, you also need to be careful so that partners do not compete in the sales channel. You need to have some payment upfront according to the estimated sales; it shows commitment," he advises.

Typical mistake according to Varpiola in building partner relationships is to start with engaging the lawyers, signing a partnership contract and then wait for the sales start flowing. Instead, he says, it is important to do a proper due diligence on how the products complement each other and how on very practical level the product is introduced into channel. The channel needs to be trained and supported to sell the product.

Be Prepared for Challenges

When a small company deals with large partners who are competing for the same customers, it may get complicated, even nasty. At the very least it is walking a tightrope. How do you deal with that situation?

"As our partners are pulling each others' hairs, we don't choose sides but try to stay neutral," says Mika Könnölä, who jokingly compares his company, visual search firm Documill, to an arms dealer.

"In Europe, one of our large enterprise search partners presented us to one of their large accounts, but the customer did not like the joint solution. They told that they wanted a competing solution but with our product as a part of it."

"In a case like that we try to keep in good terms so we told our large partner that we had no bad intentions and just want to sell our product. And in this particular case, the customer just preferred our value-add."

Könnölä says it is very difficult for a small company to maintain friendly relations in cases like this because large partners consider themselves being unique and offering a unique customership.

Small companies may expect too much from partnerships too early.

"This kind of large partner is keen to have a partner which doesn't visit others to make money. But a small company can't commit to exclusivity before it gets the assurance to make a certain amount of money. We have been doing ok so far. Nobody has closed the door on our face," Könnölä tells. "Instead they have invited us to come back."

"Without this kind of partnerships we would have had no opportunity to get into major accounts," Könnölä admits. "If we can offer something new, our partner can further propose it to their customers, plus they will get their fair share, we get ours, and the combination works."

"If you have a unique solution which differentiates you from other companies, it is not difficult to get a large partner," Könnölä assures. He adds, "You need to find the right connections."

Documill's visual search technology completes the search companies' offerings. According to Könnölä his company counts all five leading enterprise search companies as partners. "Our credibility comes from being a vendor and partner for these companies," he says.

With its social networking websites aimed at teenagers all over the world, Habbo Hotel has had all kinds of partnerships. For Teemu Huuhtanen, the President of North-American operations, partnering has actually been the most revealing exercise of globalization.

"We have rolled out partnerships in an innovative way according to the market and learning all the way. In Holland we have a joint-venture, in Spain we launched without partners. In between we have created all kinds of models. In China we did a lot of research, partnered with a large government entity and expected success being written in the stars. After that we encountered many China-specific problems and the business never worked out."

"The management never imposed a prefixed strategy for any given country; instead we proceeded according to the local business environment. We analyzed our mistakes, and never repeated the same error," he says.

Huuhtanen warns that no business evolves as predicted. "You need to be ready to change your approach and strategy constantly. Things change so much and so quickly, especially in large companies."

Choose Your Partners Carefully

You need to be careful when choosing your partners. Don't rush into partnerships even if they look really good. Indeed, it is not always easy to see if the promising common future is pure dreams or attempts to exploit your company, especially if you are a young startup.

"Early on we closed a couple of deals before even visiting the US. As typical, we were easily attracted by the first opportunity. It was a classical landmine," Ilkka Paananen ex-CEO of Sumea, says. "Once we were proposed an exclusive deal and as a return, the partner promised heaven, a great future. We fell into that trap for a few products with one operator."

"When the truth came out, we had to get out of the contract and it cost money and especially effort. We had to pay. Fortunately, we were somehow prepared to risk and had limited the loss to some level. But dealing with the issue was not pleasant."

"It was a dinner meeting. Our American counterpart had used all means to assure that we would lose if we walked out of the deal. This successful senior executive even went on to threats: we would have nothing to do in the US and no operator would talk to us in the future if we walked out of the deal. We walked out and never regretted," Paananen remembers.

He advises companies to get help from experienced professionals, either as recruits or outsourced help. Trial and error is not the best way to go when dealing with legally binding contracts.

Often small companies expect too much and too early from partnerships. Petri Virsunen, who has been sales and marketing executive for a number of companies in Silicon Valley since 1991, sees partnering useful as a supply chain when there is too much demand for your company to take care of.

He warns even good partners might not take care of the local marketing in spite of promises.

Most of all, companies should be very selective in choosing partners. "Choosing a partner is a more delicate issue than deciding on a sales channel. Put a lot of effort and time to do a thorough research on companies you wish to partner with, and build relationships with their team."

When dealing with a large company, like Cisco, IBM, HP and others, you need to do research on all decision makers, know all the gatekeepers, all those who have a budget, and the technical specialist you need to know. Take the case very seriously. This is the warning and advice from Jussi Heinilä from Partner Up Finland.

As the cases of Sumea and Codenomicon reveal, it is important to be prepared: examine the contracts carefully and include the clause of withdrawal in case of problems.

Secure Your Intellectual Property

When developing a technology or new product, the IP issues are to be looked at with a magnifying glass. Defining which one of the partners had the original idea, and who developed the core technology is most important. It is expensive and often impossible – read: too late – for a small company to show in court that it legally owns the intellectual property.

In many cases the disagreement is not deliberate, in some other cases it may be part of a company's business model to make money by filing patent infringement suits.

Cultural differences may also cause misunderstandings.

"As far as I know, Finnish companies have not been deliberately mislead or cheated by American companies," reassures Michel Wendell of Nexit Ventures.

“However,” he says, “misunderstandings have occurred, because the business culture and the use of legal contracts differ in Finland and the US. Often either party may consider something as evident, self-explanatory or they base their expectations on belief, or simply, some issue has not been discussed at all.”

”The legal agreements drafted in the US are often very comprehensive and thorough, and therefore voluminous. The legal expenses are often way beyond the expectations of the Finnish businesses,” Wendell says.

When you deal with an American partner on American soil, the contracts need to be made according to American law and preferably written by American lawyers. Disputes are handled in American courts.

“Be prepared to spend much more time on fine tuning the legal contracts than on actually reaching the business agreement; the negotiation is not over until the contracts are signed,” he comments.

Lessons Learned

1. Create a network of diverse partners, small and large. If one partnership is lost, others still work. Choose your partners carefully.
2. Multi-partnerships require exercise of diplomacy. Don’t get involved in issues between your partners.
3. Don’t rely on your existing foreign partnerships to open the way to large US corporations.
4. Getting to the radar of a large corporation with thousands of partners takes intelligence, time and perseverance. Being present, creating trust is important.
5. Offer something unique and profitable to your prospective partner. Demonstrate you’re better than the competition.
6. Protect your intellectual property. There are considerable legal differences between countries. Get competent legal advice in partnership agreements.

Chapter 9
Hiring and Working Between Two Cultures

The most important thing in the beginning is hiring the best people.
Don't set your sights on just good people, hire superstars.

Sami Inkinen, Co-Founder and COO, Trulia.

Issues covered in this chapter:

- Start it Right
- Hiring Local Talent
- How to Find the Best?
- Get Used to Long Hours
- Clash of Cultures
- The Visa Circus
- Lessons Learned

For a startup, the core team is crucial for success. The same goes for the people running a subsidiary in a major market. Seeding the team with the right people is critically important. Unfortunately, finding and keeping the right people to lead the subsidiary and sell the product in Silicon Valley has been one of the biggest challenges for Finnish companies.

"The track record of Finnish companies in hiring American management is far from good," estimates Timo Korpela from Gearshift. Korpela says he has seen cases where the management team has been changed three times.

"You have to aim for class A in everything. In people, investors, brand, customers."

There are a few basic reasons why finding the right local people to either lead operations or serve in key positions in Silicon Valley has not been easy.

For starters, Finnish companies do not have an existing network of colleagues or college friends to tap into to find hires in the area.

Second, it is tough for a small, unknown and untested startup from a far away country to attract top talent. Why would the best, A-class professionals be interested in a Finnish company when they have a local choice? One executive put it even more bluntly, "Only losers are looking for positions like these."

Third, Finnish companies have not always had a clear idea on what type of person they are looking for. Nor have they always been clear on giving hires direction or guidance on what the boundaries of their authority are.

Fourth, Finns have not been used to reading the American style CVs. Americans are not taught to be modest when telling about their abilities, like Finns are. On the contrary, personal promotion is an ingrained habit and a well-rehearsed skill in the US.

One common element of the successful Finnish startups in Silicon Valley has been that they hired internationally early on. Several hired non-Finns from the beginning and, for most, getting qualified and dedicated Americans on board soon after establishing in Silicon Valley has made a measurable difference.

Mårten Mickos, who led MySQL to the acquisition by Sun Microsystems, is a firm believer in international teams. He remarks that if a company truly wants to serve global markets, it has to recruit globally. This goes for the top executives as well, he stresses.

In addition to employees, you want to have the best possible board. Typically, a startup board will include representatives from major investors. Top experts in various tech sectors are sought-after board members, and getting "a name" to sit on a startup board is a major achievement.

Attracting top people takes time and perseverance. Codenomicon, which sells security and quality testing software, recently gained a connection to the US government when Howard Schmidt, a Codenomicon board member and a nationally known cyber security expert was appointed as the White House Cyber Security Coordinator.

Mikko Varpiola from Codenomicon says attracting top people requires a long-term perspective on relationship building. Varpiola tells that Codenomicon first met Schmidt over six years ago, when he served as a cyber-adviser in President George W. Bush's White House. It took several years of staying in contact, for Schmidt to join Codenomicon's board in 2007.

"Getting these type of professionals involved has been an essential part of establishing our presence in the US," Varpiola says.

Start it Right

Seeding the team right is extremely important. The level of the first hires dictates the level of the next round of employees.

Sami Inkinen, Co-Founder and COO of Trulia, a San Francisco based online real estate company, underscores the importance of the first hires. Inkinen recommends hiring the best possible people. "Don't set your sights on just good people, hire superstars," he says.

Seeding the team right is extremely important. The level of the first hires dictates the level of the next round of employees.

Inkinen has start up experience both from Finland and Silicon Valley. He co-founded software company Matchem in Finland at the turn of the century, later selling it to a German investment firm. He is one of the few Finns who has an MBA from Stanford University, which in addition to the superb education gives an opportunity to build an extraordinary network. Inkinen, for instance, managed to get legendary venture capital firm Sequoia as an investor for his first US startup.

"You have to aim for class A in everything. In people, investors, brand, customers. We had good luck with the three or four first hires. In engineering, you have to get the very best," Inkinen stresses.

Inkinen notes that many Internet entrepreneurs wrongly think it is 90% inspiration and 10% perspiration. In fact, it is the opposite.

"A great idea is 5-10% of the story and hard work is 95% – every single time. Only by doing can you find out what really works. It is about doing and changing, doing and changing, constantly."

Petteri Koponen, Co-Founder of Jaiku, which was acquired by Google, agrees.

"The core team has to have world class people from the beginning. The first five to six people are most important."

Koponen reminds that particularly in Internet services global competition is intense and in theory anybody from any corner of the world can start a similar service to what you may be developing. In other words, the world is flat, so you need a globally competent team from the start if your market is global and you have aspirations to become a leader in your business.

Hiring Local Talent

Traditionally, Finnish startups have kept R&D in Finland. For a Silicon Valley subsidiary, they have mostly hired sales and marketing people and top executives. Some have hired local engineering talent.

"One reason for us to come to Silicon Valley was the possibility to hire local professionals. In Finland there was less know-how in many areas, including sales, marketing, product development and business development," recalls Ari Valtanen from Solid, which is now part of IBM.

Since Americans are generally stronger in sales and marketing than the average Finn, it makes sense to rely on local talent in these fields. Additionally, of course, Americans are at ease with the prevailing business culture, they speak the local business jargon and already know how to work the ropes.

Even little nuances count, as Codenomicon's Varpiola found out.

> Getting qualified and dedicated Americans on board soon after establishing in Silicon Valley has made a big difference.

"I was on my first business trip in Kansas City. I was explaining a feature about our product to a customer – with a strong accent, sounding like a Finnish rally driver," Varpiola tells. "Neither one of us understood half of what the other said. Afterwards the customer did get back to me and said he had tried what I had suggested and it worked. But I decided it was time to get a local sales person who spoke local English."

Jari Kaitera, who seeded Silicon Valley operations for QPR Software, speaks about the difference of style in selling between the US and Finland.

"It is best to hire the sales and marketing people locally, because they work in a very specific fashion. I had done sales in Finland, Sweden and elsewhere, but the Americans have their very own style. I have to say it is effective and fast. In Finland the thinking goes on and on, whereas the Americans act when they have received all the necessary information about the product or service. And then, at the end of the quarter, you may get ten orders at once."

For most startups, finances set certain limitations. Salaries are higher in Silicon Valley than in Finland. During the Internet boom at the turn of the century salaries were double that of a respective professional's pay in Finland. In addition, executives – as well as lower level employees – expect options and other incentives.

An IPO or a significant venture round opens up the options. Solid kicked up to a higher gear in hiring after raising a record breaking VC round in 2000, remembers Jussi Harvela, COO at the time.

"It became a whole new deal. Large investment from well-known VCs positioned Solid in a completely new way. Attracting seasoned management and local board members became much easier."

The important elements were knowledge and networks, agrees Ari Valtanen, then CTO of Solid. "With the new board members we got local know-how, international experience and networks." Valtanen suggests all of these assets would have been useful for the company even at an earlier stage.

Others echo similar experiences. Petri Laakkonen from F-Secure notes that hiring became much easier after the IPO in 1999. The listing brought visibility and allowed for a larger hiring budget.

Large, well-known customers also raise the profile, which attracts employees. Sami Ahvenniemi recalls his experience with SSH. "Before the reference deals, we could only hire technical people in Silicon Valley. Only with references were we able to get George Adams on board to lead the US operations."

Often, Finnish companies are perceived as foreign and risky, especially when compared to local firms established by serial entrepreneurs and funded by tier one venture capitalists. Hence, attracting A-class talent may be tough, and it may require above-the-market compensation.

Korpela from Gearshift warns that offering high salaries will attract the gold diggers in addition to others, and cautions to be aware of this. ”If you are not careful in checking references and past results, you may end up with mediocre people running a central part of your growth.”

How to Find the Best?

The best people are found through personal networks, says Ari Salonen, currently with Basware. ”Find people who are a known commodity and have a track-record of success.”

Salonen underlines the importance of checking references and achievements. Americans can talk until you get dizzy, especially the salespeople, he observes. “Find the facts – it is acceptable for instance to ask a sales candidate to present his tax declarations to confirm his commission claims.”

For sales, Finnish veterans advise hiring someone who has both experience and networks and ”a fire in the belly.” “However, for some roles, for instance inside sales or telesales roles, young and hungry may be perfectly appropriate,” says Salonen.

If it turns out the hire was a mistake, he or she needs to go. ”Set clear objectives and follow them weekly. Act and make conclusions quickly if the goals are not met,” Salonen recommends.

Firing people is much easier in Silicon Valley than in Finland, and more common. There is nothing unusual about letting employees go, if they are not meeting their targets.

The flip side from the company's perspective is that people change jobs often. Reliability has been an issue. Especially at the turn of the century, when the economy was hot, employees would easily leave when they found a better position somewhere else.

Esa Ketola went to exceptional lengths when he was hiring software engineers during the dot-com boom for Modera Point, which offered wireless security solutions.

”I started looking for talent here in late 1999. It was almost impossible. I put postings on websites. I even gave out pamphlets at shopping malls, with a picture of a Nokia cell phone, explaining how we were moving into the future which was wireless computing.”

Ketola points out that a Silicon Valley engineer is career conscious: he or she wants to get into a position that has a future. Modera worked in a space that was all in the future, and the requirements were not sky-high.

”For the first person I hired, a key requirement was that he knew the C++ language which is used in the Symbian development environment and had done code for at least one of the handheld OS.”

Resumes did not tell the whole truth. ”CV in the US is a marketing tool where half is lies,” Ketola says, only half-jokingly.

To separate the braggers from the competent applicants, Ketola would put them to a 15-minute test after the warm up conversation. About 40% of the applicants failed.

”Many claimed in their resumes to be virtuosos in the C++ language, they would list all kinds of experience. We would say, 'Let's do the test, and then we will continue talking.' One guy was sweating like he had just walked into a sauna. He staggered that he was in fact looking more for a marketing type of job. We told him that is not what we are offering. The guy walked out.”

It is important to pay attention to the type of sales experience the applicant has. American sales people are often used to organizations having two sales teams: inside and outside sales. The inside people make phone calls and arrange meetings, the outside people go and meet the clients. If the

> The best people are found through personal networks. Find people who are a known commodity and have a track record of success.

teams are not in place, an American sales person may not know how to be immediately effective.

Juho Risku hired sales people for Helmi Technologies a few years ago. He learned that it is important to know exactly what kind of sales experience you need. For a new technology, it is critical to have a sales person who understands the product and can explain it to the customer, who typically does not yet know what he can do with it.

”Our mistake was that we did not hire a person who could do consultative sales. I learned that if the product is not simple it is necessary to hire an independent salesperson who has startup experience.”

The benefits of personal referrals quickly become obvious. When a personal network is not available, some of the best sources for referrals to good hires are lawyers and VCs. Both are current on who is doing what and have wide networks to tap into. If networks are not producing results, companies turn to recruiters and headhunters. They charge a fee for the service. In addition, as incredible as it may sound, you may have to pitch your case to them before they take you on as a client.

There are different types of headhunters and recruiters, as well as services offered. Some recruiters perform active searches, others only pass on or process resumes. Compensation depends on the task. For a direct executive search you can expect to pay between 25 to 35 percent of the annual salary. Some firms expect a retainer for performing a search. A retained search, where an up-front fee is required, will cost 20 to 35 percent of the annual salary of the recruited executive. There are also firms and cases where a flat fee is accepted for a service.

”We used well known headhunters to bring new independent and local industry experience into our board of directors. The compensation was a reasonable flat fee per member for very high caliber executives,” tells Jussi Harvela. ”For a direct search of an executive team member, we would pay a bit less than 30 percent of the annual total compensation package, excluding stock options.”

Get Used to Long Hours

The Finns who have been sent to Silicon Valley face their own challenges. They are far away from the parent company, working long hours, striving to stay connected to headquarters over a ten-hour time difference, while adapting to a new culture and under pressure to make the operation a success.

The first Finns in Silicon Valley are usually the critical links between the two organizations. This means they have to be exceptionally active and flexible.

> ”A great idea is 5-10% of the story and hard work is 95%. Only by doing can you find what really works.”

”In our case, it is always the American end that stretches. We know this and don’t even attempt to arrange a call that would be in the evening Finnish time. This means we are in conference calls at night or early in the morning,” says Mikko Varpiola from Codenomicon.

Varpiola gives credit to Ari Takanen, who set Codenomicon’s flag in Silicon Valley. ”He was the pioneer. He worked for two people and had incredible drive. He would drive around to meetings and take care of phone calls somewhere in between.”

Time difference seems to be at least partly an issue of attitude and expectations. Few report that they find it a useful tool, although in theory, having people in two opposing time zones would give a company a 24-hour workforce.

”It worked well when it was a question of one-to-one relationships. When we called about something in the evening our time, we would have the matter taken care of by the next morning,” Ahvenniemi tells about his experience with SSH.

Communication patterns changed as SSH’s US operation grew. ”In the very beginning, we could communicate with the company founder Tatu Ylönen daily. When we had about 5-7 people in Silicon Valley, it became a weekly call. By the time the subsidiary grew to 30 people, it practically operated like an American company in the American way."

Kaitera remembers that in his days with QPR, communication worked well. It probably helped that all were on the same page regarding the regimen. "It was self evident that the executive team conference calls took place in the middle of the night San Jose time. Communication happened either very late in the evening or very early in the morning. The biggest advantage we perhaps had was the fact that we all knew each other."

Eero Kaikkonen, Founder and former CEO of Hantro, testifies that the work itself can be a lonely drudgery. This is not a problem, he says, if the person being sent oversees understands the requirements.

"If you don't take the initiative, everybody will forget you. You need to keep the communication going. So you get up at 6am and make phone calls to Finland and you again make phone calls at 10pm."

Kaikkonen says that personally he does not mind making work calls at 8pm at night, but some people experience this as a negative. Working four nights a week can become exhaustive at some point. Kaikkonen stresses it is important to select a person who will be able to handle the demands. "There is a real danger that the person in California gets isolated," he alerts.

Meeting face-to-face remains crucially important, both with the home office but also with the customers who may be spread out not only in different parts of the US but around the world. Travelling may become a large part of the job description.

"During the most hectic times, I travelled around the world about six times a year," says Jussi Harvela, former CEO of Solid. Solid had operations in Helsinki, Oulu, Silicon Valley, Munich, Sofia Antipolis, Boston, Tokyo and India and customers in Europe, US and Asia.

"I would fly one way around the world. The trip would take one to two weeks. I was practically never home." Harvela adds the toll on his family was heavy. "I missed the first ten years of the kids growing up."

Harvela emphasizes that the in-person meetings were essential for customer work and perhaps even more important for inter-company relations. "Relying on e-mail destroys the relationships sooner or later," he says.

Videoconferences are useful, but they do not replace personal meetings, agrees Ari Valtanen. He says for the executive team, meeting at least two times a year helped. If there is no face-to-face time, effectiveness suffers, Valtanen says.

"If you don't take the initiative, everybody will forget you. You need to keep the communication going. So you get up at 6am and make phone calls to Finland and you again make phone calls at 10pm."

Clash of Cultures

So now you have your local, mostly American employees and the Finns who have moved to Silicon Valley from the other side of the world and Finns in Finland. Are you ready for the Culture Clash? It can occur between a Finnish CEO and American employees or vice versa, it even happens between Finns.

As the Finn in Silicon Valley adapts more and more to the local way of doing things, he or she may find that some Finnish ways of doing and thinking start feeling foreign. And to the Finns back home it may seem that the California lifestyle is a bit too sunny.

"When I uploaded my scuba diving pictures on Facebook, some people asked if I work at all," Mikko Varpiola shares.

"The gap starts to grow," notes another executive. "If you go to Finland with a nice tan, good old-fashioned envy raises its head, "Oh, you have started to play golf. Well, we don't play golf here in Finland in January."

"The Finns would report on what does not work. The Americans would highlight their achievements but not mention anything about what was not working."

Better to keep a low profile and not say anything positive about Silicon Valley, advocates another veteran. Even a positive attitude can be a source of friction.

"There is such positive energy in Silicon Valley, it is contagious. But you cannot talk about it in Finland. The response is, 'It is not going to work out anyhow.' You end up in the same situation as a crawfish in a kettle: if you try to reach the top, others will pull you down."

"In the very beginning, we could communicate with the company founder daily. When we had about 5-7 people in Silicon Valley, it became a weekly call. By the time the subsidiary grew to 30 people, it practically operated like an American company in the American way."

An American CEO in Silicon Valley has not always been easy to get used to. Mikko Varpiola from Codenomicon recounts that they had decided to make the bold move to hire an American in Silicon Valley. It works well, he says, because the CEO can easily go and converse with the colleagues at large corporations. For some of the Finnish employees, the transition was not easy however.

"There are a lot of biases on what an American CEO is like and what the American way of leading is about. We were first concerned that it might not work out. Even now, it seems the American end gets blamed easily if something is not working out."

Leadership becomes more and more challenging as the company grows and changes are happening at a rapid pace on many levels.

For many IT companies, the start of Silicon Valley operations has coincided with a change in the company culture. An engineering driven company becomes more sales and marketing motivated. In addition, the company becomes multicultural.

The character of the company changes and this can create friction. There is an increased need for experienced leadership, notes Harvela, former CEO of Solid, which underwent these changes in its own journey.

"We had a multi-cultural environment with a decentralized organization, most of the time in a constant state of flux. It is hard to imagine a more complicated situation."

A mutual respect for the advantages every player brings to table is a helpful attitude.

Canadian Oliver Baltuch has been leading Futuremark's North American operations from Silicon Valley for the past three years. He says he appreciates the reliability and inquisitiveness of the Finnish staff.

"A Finnish employee wants to know why things are done a certain way. But when the task is given, I can count on it being taken care of." According to Baltuch, American companies are more hierarchical: the leadership tells what to do and the employees run and do what is asked.

Varpiola addresses the same point. He says Finnish engineers have every reason to be proud of their expertise. However, occasionally they take it on themselves to design what they deem to be the better solution, rather than what they were asked to do.

"Communication has improved, because we have learned to explain to engineers why we are asking for certain things. Sometimes the solution is not perfect, but if it fits with the customer's systems, that is the way we have to develop it," Varpiola explains.

Risku noted many differences in American and Finnish communication styles within Helmi. The R&D departments would address opposite things in their reports. "The Finns would report on what does not work. The Americans would read that and think the Finns had not done anything. The Americans would highlight their achievements but not mention anything about what was not working."

Risku found himself in the middle translating what each side was really saying. What helped, he says, was arranging face-to-face meetings and ways to rotate people within the company.

"When the Americans had visited the headquarters in Oulu and met people there, it got easier. It is important to bring employees together in a physical space. If I was to build another operation, I would do something similar and set up a permanent rotation."

Valtanen is currently trying to encourage rotation within IBM's SolidDB. He says it is surprisingly difficult to find Finns who would volunteer to move to Silicon Valley. Some refer to family issues, others just prefer not to travel anywhere at all. But the people who have wanted to come and have been sent to the US, have all been successful, Valtanen tells.

The benefits of a three-year stay, which Valtanen considers the minimum time that makes sense, are significant.

"These people gain a wider, international perspective on the business. They probably become more open. They gather excellent points for their CV."

Valtanen does remind that the benefits do not come easy. "Of course, you need to work like hell. You will not necessarily get five weeks of summer vacation, weekends are not all free and the phone will ring late at night as well."

The Visa Circus

The Finns sent to Silicon Valley naturally need work permits. The visa process has been surprisingly tough for many companies.

Small companies have the hardest time arranging visas for their employees, says Timo Korpela, who has seen the visa process within a large corporation when he worked for Sonera in Silicon Valley, and later for small companies while consulting them with Gearshift Group. He says with Sonera, it took about two days to get a visa.

For small firms the visa process is quite a different matter, Korpela has found. It can take a long time and when the visa is in process, it is impossible to get information about how the case is advancing, he says.

Regardless of the type of visa, the process is tighter than it was before the terrorist attacks of September 11, 2001. Regulations and required information for applications have been modified and for many visa types additional interviews are required. Additionally, the visa process takes longer and the results are less predictable than before.

All visas are tied to a company who is the sponsor, and the employee is only allowed to work for that company, unless another company sponsors a new visa. If an employee gets a green card for permanent residency, he or she is free to work for any company. There are three ways to get a green card: the company sponsors the green card application for the employee who has an existing visa, the employee marries an American citizen or the employee wins in the green card diversity lottery.

In early 2010, technology investors were lobbying Washington to grant visas more easily to young foreigners, who want to come to, or stay in the US to start a tech business. Foreign-born entrepreneurs are important to the national economy, and particularly so in Silicon Valley, where over half of startups created in recent years have key employees and founders who came from outside the US.

The visa-jungle looks quite confusing at first glance. There are several types of visas to consider. The U.S. Citizenship and Immigration Services (USICS) offers details on temporary workers on its website. Below is a summary of the most common visas Finnish companies have used.

The most commonly used visa type to move employees to Silicon Valley has been the L-1 Intra-Company transfer visa. It allows companies to transfer certain classes of employees to the USA operations, with a possibility of extensions. The employee must have worked for the transferring company outside of the USA for at least one year out of the last three years.

The B-1 Business visa is a visitor visa that allows at maximum a 6-month stay in the US. After that, a visitor is eligible to apply to change his or her status.

Applicable temporary worker visas for high-tech and others with advanced degrees are the E-1, E-2 and H-1B.

The E-1 Treaty Trader visa allows foreigners to enter the United States to carry out substantial trade or to develop and direct the operations of an enterprise. The E-2 Treaty Investor visa is, as its name implies, for investors, who are coming to the US to develop and manage the operations of an enterprise they have invested in.

Korpela says that small and medium size companies have encountered problems with E-visas because they often do not fill the requirement of having a history of investments or business in the US.

The H-visas are a common choice for foreign nationals. American businesses use the H-1B visa program to employ foreign workers in specialty occupations that require theoretical or technical expertise in fields such as science, engineering and computer programming. The maximum amount of these visas, known as the H-1B Cap, is set annually and is continuously a topic of political discussion. For 2010, the cap was 65,000 for the nation, with an additional 20,000 visas available for workers with an advanced degree from a US university. In the past the quota has been met as quickly as the first day when application period opens. Petitions for fiscal year 2011 may be filed starting April 1, 2010. The effective date of the visas will be October 1, 2010. The H-1B visa is issued for three years and may be extended for another three years.

An immigration lawyer can alleviate the frustration of the visa process. It is advisable to use a reputable American immigration law firm. A lawyer will do the fact checking, which will speed up the process. Even with the cost of a few thousand dollars per visa, this can be worthwhile.

Korpela wishes there was more flexibility in the visa process to allow for hiring people who already have had experience in the US. Dozens, possibly hundreds of Finns who have worked in the US have returned to Finland as they have reached the maximum six years for their H 1-B visas.

Software company Basware drew its own conclusions from the visa process in 2009, deciding not to hire any more employees from outside of the US, unless absolutely necessary. Ari Salonen, the company's General Manager in the US, says the visa process is costly, the results are uncertain and there is great variation in individual cases, in length and issues that arise.

Lessons Learned

1. Sow the best seeds for the Silicon Valley team. Aim for the A-team.
2. Make the team international early on.
3. Use networks when hiring. Do not take any claims in a resume at face value. Always check references. Test the applicants before you hire them if applicable.
4. Define clearly what skills and attitude you are looking for when hiring.
5. The Finns moving to Silicon Valley need to adapt to being always on.
6. American and Finnish cultures will clash, in some way or another. Face-to-face meetings, giving employees an opportunity to visit the other location and rotating personnel will mitigate issues.
7. Securing visas for employees that you want to send to the US may take longer than you would like. Experienced help will make the process smoother.

Chapter 10
Funding the Journey

Investing in us would have required believing that we can produce globally competitive content – original IP that would have mass appeal. We believed we could, but there were no successful predecessors in the game publishing sector in Finland, even though there were some successful game developers.

Ilkka Paananen, Co-Founder, ex-CEO of Sumea.

When you close financing, have a week to rest, you earned it. Then the work restarts tougher than ever. Now you have the responsibility of using that money to create shareholder value.

Jussi Harvela, former CEO of Solid Information Technology.

In this chapter we will examine the challenges of funding through several cases and offer insights from Silicon Valley Venture Capital investors.

Company Cases
- Solid
- Ekahau
- MySQL
- Helmi
- FogScreen

Investments Through London:
- First Hop
- Sulake

The Internationalization of Silicon Valley Venture Capital
Comments
How to Approach a Silicon Valley VC
Lessons Learned

Silicon Valley is home to a significant portion of the world's best venture capital investors. Many of them have an impressive track record of building not only global market leaders, but also companies that change the world. In addition to having some of the most capable professionals in the field, the Valley has the highest concentration of VCs on the planet. It is no wonder that startups from all over the world seek the attention of Silicon Valley investors.

American VCs rarely invest in companies that do not have a local presence.

American VCs rarely invest in companies that do not have a local presence. It is extremely rare for a foreign startup to get funded by a Silicon Valley venture capital firm if it does not have prior funding from a venture capital fund in its own region and/or a presence in Silicon Valley. In addition, in most cases getting funded depends more on relationships than the technology the company owns.

In the past ten years, many Finnish startups have explored the possibility of getting venture funding from Silicon Valley. So far, only a few of them have succeeded. Getting funded by a Silicon Valley venture capital firm is harder than getting acquired by a Silicon Valley company.

In this chapter, we will look at six companies that have sought venture funding from Silicon Valley, and one company that is currently at the stage where it wants to raise international venture capital.

Company Cases

Solid Information Technology

Embedded database software company.

Established in 1992, sold to IBM in 2007.

Funding rounds:

- Seed funding 1992–1994, total of €250.000. KT Tietokeskus (>Novo Group), Tekes, Sitra.
- A Round 1997, €5 million. Arctos Capital (>Conventum Capital), Novo Group
- B Round 2000, €55 million. Led by Bank Boston Capital (London), Apax Partners (London) and Conventum with Intel Capital, Prime Technology Ventures, Essex Capital Management, Bayview 2000, F&W Investments and private investors in USA and Finland.
- C Round, €8 million. CapMan Capital, Apax Partners
- 2003–2007, €10 million. Various venture financing instruments.

Solid was founded in the depths of a recession in 1992. In its early days, the company bootstrapped in an underground office at an old movie theatre in Haaga, one the neighborhoods of Helsinki. Eight years after inception, the company raised the largest foreign investment ever made into a Finnish IT-company: €55 million, a record that has not been surpassed since.

Solid's journey would be an exceptional start up story solely because of the amount of venture money the company raised. What made it even more exceptional, however, is the way the company's promising growth path got interrupted by the global meltdown in the Internet industry in 2001–2002.

Solid developed from a Finnish startup in 1993–1999 to a high-flying Silicon Valley startup in 1999–2002, to an established niche firm in 2003–2007. To place Solid within the wider picture, it is worthwhile to note that these years included the IT-boom, the dot.com bust and the following IT recession, as well as the recovery phase.

There were no predecessors to the challenges Solid and other startups faced during the period the IT-industry coped with the bursting of the Internet bubble. Likewise, there were no prior examples of how to proceed in the rapidly changing situations. A lot of the advice, even from reputable sources, later proved misleading.

"The rapid and destructive changes in the global market place pulled the rug out from under our feet. Our market paralyzed totally," summarizes Jussi Harvela, who served as Solid's COO/CEO in Silicon Valley from 2001 to 2005, during some of the most challenging times in the global IT-industry.

The beginning of Solid's funding history is a sort of a "Rags to Riches" story. It is often said that a recession is the best time to start a company, because a tight economy encourages healthy and efficient discipline from the beginning. Like most startups, Solid had a shoestring budget.

Solid's goal was to quickly get a product to the market. Early support came from Tekes, in the form of R&D loans and grants. KT-Tietokeskus (later Novo Group), led by Jorma Kielenniva, was a founding shareholder and the largest customer.

Tekes funding overall was about two million marks and included a self-financing portion. The company at the time was four or five people. After the initial funding was used, bootstrapping started, says Jussi Harvela, who joined Solid in the fall of 1993.

"When there was no cash, we used our own credit. I remember going four months without a salary, and travelling on business in Europe using my own credit card. We got some funding from Sitra, a few hundred thousand marks. Artturi Tarjanne, one of the founders, organized the governmental funding."

The mid 1990s were an optimistic and active period for software startups. After product launch in 1994, Solid focused first on the Finnish market. In 1995-1996 Solid identified Uniface 4GL as a potential lead customer. The company founded its first operation abroad in Amsterdam, where Uniface was developed, and closed a global distribution agreement in which Solid products were embedded into Uniface 4GL, and further distributed and sold by Compuware Corporation (USA). This was a first path to the US market.

"Starting from the fall of 1996 Janne Karjalainen, then CTO, and I spent about one week a month selling to USA customers. We worked with Uniface customers in the US, as well as a wide variety of other market segments: from embedded industrial applications to Internet based applications to telecommunication companies."

"We were looking for the emerging market opportunity to establish ourselves in the US market," Harvela says. Solid explored foreign financing options as early as 1997. The lack of customer evidence in the USA and insufficient international credibility stopped these efforts short, says Harvela.

In 1997, Solid came across an exciting opportunity with Hewlett-Packard. HP Openview network management group was looking for an embedded database for its market leading Openview platform. After an 8-month sales cycle, Solid closed a 4-year multi-million dollar contract. At the time, Solid was earning less than €1M in revenues and employed about 16 people. It had achieved a major goal.

"Having an established technology icon, like HP doing a strategic deal with an unknown Finnish startup was the evidence we needed to position Solid in the market," says Harvela.

"Having an established technology icon, like HP doing a strategic deal with an unknown Finnish startup was the evidence we needed to position Solid in the market."

Solid started to negotiate the first VC funding round about the same time it was working on the HP deal. Arctos Capital (later Conventum Capital) was one of the first Finnish investors to be interested in making a VC type investment.

"Arctos was as ambitious as us, they wanted to build a global success," Harvela says. "Sitra was bought out. We decided to go after international growth, rather than start building an IPO in Finland. In order to get American investors, we realized we must have a management presence in the United States."

Late 1997 Solid closed a €5 million investment round from Conventum and Novo Group, which allowed the company to establish its presence in Silicon Valley. Pekka Roine, who was chairman of Solid's board from 1996–2002 and CEO from 1996–2001, says it was clear the presence needed to be in Silicon Valley.

"The commitment was essential. It is foolish to think one can sit comfortably in Rovaniemi, Jyväskylä or Tampere, and have somebody else take the company to market. You are not selling a product, you are selling your know-how, your brainpower."

Roine estimates that being in Silicon Valley was a substantial part of the package that couple years later attracted the international investors to Solid. "You have to be a player in that ecosystem.

It does not mean only making customer visits, it requires that you live there, have your kids go to school there and live a local life," Roine elaborates.

Harvela moved to Silicon Valley to open Solid's US subsidiary in 1998. The following year Solid hired boutique investment banking firm Robertson Stephens as an advisor. Their market expectation, combined with market forecasts from IDC and Yankee Group and strong validation coming from Solid's customers, led to the business, funding and exit plans that were subsequently put in place, tells Harvela.

"There were hundreds of intelligent wired and wireless network elements and network management software programs coming to the market. Each one of them would need an embedded, high performance database to manage data, which kept systems running," Harvela recalls.

"This was the market vision that led to a plan, according to which Solid was to exit at the end of 2001 or beginning of 2002. The realization of this plan required the building of a global direct sales organization in the half a dozen technology hotbeds where the development work was being done."

Roine and Harvela did the rounds with Robertson Stephens for nine months, selling the vision to potential investors. The team brought home a rare and exceptionally large deal.

"Initially we planned raising €30million, but demand was high and we ended up with €84 million on the table. In the end, we took in €55 million. The co-leads were Bank of Boston Capital and Apax Partners. Finnish Conventum was the third lead investor. Our valuation was over $100 million. The Finland-based ownership at that time was over 50%," Harvela tells.

"This was an American deal that was facilitated from the UK. It was an arduous process, because it was very difficult to find an international investor who would invest in a Finnish company."

The deal was built with the possibility that Solid would one day go public in NASDAQ, the tech-heavy US stock market. The negotiating team encountered numerous issues that had no precedents. Solid had five lawyers, one in Silicon Valley, New York and London and two in Finland.

Pekka Roine explains the complexities, "The investment memorandum was built with the NASDAQ IPO in mind; all Silicon Valley practices were followed. The investor rights were extensively negotiated. The management representations and warranties were very extensive. Silicon Valley management compensation structures and company-wide international stock option schemes were created."

The first investment term sheet in the US was offered in May 2000, but it was not accepted. The second investment term sheet led to the completion of the financing round in September of 2000, and the execution of the agreed plan was started the following month.

Business prospects looked good: sales had almost doubled worldwide, and tripled in the US in 1999–2000. Despite the growth pains, it was expected that by the summer of 2001 the sales and marketing investment would produce results, the growth of the business would have stabilized and the company could start to position itself for an exit.

"We had gone through the chasm in 1998–99 and had started to execute fast in a market growth opportunity, as the leader of an emerging new and fast growing database market segment. It was by the book," recalls Harvela, who was promoted as CEO of Solid in 2001.

The future would unfortunately turn out differently, as the dot-com bubble had already started to deflate. In 2001 the Telco/Internet infrastructure market quickly turned soft. The timing of the recession was the worst possible one from Solid's perspective.

"About half of Solid's start up customers simply disappeared in 2001–2002. Strategic customers like Agilent, Alcatel, Check Point, HP, Nokia and others halted all investments. They got into a spin that has not fully stopped even by this day," Harvela describes.

There were signs in the air that even big firms would go under, says Ari Valtanen, a Co-Founder and later CTO. He says it was like being asked to swim upstream.

Despite the upheaval in the markets, the investors kept pushing the leadership to execute the growth plan. ”In the early part of 2001 investors who sat on Solid’s board whipped the executives to stay within the recruiting program that had been designed before the bubble burst,” Harvela recalls. He says Solid’s executive team was trying to stabilize growing the head count, in order to build sufficient structures for leading a global company that operated in several time zones.

In the fall of 2001 the change in the market situation was evident. Solid began to adapt by repositioning itself in a new niche market, right sizing and changing the profile of the staff and the management.

”One additional problem, of course, was the distance between the level of the investor expectations in the exit plan and the reality,” Harvela recaps.

The shareholding structure of Solid became unusually challenging in 2002–2004. ”About a third of Solid’s investors went out of business or sold their portfolio. The situation was not neutralized until after the 2004 funding round,” Harvela says. He adds that Robertson Stephens, the investment firm that had been advising in drafting the original growth and exit plan, disappeared from the markets in the summer of 2002.

Valtanen recalls the years 2001–2002 as a period of rapid and massive changes. Sales did not grow, because nobody was increasing their purchases. ”We went from stepping on the gas and going full speed to standing on the brake.” Now, after the dust has settled and years have brought perspective on the global implications of the IT-meltdown, Solid’s executives see clear lessons from Solid’s funding journey.

”The recession came on fast. The bottom fell out. Most of the investments made in building the direct channel were lost, the operation was just too expensive compared to revenue ramp-up,” summarizes Harvela.

Valtanen notes that Solid did manage well in the big round of financing in the sense that it managed to hold on to the majority of the company even then. However, there were conditions attached to the exit that guaranteed a minimum return first to the investors and only after that to others. Some of Solid’s toughest times occurred during the financing rounds. The investors are not in a rush and the longer it takes, the tighter the situation becomes for the company.

”You do not want to show any nervousness and you keep negotiating to get a better deal. There were times that the runway on our bank account was very short. We had expenses, a large number of employees and salaries to pay and a certain amount of money on our bank account,” Valtanen tells.

”I would not want to relive those times. If work had ended the next day, maybe I would have been able to pack the family and move somewhere else and be ok, but there were over a hundred employees in different parts of the world to think about.”

Valtanen credits Harvela for keeping up a positive front. ”Jussi was excellent at keeping the spirits up. He did not let the stress show and believed that one way or other we would be ok. When somebody asked how things are going, he would say, ‘Not bad, could be worse.’”

Both Harvela and Valtanen now think a huge singular investment round is not the best way to go.

”The less money a firm has, the better it functions,” Harvela says with determination. ”When you have shortness of funds all employee activity focuses on key customers and revenue generation: how to build successful products and how to extract money from existing and future customers. You evaluate every spending against how it creates cash flow.”

When more money is available, Harvela says the company may loose the focus on the customer. Instead it may start creating long-term visionary strategies, too wide product plans, excessive branding and developing extensive marketing programs and sales processes.

”The less money a firm has, the better it functions. All employee activity focuses on key customers and revenue generation: how to build successful products.”

"My advice would be not to take too much money and to pay close attention to the conditions attached and what the firm is committing to. Do not commit to a five year plan that does not allow any flexibility," Valtanen recommends. "Consider carefully at what point of market development you need money and how much. You have to follow the development of the market extremely closely and be able to alter course when conditions in the environment change."

Understand the investor motives, Valtanen urges. Is it a new fund or a fund that is soon closing and when do the investors expect their investment back? "We committed to a plan that we had to start executing. We jumped on the boom train a little late and had the money at our disposal a little too late. It is probably better to take too little money than too much. It may slow you down, but it will force you to focus, and it will prevent you from trying to do too many things. It is healthier. A little bit of scarcity is not bad," Valtanen concludes.

Ekahau

Product: Wi-Fi based real-time location tracking systems (RTLS)

Established in 2000, Headquarters in Saratoga, Silicon Valley 2003-2008, from 2009 in Reston, VA.

Funding:

- Tekes grants and government loans
- A Round, $12 M
- B Round 2006, $12 M in series B equity funding, plus $4 M of venture loans and government funding. 3M Company, Nexit Ventures, Finnish Industry Investments Ltd, Sampo Group, Tekes, individual investors.
- C Round 2008, $10 M. Nexit Ventures, Irish Life International, individual investors

Ekahau is a VC funded incubation case. The company was established by two professors at the University of Helsinki; Henry Tirri and Petri Myllymäki, and venture capital firm Nexit Ventures.

The company flipped headquarters early on to the US. Ekahau Inc. is a Delaware company, Ekahau Oy the subsidiary. The main reason for the change was access to the US market, but Antti Korhonen, President and CEO, adds that the company also wanted to be close to potential investors and companies that might acquire Ekahau.

"Our goal of getting American investors was one reason that we moved headquarters to the US. American venture capitalists want to manage their investments by being in contact with the company management."

Korhonen reminds that venture funded companies need to think about maximizing shareholder value. A decent monthly revenue stream is not a satisfactory goal, when there are funders who have put down money into the company. They need an exit where they can get a return on their investment. The best valuations in an exit have typically been reached when the company has operations in the key market where potential buyers are also present.

Ekahau designs systems for tracking assets and people wherever a Wi-Fi network is present. Markets for these solutions are more advanced in the US than Europe. Thus potential exit opportunities can also be found in the US.

Corporate investments can be an excellent option for young technology companies.

So far, Ekahau's investors are mostly European. The only American investor is a corporation, multi-national conglomerate 3M. The investment is strategic.

"3M has a Track & Trace division which makes products to similar markets as we do. They were interested in our Wi-Fi RTLS solution and the first discussion explored a partnership in the form of a global reseller agreement," Korhonen says.

Corporate investments can be an excellent option for young technology companies, but one that startups often don't think about. The 3M investment followed successful partnership discussions.

”We then started financing negotiations. I was the one negotiating both and then brought it to our board and management team. After due diligence, and with the support of other investors, we concluded the financing arrangements in 2006 and 2007,” Korhonen tells.

The owner and investor status gives 3M an observer seat in Ekahau’s board. They can’t vote, but they see the company finances and where the company is going. It gives them an opportunity to observe Ekahau’s position in the market and make conclusions for their own business.

Conversations with other American investors have taken place, but so far the suggested valuation has not been high enough for Ekahau. ”Couple of times we have had a possibility to get a VC investment from the US. We did not reach an understanding about the valuation,” Korhonen says.

”The challenge is that the math becomes unfavorable in a case like Ekahau, where the firm has been incubated in Finland. The American investor wants at least 40% of the company, and that severely dilutes the share of the early investors.”

Ekahau keeps working towards its exit. Michel Wendell, general partner with Nexit, Ekahau’s first investor, reveals that after the financial crisis of 2008, there have been some interested parties “sniffing around.”

”We have not even started discussions, because we know in times like these there are a lot of bottom feeders, buyers who acquire growing companies for pennies on the dollar. They are looking for companies that are running out of cash, but have a lot of value. We have not let Ekahau get into such a state.”

Korhonen points out that Ekahau has taken in funding conservatively compared to its competitors.

”All our competitors are funded with VC money. We have raised money conservatively, a total of $36 million. Our closest competitor, Israeli company Aeroscout has over $70 million. The companies are similar; the difference is they have twice the money as we do and twice the amount of employees. We have a better technology but less money.”

Korhonen says Ekahau is close to the US average as far as funding goes. ”We are very much in the middle range. Generally, it takes 7-10 years and $35 million of equity money to build a software company to an exit.” Ekahau, a 10-year old company with a total of $36 million raised, fits perfectly within the typical range.

MySQL AB

Open source database management systems.

Established in 1995, sold to Sun Microsystems in 2008 for $1 billion.

Funding:

- Angel investors
- A Round 2001–2002, €4 million. Holtron Ventures from Finland, Swedish and Norwegian investors.
- B Round 2003, $19.5 million, Benchmark Capital, Index Ventures.
- C Round 2006, $18.5 million. Institutional Venture Partners, Intel, Red Hat, SAP, Presidio STX, $18.5 million.

MySQL AB was a multinational success story, with Finns in key roles throughout.

Finn Michael “Monty” Widenius and Swedes David Axmark and Allan Larsson had worked together on various projects since the 1980s, and Widenius started to develop parts of the MySQL software as early as 1985. The first corporation named MySQL AB was founded by Widenius, Axmark and Larsson ten years later. Finnish executive Mårten Mickos joined in 2001 as CEO, and the same year a newly organized MySQL AB was created.

The company first raised funds in Finland, Sweden and Norway. In January 2001 discussions were started for a first round of financing with potential VCs. In March an offer was on the table. Tom

Henriksson of Holtron led the charge and was ready to invest in March 2001 at a pre-money valuation of €15 million. Other VCs were showing keen interest as well.

"Tom's role in the early stage was vital. His enthusiasm and drive helped seal my own commitment to MySQL. And with Holtron ready to invest, other VCs lined up," notes Mårten Mickos. In the A Round of funding, a total of four million euros were brought in, in two installments. The monies were not immediately available, however, because a new legal entity had to be put in place first, which happened in October 2001.

MySQL's six angel investors played an important role for the company. One of them was London based Natasha Bhatia, whom Mickos had met at the turn of the century while seeking funding for MatchON Sports, an ambitious, but short-lived sports related mobile service. Bhatia, who at the time worked for Apax Partners, was one of the investors Mickos had then approached. The two met again at an Investor Forum in Espoo in February 2001, where Mickos made a four-page Power Point presentation on MySQL AB. Bhatia detected an opportunity, even if the company was in very early stages.

"I was quite intrigued. There was no business, no team, nothing. But I just thought there was something there. I liked open source and I believed in open source," Bhatia tells in a phone interview in 2009. Bhatia had just left Apax Partners and was beginning to get involved with startups as an angel investor. A company with no business or team may not look like an ideal early task to take on, but Bhatia saw all the right elements.

The three items in every VCs list: great idea, exceptional people and a huge market opportunity.

"I thought potentially it was massively, massively risky and thought, to be honest, that it could be a big punt," Bhatia now says. She then lists the key reasons that made her take the plunge.

"I saw four million users, I saw Monty, who was obviously exceptionally talented, and I saw Mårten who could bring it all together. I thought that could be a really interesting combination." In other words, Bhatia checked all three items in every VCs list: great idea, exceptional people and a huge market opportunity.

Bhatia was also impressed by Mickos's resilience. "MatchON had gone down the tube, but Mårten had found the strength to completely put that behind him very quickly. He had gotten back on his feet, and there he was with as much bravado as before, doing the rounds."

The multinational nature and global perspective of MySQL fit Bhatia well. She had worked with international companies while working at Apax Partners. She considers the Nordic region relatively easy for foreigners to invest in, because "people speak good English and are culturally easy to understand." Bhatia stresses that good communication is especially critical with small companies.

After Bhatia signed on, the small team started to put together a group of angels. They began by looking at expertise the angels could bring onboard. "It was not about money. We wanted things like access to top-notch talent," Bhatia says. "We had to figure out the strategy, put the team in place and raise the money."

Mickos says it was important for investors that MySQL had a multicultural approach right from the beginning. "We had shareholders and board members from three Nordic countries," he remarks.

For the B Round two years later, MySQL attracted top Silicon Valley VC talent. Initially the company was looking for investors in London and elsewhere in Europe, but in January of 2003 it became evident that there would be interest from some of the best US based VCs. Soon, in the spring of that same year, MySQL was indeed getting ready to close an investment deal with a top firm from Sand Hill Road in Silicon Valley. Benchmark Capital, which had been one of the first investors in Red Hat, the world's leading open source and Linux provider, managed to change the turn of events. Mickos tells that Kevin Harvey from Benchmark was persistent and convinced him his firm would be the best choice for MySQL.

"At one point, Kevin was on vacation somewhere, but he flew to New York, where I happened to be visiting, just to meet me," Mickos tells. After Mickos returned to Finland, Harvey would call him every night, eager to invest. Mickos remembers writing a decisive message from Harvey on a post-it-note while working late one night in his basement office in Kirkkonummi, "If you let us invest, you will never regret it." Six years later, Mickos says this is also how things turned out.

"If you let us invest, you will never regret it."

Kevin Harvey was known as one of the experts of open source companies. At the time he was on the board of Red Hat. He says he was happy with what he saw and heard at the very first meeting with MySQL and Mickos. Harvey lists three things he particularly liked.

"First, I was impressed by Mårten. You could tell he had good leadership capabilities and he understood all the aspects of the business. He seemed like someone you would like to follow. He did a good job with PR; the brand building around MySQL had already been going well and the company had a lot of coverage. "

"Second, the community momentum was fantastic. And third, the company was already demonstrating the ability to monetize that, to have a business model. It was sort of love at first sight scenario."

Red Hat had already proved that open source companies could become actual businesses, Harvey says, so this was not a huge concern for him. The origin of MySQL, however, added a layer of consideration to the investment evaluation.

"It was not an easy decision to invest in a Nordic company. I don't think we had invested in any companies from that region before that time," Harvey says. There were facts that supported the investment: MySQL had concluded that a lot of the activity was going to be in the United States, and there was agreement that the headquarters would be moved to Silicon Valley.

"So we ultimately became comfortable with the idea. If the company had been running all its operations, and primarily been based in Sweden, it might not have made sense for us to be involved. It could have still been a good investment, but it would have been hard for us to do the same kind of things we do with our other startups," Harvey says.

After the investment was made and the CEO had moved to Menlo Park, Benchmark started working with MySQL as with any other investment in their portfolio.

"As far as company building for startups, MySQL was very similar to most. What Mårten did was to set out to build a really great management team here, and that's the kind of thing most startups do and the sort of thing we can help with," Harvey explains.

Bhatia believes having a top-notch partner like Benchmark was one of the keys to MySQL's success. "Benchmark provided amazing support. They were in it for the long term, which takes real commitment and planning on the part of the VC. And they could financially support the company throughout."

Helmi Technologies

Ajax e-commerce application, Virtual Browser.

Founded in 1996. Subsidiary in Silicon Valley 2005–2006, company shut down in 2008.

Funding

- Seed funding 2005, almost one million Euros. SITRA and private investors.
- A Round 2006, €2.8 million, lead: Conor Venture Partners. Finnish Industry Investments, private investors.

Helmi Technologies is one of the Finnish companies that came to Silicon Valley with high hopes that never became reality. Unfortunately for Helmi, it instead became a casualty of a failed globalization effort.

The e-commerce software company from Oulu started with a decent amount of seed funding and by Finnish standards, a respectable A Round.

"We were the largest seed-investment by Sitra INTRO at the time, €300,000 euros. Our A Round was €2.8 million. At that time we were about ten people. Myself and two others in Oulu, a few in Helsinki and one person in Silicon Valley," tells Juho Risku, who was CEO of Helmi Technologies at the time.

The company spent a big chunk of the venture funding to establish a subsidiary in Silicon Valley. "We spent quite a lot of money fast, mainly to hire salespeople. It was expensive to operate in the US," comments Risku.

Helmi attempted to raise funding in the US. Typically, American rounds are at least double what Finnish companies have raised in Finland.

"We did not succeed in getting funding from American investors. It was our goal, because we needed contacts in the US. For Finnish companies it is important, because they are not well funded and do not have a network in the US," Risku says.

Like several other companies, Helmi made changes to its original business plan along the way. Changes – and mistakes – cost money. Risku thinks the company could have survived the setbacks, if funding had been adequate. "We had funding, but not enough to allow for mistakes. A comparable American company would have had $5 million in funding, we had less than half of that."

It seems from Risku's account that the eventual demise of the company resulted at least partly from too many things happening too fast at the same time, some of them beyond the company's control.

"Our market situation changed radically in 2006, in a short span of time. The amount of competitors increased dramatically. At the same time, we got into a funding round and we should have started to recruit R&D personnel in Finland and establish an office in the US."

"Our technology was ahead of its time, but R&D was struggling and there were too many competitors," Risku says.

Helmi got significant support from Finnish government agencies in its early days. Like some other Finnish executives, Risku thinks the government funding comes with conditions that are not altogether helpful. "The R&D funding through Tekes was tied to particular projects. It was only a few hundred thousand Euros, but it gave direction to where money was spent. It is fantastic that R&D funding was available, but it was a little rigid."

Risku is touching on a subject that several entrepreneurs have raised. Government funding has been an invaluable resource for many startups in the early days for R&D, when no other funding is available. It does, however, bring in a need to abide by the particular rules of the funding program, as well as timelines and a need to fill applications and file reports. If the management is not careful, energy and time spent on the programs may take away from other pursuits the company should be working on.

Helmi's story, unfortunately, ended before the company ever really got wind under its wings. Operations were shut down in 2008. Risku left Helmi in spring of 2007. He says the parties involved had differing views on the future of the company.

"The investor was considering selling the company or merging with another firm. It differed from where I would have preferred to go."

FogScreen

A projection screen of dry fog.

Subsidiary established in Silicon Valley in 2007.

Funding

- Seed funding Founders, Angel investors, Tekes, revenue stream.
- Seeking A Round investors (in fall of 2009).

Of all the Finnish companies that have come to Silicon Valley, FogScreen definitely offers the most spectacular and unusual product: large projection screens made out of dry fog that can be walked through. FogScreens are created out of miniscule droplets of water. The mist is so fine it is almost dry and people can walk through the screen. Or, as in a Disneyland Pirates of the Caribbean attraction, float through it in a boat.

The company got some early funding from Tekes and Angel investors, and has since its early days been profitable. ”Tekes has supported our R&D and US market entry preparations. Angel investors have supported us for the first five years,” says CEO Mika Koivula.

”We had some discussions earlier with potential investors, but owners wanted to first grow the company to get a better valuation.”

FogScreen’s efforts to expand in the United States got stopped by the 2008 financial crisis and the recession that followed. The company was going into red for the first time in 2009.

”Our strategy in the US was producing great results before the financial crisis hit in the fall of 2008. We had grown 100% from the previous year. Our customers are leasing-based and when the credit crisis hit, it drew the rug from under them. It did not matter what kind of credit history a company had, it was just impossible to get more credit. Even huge companies had trouble with this.”

Consequences for FogScreen’s bottom line were nearly catastrophic.

”The US had brought in 40% of our sales, in 2009 that share shrank to 10%.”

”We are in survival mode to get over the recession. The demand for our product is still great, but the credit situation for our customers, especially in the United States, is dismal,” Koivula regrets. In fall 2009 FogScreen found itself in a situation that startups would prefer never to be in: seeking funding when it is hard to find, but badly needed to keep the company growing.

”This is not the best time to seek funding, but it can not be helped. The company is at the stage where we are moving into bigger segments. We need international venture capital to expand operations,” Koivula says. He is well aware that all potential investors are not equal in value. The company’s owners and management are selective, but Koivula says they are also open to many different options.

”We are trying to find a company that would bring value in addition to money. It could be close to media or retail sectors, which are our future growth areas. Investor could also be close to the entertainment sector. Many of those investors are in California. We may also consider other arrangements.”

Economic crises of the magnitude of fall 2008 are extremely rare and unpredictable. It is hard to see how any company could have prepared adequately for its effects. Still, Koivula thinks FogScreen could have been better prepared for a downturn.

”We should have maybe prepared ourselves and organized our financial arrangements differently. My advice to a company planning to grow in the US is this: put your financing in order before your start. Have a one or two year funding plan. American customers are demanding and you need to make the necessary investments. If you want growth, you need to have a proper organization with support available.”

Investments through London

There are a few cases where a Finnish startup has raised Silicon Valley capital indirectly: through a London office or an affiliate of a Silicon Valley venture capital firm. We look at two successful cases: First Hop and Sulake.

First Hop

Product: Wireless Messaging Management and Connectivity Software.

Established in Helsinki in 1997, office in London in 2001, acquired by Airwide Solutions in 2008.

Funding:

- Satama Interactive was early investor in 1999.
- Seed Round 2000, €0.7 million, by Stratos Ventures.
- A Round 2001, € 8.5 million, lead by Draper Fisher Jurvetson ePlanet Ventures.
- B Round 2004, €7.2 million, lead by Partech International, others: DFJ ePlanet Ventures, Stratos Ventures.

First Hop is a funding success story in terms of money raised from top tier VCs. It could have easily turned sour precisely because it was so successful in raising funding right before the bursting of the dot.com bubble and the telecom industry's depression in the early part of the century.

First Hop was one of the innovative IT startups that originated from the legendary TLM-lab at TKK, the Helsinki University of Technology in Otaniemi, Espoo. The TLM stands for "Tietoliikenneohjelmistot ja multimedialaboratorio," translated as "Telecommunications Software and Multimedia Laboratory."

The TLM was for its time slightly atypical for a research lab. It was led by two professors who had an entrepreneurial mindset: Arto Karila and Olli Martikainen. Both had corporate experience from working in the industry.

"We were probably too young to understand how inexperienced we really were."

First Hop Founder and CEO Petteri Koponen, who later went on to establish Jaiku, says the learning curve was steep for young students who were starting a business. "We were probably too young to understand how inexperienced we really were," Koponen smiles at the memory. "We set ambitious goals and built ambitious products. We also got good people on the board and as funders. There was a lot of luck involved as well."

Koponen tells how the company got its A round from international venture capital fund Draper Fisher Jurvetson ePlanet Ventures in London:

"We got €8.5 million with one Power Point presentation. We did not even have a business plan. It was 2001, a little after the bubble had already burst. First Hop was one of the last companies to get funded. After that, there were maybe one or two per year in Finland that would get funding in our field."

The connection to DFJ ePlanet came through Finnish VC firm Stratos, which at the time had a dynamic group that made bold investments and had excellent contacts. One key connection was Giuseppe Curatolo, who had been with Morgan Stanley and later joined DFJ ePlanet.

The financial injection allowed the company to grow fast and hire new people. Growth was halted when the dot-com bubble burst and the telecom sector sank into depression. But the large funding round allowed First Hop to keep developing its products during the downturn, in order to be ready when the economy picked up.

"We burnt millions of euros in a few years. First from Stratos and then from DFJ. We got up to 80 employees, and later we had to go through extremely rough negotiations to lay off over half of the people."

Koponen thinks the main problem was the speed the company was growing at. "We did this at couple of different times, started to grow too fast." Koponen remarks that fast growth is problematic if there isn't a strong customer demand directing it. "You may end up building a system that has to be at some point all taken out and you need to start from scratch again," Koponen says. On the other hand, if you take your lead from the demand, you've got sales and scaling is easier.

"When the market starts to have traction, it is easy to see because you get sales. You do not have to be a visionary to know you are onto something when you have so much demand that you don't have enough capacity anymore. Then you can scale. You either hire more people or outsource. At that point, it's all execution, not prediction."

Koponen agrees that the experience of going fishing is not a bad one to describe the two approaches. "You want to put down the nets where you are catching fish. And not just go and buy the best equipment and theorize where the best spot to catch fish should be, and then toss everything there."

While growing the company slower might have helped, Koponen emphasizes that speed is essential in other aspects, notably in making decisions in reaction to changes in the outside environment.

"One mistake we did was reacting too slowly to the need to make changes. You should react as soon as you see that something is not working. Stop developing a product or not going into a particular market, for instance." When plans have been set, they have a tendency to move onwards on their own like a train. Do not let the massive weight scare you from pulling the breaks when necessary, Koponen advises.

You should react as soon as you see that something is not working. You need to stop the train when you have the facts.

"You need to be opportunistic and pragmatic and stop the train as soon as you have the facts. The slower you react, the more painful it is. The bigger the team, the harder it is to change it into another direction."

Koponen does not hesitate to admit that First Hop made many mistakes along the way. In fact, he lists several areas where he thinks hick ups occurred: recruiting, financing and product development. Scaling the company was also a big challenge.

"One mistake was to grow the team before we had validation that we can sell our product. We thought yes, of course we will be able to sell once we get this and that under order. That was not correct, and it is totally contrary to my current philosophy."

Timing of the funding rounds often makes a difference between success and failure. It pays off to plan strategically. Koponen found out that it is better to seek funding when it is available, but when you don't really need it yet.

"At that juncture, the balance of power between the investor and the firm is healthier. If you are seeking funding at the last minute, the investors can increase the pressure. It draws the team's resources away at a time when you should be developing the business."

Before the large monetary show of confidence from DFJ, First Hop had struggled through many tight spots, like most startups. A few times cash reserves were running low temporarily. "Each time we fought to take it forward," Koponen says. He tells a story that indicates that *"Sisu"* or the "fighting gene," is alive and well in the Finnish people when push comes to shove.

"One time when our cash reserves were running low, one of the team members wanted to see how much money we have. I opened the account information, while a few of the guys peeked over my shoulder. It was something like 500 marks (less than $100). We had eight employees. I said, no worries, this was the wrong account: it was my personal account. Let's look at the company account. We did, and saw it had even less money in it. The guys immediately started to plan what needed to be done. They would not leave a sinking ship."

"I have to say that in Finland people don't explain, they act. In the late 90s, we would work really long days and not complain. We had some fairly hopeless situations, but people would just say 'let's get to work.'"

What Koponen is describing may well be one of the qualities that have carried Finnish startups over near-death experiences: a no-nonsense, get-to-work attitude in face of hopeless looking situations.

The toughest years for First Hop were 2002-2004, during the aftermath of the historic depression in the global telecom industry. Despite the challenges, the company grew to become an international market leader in its niche, which made an exit possible. In 2008 Airwide Solutions, a leading provider of next-generation mobile messaging infrastructure and applications, acquired First Hop. The size of the deal has not been published.

Sulake

Online entertainment: virtual worlds and social networking.

Founded: 2000.

Funding:
- Seed funding (undisclosed amount) Taivas
- A Round, €4 million. 3i Group, Radiolinja (Elisa)
- B Round 2005, $23.5 million. 3i Group, Balderton (ex-Benchmark in London)
- C Round 2006, $7.6 million. Movida Investment International

Sulake is one of the big success stories of the Finnish gaming industry. The nine-year-old company is a pioneer of virtual worlds, multiplayer games and social networking. The company has been praised for its ambition and open-mindedness.

Habbo Hotel, the company's flagship virtual world, is the largest virtual world for teenagers in the world. Habbo has won numerous international awards and is visited by nearly 15 million unique users per month. There are Habbo communities in 31 countries on six continents, with over 16 million unique visitors per month.

Sulake is a rare example of a Finnish company that has been able to build a worldwide brand in a segment that did not exist when the company was founded. It is also atypical because it operates in the Business-to-Consumer -sector (B2C), which has generally been more challenging for Finns than the Business-to-Business (B2B) market.

Sulake raised early funding from Finnish advertising agency Taivas and phone operator Radiolinja. Both were integral partners in the development of the company. American venture capital came in 2005 through Benchmark's London office, now known as Balderton Capital.

Teemu Huuhtanen leads the company's North American efforts from Santa Monica in Southern California. He notes that the company is past the startup phase, where decisions were more ad hoc. "Planning has moved to a whole new level," Huuhtanen says.

Sulake is an exceptional social networking site, because its revenue has come mainly from users. In the past few years, the company has increased efforts to widen advertising revenue base. In the US Sulake has started co-operation with producers of some of the most popular American teenage media brands. These include American Idol and the Twilight Movie series. Huuhtanen notes that building these types of partnerships is a lengthy process, which can take 1-3 years. For his part, he had already built relationships in the Californian entertainment sector while working with his previous employers, Orchimedia and Smallplanet, at the turn of the century.

In addition to a strong and ambitious VC firm, Sulake has excellent experience and connections on its board. Digital media pioneer Mika Salmi chairs the board. Salmi is former CEO of Atom Entertainment, an online gaming site, which was sold to MTV Networks for $200 million in 2006.

Sulake employs 270 people in 13 countries around the world. In 2008, the company reported its first profitable year, with record sales and annual revenue of $74 million (€50 million) and €4.8 million profit. It is one of the few Finnish ICT companies at the moment that can realistically contemplate listing the company in the public stock market.

The Internationalization of Silicon Valley Venture Capital:

Interview with Steve Jurvetson, Managing Director, Draper Fisher Jurvetson

The same 10 years that witnessed an influx of Finnish startups to Silicon Valley were a period of globalization for the venture capitalists on Sand Hill Road. The changes are still ongoing and will likely lead to increasingly global investment rounds.

Steve Jurvetson is one of the most luminary team members at Draper Fisher Jurvetson, a leading venture capital firm on Sand Hill Road in Menlo Park. It may sound incredible, but the firm did not start investing internationally until a decade ago.

”We did not even have a presence in London. In 1999 we set up a separate fund, called Draper Fisher Jurvetson ePlanet Ventures (DFJ ePlanet), in order to do international investments. The investors in our fund here in Silicon Valley would not let us invest outside of the US without a special permission,” Jurvetson explains.

The global DFJ ePlanet fund concept was created by the DFJ team and Asad Jamal, who helped manage the international coordination of local offices. Among ePlanet's investments was Finnish startup First Hop.

When Jurvetson had joined the firm five years earlier, neither the VCs nor the companies they invested in thought about global customers until the company was about to go public.

”I cannot remember a single international customer of any of the companies I was working with in the first five years,” says Jurvetson, whose own roots are in Estonia.

The DFJ ePlanet fund turned out to be wildly successful compared to the US fund. The ePlanet fund was the vehicle through which DFJ could invest in Skype and it was one of the original outside investors in Chinese search engine Baidu.com, which was a phenomenal success. These two investments have been vital to DFJ. Like the other big VCs it plays a game of big bets on many targets, counting on one or two of them becoming fabulously profitable.

The figures of Baidu's and Skype's significance are astounding.

”Over the past eight years we have made 90% of our profits from China, primarily from Baidu. The other 10% was Skype,” Jurvetson tells. In other words, two investments, both of them overseas, kept the firm profitable. ”So that got us thinking,” Jurvetson says. The thinking led into the creation of a Global Network of Partner Funds, the DFJ Network, which currently consists of over 140 venture capital professionals in 30 cities throughout the world. Combined, they have over $6 billion under management.

”Every one of those funds has a small percentage of ownership in every other fund in the network. It is a huge equity and value sharing system.”

Overall, in a ten-year cycle of a fund 50–60% of the investments fail, Jurvetson says. ”Of the 40%, most don't really matter to us in the sense that they would make the venture fund successful. It is the 10–15% that drive the early stage venture capital industry – the Baidus and the Skypes,” Jurvetson explains.

The Silicon Valley DFJ invests in about two companies per month, amounting to 20–25 investments per year. DJF's most victorious investment in the Nordic region so far is Skype. The multinational founding team consisted of Estonian developers, a Swede and a Dane. The company was built by a handful of people in four months.

DFJ's managing director Tim Draper discovered the company, then called Skyper, when tracking down the team behind the infamous Kazaa music sharing application. The founding vision they had for the new company was to build and sell handsets that would work at hot spots.

"The first pitch was this Skyper thing, I am not sure if I even heard it, but if I had, I'm sure I would have thought it was ridiculous. DFJ did not invest, but Tim Draper and his father did, through their family fund," Jurvetson recalls. The great revelation was yet to happen. It came when the Skype founders abandoned the plan to build handsets and decided to offer a software solution.

"We got a first look at it, because Tim was an early investor. We loved it. It was a truly viral story. It spread without spending money. We did not have to be smart to realize this thing could take off."

Jurvetson ended up negotiating the deal, in competition with Benchmark and Accel Partners in 2004. He managed to convince European Index Partners to pair up with DFJ instead of competing. About a year earlier Index had invested in MySQL.

Jurvetson says that investing in Skype was a leap of faith, because there was no money coming in to the company yet. The elements were compelling enough to trust that profits would appear.

"We saw it would spread like crazy because free voice service was of huge economic value. We could immediately imagine a lot of different ways to make money with it. The only reason we did not need to know exactly how they would make money was that there was no cost providing the service."

For Jurvetson, Skype provided a further reason to strengthen ties with his parents' homeland. He has since invested in Estonian startups, as well as funded a movie about the "Singing Revolution." The Jurvetson's are descendants of the family of Konstantin Päts, who was Estonian President before the Russian invasion at the eve of the Second World War.

The closest DFJ contacts for Nordic companies sit in the London Network Partner office DFJ Esprit. Jurvetson offers advice for entrepreneurs who may want to approach DFJ or DFJ Esprit.

"The first question they should ask themselves, is: Do I know any venture firms that I respect, that are even closer? Is there a good firm in my town? If not, do I know anyone in the London office? This can mean looking at the CVs or bios of the partners for something that you connect with, like a previous investment in a similar company as your own."

"Finding someone who shares your dream and your vision, is the most important factor. Start locally first, and only if you feel they don't quite get it, expand your search."

Comments

The Finnish equity financing culture is relatively young. As a comparison, in the United States venture funding started to develop after the Second World War. In Finland, venture funding got its start in the late 1980s. The role of the public sector was significant. Until the mid 1990s private equity investments remained few and minor.

Only now is there beginning to be sufficient support for all the stages of the startup growth process. Thus it is not surprising that many Finnish companies at the turn of the century were not ideally prepared to take the leap.

The rounds of financing for startup can consist of all or some of the following: 1. Founders, family and friends, 2. Government grants or loans ,3. Angel investors, 4. Venture capital, which can be several rounds, 5. Corporate funding and 6.Exit: IPO, sale or merger.

Typically, a start up will consider establishing presence in Silicon Valley after the seed and A round, which most often have been raised in Finland and possibly elsewhere in Europe. It has been challenging for Finnish companies to get noticed by American investors. Cases like MySQL, Sulake and First Hop prove that American investors do invest in technologies and teams originating from Finland.

There are several reasons why there have not been more investments over the Atlantic. Some are specific to Finnish companies, others not. Let's look at the main issues encountered in the past.

Network. If your goal is to get funding from Silicon Valley, you need to get their attention. The most effective and in fact, in most cases the only way to achieve this is through personal introductions. It is not what you know, but whom you know that matters, says Irwin Federman from U.S.Venture Partners (USVP), a highly regarded Sand Hill Road firm that is currently investing its tenth fund. The firm has a track record of $2.7 billion invested in 450 companies.

"We are all constantly getting so many approaches from people that we don't know, that by and large, we pay attention to none of them," Federman says candidly. "Because there are more people looking for money than money available, venture capitalists have a certain discipline on how they use their time. And that is virtually a 100% exclusion of people you don't know."

Federman continues, "The aspiring entrepreneur in Finland or anywhere else can not really get smart enough, wise enough or savvy enough to break through that."

These comments represent a typical viewpoint of a sought-after Silicon Valley VC. Entrepreneurs coming from the outside will have to find a way to get their attention through personal contacts.

Building a network of personal connections takes time. Finnish entrepreneurs and investors do not have a long history in Silicon Valley, its roots are perhaps 10-15 years deep. Recognizing this, it is easier to appreciate the challenges Finnish entrepreneurs faced in the 1990s, when trying to get the attention of American VCs.

Personal connections are the way to get introductions to Silicon Valley investors.

The current generation of entrepreneurs can benefit from existing Finnish contacts, both entrepreneurs and investors. Personal connections are the way to get introductions to Silicon Valley investors.

Geography is an obvious challenge. Finland is far away from the US and not on the radar screen of American investors who prefer to invest in companies whose management they can meet regularly. In fact, they mostly only invest in companies that have the executive team in Silicon Valley. The obvious solution, used by most the Finnish cases described above, is to bring the company headquarters with the top management to Silicon Valley.

The Pitch. Ten years ago, not many Finnish entrepreneurs were well prepared to do the Pitch – that concise, critical and crystal clear presentation of why their company will succeed over everybody else.

The companies that get funded are not necessarily the ones with the most advanced technology. They are the ones whose management team or founders can express the purpose of the company best.

The Finnish tendency to focus on the technology rather than explaining clearly what problem it is solving, makes it difficult for American investors to grasp why a particular company would be worth millions of dollars to them. Furthermore, they get bored and turned off if the presentation contains too much history and technology.

The companies that get funded are not necessarily the ones with the most advanced technology. They are the ones whose management team or founders can express the purpose of the company best.

Pirjo Tuomi, who has held senior positions in several American startups, says American investors are willing to hear relevant pitches. The investor benefits from hearing them, because he gathers

Prepare, edit and practice your elevator pitch so that you can tell it while standing on your head, in your sleep and most importantly, when you meet that investor, who could change the course of your company, be it in an elevator or in the buffet line at a conference.

valuable market data. He might have similar companies in his portfolio and wants to know how the market is moving. Tuomi reminds that the presentation needs to be tailored to the American audience, down to the details like the currency used in the slides. Simple things like using American English instead of British English make a big difference.

It is important to clearly state why your company is better at what it does than anybody else. Prepare, edit and practice your elevator pitch so that you can tell it while standing on your head, in your sleep and most importantly, when you meet that investor who could change the course of your company, be it in an elevator or in the buffet line at a conference.

Nationality. Nationality is not a barrier to getting funding. American investors are happy to invest in companies established by foreign nationals, in fact, over half of high Silicon Valley's technology companies have been created by Indians, Chinese, European or other immigrants. The success of the nationals from the two Asian superpowers has created the saying "Silicon Valley is built on ICs," referring to Indian and Chinese engineers. The Israelis, of course, have a long track record of building companies which utilize the advantages of both Israel and Silicon Valley: R&D is kept in Israel, capital comes from Silicon Valley and the company is eventually listed on the NASDAQ.

Immigrants have constructed vibrant ethnic networks bridging their native country and their new homeland. Professor AnnaLee Saxenian, a renowned expert on immigrant social networks and technology clusters at the University of California, Berkeley, has highlighted how the Chinese and the Indians have built a strong two-way bridge, which benefits both sides and gives these nationals a competitive edge. The Chinese and Indians can tap into their networks overseas to quickly locate partners and they can manage the complex business relationships across cultural and linguistic boundaries.

It is worth considering if Finns could more actively build and take advantage of ethnicity-based cross-cultural and global networks.

Angels in America. Finns have not yet had the benefit of a wide network of successful compatriot entrepreneurs turned angel investors on the American soil. There are some, however, and these individuals would be a good starting point to explore this option. If they are not interested, they may be able to refer you to somebody else in their network.

Angels, like other American investors, generally do not look at companies that have no local presence in the US. Ari Salonen says there is no reason why a Finnish company could not soon after establishing its presence go and approach any of the multitude of American angel groups. In fact, he wonders why Finns are not doing this more actively.

"There are entrepreneurs who come here from all parts of the world, and soon they go and pitch to local angel groups. Why are Finnish entrepreneurs not doing this? Finland has been ranked one of the most innovative countries in the world, so obviously there should not be a shortage of great ideas."

The benefit of angel groups is the fact that they pool many checks into one pot, which speeds up the process. Of course, a very wealthy individual angel may easily be able to afford to invest the same amount just by himself.

Before you approach any American investor, you should have funding from Finland or elsewhere in the region. This works like a stamp of approval and gives you credibility, says Chris Vargas, an angel investor himself. Angels like to find companies at an early stage but mostly expect them to seek venture funding in due time.

Ambition. American VCs invest in superstars; teams and technologies that will change the world. They will fund exceptional niche opportunities. They will not get interested in funding incremental improvements to existing solutions.

Modesty has no role when you are in front of an angel group or in a VC's office. Humbleness, however, is an essential quality. During the boom years, some observers say, there was a certain arrogance expressed by some Finnish companies who came to Silicon Valley, thinking they will quickly show how mobile is done right. The results were unimpressive.

Sami Lampinen of Inventure worked for a Swedish fund after the turn of the century. He observes that Swedish startups generally have a higher level of ambition than their Finnish counterparts, including wanting to own their own brands.

American VCs invest in superstars; teams and technologies that will change the world. They will fund exceptional niche opportunities.

Drive. The one singular characteristic that can set a company apart is the drive its leaders have. Every successful case has at least one key person who exhibits that drive. Culturally, Americans, particularly the Silicon Valley crowd, are much more driven than Finns. What in Finland might look like drive, will be only a moderately ambitious attitude in Silicon Valley. It is good to know that the expectation is for an entrepreneur to possess the drive.

"Finland has a good reputation, there are no political issues, people are honest. What investors here are not sure about is the motivation and drive of Finnish entrepreneurs. Everybody knows that the Chinese for instance, have incredible drive and are willing to work long hours," describes Salonen.

Control. Many Finnish entrepreneurs express unhappiness with what they think are unreasonably high demands of control of a company by the American VCs. A 40% share and nearly half of the board seats mean the investor will have a compelling influence on the direction of the startup.

This is one of the most important and sensitive issues in venture funding: the control of the company. When a VC firm makes an investment, they also step into the boardroom where strategic decisions are made. In the US, venture capitalists typically expect two out of five board seats, as well as influence on the person selected for the third seat. In other words, they want control. For the founders, of course, the change is enormous. The decision on taking VC money is among the most stressful ones a founder faces.

In Silicon Valley, entrepreneurs accept the dilution of their share of the company and the diminishing control. Why? Because their goal is to control *the market*, and the control of the company is secondary to that aspiration explains Korean-born entrepreneur and educator Chong-Moon Lee in the book "The Silicon Valley Edge." Controlling the market is the ultimate objective. The entrepreneur's dream is to build a big company with a big market, and a VC can help him achieve that goal faster. Yes, the entrepreneur will get a smaller size of the eventual pie, but the pie will be much bigger than if he had baked it all by himself.

Additionally, be prepared that the founder may be replaced at one point with a professional manger. There are at least two reasons for this: one, the founder is seldom the best person to lead the company once it grows to the next level, and two, the investor wants his exit and it is often easier to execute it efficiently without the founder's influence.

Competitive advantage. Most of the Finnish companies that have come to Silicon Valley have taken advantage of the various governmental support programs, most often provided by Tekes. The extensive public funding system can be a competitive advantage. It provides grants and affordable loans at a stage when other types of funding are hard to find. Thanks to public support, Finnish companies often have a ready product when they start looking for foreign funding. In the US the investors come in earlier, because the government does not provide similar support.

However, do not wait too late to bring your product to the investors. The readily available R&D funding has kept some companies constantly perfecting their product, rather than bringing it to the market early and testing it. The same goes for financing. If you wait too long, there might be a dozen or two competitors already on the market. This will make you less attractive to investors.

Valuation. One factor that often gets overlooked is the significant difference between American and European valuations. To American investors, European companies are cheaper than American ones.

Companies in the US are generally valued on average two times higher than in Europe, says Artturi Tarjanne, General Partner with Nexit Ventures. The typical entry investment for a VC in the US is €6–7 million, in Europe it is €3–4 million. This is because Americans have typically raised more capital at this stage, Tarjanne explains.

The decision on taking VC money is among the most stressful ones a founder faces.

”There can be twice as much money behind American success stories as European ones. For example, if a company exits at a $100 million valuation, the American company might have used $60 million to get there, while the European one has spent only $40 million.”

Despite the fact that Finnish companies can be a good deal to an American investor, the Americans will negotiate hard and expect the startup to live by their rules. Pirjo Tuomi and Ari Salonen, who have both held several senior positions in US startups, call the American financing model a "cookie cutter." One key element of the cookie cutter is the valuation math. The American investor expects to own 40 %–50% of the company. This has been a hard pill for some Finnish company founders to swallow. Of course, it's good to remember at this point that there are other alternatives to the VC option.

Salonen clarifies the math, "In an A Round for a software company, a typical valuation is currently about five to ten million dollars if the product is nearly ready and there is a clear market need for it. The investors would put down an amount equal to the pre-money valuation amount and expect to own approximately half of the company."

Some of the instruments used by American investors are not very common in Finland, which adds further elements to the required mind shift.

”In Finland companies mostly use common shares, where each share has the same voting power and the same fraction of the company. In the US, venture capitalists typically insist on preferential shares. In an exit, the preferential shares get their money back first, or 1.5 times as much money as the common shares, for example. There are a multitude of preferences, depending on each situation. The preferences often vary from round to round," Salonen describes.

”If several VCs are competing to invest, the company will get better terms. If the investment is perceived as risky, the VC will want tighter conditions."

Amount. In the cases discussed in this chapter, the amount of money a company has raised has not been the only factor determining its success, in fact, some of the most successful companies had raised little or no VC funding. Aspects like experience of the management team and board, as well as market circumstances seem to have had just as much and often even more relevance.

Thinking through carefully how much money you actually need, will be helpful to yourself and in the discussions with investors. Investors like to see milestones. They want to know what your goals are, when you intend to reach them and how much capital you need to achieve the each goal.

The late 1990s were an exceptionally active period in venture financing in Finland. A lot of investments were made fast, some with previously unseen amounts of money. The atmosphere was upbeat and positive. There were successful IPOs and exits.

”The deal-flow was strongest ever, and we just pressed on the gas,” remembers Inventure's Sami Lampinen. The dot.com bubble started bursting in the spring of 2000 and by 2001, at the very latest in 2002, venture capitalists were suffering from a severe hangover. Deal flow decreased dramatically and new firms were not established.

Solid and First Hop are examples of companies that found themselves trapped in the bursting bubble. Both had received significant funding, but as the markets crumbled, the justification of expanding operations disappeared. Solid had the added difficulty of a fixed execution plan.

”It is not wise to try to maximize the funding. If things don't go as planned, the first investors start stepping on the brakes,” comments Eero Teerikorpi, who was among the first Finnish entrepreneurs to set up a Finnish company in Silicon Valley in the mid 1990s. Many Finnish executives and entrepreneurs learned that it is best to stay a bit short of capital, rather than overcapitalize. This allows for flexibility, keeps more ownership with the founding team and early investors and builds the discipline of capital efficiency.

It is best to stay a bit short of capital, rather than overcapitalize. This allows for flexibility, keeps more ownership with the founders and builds discipline.

The amount raised to start a software company has declined significantly since the 1990s. It is possible today to get a software company started with $200,000 seed financing, rather than the one million needed five years ago, estimates Pietari Grohn, who assisted several Finnish companies while he worked for the law firm Fenwick & West in Silicon Valley.

Grohn lists several reasons for the lower cost of entry: efficacy of the open source business model, ease of outsourcing and new viral ways of marketing offered by websites like Facebook.

Corporate funding. One of the alternatives to venture funding is getting a corporate partner or customer to invest in the company. When VCs are not investing, corporate funding could become a more important option for many. Few Finnish companies have used this option, but as Ekahau's case shows, it a possible avenue to take.

A wide variety of corporations from Safeway to Cisco Systems to Lucasfilm invest in technologies that support their functions, says Jack Katz, whose book “Competing for Global Dominance” discusses different methods of US market entry. Katz says most companies do not even think to ask funding from their partners, even though it could be an attractive option for an early stage company with intellectual property. ”A large corporation could buy the IP or fund some of the development. It can keep a startup alive without giving up a lot of equity.”

The way to open the conversation is simply to ask a partner or customer, if they would be willing to invest in the company as an equity shareholder. ”If a CTO says they love your software and thinks it is going to do wonders for them and perhaps the whole industry, you have an opportunity,” Katz declares.

The people to talk with would be the VP of corporate or business development, the VP of alliances, or the CEO, if he or she is available, says Katz.

Corporations generally take a smaller share of equity and are much less involved with running of the startup than VCs. Corporate investment could be a 2–5 % equity stake in the company, it could be as small as $300,000 or as large as $10 million, says Katz. Instead of equity, the arrangement can also be a licensing deal or a debt offering.

”It becomes another part of the portfolio for the investing corporation. They invest in land and buildings, here they are just investing in a company that provides software for them.”

As with any funding solution, there are some potential disadvantages. Consider a case where company "A" owns part of your technology, then their competitor, company "B" may be less inclined to become a customer or make it a part of their core offerings.

How to Approach a Silicon Valley VC

Irwin Federman from U.S. Venture Partners offers the following suggestions on how to approach a venture capital investor in Silicon Valley:

- Find a trusted source that knows you and knows the VC you want to approach. Tell this person, "I know there is tremendous competition and I need somebody to look at this. And the only way they will look at it is if somebody hands it to them and says it makes all the sense in the world. I can't get this VCs attention, unless it is brought to him by somebody he trusts. He trusts you. I am asking for a couple hours of your time, to tell you my company's story. If you don't like it, that's the end of it. If you like it and you want to learn more before taking it to your friend, I will do whatever it takes to give you the information you need. But I need you to take this to this VC."
- Do not make the approach casual. It is work. Don't think that the time to use all your energy is once you have the funding. No, your skills are tested in the process of getting the funding.
- Interviewing VCs is like hiring a manager. Get to know the person. The quality of that relationship is going to be a very important part of the outcome. A VC relationship will generally last 6–7 years, until the exit. Take the time to find the best match and do not worry too much about valuation. Between the most generous VC and the most parsimonious, in the end, if it is a good outcome, you will never look back. The most valuable VC is someone who can be helpful to you, who can be passionate and sympathetic and who will push you when needed.
- Only link up with people you trust. Trust your own judgment and check references and reputation. Then you don't have to watch out anymore or cover you back.
- If you find nobody who can introduce you to a VC, the odds of getting through are very slim. One way to try is to do some research on a VC and make an assertive approach. For instance, "I know you have an interest in XYZ, and I have a company which is in this space. I know you would understand it and you could be helpful, if I can prove it worthy of your time." This approach shows you have put a lot of thought and work in it, that you have taken the time to understand what the VC as a person is interested in.
- VCs respond to anything unusual. For instance, VCs are constantly getting emails from people they don't know. A VC may get 300 emails a day, and the chances of him or her reading something from somebody he or she has never heard of before is almost zero. If you want to be paid attention to, send your communication by regular mail, or better yet, fax it. Emails from strangers in most cases get deleted without opening, because of the possibility that they contain a virus. Mail is usually only a 1/8th inch pile, mostly brochures. If you get a letter, you read it. A fax you don't even need to open, it will be waiting on your desk.

Lessons Learned

1. Taking in venture money means you will need to find an exit for your company. In other words, investors want to get their money back one day. What does this mean for your company? One day you will need to do one of three things: take your company public, merge it with another company or sell it to somebody.
2. Your pitch is the key to getting venture funding. Crystallize, perfect, and always be prepared to present your pitch.
3. Taking in the least capital possible is healthy for a company. It encourages efficiency, kills complacency, forces to make smart decisions and inspires healthy aggression. It also leaves more equity in the hands of the founders and the employees. It increases your chances of raising the next round, as investors greatly respect capital efficiency.
4. Time the funding round carefully. Take money when you don't yet have to. Do not take money too early, in order to increase your valuation.
5. Take only what you need. Create milestones to reach and figure out how much you need to reach them.
6. If you take government funding, do not let it determine the direction of the business.
7. Choose the most suitable investor. Find the right one. Look for the people who offer capability, contacts and commitment.
8. Raising your first round from local investors near your home country is usually fastest and provides credibility. Find investors who can later help you raise the next round. If you want to quickly globalize the business, raising the next round abroad may help enormously.
9. Having reference customers in the US greatly improves the chances of raising American capital.
10. Pay close attention to the conditions of the money. American investors like to get shares with a preference. Be sure to understand what those preferences would mean in different scenarios for current shareholders.
11. Do not lock yourself into a multi-year plan that does not leave room for flexibility. Conditions beyond your control often change.
12. Be open to options other than VC money. Consider seeking corporate investments or approaching investment bankers. Remember government grants. Some are available in the US as well.
13. If you seek international VC funding, have somebody on your board or in your angel group who has worked with international VCs before.
14. It is advantageous to have a multinational team of employees early on.
15. Investors look for companies that are solving real, urgent problems and business models with excellent profit margins. They will not be interested if your product does not have a large potential customer base and a clear market.
16. Understand your competitive advantage and use it.

Money is not all the same. Look for the people who offer capability, contacts and commitment.

Chapter 11

The Quiet Exit: Mergers and Acquisitions

Companies are built to be sold. You don't make a paper machine so you could keep the paper, right? Companies are tradable, just like everything else.

Ari Backholm, Co-Founder and
former Executive Vice President, Smartner (SEVEN).

In this chapter, we cover nine exit cases and explore the factors that contribute to a successful exit.

In this chapter, we look at nine Finnish ICT-companies that have completed an exit in or through Silicon Valley in the past ten years. The cases include mergers and acquisitions, and represent different sectors. The order the cases are presented is roughly from the most recent to the oldest. All exits were under $100 million—the quiet exits that don't make the biggest headlines, but provide worthwhile returns to Finnish founders and investors. These are the largely untold stories of Finnish entrepreneurship.

Cases

Solid Information Technology

Product: Embedded database software

Founded in 1992, Acquired by IBM in 2007.

Total funding from angels and venture capital firms: over $70 million.

In spring of 2007, Solid's latest funding round was coming to the end of its three year term. The company was 15 years old and had raised over $70 million in venture capital. It was time to find an exit.

A public listing was not considered a realistic option because the IPO market had not fully recovered from the dot-com meltdown and the following recession. The remaining alternatives were merging or selling the company.

After the telecom recession, Solid repositioned itself into a smaller but lucrative market segment, defined by Intel's and further by IBM's ecosystem. The addressable market was large, but considerably smaller than the original business plan completed in 2000.

"The new exit plan was adapted to the market reality and the realistic option was to find a buyer, who could take the products and technology to a wider market than the one Solid was addressing," says Jussi Harvela, who was Solid's CEO until 2005. The CEO who directed Solid through the eventual acquisition by IBM was Alain Couder, a Frenchman who had been on Solid's board of directors. Under his leadership, Solid considered two opportunities: open source and embedded database software. The open source model looked attractive, as it was working well for MySQL, and Solid had collaborated with them to develop the SolidDB relational database management system to be used with MySQL's products.

IBM, the interested buyer, however, was not keen on open source. The IT giant saw opportunities in Solid's customers, the embedded software business and taking the in-memory database to enterprise market. According to Ari Valtanen, Co-Founder and CTO, this was also the path that Solid's investors preferred.

"They were not willing to put more money into building the open source model," Valtanen says.

The IBM relationship had been created over several years. Solid had identified the multinational corporation as a key partner since 2003 and started partnership building actively in 2004.

"We had two goals for building the partnership: growing our business and increasing our visibility," says Pekka Pärnänen, who was in charge of Solid's partnerships until 2005. "Exit through a partner was one possible option," he says.

Solid hired an investment banker to call potential buyers and get a feel for their interest. After some more research, IBM surfaced as the best option to pursue further. Solid prepared the pitch to IBM carefully.

"I developed one proof of concept on how Solid could be integrated into IBM's product, how much it would cost and how they would benefit from it," says Valtanen. Solid took this proof of concept to IBM's Partner World -event and found a person who was intrigued enough to take the matter forward.

"We had worked long with IBM and had 20–30 contacts in the company. But we had to find the one or two who were the critical ones. In addition, timing had to be right. Two years earlier, we had presented them a different case, based on the same product of ours, and then the answer was no, we are not interested."

IBM announced the acquisition in December 2007. For Big Blue, it was the twelfth strategic acquisition that year. Financial details have not been disclosed.

For investors or shareholders, the exit was not particularly successful. CapMan, one of the several investors, said in its press release that the investment "did not meet original expectations."

For the product, the outcome can be described as satisfactory. Valtanen is pleased that Solid found a home where its products can be further developed and distributed more widely. Valtanen has stayed on with IBM in Silicon Valley, currently as director of solidDB Software Group, Information Management.

From a wider, Finnish society perspective, it can be argued that the exit brought value. At the time of the deal Solid employed about 80 people worldwide, some of them in Finland. After the acquisition, Solid's office in Helsinki became an IBM Lab and it has hired more people, now employing about 30 professionals. The Lab provides a connection between one of the largest American IT companies and Finland in a more significant way than a mere sales office would do. IBM now has a development presence in Helsinki. In addition, the Finland-based employees have opportunities to learn global business skills within a leading international corporation.

Jaiku

Micro blogging and social networking.

Founded in 2006, acquired by Google in 2007.

One strategic investor before acquisition, amount not disclosed.

Jaiku is the quickest Finnish exit ever to Silicon Valley. The company was less than two years old when it agreed to be acquired by Google. Jaiku's story exemplifies the power of superb networking.

Petteri Koponen and Jyri Engeström established Jaiku in 2006. The original idea related to sharing users whereabouts via mobile devices. Initial funding came from the founders. Engeström had left Nokia and Koponen had left operational positions at his previous company First Hop. The first hire was Mika Raento, who had developed similar technologies separately within Helsinki University. Within a month, the first beta-version of Jaiku was published online.

Jaiku had an international look from the beginning. Other team members were hired from abroad: in the Netherlands, New Zealand and the US. Jaiku employed seven people at the time of the acquisition.

A crucial way to build awareness and credibility for Jaiku was networking in conferences. The team spoke at all major events in the social media field in Europe and the US for a couple of years.

The first year Jaiku grew steadily, but the really robust growth did not start until February 2007 after Jaiku launched a new service at an O'Reilly conference in San Francisco.

When it was time to seek funding, the founders used their connections. Koponen had experience in negotiating with capital investors and Engeström had some connections of his own. There were a few interested parties.

"We ended up with two options: angel investor or a venture capital investment. We found a strategic investor, who prefers to remain anonymous, whom we decided to accept because of the better conditions," Engeström says.

Jaiku also took on board a few heavyweight angel investors as advisors. The most distinguished of them was Japanese American entrepreneur and venture capitalist Joi Ito, whose credentials include being listed among the 25 Most Influential People on the Web in 2008 by Business Week Magazine. Roberto Bonacini and Marko Ahtisaari, son of former President Martti Ahtisaari and founder of travel website Dopplr, were also early supporters.

Petteri Koponen, who was Jaiku's CEO, says the company was actively looking for funding when the Google opportunity presented itself. "We had started to look for Round A funding. We kept doing the rounds and were pitching in London until the day before the Google acquisition closed," he tells. According to Koponen, there were two other interested buyers.

Jaiku was in a sweet position. It would have likely succeeded in raising funding and there was more than one suitor. The team weighed the options and Google surfaced as the top choice. "We were all interested in working at Google and seeing how it functions. We determined we would learn the most there," says Koponen. The acquisition was announced in October 2007. The terms of the deal have not been released.

Jaiku got far in a short period of time. One reason is that the founders used the "unfair advantages" they had. Silicon Valley author, blogger and entrepreneur Guy Kawasaki has defined it as "that which makes your business so special that your competition can not, or will not compete with you." The Jaiku founders were early to recognize a new industry trend – microblogging for mobile devices – and acquired an unfair advantage by hiring "one of the best microblogging developers" in the world, as Engeström has put it. Another rare advantage the founders had was their extensive and deep contact network, which they could tap into quickly.

Engeström agrees. "Compared to some others, we had a better network. And with Mika's leadership we could quickly develop the technology."

While talking with with potential buyers, the Jaiku team had kept up discussions with operators on possible business models. These business models would have been good for Jaiku, but would not have fit into Google, Koponen says. The plans involved localizing Jaiku in different countries and creating a marketing channel. "In comparison to Twitter, we were positioning ourselves stronger in mobile and as a more conversational service," Koponen describes.

Hantro Products

Video technology for mobile devices.

Founded 1992, acquired by On2 in 2007, On2 acquired by Google in 2010.

Funding:

- Tekes
- A Round, undisclosed amount, Menire and Nexit.
- B Round 2002, €8.5 million. CapMan, Startupfactory, Menire, 2M Invest, and Nexit Ventures.
- C Round 2005, €4 million. CapMan, Nexit Ventures, Menire.

Hantro Products originated from the Oulu technology cluster. It started its operations in the early 1990's by selling digital ASIC-design services to Nokia, and then gradually over the years morphed into a global IP-provider of wireless solutions.

After receiving funding from investment group Menire, Hantro opened a sales office in Helsinki and shortly after, in Silicon Valley. Presence in Silicon Valley did not result in local funding and it does not seem to have contributed to the eventual exit.

Hantro operated in a niche market. Eero Kaikkonen, President and CEO at the time of the acquisition, says the market was painfully narrow and growth was therefore hard to accomplish.

Video compression software provider On2 Technologies, headquartered in New York state, acquired Hantro in 2007. Hantro was twice as large as On2 and its sales volume was larger, but the Finnish company ended up with less than 20% ownership of the combined company. One reason is that the American company was publicly listed and its valuation was higher. Hantro became a subsidiary of On2 and continued to operate in Finland.

The total value of the acquisition at closing was $58 million, according to a press release by On2. An additional part was tied to Hantro's turnover. The acquisition was largely a stock deal with lock ups, a type of arrangement that can be disadvantageous if the stock price of the acquiring company goes down.

The deals were not all done, though. In the summer of 2009, Google and On2 announced that the search giant will acquire On2, in a stock-for-stock transaction, valued at approximately $106.5 million. In February 2010, stockholders of On2 approved the merger, and Hantro's technology became part of the world's dominant Internet search company.

"Today video is an essential part of the web experience, and we believe high-quality video compression technology should be a part of the web platform," said Sundar Pichai, Google's Vice President of Product Management in a press release. "We are committed to innovation in video quality on the web, and we believe that On2's team and technology will help us further that goal."

Hybrid Graphics

Embedded 2D and 3D graphics software for mobile devices

Founded 1994, acquired by NVIDIA in 2006.

Funding:

- Tekes, 2001-2006, €774,069.
- A Round 1998, €1.8 million. Investor Growth Capital, PCA Infocom.
- B Round 2002 and C Round 2003, total €1,4 million. Nexit Ventures.

Hybrid Graphics was among the cluster of Finnish 3D graphics companies that were sold to North American buyers in the sector's consolidation phase in 2005-2007. The first had been Mr. Goodliving, acquired by Seattle based Real Networks in 2005 for $15 million in cash. On the gaming side, Sumea had merged with Digital Chocolate in 2004.

Hybrid was founded in 1994. Of the original founders, two were still with the company when it made its exit: Ville Miettinen and Harri Holopainen.

The graphics software industry in Finland originates from a group of dedicated young hobbyists, who developed audiovisual demonstrations on personal computers in the 1980s and 1990s.

"The founders of these companies have known each other since sandbox days. The connections made around the hobby in teenage years have remained and there has been close co-operation between the companies," explains Ville Miettinen.

"When we started to do business in the US, we were sometimes referred to as 'the Finnish mafia.'" Since the early days, the gaming industry has sprouted from zero to around 1000 professionals in Finland.

Miettinen says Silicon Valley was the only logical place for an exit. Nexit Ventures, the funder, had an office in Saratoga, a town next to the mountains bordering Silicon Valley. In addition, the Valley was familiar to Miettinen, who had lived part of his childhood there. Hybrid never established an office in Silicon Valley, but it did find an exit there.

Sales trips took Miettinen and Hybrid's US sales executive Panu Wilska on long trips around the US and the world. "In the States we would visit Silicon Valley and Austin, Texas to cover the semiconductor industry. We would rent a car and drive for a week or two. Then we would continue to Japan, Korea and China with a one-way ticket around the world. It was overwhelmingly the cheapest way to travel."

NVIDIA was a familiar company to Hybrid from the start. Its founders shared their company's goals early with Hybrid's team. "They came to introduce themselves once, and told they would destroy Silicon Graphics," Miettinen recalls.

The year 2006 was an intense period of strong growth in the industry. The players started to move into camps, which indicated that all small companies would be acquired, Miettinen says. Players were NVIDIA in Silicon Valley, ATI in Canada and ARM in Great Britain on the buyers' side, and the targets were Hybrid and BitBoys from Finland and Falanx from Norway.

The game was played out in a period of months. First NVIDIA acquired Hybrid in March 2006. In April, ATI acquired BitBoys and couple months later ARM announced it had acquired Falanx.

"For us, there were only a few options on how it could go. NVIDIA was the most natural home. At the time, it was the strongest graphics house, and we had done pioneering work in the field. It was hugely important to us that the work would continue."

NVIDIA paid cash for Hybrid Graphics, with no lock ups. The amount was not announced. If the deal had been in stock with lock up periods on selling, the final outcome would not have been nearly as good for the sellers.

At the time of the acquisition, Hybrid employed 45 people, most of them software engineers. The team is now known as NVIDIA Finland in Helsinki.

The majority of the employees have continued to work for NVIDIA. Miettinen and a few others concluded after awhile that they most wanted to do something together again. Miettinen is now involved with several startups, as well as being chairman of the board and partner at Lots Ltd, an early stage sweat equity investor.

From an investor's standpoint, Hybrid Graphics is one of the most successful exits by a Finnish IT-company sold to a Silicon Valley based firm. At the time of the deal, Nexit Ventures was the only outside investor, having earlier bought out the other investors.

"We got a ten time return on invested capital," says Artturi Tarjanne from Nexit. Altogether, Hybrid had raised a little over one million euros. The last three years before the acquisition the company had been profitable.

Smartner Information Systems

Mobile email solutions for wireless devices

Founded 1999, acquired by SEVEN Networks in 2005.

Funding: Total of $22 million, by Founders, Tekes, Angel Investors, Eqvitec and Sitra.

The three founders of mobile e-mail solutions provider Smartner Information Systems grew the company first by bootstrapping. After six months, they got support from angel investors, Eqvitec, Sitra and a few other funders. Tekes provided loans and grants for a total of about one million euros, which was important, says Ari Backholm, Co-Founder and Executive Vice President of Smartner.

"Because it is much harder to get private equity in Finland than in the US, funding from Tekes was helpful. One just has to pay attention that the company keeps operating according to its own strategy, and is not merely waiting for government funding or letting it dictate the strategy." By 2000, the company employed 20 people and had its first reference customer in Finland.

Smartner got through the dot-com hangover by relying on three strong customers and cutting the size of the organization. By 2004 the market was picking up again, and the management team saw that more and more competitors were entering the space. For globalization Smartner needed more funding.

"We looked at the options: sell to a large public company, merge with a smaller company or raise more capital," recounts Backholm. "We came to the conclusion that a merger or a sale to SEVEN was the best option for globalization, as well as for entering the US market."

"We looked at the options: sell to a large public company, merge with a smaller company or raise more capital."

SEVEN had been established a year later than Smartner and it operated in the same space. There was virtually no overlap between the companies, because Smartner was strong in Europe and Asia, SEVEN in the US and Japan.

The deal looked great in theory, but it had a couple of glitches.

First, if Smartner would have entered the US market by itself it would have been in direct competition with SEVEN, the company it wanted to be acquired by. To improve its negotiation position, Smartner decided to make it clear the company was serious about entering the US market and would do it alone, if needed. Smartner decided to do their US launch at the 2005 CTIA wireless trade show in New Orleans.

Second, there was a threat of a lawsuit. Visto Corporation, an American competitor filed a patent infringement lawsuit against Smartner, threatening to disrupt any plans in the US (the lawsuit is described in chapter 3).

Smartner managed to navigate the challenging situation, and in April 2005 SEVEN announced it would acquire Smartner. Details of the deal have not been disclosed. Most of the agreement was in form of a stock exchange, which means the full exit for investors does not happen until SEVEN goes public or is acquired.

SEVEN is backed by well known European and US venture capital firms. Investors include Amadeus Capital Partners in Europe, Ignition Partners in Washington State and Boston and Silicon Valley-based Greylock Partners, an early investor in RedHat.

Prior to the merger, Smartner had raised $22 million in venture funding. The first half-year was funded by founders' own capital and sweat equity.

Backholm is happy with the career opportunities the merger has provided him. He now serves as Vice President for Marketing and Product Management at SEVEN Networks in Redwood City, California.

"The responsibilities of managing in a Silicon Valley based global company are exciting.

Seven has continued to hire in Finland and now employs about 60 people.

Animoi

Software tools for producing Java 2 Mobile Edition applications with Macromedia Flash.

Founded in 2001, acquired by Macromedia in 2004.

Funding: Founders.

For Animoi, being acquired was an exit option from the start. Since the company was designing software solutions that used Macromedia Flash, an obvious potential buyer – also identified in the business plan – was Macromedia, the San Francisco based graphics and Web development software house. The plan became reality two years earlier than expected, largely as a result of personal connections.

"It is an example of the importance of networking. When you know the right people, you get on their radar screen," says founder and serial entrepreneur Mika Könnölä. "Without personal connections, an American corporation does not easily find a small Finnish firm."

"We had done trade shows, but that is not enough. You will not get the decision makers at the stands. You may get the assistant, or somebody who knows the assistant. Many times it's luck. You have to be able to sell your idea to a key person who takes it inside the corporation. The time window may be very narrow, perhaps only one quarter."

Könnölä had experience from Silicon Valley, having previously worked for Capslock, a provider of secure wireless solutions that had operations in the San Francisco Bay Area.

Animoi was a company of 11 employees that had no presence in the US and had mainly worked with Nokia. For Macromedia, the threshold was high, because Animoi was the first non-American acquisition for the company.

Könnölä, who at the time was in his early 30s, negotiated the deal with Macromedia himself. He did hire the second most expensive law firm in Helsinki to assist him. The most expensive firm had already been hired by Macromedia.

"To be a credible negotiation partner, we needed a respected lawyer. We had to play hardball. We spent a lot of money, but there was no other choice," says Könnölä, who estimates the lawyers' fees rose to hundreds of thousands. At one point, there were three lawyers involved. Everything from work agreements to investment plans was covered.

"To be a credible negotiation partner, we needed a respected lawyer. We had to play hardball. We spent a lot of money, but there was no other choice."

The process was intense for a small firm. Könnölä as the CEO had to be involved the whole time, for the last month daily.

Americans are tough and competent negotiators, says Könnölä. In addition to a good lawyer, it's helpful to have nerves of steel.

"Do not get scared by typical tactics, like good guy/bad guy games or walk-outs. You have to accept that is the name of the game."

"Psychologically, it is tough to realize that the next three years for your company rest on this one deal. If you expose that to the buyer, he will use it to his advantage. All means are acceptable, when negotiating about money. The bigger the buyer, the more cunning are the tactics."

Könnölä reminds that everything is negotiable. You just have to understand that you can also lose.

"We were in a good position, because we did not have to sell."

Könnölä is satisfied with the end result. The terms of the deal have not been disclosed. The company had no venture funding and thus no VCs taking a share of the selling price.

After the acquisition Macromedia moved Animoi's core team from Finland to San Francisco. Könnölä served as Senior Director for Product Management for Macromedia. Software giant Adobe acquired Macromedia in late 2005. In 2007 Könnölä left Adobe to join software firm Documill in Finland.

Sumea

Mobile games

Founded 1999, acquired by Digital Chocolate in 2004.

Funding: Tekes, cash flow.

The founders of Sumea wanted to build a company that produced computer games, and they were intent on building something big and game changing from the very beginning. The winning strategy of focusing on mobile games was a result of the combined interests and skills of the founders.

"I was still a student at Helsinki University of Technology when I had a summer job with Tecnomen to research the content market. I learned that in Japan there were recently launched phones, where one could download games," tells Ilkka Paananen, CEO of Sumea.

"I knew Jarkko Salminen and Sami Arola, who were designing web games with Java technology. I contacted them and asked if they had considered designing for mobile instead. It turned out they were already in discussions with Mika Tammenkoski and Mikko Kodisoja, who had similar ideas and had become part of the team."

Hire experience early.

Paananen, who was in his early 20s soon found himself as CEO of Sumea, being the most business minded person on the team. The company later recruited senior support, attracting Janne Snellman from Proha, who had business and legal background, first as chairman of the board and later as CFO. Getting experienced people onboard as early as possible is important, says Paananen.

"Getting experience through trial and error is probably not the best way to go. My recommendation is to hire experience early. Looking back at our own case, I realize we were really young, all of us in our early 20s." Youth did have its advantages. The team did not hesitate to go after big clients.

"We did not even realize how large large the American mobile operator Verizon really was, and we were not nervous at all meeting with them. In Europe we flew across the continent with student priced plane tickets, selling our products."

Making the rounds in Silicon Valley and elsewhere, meeting potential partners and customers, was essential for establishing visibility in the gaming community. This type of networking builds cross-reference, which is important not only for sales, but also for sowing the seeds for an exit. Your company and your team gradually become a known commodity.

By early 2004 markets were so hot that the team decided it was time to raise money to fuel stronger growth, especially more aggressive expansion in the US market. Sumea had discussions with venture capitalists in Finland and elsewhere in Europe as well as in the US.

As early as 2001–2002 Paananen had regularly talked with venture capitalists in Helsinki. They were not interested. The timing, of course, was not ideal, because the dotcom bubble was bursting. In addition, games and mobile content companies had not yet proved they could be big money makers.

"Investing in us would have required believing that we can produce globally competitive content. We believed we could, but at the time, there were no successful predecessors in the game publishing sector in Finland, even though there were some successful game developers."

By the end of 2003, however, the situation was different. Analysts had woken up to the possibilities of mobile gaming and investors were becoming interested in the sector. At that point, Sumea was fishing in larger waters.

"We needed an American size financing round, six to eight million dollars. Two or three million would not have interested us anymore, and more than that might have been impossible to raise in Finland."

Another option was finding an American partner. Timo Rapakko, a Stanford educated advisor and angel investor, who had been assisting Sumea, started to explore the options. He made the initial contacts with Digital Chocolate.

Digital Chocolate was itself on the lookout for a partner, with a carefully constructed list of what it wanted. Jason Loia, who had joined Digital Chocolate as Vice President of Operations in the fall of 2004, worked closely with Trip Hawkins, a gaming industry legend and founder and CEO of Digital Chocolate.

"Sumea was by far, hands down, the best choice," tells Loia about the results of Digital Chocolate's worldwide search for possible partners. In addition to seeing one of the most talented game studios, Hawkins also saw the advantage of a favorable cost structure in Sumea – in other words, a world-class game studio that was not as costly to operate and grow as a studio in California.

Loia, now COO of Digital Chocolate, explains that Hawkins saw a disruptive wave coming in the gaming industry: the mobile device would become the choice platform for gaming.

“What the mobile device had, besides the mobility, was the fact it was connected to the network, unlike game consoles. Hawkins viewed gaming as a global phenomenon, where people were playing connected games with each other on mobile phones.” Hawkins had attracted heavy weight venture capital firm Sequoia Capital to back his vision. His alternatives were to start growing the small team of people he had in San Mateo or acquire talent and titles. Sumea had both, in abundance.

Digital Chocolate saw a team of 35 people, who had a catalogue of over 100 games. ”What Hawkins liked about Sumea, above and beyond their quality reputation and cost structure, was the strong management team. They were a small shop, but incredibly efficient in managing innovation and one which could be easily scaled,” Loia tells.

In the gaming industry it is not easy to produce hit after hit. Sumea had the ability to do this systematically, Loia remarks. ”Hawkins was impressed with the quality of work Sumea did. They had hits in different genres: in action, in racing, in puzzles. They did not copycat existing games – these were unique properties they had created themselves.”

Additionally, the California company saw a possibility to form a relationship with a leading mobile manufacturer.

”The match was nearly perfect from the very beginning.”

“Nokia was a player in mobile gaming back in 2004-2005. Sumea had strong ties with them, at least part of their business was embedded games for Nokia’s devices,” Loia says. The Nokia-connection made the deal strategically interesting for the American gaming company.

Now, six years later, Timo Rapakko comments, “The match was nearly perfect from the very beginning.”

The dance phase lasted about six months. After meetings in Silicon Valley, Trip Hawkins wanted to visit the company in Finland. Paananen tells the story, “The visit happened to be scheduled the same evening we had a spring party at the office. The whole executive team waited and waited, until 9pm, but Hawkins did not show up. We concluded that maybe he is not coming. After all, he is a big shot in the industry. So we all went to the party, which lasted till the early morning hours.”

It turned out that Mr. Hawkins had missed a plane and did not have cell phone that operated in Europe, thus having a hard time contacting Sumea and telling about the delay. He showed up at Sumea offices the next morning, finding it more than half empty as a result of the previous night’s party.

“Somebody called me at home and said ‘hey, get over here, Mr. Hawkins has just arrived,’” Paananen laughs. ”Afterwards Trip joked he had never seen so many young men with a hangover in one room.”

What Hawkins saw after the somewhat unusual start impressed him enough that Digital Chocolate soon made an offer. The first one, Paananen admits, made the founding team think it would not come to anything. After further negotiations, a new offer was made. The sum has not been disclosed, but Paananen says it was partly cash, partly stock .

In May 2004 Sumea laid all its options on the table. The team decided that merger with Digital Chocolate was by far the best option. No Finnish investor could compete with the American expertise in the entertainment industry.

“They had the best venture capitalists, Sequoia and Kleiner Perkins, behind them. The CEO Trip Hawkins was a legend in the gaming world: he was the founding CEO of Electronic Arts, one of the largest gaming companies in the world and knew everybody in the field. And their network with American distribution channels was far superior to ours,” Paananen sums up.

Sumea provided Digital Chocolate with something they did not have: many great products and direct distribution agreements with all the major European operators.

"They had no agreements in Europe, whereas we had by then covered Europe with distribution agreements and had good relationships with local operators," says Paananen. "With the merger, they got a ready package to sell to American operators and a channel in Europe for their products. We got their products and access to capital."

For Sumea, the merger meant significant expansion of operations. At the time of the acquisition, Sumea employed about 35 people. Currently there are 135 employees in the Helsinki office, which serves as Digital Chocolate's European headquarters.

Paananen does not agree at all with the early headlines, which claimed that Sumea was "swallowed by an American giant." The company has grown significantly and key functions have stayed in Finnish hands.

"We have employed a hundred additional people in Finland, with American venture capital. We are the largest game company in Finland. Most of the creative work of Digital Chocolate takes place in Helsinki. Finland is a fantastic place for this, there are great people available at affordable salaries."

"The vast majority of our game brands have been created in Finland. Marketing and administration are in Silicon Valley, as well as a small development studio. We have another, smaller studio in Barcelona. In India we have an operations center focusing on porting and QA. We also recently opened a similar office in Mexico. But it can be argued that the Helsinki office still acts as the backbone of the company."

Paananen now has global responsibility for game publishing operations, including deciding which games are coming out each year, how they are produced and when they are launched. He is now working for a new exit, with Digital Chocolate.

"Hopefully there will be an even bigger exit in the future. We still have a lot of work to do, and we are very motivated," says Paananen.

Modera Point

Wireless security solutions.

Founded 1982, subsidiary in Silicon Valley in 1999, acquired by F-Secure in 2000.

Oulu-based Modera Point had grown for 17 years in Finland before it opened a subsidiary in Silicon Valley. Esa Ketola, who was working for TeamWare and Fujitsu Software in Silicon Valley, was hired to start Modera's operations in the area.

The goal was to be close to potential partners and customers. During the hottest Internet boom years, the company hired three more people. But Modera Point Inc. only executed few months before a potential partner wanted to acquire the company.

In March 2000, F-Secure, the Finnish security software leader that had recently performed a hugely successful IPO in Helsinki, acquired Modera. The deal was valued at $16 million (€ 10.6) and was partly a stock deal with lock ups.

At the time of the acquisition Modera employed 24 people, four of them in Silicon Valley. Within F-Secure, they continued to develop products for the Symbian environment. The Silicon Valley end of the company was never fully integrated into F-Secure, says Ketola. He negotiated a deal with F-Secure and bought Modera Point Inc., renaming it Cellsoft.

Cellsoft went on to establish a subsidiary in China, growing to about 20 people. In 2005 Visto Corporation from Redwood City made an offer to buy Cellsoft, mainly to get offshore operations and expertise in the Symbian environment. Ketola accepted the offer.

Smartech

ASIC chip design.
Founded 1987, acquired by Synopsys in 1999.
Funding: bank loans, cash flow.

Smartech is an example of a Finnish IT company that was discovered and sought out by a Silicon Valley giant because of its technical merits and expertise. It is an unusual case, because the company had not even thought about establishing presence in the US.

"It was the most risky thing possible: three researchers deciding to start a business," jokes Henri Rantalainen, one of the three founders about starting the company. "None of us had had any business training and none of us had seen a profit and loss statement before. Because I was the most social one of us founders, and interested to learn the business side, I took on the role of CEO."

The Tampere based company was quietly doing what it and many Finnish IT firms do best: designing excellent technology. In 1998 Smartech was an eleven-year old company that employed nearly 40 people and got 25% of its revenue from abroad, mostly from Denmark and Germany.

Smartech operated in a narrow sector and the Finnish market was getting small. Rantalainen says in the late 1990s the leadership team had just started to think about strategies for growth. First option was to stay in Finland and continue the steady growth, mostly fuelled by biggest customer Nokia. Second option was to establish presence in Central Europe, possibly by acquiring a Danish company. The third option was to sell the company.

"We had mostly laughed at the offers we had received. Every now and then, one of the semiconductor companies had asked us if we were interested in selling. We had no need to sell," Rantalainen says.

Smartech had been profitable since its inception. It had taken some bank loans early on, and had paid them back. Tekes had provided grants to develop the service concept. Rantalainen says that was helpful, but soon the company concentrated on making money from selling to customers.

The company had been listed the fourth best "100 point" company in Finland in 1997 by Kauppalehti Business Magazine. The founders, still in their mid 30s, were not actively thinking about an exit. Selling to one of the semiconductor companies would have been risky, because it would have removed Smartech's freedom to choose which technology and manufacturer to use in their designs. Being an independent ASIC designer meant that Smartech could deliver chips according to the client's wishes.

Still, Rantalainen says they should have defined an exit strategy. It makes sense to think it through, he advises, because deciding on the conditions you are willing to sell at the same time you negotiate is challenging. Moreover, that will take time away from running the business.

Then Synopsys approached Smartech through its Helsinki office. Rantalainen says at first he and the other founders were still mostly amused, and not seriously thinking about an exit. But they did go to Helsinki to meet with Synopsys representatives.

"Synopsys was the market leader, and we knew that with them we would get access to superb technology. Tools in our field were expensive – we had by then spent millions of Finnish marks in them. We saw that sooner or later a small firm like us would run out of money to invest in technology."

Synopsys was making many acquisitions, both in Europe and the US. The way the sector worked, Rantalainen explains, was that small firms built themselves to be acquired and the big semiconductor companies used them to support their internal R&D.

For the next few weeks Rantalainen and the other two founders discussed the option and decided to look into it further. It took another six months and several visits by the Californians until

Synopsys made a serious offer. Negotiations were complicated and business aspects were nearly buried under the legislation, Rantalainen remembers. ”Ninety percent of the negotiations were legal matters, ten percent was business.”

“We used two law firms in Tampere, which sort of made them compete with each other. It was expensive, but worth it. Finding reference cases was nearly impossible, because our sector was so specialized. Even for other IT deals, most of the time the terms were not published.”

Smartech used an accounting firm to look at the numbers of the deal. Looking back, Rantalainen thinks they could have invested more in this aspect. Additionally, he thinks it would have been good to find somebody who would have sat at the actual negotiation table, presenting their numbers to the Americans.

A non-negotiable for Synopsys was a requirement that founders would commit to stay with the company for at least four years after the deal. Typically founders are asked to stay one to two years.

One slight complication had to do with existing contracts: Smartech’s agreements with clients were very different from what Synopsys was used to. ”Finnish contracts were much more relaxed. With Nokia, Smartech had such a trust, that sometimes we did not even draw up contracts. We could do a year’s project without one. Synopsys could not believe that a customer would just keep paying us without a contract,” Rantalainen tells.

Some of the contracts Smartech had made with customers contained a clause that became a challenge: they stated that Smartech would need to ask permission from the customer before being acquired.

“It was an awkward situation. We had to tell a couple of our biggest customers about the talks we were having with Synopsys. It was risky having to talk about the deal before it was finalized. We were afraid we could lose their business.”

The deal was closed in February 1999, nearly a year after the approach from Synopsys. The details have not been made public.

Smartech kept operating under its name and became Synopsys’s largest ASIC-design center in Europe. The processes that Smartech had used were cloned in Synopsys’s centers in the UK, France and Germany. Initially Synopsys hired more employees in Tampere and Helsinki. The recession slowed sales and in 2002 a number of employees were laid off.

Rantalainen moved directly to international roles, serving as a director of engineering and later as director of business development for EMEA. He left Synopsys in 2005 after seven years with the company.

Rantalainen is content with the exit. Still, he does confess that occasionally he has wondered what the company would have looked like if the founders had raised venture funding and expanded to international markets on their own.

Comments

There are some basic observations that can be made by looking at the exits by Finnish companies in Silicon Valley.

1. The exits are few. In the past ten years, at least nine Finnish IT companies with a Silicon Valley connection have done an exit. It is worth noting, that in addition to the cases discussed in this book, there may well be others that the authors are not aware of. In the cases at hand, the Silicon Valley connection has been either that the acquiring company was based in Silicon Valley, or through financing, where some of the funding raised had ties to Silicon Valley.

2. There is huge gap between the one billion dollar MySQL deal and the rest of the exits, which were in the \$5–\$100 million range.
3. The companies were relatively small at the time of the exit. They employed between 7–40 people, with the exception of Solid, which employed 80 people worldwide and about 30 in Finland at the time of the exit.
4. Finnish mobile expertise was a hot commodity in 2004–2007. Finnish mobile companies may have been too early to the US market at the turn of the century, but the head start seemed to pay off 5–7 years later. Of the nine companies looked at here, no less than seven were mobile solutions.
5. The connections to Silicon Valley have in few cases been indirect. In some instances, a permanent presence in Silicon Valley was not necessary to realize the exit. For instance, at the turn of the century, big semiconductor companies were looking for talent and technology in Europe. In addition to Smartech discussed here, another ASIC-design company, Fincitec from Kemi was acquired by National Semiconductor. At the time Fincitec employed 55 people in Finland and in its subsidiary in Estonia. The sale price was \$15 million
6. There have been no initial public offerings (IPOs) in the US by Finnish ICT firms. There were several IPOs in Finland by some of the companies that established presence in Silicon Valley in the late 1990s, notably the security software cluster, F-Secure, SSH and Stonesoft. These public offerings were exceptionally successful.

There have been no initial public offerings (IPOs) in the US by Finnish ICT firms.

Evaluating Exits: Founders and Investors

Evaluating the exits of Finnish companies is a somewhat subjective exercise and therefore a little risky. There are several ways to gauge if an exit has been successful. Since there are many parties involved, they all have their own yardsticks. The three obvious groups with an interest in the exit are the founders, employees and investors. Many observers are concerned about the wider societal impact of the exits as well.

The *founders* interviewed for this book would name at least two aspects when evaluating the success of their exit: the future of the company or product they had initiated, and the financial return for their work.

Initial motivation, aspirations and ambition of the founders and executive team determine the direction of the company, as well as the ultimate goal. Preparing an exit strategy has not always been on top of the list for companies, especially when they are growing fast. It is clear, however, that a well thought out strategy is an asset when an opportunity arises for an attractive exit.

Investors put in cash and naturally hope for a high return on it. The traditional yardstick in Silicon Valley was that if the exit brought ten times the amount the VC had put in, it was considered a success. Times have changed. The past five years have been so challenging that even top tier VC firms in Silicon Valley consider doubling their money a great exit. In fact, even just getting the invested amount back is nowadays considered a good outcome, says Irwin Federman from USVP.

Michel Wendell from Nexit Ventures echoes the change in expectations. ”Ten times the money back is excellent, 3–5 times return in these days is good,” he says, adding, “Any inflow right now is positive!”

Wendell makes an important distinction in the different perspectives and strategies between firms like Nexit Ventures and top tier Silicon Valley VCs. One is looking for a great exit, the other one aims for an IPO or a mega success. ”The likes of Sequoia or Kleiner Perkins Caufield & Byers play a game of superrich or rotten poor, they bet big sums and expect huge returns. A firm like ours does not think a company has to go for an IPO. And we are not looking at companies that need more than $15–$20 million in venture funding."

Have Finnish founders and investors sold their companies at too low valuations? Many observers have asserted that American buyers have gotten great deals on Finnish startups, acquiring great technology at low prices. Low valuations mean that owners of the startup do not get a huge return on their money and efforts. Without all the relevant information, it is hard to determine how true these statements are.

As a comparison, we can look at other European startups that were sold during the same time. For instance, in the gaming space, German mobile games company Elkware was acquired in 2004 for $26 million in cash by InfoSpace. Elkware was generating approximately one million dollars in revenue. IOMO, a British pioneer of mobile games, was likewise acquired by InfoSpace in 2004 for $15 million in cash. These valuations are in the same range as the ones paid for Finnish mobile gaming companies, but may have been more profitable because they were cash deals. Without a closer analysis into their funding situation it is hard to say how much more successful they were.

On the financial return side, the terms of the deal are important for founders and employees alike. A cash deal has often been more beneficial than a stock deal, in which part of the value will depend on how the acquiring company and the markets do in the future. Lock up periods have proved disadvantageous to many, because they have prevented founders from selling the stock when the prices were high. Some founders and investors have gotten stuck with a worthless stock when markets have tanked.

For Smartech, an inquiry from Synopsys ignited the exit discussion within the company, rather than the other way around. On the opposite side of the spectrum, some companies, for example Sumea, determined early on that a merger or acquisition was a fine option for the company.

It seems that the younger generation of entrepreneurs have more often seen an acquisition as a good exit alternative, often at an early stage of the company's maturity. The trend seems to be similar in Silicon Valley, according to the data in the Silicon Valley Index. Ten years ago, however, most of the entrepreneurs coming to Silicon Valley wanted, at least initially, to grow the company themselves. The security software companies all chose to go public in Finland, at a time when the IPO window was wide open for them there.

The IPO Card

After the Internet bubble burst in 2000-2001, the IPO market for high-tech companies changed drastically. Far fewer companies listed and their first-day returns were much lower than those during the bubble. The most typical exit became a merger or an acquisition. Gradually the market recovered. In 2004 there were 94 venture-backed company IPOs in the US, according to Thomson Reuters and the National Venture Capital Association (NVCA). The year included Google's initial public offering, which raised $1.67 billion. The amount of M&A deals was 349.

According to NVCA, there were 57 venture-backed IPOs in both 2005 and 2006, and 86 in 2007. Not surprisingly, given the financial meltdown of 2008, that year was the slowest since 2003, with only six venture-backed IPOs. 2009 the number doubled to 12 venture-backed IPOs.

In contrast, the number of M&A deals has been more stable: 2005 there were 377 deals, 2006 saw 377 deals, 2007 number was 379 and 2008 it was slightly down to 351. In 2009 the number dropped to 271 deals (source: NVCA Venture-Backed Liquidity Events by Year/Quarter, 2004-2010).

The first quarter of 2010 has raised a cautious optimism within the venture capital industry. In the first three months of the year, there were nine venture-backed IPOs and 111 M&A transactions. The nine IPOs were valued at $936.2 million, which was more than double the amount raised during the fourth quarter of 2009. By the end of the quarter, 43 venture-backed companies had filed for an IPO with the SEC, the U.S. Securities and Exchange Commission. Among them were at least eight Silicon Valley firms.

Joint Venture: Silicon Valley Network, an analysis and advocacy group, pays attention to Silicon Valley based company IPOs. In 2008, there were only two Silicon Valley IPOs and in 2009 only one, according to the Silicon Valley Index, which is published yearly by the group. Its data reveals that entrepreneurs are now less interested in the IPO route, which they see as more complicated than an acquisition.

Entrepreneurs are now less interested in the IPO route, which they see as more complicated than an acquisition.

Excluding MySQL, none of the Finnish founders or executives who were interviewed for this book expressed that they had an IPO in the US as a definite goal. Solid may be one of the few that entertained the possibility of doing a public offering on a US stock market.

As a contrast, Israelis continue taking companies public in the US. They do have the advantage of having a much longer track record of bringing companies to the US than Finns. As a comparison, during the past dozen years, there have been about one hundred listings on the NASDAQ by companies that originated from Israel. In addition, there have been about 200 mergers or acquisitions that involved an Israeli and an American company, calculates Ari Salonen, who is currently general manager with Basware and who has observed the market through his three successful US-based startups.

The significance of the closing of the IPO window is that it lowers the valuations that startups can get from a merger or acquisition. Generally speaking, the public will pay a higher price for a company than an acquirer, says veteran investor Irwin Federman from U.S.Venture Partners. ”If company A is acquiring you, they are limited by how much cash they have and other factors. The public equity market does not have those limits,” Federman points out. He adds that USVP’s goal is always an IPO.

”We never make an investment in a company we think is just a candidate for an acquisition. It is usually only a handful of potential acquirers, and some of them may go away for one reason or other. An acquisition is an unreliable target. But if your company is profitable and growing, you are sustainable even if the public markets are down.”

It is worth noting that MySQL, which was the only one of the Finnish companies that did start to prepare for an IPO on the NASDAQ, got a far larger exit than any other Finnish company.

Venture Money Moves Globally

Success stories like MySQL and Skype have lowered the threshold for international VCs to invest in Nordic companies. They have proved to top American VCs that companies with great exit potential are created in Europe’s northernmost countries. But these cases are still few and more exceptions than the rule.

Because many if not most venture deals have to do more with whom you know and not as much what you know, it follows that it is critical to be part of the value networks that make success stories happen. It appears that gradually Finns have built connections to some of the best venture funds. This should bring funding and exit opportunities a little closer to the next generation of Finnish entrepreneurs.

London has served as a bridge to Silicon Valley venture capital for several Finnish companies. Apax partners invested in Solid, DFJ ePlanet invested in FirstHop. Benchmark Capital invested in MySQL from both its Silicon Valley and London office (now called Balderton Capital). Heikki Mäkijärvi, a veteran of Nokia and Cisco, who worked with Accel Partners in London for seven years, suggests that Finns could take more advantage of the successful examples and pitch to venture capitalists in London.

"Many big deals, such as Bebo and Playfish, have raised their first syndicated rounds in London," notes Mäkijärvi, who currently resides and works in Silicon Valley. So far, Finnish companies have not been nearly as active in pitching to VCs in London as some of their Scandinavian neighbors, he regrets.

Venture capitalists have an increasingly global reach. Mäkijärvi notes that some Silicon Valley venture capitalists directly scout Internet startups globally. One recent exit was Jajah, a startup founded in Austria. It received Silicon Valley venture capital before it had a presence in the valley.

One Internet company that recently found an exceptionally large exit in Silicon Valley is Playfish, founded by Kristian Segerstråle, a Finnish serial entrepreneur living in London. Playfish raised money from Index Ventures and Accel Partners, before being sold for a whopping $450 million to Redwood City based gaming giant Electronic Arts. The company was two years old.

Despite the globalization of venture capital, it is still to a large extent a local business. Mäkijärvi believes it is often best for European entrepreneurs to build their companies first with European venture capital, and perhaps in the second round get a Silicon Valley VC involved. Most Silicon Valley VCs still want to see an investment by a VC firm in the company's native country or nearby region, before they even consider investing.

Finnish Society Benefits

Finally, one way to evaluate an exit is to look at the societal impacts. Observers and company founders interviewed for this book would often consider whether or not the company continued to grow in Finland and provide jobs as well as tax revenues. From this viewpoint, companies like Smartech, Sumea, Hybrid Graphics and Solid can be considered to be successful in that they have employed more people after the acquisition than they did prior to it.

There can a benefit, both for the individual and the society, in the early exits as well, although it might not be immediately realized. The founders could turn into serial entrepreneurs or become involved with starting new ventures, now with the knowledge they have gained from the earlier effort. The second of third time one typically knows how to execute an exit smoothly and profitably. The advantage for the society, of course, is in the jobs and innovations that the new ventures create.

The value of the company to Finnish society is larger, if it has built a strong R&D base in Finland before an acquisition. A world class R&D center will typically attract more funding from the new owners, creating jobs, tax income for the state and a beneficial bridge for cross-Atlantic talent, ideas and contacts. If a company is sold young, when it is only IP and/or individual talent, the immediate societal benefits are small. There are returns later, if the founders and investors for a successful early-stage exit put the money and experience back to work in new startups.

Sumea is a prime example of a win-win merger/acquisition. The Finnish startup was able to scale and globalize its business much faster with a well-financed, well-connected American partner than it could have done on its own. Jason Loia estimates it is very likely that the Sumea team would have been able to raise American venture funding on its own merits back in 2004–2005, but the merger with Digital Chocolate provided the faster route to global markets.

"If Ilkka Paananen had been put in front of a few VCs back in 2005, he probably could have raised money. They had a very, very strong production team, a strong management team and a great salesman, Jouni Salonen, in the US. They had some feet planted here," Loia says.

Loia adds that the operation would have been very expensive for Sumea to perform alone. "What they gained with the merger was the ability to scale much quicker. Immediately after the merger, we grew the US operations so that we could scale. We got 30-40 titles into distribution with all the major US carriers in less than six months."

Loia adds that one advantage Finland has from the American perspective is diversity, but this is not as widely recognized as it could be. At least in the gaming industry, Finland has attracted talented, creative developers from dozens of countries. The Sumea office in Helsinki, for example, has employees from 24 different countries, Loia marvels.

"A lot of people don't know that. The stereotype expectation of Finland is that is a homogenous culture. But in reality, Sumea's office in Finland was much more diverse than our office in California. The Finnish team has a lot of very creative people from many nationalities, and they dream up some of the most innovative games the world has ever seen."

Loia credits Finland's educational system for attracting exceptional creative talent to the country. Perhaps Finland would do well to not only think in terms of the Finnish talent and Finnish startups, but in terms of Finland becoming a magnet for international talent, which Finnish startups can tap into.

Lessons Learned

1. Decide early on what your exit strategy is. The companies that knew what they were looking for had a better chance of reaching their goal. Determine what your non-negotiable terms are before you are even close to talking with a buyer.
2. The best exit valuation is achieved when a company has the IPO option, in other words, when it is mature enough to list in the public stock market, and when the IPO market is healthy. The existence of the IPO option alone forces potential buyers to raise their offers to acquire the company.
3. Attract several potential buyers if your goal is to be acquired. Having several competing potential buyers raises the valuation of the exit.
4. Having a revenue stream will raise your valuation. Having profitable operations is even better, because you are standing on your own two feet and can wait for the best time to exit. The number of users an Internet company has is its negotiation capital. Nobody can ignore millions of users.
5. Position yourself so that you don't end up in a situation where you run out of money and have to sell.
6. Hire experience if you don't have it already. The value of the exit deal is sealed in the negotiations. Have an experienced person at the negotiation table. Don't be scared by negotiation tactics, they are part of the game.
7. Hire the best lawyers. It will cost money, but is worth it. When negotiating, don't let yourself get swamped by the legal work, remember to negotiate the business aspect as well.
8. If you want to build a hugely successful Internet business, find an investor who is networked with Silicon Valley. It is still the beating heart of the Internet and all things related.
9. An acquisition of a well-established company is immediately more valuable to the larger Finnish society than an acquisition of a startup that is sold with only IP and the core team. A solid R&D center has typically attracted more, not less, funding to Finland from the new owners.

The number of users an Internet company has is its negotiation capital. Nobody can ignore millions of users.

Chapter 12
MySQL – The Finnish Success Story

This chapter is dedicated entirely to MySQL database software company and its successful journey from Finland to Silicon Valley and beyond. We will cover the journey from the following viewpoints:

Database for the Internet
Fighting a Legal Challenge
Riding the Wave of Open Source
Maintaining the Focus
Choosing the Battle Order
Hiring for a Virtual Office
Creating a Company Culture
Radio Sakila
Virtual Management
The InnoDB Friday
Choosing Sun
IPO or Acquisition?
Nordic Character
Lessons Learned

Database software company MySQL AB has been by far the most famous and most successful of the Finnish startup stories in Silicon Valley. In eight years, the small Nordic business of a dozen employees grew to be the world's second largest independent open source company.

MySQL soared very close to an objective no Finnish high-tech company has ever reached: an initial public offering on the American stock exchange NASDAQ.

Although MySQL was registered in Sweden, it was, to a large extent, a Finnish startup. The Finnish founder was the initial chief architect of the technology and the Finnish CEO provided brilliant leadership in defining and executing the company business strategy.

When the company was acquired by Silicon Valley based Sun Microsystems in February 2008, its open source database software product had about 10 million active installations worldwide. The customer list was impressive: 400 blue-chip companies as well as virtually every Web 2.0 and e-commerce company in existence.

MySQL was at the right place at the right time. The founders had a database product tailored for the increasingly web-based business world when traditional database companies had not even fully recognized the importance of the Internet.

The company combined a highly innovative product with a new disruptive business model. Without the business acumen and effective execution, however, MySQL might have been just one of the numerous open source companies fighting for survival.

MySQL succeeded in building a profitable business model around an open source database product and utilizing the power of the open source community. By sourcing development skills from the international development community, the company was able to get its product to market rapidly and at lower cost than competitors.

Like any startup MySQL had numerous challenges during its history. Some of them were so grave they could have killed the Nordic challenger, had they not been handled skillfully.

Database for the Internet

The origins of MySQL go back to 1980s when Finn Michael "Monty" Widenius, and Swedes Allan Larsson and David Axmark worked together as consultants providing software services. They founded MySQL in 1995.

The MySQL part of the database development started in 1994 when the founders noticed the impressive spread of the Internet. "We had to help people find information. There were more and more web pages but the databases were not built to be easily accessible," says Widenius, who is widely credited for having developed the initial MySQL products in the 1980s and 1990s.

"We understood the users," Widenius says simply in an interview at his home in Tuusula, June 2009.

The "My" in MySQL was inspired by Widenius's daughter, whose name is My. SQL refers to Structured Query Language, a database computer language designed for managing data in relational database management systems.

"We needed to get the data out for our customers. SQL seemed to be a suitable way for embedding things easily within a browser. So I wrote an SQL layer on top of my own code to be able to access data easily," Widenius says.

Widenius wanted to change the prevailing perception about databases. "They don't have to be stiff and expensive, and they have to be available to all," he said in an interview in 2007. While creating MySQL he had three software principles: reliability, performance and ease of use.

The world of MySQL's users and coders was home for Widenius. "His passion for the code has only been surpassed by his passion for the users of the code," noted Kaj Arnö, one of the early MySQL employees. In 2005 Arnö was promoted to be in charge of the company's relations to the open source community.

The first version of the open source MySQL database was completed in 1995. Timing was impeccable. In the mid 1990s web directories and search engines were created to track pages on the web. For example, Yahoo! was founded in 1994 and AltaVista in 1995.

A database is indispensable for most web applications and now there was a great need in the marketplace. MySQL was unique, because it was the only major database in the world that was specifically designed for the Internet.

Providing free, open source software was great for users and the common good, but it was not a business. The first steps to commercialize the product were taken in 1996 when MySQL established a dual licensing model. The code was available for free, as long as the user contributed all the fixes and improvements to the rest of the community. Those who used the code for commercial purposes or on the Windows platform, had to pay a fee.

To be fully compatible with the open source license criteria, the company changed its free

"We had to help people find information. There were more and more web pages but the databases were not built to be easily accessible."

license from "a homegrown variant" to the GPL (General Public License) license in 2000. The change cleared issues in the open source community, but businesswise, it had a drastic effect: sales fell 80% overnight, David Axmark has told in a MySQL blog.

After a few months, however, sales had returned to previous levels. By late 2000 the company employed 15 people. A CEO was needed to manage and scale the rapidly expanding business.

The three founders invited experienced IT executive Mårten Mickos to join the startup. Mickos and Widenius had known each other since 1981, when both studied at the Helsinki University of Technology – and played poker in the same group of student friends.

In the beginning of 2001, the MySQL database was already the world's most popular open source database, with an estimated three to four million users. Mickos says he decided to join because he saw a genuinely promising technology and a good business potential. He first came on board as CEO-elect, officially taking the position in October 2001, after formalities for establishing a newly formed MySQL AB corporation were finalized.

Among Mickos's first duties were to manage taxation and legal issues related to the formation of MySQL AB. He needed to build a first-class management team, a sales organization as well as product support and product service organizations.

The goal was to create a global, distributed organization led by first-class managers. In addition, Mickos wanted to establish a strong corporate identity and manage innovation effectively.

Fighting a Legal Challenge

Mickos had his hands full, but on top of that an unexpected major challenge surfaced. MySQL was sued by American company Progress Software Corporation over a memorandum of intent.

The timing of the lawsuit was potentially disastrous. MySQL had just signed term sheets with potential investors. "Normally a venture capital investor would say goodbye in that kind of situation," Mickos says. Creative solutions were badly needed.

"The chair of our board suggested that we call the investors. We told them, 'We have bad news and good news. The bad news is we have a lawsuit in the US. The good news is we will reduce our valuation – but only with the condition that you won't quit the deal.'"

"None of the investors left. We had the money to continue with the lawsuit."

Luckily for MySQL, the American company had made a severe mistake by committing a breach of the GPL license. Nine days after they had sued, the Nordic company launched a counter-suit. The case was eventually settled out of court.

The legal case had a surprising and positive PR effect for MySQL, because the Nordic company received favorable media attention. The case was portrayed as a big company trying to destroy a small Scandinavian startup. The lawsuit was the embodiment of a David vs. Goliath situation, and it was the first time in history that a breach of the GPL had been brought up in court. These two aspects made it a hot topic for the press, and consequently the case received huge attention worldwide.

MySQL chose a deliberately transparent approach that worked to its advantage.

"We decided to be fully open in this process. We published the lawsuit, the original letter of intent and our views on the situation. This allowed the growing open source community to participate in the discussion and to provide us with assistance in the lawsuit," Mickos tells.

It was fall 2001 and the legal dispute required a lot of time and attention from management. But in the meantime sales were growing considerably. The company was successfully building product support and product service organizations as well as recruiting more staff.

Riding the Wave of Open Source

In the early 2000s, open source software was popping up everywhere and threatening the status quo of established proprietary software companies. Linux had a 15% share of operating systems on enterprise server computers. Apache, the software that manages the browser's interaction with the web, was used by two thirds of websites worldwide, according to Netcraft.com, which analyzes the Internet.

MySQL was and is part of the open source software stack known as "LAMP" – a platform consisting of Linux, Apache, MySQL and Perl/PHP/Python. The LAMP stack is widely used because it is easy to code and deploy – and it is free. Being part of a stack was obviously very advantageous for MySQL, and the company made use of this in its strategy

As the popularity of open source solutions grew, large closed source players became more concerned and used aggressive tactics.

As the popularity of open source solutions grew, large closed source players became more concerned and used aggressive tactics.

Fortune Magazine reported Oracle chairman Larry Ellison telling financial analysts in December 2003, "It is going to be a very long time before MySQL competes successfully with Oracle in large corporate accounts." Ellison's lieutenants scoffed at MySQL as being "anemic and overhyped."

MySQL skillfully avoided head-on collisions with the large competitors, while at the same time demonstrating intelligence and integrity and listening closely to its customers and developers.

The company kept getting great press coverage, perhaps partly because of the competitors' tactics. In March 2003, Fortune Magazine profiled it as a disruptive force. The magazine explained why the company was on the road to build a profitable business on open source: even though the basic software was available free of charge, some customers were choosing to pay. "More than 4000 customers have elected to pay for MySQL software at the tiny rate of $495 per server per year. They do so for two reasons – to get MySQL to stand behind the product and provide service, and for the right to incorporate MySQL's code into their own products," Fortune Magazine explained.

MySQL managed to attract major American customers, something that traditionally has been one of the biggest challenges for Finnish companies. Mickos explains that part of the secret was in the open source model of the company, "The power of the open source model is that if you have a fantastic product, you can attract users without your own direct involvement. Yahoo!, Google and later Facebook all started using MySQL on their own. A few years after their first deployment, they became paying customers."

The column in Fortune caught the attention of Kevin Harvey at the famed Silicon Valley venture capital company Benchmark Capital, and he contacted Mårten Mickos. Benchmark became the lead investor in second round of financing and Harvey later became the chairman of the board.

Right from the beginning MySQL had seen the USA as its target market. "Our major customers, competitors and partners were in the US. We also wanted to go where the best funding was available," Mickos says.

"If a company wants to be a major player in its market, the company leadership typically needs to be located where the main concentration of customers is. For us, this meant Silicon Valley."

Mickos opened MySQL's first US office in Menlo Park, Silicon Valley in 2003. There was $19.5 million in the bank and a number of existing US customers. The Co-Founder and CTO of the company Monty Widenius remained in Finland, and the other active Co-Founder David Axmark in Sweden.

Maintaining the Focus

"One key element for our success was a distinct and clear focus."

Finding the right focus is one of the most challenging tasks for a startup. MySQL got this critical element right from the very beginning.

"One key element for our success was a distinct and clear focus," Mickos estimates in an interview in Los Altos, California in 2009.

Mickos emphasizes that to determine the focus the company needs to know what it is ultimately about. MySQL's management's vision was that the world was going online. The mission was from the start defined as "making superior database technology available and affordable to all."

"Our offering was a fast, easy to use and stable database. All you need and nothing else," Mickos says of MySQL's value proposition. All those aspects positioned MySQL as a worthy alternative to solutions sold by competitors. An additional benefit was that MySQL's product had already been tested and debugged by users of the free versions.

"We deeply cared about reliability and performance," emphasizes Monty Widenius. "Another strength was that we were using MySQL ourselves, and thus it was seen as a developers' database targeted for other developers. The fact that we spoke the same language as our users was a key reason that we succeeded in creating an active user community around MySQL."

The company had a clear focus on the marketplace as well. MySQL's unique strategy was to serve customers who were overlooked or inadequately supported by the "traditional" database vendors: fast-growing Internet and web companies. As these companies grew, so did the use of MySQL.

MySQL had an incredible advantage in pricing. Many users were able to benefit from the database for free, but even paying customers realized huge cost savings. Mickos says that MySQL was able to price its product 90% below its competitors.

The company was creating additional revenue from providing support and consulting, as well as training and certification for the MySQL Server. The MySQL Enterprise – a service targeted toward the commercial market – was available for an affordable annual subscription.

Choosing the Battle Order

From the beginning MySQL actively promoted itself globally, but in the beginning it particularly focused its sales efforts to the US. The second most important market was Germany, followed by other parts of Europe.

There was some discussion within the company about whether to go to China before going to Japan. Mickos says Japan had to precede China because the only main open source competitor PostgreSQL was strong in Japan.

"Japan was the only country where PostgreSQL was more popular than MySQL. It was important to change the situation. It was a strategic move." It took three to four years for MySQL to become the leader in Japan.

The same year, 2003, MySQL closed a deal with German SAP, a global leader in business management software. To run SAP software, a database is needed and the company generally outsourced it from other vendors. SAP had been cooperating with Oracle, but now it wanted to reduce its dependency on the American company.

Mickos says SAP's contact came out of the blue. "They wanted to talk about the SAP database management system and how it could be made more popular. The reason SAP contacted us and not some other company was simple. They had done research on open source databases and found

MySQL to be the dominant leader. For instance, in bookstores most books on databases were found to be about MySQL."

"We thought about the offer for a few days. Partnering with SAP would mean changes in our product development direction in order to make MySQL ready to support SAP applications."

MySQL and SAP signed a multi-million product development contract. Mickos says the contract was significant for MySQL, but it had both benefits and drawbacks.

"The upside was the enormous credibility this gave us among more conservative customers, as well as the additional funding for product development that we received."

"The downside was that our product development needed to be targeted at legacy business applications whereas our existing key customers needed us to develop scalability and other characteristics needed by large websites, which was the sweet spot for MySQL."

Not all of MySQL's web customers were happy with what they saw as a distraction for MySQL's development. Some years later, the partnership with SAP ended and MySQL was again fully focused on modern web customers.

Hiring for a Virtual Office

MySQL AB succeeded in building a global company with a decentralized, talented and highly skilled workforce. There were two practices followed from the beginning that contributed to the accomplishment: 1. hiring the best and most suitable people for each position, regardless of the hire's nationality or physical location, and 2. innovative and effective virtual management and leadership of this diverse employee base.

From its inception, MySQL was an international company, having been founded by a Finn and two Swedes. Early funding came from three Nordic countries, and three angel investors from England. The founders have said the first hires were made over email and that it did not matter at all where they were located physically.

Mickos says the organizational structure was a reflection of business realities. The vast majority of MySQL's users were web companies that lived and breathed online, so it was natural for MySQL AB to also be online and independent of physical locations. Additionally, as the ambition was to become a global leader, it was natural to build a global organization from the start. In a global market, if you are a local player, you will lose even if your product is superior.

At the time of the acquisition by Sun Microsystems, MySQL had an enormous global knowledgebase to tap into: its user community counted 10 million. The company had more than 400 employees working in over 30 countries. Only 30 were physically at the company's Silicon Valley headquarters in Cupertino – three out of four employees worked from their homes across 18 different time zones.

Mickos says recruiting is the biggest challenge for any growth company. You need to go through the resumes, find the good candidates and solicit them to work for you. In a global decentralized organization, where most people work solitarily in their homes, ideal candidates differ from those that would suit a traditional enterprise.

"We look for people who have what we call a fisherman's attitude: independence and resilience. At dawn, they go out to sea – on their own, no matter what the weather or how they feel. They return only when they have caught fish. Back in the village they enjoy the catch of the day in the good company of each other. Next morning, they are out again," Mickos described in an interview in 2007.

When interviewing job candidates, Mickos says he would first focus on personality, initially not even looking at the resume. "First and foremost, you must find people who fit the company culture." Once the personality fit is established, Mickos would look at how skills matched requirements, and after that whether the person could operate effectively in a distributed organization.

Creating a Company Culture

Building a strong company culture was vitally important for MySQL's success. Mickos believes company culture and vision are the two most powerful tools for a leader of a modern company. He says 60–70% of his work was building and communicating the vision and instilling the company culture.

"I felt that the only way to ensure that people were being productive and doing the right thing was to have a very clear vision, so that employees could decide to do their work based on the vision and the goals. A well communicated company culture ensured they did it the right way," Mickos describes.

MySQL's company culture had a number of key aspects, for instance openness and transparency, which reflect its Nordic heritage.

"Mutual respect is an integral element," says Mickos, adding that this meant that everybody's opinions were listened to and given consideration.

"I would let people know when a decision would be made. They all knew they had a certain time to influence me, and I would listen to everybody who had something to say," Mickos tells. He points out that once a decision was made, it was time to execute on the decision and not debate it any longer. "The principle was that it is ok to disagree, but not to disobey."

Mickos says there were situations where the debate continued after a decision was made, costing time and money. "It was the price we paid for a culture where every opinion counted and everyone was heard."

> MySQL's culture was performance driven: everybody had to produce.

MySQL's culture was performance driven: everybody had to produce. The company wanted to be a winner and it wanted to make money. "Growth was necessary so that the company would remain independent and be able to make its own decisions," Mickos reiterates.

Being a disruptive company, MySQL would come up with solutions outside of the box. "We encouraged employees to be contrarians. We kept questioning the status quo, the traditional way of doing things, and we looked for new and inventive ways of doing things," Mickos says.

It was obvious even to outsiders that MySQL employees were generally quite attached to their company. Mickos says there was "a heightened level of interest in your co-workers and their wellbeing."

"People would bring out their personal side. There was a level of care and interest that you don't find in all companies."

Radio Sakila

MySQL communicated the company vision and culture constantly in a wide variety of forms and through various channels.

One of the cornerstones was a monthly e-mail from the CEO that Mickos started to send to all employees soon after he joined. "Initially, the e-mails were short, but towards the end some were massive," Mickos says, mentioning one that was 20 pages long.

All employees were invited to participate in Radio Sakila, the monthly conference call named after the company's dolphin mascot. The founders had organized a contest to name the dolphin, and chose ”Sakila” from a list of 6357 suggestions sent by users. The winning name came from a software developer in Swaziland, Africa. The feminine name has its roots in SiSwati, a local language.

Radio Sakila was a unique conference call, because everybody, except those few who were speaking, was muted, but everybody could make comments in real-time on the Internet Relay Chat (IRC) channel. “People were not afraid to express their views,” Mickos says.

“It was an amazing experience because people felt liberated to give any comments they liked on the IRC. There were difficult questions and opposing views.”

Mickos says he would try to address all questions, in the spirit of respect for the individual. ”No matter how silly or critical, I would try not to sweep a question or comment under the rug.”

Conducting a conference call with multiple communications going on at the same time is a challenging task. ”I had my script of what I was going to say and had to make sure I said it in a clear way. I had to constantly watch the IRC channel to see the questions and comments coming in. It was quite a balancing act, but ultimately I learned how to do it and became comfortable speaking, with 300 people listening, glancing at my own script and monitoring the comments on the screen,” Mickos describes. Radio Sakila was always kept to its time frame of one hour.

Face-to-face meetings were organized at company-wide level yearly until 2005. In addition, different groups met amongst themselves. An unspoken principle was that at least twice a year each employee would go to an in-person meeting. For instance, all engineers convened once a year and projects typically convened once a year. Most meetings were functionally organized, with participants from all over the world who were involved in the topic at hand. But around seasonal holidays there also were local get-togethers where employees would celebrate with national traditions.

Virtual Management

MySQL developed a unique management style and structure for its global, diverse and decentralized workforce. When the benefits of the arrangement became apparent, MySQL was recognized as a leading example of virtual management. Fortune Magazine once profiled it as “a model for the 21st century corporation.”

> Fortune Magazine once profiled MySQL as “a model for the 21st century corporation.”

While the company was globally spread out and operated in several time zones, this was not the biggest challenge. “The difficulties arose mainly from cultural differences,” says Mickos.

The avoidance or presence of understatements is a typical cultural difference that MySQL had to bridge. ”In USA, it is common to try to see things from the positive side. The most positive scenario is presented. But many Europeans, specifically as you go North or East, interpret such communication as exaggeration. In that part of the world, focus many times is on problem-solving, and the culture favors understatements. In our internal communication, we had to bridge this gap. Although people agreed in substance, they expressed their views quite differently.”

MySQL found effective and entertaining ways to build cohesiveness within the spread-out organization. One example is the global sports day, which was suggested by one employee and institutionalized to take place every year on the 20th of March, the Spring Equinox. All employees were given 50 euros and asked to spend it for something sporty, ideally with a colleague. Afterwards, people were asked to upload pictures on the company wikipages.

”It created a community feeling, although people were all over the world. Later we launched a global culture day at the autumn equinox.”

In addition to the employees, who were spread out in different parts of the world, there were thousands of active volunteers who contributed to the company’s ecosystem without getting paid by MySQL AB.

Some of the best and the brightest of these contributors ended up being hired by MySQL. Another layer was the thousands of subgroups within the open source community. Communication with them demanded conscious effort.

Each subgroup has its own specific nature; a common nationality, language or social attachment. They use different operating systems or web applications and code in different languages. "The crucial thing was to realize that each subgroup has different needs, and to try to serve these needs in an efficient manner through the use of online resources and people assigned to communicate with a specific group," says Mickos.

The InnoDB Friday

In 2005 MySQL suffered a setback that even the top management temporarily saw as grave enough to potentially derail the company. Clearing the hurdle was a major feat and showed the strength of the open source community as well as the company leadership.

Earlier the same year, MySQL had proposed to buy Finnish startup company Innobase, which provided a storage engine for the MySQL database. Innobase later arranged an auction, got an offer from Oracle and sold to the database giant instead.

The announcement of the acquisition in October 2005 was a major shock for MySQL. Mickos was in London at a board meeting when Oracle president Charles Phillips called him to tell Oracle had bought Innobase. Phillips stated that the move was not made with an intent to slow MySQL down.

Mickos is not shy to admit now that at the time the news felt devastating. But he would show none of the doubts to the outside world and the crisis was handled in a way that made MySQL even stronger than before.

"For a moment I was sure this is the end of my CEO career and the end of MySQL's success. We all thought it was a death blow to MySQL," Mickos tells. "I felt paralyzed for a while."

Benchmark partner Kevin Harvey, then chairman of MySQL's board, says "InnoDB Friday" was one of the most dramatic swings he had ever seen in a company.

"From seeming like everything was going fantastic it went to all of a sudden seeming like everything was a disaster," Harvey says in a phone interview in 2009.

Mickos and Harvey shared a very quiet and somber flight back to Silicon Valley from London.

Despite the shock, MySQL quickly came up with an effective solution. It publicly declared that its own existing programming interface was open for anybody to work with to create alternatives to InnoDB. In other words, MySQL announced that InnoDB was just one of many potential storage engines, and something that could be replaced. MySQL also pointed out that it had a multi-year contract with Innobase. The small Nordic company showed such remarkable confidence that the markets were sufficiently convinced to give MySQL time to adjust.

When asked if Oracle was now killing MySQL, Mickos responded that trying to kill MySQL by buying Innobase was like trying to kill a dolphin by drinking the ocean. The message was that there was so much code in the open source world that even if you removed one piece of code, numerous other similar pieces would be quickly developed.

The open source community did in fact immediately react and started developing new storage engines.

After negotiations Oracle renewed the InnoDB contract, which was a surprise to some. "Our relations with Oracle got better and we became good partners," Mickos says. He thinks Oracle may have been looking further ahead, keeping open the option that it might one day want to consider acquiring MySQL.

Choosing Sun

In 2007, MySQL AB was the second largest open-source company worldwide and a recognized leader in the second-generation open source business. Its product and business model had proven themselves: MySQL software had become an integral part of solutions for leading Internet and Web 2.0 companies as well as for many of the world's largest traditional enterprises.

MySQL was showing an increasing ability to monetize the usage of its offerings. It had broken the $50 million revenue mark in 2006. The active installed base of MySQL database was estimated to be over 10 million. Downloads were happening at a rate of over 50,000 per day.

The company was finally ready to go public as it had predictable growth and it could show it would very soon be profitable.

MySQL's choice was to list the company in the public stock market on NASDAQ, the trading place for most of the world's leading technology companies. There was widespread speculation that MySQL was preparing for an IPO. The company did not deny it. It was one of the most anticipated stock market listings of the year.

The benefits of listing the company were obvious. A public offering would bring in resources that could be used to grow the company, including money to make acquisitions. It would also give a final credibility boost and remove any obstacles that the most conservative customers may have had about dealing with the privately held open source company.

From the Finnish perspective, MySQL was a trailblazer: it was the only startup with Finnish origin to be preparing for a listing on NASDAQ.

The company had raised three rounds of funding. The total amount raised was less than $40 million – a relatively small amount for a company ready to go public. The venture capital firms backing the company were naturally looking forward to getting a return on their investment.

An alternative to an IPO would be an acquisition. MySQL had received at least one offer from a buyer the previous year, which the company had rejected. However, in 2007 there were more offers by a persistent suitor.

Mickos advised the interested party to direct any inquiries directly to MySQL's bankers, at the same time indicating there was not much interest for the deal on MySQL's side. The company focused steadfastly on its business and IPO preparations.

At a certain point, however, offers rose too high to be ignored anymore. From the financial standpoint, selling MySQL was becoming a realistic alternative to the IPO and one that needed to be considered seriously.

It was soon clear, however, that this was not as simple a path as expected. Like a few times before in MySQL's history, an unforeseen predicament presented itself. The company had an old contract with a "poison pill" which could have made selling impossible.

Typically, "poison pills" are used by public companies to prevent hostile takeovers. The expression derives from an actual poison pill that spies have sometimes carried with them to ingest if captured, to commit suicide instead of being interrogated.

"It was a potential showstopper. It would have prevented the company from being sold to anybody," says Benchmark's Harvey.

MySQL's EVP of sales Mark Burton volunteered to try and remove the poison pill, in other words, renegotiate with the contracting company. In the negotiations he successfully indentified a win-win solution for both parties in changing the contract.

Mickos credits the negotiator for a tremendous achievement. "It was a real work of art," agrees

Harvey, still with a sense of awe in his voice.

The result of the renegotiation was that both companies got what they wanted, and MySQL was freed from the poison pill. Mickos let the buyer candidate know that the issue had been taken care of. Again, he directed all communications to MySQL's banker.

Then Sun Microsystems made contact.

"At the end of September Jonathan Schwartz sent me an email and asked if I'd be up for dinner," Mickos tells. Due to hectic schedules on both sides, the men could not get together until late November. At the end of the dinner, the Sun executives told the reason for the meeting: they wanted to buy MySQL.

Mickos responded to Schwartz the following day, letting him know that there was another interested buyer. In addition, time was running short, because of the impending IPO and MySQL's upcoming staff meeting in Orlando in January – the only occasion where a change of exit plans could be introduced to the employees.

Sun came back with an offer that was hard to ignore, and suddenly the acquisition process was in full force.

The one billion dollar acquisition of MySQL AB by Sun Microsystems was announced to the world on January 16, 2008.

IPO or Acquisition?

The news of the acquisition surprised most observers and shocked many, including some employees. From the shareholder and option holder perspective, the deal was a fantastic outcome, bringing an immediate huge return on investment. The downside of course was the loss of the vision of an independent MySQL AB.

> Having to choose between an IPO and acquisition is a challenging decision for a company's leadership.

Letting go off an IPO dream is not an easy decision. Going public is a manifestation of a company's success and sustainability. In most cases, an IPO is the way for founders, the board and the CEO to stay in control of the direction of the company. For employees, a public listing is the big dream in the horizon. Reaching it, they get the satisfaction of having been part of building something lasting and unique – and, of course, there is a financial reward when the IPO is successful and the employees can cash in their options.

Having to choose between an IPO and acquisition is a challenging decision for the company's leadership. MySQL was no exception.

Mickos says his intention was to take the company public. The level of return from an IPO, however, is not known beforehand. Nobody can predict with certainty how high the demand for a company's stock will be. With an acquisition, the financial return is known and guaranteed.

"Bankers can only give a range of where they expect the IPO value to settle," Mickos says. "When acquisition offers reach the upper end of that estimated range, you realize there is a potentially larger return available – immediately."

Time enters the equation. A company may reach a superb valuation at listing time, but later an economic downturn may slash the value of the stock. It may take years to build the value back.

"Nobody knows how the IPO would have turned out. The value of MySQL would have fluctuated with market situations," Mickos says. "The offers were going upwards at such a fast rate that I had to accept that there might not be an IPO. I felt we had to sell to one of these buyers."

Mickos says IPO was his ideal goal, but he does not have regrets. "In business, you must have passion but not sentimentality," he says.

"It was a good deal and we believed life within Sun would be great They had a great company culture. We saw that MySQL would grow faster as part of Sun. It was a positive decision. Almost all the staff accepted the new situation, after recovering from the first shock."

Integrating the world's second largest independent open source company into a multinational corporation that employed about 30,000 people was not going to be an easy task. As is often the case in acquisitions, the founders of the acquired company, as well as other key people at some point find the new environment unsatisfactory.

In February 2009 Mickos announced he would leave Sun. A couple of months later, Oracle made an offer to buy Sun Microsystems for $7.4 billion. The US regulatory officials soon approved the deal, but European Union antitrust authorities had concerns about its effect on competition. In January 2010 the European Commission gave their green light and soon after Oracle completed the acquisition.

Monty Widenius also left Sun in spring 2009 and returned to doing what he is passionate about. His new company Monty Program Ab continues the development of parts of MySQL, under the name MariaDB. Through his investment firm Open Ocean Capital the MySQL co-founder is investing in Finnish startups.

Mickos joined two VC firms, as an Entrepreneur-in-Residence: Benchmark Capital in 2009 and Index Ventures in early 2010. In March 2010 he took a position as chief executive at Eucalyptus Systems, an open source based cloud management company, funded by Benchmark Capital and BV Capital.

Nordic Character

MySQL would not have grown to become a world player without competent leadership. Mårten Mickos was in many ways the person who brought all the elements of success together and led the company through challenges with unwavering optimism.

British angel investor Natasha Bhatia thinks InnoDB Friday was a defining moment for Mickos's leadership. "The courage that he showed in facing the challenge, how he rallied the team to come up with a response – all that ended up not just being a defensive response, but actually an offensive response. That went amazingly well."

Bhatia, who has known Mickos for almost ten years, considers him "one of the founders of MySQL." "He was the person who really brought it all together; the person that everybody could relate to. Mickos was that 'glue,' bringing all the extraordinary elements of the story together," Bhatia says.

MySQL's Nordic character seems to have been more an advantage than a handicap. Kevin Harvey says the company always had a kind of an underdog character, a "we will take on the world – attitude."

"I sense that might be a Nordic trait. I am not an expert on Nordic culture, but that was certainly part of this company."

Mickos freely credits other key people in the company. He specifically mentions the input and support of Benchmark's Kevin Harvey, Index Ventures' Danny Rimer and Swede John Wattin, who was the chair of MySQL's board during the early years.

When asked to give advice for young entrepreneurs, Mickos recommends having ambition. "Don't be afraid to set your goals high enough. And don't be afraid to be successful. Keep learning."

Lessons Learned

1. Look for opportunities in a market that is undergoing disruptive changes.
2. Have a clear focus on what your company does, and keep the focus once you are in the market.
3. Offer a unique product that serves a clear need that has a large market potential.
4. Consider your positioning carefully. Focus on substance, not form. Create favorable media opportunities through thought leadership.
5. Define your target customers. Find a growing customer base that is underserved.
6. Choose your investors and board members carefully. A talented VC acting as a board member brings in much more than just money: his/her expertise, connections, vision and vital support.
7. Partner with enemies. You will understand them better – and one day they may become your allies.
8. Set clear goals and communicate them inside the company. Communicate the company vision and culture constantly through multiple channels. Be as transparent as possible.
9. Never give up. It is possible to turn even seemingly catastrophic issues into advantages.

Chapter 13
Roots in Finland, Success in Silicon Valley

In addition to the Finns who have established their companies in Silicon Valley, there are those who came earlier in life and built American companies here. We would like to present three of them, all exceptional entrepreneurs:

> ***Mika Salmi***, *who sold his company Atom Entertainment to MTV Networks in 2006 for 200 million dollars.*
>
> ***Marketta Silvera***, *who founded the first network-based Internet security company Pilot Networks in 1993, took it public on NASDAQ, and built it to a $ 1 billion market cap.*
>
> ***Sami Inkinen***, *an entrepreneur who is leading the third largest online real estate search engine, Trulia, in the US.*

All three stories illustrate what it takes to be successful in the competitive environment of Silicon Valley, making it to the top despite the bumps and bruises on the way. Salmi, Silvera and Inkinen are intrepid Finns who appreciate their origin. It may very well be part of their success.

Mika Salmi

Founder and CEO, AtomFilms 1998–2000
CEO, Atom Entertainment 2000–2006
President of Global Digital Media, MTV Networks/Viacom 2006–2008
Chairman of the Board, Sulake Corporation, 2009–

Mika Salmi is one of the most successful and respected Finnish IT entrepreneurs in Silicon Valley, but has so far remained relatively unknown in his native country. Hopefully, with the help of his recent chairmanship of the Finland-based Sulake, Salmi will become a more visible part of the Finnish-Silicon Valley entrepreneur community.

In the US, Salmi is recognized as a pioneer and a visionary of new media. His credits include founding the pioneering online entertainment company AtomFilms, leading it through a merger and later to a sale to MTV Networks/Viacom, one of the world's largest entertainment companies, for a hefty $200 million.

Salmi is not famous in Finland because he has only lived there a few years in his life. His father Jorma Salmi was a professional hockey player and his career took the family abroad when his son was a toddler. Mika Salmi says he learned his earliest business lessons working in the music industry in New York and later attending the legendary INSEAD Business School in France.

While clearly a result of a multi-cultural fusion, Salmi exhibits at least two traits that may well spring from his Finnish genes: self-reliance and perseverance – or *sisu*, as we Finns call it. Both attributes are great assets for a career in entrepreneurship.

Being somewhat of a daredevil has not hurt either. The same way Salmi gets right back into the ocean after being knocked on the head by his surf board, he has stayed with his business ventures through challenges that might have persuaded a less determined man to quit.

"If all Finns are like Mika [Salmi], all Finnish companies will succeed."

Salmi got the idea for the groundbreaking AtomFilms from short, quirky movies he had seen on a French cable channel. When Salmi returned to the US and moved to Seattle, he decided to create a marketplace for similar videos on the Internet. Soon AtomFilms was streaming user-generated videos online – years before YouTube was created.

In a telling quote, an investor with Sequoia, one of Silicon Valley's top VCs, noted to a Finnish entrepreneur, "If all Finns are like Mika, all Finnish companies will succeed."

Silicon Valley has been Salmi's home for most of the past eight years. In an interview for this book, he described the main turning points and leadership challenges of leading AtomFilms through the dot-com boom and bust, to becoming part of MTV Networks/Viacom.

The Aftermath of the Dot-Com Crash: Firing 90% of Employees

"When the bubble burst, we had over 300 employees. In June of 2001 the board and I discussed what to do. They thought we should let people go gradually. I was concerned that if we fired one or two people at a time, all the rest would constantly be anxious about keeping their jobs."

"My biggest concern was: how do I downsize this company, but keep the motivation alive?"

"We had to operate under a piece of legislation called the WARN-act (Worker Adjustment and Retraining Notification for Employers). It states that if you fire over a half of your employees, you have to give them two months salary."

"We decided to let everybody go. Then there would be 32 positions available, and anybody who wanted to, could apply for them. We told them 'you will get two months salary, but we only ask you to work for one week and file all the projects you are working on into a folder, so that those who stay, your friends, will be able to continue the work.'"

"Of course, I knew exactly which employees I wanted to keep. The problem was that when they saw the others get two months of salary for a week's work, some of them started wondering why stay. So I told them they would get a double salary for three months, if they stayed."

"I could not guarantee them that we would still be in business in three months. So I advised them to put at least half of the money into savings."

"I had to let go one of my best friends in the London office. That was possibly the hardest part. The people who had been with me for the past three or four years, were gone. All of a sudden I was alone. I could not hire any VP level people. It was me and a general manger."

"I did wonder many times, what I was doing it alone for. I could let it go bankrupt and be free. But luckily it all ended well."

Surviving the Drought: Rent-Free in a Windowless Basement

"We moved into a basement office that we got free from another company. There were no windows. We stayed there for almost two years."

"We had over a hundred contracts that required monthly payments. One was a lady who came to water our office plants once a week, she had a yearly contract. We also had contracts with companies like Oracle and Microsoft. I told everybody, 'Sorry, we have no money and we can not pay you anymore. We can pay you five or ten percent of what we owe, but no more.'"

"It was a dismal time. For nine months, I would get phone calls from people saying, 'hey, you owe us $100,000.' The most difficult and largest debts were with the real estate companies abroad where Shockwave (which had merged with AtomFilms in December 2000) had multi-year leases for office space. We gave stock to the largest ones. We told them we could only give them $10,000 now, and if we are successful, the stock will raise in value. Fortunately, that is what happened."

"I felt bad about not paying the debts. I may be a typical Finn, because I always pay all debts right away. But I just had to choose: if I paid the debts, I would not be able to pay salaries. That made it easier. I said to myself, 'I can pay this big company or this person who is working right here in this basement office.' I would rather pay the person."

The Turnaround: a Contradictory Idea

"In 2002 we decided to start selling games in addition to having them freely available on the Shockwave website. If users wanted a slightly better version, they had to pay $20 for it."

"Astonishingly, people started to pay. Gradually, we began to get revenue. Already in December 2001, I remember that one day we sold games for $10,000. I thought, 'wow, this is going to be a great business.'"

"By the spring of 2002, we were turning a profit. We were still 32 people. We had settled affairs with the debtors, we had a free office space, users were paying us and we had money coming into the bank."

"In less than a year, we turned from being in the red to turning a profit."

Dealing with Disagreement with the Board

"I went through another rough period in 2004. There was a lengthy disagreement with the board. It was a difficult time for me, not for the company. The employees knew nothing about it."

"If I was starting a Web 2.0 company now, I would first build the business, and only when I knew it was going to make a lot of money, would I seek funding. Many do the opposite: they raise funding and hope that the company will make money. But I think it is better to keep the control of the company to yourself."

"I had to fight to stay in control, I did not have the control. I would often say, 'either we do this, or you can let me go.' Fortunately I had Mike Moritz from Sequoia Capital in our board. He would support me and say to other board members 'you are not going to kick this guy out.'"

"My board was a bit too high-level for such a small company. It had been built during the bubble and had really successful people in it. In addition to Mike Moritz we had Robert Daly from Warner Bros., Rob Burgess from Macromedia/Adobe and Expedia founder Richard Barton."

Guiding to an Exit with a Giant

"Our biggest shareholder, Adobe, did not want to sell the company. Typically, you would hire a banker who would do the rounds with potential buyers. But Adobe did not want a banker involved, because everybody would know we were trying to sell. So we decided that if I got a hot offer, we would bring it to the board."

"It was challenging. I had to get two or three companies interested in buying us. And I had to do it all by myself, with the help of my CFO and a lawyer. I was the one who had to make the decisions, and I was quite alone in that. Normally you would have bankers negotiating in the middle."

"Preparing and then closing the deal took a total of three months."

Silicon Valley Lessons

"In leading a company, it is more important to make decisions than to be always right."

"In leading a company, it is more important to make decisions than to be always right. In Silicon Valley, you just have to go. You fix things along the way. The problems start if you are not moving, because the opportunity might pass."

Chairing the Board of Sulake

"I had met Timo Soininen (CEO) and Teemu Huuhtanen (President, North America) in 2003 or 2004. I was interested in making a business deal with them, and they asked if I would join the board. At that time I was still with Atom, which would have been a conflict of interest, since it was an online gaming company. But after I left Viacom and they asked again, the decision was easy."

Marketta Silvera

President and COO, Votan Corporation, voice recognition technology 1988–91

Founder, Chairman and CEO, Pilot Network Services, Internet security and hosting 1993–2001

CEO and Director, Apptera, mobile advertising 2005–2008

Raised $100M capital from private and public markets

By 1997 Internet security had evolved to a critical issue for businesses. Corporate America spent six billion dollars in network security, yet FBI estimated 95 percent of hacker attacks went undetected. In its February issue Fortune Magazine reported on the hacker threat and featured Pilot Network Services as widely considered the state of the art security provider.

Trident Data Systems, a security consultant for Pentagon, had conducted an independent review of Pilot's technology and concluded in its report that the company was "by far the most secure network we had found."

Marketta Silvera had founded Pilot Networks in 1993 when the Internet was just being introduced to the commercial world. Together with her team of engineers they developed an intricate heuristic five-layered firewall with data pathways it routinely altered to fool and trap hackers. The company filed a patent for its Heuristic Defense Infrastructure (HDI). Its customers included General Electric, Hitachi America, PeopleSoft, Gap, and the likes. GE became also a partner and an investor. Within a few years Pilot's nationwide backbone and security centers protected some 70,000 corporate networks around the clock.

"It looked so easy, but it took a year and many tears until I was the best of 200 in sales."

The Pilot story is an American one, but it is an excellent example on how even a visionary, determined foreigner, and in this case a Finnish woman, can break through the "glass ceiling." Silvera started her American career with Xerox' innovative computer services group where she started as a Systems Engineer and later became the first woman to sell complex manufacturing systems to Silicon Valley giants. "Since I was designing them, why wouldn't I be able to sell them," she thought. "It looked so easy, but it took a year and many tears until I was the best of 200 in sales."

Subsequently, after running and turning around two venture capital backed technology companies, Silvera raised seed capital and founded Pilot. She emphasizes the importance of targeting a large market opportunity, finding a really painful problem in this market, and coming up with a unique solution to alleviate it.

"We identified an acute pain because if the problem is not big enough, the solution becomes insignificant," she tells in summer 2009 in her Orinda home. **"The bigger the pain, the faster you have a business**! - It is important to be able to quantify the value of your solution."

Silvera recruited a team of highly talented engineers who were fascinated by the potential of the Internet. She was convinced that the Internet would run the commerce of the future. The plan was to target Corporate America right from the start.

Instead of going to stealth mode with the idea, Silvera met with CEOs of Silicon Valley companies and educated them on emerging Internet vulnerabilities. She warned, "The minute your engineers connect to the Internet, they open thousands of 'pinholes', which at the same time allow intruders with dishonest intentions to sneak into your corporate network – and steal any data they want. Have you thought about that? We can provide your company with a secure access that learns from experience, around the clock. "I had a buyer right there," Silvera tells. "They asked when they could sign up. We had a queue of client companies in advance of our product and service availability."

She also got her company published. "It was important to share the criticality of the security issue with Corporate America. Fortune Magazine's cover story was one example. It was not an advertisement, but a feature article through client interviews. It was better than advertising. And, we didn't have to pay for it."

The marketing strategy worked. Pilot security engineers connected a group within Sun Microsystems to the Internet. "Our company was founded on a Cisco router that was initially provided to us by Sun as a trade-in for connecting that group to the Internet," Silvera tells.

"Our company was founded on a Cisco router that was initially provided to us by Sun as a trade-in for connecting that group to the Internet."

Silvera eventually took her company public on Nasdaq and built it to a $1 billion market cap. To our knowledge, she is the only Finnish citizen in history to accomplish such a goal. – During the late 1990s Silicon Valley boom years Pilot expanded to five major security centers across U.S. and to London with its private backbone. – When the Internet bubble burst at the turn of the new decade, the company was forced to close down, since too many client companies vanished or radically downsized their operations.

Silvera accepted her next CEO assignment and transformed an early stage venture-backed technology company (Apptera) looking for a market into a nationally recognized mobile advertising business with major brand publisher clients. The company needed a new vision for its products and technology and a creative marketing strategy. "We started with creating a powerful team and identified pain in a large market. Marketing on mobile devices is a large scale opportunity. 'Spam' in mobile advertising is a big pain. We came up with the solution that uses voice and text like 'Google-on-the-Phone' with personalization and targeting. In addition we filed 38 patents to protect our IP."

"I might take on one more," says Silvera who is now acting as Chairman of the Advisory Board of Apptera.

Her advice for young entrepreneurs is: **"Follow your passion and you will wake up every morning saying to yourself: It's another great day!**"

Sami Inkinen

Co-Founder and COO, online real estate company Trulia, San Francisco 2005–

Co-Founder, Matchem, mobile software provider, Helsinki 2000–2003

MBA, Stanford Business School 2003–2005

Masters in Science, Helsinki University of Technology 2000

Sami Inkinen, 33, has always sought after the toughest challenges. Inkinen wanted to study physics at the Helsinki University of Technology, because the Department of Physics was one the most difficult faculties to get accepted in. Instead of staying as a business analyst at Nokia – which he found an

“I had 400 dollars in my pocket and next month’s rent was 1100 dollars.”

interesting and enjoyable experience – he went on to co-found a mobile software company called Matchem. The next destination was Hong Kong where Inkinen started sales for Matchem – after having visited the area only once before.

After selling Matchem, Inkinen applied to Stanford Business School in Silicon Valley. When he got the acceptance letter, he had already been hired by the consulting firm McKinsey&Company in Finland. Some people did not understand, why he decided to attend the pricey Stanford MBA program instead of staying with a high-paying job.

But Inkinen had a passion for entrepreneurship and knew where he wanted to be. ”If you are a hockey player and you get an opportunity to play in NHL, you do not let that chance go by. For an entrepreneur, Silicon Valley is the NHL,” he compares.

When Inkinen graduated from Stanford couple years later, he had a 100,000 dollar student loan.

Inkinen had a well-paid position waiting for him at McKinsey in Silicon Valley. He had received – and cashed – a 15 000 dollar bonus check from the highly regarded consulting company. If he would not take the position, he’d have to pay the money back.

“I called them in June 2005. I had 400 dollars in my pocket and next month’s rent was 1100 dollars,” Inkinen remembers. Before deciding which way to go, he consulted friends, professors and individuals who had established successful companies. Inkinen chose to say ”no thanks” to a secure job and jumped into his next venture, co-founding online real estate company Trulia.

Inkinen is the chief operating officer of Trulia, which the team has built to become the third largest online real estate site in the US. At the end of 2009, the year of economic downturn, the 5-year-old company had 105 employees and was thriving and close to being profitable. The site had six million unique users monthly in the US. Trulia has raised a total of $33 million of top tier venture capital funding.

Do it Today

“If you’re thinking to set up the company, do it today. Do it when you’re young. The opportunity cost of changing your lifestyle rises all the time as you age. Obstacles between your plan and its execution multiply,” Inkinen says.

“Every day that passes diminishes your chances to be an entrepreneur. Between the ages of 25 and 45 there’s a huge difference in how easy it is to start a company.” Inkinen reminds that Michael Dell was 16 and Bill Gates 18 when they started as entrepreneurs.

Inkinen firmly believes it doesn’t make sense to set up a company if you’re not passionate about it. It certainly is not enough to want to make lots of money, he says.

“There are so many instances when you are absolutely sure it will not work, or you don’t know what to do with a particular issue. You need to believe in what you are doing with absolute conviction – and enjoy it.”

Inkinen tells an example of Trulia’s early days which threatened to derail an early innovation:

“There were other online real estate companies on the market when Trulia was established. We developed a web search engine, and it worked for a while. Then the traditional real estate companies threatened to sue us, if we did not stop spidering listings from their web sites, and they started blocking our service.”

“It took two years of travelling in all the US states before we had an agreement with 3-4 leading real estate firms in each of the 50 states to send us all their data. Never had we seen this requirement when planning beforehand and if we had, we would never have established the company.“

”It’s just the nature of the startup. You have to have a mindset that tells you that you will somehow manage.”

Inkinen adds, "You want to be involved with a startup that interests you enough so that you don't mind thinking about it in your free time as well, because that's what it takes to build a success."

Startups will always be challenged with the chicken-and-egg problem. Inkinen gives examples: You need references to get the first customer but if there are no customers, there's no reference. Or, the investors don't invest if you don't have a prototype but it's difficult to get anybody to develop a prototype if you don't have money to pay for the work.

Inkinen stresses the necessity to accept change. "It is not just having a backup plan but needing to base your whole business plan on change. 70 to 80 percent of the companies that receive VC money and become successful actually change their business strategy significantly on the road."

"You should be genuinely open for change. When you establish a company, most things are new. First you must seriously consider what the right direction is, then run with your head down really fast for 6 -12 months to that direction and see how it works and what customers tell you. If it doesn't, change the direction and run again, and continue to do small bets all the time. That's the only way to proceed."

Inkinen stresses the importance of creating a business culture for the company. Trulia co-founders consciously created a culture of integrity. "We won't do anything which could not be published on the front page of Wall Street Journal," Inkinen says. The culture was defined as BOFFI – which comes from: Best Idea Wins, Output Matters, Feedback, Fun and Integrity.

"We won't do anything which could not be published on the front page of Wall Street Journal."

Selecting the Board

Trulia took its time building the company board, which now has five members. "Startups make a lot of changes in the beginning, which are harder to execute if there are people with strong opinions or interests on the board," Inkinen explains.

"Our goal was to first build the company, and then thoughtfully add members to the board. We wanted a small group that would be able to act quickly. This meant that we only gave a seat on the board when it was necessary, and this applied also to major investors."

One of Trulia's investors is legendary Sequoia Capital. They did not give the very best valuation, Inkinen says, but because Trulia wanted the best people involved, they accepted Sequoia's offer.

Inkinen adds that Trulia has carefully considered the dynamics of the board. "We want a balance, and look for people who work well together."

It is the Journey that Matters

"It may sound quite philosophical, but I think the journey is what matters, not the destination," says Inkinen. As an avid and accomplished triathlete he makes reference to sports: the training process is the reward, not the few seconds at the finish line.

"If you make millions in a successful exit event, such as an IPO, the elation lasts two minutes. It is wonderful when you learn to understand that the process itself is really exciting and great. We have had many of these high moments: when we released the service to the public first time, when we got Sequoia as an investor, when we and Google signed a partnership with the two largest real estate companies in the world, Coldwell Banker and Century 21, when we exceeded $10M in revenues, and so on."

"If you learn to enjoy the process, it gives you an ongoing high."

"Do not concentrate only on those moments, they soon go away. Of course, they also bring personal enjoyment and even wealth. But when you get everything to work, that is the real reward. We started from a corner at Stanford library and now 105 people can feed their families from the salary Trulia provides. We have thousands of customers and millions of consumers who use our service each month."

"If you learn to enjoy the process, it gives you an ongoing high," Inkinen says.

Inkinen says Trulia has made its share of errors.

"The difference between being successful or unsuccessful lies not in how many mistakes you make, but in how quickly you learn from them and come out as winner," he says.

Nationality does not Matter, but Heritage Can Be an Advantage

Inkinen says nationality is not an issue for entrepreneurs in Silicon Valley. "No one could care less; people come from all over the world."

Ethnicity is not a hindrance, instead, it can be a strength. Inkinen sees that Finnish entrepreneurs benefit from their strong values, a down-to-earth attitude, good work ethics and trustworthiness.

Inkinen has heard Mika Salmi being praised as an example of a Finnish entrepreneur. "Not many would have pushed as hard as Mika did during tough times. After he had to lay off most of his employees at one point, he kept pressing on and turned the company around," Inkinen says.

For an American business school it is extremely important that the customers are happy once they leave.

Inkinen is one of the few Finnish MBA graduates from Stanford University. He considers Stanford MBA as a tipping point making him a real entrepreneur.

"Stanford was a fantastic experience. The energy that the university radiates is amazing. The two years I spent there were probably the best of my life," Inkinen says, but immediately adds, "Or perhaps the best time is now."

"A good business school can provide you with rich ingredients for life, for entrepreneurship," Inkinen says. "Stanford is very demanding but at the same time, students are served extremely well, they are seen as customers. A student gets a mentor and there is continuous follow-up, including counseling for selecting a career."

"In the US, business schools do business. They compete to get the best talent, in teachers as well as in students. For an American business school it is extremely important that the customers are happy once they leave."

"In Otaniemi, Espoo, you just get the world's most complicated books and the task to study them, which is all good. But it is just one of the building blocks."

Inkinen praises Finland as being in many ways a good place for an entrepreneur, but he says, "You get served a bit too easily. Everything is taken care of for you. In Silicon Valley you work harder but the reward is also larger. When people are excited about what they do, they don't count hours."

"A job in a large corporation can be compared to working as a hospital intern in Finland. The entrepreneur is different, he or she is like a doctor in a field hospital in Africa, in the midst of a civil war. In a big company your work disappears in the surrounding noise, but in the field hospital your job feels truly meaningful," Inkinen compares. He knows well which role drives and fulfills him more.

Chapter 14
Navigation Tips for the Journey

In this last chapter, some of the interviewees offer their top advice in their own words. They are company founders, executives and experts who have trekked the Finland- Silicon Valley path. The people are listed in alphabetical order. The first company mentioned is where the person is currently working at or involved with, in parentheses is the company or companies he or she has previously been involved with in Silicon Valley.

George Adams, Arrowpoint Solutions.biz (SSH)

1. Look and feel like an American company. Do not make an issue about geography, so that customers will judge the company on its merits.
2. Establish relationships with key industry analysts early on. Cultivate the American media.
3. Make yourself look bigger than you really are.
4. Focus on getting a few good people rather than alarger set of average. You need quality people to gain respect. They will open more doors and develop more business for you.
5. Have a sense of urgency. Be flexible on work hours: conference calls with Finland and other time zones in the US do not fit in a 9 to 5 workday.
6. Do not underestimate the need and importance of marketing in the US style. Invest in Inbound Marketing and eMarketing to optimize your web presence and magnify your market presence. It takes a lot of time and effort.

Mark Addison, Rocket Science

1. Don't act Finnish, act international. The US customer really does not care and there is no value added or subtracted that you are a Finnish company.
2. Show commitment to the US market by developing your products for American customers and their tastes and preferences.
3. Marketing and PR can do a lot to generate buzz and sales, but ultimately your company needs to solve a problem that matters.

Jouko Ahvenainen, Grow VC International

1. Create the firm with a vision of how you want it look like in the future.
2. If your goal is to make a worldwide breakthrough in a niche area, your vision is more important than how much revenue you are getting right away. A disruptive change is not usually created overnight.
3. Have a clear focus. Create a global firm from day one. You have to have something that you believe will change the world or at least that one area that you are working with.
4. Hire the best team members from different parts of the world. Be careful hiring executives with experience in large companies; they might not know how to do business in a startup.

5. In Internet or mobile services, launch and improve. Create the basic product or service, launch and see what happens.
6. Internet and mobile startups are not always about technology, technology is now more a commodity. The crucial thing is the business model: how do you attract users and what is the benefit to them?

Sami Ahvenniemi, Conor Venture Partners (SSH)

1. Always have one Finn in a key position in Silicon Valley.
2. Do not establish presence before you understand the market and have prospects or customers.
3. If you want to sell in Silicon Valley, you have to have a presence there. But it can be done in many different ways.
4. Americans are open-minded – if you have customers, talk with them. Ask them if they would like to see you establish presence in Silicon Valley, what they expect and what kind of people they would like to work with.
5. Learn to understand the local culture. Combine openness to a healthy suspicion so you won't be fooled. Use the local Finnish network to help you understand who it makes sense to do business with.

Ari Backholm, SEVEN (Smartner)

1. Go after your customers before you finalize the product development. Only when you start delivering the product, does the technology need to be completed to fulfill its promise.
2. Take care of patent issues before the problems arise. Take any legal action very seriously. Be prepared to settle, if you have to.
3. Think about the long-term business – any acquisition or IPO will need a sustainable future of revenue and profits. Don't sell yourself cheap – anybody can close a one-off deal and make short-term revenue.
4. Don't try to do a little bit of everything. Only by focusing on very few things you can create big achievements. One big achievement is much more valuable than many small ones. Dare to choose your side even if you don't know it is definitely the right one. You can always change later.
5. Understand the motivation of your partners and customers to work with you. You need this understanding both to sell to them and to understand which direction they will drive you.

Jussi Harvela, Veturi Venture Accelerator (Solid Information Technology)

1. When establishing presence in Silicon Valley, have enough funding. If it is a sales office, two million may be enough. If you are setting up an operation, you need at least five million, either from revenue stream or from an investor.
2. Focus on closing with well-known American customers that you can use as a reference, preferably before you enter the USA or seek funding there. This is a major effort and requires company-wide determination. It requires a sensitive ear, a humble mind and agility to adapt into customer requirements.
3. Hire local professional executives. Build a well functioning team fast- Finns represent only a small percentage of the world's population – hire the best people regardless of their nationality. The most well known hire may not be the most suitable one, because you have to find people who work well together.

4. Utilize all your professional, personal and national means to do background checks on any partner or employee.
5. Adapt fast to a changing market environment. You can't control the outside world. Timing is important.

Richard Horning, Sonnenschein Nath &Rosenthal (Fish & Richardson P.C)

1. Hire local people who know how to market and sell your product. The culture in the US and Silicon Valley is such that products are not purchased, they are sold. In this kind of a selling environment, the company that is selling the product needs to go and pitch its product. You need to be in a selling and marketing mode.
2. In Silicon Valley, there is willingness to accept some risk. We are more open to beta testing. We are willing to work with you if your product has the characteristics we need, and if you are willing to continue to develop it. In the US, you don't have to get the list of bugs down to zero before you go to market. You go to potential partners with the list and disclose the bugs, and tell you are willing to partner and work together to make your product fit the customers' needs.
3. Work the network. At the end of the day, it is the network that is the secret sauce of Silicon Valley. How can I help you, how can you help me? You need to send people who can go out and network. Be willing to be coachable.

Teemu Huuhtanen, Sulake (Orchimedia, Smallplanet)

1. Be financially and spiritually ready for the investment. Success will take 2–3 years and you have to work hard. Think through carefully why you enter the US and how. It is not enough to come and show your face at a conference couple times a year.
2. Nothing will go exactly as planned. Be ready to change your approach and strategy. Things can change fast. Be careful about relying on others, even big companies change their strategies.
3. You need perseverance, nerves of steel and a hard work ethic. The employees sent to Silicon Valley need to be prepared for an up to five year stay, so that the company can benefit fully from the investment.
4. You may sometimes move far with the merits of your products, but at some point you will need personal connections. In the US, personal connections mean a lot.
5. Be ready to take new people or investors in. Think through all the possible ways to make yourself successful in the US.
6. Do not be too gullible. Americans are very polite to everybody. Do not build the future on a meeting where people say good things about your company or products.
7. Get American contacts involved as soon as you can, one way or other. It builds your network here, helps business and your credibility.
8. Do research on potential partners and customers. Walk into a meeting with a ready, concise argument why it makes sense for them to work with you.

Sami Inkinen, Trulia (Matchem)

1. Only start a company that you are really passionate about.
2. Aim for the A-level in everything: staff, board, funding, brand and customers.
3. The difference between success and failure is not how many mistakes you make. It is how quickly you learn from your mistakes and how quickly you emerge as a winner.

5. Don't let problems paralyze you. You just have to find a solution.
6. Be ready to change. Change is inevitable. It is not necessary only to be prepared for it, but to build the whole business plan on it. Think carefully, develop a strategy and then run with it for 6–12 months. Evaluate. If it did not work, change direction. The only way to find out if an idea works is to go forward with it. Over 70% of successful companies change their strategy significantly before an exit.
7. Nationality does not matter.
8. Enjoy the journey. The journey is what matters, not the destination.

Eero Kaikkonen, Salesmagnet, Minero (Hantro)

1. Bring your Silicon Valley employee home every three years; otherwise he will lose touch with the technology.
2. Do not forget your Silicon Valley staff; the valley is a lonely place if the HQ is not supportive.
3. Select the right person to go to Silicon Valley. The time difference will be consuming if conference calls in late night and early morning do not fit his or her lifestyle.

Antti Korhonen, Ekahau

1. History is made when you have a unique innovation that is greatly useful for the customer. This is very simple, yet difficult to achieve.
2. Crystallize the customer problem and how you are solving it better than anybody else. If you can't figure out why your solution is the best, nobody else will either.
3. Before establishing presence with a bang, prove that your solution is needed and customers are satisfied.
4. Learn and use your American English in your communications.

Timo Korpela, Gearshift (Sonera)

1. Get familiar with the US geography before choosing where to establish the office.
2. Come with high enough ambition and adequate resources. You have to be at a stage where you can invest a seven-figure amount into the US market.
3. Send the right kind of person to Silicon Valley: executive level and a suitable personality.
4. The most important thing when planning and establishing presence is to have somebody involved who has done it before.
5. Keep communications open and active between Finland and Silicon Valley.
6. Have a clear value proposition. Know your pitch. Make it so compelling that people will want to hear more.
7. Build a US specific website and Americanize your marketing material and presentations.
8. Be patient. Building a successful operation will take 12–18 months.

Mika Könnölä, Documill (Animoi, Capslock)

1. To bootstrap a company, you need to put in a 110 percent commitment.
2. Recruit local salespersons but check the references beyond the ones mentioned in the CV. Good communication and mutual trust will bring good results.
3. Being a Finn has some human interest value but it is not a brand to help marketing.

Petri "Peter" Laakkonen, BitDefender (F-Secure)

1. Do not come with an attitude that you are just exploring. You need to invest in the effort and you need a lot of stamina. The first months are the most difficult ones.
2. Set expectations right. Establish milestones. Accept that all kinds of things may come in the way, be ready to adapt.

Mårten Mickos, Eucalyptus Systems, Benchmark, Index Ventures (MySQL)

1. Focus on the customers and go get them. Customer will solve all your problems.
2. If you take government funding, make sure it will not draw attention away from building the business.
3. Build the best possible team and company, regardless of the nationality of the team members and investors.
4. Set your goals sufficiently high. Don't be afraid of succeeding. Take the task seriously.
5. Know when it is best to retreat and change direction, and stop banging your head against the wall.
6. Learn constantly and check the choices you have made.
7. Know your own limits.
8. Don't overspend.
9. It takes years to be an overnight success.
10. This may be the most important lesson: do not give up. You have to have Sisu.

Ilkka Paananen, Digital Chocolate (Sumea)

1. Go to market now and get your first real customer. Not tomorrow, but now. Step on the plane and start digging around. You have to do it yourself – no pain, no gain.
2. Find a local trusted person as a partner to help in getting to know the market. This could happen in a form of an employee, investor, board member, consultant or other 3rd party.
3. Do not go if you are not serious. It will take sweat and tears to make things happen. And you need to have enough funding to make it happen – do not underestimate the amount money that you will need.
4. Listen well. But also tell your own message and do not underestimate it.
5. Value Finnish honesty. When you promise something, keep the promise.
6. Positive exaggeration is not harmful – do not be afraid to brag a little. Someone once told me, half serious, that any number you give, the Americans will divide it by five – so multiple yours by five before you tell them so you will end up with the real number.

Pekka Pärnänen, Finpro/FinNode (Solid Information Technology, Cybelius Software)

1. Adapt your product along the way according to customer needs and market opportunity. Listen, listen and listen.
2. Establishing operations in Silicon Valley is a strategic investment, not an added sales opportunity, and it demands a firm commitment from the company and on the board level.
3. Focus, focus, focus. To arise above the noise level you need focusing – both in the offering and messaging.
4. If you don't like a brutally challenging and dynamic, always changing but yet rewarding working environment with a 24/7 attitude, don't come to Silicon Valley. If you love it – Silicon Valley is your paradise.

5. Do your market assessment well and spend time in the market – not just one week "tourist" trips. Without market understanding you don't know what you don't know – and that is the most dangerous situation. Better is to know what you don't know – and after time you will know what you know.
6. Partnering – not easy but when done right, it can become your channel or even your exit. Bigger partners build your credibility.

Henri Rantalainen, Technopolis Ventures (Smartech)

1. Have an exit strategy ready early on. Make it crystal clear: if you are willing to sell the company, decide on what conditions, what price and how you would handle the negotiations.
2. When negotiating an acquisition, don't get lost in the legal aspects, remember the business side of negotiations.
3. Hire experience if you don't have it within the company.

Timo Rapakko, Advisor and Angel Investor

1. Have a humble attitude towards Silicon Valley: there will always be another Google coming from the area.
2. Set you ambitions high. In Nordic countries they are often kept too low.
3. Get out there and get to know your customers.
4. Look for an investor that has both money and know-how.
5. Sometimes a merger is the best option.

Juho Risku, Tribevine Inc. (Helmi)

1. Be prepared for surprises, there will be a lot of them.
2. Leave room for change so you can chance plans and direction when needed.
3. Consider your product or solution carefully, it may need to be more prepared or different than you originally intended.

Pekka Roine, Independent Senior Advisor (Solid Information Technology)

1. Make sure you have the right kind of management. The only real task the board has is to make sure the management has the right people in place.
2. The customer is always right. If they don't like your product, it does not mean they are not getting it. Offer a product that the customer wants.
3. Move fast. Learn to work with the fast cycle. Things need to be taken care of extremely quickly. Now, if possible. If you don't answer an email in four hours, they think you're dead; if you schedule meetings, set it for today, not in three weeks.

Ilkka Sihvo, Basware

1. Have a clear edge to go to global markets. If your product is excellent, you have done 10% of the work. The rest is marketing. Do not go establish presence if your product is not good. If the market is ripe, it makes no sense to go there with a product that is similar to the existing ones.
2. Don't think the US is one, homogenous market. It is huge and heterogeneous. Make careful strategic choices and know your target market.
3. Modesty does not have a role in American markets. American salespeople are the best, but recruiting is challenging.

Risto Siilasmaa, F-Secure

1. Finding the right focus is one of the most difficult issues but certainly one of the most important. Continue one direction long enough to see whether it is going to fly or not. If not, do not delay abandoning an unfruitful project.
2. Do not try to run two parallel paths. Put your eggs in one basket.
3. If you establish presence in Silicon Valley, send a trusted person with international experience preferably from inside the company.
4. Set up criteria and milestones.

Marketta Silvera, Apptera (Pilot Networks)

1. Look for a pain. If there is no pain and no problem, it does not matter how great your solution or your technology is.
2. You need to be able to quantify the value to the customer. Who is buying it and why should they buy it? Make sure that the solution is applicable in the global market because in a lot of cases it is not.
3. You have to do it yourself. Build a really good team. Get the best people that are out there. You need to have a team before you can get money.
4. Make compelling presentations.
5. Get yourself published.
6. There will be setbacks you can't control, like the Internet bubble bursting or the financial markets crashing. You have to find ways to sidestep through these changes.
7. Always go through post mortem when things fail so you learn from your experiences and from others. Stop feeling sorry for yourself and look ahead. If you have started something just start again and make it work. Just go for it.
8. Never be satisfied until you reach your goal.

Bo Sörensen, Predisys (SoneraZed, F-Secure, SSH)

1. Network. Live, do not only work, in the local environment.
2. Go to market early. Do not wait till the product is ready, go and test it on the market.
3. Be ready to change plans according to customer feedback or changes in the market. Notice if the market changes and nobody wants your product.
4. Some products may be interesting in Finland, but not in the US. Some things have already been invented elsewhere.
6. Work the local way. The Finnish way of doing marketing does not work in Silicon Valley.
7. Be positive, open-minded and do actively communicate. Yet don't forget your objectives.

Eero Teerikorpi, Continuent, Blue White Partners (Alcom, Capslock)

1. Pay more attention to what customers want, rather than building an overly complicated technology.
2. Find the entry points to big customers. This will take time and patience.
3. It is not wise to try to maximize the funding and/or valuation. If things don't go as planned, and most of the time they do not, you may need more funding. And even if things do go right, you may still need more money .You will easily find out that the first investors, especially if they had too small share of the company to start with, start stepping on the breaks because they are afraid getting diluted when more money is needed and they can't match the needed investment.

4. Practice foresight and look far ahead, scouting the playing field. Be prepared for changes in the external environment. Be on the look out for opportunities. Something will always change and one expectation or other will not happen.
5. Be brave and act with determination. Use the market opportunities when they arise. Understand the market dynamics.
6. Know when to count your losses and move forward. If one door closes, reposition yourself.

Hannu Turunen, Magnolia Ventures (Stonesoft)

1. The key to success is having a founder go first to open the doors. He will be able to communicate the DNA of the firm better than anybody else. Salespeople are not taken seriously.
2. Recruiting is challenging but it is crucial for success. Find good sales people, a good business leader and good employees.
3. The question of whether to set up a sales office or move operations to Silicon Valley depends on the risk taking ability of the entrepreneur. If you move operations to the US to get funding and to build a success story, you have to be able to work with American investors. You will no longer have the control, the investors will take it. Consider if it is better to have 30% of $20 million or 10% of $200 million.

Mikko Varpiola, Codenomicon

1. When you come to Silicon Valley, think of it as your home. It is no use to come for only two years.
2. When recruiting, bring the whole team to talk to candidates. Get the American recruits to meet the Finnish staff face-to-face to improve understanding and team building.
3. Get used to Silicon Valley where "time is the enemy."

Chris Vargas, Cleantech Circle LLC (F-Secure)

1. Globalizing: Develop a core competency where you have unique expertise and a clear competitive advantage. Then take that product or service global.
2. Entering the North American market: Enter only if you have a compelling solution that fills a real market need. Quick test: can you name 10 customers that urgently need your product?
3. Be customer driven. Your sales force is your direct access to your customers. Leverage that relationship to develop around your customer's needs.
4. Finnish company with US subsidiary or US company with Finnish subsidiary? This does not matter anymore. Put engineering where it is optimal. Put sales people close to customers and channels.
5. Hiring in the US: Seed the US team well; stretch and hire the best you can. Hire people that know the US market and American customers well.
6. Scale: If you plan to enter the US market, be ready to scale. The US market is enormous, expensive, mature and demanding.
7. Raising venture capital: Think not in terms of time, but in milestones. VCs respect this, because it signals your willingness to be accountable and results-driven. And it helps them understand the risk.

Michel Wendell, Nexit Ventures

1. Think of it as going on a long sailing trip: Be prepared for everything and discount nothing. The only thing you know for sure is that very few things will go as planned. Change is the norm. Your crew needs to be specialists in their domain and they need to form a strong team together. Focus on controlling things that you can control, adapt or avoid those that you cannot. The journey is never a straight line from A to B.
2. Try hard and you will make mistakes – make sure you learn from each one of them. If you think you are not making mistakes, you either do not understand them or you are not trying hard enough.
3. Time is of essence – one of the few things you cannot buy!
4. Spend time with your customers to understand the problem they have and you think you can address – they have the ultimate truth!!
5. You do not know all the answers, network and ask – all other successful entrepreneurs have done that.
6. Being a Finn does not give you any extra points, and the fact that your stuff works in Finland does not have any meaning here.

Cybelius e-Chief Pekka Pärnänen, San Jose, 2000. © Raija Rapo.

Linus Torvalds promoted Transmeta Crusoe chip in 2000. © Pertti Rapo.

Above: Eero Teerikorpi, Founding Partner, Blue White Venture, San Jose, 2002. © Raija Rapo.

Left: Michel Wendell from Nexit Ventures in Saratoga 2009. © Raija Rapo.

Below: F-Secure gained extensive visibility after stopping dangerous computer viruses. Courtesy: Rocket Science.

The Finnish Team at Scandinavian Consulates Cup soccer tournament in 2004. © Jussi Heinilä.

F-Secure founder and CEO Risto Siilasmaa, Ari-Pekka Arponen (foreground) and Velde Vainio at the company lab. © F-Secure.

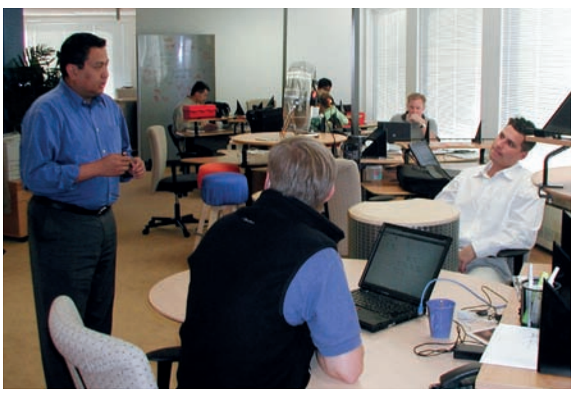
Left: Tuomo Huuhtanen, (2nd from left) at Stanford University in 2008. © Raija Rapo.

Below: Ekahau tracking tag on the cover of Integrated Solutions Magazine in 2008. Courtesy: Ekahau.

Left: Chris Vargas served as F-Secure Inc. President during the dot-com boom. Los Altos 2008. © Raija Rapo.

Above left: Petri Laakkonen placed Data Fellows' flag in Silicon Valley, San Jose 2000. © Raija Rapo.

Above right: Solid CEO Jussi Harvela at company HQ in Cupertino in 2001. © Raija Rapo.



Amado Royola explaining a project to Brian Rosso. Kyösti Laiho has back to the camera. Solid, Mountain View in 2000. © Ari Valtanen.

CTO Ari Valtanen at Solid's Mountain View headquarters in 2006. © Ari Valtanen.

MadOnion VP Tero Sarkkinen in San Jose 1999. © Raija Rapo.

Mikael Honkavaara (CEO at Hybrid) and Jen-Hsun Huang (CEO at NVIDIA) signed the acquisition of Hybrid by NVIDIA in 2006. © Ville Miettinen.

Capslock at Comdex 2001 in Las Vegas. Mika Könnölä between the booth babies. © Raija Rapo.

Sumea team, Ilkka Paananen, Ville Haaramo and Mika Tammenkoski in London 2003. © Ilkka Paananen.

Above left: Ville Miettinen at Hybrid's party in Sipuli. Helsinki, 2006. Photo by Jan. © creativecommons.org.

Above right: Edward Häggström, Ilkka Starck, Kimmo Ahola and Jussi Heinilä formed the winning team at Silicon Valley Golf tournament in 2003. © Raija Rapo.

Left: Sumea CEO Ilkka Paananen received the Mobile Entertainment Award for Sumea in 2006. © Ilkka Paananen.

Jaiku founders Jyri Engeström and Petteri Koponen at the Jaiku Supernova TWiT Reception in 2007. © Jyri Engeström.

CEO Mårten Mickos in MySQL HQ in Cupertino in 2005. © Raija Rapo.

Right: MySQL founders Monty Widenius and David Axmark at a developer meeting in Malta, in September 2004. © David Axmark.

Atom Entertainment CEO Mika Salmi on Rodeo Beach, north of San Francisco in 2006. © Raija Rapo.

Right: Pilot Networks CEO Marketta Silvera and husband Ron Silvera heading to San Francisco Opera in September 1998 to celebrate the IPO. © Marketta Silvera.

Right: Trulia co-founders Sami Inkinen (left) and Pete Flint in New York in 2008. © Sami Inkinen.

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Interviewees

Name	Company Involved in Silicon Valley/US	Current Location
Addison Mark	President, Rocket Science	San Francisco, CA, USA
Ahvenainen Jouko	Chairman, Co-Founder, Grow VC International Ltd.	London, UK
Ahvenniemi Sami	Founding Partner, Conor Venture Partners (CEO/VP of Sales Americas, SSH Inc.)	Espoo, Finland
Ala-Ruona Jari	Co-Founder, CEO, Movial	Helsinki, Finland
Alasaarela Mikko	Founder, CEO, Vivio World, Inc.; Co-Founder, Chairman, Rviewr Inc.; Chairman, ZEF Solutions Inc.	Foster City, CA, USA
Amidi Saeed	President/CEO, Plug & Play Tech Center	Sunnyvale, CA, USA
Backholm Ari	VP, SEVEN Networks Inc. (Co-Founder, EVP, Smartner Information Systems Ltd.)	Redwood City, CA, USA
Baltuch Oliver	President, Futuremark Inc.	Saratoga, CA, USA
Bhatia Natasha	Angel Investor	London, UK
Engeström Jyri	Entrepreneur & Angel Investor, Social Objects; Board Member, Xiha Life (Product Manager, Google; Co-Founder, Jaiku)	Helsinki, Finland
Erkheikki Matti	VP Sales Finland, QPR Software Plc.	Helsinki, Finland
Federman Irwin	General Partner, U.S. Venture Partners	Menlo Park, CA, USA
Fox Brenda	Owner, Global Connexus (President US Operations, Codenomicon)	San Jose, CA, USA
Gauffin Anton	President, BLStream Inc.	Cupertino, CA, USA
Grohn Pietari	Co-Founder, CEO, Rviewr Inc.; Legal Counsel & Business Development, Vivio World, Inc. (Corporate Associate, Fenwick & West LLP)	Foster City, CA, USA
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Halinen Asmo	Internet Director, Iltalehti; Halaus; Magnifier; Apaja	Helsinki, Finland
Harvela Jussi	Co-Founder, General Partner, Veturi Venture Accelerator (President, COO, CEO, Solid Information Technology)	Espoo, Finland
Harvey Kevin	Partner, Benchmark Capital	Menlo Park, CA, USA
Heinilä Jussi	Founder, Partner Up Finland (Head of Finpro, Silicon Valley)	Espoo, Finland
Herlevi Kari	Program Manager, Tekes, Silicon Valley	Helsinki, Finland
Hiltunen KooPee	Director, Neogames at Hermia	Tampere, Finland
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Hovi Antti	Lecturer, Metropolia University of Applied Sciences	Helsinki, Finland
Huuhtanen Teemu	EVP Marketing & Business Development /President, Sulake Inc. (Founder, Orchimedia)	Santa Monica, CA, USA
Inkinen Sami	Co-Founder, COO, Trulia (Co-Founder Matchem)	San Francisco, CA, USA
Jurvetson Steve	Managing Director, Draper, Fisher & Jurvetson	Menlo Park, CA, USA

Kaikkonen Eero	CEO, Salesmagnet; CEO, Minero (CMO, On2 Technologies ; CEO, Hantro)	Oulu, Finland
Kaitera Jari	CEO, Founder, Twid Oy (US Country Manager, QPR Software)	Helsinki, Finland
Karras Tapio	Director, Design Automation Products, Bentley Systems (Co-Founder, Design Power)	Cupertino, CA, USA
Katz Jack	CEO, Novusglobe LLC	San Ramon, CA, USA
Ketola Esa	VP Sales Americas, Efore Inc. (CEO Cellsoft ; Founder, CEO, Modera)	Irving, TX, USA
Koivula Mika	CEO, FogScreen	Helsinki, Finland
Koponen Petteri	Founding Partner, Lifeline Ventures; Board Member, Aito Technologies; Chairman of the Board, Alkuvoima (New Business Development, Google; Co-Founder, CEO, Jaiku; CEO, First Hop)	Helsinki, Finland
Korhonen Antti	President/CEO, Ekahau Inc.	Helsinki, Finland
Korpela Timo	CEO, Gearshift Group USA (President, Sonera Corp. US)	Santa Clara, CA, USA
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Salminiitty Jukka	Head of Tekes Silicon Valley	Santa Clara, CA, USA

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Salonen Tero	Co-Founder, CEO, LinkoTec	Espoo, Finland
Sarkkinen Tero	CEO, Rightware (CEO, Futuremark Corporation; VP, MadOnion)	Espoo, Finland
Saukkonen Juhani	Director, Oulu Innovation Ltd.	Oulu, Finland
Seppä Marko	Global Venture Lab	Tampere, Finland
Sihvo Ilkka	CEO, Basware	Espoo, Finland
Siilasmaa Risto	Founder, Chairman of Board, F-Secure	Helsinki, Finland
Silvera Marketta	President/CEO/board member, Apptera (President/COO VoiceCom Systems; President/COO Votan; Chairman and CEO of Pilot Network Services)	Orinda, CA, USA
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