

OPLAYO



Notes of an IT entrepreneur (in
Finland)

November 18, 2003

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Oplayo – my current company

- ▶ Governmentally financed MVQ-codec development started in 1991
- ▶ Oplayo started video streaming development in 1999
- ▶ First to do video streaming in GPRS
- ▶ Due to unique technology the only one able to do streaming video in mass-market devices
- ▶ Company based in Helsinki (HQ), London and Munich
- ▶ 35 employees
- ▶ Largest shareholder Nokia Venture Partners
- ▶ Today #1 - #3 in mobile video globally

Oplayo is a classic start-up case: Amazing disruptive technology fighting against major industry forces

Bio...entrepreneurial career

- ▶ **P & Sports Ky (founded –81 at 14 years of age)**
 - ▶ Importer of tennis goods. Paid through school and university
- ▶ **Lateppo Oy (Puistolän Tennis-ja palloiluhalli)**
 - ▶ Built a tennis and badminton (indoor) centre in Helsinki
 - ▶ "IPO" started one week before "recession started" -91
 - ▶ Ended up in court with partners
- ▶ **Software Co. (-88-90)**
 - ▶ I sell and my engineer friend makes the sw. Both needed "proper jobs". So we closed shop.
- ▶ **OPI Group (-95-96)**
 - ▶ Operations management consulting
 - ▶ I helped sell the first projects, but never came back after school

Bio...entrepreneurial career 2

▶ Printeurope Oy 2000-2002

- ▶ E-business software to graphics industry
- ▶ Re-engineer the very complex industry
- ▶ Aggressive plans were compensated with "Best Internet company in Europe" award (out of 700 competitors)
- ▶ After 12 share issues (!) the company finally had some real business (e.g. Allianz, Bertelsmann), but failed to raise the 13th round -> bankruptcy

▶ Oplayo Oy (CEO) 2002-

- ▶ Video to mobile (and fixed Internet)
- ▶ First time as "non-founder entrepreneur"
- ▶ After glamorous start company had just experienced cost cuts and first, negative customer feedback. Products in fixed Internet only.
- ▶ Now one of the leaders in the early market of mobile video

▶ Schools

- ▶ Helsinki School of Economics (M.Sc. Econ.) –88-91
- ▶ INSEAD (MBA) –95-96

Bio... "corporate"

- ▶ **Some consulting work as a student –89-91**
- ▶ **IMPAC Ltd. (Consultant...Project Director) – 92-95**
 - ▶ Consulting in operations management
 - ▶ Improved productivity in factories, sales organizations (and R&D)
 - ▶ Always faced with employee animosity due to cost cuts and other productivity measures (i.e. good place to learn)
- ▶ **GE Capital (BD Associate, BD Mgr) – 96-97**
 - ▶ M & A work in finance sector (London) – because I had no background in that area
 - ▶ Biz dev work in consumer and equipment finance (Stockholm)
 - ▶ Chose GE also due to the "best company in the world" and "best training ground for management" image
- ▶ **GE Capital Equipment Finance (MD) – 97-99**
 - ▶ Starting and running a "Greenfield" operation in Finland
 - ▶ From worst European operation to best European operation –99

What is different in start-up vs. corporate?

- ▶ **Do not overestimate the risks in entrepreneurship vs. corporate life**
 - ▶ But the risk are quite different
- ▶ **Large company experience helps in start-ups**
 - ▶ You are often selling to large companies
- ▶ **Start-up experience should be valued in corporates**
 - ▶ They need people who take initiative and react to BS
- ▶ **Small companies will always have an edge in speed**
- ▶ **Large companies will always have an edge due to credibility**
 - ▶ One of the major challenges of a start-up is gaining credibility (customers, partners, investors,...)

You have to enjoy the challenge of killing the elephants if you want to work in a start-up

What are the risks of IT entrepreneurship?

▶ "Real entrepreneur"

- ▶ Risking all assets and future income (personal guarantees of loans)
- ▶ Not as common in IT as elsewhere
- ▶ Tough choice for someone with academic background

▶ "Academic entrepreneur"

- ▶ Risking all or part of the salary at most
- ▶ Larger risk is career risk, but bankruptcy is no longer considered as necessarily negative

Why are the most successful IT entrepreneurs college drop-outs?
Is it the "perceived" risk? Or the "sense of urgency" ≡ "drive"?

Learnings from corporate life...to an entrepreneur (and a student)?

▶ Consulting

- ▶ Go where the "αααα hits the fan"
- ▶ There is nothing you cannot improve by 15%
- ▶ Consulting is a great way to get understanding on general management...but don't think it's the same as doing it

▶ General Electric

- ▶ You can only understand large companies by working in one
- ▶ Every large company is political
- ▶ A big brand opens a LOT of doors (also personally later on)
- ▶ It is amazing to see what you can do by example (Jack Welch)
- ▶ Stay away from non-core business – you will never get support

Learnings from start-ups...to an IT entrepreneur? (1)

▶ Tennis businesses

- ▶ University business curriculum should have a compulsory period as a travelling salesman or an entrepreneur (or both)
- ▶ Pick your partners well
- ▶ Be prepared to cut your losses if trouble with partners

▶ Printeurope

- ▶ First movers do not necessarily win
- ▶ "People always overestimate change in short-term and underestimate change in long-term"
- ▶ Loyalty pays (could have left the investors alone with the trouble)
- ▶ Bankruptcy is not as bad as you think it is
- ▶ Finland is improving – never had as much demand in job market than after a bankruptcy
- ▶ See comments about VC's later

It is not really as risky as you think, but it definitely is an adventure

Learnings from start-ups...to an IT entrepreneur? (2)

▶ Oplayo

- ▶ Still no rational decision making in business (operators, 3GPP standards,...).
- ▶ Building credibility cannot be more important (Sony, Microsoft)
- ▶ There is nothing like having a great team with relevant industry and start-up expertise
 - ▶ Go one level deeper than "IT salesman" or "Sw architect"
 - ▶ Today you can find some of these people also in Finland (not in 2000)

Learnings from start-ups...to an IT entrepreneur? (3)

▶ Oplayo

- ▶ How to manage a management team that can afford to stop work anytime (Oplayo has 3 start-up millionaires)
- ▶ Keeping faith during tough times
 - ▶ The only people we have "lost" started their own companies and our investors are still here
 - ▶ But "the market" and people in general do not understand success should be measured against the market. (e.g. 35% share in a market that is 12mths late vs. 10% market share with higher revenues)

Business models in software

"IT is not market economy" (good article by TKK professor in Talouselämä). Business models are really challenging – but also extremely exciting. How to manage through the 3 phases:

- 1. Amazing technology. No market. High price per unit (when bought by techno geeks)**
- 2. Better than average technology. Growing market. Still high prices. Competition starting.**
- 3. Commoditised technology. Competition leads to pricing close to marginal price = 0. How to e.g.:**
 - ▶ Lock customers to your technology so market forces fail (e.g. Microsoft)
 - ▶ Give sw for free and make money on service etc. (e.g. MySQL)

How to prepare your business model so it still works in the next stage?

If you can, fund your company through cash flow

- ▶ And take all the cash TEKES and the like give you (more subsidies to come?)
- ▶ There is a benefit in starting as a student when you have not yet built the personal infrastructure that requires steady cash inflow
- ▶ In software the tough part is building a scalable product vs. building customer specific applications
- ▶ Take all the help you can get (mentors, etc.)
- ▶ If you need experienced international managers you need steady cash flow and / or good funding. Venture capitalists can add credibility if you need to hire management.

Profitability means you are controlling your own destiny

Funding your company with Venture Capital...what you must understand

- ▶ A VC's (Venture Capitalist) job is to buy cheap and sell high.
- ▶ But when there is money on the table, take it all. Maximize time between financing rounds to "concentrate on business"
- ▶ Look at the VCs (=person, not co.) CV. Has he "done it" himself? What is his "network" really worth? Check companies the VC has invested in.
- ▶ Reality is most VC's are "just money" – that does not mean you should not take the money
- ▶ In today's world the VC must be capable of doing a follow-on investment

Venture Capitalist might be one key to your success. But don't believe the "we are all in the same boat"-pitch

A VC is also a human being

- ▶ **Make sure you manage expectations – beware of plans designed for VC investment committees.**
- ▶ **VC's are typically more intelligent than average managers, but have often had less success in management than they think they deserved**
 - ▶ VC's are funding people like themselves – they overvalue intelligence and undervalue domain / industry experience
 - ▶ VC's with corporate backgrounds buy corporate brands to management
 - ▶ "These VC's have already fired four CEO's in two years and they still don't see they are the problem"
- ▶ **Beware of VC "fads" –few have the courage to think independently. "Go global day #1" (-99) vs. "you have to make it in home market first" (-01)**
 - ▶ In corporate life this is the same as "McKinsey also agrees with our strategy"

Summary

- ▶ Best way of learning it is doing it
- ▶ Don't be afraid of the non-financial risks; minimise financial risks
- ▶ Understand and anticipate the market development and build a suitable business model
- ▶ Listen to everyone, but remember it is always easy to come up with reasons why an idea may fail
- ▶ Use "OPM" (Other People's Money) when you can, but understand the baggage that comes with it

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