



**Aalto University**  
**School of Business**  
**Start-Up Center**

Aalto Start-Up Center success case

**ROVIO was also part of our  
incubation process!**



"In the beginning we paid ourselves a salary of 250 euros per month", CEO of Rovio Entertainment **Mikael Hed** reminisces. In the year 2004 the company's premises consisted of a 21 square meter office in Aalto Start-Up Center, then named New Business Center.

The company now in in the midst of extraordinary growth was founded when three engineering students – Niklas Hed, **Jarmo Väkeväinen** and **Kim Dikert** – won first prize in the mobile game category of the Assembly Demo Party competition with their game King of the Cabbage World.

The competition was organized by **Peter Vesterbacka**, now marketing director of Rovio. On a prize-trip to the US it became clear to the crew that gaming was the direction they wanted to take. Mikael Hed, who had recently finished his bachelor's degree in business administration and management, was asked to join in.

"They were a crew of young engineers with the attitude of title-holders. The thinking was, what they didn't know how to do, could and would be learned", remembers former project director of the incubator **Jakke Peltonen**. He now works at the Uusimaa department of the Centre for Economic Development, Transport and the Environment, and is responsible for issues related to business incubators. At the time, Peltonen reminded the newcomers that equally important as the incubators facilities, were its other functions.

"In the incubator many things got faster and easier enabling me to could focus on developing the business. We contemplated on what the minimum size was for an office, where we could still manage. We chose the cheapest Linux-PCs instead of Windows, which everyone else was using", Hed recalls. He thinks that a certain amount of pressure is good for an incubator company in its early days.

"If an entrepreneur has too much money in the bank, he sleeps his nights too well. When times are tough you have to keep doing things better and better. Of course, on the other hand, it's a pity to see companies with great drive just run out of money. Here in Finland the thing is, we don't handle failing very well, even though so much can be learned from it".

Cash flow was derived from doing subcontracting. "The hardest point to reach in entrepreneurship is the stage where the business sustains its employees. It's a long hard road, and only then can a company really make the next big leap."

The first game (now Mole War) was sold to fellow-New Business Center company Sumea (now Digital Chocolate), and bought back this year out of nostalgia reasons. "We got a tidy sum of income and more development-related work from that sale. From Jakke we heard about public funding programs, but often they required actions that would not have been right for us at the time. It's hard to enter the international marketplace, without a ready product. In 2005 we received our first round of financing – from my father – and from there our operations grew fast.

The amount of employees increased from seven to 24. The name was changed to Rovio Mobile and new premises were procured in central Helsinki. "2005-2009 was a fun period to be in Rovio. Lots of game releases. There was an attitude of 'hey, we don't know everything but we can learn anything'". At the same time, however, Hed was building his own separate company, Taikapaja, in the NBCs incubator. The company published comics and books. In early 2009 Hed returned to retake the position of CEO in Rovio. During his absence,

the company had published over 30 games, decreased its employees from 50 to 12, and was in danger of bankruptcy.

The tight situation forced the company to think hard on its alternative strategies for survival. "The closer you come to bankruptcy, the more precise the focus has to be to get back on your feet. We decided to focus our resources on developing our own games.

Income was derived from increased subcontracting and a large part was dedicated to research. "We questioned everything we knew about games. We thought on how to minimize the role of pure chance as a success factor, and critically analyzed the market as well as our own development process. Game development is as much an art as it is a science – sometimes you just have to trust your instincts. We decided to try building not just a game, but a whole world filled with different characters, which could be utilized in e.g. merchandizing.

Knowing the hit-or-miss nature of the gaming industry, the company decided to make a variety of games, and bank on the success of at least one. "Out of ten games one successful one will pay for the losses of the other nine. We were prepared to make another 15 games in search of that one hit. The first to reach completion was Angry Birds". Rovio terminated its relationships with operators, stopped production on multiple platforms, and focused all efforts on the iPhone. "The same mentality can be found in all successful start-ups: you do everything you can from the get-go without ever giving up", remarks Jakke Peltonen.

Now games attribute 70 percent of Rovio's revenues, while 30 percent is accumulated from various types of merchandizing. Total revenues jumped from 10 million in 2010 to 75.4 million the following year. In only a couple of years the amount of employees grew from 24 to over four hundred, and is estimated to soon grow by hundreds more.

The company has maintained its passion to always learn more. When appropriate licensing know-how could not be found in Finland, Rovio opted to recruit professionals from abroad, and familiarize them with company concepts. Today international licensing practitioners estimate Rovio's licensing program as the best in the world. Subsequently Rovio's licensed brand is also evaluated as the best in the world.

The company is now pushing full-speed ahead, and preparing for the future with alternative models. The company has started producing animations and buying games by other developers, and intends to build hundreds of stores around the world. New directions are tested with hundreds of partners.

"Market changes have to be monitored at all times, and a sense of urgency has to be maintained in everyday activities. We have to be prepared for anything and everything, and maintain a hunger to always learn more. It's also important to be creative in the practical sense of the word, to uncover what is really important to the customer. We constantly analyze ourselves, in relation to ways that we can keep our business growing. This enables us to expand in a great variety of directions."

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