

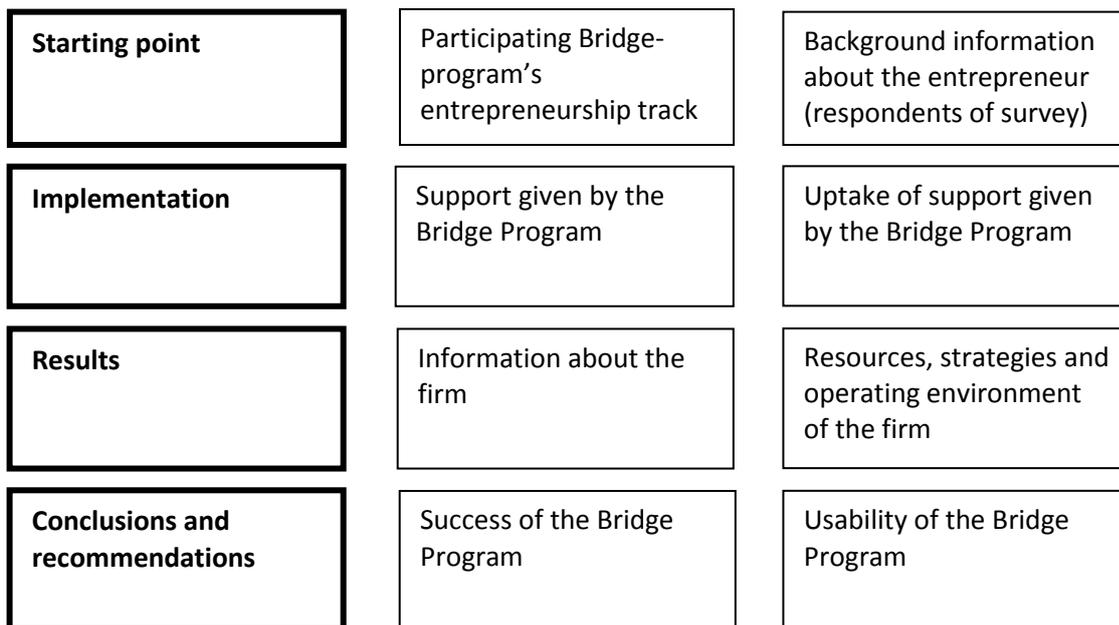
# Bridge It Up – the impact of startup services offered for employees – Case Nokia’s Bridge Program

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## Summary: Evaluation of the Bridge Program entrepreneurship track

In this summary, we assess Nokia's Bridge Program entrepreneurship track within an evaluation framework (Figure 1). We aim to use the framework to describe how successful the support provided by the Program and its measures were, and how well the businesses that took part in the Program did in the early part of their life cycle. The summary is based on the results of a survey sent to the participants of the Bridge Program entrepreneurship track, feedback received through this survey on the subject of how Nokia could develop the support and guidance provided to startup entrepreneurs under the Bridge Program, more general comments on the Bridge Program, and data produced by this survey and interviews with companies, experts and stakeholders.

Figure 1: Evaluation framework.



### Starting point of the Bridge Program entrepreneurship track: encouraging entrepreneurship

Nokia's Bridge Program was launched in spring 2011, and it will continue until spring 2014. The Program's entrepreneurship track has contributed to starting some 400 companies in Finland set up by around 500 people who became entrepreneurs. About one out of ten employees dismissed from Nokia in Finland in 2011-2013 chose entrepreneurship. Nokia supported the re-employment of the dismissed employees in many ways through the Bridge Program. The most comprehensive, detailed and individual support and advice may have been provided for those who chose the entrepreneurship track, which aimed to mobilise as much of the internal expertise of Nokia as possible, and also to direct the employees to use the best national and regional business services.

Examined by the location of Nokia's branches, the share of those choosing the entrepreneurship track was 37% in Helsinki Metropolitan area, 25% in the Oulu region, 21% in the Tampere region and 17% in the Salo region. In the responses received in the survey, the Helsinki Metropolitan area and the Oulu region were slightly overrepresented, while the Salo region was underrepresented. Categorised by sector, some 40% of those who chose entrepreneurship worked in the ICT sector or similar, 30% in expert services and similar, and 30% in other sectors.

Less than 40% of the respondents had joined Bridge in 2011, some 60% in 2012 and only less than 2% in 2013. They had been given some two months to prepare their business plans. **In their feedback, the entrepreneurs criticised the fact that in the early phases of the Program, more time had usually been allowed than in the later phase. The results of the survey do not support this view. However, the entrepreneurs would have liked more guidance in drawing up the business plans, for example a ready-made template that would have indicated the key points of plan contents. Some criticism was also levelled at the fact that companies operating in different sectors were not treated equally. The entrepreneurship track was seen as a Program tailored for startups in the technology and financial sector. In light of the data produced by the survey, we can neither confirm nor refute this claim.**

The majority of those having chosen the Bridge Program entrepreneurship track met the criteria Nokia had set for its support and thus passed the scrutiny of the Bridge evaluation group. Each region in which Nokia had been based had its own Bridge staff. **The entrepreneurs were slightly critical about this in their feedback, as they felt that full equality could thus not be guaranteed for the regions. They also noted that there was a large turnover in the Bridge staff. On one hand, some entrepreneurs found this negative in their opinions, as the operating methods did not become established, and the staff could not accumulate experience. On the other hand, some thought it was a positive feature, as it eliminated the possibility of referring back to previous decisions, and all entrepreneurs could thus set out their plans “on a clean desk”.** While each region did indeed have its own staff, the final decisions were made by a joint panel comprising representatives from all regions. The turnover of Bridge staff was large, but the staff taking part in the decision-making panel usually was only replaced one person at a time, which made it possible to preserve continuity and a consistent policy in the decisions.

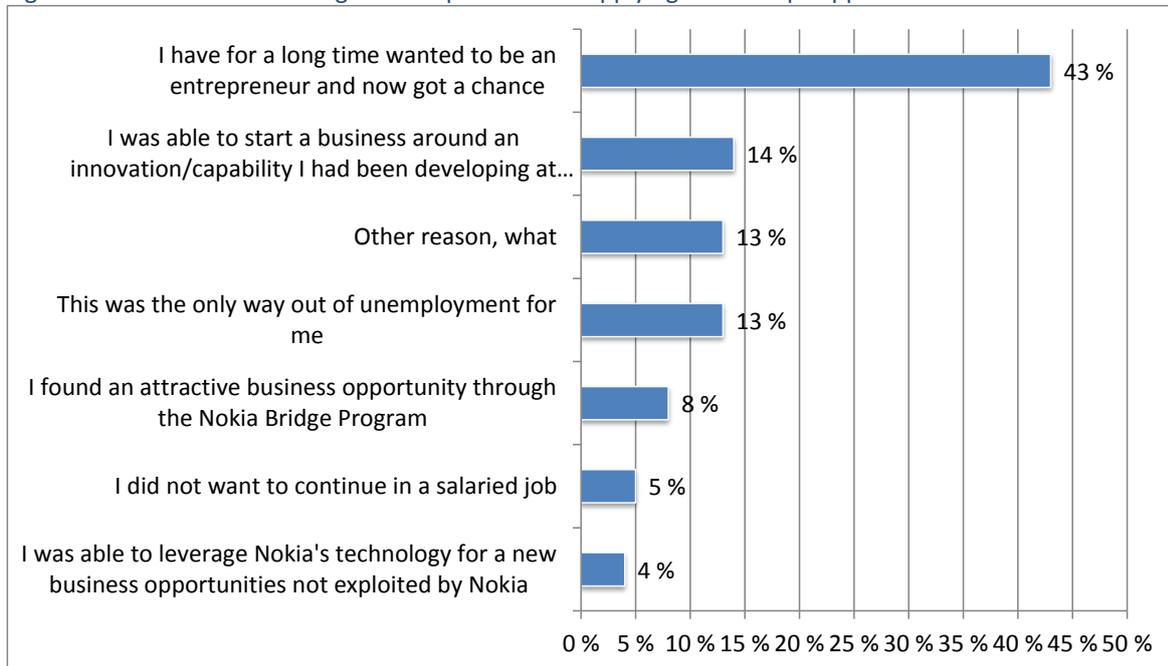
The respondents to the entrepreneurship track survey had had a great variety of tasks and positions in Nokia. The respondents were middle-aged, as almost 90% were in the age group 35-54. Women were slightly underrepresented; only one out of five respondents were female. The respondents had a high standard of education, as more than 90% had a degree from a university, higher education institution or a university of applied sciences. Some two thirds had a technical education, and the fields of education of the remaining third were rather evenly divided between a business degree and other types of education. The majority of those who chose entrepreneurship did not have enterprising experience. Only 10% of the respondents stated that they had been startup entrepreneurs before.

And why did the respondents chose the entrepreneurship track and enterprising (Figure 2)? Almost one half of them said that they had been wanting to become entrepreneurs for some time and now had the opportunity. Only slightly over 10% said they became entrepreneurs because it was the only way of avoiding unemployment. Other reasons included "a possibility of starting a business based on an innovation/capability developed at Nokia", "I found an attractive business opportunity through Bridge", "I did not want to continue in paid employment", and "an opportunity to exploit Nokia technology that the company failed to exploit". **The majority of the respondents had become entrepreneurs for reasons that gave them a high motivation for enterprising. The right motivation also guarantees a good end result in most cases. Only in case of those who became entrepreneurs to avoid unemployment can we talk about “forced entrepreneurship” and a low motivation for enterprising.**

The Bridge Program was considered an important factor in the respondents' decisions to become entrepreneurs. It was considered the most important by those who had found their reason to

become an entrepreneur specifically through the Bridge Program. Tampere differed from the other regions in that entrepreneurs in the Tampere region stressed the importance of the Bridge Program more than others.

Figure 2: Reasons for becoming an entrepreneur and applying for startup support from Nokia.

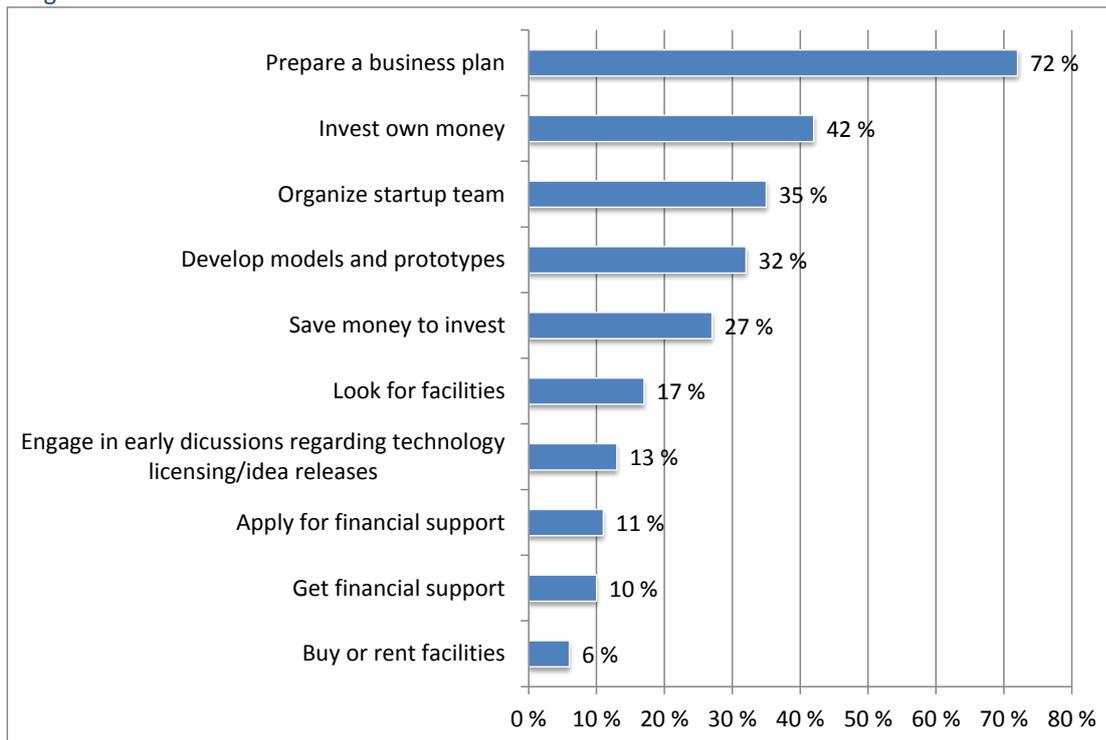


Four out of five respondents who had selected the Bridge Program entrepreneurship track had been taking steps to prepare the starting of a business even before their joined Bridge. These initial steps indicated systematic and rather prudent preparation for entrepreneurship: drafting a business plan, investing personal funds and saving for investments, putting a startup team together etc. The significance of support from the Bridge Program and Nokia's severance package is reflected in the fact that very few, or only one out of ten, had focused on applying for other subsidies or received them (Figure 3).

Bridge Program entrepreneurs usually set up their businesses while taking part in the Program. Only about one out of ten of the respondents already had a company when they joined Bridge, and even fewer bought a company or a share in one while taking part in the Program. **In their feedback, respondents were critical about the need to set up a company before they knew whether or not they would receive a Bridge grant. However, preliminary approval could be applied for before setting up a company.**

The Bridge entrepreneurs were rather evenly divided between those who started alone and those who started in teams. The team-based companies had an average of three persons, and the majority of the teams consisted of persons with a background in Nokia. While Bridge strove to encourage team building, only four persons from Nokia having received a Bridge grant could be part of one team. **In their feedback, the entrepreneurs were critical of this restriction limiting the team to four persons, as they felt that a company would have a sounder basis at the start if it had a greater number of partners as its owners.** The tax authorities' definition of an entrepreneur is someone with a minimum of 50% ownership, and accepting a 25% ownership as eligible for a startup grant was already a clear concession in favour of those taking part in the Program's entrepreneurship track.

Figure 3: The share of those who had taken steps towards starting a business before joining the Bridge Program.



Of the entrepreneurs who responded to the survey, 4% are the sole owners of their companies. The majority own 25-99% of their company. Under the Bridge Program rules, an eligible entrepreneur had to own at least 25% of their company (consistent with the team size restriction). Changes in the ownership since the entrepreneurs joined the Program have taken place in about one out of five Bridge companies. This explains the fact that some of the Bridge entrepreneurs own less than 25% of their companies. In some cases, the ownership share has also increased.

**Some 90% of the Bridge companies are still actively operating, which is rather a good indication of their early success.** In addition, some respondents who said that the company no longer is in active operation specified that its operations continue in another company, or in a new company that was set up to replace the Bridge company.

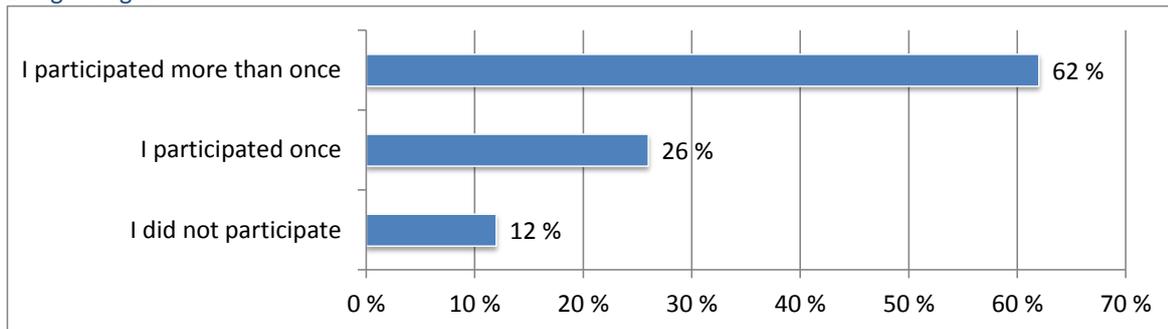
### Implementation of the Bridge Program entrepreneurship track: support and support uptake

The persons eligible to take part in the Bridge Program were invited to information sessions organised by Nokia, which introduced them to the overall offer of the Bridge Program, the entrepreneurship track and other options for finding employment. Personal discussions about the various Bridge tracks were also offered. Bridge Help Desk offered assistance to all Bridge participants. As part of the entrepreneurship track, information was also provided about business services in the local area, and individual startup coaching was available. Particular support forms for those who chose enterprising were direct financial support and a possibility of having a bank loan guaranteed.

Only about one out of ten in those who chose the entrepreneurship track did not take part in any of the information sessions on entrepreneurship. Nearly two out of three took part in these sessions

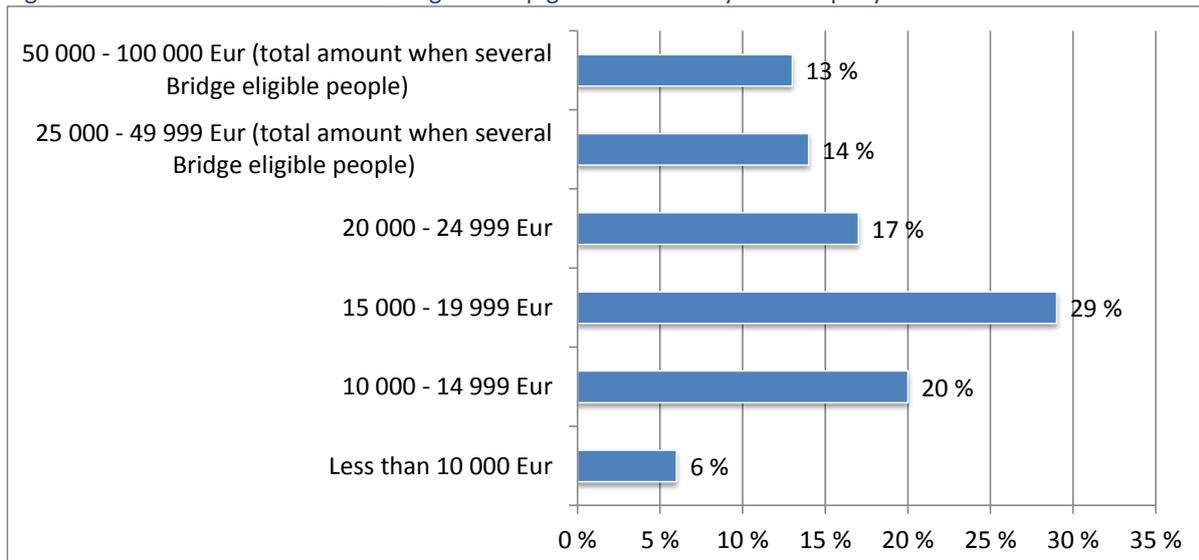
several times (Figure 4). In their feedback, the entrepreneurs mainly found the contents of these information sessions good and extensive. **A high number of the respondents said that the information sessions pointed them in the right direction and towards the right targets, after which setting up the company went smoothly. However, the respondents mentioned that they would have liked a more in-depth introduction to enterprising issues. Many would even have liked entrepreneur training/courses about setting up a business and running it in the early stages (including taxation, insurance, sales, marketing, productising, accounting, financial planning).**

Figure 4: Participation in the information sessions about entrepreneurship organised by Nokia as part of the Bridge Program



A maximum of EUR 25,000 was available for a person who chose the Bridge entrepreneurship track as a Bridge grant. In other words, a single company could receive grants totalling up to EUR 100,000. However, there were major variations in the grant amounts received (Figure 5). The survey indicates that the average grant amount received by an individual company was about EUR 27,000. The population of the survey was 348 companies, and based on these figures, Nokia Oyj gave them a total of nearly EUR 10 million in Bridge grants. **In their feedback, entrepreneurs criticised the fact that in the early phases of the Bridge Program, the grants were larger than in the later phase. Based on the survey, however, the difference between the grant amounts for companies that joined Bridge more than a year ago (on average, EUR 28,000) and less than a year ago (on average, EUR 25,000) was rather small.**

Figure 5: The amount of the direct Bridge startup grant received by the company.



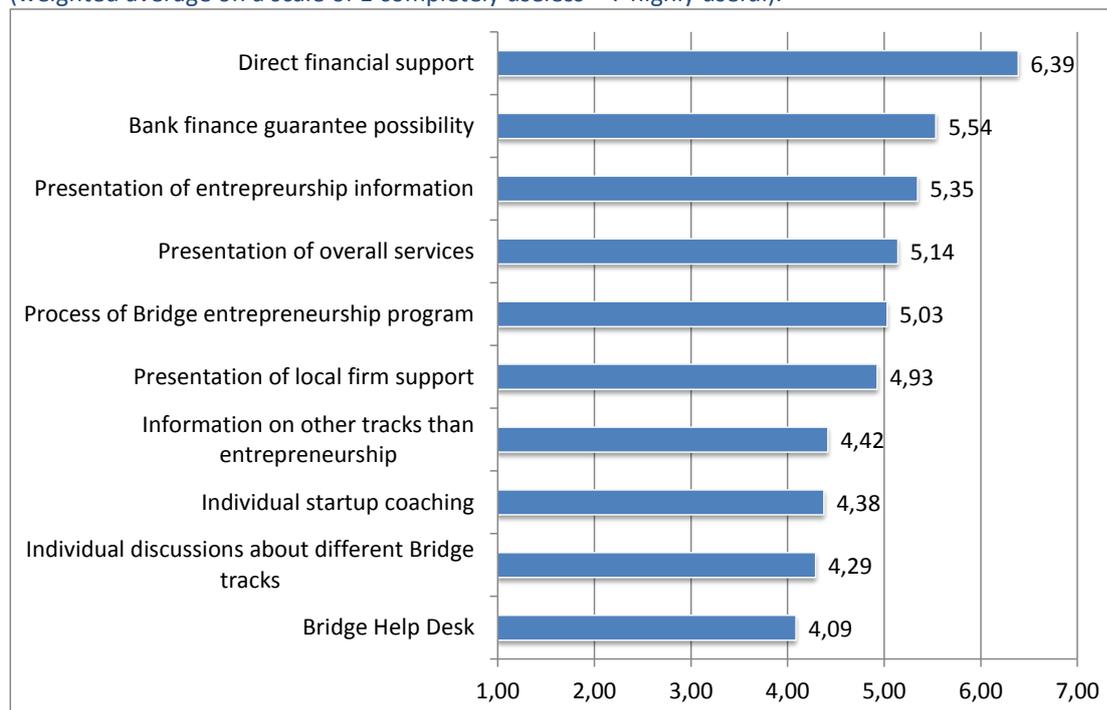
Those who chose the Bridge entrepreneurship track could also apply for Nokia's guarantee for a bank account with a credit facility. Nearly one half of the entrepreneurs who had applied for the

guarantee had activated it in the bank. The other half had either not activated the guarantee or not applied for it in the first place. Those who received credit felt that the significance of Nokia's guarantee was extremely high. **This aspect was also criticised – without Nokia's guarantee, no credit could be obtained.**

Those who became entrepreneurs could conclude a technology licensing and/or an idea release agreement with Nokia within the framework of the Bridge Program. The share of these entrepreneurs was approximately one out of five. In practice, only companies operating in the ICT sector could conclude such agreements. As 40% of the respondents are active in the ICT sector, nearly one half of these companies have an agreement of this type in place.

The Bridge entrepreneurs found the services offered in the Bridge Program useful for developing their companies (Figure 6). What they found the most useful was direct financial support and loan guarantees. Information about enterprising, presentation of the Program's overall offer and the entrepreneur track process were also found very useful. **Interestingly, the respondents found the general information sessions more useful than individual discussions and personal coaching. Bridge Help Desk was found the least useful of the services evaluated in this survey. It may have become a target for criticism that concerned such aspects of the Program as its intranet site. The site was criticised for poor functionality and infrequent maintenance. To support Program implementation, the respondents called for a web platform that would promote networking between Bridge entrepreneurs and more experienced "mentor entrepreneurs".**

Figure 6: The usefulness of the services offered in Nokia's Bridge Program in terms of developing the company (weighted average on a scale of 1 completely useless – 7 highly useful).

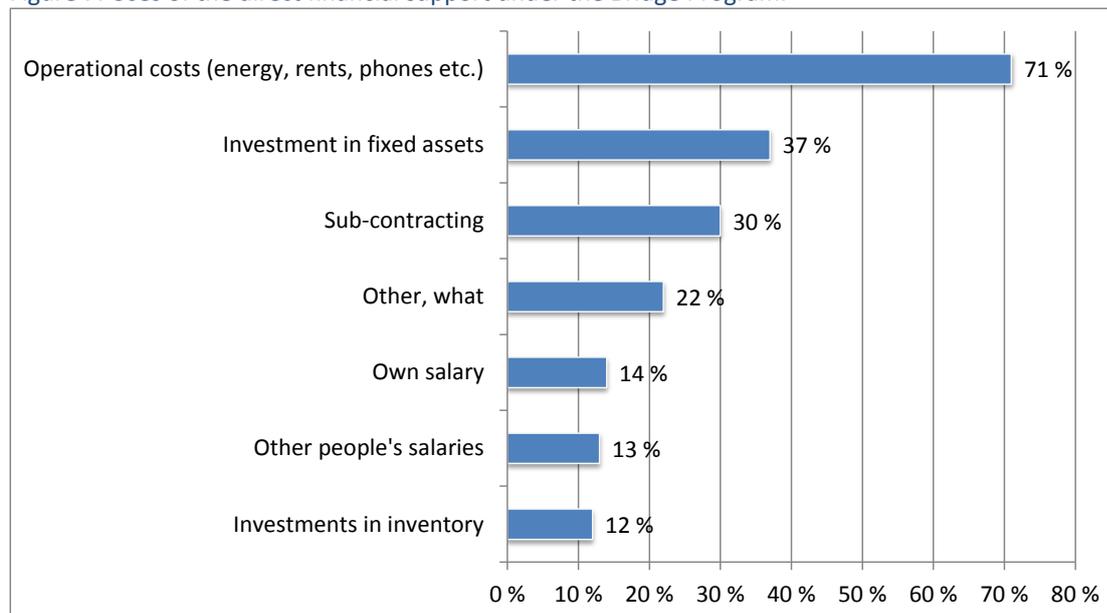


The responses to claims concerning the support provided by the Bridge Program translate as a clear endorsement of the Program's usefulness and the successful range of measures it provided. The financial support provided by the Program was considered highly significant, and the information on entrepreneurship was found necessary and comprehensive. The Bridge Program staff was found competent. The picture of becoming an entrepreneur given by the Bridge information sessions on entrepreneurship was considered rather realistic. The Bridge process helped to make the

companies operational, and many of the respondents would not have become entrepreneurs without financial support from Bridge. The claim that juxtaposed the significance of the coaching and financial support provided by the Bridge process in terms of the company's future produced interesting results. The financial support was found more important, but the difference remained rather small.

In most cases, the companies spent the Bridge Program grant on their day-to-day expenses (Figure 7). A major share of it was also spent on investments in fixed assets and subcontracting. As a positive indication, only 10% of the companies spent it on salaries for the entrepreneur or other staff. **In their feedback, the respondents approved of the fact that the purposes for which the grant could be spent were not restricted, as long as it went towards the company's operation.**

Figure 7: Uses of the direct financial support under the Bridge Program.



In other words, the direct financial support was a personal grant to the new entrepreneur. Usually, the same person also received a severance package at the same time (at maximum, 1.5 years' salary). **Many entrepreneurs criticised the severity of taxation in cases where these payments were made in the same year. They said it resulted to a measure of inequality, as in some cases, these payments may have fallen on different years.** If the employee was dismissed at the end of the year, they had in practice been receiving a salary all year, in addition to which they received the severance package (a year and a half's salary). Those who set up a business also received a startup grant. When all these amounts were calculated as income for a single year, the tax bill could be up to one half of the total amount. Those whose payments fell on the early part of the year, or whose startup grant payment was delayed until after the turn of the year, were in a better position. Nokia had negotiations with the tax authorities on the taxation procedures in connection with the Bridge Program, but it was not possible to resort to any special practices in individual cases of this type.

**Expert interviews indicated that a personal grant for the entrepreneur that had to be spent on the company's operations was a positive aspect. The funds saw the company through its early days, and it was not always necessary to apply for public grants or other external funding.**

The Bridge Program's information sessions on entrepreneurship strove to provide as much information about national and regional business services as possible. They were also used quite

frequently by the Bridge entrepreneurs. Examined by the region, the Helsinki Metropolitan area had the greatest share of companies that did not use these business services at all. In the other regions, nearly all enterprises used business services. The most active users of business services were found in the regions of Tampere and Oulu. **The information about business services provided at the Bridge Program information sessions on entrepreneurship was considered both versatile and comprehensive. Many respondents used these business services to build up their knowledge about enterprising during and after the Bridge Program.**

### **Results of the Bridge Program entrepreneurship track: companies and their operating environment**

At the time of the survey, the Bridge companies that responded employed on average 2.1 persons. They anticipated an increase to 2.8 persons in their employee numbers by the end of 2013 and to 7.0 persons by the end of 2015. In other words, a roughly 2.5-fold increase in the two-year period of 2013-2015 is expected. These companies estimate their turnover in 2013 at EUR 132,000 on average, and their turnover in 2015 at EUR 1.2 million. They thus expect a 9-fold increase in their turnover in two years.

The aforementioned average estimates of employee numbers and turnover figures can be extrapolated to apply to the entire population in the company survey, or 348 companies. **Accordingly, the companies would employ a total of nearly 1,000 people by the end of 2013, and nearly 2,500 people by the end of 2015. Their total turnover would be EUR 46 million in 2013 and nearly EUR 420 million in 2015.**

Interpretations of how successful Bridge companies have been mainly rest on data provided by the survey. The companies have only been operating for such a short period that adequate final accounts material to interpret their success is not yet available. Usually, at least four successive sets of final accounts are needed. **However, the fact that 90% of the companies continue to operate actively and that their forecasts of personnel numbers and turnover development are very positive indicate that the early phases of these companies have been rather successful.**

The Bridge companies find it relatively easy to access consultation and advice, and they do not report any major difficulties in obtaining competent staff. Having access to distribution channels has proven harder, while obtaining funding has been found the most difficult aspect. **The Bridge companies experienced somewhat more difficulty in accessing all the resources than Tekes YIC Program companies<sup>1</sup> and other young technology companies that are Tekes beneficiaries<sup>2</sup> to which they were compared.**

The Bridge entrepreneurs were also able to draw on the resources they had acquired in the Bridge Program or when working for Nokia. The entrepreneurs found "identifying customer needs", "recognizing conditions in the sector", "technological resources", "strategy", "research and development", "operational resources" and "sales and marketing" the most important ones of these resources. "Technological resources" and "research and development" stand out in that they were more frequently than others found either highly important, or they had not been used at all.

<sup>1</sup> Includes Tekes Young Innovative Companies (YIC) and Vigo companies. The YICs are innovative technology companies that are beneficiaries of the Tekes funding instrument directed at young innovative companies.

<sup>2</sup> Includes Tekes beneficiaries that do not belong to the YIC or Vigo groups but are technology companies set up after 2005.

About 60% of the Bridge companies no longer have any relationship with Nokia. Some companies do have a relationship with Nokia, in most cases as customers or partners.

The most important goal for the Bridge companies is providing the entrepreneur with a reasonable income (Figure 8). The next most important ones were maximizing profitability, ensuring survival and longevity in long term and maximizing sales growth. Maximizing firm's valuation and ensuring ownership control were clearly less important as goals. Regarding some of the goals, the Bridge companies differed significantly from Tekes YIC companies. The YIC companies clearly considered maximizing sales growth and firm's valuation more important than the Bridge companies. The rankings of the goals were reversed, especially regarding maximizing profitability and ensuring ownership control. **In other words, Bridge companies aim for profitability and permanence that provides the owners with an income, rather than increasing their sales and the value of the company.**

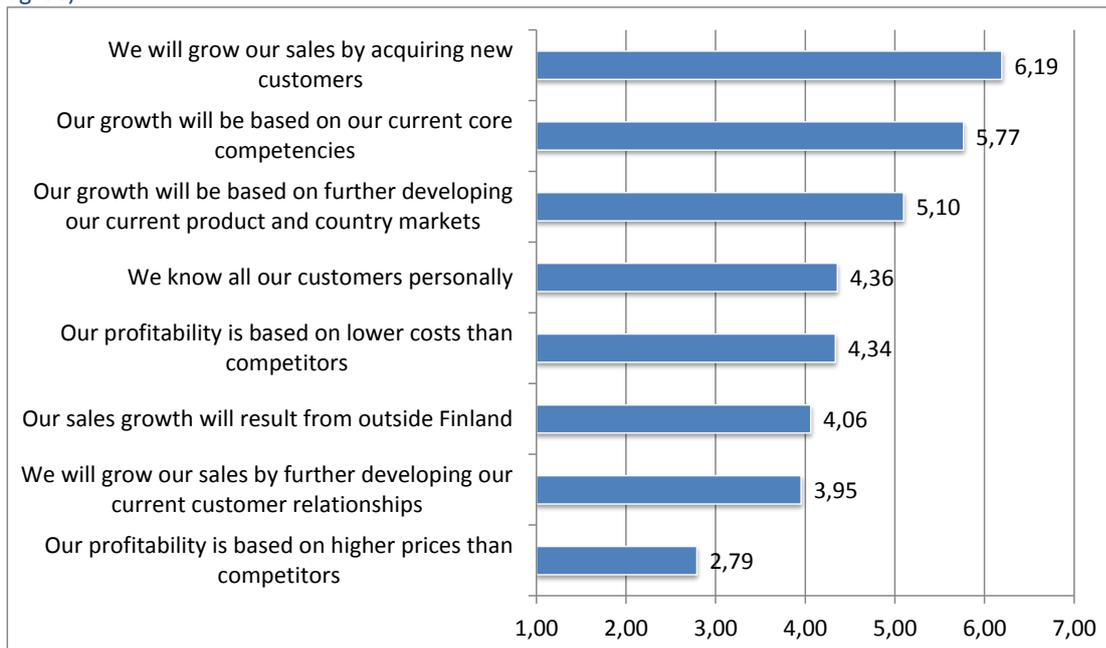
Figure 8: The significance of various goals for the company (weighted averages on a scale 1 less important – 7 more important).



The Bridge companies found the competitive situation in their sectors tough. There also were several strong actors competing for the same customers in the sector, and the customers were liable to change suppliers. **The Bridge companies found competition in their sector tougher than Tekes YICs.**

Of the claims concerning the company's strategy (Figure 9), the Bridge companies ranked as the most important "we will grow our sales by acquiring new customers". However, the most interesting claim concerning strategies is "Our sales growth will result from outside Finland", which indicates that one third of the respondents is clearly looking for growth from outside Finland, one third in practice only focuses on the domestic market, and the remaining third takes a neutral stand on this claim. **In this respect, the Bridge companies also differed substantially from Tekes YICs, which were very strongly looking for growth from outside Finland.** Clear differences were also found between different Bridge companies in case of this claim. Team entrepreneurs, for example, are looking for growth from outside Finland more often than sole traders.

Figure 9: Claims concerning company strategy (weighted averages on a scale of 1 fully disagree – 7 fully agree).



### Success and usability of the Bridge Program entrepreneurship track

The majority of feedback on the Bridge Program received in the survey and from the company, expert and stakeholder interviews was positive. Positive feedback usually concerned the entire Program package and the way in which it supported ex-employees in becoming entrepreneurs. Negative feedback usually targeted some detail of the Program which had been experienced as unequal or possibly misunderstood, or where there had been problems in information flows.

In the feedback received, the Bridge Program and its entrepreneurship track were considered a successful measure that promoted the effectiveness of the innovation system, boosted the creation of new enterprises and supported the success of startups. The positive examples highlight two things: the Program was useful and Nokia has a good track record in corporate social responsibility.

The comment of a serial entrepreneur who kept a close eye on Bridge but did not take part in it was: **The Bridge Program was very good, it was the best thing that has happened in Finland in this field during my time."**

One Bridge entrepreneur said: **"As a whole, the Bridge Program showed that Nokia Oyj took very good care of its corporate social responsibility in a difficult situation where it had to let go a great number of employees."**

The following comments picked from the feedback received in the survey and the interviews also reflect these positive attitudes:

- A very useful Program.
- What a wonderful Program! The information and financial support it provided made it easy for me to start a business.
- Outstanding expertise, great support

- The consultations and support we received were a very positive experience, and so was my new career as an entrepreneur.

In this context, we should highlight certain themes discussed above that support the appraisals of the Program as having been successful:

- The majority of those who chose the Bridge Program entrepreneurship track became entrepreneurs for reasons that gave them a high motivation.
- Startup grants were personal. The money had to be spent on the company's operations. The grant together with the severance package supported the company in its early steps to the extent that other support and external funding were not (necessarily) needed.
- The fact that 90% of the companies continue to operate actively and that their forecasts of personnel numbers and turnover development are very positive indicate that the early phases of these companies have been highly successful.

Naturally, many details of the Program received critical feedback, and improvements were suggested. However, these details would often have necessitated the tailoring of the entire Program to the needs of each individual company. Many of these details are discussed in sections above, where possible counter-arguments or possibilities of making changes are also addressed. A number of positive Program details are also cited above, which indicate that the companies launched with support from the Program have been successful in their early days.

What further highlights the success of the Program is that in the beginning, it was launched on an extremely rapid schedule.

The Bridge Program would be an excellent model to be applied in similar situations of mass dismissals. Nokia obviously is an unusually large company in the Finnish circumstances, and the scale of the dismissals was also exceptional. Consequently, the Program was put together for a company operating in a specific sector with enough resources to manage the aftermath of dismissals in a responsible manner and to invest sufficient financial and personnel resources in it.

While the Program was designed for a large company and dismissals on a major scale, its basic premises, operating methods and tools as well as its support forms can naturally also be used on a smaller scale. In the following section, we will thus examine the aspects that should be taken into consideration in order to apply a similar Program to promote startup enterprising in case of any future large-scale dismissals.

Firstly, the location, sector and size of the company letting its employees go must be taken into consideration. The location to a great extent determines the public and any private business services with which the company can engage. The employment situation in the local area also has a bearing on how strong the inputs in the entrepreneurship option need to be. A poor employment situation in an area means poor possibilities for finding new jobs in paid employment. The sector in which the company operates to a great extent determines the backgrounds of the dismissed employees. The company size restricts the resources available for a company-specific Program. In most cases, larger companies also have better resources for mobilising various support forms and operating methods in the Program.

The selection of the available support forms and operating methods is restricted by the background of the dismissed employees: their age, gender, education and tasks in the company. Age may be an obstacle to finding a new job in paid employment, but not so much to entrepreneurship. The

significance of gender is minor, however, but it may to some extent obstruct re-employment if the job structure in the area is clearly dominated by either women's or men's jobs. Education and training together with the employee's duties in the company are quite a decisive factor. Those with a higher standard of education are in a slightly better relative position, as education provides capabilities for a variety of tasks. Those employees who were trained on the job to perform a single task are in the most vulnerable position, especially if re-training appears an unrealistic option due to their age, and no jobs that match their skills are available in the area. Choosing entrepreneurship drawing on their skills and strengths may be a more realistic option in these cases.

Next, a schedule must be drawn up for the Program: how quickly must the Program be launched and for how long will it be implemented. Even a rapid schedule is possible when Nokia's Bridge Program can be used as a template. A decision must be made on to what extent the Program will be implemented by the company's internal personnel resources. Are the resources adequate for a flexible implementation of the Program, or should the company strive to work closely together with external business service providers from the outset?

Finally, the contents of the Program must be decided. What type of tracks aiming for employment are realistic in each case? For the entrepreneurship track, a decision must be made on the support forms to be used. Will financial support be granted and in what amounts, or are the resources only sufficient for general and/or personal advice and guidance in cooperation with the business services and incubators of the town or area?

The time available for drawing up business plans should be restricted, aiming for equality between all participants. In this context, Nokia's Bridge Program was criticised as in a very early phase, more time was allowed for preparing business plans than in the final phase. The phase in which a participant must have set up a business should also be carefully considered. Must the company be set up before any support may be granted, or should there be certainty about being eligible for a grant before you need to establish your company? In Nokia's Bridge Program, the participants had to set up a business before being eligible for a grant, but a preliminary grant decision could be issued to a participant before this.

Many other decisions must also be made regarding the grants. The grant amount may be the same for everyone, or it can depend on such factors as the quality of the business plan and credibility of the business idea, as was the case in Nokia's Bridge Program. The grant may be personal, or it may be given to a company. If it is personal, a decision must be made on how many dismissed employees a team forming a company may comprise. If the grant is made to a company, it must be decided if the amount will be the same to all companies, or whether it is dependent on the size of the team. Naturally, there will be decisions to make on many other details of the Program, but as a general guideline could be given to follow the example of Nokia's Bridge Program in as many points as possible.

On the basis of this evaluation, the entrepreneurship track in Nokia's Bridge Program succeeded well in its task: encouraging entrepreneurship and generating successful enterprises. It was designed for a large company and for such large-scale dismissals that we can only hope similar situations will not reoccur in our country. However, all components of the Program can be converted onto a smaller scale. The Bridge Program thus offers a useful model for a company facing a need to dismiss employees and wishing to take care of its corporate social responsibility.