

ULTRAHACK

Finland, www.ultrahack.org

An entrepreneurial husband and wife team joined forces with university, industry and business support partners to launch a unique hackathon concept which they are now taking to the international level

Executive Summary

Ultrahack is a company that managed to build a successful platform for open innovation events – hackathons or collaborative idea developments and idea competitions. Recently, the company has also started a partnership with a business acceleration programme and offers it as an additional service to the hackathons' clients. Combining the internal team's ideas and ideas from external sources, Ultrahack created a community where talented individuals, also representing leading industry partners, could meet and collaborate on future innovations in a friendly culture. Although, it is a success story, there were and are challenges that Ultrahack faces in running their business and this case study examines these as well.



CASE N°: SC106

SECTOR: SERVICES

TECH INTENSITY: LOW-MEDIUM TECH

LIFE CYCLE STAGE: START-UP

INNOVATION VECTORS: PROCESS, SERVICE

01 PARTNERS: PSR, LARGE CORPORATION, OTHER SME, INDIVIDUAL EXPERTS

KEYWORDS: Open innovation, hackathon, collaboration, SMEs, corporate, service development, culture

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BACKGROUND

At the time when the Ultrahack founder and his wife decided to create a company, he was working as chief innovation officer in a cloud storage company. He had experience of different open innovation projects (e.g. crowdsourcing company Innopinion). In May 2013, they created a company called FutureTournaments. The concept behind this business was an open innovation competition. Professors from Aalto University in Helsinki supported the initiative, and the company managed to run 4 innovation competitions, which was a good start. This was the first milestone in the history of the future Ultrahack as they started working with Microsoft, Aalto University and got contacts with Symbio and Teleforum (mobile payment association running the best mobile service competition in Finland).

Ultrahack started in 2015 as a joint venture between Teleforum Ry, Futuretournaments Oy and TKO-Aly ry (The Student Union of the Department of Computer Science at the University of Helsinki). Since then they have been growing steadily. The next year, they organized the second Ultrahack competition plus extended their presence to Nordic and Central European tech hubs. Ultrahack combines hackathons, an innovation platform and accelerators in a unique manner.

Its unique selling point consists of three core components. First, Ultrahack invites a wide group of stakeholders – individual 'hackers', students, corporates, start-ups, investors – to join and contribute to the community of professionals which is involved in solving the leading-edge challenges. Second, Ultrahack builds this community via organizing not a single hackathon session as hackathons normally do, but a series of events which helps to make the community spirit stronger. Finally, Ultrahack offers "a life after hackathon" by taking the ideas, which came from the hackathons, and having them accompanied by the business acceleration programme in partnership with Nestholma Accelerator.

Ultrahack also brought investors on board and the teams have a chance to raise funding during the competition. In 2015, the year when Ultrahack was launched first, they had around 60 partners, the prize fund was about €30 000 and around 1 000 developers took part in the hackathon, of which about one third came from abroad. Ultrahack is sponsored by its partners including the corporate providers of challenges to be solved. Participation in the hackathons is free.

INNOVATION CHALLENGE & MARKET OPPORTUNITIES

The creation of the Ultrahack community was driven not by some market survey but was purely based on the founder's personal motivation and ideas. The concept was very ambitious, but the Ultrahack founder is a growth-minded person so as a personal goal he wanted to do something big. The family played an important role in the story too as husband and wife have a business background and are successful entrepreneurs, which means that they both serve as a role model but also set a high level of expectations.

One more trigger of the innovation is the personal experience of the founder, who worked as chief innovation officer in a crowdsourcing company; he therefore had experience of different open innovation competitions.

Ultrahack's founder intended to create the biggest hackathon in Finland which would be very different from the classical hackathons as it would enable the creation of a community via a series of interactive events, and it would also ensure an idea's life after the hackathon was finished. This quite ambitious concept required a huge budget and involved a search for investors.

Ultrahack wanted to reach out to a variety of different stakeholders in a motivating way and came-up with an idea of a long "pregaming" session (additional preparatory time for hackathon participants to develop their solution, get feedback and benefit from mentoring). Since there were no creators of hackathons of this kind and scale in Finland, Ultrahack used the experience of foreign markets, exploring platforms and methods used abroad, especially in the US. The best hackathon experts in Finland were also involved in developing the concept.

OPEN INNOVATION TRAJECTORY

Concept development

The concept was built as a platform for open innovation competitions – a combination of (1) a web-based platform for the hackathon project submission, searching for team members and receiving feedback and (2) offline community to network with during the hackathon events.

It was a co-creation with the best experts from Finland, coming in particular from Slush, Aalto University and Teleforum with the Ultrahack team also exploring platforms and methods that were used abroad. They checked how the biggest hackathons are organized in the US and some market information was provided by one of the partners. They wanted to develop a community where both the corporates and SMEs could interact with each other in a friendly culture.

During this journey Ultra hack split with Aalto University because the university team wanted to organize the hackathon in a very classic way, i.e. a one-day event with a distinct target group and a client company as the challenge provider with a group of students to solve the challenge. Ultrahack had a different vision: they aimed to create a series of events for building a community and reaching a greater variety of stakeholders – including individual 'hackers', experts, start-ups, corporates and investors. This division in vision ultimately led to the creation of Junction (led by Aalto University) and Ultrahack.

The development process, IPR and competition strategy

The main challenge of the development process in the first stages was to find enough funding to meet certain tough deadlines and being able to prove to the main partner, Teleforum, the team's competence to lead the project in the face of competition from others. After the split with Aalto University, Teleforum became the main contributor to Ultrahack's development and to position themselves against the newly formed competitor, Junction (led by Aalto University), the company invited a different student organization from the University of Helsinki to take part. At this point the whole brand was changed from its original name of 'Mobile Dev Party' to 'Ultra hack' due to the fact that the concept had changed towards the pregame option.

The entire service development was implemented as an iterative and agile process in collaboration with Teleforum and the University of Helsinki. The process was iterative since there was no hard and fast idea about how it should be organized or a definite plan. There were just overall design thoughts, and the concept kept evolving and changed quite considerably during the development phase.

Full ownership of the concept is held by Ultra hack; no licences were used for the development process.

Ultrahack's competition strategy is based on their

attitude towards being first and being different (offer longer hackathons over time, create a community, offer business acceleration services) from the hackathons that already existed in Finland. The company's two main competitive advantages were that they pioneered the hackathon (so they were actually first, at least on the Finnish market), and they also offered a big chunk of feasibility with Slush (Europe's leading start-up event organizer). This collaboration helped to diversify substantially Ultrahack's target audience and awareness of Ultrahack among all the target groups – domain experts, start uppers, corporates, investors and others. These two value propositions were very high on the scale of partner value.

The third advantage concerned differentiating Ultra hack from Junction (direct competitor). First, Ultrahack put emphasis on a long pregame, which encouraged longer-term cooperation, community creation and sustainability and incited start-ups to come along. Second, Ultrahack has a strong corporate-friendly attitude, because their key sales and partnerships person had a corporate (executive) background. Third, they differentiated themselves in the timescale of the event: the classic hackathon takes place over one weekend, whereas Ultrahack happens over 3 months. The company's unique selling points were a corporate and start-up friendly culture, feasibility and work with talented price-developers.

Commercialization and follow-up

The company aimed to go international shortly after it had been established, and tried to set up external partnerships during this process. The team however faced many challenges. Their first attempt to internationalize turned out to be a failure because at first they tried to do it without any plan. They tried to organize hackathons around the world (e.g. a hackathon in collaboration with a partner in the Netherlands), but they turned out to be more of promotional events.

To introduce a proper scaling-up process /market strategy the company made a plan to connect with partners. They established an advisory board and some members helped them with their experience in international projects, and also to attract Tekes (Finnish national funding agency for innovation and research) funding for internationalization and to develop the go-to-market strategy.

Through this collaborative process, they are trying to set up an international network for Ultrahack and currently partners from more than 10 countries are interested in their concept.

However, external collaborations brought more challenges:

- The legal ownership of Ultrahack: the concept was based on a collaboration between three partners without a strictly defined legal framework. The ideas had been freely shared, but once Ultrahack was formed questions about who the legal owner was and who owned it in practice started to emerge.
- The decision-making process: Ultrahack was run as a community concept with a lot of volunteer work. There was therefore a huge overlapping of roles, mixed expectations and numerous rumours. A likely trigger for these was related to the distribution of effort and rewards, especially given that volunteers were involved but no doubt other people were making money.
- As a result of the above issue, budget transparency became a problem. Some people were concerned about how much they had worked and how much they were paid for their work compared to others. The organization learned that too much transparency can be counter-productive and harm the whole organizational management process –although obviously there are legal and due diligence standards that need to be met.

The company is currently working on the internationalization of the concept and has held meetings with international partners who are interested in buying the licence of the Ultrahack concept and bringing it to 15 other countries.

The company faced a number of growth issues, which related to internal organization and management. As they grew they faced problems with developing suitable internal structures and processes. The roles of the staff and partners were unclear, while responsibilities tended to be coercive and incentives brought complications. This led to a situation, where the use of coercion was inevitable to make some partners contribute their full share (warning about possible consequences –e.g. terminating their contract). In order to avoid such situations, roles and responsibilities must be clarified from the beginning.

Ultrahack did not have a go-to market strategy in the initial stages of implementing their project. The first push to enhance awareness of the company started with the ideas of the professor at Aalto University and work undertaken by Ultrahack for Microsoft. This in turn provided a good reference and led to an order from the Finnish telecom industry called FICOM to organize an ICT competition the following year. It then developed

into a nationwide competition. Teleforum was also interested in such competitions and became a partner as well.

Later on, when Ultrahack went separate ways from Aalto University because of differences in vision, they invited Slush as a new partner. With the help of Slush they were able to organize the first, huge hackathon. Following that, Slush lost interest because they were focused on the end-point – the actual event –and not in further collaboration. The partners who helped to develop the concept further were Teleforum and TKO-Aly ry (The Student Union of the Department of Computer Science at the University of Helsinki).

The next promotional activities were the hackathons held around the world and the partner hackathons in the Netherlands. Having the hackathons held abroad as just promotional events, Ultrahack realized that they needed to develop a proper business model. They therefore invited an expert who has his own consultancy and has experience of working with international projects to assist them with this task. Ultrahack is currently still working on internationalizing their concept.

Ultrahack's growth in numbers for the first 2 years was 75% each year, and in 2015 it registered a 50% increase in turnover, reaching around €0.5 million and growing. That year Ultrahack had a team of about 50 people working part-time on 3 major projects. The company has established an advisory board to help scale up the business. It has promoted itself abroad and now there is an interest from more than 10 countries to obtain a licence for organizing Ultrahack on an international scale. The company is now preparing to license/franchise its concept to other countries.

BUSINESS IMPACT

Ultrahack was able to deliver a nationwide competition and attracted many partners. Turnover has been growing and the company is now working on 3 major projects. Having promoted themselves abroad, there is now interest coming from more than 10 countries to acquire a licence for holding Ultrahack on an international scale. The company is now planning to license/franchise their concept to other countries. Ultrahack managed to secure the legal ownership of the brand and now has 4 partners and 1 investor. They are currently developing their go-to-market strategy with the help of an external consultant, who also helped in creating the advisory board.

During their short lifetime, Ultrahack has learnt the following:

- Budgeting should not always be transparent as it has a huge effect on company growth (affecting the internal management);
- Always recruit talented people for the company;
- Responsibilities should be defined at the start, so that everyone is responsible for their own work and confusion between roles can be avoided;
- You should always have a backup plan, especially when it comes to partnerships and managing volunteer staff. There is always a chance that the original plan will not work or it might run into difficulties.
- Be inspired and ambitious, and aim as high as you can;
- Always leverage all the parties in partnership;
- Try partnerships with new or cold contacts first as with them you have fewer obligations and you may try new things in a more risk-free manner.

The main investor from the beginning of the Ultrahack project was Teleforum; however they invested only partially in the projects so finding appropriate funding used to be a big challenge.

Later Ultrahack found an angel investor (VC), received a seed investment from Nestholma and recruited a fourth partner – an executive from Nokia Asia, a Symbio developer. Growth in turnover for the first 2 years (2013–2014) was 75% each year, and in 2015 a 50% increase in turnover (approximately €0.5 million) was recorded and further growth was foreseen for 2016. The company is aiming for A round financing.

LESSONS LEARNED

This case shows how important it is to do whatever possible to achieve ambitious goals and not to be afraid to expand the business. This obviously entails risks, especially given the apparent lack of strategic planning and an improvised approach to opportunities. It depends a lot on the attitude and capabilities of the entrepreneur and some will be more successful than others.

First, to succeed in the market the company's offering must be different from its competitors and propose clear value for the customer. At all stages of the innovation path, the quality of partnerships and collaborations is important, as they help to share risk, receive insights into development and

commercialization issues and speed up the entire process. Having a clear idea is not enough to succeed, and particularly when scaling up the business it is necessary to have both a go-to-market strategy and a plan B.

Main lessons learned:

1. Innovation starts with an excellent and unique idea.
2. The whole company needs to be built on collaboration.
3. The first challenge is funding, the second is competition.
4. Exploring the experience of others (e.g. how a similar project is carried out abroad) can help in developing the concept.
5. Expert advice is important for SMEs if they are lacking expertise in a specific field.
6. Co-creation with partners and experts helps to improve the development of the concept.
7. Good connections play an important role in gaining more customers and investors.
8. SMEs should sometimes try to work with new or cold contacts first because with them they do not have a prior history of relationships and therefore have no obligations.
9. Recruiting the most talented people is one more way to succeed.
10. Roles and responsibilities of partners and staff (volunteers) should be assigned at the start to avoid complications.
11. The internationalization process can already be defined in the early stages, as the company's experience of offering the concept on the local market can be used as promotion abroad.
12. Always keep in mind that failure can occur and have both a plan A and a plan B.