



SETTING UP IN THE US
PLAYBOOK

FRONTLINE VENTURES #USPLAYBOOK



Setting Up in the US Playbook by Frontline Ventures

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INTRODUCTION

About the #USPlaybook
About Frontline Ventures



About the #USPlaybook

From the Frontline Desk

For the majority of the Frontline portfolio companies, expanding to the US is a “when,” not an “if.” I built this Setting up in the US Playbook to serve as a helpful companion for those about to take the US by storm.

We want to even the playing field for international entrepreneurs to compete on a global level. The US Playbook will hopefully accelerate your progress, saving your team valuable time and money. The goal is to remove a lot of the questions and barriers international founders have when setting up in the US.

In this field manual, you will learn about:

- Considerations to the “Why/When/Where?” context that will frame your US expansion
- A comprehensive overview to technical/logistical details – such as incorporation structures, visa options, etc.
- Best practices for hiring and team-building in the US
- Helpful tips & tricks to getting started once you hit the ground
- Case studies and advice from international founders who have undergone the process themselves
- Links to additional articles, reports, and blogs for more in-depth reading

I personally put a lot of blood, sweat, and tears into this field manual these past several months – I cannot even *imagine* the levels of dedication and effort it takes to actually implement these measures. Hats off to you founders who are in the process of setting up in the US. This field manual is our homage to that journey.

True to our name, Frontline is serious about fighting alongside our companies actively at the front line. We are trying to revitalize this old and tired cliché of “VC value add.” It is not just a selling point for us – it is something that is at the heart of our fund’s origination.

We are actively looking to invest in innovative companies who have their eye on the US market. If this is you, get in touch – we would love to learn more about your company and how we can help!

Many thanks to the 50+ founders, investors, and service providers who sat down with me – this field manual wouldn’t exist without all of your generous help and insight.

Have any suggestions, questions, or feedback?
Send me an email: kimp@frontline.vc

Cheers, Kim
@kim617

PS – Looking for shortcuts? There aren’t many, but having a US-based investor really helps. Their networks and experience can accelerate this process a lot.

The #USPlaybook by the Numbers

Weeks spent in the US	3
Founders interviewed	50+
Service providers interviewed	16
VCS interviewed	12
Cups of tea drank	30+
“Tales from the Trenches” interviews recorded	18

About Frontline Ventures

Frontline Ventures is Europe's first community-focused venture fund, investing in early-stage, capital-efficient software and Internet companies. We invest in and support world-class tech entrepreneurs through our innovative platform.

We are based in London and Dublin, but invest across Europe.

Found this Playbook helpful? You can read more on *At the Front Line*, our hub for Frontline-created and Co-curated startup resources.

- Shay, Will, William, and Kim



LINKS

Website

www.frontline.vc

Twitter

www.twitter.com/frontline

LinkedIn

www.linkedin.com/company/frontline-ventures

At the Front Line

www.atthefrontline.vc

Blog

www.medium.com/at-the-front-line



Turlough Daly, Vearsa



David Smith, FirstCapital



Kevin Holler, Shake



Jan Sramek, Better.io



Carl Waldekrantz, Tictail



Gareth Davies, AdBrain



Alex Torrenegra, Bunny



Trevor Branon, Boxfish



Gabriel Hubert, Totems



John McGuire, Game Golf



Adam Ewart, SendMyBag



Aaron Taylor, GoPrezzo



Louis Jonckheere, Showpad



Sharon Savariego, Mobilize



Oisín Hanrahan, Handy



Katie Sagan, Brainly



Pat Phelan, Trustev



Mark Little, Storyful



Martha Rotter, Woop.ie



Julie Currid, Initiafy



Sean Fennell, Initiafy



Ed Byrne, Xenon Ventures



Ben Cera, Context Labs



Trevor Parsons, Logentrics



Gavin Cooney, Learnosity



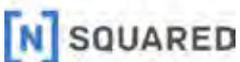
Vol Pigrukh, Profitero



Duncan Lennox, Qstream



Siofra Flood, Drop





SO YOU'RE THINKING OF SETTING UP IN THE US

Why?

When?

Where?

Pre-move prep work

Perception vs. Reality

Why?

Introduction

Downloading and reading this Setting Up in the US Playbook is your first step on this journey to getting to the US – congratulations!

The US accounts for 50% of the global R&D investment and has the cultural diversity, reputation for innovation, global reach, talent base, infrastructure, and scientific institutions to serve as a base for innovative companies around the world.

It may seem intimidating to expand your company into a country where the competition is amplified exponentially – fighting over the same customers, investors, and partners.

It won't be easy – splitting your team across continents, in cities more than 5000 miles apart, and working through a 5+ hour time zone difference. You'll be separated for extended periods of time from your family and friends, in a country that seems hell-bent on making you struggle for every milestone. There will be grueling weeks spent on long intercontinental flights.

But the opportunity to make it in the belly of the beast is incredibly exciting – both personally and professionally.

Why?

Expanding to the US will give you unprecedented access.



Of the 24+ startup founders and executives that we surveyed, we kept consistently hearing that the US would give you incredible access to:

Mentors, advisors, and partners

Many of the best and the most experienced are in the US – the mentors who once seemed inaccessible are now in the same coffee shop or co-working space. The men and women who built and sold the giants in your industry are now angels looking for disruptors. The decision-makers at corporates are actively partnering with startups. There is just a greater concentration of these big players that you can't find anywhere else.

Funding

68% of venture capital deployed around the world is in the US.¹ Aside from sheer density of investors, American VCs and angels tend to be much less risk averse and willing to take a chance on your company. The best of them have incredible networks that you can tap into for other investors, potential hires, partners, etc.

Enormous domestic market

The country has a population of over 316M people. If your core market is the US, it is critical to be there for product feedback. For consumer companies, this is a no-brainer. US customers are arguably more progressive – there is a greater concentration of early adopters who are eager to take risks and try new technologies.

PR/exposure

Your press coverage will be greater in reach and influence. Tech press is much more extensive in the US than anywhere in the world – for better or for worse, there is a big opportunity to further exposure, spark dialogue, and acquire customers.

Clusters of skilled, experienced talent

The pools of talent are unrivaled in scale and experience. Americans tend to better accept the inherent riskiness of startups, and thus, excel in that autonomy and ambiguity. You will often find executives who have spent their entire career in startups and can flourish in an environment of speed, flexibility, and hyper-growth.

Potential exit opportunities

Being in the US will increase your chances of a favourable exit, as well as the size of that transaction. From an M&A perspective, the decision makers of many of the largest potential acquirers are mostly all in the US.

Case Study Interview

Carl Waldekranz, CEO & co-founder of Tictail

Carl is the CEO and co-founder of Tictail. Tictail was founded in May 2012 by 4 founders. The Stockholm-based e-commerce company set up an NYC office in 2014.

In regards to the expansion:



“ The US was our fastest growing market and, at the time, the world’s biggest e-commerce market (now China).

We therefore decided [Tictail] needed a local presence and went out to raise our Series A from a strong US-based lead...



We had a strong product-market fit and, after the Series A, the capital and runway to go through with such a meaningful change.”

When?

Introduction

You have long been convinced that your company needs to enter the US in order to be competitive in the global market.

But now, the even bigger question – when is best to make the move?

While there is no clear-cut answer to this, this chapter will outline various factors to consider before deciding to pull the trigger.



The Basics

- ___ Before making the move, you need to be honest about the state of your company's progress.
- ___ Do not rush your expansion, which can prove to be more detrimental than good.
- ___ This “move” does not have to be sudden and overnight – your presence can be virtual/gradual at first.
- ___ Understand what exactly you are looking to accomplish with a US presence.
- ___ Ultimately, your company's traction will tell you when the right time is.

When?

Take some time to honestly reflect on what you have achieved and the scalability of your company as it stands.

You do not want to rush this process – wait until you (the founder), your team, and your product are mature enough to “level up.” Ask yourself – at our current size and state, do we have the processes and team in place to potentially scale 10x? If you have doubts, keep waiting.

Of the 24+ startups we polled, these were the general milestones they had hit prior to setting up in the US:

- ___ Strong inter-company communication, trust, and culture
- ___ Existing fundraising from local VCs or angels
- ___ Significant traction in the EU
- ___ Management team solidified and ready to scale
- ___ Ready to open a US office with customer-facing roles (sales, marketing, etc.)
- ___ CEO reads, writes, and speaks fluent English to communicate to investors, partners, and customers
- ___ Understanding of competitive landscape, general customer expectations, and industry standards in the US

There is such a thing as trying to go too early. In this case, you must prioritise effectiveness over speed. Generally, you should not set up in the US if:

- ___ You have not launched your product
- ___ You have launched your product, but there is low adoption in your domestic market
- ___ You have no support from EU investors

These are red flags to US investors and potential partners.

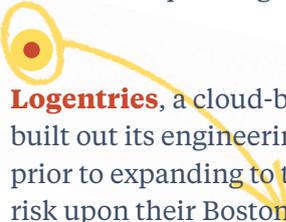
Know exactly why you are moving and what you are looking to accomplish.

Even if you haven't necessarily achieved all of the aforementioned milestones, it is still possible to start putting things in place for the eventual move. Your US presence can be virtual at first – founder(s) traveling back and forth every couple weeks, hiring agents/contractors, etc.

However, you can only be effective as a go-between for so long. It is at this point when you need to understand exactly what you want to accomplish and commit to the expansion. Perhaps it is to boost North American sales. Perhaps it is to better position yourselves for acquisition. Perhaps it is to raise US funding. Those goals will dictate the answer to “When?”

Note: *Timing will look different for every company – there is no “one size fits all” here. However, we generally found that companies had reached product-market fit in their home country and had an average of 12 employees before expanding into the US.*

AdBrain, a multi-screen advertising intelligence company, got proof of concept in London before making the leap to New York City. CEO Gareth continues to be based in London, spending ~30% of his time in the US.



Logentrics, a cloud-based log management startup, built out its engineering team in Dublin extensively prior to expanding to the US. This was done to minimise risk upon their Boston launch.

Brainly, an edtech social network founded in Poland, had been thinking global from the very beginning. They were already in 12 languages and available in 35 countries before setting up shop in NYC.

Where?

Introduction

There are a multitude of factors to consider when choosing the first city to set up your US presence. Don't just set up where your first customer is – there are other elements in the equation:

- ___ Proximity to customers
- ___ Proximity to partners
- ___ Density of investors
- ___ Ease of travel to home country / time zone difference
- ___ Availability of talent
- ___ Costs of living and operations
- ___ Dominant industries
- ___ Overall lifestyle



Where?

Tales from the trenches...

Don't automatically assume that it's Silicon Valley or bust...

That's the mistake that Storyful initially made. The Dublin-founded online publishing platform set up in SF before realising that NYC made the most sense. According to founder Mark Little, it is a city that “gets content, media, and B2B.” It was this move that eventually led to Storyful's 2013 acquisition to News Corp.

But know that there's a reason why the Bay Area is so powerful.

Belgium-founded mobile sales acceleration platform Showpad was initially in NYC (because of its proximity to Belgium), but felt that there was a lack of suitable enterprise software talent. Co-CEO Louis Jonckheere moved Showpad to SF because of greater availability of sales leadership, access to capital (particularly B2B enterprise investors), and the agreeable climate and lifestyle.

Go where “your people” are.

GoPrezzo decided on NYC because their advisors, most potential funders, partners, and competitors are there. “Nobody in Belfast got gaming or adtech, so NYC was the place to be.”

Choose a city where your dream talent is.

Mobilize choose SF over NYC (despite it being closer to their Israel-based software team) because of the large talent concentration of motivated people formerly employed at “unicorns” – experienced folks who previously worked in hyper-growth environments. CEO Sharon Savariego accepted that the salaries in SF would be much higher.

Different cities have their strengths.

There is no “one city fits all.” Do your research into the benefits and drawbacks. Below are some defining traits and characteristics that may help you make a decision.

***Note:** Frontline Ventures has created some helpful city guides for international startups when they first land in American cities like Boston or New York City. They cover everything from prolific early-stage investors and important tech meetups to co-working spaces and city tips & tricks. You can find these city guides at: www.atthefrontline.vc*

SAN FRANCISCO/ SILICON VALLEY/BAY AREA

- ___ Robust VC community
- ___ Great place to acquire new customers quickly, tons of tech early adopters
- ___ “Everyone is in tech”
- ___ Great weather, easygoing lifestyle
- ___ Home to “big tech” – Oracle, Apple, HP, Microsoft
- ___ Concentration of unicorns

Strengths:

Consumer, gaming, mobile

NEW YORK CITY

- ___ Closer to Europe/Asia in terms of time zones and direct flights
- ___ Exploding startup ecosystem
- ___ Very urban/metropolitan lifestyle

Strengths:

Finance, advertising, publishing, media/brands

To learn more about NYC, check out Frontline’s city guide.

BOSTON

- ___ Strong talent pool from 50+ local universities, long history of academia and research
- ___ Significantly lower living and operating expenses than the Valley
- ___ Close to Europe/Asia in terms of time zones and direct flights

Strengths:

Biotech, education, enterprise software, healthtech

To learn more about Boston, check out Frontline's city guide.

OTHER US CITIES

- ___ LA
- ___ Chicago
- ___ Seattle
- ___ Austin
- ___ Las Vegas

Note:

Different cities in the US can offer significant tax incentives.

Do your research!

Pre-move prep work

Introduction

After extensive and honest introspection, you now know that setting up operations in the US is vital to your company's growth. You also now have a particular city in your sights. Great!

There is still a lot of preparation required before you press Go and “turn on the machine,” and that starts with continually visiting the US, doing market research, meeting potential partners/investors/customers/hires, and more.

Make sure to cover all of your bases and do the following prep work before you step onto the plane.

The Basics

- ___ You should be regularly visiting the US at least once a quarter before officially “making the move.”
- ___ Plan ahead for your trips!
- ___ Be prepared to deal with US Customs.
- ___ Research and apply for the correct visa for your situation – either the visa waiver program / ESTA or the B1 business visa.
- ___ Don't waste your time with useless meetings just to fill up your schedule.

Pre-move prep work

Spend a lot of time in the US as a founder before officially expanding.

Before incorporating on US soil, the majority of founders we surveyed averaged 4-6 trips a year, up to 3 months at a time.

Spend time familiarizing yourself with the geography, immersing yourself in the culture, and getting to know the local market. Your on-the-ground time will build real relationships with potential investors, partners, and customers.

Use these trips to meet with multiple service providers, giving you time to vet them out before signing any expensive contracts.

Case Study Interview

Vol Pigrukh, CEO/Co-founder of Profitero

Profitero was founded in 2010 in Dublin, Ireland by Vol Pigrukh, Dmitry Vysotski, and Kanstantsin Chernysh. It is now a leading global provider of e-commerce intelligence for retailers and brands.

The company closed an \$8M Series A in 2014 with the goal of opening a US office, but CEO and co-founder Vol said Profitero had been passively preparing for the expansion for over 2 years.

Vol and his founding team were regularly flying to the US for meetings (every 2-3 months) starting in 2012. By 2014, Profitero had already secured paying customers in the US, thus validating the opportunity and strengthening their ability to fundraise.

Vol also used his time on-the-ground to network with potential hires. He started a relationship with an executive who, 2 years later, would become Profitero's VP of Sales for North America.



Case Study Interview

Kevin Holler, CEO/Co-founder of Shake.io

I can't stress how helpful it was to be here earlier just networking my ass off and meeting with founders. Building relationships early on have helped me get the warm intro's to investors I need right now. I made the mistake of initially booking a one week trip, but quickly realised there would be follow-on meetings and ended up staying for 6 weeks.

I hope that lots of founders will read this early on so they realise it's a long process. Getting caught up in all the US press makes it sound deceptively easy and I think a lot of international startups assume the same rules apply to them.

- Kevin Holler, Co-founder of Shake.io



Plan your trips ahead to make that time and financial investment worth it.

Build a list of people you'd like to meet and leverage your network to set up meetings. Before you even get on that airplane, qualify those leads radically.

Sign up for a handful of events recommended to you by professional contacts. There is a lot of noise in startup ecosystems like SF and NYC, and it's easy to waste all of your nights at meetups that provide little-to-no value. Vet out events to optimise your time there.

Don't waste your time with "technotourism." It is very easy to get swept away in the tech bubble - having meetings with non-decision makers at big tech companies, attending low-quality tech events, taking Facebook photos at the famed coffee shops, etc. Hold your time allocation up to a high standard.

Front-load your meetings. Have most of your meetings in the first 4 days of your trip and leave the rest of your time fairly flexible. This will allow room for rescheduled meetings (which will inevitably happen), referrals from previous meetings, serendipity, etc.



Come prepared or don't come at all. A first impression can make or break a professional relationship, so perfect your deck/pitch/proposal prior to the meeting. Bring business cards, which should include an American phone number or address (more on that in the "Getting started" section).

Know why you are going – there should be a concrete goal to be achieved at the end of this trip. Is it to secure US investment interest from at least one VC? Is it to close a deal with a corporate partner? Have clarity on why exactly you are taking a pause from your day-to-day operations to embark on this trip.

— Make sure your visa situation is 100% sorted before you step onto the plane.

There are 2 options for founders traveling to the US:

Visa waiver program / ESTA

- Quickest, easiest, and cheapest way to enter the US
- Costs \$14, application can be completed online within 10 minutes
- Perfectly fine for one-off visits, but you are technically barred from “doing business” under this waiver
- If you abuse it, customs can ban you from entering for any length of time

B-1 business visa (recommended option to stay on the right side of customs)

- Enables you to visit the country to perform certain business activities (sales, market development, contract negotiation)
- Costs \$160, application can be completed online within 20 minutes and is then subject to an interview at your local US consulate (turnaround < 5 days)
- If you are refused entry to the US under a B-1, you have the right to appeal

(More extensive information on visa options can be found in the “Visas/immigration” chapter.)

Some things to note about US Customs:

- Always say you are in the country for “meetings and conferences” – do NOT ever mention that you are planning to work there, may be moving, or anything else related to visa applications.
- You always need to have a return flight booked and accommodation sorted, as well as the paperwork evidence to prove that.
- You cannot enter the US without providing a destination address.
- Have your answers ready, as the slightest mistake can prevent you from entering the country.

Note: If you are in Ireland or the UK, consider flying to the US via Dublin – it will be a direct flight, as well as overall shorter flight time (6 hours to NYC, 11 to SF). You can also clear US customs and border control in Dublin, which will save you significant time (it’ll take you 15-30 minutes, as opposed to several hours in JFK). Simply grab your luggage and go when you land.



Perception vs. reality

Perception

Investors are funding nearly everything.

Reality

It may seem like “everything,” but there is 100x the competition for that money because of how many startups there are in the US.

There are so many events going on every night!

Yes, but very few of them are actually of any value. Most startups events are a sea of consultants and service providers taking advantage of an open bar.

It’s so easy to get a meeting with top-tier VCs.

Perhaps it is easy to end up in the inbox of a low-level associate at a giant firm, who will promptly forget your company the second the meeting is over. It is actually really difficult to end up at the partner level of decision, particularly at prestigious firms.

Valuations are higher!

Investors’ demands regarding equity look more-or-less the same (for Tier 1 US vs. Tier 1 EU funds).

Once we have funding, it’ll be easy to “turn on the machine” and scale.

Plenty of well-backed startups have gone on to fail, despite raising massive amounts of capital (See: Fab, Everpix, Color).

Perception vs. reality

Perception	Reality
<p>We've reached product-market fit, so we won't need to adjust much for the US.</p>	<ol style="list-style-type: none"> 1. Your US product may have to be adjusted. Feature requirements may be different there. 2. Make sure that your first customer represents the market. Do not make assumptions for the market based on an outlying customer.
<p>The earlier we get out there, the better!</p>	<p>Take some time to figure out product-market fit. You will underestimate costs, both in salaries and activation. Prove out your market and the data will tell you when timing is right.</p>
<p>It's so easy to get meetings at big corporate partners.</p>	<p>Storyful found that they wasted a lot of time meeting with people who couldn't write a check. It was easy to score meetings with staff who understood the value prop, but couldn't actually pull the trigger.</p>
<p>This will be an easy move, because I've already done most of the hard work with my company at home.</p>	<p>"Don't expect to jump off the plane at SFO, be welcomed by open arms by the local press, find yourself a trendy loft apartment, hire a team, and get trading in the space of a few weeks," says Huddle co-founder and current SoftTech VC Andy McLoughlin. You are essentially 'starting up' all over again, so treat it as such. Start off like you are still a new company with limited cash (which will be the reality) – figure out how your business is going to scale.</p>



GETTING STARTED

Building a network
Office space
Lifestyle/personal
Business culture

Building a network

Introduction

So you've landed in the US – now what? While you have your core network of friends, partners, and perhaps investors, it is one of your main responsibilities as CEO to build a robust network.

We don't doubt that you are a star networker! This chapter will cover some more tips from the interviewed founders about key strategies that worked for them.

The Basics

- ___ You should be spending your first 3 months in the US constantly networking and on-the-ground.
- ___ Turn the URL into IRL – a lot of great relationships can begin online through social media.
- ___ When cold emailing, be specific in your ask.
- ___ Find networks of fellow international entrepreneurs.
- ___ Be creative at offline events/conferences to differentiate yourself from the noise.

Building a network

When it comes to networking, there is no substitution for hitting the pavement.

The US is full of founders, investors, and partners who can provide a lot of value – it is your job to seek them out! For at least the first 3 months of your time, you should be constantly networking – in person and online.

Tap your network for relevant contacts – particularly, former founders who have built and exited companies of scale in your industry. Your investors and advisors can really help here. The goal is to unlock a “super connector” who can introduce you to anyone you want, provided you have established trust. The more people you meet, the higher your chances of developing quality connections.

Find networks of fellow international entrepreneurs – i.e. Italian founder meetups, Irish business networks, etc. They may not always be the most valuable, but can be a good base to start.

In regards to conferences – be specific in what you are looking to do/who you want to meet. If you know your key customers and investors will be attending, perhaps it is worth the investment. If you are thinking about TechCrunch Disrupt or SXSW, make sure to plan most of your meetings in advance.

Conferences can get really expensive. There are however, ways to “conference hack” to minimise costs.

— Rent a meeting room in the hotel next to the conference center and run a workshop to attract potential talent, partners, etc.



— Frontline portfolio company **BuildingEye** rented a large boat on Airbnb and moved it to the harbor in front of the hotel (where a conference was being held). CEO Ciaran Gilson then invited attendees to a party on the boat.

— If you’re flying, roll up 2-3 marketing materials/stands with duct tape to make 1 piece of luggage and save money on shipping.

— One founder even recommended buying a TV from Best Buy, returning it at the end of the weekend, and saying, “my husband/wife didn’t like it.”

Use the Internet to do a lot of the legwork for you.

The US tech community is very active on social media – Twitter handles are nearly as important as LinkedIn profiles. Check and build out your various online presences – Twitter, LinkedIn, personal website, etc. Look into blogging and writing publicly – thought leadership is important. Having a robust online personality and followers will give you credibility.

Other online hubs that are popular in America that you may want to build up:

- [AngelList](#)
- [Crunchbase](#)
- [Product Hunt](#)
- [Quora](#)
- [Medium](#)
- [GitHub](#)

People in the US are really open to meeting with you – it is perfectly fine to reach out via Twitter or cold email, as long as you do it with tact. Keep in mind that people in these positions are probably receiving tons of inbound requests to meet – so don't do the "pick your brain" email. Instead,

Provide context.

Don't blindside the person. Give background on how you met/the relevance of the conversation.

Be specific with your ask.

Know exactly what you want to get out of the conversation.

Keep it short and simple.

No one wants to read more than 2 paragraphs of text from a stranger.

Do your research.

Delve into their background, network, and skillset. Tailor your ask to that.

Don't make logistics the barrier.

You don't want to reach out months in advance – 1-2 weeks before requested meeting dates is fine. Always send 3 times/dates you are available, offer to meet where is convenient for them, and send a calendar invite.

Pay it forward.

Always come bearing gifts. Show your appreciation by offering something in return – an introduction, a social media share, a candidate referral, etc.

Office Space

The Basics



Most of the founders we spoke to stressed how important a “cool” office space is (which surprised us). It actually is a big deal – it’s already difficult to recruit for a little-known foreign company, so make sure that you have a fun office that employees look forward to coming into everyday.

Talent also really cares about location – so set up your office somewhere central and accessible, even if you have to pay more in rent.

If you just need a desk or two, ask around your peers who have already made the move and are willing to let you squat for a bit. Most companies are pretty open to sharing their space.

If you are looking for something more robust that can scale up, look into co-working spaces. This will allow you to have flexibility as your company grows, an environment that you share with other startups, and shared resources and community. Some co-working spaces like WeWork can even provide postal address services for banking or incorporation.

Be wary of too-good-to-be-true cheap spaces, especially in startup hot beds like NYC or SF. While the initial figure may look enticing, these spaces can nickel-and-dime you, charging for things like Internet, office equipment, and printing.

Lifestyle/personal

Introduction

Here is some useful advice we pulled from the interviewed entrepreneurs – particularly around finding a home, lifestyle changes, and getting your essentials sorted.

Lifestyle/personal

Renting an apartment is very difficult as a foreigner.

You will find that, because of lack of sufficient credit or documentation, you will be writing a lot of reference letters for yourself/any employees – stating that this person is indeed employed with you and how much money they will be earning. In many cases in NYC, the company may even need to be a guarantor for the apartment.

Find your apartment yourself to avoid paying broker's fees, which are paid by the renter, not the landlord in America. Fees can be up to 12% of your yearly rent. Craigslist, Streeteasy, and Zumper are helpful resources. Be prepared for a high cost of living.

Airbnb is a popular option and much cheaper than hotel stays. Founders also recommended corporate apartments like Club Quarters in NYC. Regardless of your accommodation, do not skimp on it – your space needs to be private and comforting after a long day at work.

Some founders have found that renting a multi-bedroom house is helpful (if you can afford it) – there will always be spare beds for founders/employees when they arrive.

Get a credit card ASAP and start building credit.

You will also run into the problem of having no credit, which is an issue for a lot of rental agencies.

- **Short term:** You can get around the credit issue by demonstrating other documents to replace your lack of credit. This includes paystubs, a letter of reference from your company, bank statements, and often up to 6 months of rent as a type of guarantee. Each rental agency will have different requirements. Sub letting can help get around most of these requirements.
- **Long term:** One of the best ways to build credit is to obtain a credit card from Capital One. They offer cards that you actually have to provide collateral for, but that allows you to build credit quickly.

Brainly was able to give their employees company cards (with collateral posted by the company), which helped them build their respective credit.

Credit cards are ubiquitous throughout the US. Once you are able to, take out several cards tied to accounts at different banks.

Get your social security number (SSN) ASAP.

Obtain your SSN immediately, as it makes so many other things impossible to complete without, such as payroll or health insurance coverage.

A social security number (SSN) is usually needed to sign up for an American phone.

Pre-paid cell phones (“burners”) are not respectable. Before you can get your America number, get a free Google Voice number and set up call forwarding to your international phone. It also offers voicemail functionality. If you want to keep your international number, Vodafone offers a €80/month plan that allows for unlimited data and calls abroad. Check with your local providers about packages for data and calls when you are traveling.

AT&T was also recommended for their good international plan (given that you will be traveling a lot). Make sure that this American number is on your business card.

If you are planning to own a car, get your driver’s license as soon as you can.

It will be a headache – go to your local Department of Motor Vehicles (DMV) and wait (up to several hours in busier locations). The driving test consists of an exam (usually taken on-premise on a computer) and a road test (you will most likely have to parallel park). You will then be issued a temporary paper license and then mailed your official card license.

If you’re in the city, you most likely won’t need a car.

Unless you are living in a suburb or have a family, you generally won’t need a car if you are living in cities like San Francisco or NYC. Uber/Lyft, Zipcar, public transport, and taxis will cover you. Learn about your city’s public transportation system, it can get you from point A to point B often easier than a taxi may (i.e. you can easily take the BART from SFO into the city).

Your days will be lean and long.

As one CEO put it to us, “the days of nice things are gone.” A cushy, laid-back lifestyle will be one of the many sacrifices you will have to make as a founder in the US.

Be prepared for long days managing teams across time zones – you will be waking up early and staying up late. Americans tend to have longer workdays as well – there is a “workaholic” mentality that our founders have noticed.

You will probably be flying back and forth every 4-5 weeks. Buffer in a couple days to get over jetlag, especially if you are flying from San Francisco to Europe and back.

Business culture

Introduction

Chances are, the business culture will not be too wildly different from where you are based. However, there are some cultural quirks that surprised our founders – particularly when it comes to hiring and selling to Americans. The notable differences are below.

Business culture

Be concise, but compelling in your meetings.

It is generally easier to get introductions to people in the US than in Europe (one founder even said “10x easier”). However, just because you are getting meetings does not mean that traction is being made. “Technotourism” = not meeting decision makers – we see founders waste their time meeting with employees at “big corporates,” but with those who cannot pull the trigger. Titles can be meaningless in the US, so map out the buying process and target decision makers from the start.

There is zero tolerance for arriving late – aim to be > 10-15 minutes early. Do not waste time and be straightforward in meetings. Have a concise pitch, as most meetings will not exceed 30 minutes.

Follow up quickly – no more than 2 days after. Your follow-up email should contain the “meaty” content, as the in-person meeting is more introductory/trust-building.

When scheduling meetings, be careful navigating time zones. Set time zones in advance on Google calendar invites to remove any confusion. If you are making the “ask,” always plan to meet the person at their office or at a place convenient to them. Include your mobile number in the event description in case they cannot find you.

Business cards are still widely used.

After a big meeting, exchange business cards and send a LinkedIn request/follow-up email if relevant. Cards are very cheap to get made (Moo is a popular option), so stock up. You will be frequently giving them out at events, conferences, etc.

Make sure to include: name, company name, official website and email address (no @gmail.com addresses!), your US phone number, and American office address. Make sure that your title is in the US style - e.g., “CEO,” not “Managing Director.”

“We’re not in Kansas anymore, Toto!”

Americans tend to be very frank – we even heard “no shame” from one founder. If they are not interested, they will tell you upfront and may even cut the meeting short. You should be especially mindful of this when talking to investors, who have little tolerance for the abstract or anything “fluffy.”

Do not undersell yourselves – Europeans tend to come off a little more reserved. Your American competitors will have no problem tooting their own horns, so take PR seriously. You will oftentimes be selling the momentum, not the reality, to get exposure. Silicon Valley culture is more “in your face,” according to one founder – she feels that ego is more in play and that “hype” can actually be effective. “Being modest doesn’t get you anything out there. You have to be the best salesperson for your company.” If outsourcing PR, be prepared to pay substantially more than you would back home.

American consumers are generally much more open to new ideas and will often “get” your product when those same consumers back home don’t. Take advantage of this early-adopter enthusiasm.

When it comes to hiring Americans, know that business people in the US are exceptionally smart. There are bigger numbers at play and greater competition. The good people in the US are “heads and shoulders” above the good people in the rest of the world, according to one founder. Because their expectations are much higher, Americans tend to be more aggressive, particularly around sales and fundraising.

Localise all of your materials.

Make sure that all of your marketing, case studies, and website content has American spellings (“personalize,” not “personalise” and “color,” not “colour”) and that the pricing is in dollars. It may be helpful to hire Americans to do your marketing and communications.

However, you yourself don’t want to completely “Americanise” – your background or accent can be the differentiator that causes you to stick in customers’ or investors’ minds. Irishman and  **Qstream CEO Duncan Lennox** worked hard to keep his accent, because he felt that it distinguished him. He still understands that Americans want to “work with what they know,” so he uses American slang, but maintains his Irish accent.

Don’t worry if English is not your first language.

Startup hubs in America are very international. 70% of residents in Silicon Valley are originally from outside the US, so maintaining an awareness of cultural behaviors and mannerisms is good practice. More than half the people you meet at any tech event will not be native English speakers.²

However, it may be useful to add American sports/business lingo to your vernacular – business and salespeople frequently use terms like “out of left field,” “ballpark figure,” “batting average,” or “hail Mary pass.”

Find local advisors.

Take the time to meet with individuals you would want as advisors – it should be both a personality and professional fit. The ultimate “dream” advisor can provide you with useful high-level advice, make introductions to people you wouldn’t normally have access to, and industry prestige carried by their name.

Email culture is different in the US.

Short, curt emails do not necessarily convey disrespect or abruptness. Do not be afraid of the 2-sentence email. Explicitly make your ask in less than one paragraph and you will be more likely to get a response.



Checks are surprisingly widespread.

Arranging bank payments/electronic payments/wire transfers are much less common. Landlords will expect rent/deposit cheques (or checks, as they spell it in the US).

“Time is money.”

Totems CEO Gabriel Hubert sees founders’ times as worth \$150/hour – measure everything up to that. You cannot truly be productive more than 4-5 hours a day, so an hour of your time is worth \$150 and 20% of your day. Stick hard and fast to that rule to optimise your schedule.

Most American accelerators prioritise differently.

We spoke with several founders who went through accelerators in both Europe and the US. Those who participated in well-known SF accelerators noted a focus on “getting out of the building,” meeting customers, and achieving traction. There was an element of “hustling your socks off” and the program ensured that.

Those same startups went through local accelerators, and found the two to be very different. The local accelerator focused only on creating investor slides and preparing for demo day – but when the investors showed up, no company was ready for investment based on what they had actually achieved during the program’s duration.

Case Study Interview

**Alex Torrenegra, CEO and co-founder
of Bunny**



“There are clear cultural distinctions [between Colombia and the US], but good entrepreneurs have to develop an eye to spot things they should pick up from their surroundings.

There is not a strong cultural difference that could significantly disturb performance. Whatever the venture, if you are committed enough, succeeding or growing won't depend on how much you have learned from the culture, rather [it will be on] how much you have learned from others who have been in your same position - both culturally and business-wise.

The most important skill one has to develop as an entrepreneur in a foreign country is the willingness to learn from people who are far smarter and knowledgeable than yourself and who can provide constructive feedback.”





LEGAL CONSIDERATIONS

Corporate structure
Visas/immigration
Tax/finance implications
Banking
IP & liability management
Transfer pricing

Corporate structure

Introduction



Determining the right corporate structure is important to your company's success. It is necessary to understand why you are incorporating a particular way and the tax implications that will follow. This chapter will outline incorporation options and our recommended course of action.

Note: This is meant to be purely informational and does not constitute professional legal advice. Seek a qualified lawyer before you make any decisions.

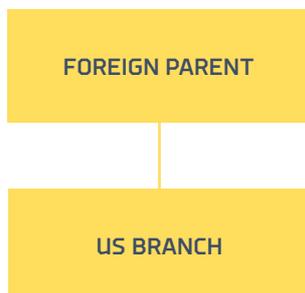
The Basics

- ___ “Americans like to buy from Americans” – establishing yourself as an American company will make potential American customers feel more comfortable with engaging with you.
- ___ Once you've made the commitment to setting up in the US, do not delay incorporation – the sooner you do it, the better!
- ___ While you can do a lot of the prep work yourself, you can engage a lawyer to do the heavy lifting. Many firms offer startup packages.
- ___ The recommended option for most startups is the Delaware C-corp
- ___ The “Delaware flip” is much less common and very expensive, but may be required pending US investment.

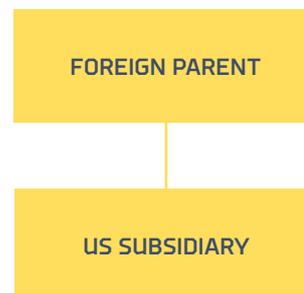
Corporate structure

Basically, there are 3 options for incorporation for international startups.

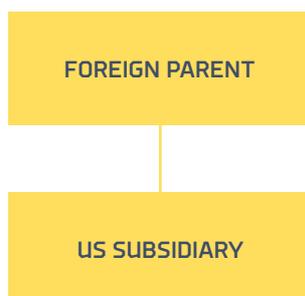
Option 1: branch of home country
OWNED BY FOREIGN PARENT



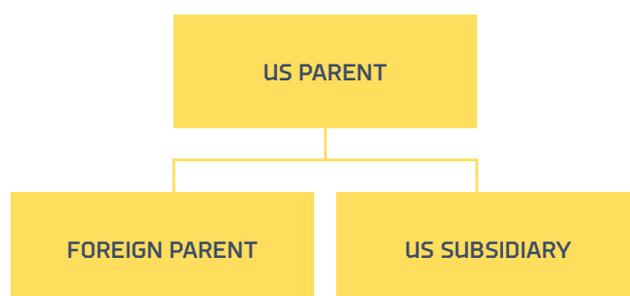
Option 2: wholly-owned subsidiary



Option 3: "Delaware flip"
EXISTING STRUCTURE



POST DELAWARE FLIP



You should incorporate as a wholly owned subsidiary in a US state (preferably Delaware), not as a branch of your home country company.

There are several reasons for this:

- Delaware corporation law is well developed.
- Lawyers throughout the US are comfortable giving legal advice on basic issues under Delaware General Corporation Law.
- US investors will be most familiar with and can likely require this sort of structure. (More on this in the “Fundraising” chapter.)

***Note:** Just because you are a Delaware company will not limit you to just doing business in Delaware. Once you have incorporated, it is very easy and inexpensive to “qualify” to do business in the states in which you locate your operations.*

Do not delay incorporation – do it sooner rather than later to prevent the headache of having to do it when your company has gained momentum and/or is raising a round.

Each state’s Secretary of State website will outline all of the requirements needed, e.g. Delaware’s site is: www.corp.delaware.gov

It costs about \$400 and can all be done online in one day. Y Combinator-backed Moltin recommends using the service Clerky, which handles Delaware C-corp incorporation all online.

Choose the right business entity type for your company.

Once you have chosen the state of incorporation, you must now decide on the right business entity type for you. There are 2 main options for startups:

Business corporation (Inc., which is deemed a C corp for US tax purposes)

- ___ Often preferred for foreign companies' subsidiaries
- ___ Widely recognised by most customers
- ___ “Tax opaque” – treated as a separate person for US tax purposes
- ___ More legal precedent established
- ___ If you are seeking an E-2 or L-1 work visa, corporation type documents are required instead of LLC
- ___ Requires certain board formalities to preserve limited liability

Limited liability company (LLC)

- ___ Best suited for companies that are limited in purpose or which otherwise do not wish to become full-blown companies³
- ___ Very quick to set up, assuming there is no conflict in choice of name
- ___ Flexible structure

Note: For US tax reasons, an LLC generally is not an appropriate structure for the US subsidiary unless the Company affirmatively makes a filing with the IRS to “check-the-box” to elected to be taxed as a corporation. Given this, and given that the advantages of an LLC are not relevant to a wholly-owned US subsidiary of a non-US parent, LLC really is not an option worth considering.

Once the US subsidiary has been established, your company will need to appoint a registered agent and qualify to do business in each state where you are “doing business.” This is generally every state where you have an office or where you have employees regularly performing services. (More on the important legal distinction between employees and contractors will be covered in the “Employment law” chapter.)

Online services can take care of part of the process for you. For example, Vcorp can be your registered “Agent of Process” in each state that you are doing business – they charge \$99/year/state.

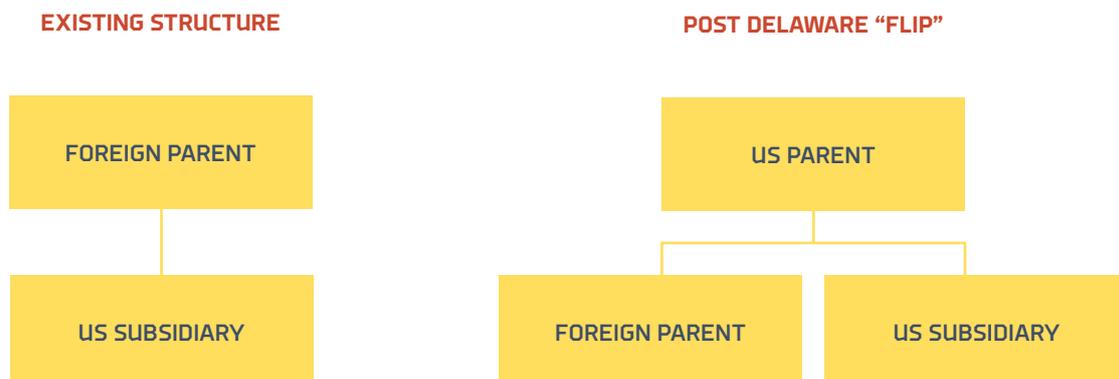
A “Delaware flip” is more complicated and expensive, but may be necessary pending US VC investment.

Some US venture capitalists will require international startups to do the “Delaware flip” before they can receive any US-based investment.

This essentially means “flipping” the business from abroad such that you end up with a US parent company at the top of the group. It can be a two-tier structure, with a Delaware topco as a holding company and a Delaware corporation as an operating subsidiary. The US holding company is inserted above the international company, and then the shareholders of the international company do a share-for-share exchange with the US holding company; the shareholders transfer their shares in the international company to the US holding company in exchange for shares in the US holding company. The holding company adds very modestly to cost, but easily facilitates future reorganisation.

A Delaware flip will subject the company overall to more stringent US tax requirements. It will also be technically seen as an exit, because it involves the transfer of all existing shares in the international company. This has the following implications:

- On paper, there could be a capital gain implication for existing shareholders if the value of the shares in the international company has increased between the time of original purchase and the transfer. There should be CGT relief available and you should seek professional tax advice [here](#).
- If the sale/transfer takes place within the required holding window for EIS or SEIS relief, those shareholders may lose some or all of the anticipated tax reliefs. This becomes even more important if those shareholders are required to consent to the transaction, and they may not be favourably disposed if it loses them money.



- Stamp duty at 1% of the value of shares transferred will likely be payable – for a company with a paper value of e.g. €10M, that will mean payment of 100K.
- If you have received government funding, e.g. in the form of Enterprise Ireland grants, the grant documentation will likely require that approval is obtained from the governmental body. If the body is Enterprise Ireland, it will also likely require that the new US company (as the purchaser of the existing international company) will have to sign a contingent liability agreement, which will contain two important clauses: (i) that the US company must continue to spend grant money received for the original purpose, otherwise they will be liable to pay that money back and, (ii) that Enterprise Ireland will maintain a right to consent to any further sale of the international company within the post-grant period (usually 5 years from the date the last of any grant money is paid).

It is important to keep records of all grant money paid as well as copies of all grant documentation so you have immediate access to and accurate estimation of the potential liability.

Note: *Frontline has seen this flip (and the following loss of tax benefits from SEIS/EIS) halt transactions.*

This reorganisation can be expensive and complicated, so be strategic about your flip's timing if you choose to do it. It is best to execute it independently of a funding round, when there is so much else going on. If you are set on this structure, it is better to flip sooner rather than later.

The entire process could cost \$100K+ in legal and accountancy/tax fees, in addition to the stamp duty that will be payable.

Do your homework in advance, and then seek legal counsel.

Research the various ways you can incorporate – with the help of Google, you can take care of a lot of the prep work. However, it will be necessary to engage a lawyer - navigating various states' laws can get tricky, so don't trip up in the beginning.

Be careful about outsourcing this process completely to online services – this cannot substitute legal counsel. There is an element of “you get what you pay for” – sloppy processes and documents that can leave your company vulnerable in the future.

Most startup-friendly lawyers offer formation packages – they can take care of the entire incorporation process for \$2000+. The turnaround is ~2 weeks, a little bit longer for California. They can also help in obtaining an EIN (your tax ID number, more on that in the “Tax implications” chapter), usually for about \$500.

Keep a corporate records book. If a lawyer is taking care of the incorporation, they will provide you with this. This can be stored and shared to shareholders and directors electronically, but don't bother with expensive “corporate secretary” software.

Take advantage of programs/resources that your home country may be able to provide. Government bodies like UKTI or Enterprise Ireland can be very helpful with recommending service providers, taking care of operational tasks, etc. They can even help with office space and reimbursement for travel/accommodation.

Recommended Service Providers

New York: Rooney PC - \$3500 incorporation package
Website: www.rooneypc.com
Email: allan.rooney@rooneypc.com
Recommended by: GoPrezzo

California: Rose Carson Kaplan Choi & White LLP
Website: www.rosecarson.com
Email: ronrose@rosecarson.com
Recommended by: Mobilize

New York: Lorcan Shannon Law
Website: www.lorcanshannonlaw.com
Recommended by: Enterprise Ireland Mountain View

California: Pillsbury Law
Website: www.pillsburylaw.com
Email: allison@pillsburylaw.com
Recommended by: Enterprise Ireland Mountain View

Visas/immigration

Introduction

While you can go back-and-forth on a tourist visa, it won't take long before the US authorities catch onto you. It is impossible to skirt them forever, so think seriously about obtaining your visa after your second extended trip to the US.

US visa law is so complicated that it is best to consult an immigration lawyer as early as possible to understand your options and begin the process. You also get what you pay for, so we have some recommended lawyers at the end of this chapter.

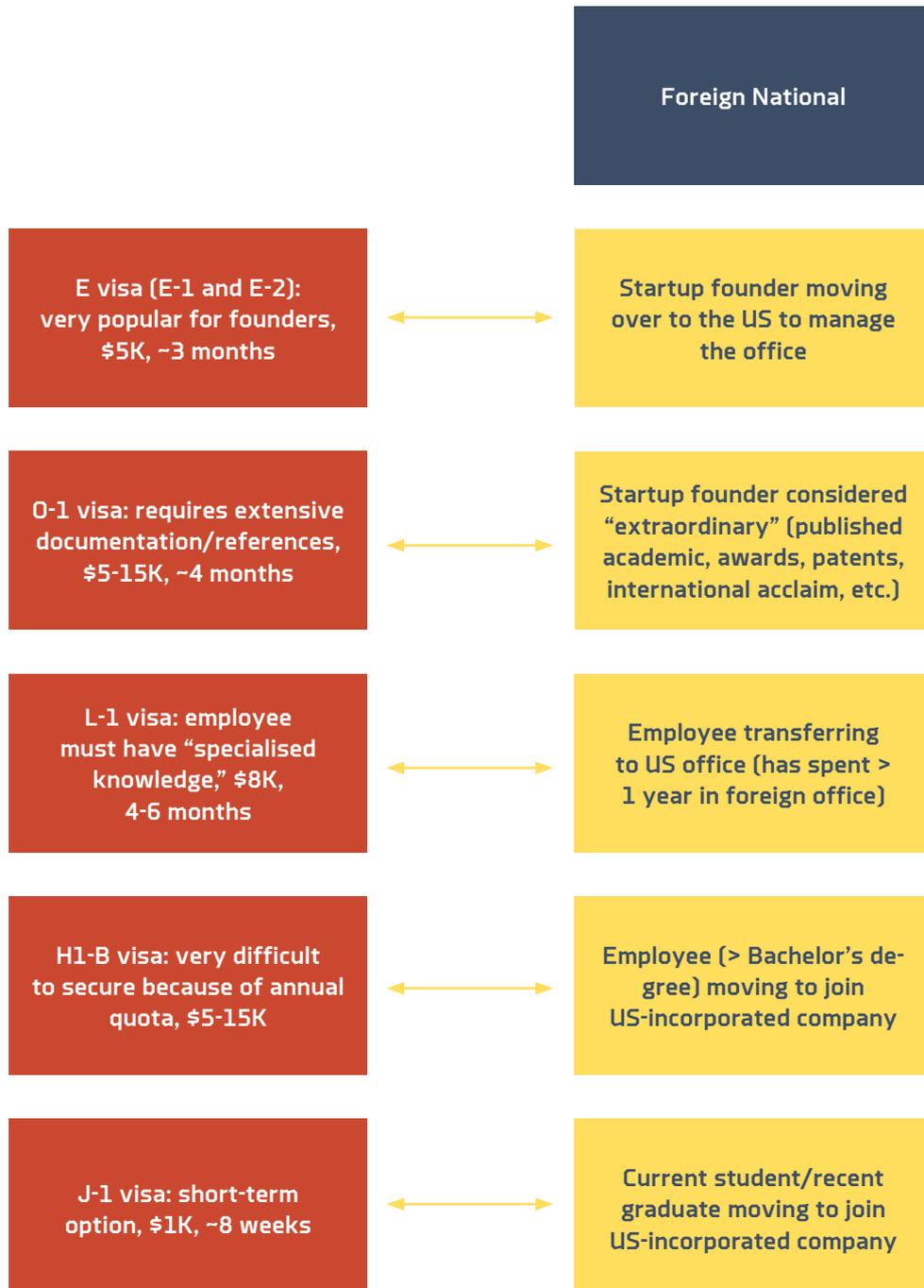
This entire process, regardless of the visa option you choose, will take a lot of time and paperwork – allow up to 6 months for turnaround.

The Basics

Work visas in the US are divided into 2 main categories – immigrant/permanent and non-immigrant/temporary.

The immigrant/permanent category is often called a “green card,” but the actual term is lawful permanent residence (LPR). Most founders will initially file for a non-immigrant/temporary visa and eventually opt for LPR later. We will cover the most popular non-immigrant/temporary visa options in this chapter.

Visas/immigration



Avail of the visa waiver program/ESTA or the B visa to simplify the initial back-and-forth.

As we mentioned in the “Pre-move prep work” chapter, there are two options for visiting the US initially – the visa waiver program/ESTA or the B visa. Both are fairly easy and affordable to file for.

Visa waiver program / ESTA

This program is available to people from 38 foreign countries, including Ireland and the UK. For a full list of qualifying countries, see here. This option makes sense for infrequent business travel to the US – it allows for up to 90 days for business or pleasure without a visa. There is no opportunity for extension.

You must apply online in advance:
www.esta.cbp.dhs.gov/esta

Like we mentioned, the visa waiver program is very useful, but is only meant to cover short trips – working is prohibited, and only limited business activities like “meetings and conferences” are allowed. You must have a return ticket booked.

Your ESTA authorization is generally valid for two years (starting the date you are approved), so you do not have to reapply during that period.

B visitor visas – for Business (B-1) or Pleasure (B-2)

This visa is for occasional business travel, and we recommend this to stay on the right side of customs. This is the preferred option if you frequently travel to the US and want to avoid the headache of worrying about entry into the country.

It does not allow many more permissions than the visa waiver program, but you are allowed longer stays (up to 6 months at a time) and the ability to extend/change your status to another visa category without having to leave the country.

Like the visa waiver program, the B visa only allows for certain limited business activities (our trusty “meetings and conferences” statement comes in here) and the recipient cannot work for or be paid by a US business. They must also demonstrate significant economic, familial, and social “ties” external to the US to ensure that they will leave the country at the end of their stay.

— Make sure you choose the best longer term visa for your situation.

There are many visa options – both for moving founders over, as well as relocating current employees from abroad. We will outline the visas that were mentioned the most in our conversations with founders. For full information, check out: www.uscis.gov

(The following is adapted from Enterprise Ireland's Access USA document.)

E-1 and E-2 visas seem to be the most popular visa option for founders from countries that maintain treaties with the US, like Ireland and the UK.

E visa for Traders (E-1) and Investors (E-2)

- Very popular with founders of foreign startups moving over
- Apply through your local US embassy
- Requires an existing treaty between the US and home country, and that the company be > 50% owned by nationals from the home country
- Issued for a maximum of 5 years (typically issued for 2 years, with renewals available for up to 5 years)
- Must be an executive, hold a supervisory position, or possess essential skills
- Must intend to leave the US at the end of visa duration
- Costs ~\$5K, takes ~3 months

Other E-1 requirements:

- Business activities must be “substantial” and constitute trade
- > 50% of company's trade must take place between the US and treaty country

Other E-2 requirements:

- Recipient/company must be investing in the US
- Company must be a real and active commercial enterprise
- Company needs to eventually be profitable / benefit the US economy
- Company owner must be in a position to develop and direct the enterprise

Note: *Gabriel Hubert, co-founder and CEO of Totems (acquired by Stripe in February 2015), heavily utilized the E-2 visa. He is a French national who used it to bring over key employees from France - without them having to initially spend a year in the French office and then transfer over (the requirement for the L-1 visa). They were hired into the US straightaway, allowing Totems to quickly build a small and robust team in the US.*

O-1 Extraordinary visa

- For individuals with “extraordinary ability in the sciences, arts, education, business, or athletics”
- Recipient must have sustained national or international acclaim and be coming to the US to continue work in that area of “extraordinary” ability
- Requires extensive documentation and recommendations from your field of work – awards, patents, published papers, press/media coverage, etc.
- Costs \$5-15K and takes up to 4 months to process

Note: Work with a lawyer on your O-1 application, who can suggest key phrases/terms that immigration examiners specifically look for.

L-1 Intra-Company Transfer visa

- Best option for transferring employees over from home country company to US subsidiary (both a US and foreign company is required)
- Recipient needs to have spent > 1 year working in home country office
- Employee must be a manager or executive (L1-A) or one with “specialised knowledge” (L1-B)
- Issued for a maximum of 1 year, with renewals available pending business performance
- Costs ~\$8K and takes 4-6 months

H1-B Professional visa

- An option to bring over professionals with a bachelor’s degree or equivalent
- Very difficult to secure, simply because of the annual quota
~65K given out every year
Additional 20K for those with a Master’s or higher level degree from a US academic institution
- Applications open on April 1 every year with a work start date of October 1
- All applications will enter into a lottery
- Employee must 1) be highly-skilled, 2) have technical skills, and 3) need to enter the US for training
- Issued for a maximum of 3 years, with possibility of extension for 3 more years
- Costs \$5-15K total, depending on the lawyer (you’re paying by the hour for lawyers to essentially fill out hundreds of pages of applications)

J-1 Intern or Training visa

- ___ Not a long-term solution, but great way to get short-term help from recent graduates
- ___ Available to current enrolled students or graduates (within 12 months of graduation) of third-level institutions
- ___ Issued for a maximum of 18 months

Note: One surveyed startup mentioned that they convert J-1 visas into L-1 visas “all the time, despite not technically being able to.” While we do not recommend breaking any immigration laws, there seem to be loopholes that savvy lawyers and startups can take advantage of.

Recommended Service Providers

New York: O’Brien & Associates
 Website: www.obrienandassociates.com
 Email: dob@obrienandassociates.com
 Recommended by: Vearsa

New York: Barst Mukamal & Kleiner LLP
 Website: www.bmkllp.com/attorneys/e-ozgu
 Email: eoze@bmkllp.com
 Recommended by: SendMyBag

California: Bay Immigration Law
 Website: www.bayimmigrationlaw.com
 Email: patricia@bayimmigrationlaw.com
 Recommended by: Mobilize

California: Dentons
 Website: www.dentons.com
 Email: Matthew.Schulz@Dentons.com
 Recommended by: Boxfish

Massachusetts: Choate
 Website: www.choate.com
 Email: linaughton@choate.com
 Recommended by: Swrve

Tax/finance implications

Introduction

The US tax system is incredibly complex, and will vary across states and municipalities. Because of this, it is absolutely necessary that you seek tailored advice from a CPA (Certified Public Accountant) or tax attorney.

Find a firm that is very clear about what services they can (and cannot) provide. If your CPA does not know the larger landscape, you could open your company up to unforeseen taxes, charges, and levies. As previously stated, do not rely solely on this field manual to plan your business.

The Basics

- ___ Do not make the mistake of assuming that the US is one tax market. Think of it as 50 different states.
- ___ Do not attempt to understand/do all of this by yourself – your best bet is to find an experienced CPA or tax attorney who regularly works with international startups.
- ___ Be careful even before you “expand” – companies can still receive audit notices and be required to file US tax returns/pay US taxes on revenue generated from contracts secured while on US business trips.
- ___ US tax liabilities arise from whether or not the government deems you to be engaged in trade or doing business in a particular state
- ___ Each state has a different set of standards for if a business has “nexus” (connection) with that state. If you have nexus, there will be tax and finance implications. Do not hire anyone or “trade” in any particular state until you understand the liabilities of having nexus.

X

Your EIN is the important identifier for all things federal taxation-related.

Upon incorporation of a US entity, your company must apply to the Internal Revenue Service (IRS) for your Employee Identification Number (EIN). This number is used by the IRS to identify your company for federal tax administration. After receiving your EIN, you must register with the relevant state's department of taxation.

You can apply for your EIN at: <https://sa.www4.irs.gov/modiein/individual/index.jsp>

Once the application is completed and the information validated (during the online session), an EIN will be issued to you immediately.

Note: The IRS requires that the owner of the company supply their Social Security Number in order to file for the EIN online. Make sure that is squared away first – more on that in the “Personal/lifestyle” chapter.

US tax liabilities arise if your company is deemed to be “doing business” in a state.

Taxes are payable on:

- Income (for individuals)
- Corporate (federal, often state, and sometimes city – like San Francisco)
- Sales and use tax
- Payroll (for employees)
- Property
- Imports
- Estates
- Gifts
- And more...

Of the above, the only US tax types explicitly covered by tax treaties are federal income taxes.

The notion of “nexus” (essentially, a connection) comes into play very prominently here. If your company is considered to have nexus, you must: 1) register to do business in that state, and potentially 2) register and pay/charge sales tax.

While having an office or a full-time employee usually triggers nexus, use risk assessment and judgment here. Nexus studies can be very expensive, up to \$5000 per state. For example, if you have a freelancer whom you only employ for 4 weeks out of the year, you could reasonably take the view that you do not have nexus in that state.

There will always be rules and regulations based on the state in question. For example, many California software startups do not have to pay sales tax because software is generally not considered a physical good and is therefore exempt from sales tax.

Do not hire anyone or trade in any particular state without thinking it through, because liabilities will arise.

Given how complicated and expensive tax implications can become, it is best to engage an accountant or CPA with international experience as soon as you start thinking about:

- Opening a physical office
- Hiring someone full-time

For a more technical and detailed overview of taxation issues, check out Fried Frank’s helpful guide to doing business in the US.

Note: While big accountancy firms are known to have long and successful track records, they are often very compartmentalized. It is easy for startups to get sucked into a messy and expensive money pit.

Recommended Service Providers

New York: Fried Frank
Website: www.friedfrank.com
Email: Daniel.Glazer@friedfrank.com
Recommended by: Notion Capital

California: Goodwin Procter
Website: www.goodwinprocter.com
Email: lawchu@goodwinprocter.com
Recommended by: Boxfish

Massachusetts: Choate
Website: www.choate.com
Email: lnaughton@choate.com
Recommended by: Frontline Ventures

California: PwC
Website: www.pwc.com/us/en/about-us/san-francisco-silicon-valley-new-partners/brian-o-cuiv.jhtml
Recommended by: Enterprise Ireland Mountain View

California: Khoo & Company
Website: www.khoocpa.com
Recommended by: Enterprise Ireland Mountain View

Banking

Introduction

It is essential that you open a US bank account – collecting credit card payments through a US business checking account is much easier than doing so through a foreign bank.

Opening a US bank account is usually straightforward. Start the process during your initial visits to the US, well before you open an office or hire anyone.

→ You will need to provide an address – your hotel/Airbnb won't cut it. Some co-working companies like WeWork can provide mailing address services or, if you have a US-based investor, you can use their address.

Banking

Recommended Service Provider: Silicon Valley Bank

SVB continues to be recommended by not only Frontline portfolio companies, but also the startups we interviewed. In addition to having offices all over the US, they also have staff in London and throughout Europe. SVB are very connected throughout the East Coast and the Valley, offering plenty of resources and events to their startup clients.

If you are in the US, you can open up a bank account with SVB. You will need:

- ___ Copy of passport(s)
- ___ Copy of filed articles (your lawyer can provide this during the incorporation process)
- ___ Tax identification number (your EIN)
- ___ A completed W-8 form (an IRS form)

It is important to figure out your personal banking sooner rather than later.

For personal banking, you must open an account in person - since 9/11, it is virtually impossible to open a bank account without your physical presence in a US branch. Some founders have recommended opening an account with a bank that has a presence/ties to Europe - like HSBC. Others, like at Brainly, recommend opening an account with the most popular regional bank - like Chase for companies in NYC.

Start building credit in the US as soon as you can. Your credit score is a number that determines your “credit-worthiness” - essentially, how likely you will pay your bills and pay them on time. The higher the score, the better - you will be more likely to qualify for the lowest interest rates. Credit is built over time by bills you have accumulated and calculated by how quickly you pay them off.

Founders will need to apply for credit cards to build credit. Wells Fargo offers secured personal and business VISA credit cards that report to major credit bureaus, so sign up for one as soon as you can.

This is important to start building credit ASAP because:

- ___ It is immensely more difficult to rent an apartment or office space without any credit.
Note: Some founders have been able to get around this by subletting an apartment, versus signing a lease with the landlord.
- ___ It is also immensely more difficult to take out any insurance policy (car, home, etc.) without any credit - you will end up paying 5x the premium of someone with good credit.

(More on personal finance matters in the “Lifestyle/ personal” chapter.)

IP & liability management

Introduction

From an investor's perspective, this is not a concern for most of the software/Internet startups we work with/interviewed for this manual – so we won't be diving too deeply here.

(Generally speaking, if IP is your sole advantage, you may want to rethink your company's IP strategy on expanding to the US.)

IP & liability management

The Basics

IP is territorial, so your UK or EU protections do not carry over to the US. You will have to re-do the entire IP process again.

For patents and trademarks, you must work with the US Patent and Trademark Office (USPTO). For copyrights, you must work with the US Copyright Office (USCO).

Here is a general overview of the IP landscape:

- Patents: covers processes, methods, devices, etc.
- Copyrights: covers original works of authorship
- Trademarks: names, brands, designs, logos, etc.
 - _ The first step here is to conduct a search for any entities with the same or confusing similar marks in your intended field of use. You should also work with a trademark lawyer.
 - _ Learn more about the trademark registration process.
- Trade secrets: business, financial, or technological information that is confidential and valuable

The US as a whole is highly litigious. Lawsuits are relatively easy and inexpensive to file, and thus, are often used as a way to negotiate. Most of these will end up being settled out of court.

To eliminate as much of that chance as possible, you should have strong local contracts (not “Americanised” contracts from your home country) and compliance programs in place.

In terms of protecting your IP, have the basics done.

While patents are not extraordinarily relevant for software and Internet startups, there are some basic steps that would be highly advisable, as they differ a bit from the EU. At the minimum, you should:

- Use a US-style Assignment of Inventions/Confidentiality Agreement for all employees.
- Use a US-style Confidentiality Agreement with appropriate third parties to whom you disclose valuable information.
- Consider appropriate trademarks. These are short dollars and really can provide significant ROI (imagine having to change the name of your product or company in Year 4 of existence!). For consumer-facing companies, this is particularly relevant.
- Explore a strategic patent or two. Although not as important as in other industries (e.g., life sciences), investors and acquirers still do assign some value to them, so a carefully selected/structured one could be valuable (but they certainly should not turn the company into a patent production machine!).

Transfer pricing

Introduction

Transfer pricing describes the accounting treatment given to the revenue and costs for each entity within a larger company group and how that relates to the group as a whole. It is complicated and expensive to get wrong, so make sure to consult a transfer pricing attorney or accountant about transfer pricing around the same time as you incorporate.

For example: At the beginning, your US subsidiary will likely be a cost center, funded directly by cash from the international parent company. The cash transferred, as well as the costs incurred and services rendered by the US company, has to be properly accounted for. The audit of the international parent company will require an assessment of transfer pricing.

Transfer pricing

The Basics

There are two different models to handle transfer pricing:

1.

The first one operates very similarly to a reseller agreement or license. The international company essentially sets up a US subsidiary and licenses the IP to the US company, which pays a royalty to the international company in exchange for each license granted. The US company licenses in its own name and on its own behalf.

If, as is usual, the US company does not receive enough revenue to keep it profitable, the international company would then “loan” the US company money for day-to-day operations (an “intercompany loan”). There will be a relatively complex set of charges to and from each company, to represent the value of IP and services being offered.

For example, the international company can “charge” a portion of an internationally-based CEO’s cost to the US company if the CEO helps the US company close sales. The US company may charge the international company if it performs customer support for customers who are contracted to the international company, and so on.

2.

The second is the cost plus basis model, which keeps everything in the international company. As you grow, however, you will end up with the first model of transfer pricing outlined above. Cost plus basis does not scale and will be scrutinised more closely by US tax officials, but is simpler in the beginning.



HIRING AND HR

Team structure

Employment law

HR administration

Team-building and culture

Finding talent

Hiring and firing

Company culture

Compensation/benefits

Stock options

Team structure

Introduction

This is a tricky one – how should your team be structured across your home city and the US? Throughout our conversations with international founders, we quickly discovered that there is no “one size fits all” solution for startups.



However, we did find some commonalities in terms of reasoning behind particular moves, so those will be outlined in this chapter. At the end of the day, it is best to consider your company’s communication patterns, regional priorities, and how to minimise workflow disruptions.

The Basics

- ___ If the US is your core market, your CEO should move over to the US – we found few exceptions to this.
- ___ Try and have each function isolated to one geography or time zone to minimise disruptions in decision-making.
- ___ It can be worth it to move key team members over to retain company culture and ensure quality/fit.
- ___ Try and hire a diverse team of Americans with different backgrounds than the founding team.
- ___ Jury is out on hiring recruiters – some startups wanted to establish their own employer brand themselves; others wanted experts to handle the process. Think about what sort of setup you want – a fast scale-up of vetted people, or a small team of diligently picked hires.

Team structure

Your CEO should move over if your primary market is the US.

The majority of the startups we interviewed agreed on the importance of having the CEO in the US. Your company should take the US seriously – the market is huge, so your CEO will need to devote their time and energy there. It is nearly impossible to outsource that sort of dedication. If you are serious about raising capital from American investors, you will need a very good reason as to why your CEO is not full-time in America.

The most senior person in the US should be able to take any meeting and go in-depth about any part of the business – from sales and marketing to product and design. Because they need to have an intimate view of the business, it is very rare that this person is a recent, external hire. The CEO should be a founder or have a deep and pre-existing relationship with the founders and team leads. Trust is key, particularly as you start to split your team across countries.

The CEO must also be fluent in English, preferably with prior experience of living in the US or working with Americans. Some suggested hiring and on-boarding a leading manager in your home city before moving over – someone to manage that business/team while the CEO is in the US.

Your first hires are crucial to setting precedence and retaining company culture.

True to our first point about the necessity of moving your CEO over, most startups did not recommend hiring an American “BD pro” to run your US office. Israel-founded Waze (acquired by Google in June 2013) decided against this – founder Noam Bardin knew that this person would be sitting out in their Palo Alto office alone without an idea of what’s going on with the company.⁴ There can be constant misunderstanding and miscommunication.

London-founded AdBrain took a more piecemeal approach. CEO Gareth Davies hired an all-around VP to head up the NYC operations. He used his extensive network to source this person, but spent 50% of his time in the US at the beginning and now still spends 20% of his time there.

When building out your core American team, hire a diverse team. They will not only bring vast knowledge of the local market, but also new approaches and skillsets.

Your first hires should be well connected. Very rarely will they come to you – you will have to court them aggressively. Finding a savvy PR or marketing person is important – someone who will help score press coverage, which can make or break a young, international company.

Noam of Waze advises against hiring corporate executives with long resumes – they will cost a ton and confuse the team. Your first hires need to have startups in their DNA and be “worldly and curious” – traveled a lot, lived abroad, etc. Noam finds that these sorts of people fit the culture better.

Hiring is always easier said than done – as a new startup with a relatively unknown employer brand, it will be difficult to recruit. (We will cover more on building employer equity in the “Best practices” chapter.)

If this is too difficult, companies like SendMyBag started their office by moving over key team members – to retain company culture and ensure both quality and fit. This can be an expensive route, but the best bet if you want to eliminate any questions around hiring. If you are interested in doing this, services like MOVE Guides can make that process painless.

Divide your teams in the most sensible way to minimise disruptions in work flow.

Generally, there are two routes you can go:

Strong centralisation

— Some founders found that the strongest possible centralisation of management and teams as long as possible is beneficial in the long run because it maximises inter-company communication.

Local internationalisation

— Others argued that, while potentially more complicated, local teams can be more effective – it gives remote offices the ability to localise the product/marketing to better target.

Those who chose the first option wanted to keep each function in one geography/time zone. They did not want to have people “waiting” for someone across the world to wake up and give feedback, make a decision, etc. This eliminated the constant stop-and-go that can plague teams split across countries.

These founders also emphasized the importance of keeping R&D abroad. Software is well-built outside of the US, yet costs much less than in the Valley. For those in countries like Ireland, there are strong tax reasons to keep the R&D and IP locally, rather than moving to the US.

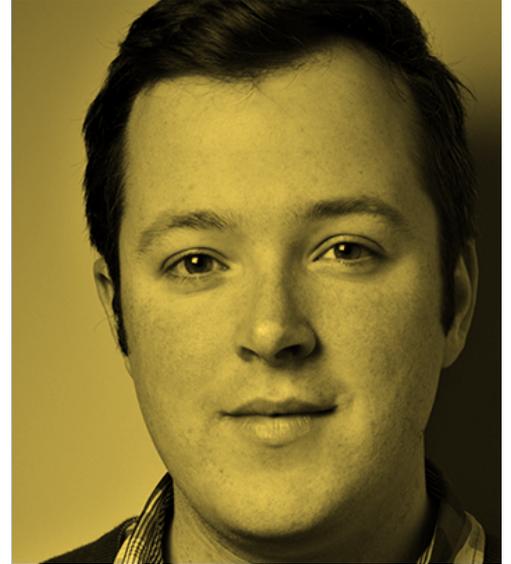
These founders generally kept product and engineering in the same city, to maximize speed and efficiency. Customer-facing staff, like sales or support, should be based where your customers are – most likely the US.

Those who opted for local internationalisation found that the US market differed greatly from their home market – and thus, need to cater marketing, design, and even tech specifically for US customers.

Because of this, the functions are split across the two cities, but are often working on different products. The local teams remain in constant communication with one another, but are not relying on the other for decision-making.

Case Study

Louis Jonckheere, Co-CEO, Showpad



Showpad was originally founded in Ghent, Belgium in May 2011 by Pieterjan Bouten, Louis Jonckheere, and Peter Minne. The company expanded to San Francisco several years ago – initially to manage sales, marketing, and product management.

However, Showpad soon realised that splitting these functions across two cities (and a 9 hour time-zone difference) was very difficult to do. After taking a step back, the founders decided to treat the US and Europe as two separate businesses with local leaders and separate HR functions.

Louis and Pieterjan are now “co-CEOs” – with Louis managing the SF office and Pieterjan managing the Ghent office. Atlassian does the same thing, with two co-founders and co-CEOs.

The only functions that are global are product management, design, and marketing. This localisation approach allows Showpad to recruit hyper-focused regional hires.

In terms of company management, Showpad has realised that, while the office cultures do not have to be carbon copies of one another, all hires must share the same values. They have created a framework of 7 values that all hires must abide by and showcase.

Employment law

Introduction

US employment law is very complex, so read up on it before you start to recruit. Your hiring process and contracts need to be compliant with US law – otherwise, you can land in some very hot water before you've even brought someone onboard.

The Basics

- ___ Most US states are “at will” employment jurisdictions – meaning you can fire someone at pretty much any time for any reason (or no reason) – but not for a discriminatory reason. There are some conditions to this, depending on the state in which the employee works.
- ___ Due to differences in employment law, you should use an American-style “offer letter” rather than basing US employment documents on your European form.
- ___ All US employees should sign an “IP and Confidential Information” written agreement.
- ___ Be very careful in how you classify employees (who fill out W-2 forms) versus independent contractors (1099 forms).
- ___ Non-compete agreements cannot be enforced in every state.

Employment law

You can generally hire and fire “at will” – just be careful of a few terms & conditions.

Most US states are “at will” employment jurisdictions – this means that employers can let go of employees for any reason and without notice. On the flip side, employees can also leave their job without giving a reason or notice.

Check if your state is an “at will” employment state. If it is, it is advisable to NOT issue the usual “disciplinary/grievance” procedure documents that you may see in your home country (like Ireland). If you do that, you risk enabling people to rely on those instead of the very employer-friendly “at will” doctrine.

An important FYI from Daniel Glazer, co-head of the technology group at Fried Frank:⁵

“ While employers can terminate without a notice period, there are a number of statutory provisions that protect workers, including anti-discrimination laws, various ‘whistle-blower’ protections and other anti-retaliatory provisions, notice requirements for certain mass layoffs or plan closings and other bases for claims against employers and former employers. Further, your employee manuals and handbooks and other communications may give rise to contractual rights.

Consequently, the ‘at will’ nature of US employment should not be over-estimated.”



Although the vast majority of employees are employed on an at-will area, litigation brought by terminated employees is one of the most common areas of litigation in the US. Given this, it is highly recommend that you consult with an attorney before terminating an employee.

At the end of the day, the “at will” doctrine can be a double-edged sword – anyone can break a relationship at nearly any time. While this is very employer-friendly, it can also mean that employee loyalty is generally thinner. Work on your company’s culture, perks, and compensation to keep your team happy and engaged.

Typically, short-form “employment offer letters” are used, rather than employment contracts.

The vast majority of employees in the US do not receive employment contracts. Rather, the terms of employment typically are set out in an offer letter. This is a short form document (e.g., one page) that outlines the basic terms of the employment arrangement - the initial title, salary, benefits, vacation, etc. These terms can be supplemented by company-wide policies and/or employment manuals. Note that, because a comprehensive employment agreement typically is not used, each employee should be required to become a party to an employee confidentiality and assignment of inventions agreement (which may also include a non-compete/non-solicit provision).

In the limited instances in which employment contracts are used, those instances relate almost exclusively to executive-level employees – they can include reasonable restrictive covenants like post-termination non-competes and non-solicitation (poaching) of employees. Most of these employee restrictions, including non-competes, are recognised and enforced in virtually all states, except for California with respect to non-competes.⁵

Because these items – offer letters, employment agreements, and confidentiality and non-compete agreements - differ significantly from those of your home country, it is worth creating them from scratch. You can work with a lawyer to ensure that these contracts are compliant with US employment law.

In addition, be very careful in how you classify employees versus independent contractors (also called 1099 workers). As previously mentioned in the “Tax/finance implications” chapter, this can have regulatory and financial repercussions for your business. While they may be viewed as an independent contractor in your contract, the government may think otherwise if they do not work for anyone else, you treat them like a full-time employee by controlling their job responsibilities, they work on premise, etc.

Anti-discrimination laws are quite robust in the US. At the federal level, the US Equal Employment Opportunity Commission (EEOC) enforces laws that prohibit discrimination based on race, colour, religion, national origin, sex, age, genetic information, or status as a mother or pregnant woman. Make sure that all points of your hiring process are compliant with the EEOC protected classes and that any termination is not for a discriminatory reason.

HR administration

Introduction

HR administration can end up wasting a young and inexperienced international startup a lot of time. The American employment market has recently seen increasing levels of regulatory pressures and rising health care costs. Outsourcing HR can help you avoid these time-consuming challenges.

The Basics

- ___ You will need to register in each state that you are employing someone – that can be done online on that state’s corresponding employment department website.
- ___ For the amount of hassle HR administration is, engaging a payroll company is absolutely worth the investment.
- ___ Health insurance – it is expensive, but every full-time employee expects it.
- ___ For local hires, you will need to provide: US type terms and conditions, US benefit packages, and US payroll services.
- ___ For employees you are moving over, you may need to provide: visas and pre-entry planning (tax planning, expat packages, family issues, etc.).

HR administration

Recommended Service Providers

TriNet (throughout the US)

Website: www.trinet.com

Email: Kieran.McGovern@trinet.com

Referred by: Vearsa

Estimated time:

2-3 weeks to set up

Estimated cost:

~ \$140/employee/month

TriNet provides ‘big company HR’ for small businesses:

- Payroll: complete payroll and tax processing and administration in all 50 states
- Benefits: comprehensive employee benefit packages
- Risk & compliance: crucial assistance with employer-related risk and compliance
- HR professionals: professionals delivering best practices, guidance, and expertise around HR questions

Before you do anything...

You must register for your state's employment department – in each state where you have a physical office or where a full-time employee is located.

This can all be done online, on the corresponding state website:

- [California: Employment Development Department](#)
- [New York: Department of Labor](#)
- [Massachusetts: Labor and Workforce Development](#)

It is with these employment departments that you will file quarterly and annual returns. This can be outsourced, which is why we recommend engaging a payroll/HR administration company. From our preliminary conversations with international founders, we estimate that 75% of them are outsourcing their HR.

Complicated processes (like filing returns) and systems need to be installed from the start of to create a strong foundation. This can be annoying to set up, particularly because laws can vary by state.

***Note:** Some banks (like Bank of America) are able to provide payroll services, but with not nearly as much robustness and customer service as a payroll company. The latter costs more, but they will automate all processes and complete all filings for you.*

However, many of these providers (like ADP and TriNet) are massive corporations. While their systems are generally easy to use and understand, you may have to deal with some of those shortcomings, like bureaucracy and being one of thousands of customers. It is up to you to decide what you prioritise – having control or having more free time.

— Set up your essential systems from the start.

If you are engaging a payroll/HR provider, they can take care of many of these tasks for you (marked with an asterisk*).

***Note:** When hiring in other states, make sure to talk to your provider. They can best guide you on state-specific guidelines, levies, taxes, etc*

These include:⁷

— **Employee information capture and verification** *

For every employee that joins, you must prepare and keep their I9 form – to be completed within 48 hours of their first day. They must also bring in an original drivers license or passport, as well as visa documents if not an American citizen. Other potential documents include: education documents, health declaration, etc.

— **Compensation structure**

We will touch upon this more in the “Compensation and benefits” chapter.

— **Payroll processing** *

— **Payroll tax filing and reporting** *

— **Benefits administration** *

All full-time employees in America expect health insurance, at the minimum. Benefit plans can also include other coverage, like dental, vision, and retirement. Your provider can help navigate the tricky terms and packages.⁸

— **Attendance / leave capture** *

It is pretty typical to give 15 days (3 weeks) holidays and all public holidays.

— **Employment documents** *

⁷

www.slideshare.net/Nsrcellimb/hr-forstartups-check-list

⁸

www.trinet.com/services/core/benefits.html

— Make sure everything is in place to manage day-to-day operations.

These are regular operational tasks to be set up within the initial 6-9 months of operations. Some of these can be managed by your HR provider (marked with an asterisk*).

These include:

- New hire onboarding and orientation*
- Employee activation: computer allocation, insurance, email, seating, etc.
- Internal communication and teaming
- Conflict resolution*
- Employee handbook* – including policies on behavior, social media, etc
- Paperwork related to dismissing an employee*

— Be prepared when dismissing an employee.

In the United States, most employees can be dismissed by an employer for any reason and without warning – including reasons that may seem “unjust” or “unfair.” However, they can’t be dismissed for an improper or discriminatory reason, such as for termination due to pregnancy, termination based on race or religion, etc.

As noted above, litigation surrounding termination of employees is not uncommon, so if you do plan on dismissing an employee you should obtain legal counsel. In addition, it also is important to bring your health provider and payroll company into the loop prior to the dismissal. Most employees are covered by COBRA (state-sponsored health insurance) for an additional 30 days. You must also be prepared to hand them a check on that very same day with any remaining payouts owed.

If an employee quits, payroll will just cover their remaining payouts like they would regularly.

Note: As mentioned in the “Employment law” chapter, there are several limitations/exceptions to the “at will” doctrine depending upon the state you live in, if it is specified otherwise in your employment contract, etc. Check with your lawyer when you are creating your employment-related documents.

Team-building and culture

Introduction

Hiring is arguably the most difficult thing startups have to do, and it remains an issue for even the most experienced of founders. Throw this in with the added stress and distraction of starting up in another country, and it can end up being a time sink.

This chapter is a compilation of best practices around recruiting and general company management collated from our founder interviews.

It is broken into 3 sub-sections:

1. Finding talent

How to effectively source and attract candidates in a noisy employer environment.

2. Hiring and firing

The process around recruiting and dismissing employees

3. Company culture

How to create and retain company culture as you scale

Team-building and culture

Finding talent

Building an employer brand takes a lot of time, particularly as an international company. Just getting candidates in through the door for the interview can be a challenge.

Perhaps it's worth bringing in a recruiter. Outsourcing to an agency with strong local knowledge and presence can be really helpful. We found that 50% of the founders engaged recruiters initially. The other half opted against this – Ed Byrne of Xenon Ventures, who has built and sold multiple Internet businesses, thinks founders should “hit the ground and put the time in” when it comes to building an organic network to source candidates from.

Other strategies that have worked for the founders we've talked to:

— **Hunt online.**

LinkedIn was repeatedly mentioned – spend a day searching for specific functions in specific cities. The key is to target. Twitter, AngelList, and Indeed also seemed to work for founders.

— **Leverage your existing networks.**

Investors and advisors can be of huge help here – they can give credibility in addition to referring good candidates.

— **Strategically sponsor events.**

This can be hit-or-miss, but sponsoring events/meetups where your dream candidates hang out can give your company greater visibility. When opening their NYC office, GoPrezzo partnered with the NY Games Meetup and General Assembly to find qualified talent.

— **Get creative.**

Learnsity has had success with hiring former customers – those who understand and can communicate the product's value proposition. Other founders attended events that weren't necessarily for “hiring,” but whose attendees may fit their candidate profile. Go to networking events, speak on panels, and pitch at events – it may seem tedious at first. Start networking as early on as possible, well before you start thinking about hiring.

— **Employ passive recruiting.**

Hiring through internal referrals is always more likely to succeed. The best referrals tend to come from former colleagues of the person they are referring – they know the candidate in a work context and have had proven experience with that candidate. The best way to find this talent is to sit down with each employee and their resume, interrogate them about each company they've worked at, and ask if there were any star team members they worked under/with/alongside.

— **Relocate existing employees from abroad.**

You can find proven, talented folks abroad and then spend the time and money to move them to the US. Yes, you are paying for visa/relocation costs (\$5-10K for the visa, \$10K for travel and relocation), but it is worth it in the long term.

Hiring and firing

“Hire slowly and fire fast” needs to be the CEO’s focus. Hire only if it feels like 100% a fit, and cut quickly if things do not work out. A bad hire can be more detrimental to your business than a position that is taking a little longer to fill. Don’t rush decisions if there is even a little hesitation.

Talent is definitely more expensive in the US, so prepare for expected salaries to be 2-3x of those in your home country. The good candidates know their value, so be prepared to pay up.

Some other helpful tips about the hiring process:

— **Know “your story” – what differentiates you from other companies.**

Be prepared to answer questions about how you stack in comparison to competitors. Have a compelling back story on the company’s history/founding.

— **Money raised > revenues.**

Potential candidates want to see trust from respected and prestigious investors. In the US, your revenues are not public – so do not share if they are not impressive.

— **Play up the international factor.**

Ambitious American candidates love the chance to work for a fast-growing foreign company and the potential for international travel. Make sure that they are mature and responsible enough to work independently and navigate cultural/time zone differences.

— **Test, test, test!**

Create exercises or projects to test their skills. Mobilize actually employed candidates as contractors for a couple weeks to work on a small project – this was to check their communication, work style, and quality.

— **Reference checks are key.**

Not making reference checks seemed to be founders’ biggest hiring mistake. Do reference checks before and after extending an offer. It’s also helpful to ask for historical performance when gauging candidates. (This is different than background checks, by the way.)

— **Set expectations for the interview process.**

Make sure both parties are on the same page from the very beginning. In competitive startup markets, candidates may be juggling multiple offers – so you may want to adjust pacing accordingly. Because of the “at will” doctrine, there is also generally a shorter activation period.

— **Be aware of legal pitfalls.**

As previously mentioned in the “Employment law” chapter, there are some interview questions that violate the EEOC anti-discrimination laws.

— **Hire and fire against your values.**

AdBrain has a 90-day process, even after hiring the person and bringing them onboard. They are flown out to London to meet the UK team. Cultural fit is gauged before, during, and after the contract is signed. If not a fit, they are cut.

Cultural differences can also play a role in the hiring and firing process.

There is American hiring lingo that may take some time to learn – like W-2 forms, base/OTE (on-target earnings), exempt versus non-exempt, etc.⁹

Be prepared for US candidates who are more confident and better at selling themselves than their European counterparts.

Americans are very good at marketing – including personal marketing/branding. This can make hiring much more difficult to benchmark because of initial unfamiliarity with this culture.

GoPrezzo CEO Aaron Taylor explains it:

“In the US, it can take a long time to distill exactly what the candidate has. In the EU, it takes equally as long to extract from the candidate what they have.”

You will also find that, in competitive and crowded hiring markets like San Francisco, loyalty is low because there is so much money constantly up for grabs. It is not rare to see hires jump ship after 6-12 months if given a better offer. This can be particularly frustrating if you went through a long hiring process, offered a signing bonus, relocated someone, etc.

And no matter how much prep work and vetting you may do in advance, things may still not work out with a promising candidate. If you are 80% successful in hiring in your home country, expect to be 30-50% successful in the US.

Case Studies

Hiring and firing



Gabriel Hubert CEO of Totems (acquired by Stripe) on recruiting in San Francisco:

We struggled to hire in SF, it was like fighting an uphill battle against very strong forces.

You will always be outbid on money and perks. Your only resource is going to be the company culture (which isn't always true in Europe).

Hiring engineers in SF is consistently tough – not many startups successfully hire and retain engineers for more than 2 years.

People don't stay for the money – they stay for other things like mentorship, the everyday atmosphere, technical challenges, and autonomy.



Louis Jonckheere Co-CEO of Showpad on differences between hiring in Ghent and San Francisco:

Loyalty is very different in the US – most hires will stick around for 2-3 years maximum. This is rare in the EU.

Variable pay is not expected in Belgium – Americans expect incentives to be tied to metrics and goals.

Americans can sell themselves easily – some tricked Showpad in its early days of opening our US office.

Know that your first hires will inevitably be wrong – that's fine. However, it's important that you fire leadership fast if it's not working out. That can be poisonous to a newly-formed office

Company culture

Company culture is not just a fluffy, feel-good concept. It can be the key competitive advantage to attracting and retaining top talent. Here are some tips pulled from our founders about how to build and manage company culture as you scale:

— **Clarity in division of work is important.**

Before you make any hires, sit down with your team leads and map out exactly who will manage what and in which office. You do not want to change the structure too quickly.

— **“Trust, but verify.”**

You want to manage all teams (in the US and your home country) consistently – you should be the same amount of strict/lenient across all offices.

— **Fly all new hires to the home city office.**

This is very expensive, but it’s a must – both Waze and Tictail swear by this. Nothing can replace having face time together, going out as a company, and feeling like part of the team from the very start.

— **Have continuous rotations throughout each hub.**

This is an important investment – employees need to spend time in each hub. In addition to onboarding US hires in your home city, get your international team to the US often – it will give them a chance to see the product in market and stay tuned with what’s going on. By having hard deadlines, it creates artificial urgency – i.e., “ship this in the 2 weeks while you’re in SF.” It is a nice way to give rhythms to long development cycles.

— **Overinvest in intercompany communication.**

There should be weekly management calls and weekly company calls. Everyone needs to be 100% in sync. Because of this, it is imperative that your Internet connection is excellent! Overinvest in that to make video-conferencing seamless (we all hate buggy video calls).

Here are some company-specific techniques mentioned:

Tictail: 2 company offsites every year, company product demo every Friday over video-conference



Qstream: monthly all-hands meeting across 3 offices, every job candidate across all 3 cities has a consistent recruitment experience with the same HR process and manager

GameGolf: uses Rockefeller Habits, a framework/method of company communication

Trustev: uses tools like Slack, HipChat, and appear.in to streamline communication

Mobilize: has WhatsApp groups for the entire company, as well as one for each office (SF & Tel Aviv), do weekly company standups

AdBrain: strongly recommends Highfive for video-conferencing

Showpad: 2 co-CEOs have a phone call everyday (despite 9-hour time difference), weekly 30-minute company-wide hangout

Compensation/benefits

The Basics

In competitive hiring markets, it is important to understand compensation packages, which usually include:

- ___ Incentive compensation (annual bonuses, signing bonuses, etc.)
- ___ Health insurance (required, usually also includes dental + vision)
 - _ Prepare to budget for this – costs can run to \$1000 per month per employee for good coverage
 - _ Insurance costs should be 4-7% of their total salary
- ___ Retirement savings
 - _ A 401(K) (US pension plan) is nice to have, but usually implemented at a later stage when you are likely to have financial support
- ___ Additional perks (transportation reimbursements, gym/fitness allocations, etc.)
- ___ Options (More on this in the “Stock options” chapter)

Deferred compensation arrangements (like bonus, severance, etc.) need to be structured so that tax is deferred until the time that the employee actually receives the income.

Compensation/benefits

You can expect American talent to cost 2-3x more than their European counterparts. Talk to other founders and peers to benchmark. Some of our founders threw out these ballpark figures:

— \$150-200K – mid-tier hires

— \$300K – top-tier/executive-level hires

Negotiating a relocation package can get very difficult, because there are very specific rules set out by the IRS about what is taxed as income and what is not. Companies should look into this and consider how to best compensate/reimburse employees for their move to the US.

It is pretty typical to give 15 days holiday (“vacation days”) and all federal public holidays.

Interns are difficult to find, particularly in competitive college cities like Boston, and will very rarely work for free. Be prepared to pay interns a weekly stipend (at the minimum), and other perks such as transportation, lunch, etc.

Your payroll company can often answer questions you have about compensation and benefits. Chances are, they are managing this process for thousands of other startups, and can give you an accurate idea of how similar companies are compensating.

Stock options

The Basics

Stock options are the key currency for startup talent recruiting and retention, particularly when your company does not have the brand equity of Google, Facebook, and Twitter. They provide means for employees to share in the financial success of the business.

The structure of your employee stock options program will have tax and US securities law implications, so it is best to discuss this with an attorney. Most commonly, a US sub-plan will be created underneath the stock option scheme in effect at the non-US parent level and the US-based employee would be getting options for equity in the non-US entity.

Stock options

—
contd.

If an employee makes equity investments in your business, the stock purchases must comply with US federal and state law. Every offer and sale of a security (including options!) must be registered with the SEC (Securities and Exchange Commission) or an application exemption from registration must be available. Each state also has its own laws governing the offering and sale of securities – also called “Blue Sky” laws.¹⁰ In addition, California imposes certain requirements on options granted to residents of California, including as to the maximum duration of the options and the minimum exercise period following termination of employment.

You will keep hearing about Section 409A of the Internal Revenue Code which states that, in layman’s terms, your company cannot grant stock options at an exercise price below the then-current fair market value of the stock you would get for exercising that option.¹¹ This gets pretty complicated, so best to refer to the experts.

¹⁰

www.tech.friedfrank.com/wp-content/uploads/2014/02/FF-Tech-Coming-to-America-PDF-Version-June-2014.pdf

¹¹

www.forbes.com/sites/valleyvoices/2015/01/06/how-start-up-founder-stock-often-triggers-unnecessary-personal-tax-hits



FUNDRAISING

Fundraising

Introduction

Fundraising won't be too wildly different in the US than it probably is in your home country – just with bigger stakes, greater valuations, and higher expectations. Your competition is probably tenfold in the US, so expect to be held to a higher bar, to be asked harder questions, and to be pushed for better performance.

This also depends on what round you are trying to raise. American Series A rounds tend to start significantly higher. It is really tough to raise an A in the US, because of the competition and expected metrics.

This chapter will cover what US VCs generally expect and how to best position yourselves to attract American investment.



Disclaimer: This is not meant to be a comprehensive guide to raising from American investors. There are plenty of other resources online – talk to your existing investors and international peers who can also steer you in the right direction.

Fundraising

The Basics

- ___ Don't make the mistake of focusing only on the top of the Midas List of 100 tech VCs.
- ___ Know that your local competition is probably 10x what you are seeing at home. Be prepared to answer the hard questions.
- ___ Don't throw a wide net – target VCs who have invested in your sector and stage.
- ___ You are playing a long game – build relationships, not decks.
- ___ If an American VC hasn't gotten back to you in under 48 hours, they are not interested.

— US investors will have much higher expectations than those at home.

This seems pretty obvious and straightforward. You are going to have to work harder and smarter to capture the attention of US investors. Some things that will make you more attractive to the American VCs:

- Well-connected and with a US presence (you're already on the road there!)
- Previous backing from VCs – bonus if from respected US-based VCs
- Proven product ready to scale up
- Solid founding team who can weather the time zone difference
 - _ Founder/senior officer (preferably CEO) based in the US full-time
- US corporation which owns 100% of the subsidiary in Europe
 - _ aka a “Delaware flip,” more on that in the “Incorporation” chapter
- “Inevitability” – it's obvious that, with the proper capital, your company will succeed

After the initial introduction, you are generally expected to send over a one-pager on your company and an investor slide deck (8-10 slides). You should also be prepared to nail your elevator pitch for most short events/meetings.

— When it comes to finding investors – target, target, target!

A lot of international founders get excited when they first land and make the mistake of focusing only on the big, prestigious firms that they are always reading about in tech press. They waste time trying to land meetings with low-level associates and analysts at these firms, most of whom don't have much decision-making power.

Avoid this pitfall by doing your research in advance and honing in on the investors who invest in your space. Spend some time on AngelList, the National Venture Capital Association (the NVCA has a searchable directory with 400+ US VCs, \$325 membership), VentureBeat, CB Insights, and Quora.

Introductions are your strongest access point. Once you get a feel for the handful of VCs that you want to chat with, use LinkedIn to get warm introductions. Don't be afraid to leverage your current investors, advisors, and service providers as a resource. This route is much more common in the US than it is in many parts of Europe. In fact, one key difference between the US and European VC markets is that many US VCs won't take a meeting or review a slide deck unless it is with someone they know previously or is routed through a respected contact.

Your existing European investors should help in building out your network. US syndication is a core part of Frontline's investment strategy, so our portfolio companies enjoy the value of a deep and robust American investor network.



Once you're "in the door," focus on building a relationship – not pitching.

Once you have an "in" to an investor, you want to start the conversation as early as possible – even if you aren't necessarily looking to fundraise. US investors care less about this penultimate pitch, and more about seeing your company's progress over time. Your deck isn't going to be what gets them to write a check – it is because of your company's momentum and the relationship you've built with them.

Build a rapport with VCs over time – keep them updated on your company, pay it forward, send them interesting companies, etc. Keep that relationship warm so that, when you ultimately decide to raise your round and make a formal "ask," the VC will already be familiar with the company and have a relationship of trust established. This will also allow you to find out what progress you need to make in order for them to seriously consider making the investment.

When it comes to positioning, do not say, "We are based in XYZ, but are moving soon." Instead, opt for "We are in the US" when talking to partners. US VCs have so much deal flow that any red flag (even a small one) can stop a deal. Remove those positioning barriers as much as possible.

Do your own due diligence on investors – a bit of online research will show any predatory behavior, previous complaints/violations, etc. Chat off-the-record with your peers or even their portfolio companies to learn exactly how they behave once the cheque has been written.

Additional reading

www.slideshare.net/rroyse/new-business-opportunities-in-the-us-romania

Essential books to read

The Launch Pad: Inside Y Combinator

The Hard Thing About Hard Things:
Building a Business When There Are No Easy Answers

Thinking, Fast and Slow

Zero to One: Notes on Startups, or How to Build the Future

www.fundedbuy.com

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Think we missed something?

kimp@frontline.vc