Foreign Start-Ups and the USA

It is easy to understand why foreign start-up companies set their sights on the United States. In many respects the U.S. is a foreign company's paradise. The market is huge, the competitive environment is (for the most part) fair and free, and the channels to market are established and generally eager to do business. While these are all enticing, they also tend to lure the young newcomer into a false sense of security, making it, in the end, much harder for the foreign start-up to get started than was anticipated back in the home country.

Over the years Tudog has worked with more than 30 foreign start-ups seeking to enter the U.S. market, and through this experience we have witnessed which strategies promote opportunity and which tactics advance the right strategies. We have also learned what not to do, and why not. This article will share both the errors to avoid and the steps to adopt.

The real challenge for foreign start-ups is balancing the home-based operations and the U.S. operations and making sure that the relationship that develops between the two sides best promotes cooperation, common goals, common values, and a shared sense of mission. If the foreign start-up fails to make each side feel equal, and equally important, the risk of a competitive relationship rises, and the focus of the company shifts from conquering the U.S. market to dodging for position internally.

Rather than promote quiet competition between locations, the company is well served by permitting an open and animated dialogue about the cultural differences between the two teams, with special emphasis on differences in work habits, approaches to work related challenges and how employees interact with the company. This point, of course, is relevant if the foreign company has relied primarily on American talent to staff the U.S. market. Tudog greatly encourages this, even though it is often hard for the foreign company to entrust such vital tasks to people it does not know or perhaps even understand. However, to assume that people from a foreign company, even if they studied or have prior work history in the United States, can match an American with regard to commonality of experience with the target market is an error. If people buy from people and the goal is to establish a good rapport, it is fair to assume that people with similar cultural backgrounds will "click" better.

In addition to the above points, Tudog has 10 hints for foreign start-ups companies seeking to enter the U.S. market. They are:

1. Management Needs to Commit – you cannot enter the United States market on a partial commitment. There are all kinds of challenges associated with market penetration, as well as costs, and demands for management attention. If the commitment and resources aren't there, don't even attempt a U.S. campaign.

2. Embed Communications – the two sides need to have constant, open and free communications. The company should make certain that the American team visits the host country and meets all the key players, and that the key players visit the American team. In addition, the company needs to set up scheduled communications and progress reviews with the opinions and contributions of all sides encouraged.

3. Pre-empt Crisis – let us understand the situation; people with different culture worldviews, who are located in different time zones, are all invested in the success of the same venture. This is a recipe for the occasional conflict. Management needs to anticipate crisis and pre-empt it through shared involvement, ample opportunity for all sides to express opinions, the reasonable allocation of resources and authority, and the use of communication channels that promote dialogue. For example, email is not an effective crisis management tool. The telephone is.

4. Create a Team – the distance is only physical, unless there is no effort made to bridge it, in which case the risk exists that it becomes cultural, emotional and for all practical purposes, fundamentally distinctive. You need to create a team that works together and has sufficient trust in one another (in each other's purpose, skills, and commitment) to enable each side to rely on the other in all circumstances.

5. Balance Management – it is perfectly reasonable to have the final say remain with the home country, however a well rounded executive team lends to the inclusion of U.S. based perceptions. Similarly, the board of directors and any advisory board should include representatives from the United States so that the experiences, network and worldviews of these individuals can influence and contribute to company thinking.

6. Leverage Technology – the world surely is a much smaller place today than it was even a few years ago. You should leverage modern technologies such as videoconferencing to make the distance between the two sides of the company shorter. By being able to see one another, the validity of each side grows. Moreover, Tudog often promotes the creation of a company intranet site where people on both sides of the Atlantic (or Pacific) are able to place their photos and personal information, so that each side can learn about the other as people, not only as tasks being completed so far away.

7. Celebrate Together – each side of the ocean tends to have their little victories. Moreover, simple life events are often celebrated (or at least acknowledged) in the workplace. Celebrating together bridges the gap between the two sides, even when the celebrations cannot be simultaneous due to time differences. The idea that one side is celebrating (making a toast) to the accomplishment of the other, or eating birthday cake to salute the birthday of a colleague overseas, does a great deal to reinforce to all that both sides are on the same side.

8. All Sides are Created Equal – it is easy to treat the U.S. base as the foster child, reserving all the really important decisions for the home HQ, and making sure all the real power is in the hands of people at home. This will be resisted by the American side because they will need to feel empowered and invested in the efforts they undertake for the company. You need to treat all sides of the company as if they were created equally. Distribute authority wisely, but make sure everyone feels like they're part of the team.

The initiation of a market presence in the United States requires that many elements come together, including expertise, resources, access, strategy, tactics, timing, and good luck. The last thing a company needs is for its efforts to be compromised by internal conflicts or the malfunctioning of the U.S. office charged with implementing the campaign. The drive for success should empower the company to resist the urge to control everything, implement everything, and know everything. Use local talent, incorporate them into your company, dialogue and communicate well, and your chances for U.S. market success will improve dramatically.