European Commission

Study on Transatlantic Dynamics of New High Growth Innovative Firms

Written by Alberto Onetti
March 2017

EUR 28533 EN

Research and Innovation

EUROPEAN COMMISSION

Directorate-General for Research and Innovation
Directorate A — Policy Development and Coordination
Unit A.6 — Data, Open Access, and Foresight
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Transatlantic Dynamics of New High-Growth Innovative Firms

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Directorate-General for Research and Innovation

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Luxembourg: Publications Office of the European Union, 2016.

ISBN: 978-92-79-66947-7
doi 10.2777/752723
ISSN: 1831-9424

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1. ABSTRACT

The Study focuses on the growing phenomenon of dual companies, i.e. high-tech startup companies that showed an international expansion towards the US since the initial phases of their life cycle, while maintaining a strong operational presence (such as R&D activities) in their country of origin and producing positive externalities on the local European ecosystems - in terms of employment, spin-off activities, payroll taxes, etc.

The key findings are summarized as follows:

- 13% of European scaleups follow the "dual model" (see definition in paragraph 2).
- The US is the typical destination for 83% of European dual companies. Among them, over a half chose the Silicon Valley.
- Only 14% of dual companies moved their headquarters to another European country. UK (and specifically London) is the most frequent destination.
- Companies following the dual model raised 40% more capital compared to companies that followed a more local growth path.
- Access to capital and access to a large market clearly emerge as main drivers for European companies relocating to the US.
- Research confirms that it is advantageous for European dual companies to maintain operations in their home country. Interviews confirm that in Europe there are highly skilled and loyal human resources.

The Study is structured as follows. After a brief introduction, we provide a review of extant literature about dual companies and a description of the methodology. Next, we present and discuss results of the quantitative and qualitative analysis, including expert interviews with policy makers, investors, entrepreneurs, corporate managers. Concluding remarks with key actionable recommendations complete the Study.

2. INTRODUCTION

The present research we have been asked to carry out on behalf of the European Commission Directorate General for Research & Innovation (hereinafter the "Study") aims at presenting an overview of the trends in transatlantic dynamics of European young, high-tech and innovative firms characterized by a strong international attitude and exponential growth. The goal is specifically to understand the reasons and patterns of European companies that relocated and moved their innovation hubs in the US, mainly Silicon Valley.

The Study focuses therefore on structured high-tech companies (scaleups) that showed an international expansion towards the US since the initial phases of their life cycle. In doing so, we took into consideration European ICT scaleups[1] - included in the Startup Europe Partnership[2] (SEP) database - from selected European countries. Specifically, the focus of the Study is on scaleups initially founded in a European country that subsequently moved their headquarters abroad, while maintaining a strong operational presence (such as R&D activities) in their country of origin. Such companies have been identified in literature (Onetti and Pisoni, 2016; Onetti and Pisoni, 2017; SEP, 2015) as "dual companies".

The research results indicate that dual companies represent a relevant percentage of European scaleup companies. Based on our quantitative analysis[3], approximately 13% of European scaleups follow the "dual model". The US is the typical destination for the clear majority of European dual companies. 83% of the total relocated their headquarters in the US. Among them, more than half chose the Silicon Valley. Only 14% of dual companies moved their headquarters in another European country. UK (and specifically London) is the most frequent destination.

Data confirm that dual companies are able to raise more capital compared to companies that followed a more local growth path. Based on our analysis, the average amount raised by dual companies is $17.4M, 40% higher than the amount collected by non-dual companies ($11.6M).

The analysis of the data suggests that younger startup ecosystems as well as smaller countries show an above-average incidence of dual companies. Apparently, in certain European countries startups are, in a sort of way, "forced" to look abroad for growing (both market and financing) opportunities. The outcomes of the data analysis have been confirmed and qualified through the qualitative analysis. We had the opportunity to interview European startup entrepreneurs as well as industry experts and better learn about the common motivations for European startups to move to the US as well as the obstacles that still prevent tech companies to scale up in the Old Continent.

Access to capital clearly emerges as the main driver for relocating to the US. The interviewed companies pointed out a substantial lack of growth and later stage funding options in Europe. European investors are reported to be mainly focused on seed and early-stage funding. The other main gap that hinders startups from growing in Europe is the lack of a homogenous internal market. Different regulations, languages, cultures, and currencies, all serve to add friction and barriers to young innovative companies to scale up domestically. As a result, launching a product in

[1] According to SEP, a scaleup is an ICT company that raised at least $1M in funding (including both capital raised through VC and the stock market), with at least one funding event since 2010 (Onetti, 2014; SEP, 2015).
[2] Established by the European Commission in January 2014 at the World Economic Forum in Davos, Startup Europe Partnership (SEP) is a Startup Europe initiative led by Mind the Bridge.
[3] For a comprehensive overview of all data, please refer to sections 3 (Methodology) and 4 (Quantitative Analysis).

the US happens to have a much greater chance of gaining faster traction and revenues. The downside to it is the difficulty for European companies (not only startups) to access the best talent in the US. There is a lot of talent in the US, but skilled human resources are very expensive and difficult to hire. On the bright side, all interviewed companies confirmed that in Europe there are highly skilled human resources that are cheaper and loyal. Apparently, it might still be advantageous for European startups to maintain operations in their home country[4].

All these factors explain why the dual model is so popular among European scaleups. It allows to take advantage of the US market and capital, while leveraging the quality and costs of the European workforce.

Dual companies grow faster because they are mainly fueled by US venture capital funds. These companies maintain their R&D activities and operations in their country of origin. This means that they create employment in Europe (paying related payroll taxes), stimulate the local ecosystems by outsourcing services around their R&D centres and provide role models for entrepreneurship**.** The dual model produces positive externalities on the local ecosystems in terms of employment, spin-off activities, payroll taxes, that are not dissimilar than those produced by American startups in the US territory.

Despite that, national governments as well as the EU are sort of neglecting this reality. Dual companies are often perceived as cases of "corporate drain". There often are regulatory restrictions ostracizing incentives and, sometimes, even funding to startups adopting the dual model since they are identified as subsidiaries of foreign companies. And here is sort of paradox for governments that are increasingly committed to support the startup ecosystem and investing resources into it. Data shows that dual companies seem to be the ones that have more chance to scale up. And having startups able to produce growth and employment is exactly the goal both national and European authorities have interest in reaching.

In the Study, we have shed light on dual companies and eventually showed how they are a widespread and viable way for allowing innovative companies to grow (even though partially abroad), while maintaining value added activities and employment in Europe.

Sure, it is not the best option one can wish, but having fully European companies able to scale up within Europe would be more desirable. Dual companies have proven to be a viable second best solution to fuel innovation and growth in the Old Continent.

Why not fully unleash it?

Alberto Onetti

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[4] This evidence is consistent with the findings from "The State of European Tech" report published by Atomico and Slush (2016).

3. LITERATURE REVIEW

In the last few years, vibrant startup ecosystems have been growing in almost every European country. However, new venture creation per se does not imply societal wealth creation and using simple indicators such as rate of creation of new firms may be misleading. To contribute to economic progress, startups are supposed to survive, break the early stage barrier and scale up, *i.e.* to expand in terms of market access, revenues, and number of employees and turn into growing businesses. Nowadays, market globalization calls for more and more companies characterized since inception by innovative business models (Onetti et al., 2012; Onetti and Zucchella, 2014), a strong international attitude - *i.e.* global market view – and exponential growth (Ismail et al., 2014). Enterprise growth has been studied by scholars for many years (Gupta et al., 2013; Davila et al., 2003; Pisoni and Onetti, 2016). For venture backed startups, growth is a required condition in order to survive. New ventures are subject to a liability of newness where, in the absence of growth, their survival rate may be significantly reduced (Bruderl et al., 1992). Despite a significant body of research focused on the variances of startup growth rate, the aspect of analysis related to how and where growth occurs has been insofar largely overlooked by scholars (Gilbert et al., 2006), mostly focused on the phenomenon of the early internationalization – mainly in terms of intensity or degree, speed of internationalization - rather than on the reasons behind and on related operational and structure-related decisions.

Internationalization is a multidimensional process observed over the past decades under different perspectives. Management of multinational corporations (MNCs) - especially of large ones - has attracted the interest of scholars in the field of international business (IB) for many decades. Starting from the pioneer studies of Dunning (1977) and Vernon (1966) and proceeding to analyze more recent studies, it is possible to notice how the research objective has shifted from foreign investments to the internationalization process and MNCs' strategic organization and management. In this respect, a considerable amount of important studies has been developed on the internationalization process of companies, the so-called "stage models" (Johanson and Valhne, 1977). In recent years, stage models as well as the incremental, step-by-step internationalization processes - according to which firms go international in a slow and incremental way and reduce the uncertainty and risk of the internationalization process by gradually accruing market knowledge - have been questioned by the worldwide emerging phenomenon of "born global" firms, *i.e.* companies that internationalize their activities from inception or shortly thereafter (Oviatt and McDougall, 1994). Based on the model of influences on the speed of entrepreneurial internationalization developed by Oviatt and McDougall (1995, 2005), explanations of accelerated internationalization have been found in relation to variables at different levels of analysis, *i.e.* individual/entrepreneur level, firm level and national level (Knight and Cavusgil, 2004; Madsen and Servais, 1997). The importance of entrepreneur's background and experience and their international attitude in the creation of born-global approach lead to the creation of a new (emerging) stream of research, defined as International Entrepreneurship (IE). Specifically, major factors leading to early internationalization of firms identified in literature can be categorized in: macroeconomic issues, such as globalization, uncertainty and dynamism of the firm's business environment (Laanti et al., 2007; Oviatt and McDougall, 1995); home country conditions, such as small and saturated domestic markets (Madsen and Servais, 1997; Oviatt and McDougall, 1995), keen competition in the home market (Oviatt and McDougall, 1995), as well as financial constraints or low availability of private equity funds in the home country that encourage internationalization

towards those countries where there are more venture capital funds (Oviatt and McDougall, 1995); industry-specific issue, such as belonging to a high tech or knowledge intensive sector (Preece, Miles and Baetz, 1998; Jolly et al., 1992); firm specific factors, such as organizational flexibility and innovation propensity (Knight and Cavusgil, 1996; Oviatt and McDougall, 1994); the access to network links to explore and exploit international opportunities (Zain and Ng, 2006); the entrepreneur's background and experience, their international attitude and human capital related factors (Oviatt and McDougall, 1994, 1995; Zucchella et al., 2007; Cannone et al., 2014).

As shown above, several studies have been published on IE-related topics (Jones et al., 2011). Nevertheless, scholars still highlight the need to analyze in-depth the different phases of the internationalization process of early internationalizing firms (Jones and Coviello, 2005).

Recent studies about startup ecosystems (SEP, 2015, 2016; Onetti and Pisoni, 2016) - carried out with the purpose of identifying the European fast-growing companies - highlight the emergent phenomenon of the dual companies among European ICT startups. According to these studies, dual companies are new ventures founded in one country that later relocated their headquarters abroad, shortly after inception. Following the dual model means maintaining a strong operational presence in the country of origin alongside other parts of their value chain Due to their fast pace of internationalization, these companies could be defined by academic literature as Born Globals/Global Startups, (Oviatt and McDougall, 1995), Gazelles, and Micro Multinationals. Born Globals are often technology-oriented and go international from inception or very shortly thereafter not following "traditional" path of internationalization. In this perspective, dual companies could be considered as a subset of born-global firms characterized by peculiar features.

Furthermore, initial research (SEP, 2015, 2016; Onetti and Pisoni, 2016; Pisoni and Onetti, 2017) shows that European dual companies typically move to countries that have a more developed financial market with the goal of having access to capital (faster and in larger quantity). Headquarters relocation may be also motivated by the decision to root in recognized industry centres of excellence or emerging tech clusters, but the access to financial resources - specifically venture capital - seems to be the triggering factor for their early internationalization choices. Despite the relocation of the headquarters abroad, they continue to invest a large part of the capital raised in their home country also because there is a plentiful supply of highly qualified technical graduates and an appealing wage structure.

In this respect, the lack of financial resources has been identified as the most limiting factor for new technology ventures aiming at globalising their business. Several studies highlight the crucial role played by equity financing in the survival and successful development of new high-growth ventures (Cooper et al., 1994; Davila et al., 2003; Talaia et al., 2016; Onetti et al., 2015), in particular for the most innovative ones (Venturelli and Gualandri, 2009) that operate in high-tech industries (new technology-based companies/NTBF) (Colombo et al., 2010). For born global companies, this issue is of crucial importance (Luostarinen and Gabrielsson, 2004; Laanti et al., 2007) and also represents a particularly interesting research gap (Gabrielsson et al., 2004) since it has been insofar largely overlooked by scholars. The environment they refer to is characterized by global competition. In order to survive and consequently grow in such a competitive landscape, new technology ventures do not have time to grow following traditional "stage model" paths (Gabrielsson et al., 2004). They need the necessary resources to foster exploration to respond very fast to opportunities in the global marketplace. Consequently, rapid internationalization claims for

organizing adequate financial resources for a fast, pervasive and effective global market penetration. The amount of capital raised is therefore a key factor for startup growth (Cooper et al., 1994). Early stage new ventures looking for capital usually rely on local or domestic investors, since they are easier to access due to geographical proximity (Fritsch and Schilder, 2008; Gabrielsson et al., 2004). When the domestic venture capital financial market is too little or is not structured enough, new ventures may start looking forward international (cross-border) funding sources. It follows that a low availability of venture financing in the home country could also trigger early internationalization of the new venture towards those countries where founders have more chances to get access to financial resources (Oviatt and McDougall, 1995).

Therefore, based on the literature review above described, it could be of great importance to explore specific dimensions/research questions, such as:

- Why do these companies move their headquarters abroad, especially to the US? Is this decision driven by their fundraising path? Is there any relation between their relocation process and some peculiar features of their fundraising path (*i.e.* number of rounds, time, amount, typology/nationality of investors)?
- How do these companies organize their activities across countries? Which activities do they relocate in the US? Which activities do they maintain in their home countries?
- Who are the founders of these companies? Is there any relation between the founders' profile (*i.e.* basic demographic factors, educational background and previous work and entrepreneurial experience abroad) and the decision to relocate the company in the US?

We will now move on from the research questions identified through the above-described literature review and present a semi-structured template (interview guide/canvas) we prepared to collect the necessary information and investigate the emerging phenomenon of dual companies.

4. METHODOLOGY

The Study aims at presenting an overview of the trends in transatlantic dynamics of European young, high-tech and innovative firms characterized by a strong international attitude and exponential growth.

The research activity focused on structured high-tech companies (scaleups) that showed an international expansion towards the US since the initial phases of their life cycle.

The main source of data for this Study is the SEP mapping and scouting database built by Startup Europe Partnership[5].

The SEP mapping and scouting database contains up-to-date data on the company investment profiles of ICT scaleups from 12 selected European countries (namely UK, France, Germany, Spain, Italy, Portugal, Poland, Denmark, Finland, Iceland, Norway, Sweden). SEP sources of information include public data (*e.g.* press articles, blogs), existing datasets, and direct information collected by VC companies, corporate venture units, business angels, accelerators and active seed and early-stage funds, crowdfunding platforms, tech competitions and events, and other relevant channels. SEP categorizes ICT companies based on capital raised[6] (including both capital raised through VCs and the stock market) as indicated below:

- *Startup*: less than $1M funding raised (since foundation) and at least one funding event since 2010;
- *Scaleup*: more than $1M funding raised (since foundation) and at least one funding event since 2010;
- *Scaler*: more than $100M funding raised (since foundation) and at least one funding event since 2010.

The SEP database is dynamic, meaning that there is an ongoing process aimed at updating the information (*i.e.* by adding new companies as well as tracking the evolution of the companies already included in the database), as well as extending the geographical coverage (*i.e.* by including new countries). The figures (number of scaleups and capital raised) indicated in the Study are updated as of December 31, 2016, and are preliminary (currently under review).

For the Qualitative Analysis, we also leveraged the European bridging organizations headquartered in Silicon Valley - among others: West to West, German Accelerator, Spain Tech Center, NOST Silicon Valley, Mind the Bridge, Silicon Vikings, French Tech Hub, Innovation Center Denmark, We 4 Startups, Silicon Valley Comes to UK -SVC2UK, EIT Digital - and the European Consulates in Silicon Valley.

For the purposes of the Study, data collection focused on European scaleups[7] included in the SEP database that showed an international expansion since the initial phases of their life cycles, moving

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[5] Established by the European Commission in January 2014 at the World Economic Forum in Davos, Startup Europe Partnership (SEP) is the first pan-European open innovation platform dedicated to transforming the best European startups into scaleups by linking them with global corporations and facilitating business and strategic opportunities. SEP is a Startup Europe initiative led by Mind the Bridge with the support of Nesta, Factory and Bisite Accelerator.

[6] An alternative methodology is the one used by The Wall Street Journal and Dow Jones Venture Source that are tracking venture-backed private companies valued at $1B or more (aka The Billion Dollar Startup Club or Unicorn Club).

[7] Coutu (2014) defines scaleups as "enterprises with average annualised growth in employees (or in turnover) greater than 20 per cent a year over a three-year period, and with 10 or more employees at the beginning of the observation period". According to SEP, a scaleup is an ICT company that raised at least $1M in funding (including both capital raised through VC and the stock market), with at least one funding event since 2010 (Onetti, 2014; SEP, 2015). The SEP definition may fail to consider startups that are scaling up in a sustainable

their headquarters abroad (more specifically, in the US), while maintaining a strong operational presence (such as R&D, product development, etc.) in their country of origin. These companies are herein defined as dual companies. The process we used to collect and systematize data with is represented below.

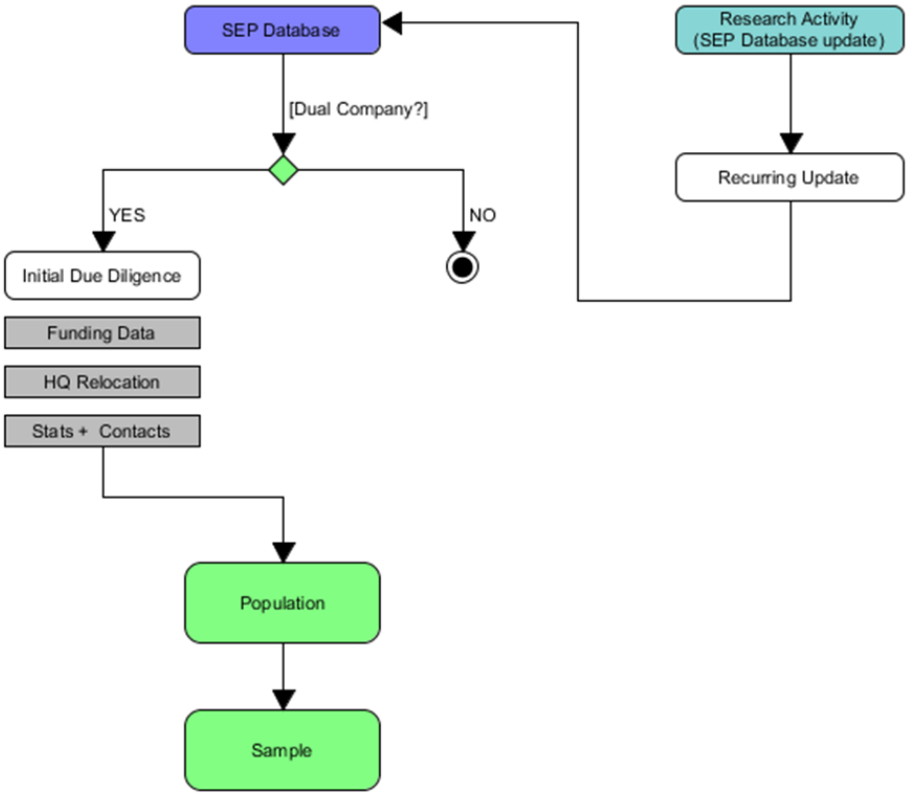

Figure 1: Data Collection Process

Source: own elaboration

The data collection process has been structured in three steps.

The first step is the identification of potential dual companies. We analyzed scaleups included in the SEP database labeled as "dual company" being the ones that match the definition. Those companies are included in the Study database, where they are further analyzed to gather aggregate data as part of the exploratory Quantitative Analysis.

The second step is a further due diligence based on the analysis of more detailed company information, including gathering public data on funding, location of headquarters and subsidiaries' general statistics as well as leveraging our network of contacts. The goal was to verify whether the companies initially labelled as dual companies have all the characteristics required to be included in the Study database.

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way (such as bootstrapped companies that grow organically and generate revenue and employment), while including startups that raised enormous seed investment while still in the "search phase." Although the SEP data fail to represent the complete scaleup landscape, we chose this methodology because it is the only one that allows an up-to-date "who's who" of scaling up in the various startup ecosystems. Furthermore, it is often not possible to report revenue and employment data (the real key variables to assess growth of a startup) as in most cases they are private companies, and many countries are simply not accessible in a timely manner.

Based on this two-step verification process, a total population of 462 firms have been identified[8]. This population has been analyzed as part of the Quantitative Analysis. The third step is the Qualitative Analysis aimed at gathering additional relevant information through the interview process with the ultimate goal of better understanding the phenomenon under investigation and selecting the business cases to be included in the Study. The Study follows design and analytical requirements (Yin, 1994) to assure the validity and reliability of the research. Multiple sources of evidence have been used to ensure construct validity, with the goal to collect accurate and unbiased information. The Study, mainly exploratory in approach (Yin, 1994, 1998), has been based on case studies which are particularly effective when the research domain is broad and complex and when the researcher knows little about the emergent phenomenon (Eisenhardt and Graebner, 2007). We built a sample of 100 dual companies to be directly contacted[9]. This equals to approximatively 21% of the population. To gather contact information of those 100 companies of the sample, we alternatively used the sources listed below:

- We leveraged the Mind the Bridge and Startup Europe Partnership extensive data base;
- We contacted investors, accelerators, bridge organization and asked for contact information/introductions;
- We used public information, when available;
- We used LinkedIn by leveraging direct and shared connections.

Country	Population	% on Country Tot.	Sample	% on Sample Tot.
UK	187	13%	12	12%
France	68	12%	12	12%
Germany	52	11%	14	14%
Spain	23	12%	10	10%
Italy	20	15%	12	12%
Portugal	6	12%	6	6%
Denmark	23	19%	7	7%
Finland	30	19%	3	3%
Iceland	5	29%	2	2%
Norway	12	21%	5	5%
Sweden	28	12%	5	5%
Poland	8	21%	7	7%
Czech Republic			2	2%
Croatia			1	1%
Latvia			1	1%
Switzerland			1	1%
Totals	462		100	

Table 1: Dual Companies per Country: Population vs. Study Sample

Source: own elaboration

[8] As mentioned above, data are preliminary as of December 2016, limited to 12 European countries and ICT sector.

[9] The composition of the sample by country is described in Table 1. Consistently with the exploratory approach of the Study, we also added to the sample 4 companies from countries not included in the 12-country population (*i.e.* Croatia, Czech Republic, Latvia and Switzerland).

We divided the sample of 100 dual companies in 3 mailing batches to guarantee a smooth and efficient contact process and to be able to properly follow-up answers by recipients.

The first contact email has been sent directly by the European Commission, to guarantee a better reach and response rate. In case of a bounce-back (*e.g.* incorrect or disabled email account) or after four days without an answer, we tried to reconnect with the non-responding company through alternative channels (secondary email, LinkedIn, direct introduction by bridging organizations, etc…).

Each email sent included a direct "call-to-action", where the recipient has been asked to connect for a personal interview to present the goals and context of the Study. In case the respondent agreed to be interviewed, a call has been scheduled and run over Skype (all interviews have been recorded using the "Pamela" software).

In order to gather consistent information through all interviews, a semi-structured template (interview guide/canvas) has been used (see Annex 1). The semi-structured format allowed to gather comparable information as well as to collect additional information.

Company interviews have been conducted based on a "storytelling format" lasting on average 30 minutes, with the interviewer tailoring and adapting the interview in line with the responses provided by the interviewee.

All interviewees worked at the executive level of each company (*e.g.* founders, C-level executives…). For each company that we interviewed, documentary information about services and products offered and the geographical reach were gathered through different sources. Relying on different sources of information allowed data triangulation to ensure the validity of the Study and obtain a more comprehensive and accurate view of the topic at hand (Yin, 2013).

The interviews have been focused on the following dimensions: motivations to relocate the headquarters, founders/CEO's prior experiences and business contacts, and company transnational structure (*i.e.* location of various activities across countries).

All participants in the Study were guaranteed complete confidentiality in the treatment of their responses. 16 dual companies out of the previously identified sample agreed to be interviewed. We thus obtained an answer rate of 16%, aligned to the average of the best international surveys (Harzing, 1997).

We then selected 2 companies (Cedexis from France and Veniam from Portugal) to be included in the final report of the Study as full "Case Studies" that we think are most illustrative to substantiate the drivers that push startup companies to adopt the dual model.

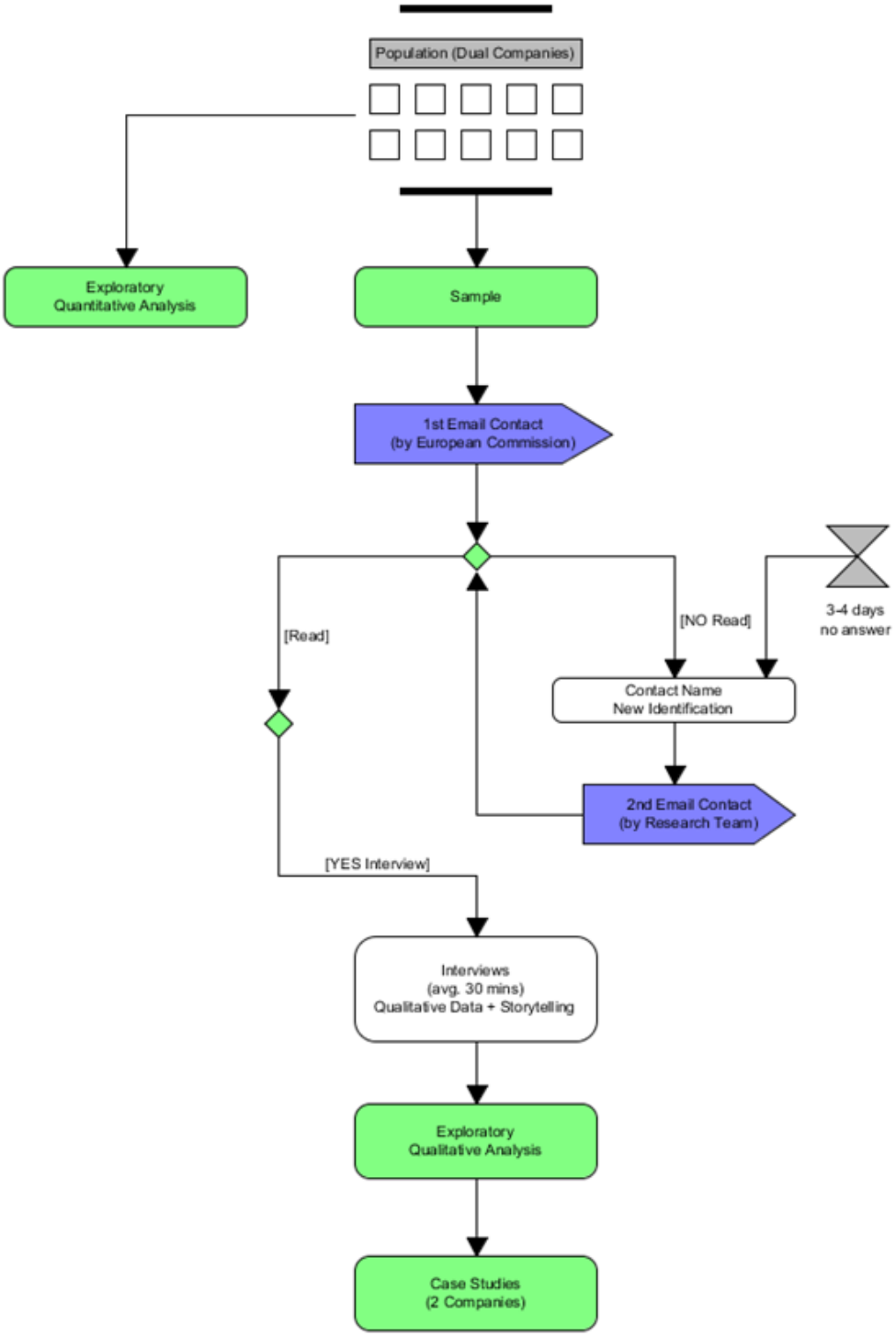

Figure 2: Case Study Analysis – Process Management

Source: own elaboration

5. QUANTITATIVE ANALYSIS

Dual companies represent a relevant percentage of European scaleup companies. Based on our analysis of ICT scaleup companies in 12 countries (see section 3 – Methodology – for more details), approximately 13% of European scaleups follow the dual model.

Out of an estimated total of 3,500+ ICT scaleups from 12 European countries[10], we tracked 462 dual companies, *i.e.* European high-tech innovative companies that moved their headquarters shortly after inception to another country.

In the main European countries, the percentage of dual companies ranges between 11% (Germany) to 15% (Italy).

In the Nordic countries, the percentage of dual companies is definitively higher (20% as an average). Similarly, we noticed a high incidence of dual companies also in Poland (21%).

The analysis of the data suggests that the more mature startup ecosystems (such as Germany, France, Sweden, and the UK) show below-average amounts of dual companies (in the 11%-13% range), probably due to the fact that they have larger internal markets and are able to provide more funding opportunities to their local startups.

On the contrary, younger startup ecosystems (such as Poland) as well as smaller countries (*i.e.* most of the Nordics) show an above-average incidence of dual companies.

In other terms, their startups are, in a certain way, "forced" to look for growing opportunities (both market and financing) abroad.

Country	Dual Companies % of Tot. Scaleups
EU 12 (Avg.)	**13%**
Germany	11%
France	12%
Portugal	12%
Spain	12%
Sweden	12%
UK	13%
Italy	15%
Denmark	19%
Finland	19%
Norway	21%
Poland	21%
Iceland	29%

Table 2: Dual Companies per Country (%)

Source: own elaboration on SEP data

[10] The SEP database is under continuous update. The indicated number of scaleups is preliminary and currently under review.

The US are the typical destination for the clear majority of European dual companies. 83% of the total relocated their headquarters in the US. Among them, over the half (51%) chose the Silicon Valley.

New York follows at a distance (it has been chosen by 28% of the dual companies that relocated to the US). Other US destinations for European dual companies are Austin (Texas), Los Angeles (California), and Boston (Massachusetts).

14% of dual companies moved their headquarters in another European country. UK (and specifically London) is the most frequent destination (for 61% of the dual that remained in the Old Continent). Germany (and specifically Berlin) is by far the second most attractive hotspot (3%).

Data show that there are no alternatives to the US for European companies looking for relocating their headquarters outside the Old Continent. Only 3% of them moved in non-European countries different than the US (Singapore is the most frequent destination).

Country	Destination (%)
USA	83%
EU	14%
Others	3%

Table 3: Destination Countries for European Dual Companies

Source: own elaboration on SEP data

Dual companies raise more capital compared to companies that followed a more local growth path.

Of the estimated $44B in funding raised by the 3,500+ European scaleups, $8B were secured by 462 dual companies. That means that dual companies – that are 13% of the total – managed to raise 18% of the total capital made available to European based ICT scaleups.

Data suggest that companies following the dual model are more effective in raising capital. The average amount raised by dual companies is $17.4 million, 40% higher than the amount collected by non-dual companies ($11.6 million on average).

Indirectly, these data support the thesis that companies follow a dual model to get access to more capital (see Qualitative Analysis).

	Number (%)	Capital Raised (%)	Capital Raised ($M, Avg.)
Dual Companies	13%	18%	$ 17.4
Non-Dual Companies	87%	82%	$ 11.6

Table 4 : Number of Dual Companies and Capital Raised (Percentages and Average)

Source: own elaboration on SEP data

It is worth noting that the funding ratio between companies following the dual model and non-dual companies varies among the countries and areas analyzed.

In the main countries (such as the UK, France and Germany), the difference of capital raised by dual companies versus local companies is considerable but is comprised in a 10-30% range (1.1 times for German and French scaleups, 1.3X for UK scaleups).

In Southern and Eastern Europe, the gap becomes substantial. Dual companies from Iberian Peninsula and Italy raise - as an average - 2.7 times the amount of capital made available to local scaleups, while in Poland the delta is even wider (3.3 times).

Similarly, in the Nordic countries dual companies are raising 2.4 times more capital than the local firms.

As mentioned above, the small market size and the relative lack of funding of their home ecosystem drive scaleups to look for funding and market opportunities across the Atlantic or in more mature European ecosystems.

Region	Capital Raised Dual vs Non-Dual
UK	1.3X
France/Germany	1.1X
Southern EU	2.7X
Nordics	2.4X
CEECS (Poland)	3.3X

Table 5: Funding Ratio: Dual Companies vs Local Scaleups (per region)

Source: own elaboration on SEP data

6. QUALITATIVE ANALYSIS

6.1 EU-US Dual Companies: Drivers, Benefits And Challenges

This section aims to present an overview of the main findings arising from the interviews carried out on a sub-set of the above-described EU-US dual companies. In doing so, we specifically focused on the key dimension of analysis of the "motivations to relocating to the US".

Our approach is exploratory and it is particularly suitable for addressing "why" type of research questions. The following pages therefore represent an introduction to the next section in which we analyze more in depth the two case studies we have selected for conceptualization around the emergent phenomenon of dual companies.

6.2 Motivations For Relocating To The US

As literature suggests, companies engage in cross-border business growth and internationalization for multiple reasons and in various forms. In the interviews carried out with European startup entrepreneurs, and industry experts, it emerged that the common motivations to move to the US need careful consideration.

That being said, some key reasons have been mentioned by the clear majority of the interviewees as opposed to other minor ones. We divided them into two main categories as distinguished below:

1. Access to capital
2. Market size

In the following paragraphs, two main motivations for relocating to the US are described in depth, also providing the most relevant quotes by the interviewees. In order to protect interviewees' anonymity, we chose to name the companies according to their country code (ISO 3166-1 alpha-3).

In the final paragraph, we also summarize other motivations that emerged from the interviews, such as the "access to talent", the importance of "support systems and regulatory framework", and "cultural differences and attitude to risk".

Given the exploratory nature of the Study, it is important to provide an overview although the above-mentioned motivations have not been stated by all interviewees.

6.3 Access To Capital

The lack of financial resources has been identified in literature as the most limiting factor for new technology ventures aiming at globalizing their business. In this respect, all interviewees describe European investors as being more risk-averse than their American counterparts.

The interviewed companies pointed out a substantial lack of growth and later stage funding options in Europe. European investors (included but not limited to business angels, institutional investors such as VCs as well) are reported to be mainly focused on seed and early-stage funding.

"The US is the place where the big money lies. For companies that need a lot of capital the US is the place to be." (ESP3)

"It's difficult to find funding in Italy and in Europe, in general. It is even harder to find VC money." (ITA1)

"Venture financing is better structured in the US, while in Germany this is still something philanthropic with business angels leading the investment scene. Capital in Germany is more for early-stage startups rather than later-stage companies." (DEU1)

Lack of access to capital (specifically later stage) is the reason why not as many startups plan to settle down in Europe, but tend to enter the US market as soon as they reach a certain stage, instead. According to ESP3, DEU1 and ITA2, the only European hubs that are shifting towards more later stage funding options appear to be London and Berlin. But the gap with the US is still perceived as relevant.

Thus, it appears Europe is a starting market from which startups depart to take the business to a major scale.

ESP3 considers the funding opportunities available in its home country were not adequate for the company scale-up process. The entrepreneur stated:

"In Barcelona, there is small capital available. We did have some good conversations in London, but back then there were only a few investors willing to really invest. It was getting pretty clear that the capital available was quite low." (ESP3)

Also, the cost of raising capital in Europe has been mentioned as a factor that penalizes European startups.

"The cost of raising capital in Europe is too high compared to the US" (ITA4)

At the same time, European startups declared they would struggle getting any US investors' time due to the significant physical distance. Most US VCs, in fact, only invest in US companies.

US investors generally deploy capital close to home and a European startup approaching US investors must demonstrate why it represents a particularly attractive opportunity. In this respect, ITA2 stated:

"I decided to grow the company in the US because the fundraising process in Europe was terribly slow. In the US you raise money faster because the funding process is much more standardized." (ITA2)

ESP3 also added that:

"Capital is another problem. If you're intending to raise venture capital, you may need to be where your investors are. The faster Europe gets in providing serious funding options, the better." (ESP3)

US VCs and angels want to be geographically proximate to the business so that they can meet regularly with founders, provide business advice and give them access to their network. In particular, US early-stage investors are reluctant to invest in a business that has not already established in the US. This may be one of the reasons for relocating to the US, and hindering European startups from scaling up within the European borders. Essentially, in companies ESP2, ESP3, and DEU1, access to capital is considered a condition required by US VC investors that "strongly" prefer to have the company located where the capital is being deployed.

> *"We got funded by American VCs. They required us moving the headquarters to the US and switch the German company into a subsidiary. Their opinion was that having a Silicon Valley-based company would give the company more value also for any subsequent rounds and a future IPO."* (DEU1)

> *"In order to have access to US venture capital you need to move the headquarters there*." (ESP3)

> *"We closed our Series A ($34M) last year with a well-known Silicon Valley investor. To do that we flipped the companies around. The investor wouldn't invest unless the company and the IP were based in the US."* (ESP2)

Moving to the US does not necessarily mean the entity has to cease to exist in Europe. Dual companies offer a solution to scale up leveraging US capital while maintaining the core activities in Europe. As ESP3 singles out:

> *"There are many early-stage startups that have a nice product and got real traction. They might find US investors telling them they have to move there. So, they have to shut down the European company, move the founders to the US and restart from there. In that scenario, Europe gets nothing because a new US company is born in the US at the cost of a European company that dies. That's unfortunate because there is a way to keep both of them alive and grow by leveraging both the US and Europe."* (ESP3)

Probably the dual model is not the most straightforward way (splitting a company across the Oceans can be challenging at the very beginning), but still a practicable second best option.

> *"If we had an option to scale up in Europe, we wouldn't have moved to the US so early because starting a company in two continents with different time zones is not really easy. We would rather grow our business in Europe, say for 3 years, and then move to the US with a more stable product, a better understanding of market dynamics and customers, etc. that has a lot of implications."* (DEU1)

It therefore results in Europe having lots of outstanding startups that are either having trouble raising money or are forced to accept less than interesting terms.

6.4 Market Size

Extant literature in international business show how market access is traditionally considered as an important motivation for company internationalization choices. In this respect, interviewees highlight the importance of the US market for their business growth. The US have a much larger homogenous market compared to Europe, being the latter characterized by different languages, cultures, currencies and regulations, all serving to add friction and barriers to innovation and growth. As a result, launching a product in the US happens to have a much greater chance of gaining faster traction and producing revenues. ESP3 stated that:

> *"The EU needs to solve the internal market problem. Startups move to the US to get access to a larger market. Startups grow if they penetrate large markets. If you don't address the US market, you are not probably going to win in the long run."* (ESP3)

ESP2 follows by declaring:

> *"Our main reason to relocate was the access to the US market, to build a customer base in the US."* (ESP2)

HRV1 singled out:

> *"Business was the only reason for relocating to US. It would be much nicer to stay in your country and enjoy friends and family."* (HRV1)[11]

US startups have the opportunity to leverage a giant market. If they are successful, this gives them the opportunity to gain a competitive advantage over competitors. European startups grow more slowly also due to the diversity and fragmentation of Europe's markets. Their localization is a bottleneck for growth It is currently impossible for a startup company to access all European countries at the same time.

The entrepreneur HRV1 pointed out:

> *"Another advantage US has - compared to Europe - is that it has a large unified market. In Europe, we have 20+ languages and different cultures. To scale-up in Europe is a huge challenge."* (HRV1)

Beyond the size of the (US) market, also the quality of the market is another factor that causes European startups to look at the US and specifically Silicon Valley. The propensity to innovate, as well as the dynamism, are relevant factors of choice.

> *"To be an innovator, you have to get access to early adopters. You don't find them in less advanced ecosystems. Being in Silicon Valley is tremendously effective to launch a new product line."* (ITA4)

[11] Consistently, based on the "The State of European Tech" report (Atomico and Slush, 2016), 58% of European founders confirmed that they would prefer to start and build their companies in their home country.

> *"Silicon Valley is very compact, everyone's here. Italy (and Europe) are more complicated, too many small clusters."* (ITA5)

> *"Differences between US and Europe: access to capital, the speed of the decision-making process, market size. It feels like a lot of innovative conversations (AI, automated vehicles…) are taking place in Silicon Valley. That's why most of the people want to move there and be part of those conversations."* (PRT2)

> *"You also need an ecosystem which the Silicon Valley offers."* (ESP2)

> *"Silicon Valley is a special place for the adoption rate of new business ideas and technology. The whole spirit there is inspiring. It's a solution-oriented place."* (DEU1)

US and Silicon Valley are perceived to have steadily maintained a huge competitive advantage over Europe even though there are predominant innovation hubs like London and Berlin –the most quoted startup cities during interviews- and some of the startup success stories are finally emerging also in the Old Continent (*e.g.* Skype, Klarna, Spotify, Criteo, Vente-Privee, Privalia, Rovio, Soundcloud, Shazam, etc.).

> *"This is what I call the "Tomato Paradigm": if I plant a tomato in Norway, it's not going to grow like if I planted it in Campania (e.n. Italian region). Startups grow better in Silicon Valley than in Europe, that's it."* (ITA5)

It is also clear that many of the interviewees underlined the strong business link with the West Coast (from Portland through San Francisco Bay Area and down to Los Angeles).

In many respects, the success of recent ventures serves to attract more entrepreneurs, venture capitalists and engineers to the area. The phenomenon might be assimilated to the "gold rush": the fact that people have been successful in finding gold in a certain area encourages more people from all around the world to come and strike their chances.

Europe still lacks a critical mass of success stories. The more Europe will be able to produce, the faster its startup ecosystem will grow.

6.5 Other Factors

One of the issues raised by some of the interviewed entrepreneurs is the difficulty for European companies (not only startups) to access the best talent in the US. There is no shortage of talent in the US, but also a lot of fierce competition and it will likely to be more expensive. Skilled human resources in the US are very expensive and difficult to hire.

> *"The main thing is access to talent, no talent in the US wants to work for a European company. If they're good, they start their own startup, if they're less good, they work for a startup going IPO; if lesser good, they work for Google, Twitter, etc."* (ITA5)

Companies like ESP1, ESP2, ITA3, FRA1, PRT1 stated that the US - particularly Silicon Valley - benefit from a more skilled and highly technical talent pool (software developers, engineers, etc.). The downside to it is, as often reported by interviewees, the unpredictability and high expectations of employees.

On a brighter note, many interviewees mentioned that human resources in Europe are low-priced, while still maintaining good quality and loyalty. One of the serious advantages that European startups have over the US is that in many parts of Europe founders can have top notch engineers for the price of one junior Bay Area engineer, for instance. Seemingly, it might be more advantageous for European entrepreneurs to find qualified workers in their country of origin.

> *"The benefits of maintaining operations in Europe are very simple: talent pool is much cheaper."* (ESP2)
>
> *"Benefits of maintaining operations in Europe for us are 1) ease of access to a (cheaper than US) talent pool, 2) The quality of resources is also more predictable."* (ITA3)
>
> *"In terms of productivity, loyalty and costs, European resources are way better."* (FRA1)
>
> *"In Silicon Valley employee turnaround is very high, employees in Europe are very loyal to the project and to the vision"* (ESP1)
>
> *"Bad thing of the US is that Silicon Valley is totally excessive in wages, employee expectations and employee's loyalty."* (DEU1)
>
> *"The low cost of resources is a reason to be in Europe"* (CZE1)
>
> *"Here in Europe talent's costs are lower"* (PRT2)

The comments above explain why the dual model is widespread among European scaleups. It allows taking advantage of the US market and capital, while leveraging the quality and costs of the European workforce.

In this perspective, general labor market rules are mentioned as a relevant roadblock for startups. Being "volatile" entities, startups need to be able to hire and fire at will. This comes out as being more feasible in the US compared to the Old Continent.

> *"In the US, it is easier to hire and fire employees rather than in Europe. But the workforce in Europe is cheaper. We have brain drainage in Croatia."* (HRV1)

According to interviewees the local work regulations, including the inability to fire, severances, etc. also create potential barriers to acquisitions.

Besides the above-described motivations to relocating to the US, interviewees also highlighted other relevant aspects that need to be taken into consideration to round off the framework within which the dual company phenomenon emerges. In this respect, interviewees also stressed the

importance of "support systems and regulatory framework" and "cultural differences and attitude to risk". In the following paragraphs, the main findings are summarized along with the related interviewees' quotes.

Some interviewed companies mentioned that a whole business environment has been established in the US - particularly, Silicon Valley - to help support entrepreneurs and startups. There is a vibrant support infrastructure in Silicon Valley that offers more than finance. There is an abundance of executives and investors with adequate expertise to take a promising startup and help it grow. Most of them are entrepreneurs encouraging other entrepreneurs.

> *"When it comes to entrepreneurship and launching a business, Silicon Valley has an ecosystem that Europe can't match. The question is: What type of help/ecosystem do you have around you? This includes: government, expertise of people around you (entrepreneurs in residence) helping you and the network, huge moral support, less risk-adverse culture. Silicon Valley offers all that. When you have that kind of moral help and support (people supporting and encouraging you) it's much easier to get results."* (ESP2)

Some of the interviewees lamented the fact that information in Europe is not being channeled through institutional and formal networks. Entrepreneurs struggle with the many rules and issues characterizing the European ecosystem.

> *"We would need to be coached on how to do business in the different European countries. Working with the Chamber of Commerce I try to network with as many entrepreneurs as possible and try to learn from their mistakes. It's the only way I have to gather information."* (FRA1)

Paperwork load also came out among other issues. For example, HRV1 stated:

> *"We are in Boston. It is much easier in the US as far as the paperwork is concerned (a way less bureaucracy and red tape)."* (HRV1)

Furthermore, in the US more support is provided insofar as co-working spaces, accelerator programs, mentors and funds available.

Interviewees conveyed the advantage of developing the business model, and achieve initial scale in the US: the regulation is less complex, too. In Europe, there are excessive regulations on taxation, company filing, labor laws. The European market as such is bigger than the US one, but it is not a single unified market yet.

> *"We're not satisfied with the interaction of startups and the government. The government is not supporting startups. There are very complicated and time consuming rules in Europe. The US system is better, it's purchasing products from SMEs and startups. It's a much more economic role-based interaction back in the US."* (DEU1)

There are different regulatory frameworks to an extreme extent in each and every European country. The EU is and is perceived as a fragmented market. Regulatory and administrative barriers are holding startup entrepreneurs back from developing a scaling business within European borders. Interviews revealed that it is not only a matter of legal borders in Europe, but also linguistic ones. In this respect interviewees stated:

> *"The most important reason for relocating was the adverse regulatory framework in Europe."* (ITA2)

> *"The US law system creates easiness to invest."* (ESP1)

> *"It's easier to have a EU-based company rather than changing local entities every time. It makes more sense having a European company which has the same regulations in all the 28 countries and the same tax system."* (HRV1)

Regulatory issues play an important role in cross-border funding and expansion. Interviewed startups wish for better public services provided by the EU that will make life uncomplicated to expand beyond national borders. The key is finding the right balance between regulation and informality of the market, and observe how the development of the market. The Digital Single Market initiative directly addresses many of the problems faced by startups in this respect. As PRT1 commented:

> *"I don't find European regulations being particularly hard. I would only change a couple minor things (e.g. to loosen up regulations on digital signatures within the EU, decreasing red tape and bureaucracy) and to make the process faster."* (PRT1)

As interviewees reported, a different risk appetite between US and Europe stands out, as well. More precisely, company ESP2 states:

> *"Even if you fail in the US you get even more easily funded later on because one assumes you've learnt something out of that."* (ESP2)

The "style of innovation" in Europe differs greatly compared to the US. Europe has not yet adopted the "fail fast, fail often" attitude of Silicon Valley. There seems to be a self-fulfilling cycle of innovation and entrepreneurship in the US thanks to their risk-loving culture.

> *"In the US people are more prone to take risks and fail, in Europe we tend to be more methodical and we like to prepare the business plan."* (CZE1)

Companies like ITA3, CZE1 and ESP2 share the same vision in an implicit way, by declaring that a different approach to risk-taking is favorable. Coupled with a "pay it forward" mentality, this means that there is an abundance of players keen to actively support startups in their success. The VC industry is fully in favor of startups:

> *"Everybody shares and they listen to you in the US. The attention span is shorter (fail fast culture), though."* (ITA3)

"The good thing is that being optimistic and more risk-taking pays in the long run, this is what we need to show to Europe and that's why everybody is copying them. There's also the concept of giving back, it keeps the whole ecosystem alive." (ITA 3)

7. COMPANY CASE STUDIES

The companies that were considered for the Study were part of different geographical ecosystems within Europe and interacted with different players.

As previously mentioned, out of a sample totaling 100 companies - subdivided in three batches - in line with the selection criteria, 16 of them were interviewed and analyzed. Based on the information collected during the desk research and interviews, we identified two companies suitable for a more in-depth analysis. In both cases, investors played a key role in the relocation process. This supports the thesis that most of the startup companies adopting the dual model are funding-driven.

7.1 Case 1 – Veniam

Activities

Veniam's activities revolve around the "Internet of Moving Things". Veniam turns vehicles into Wi-Fi hotspots and builds vehicular networks that expand wireless coverage and collect terabytes of actionable data. Veniam's solutions are composed by hardware, software and cloud components that deliver managed services to intelligent transportation systems in New York (US), City of Mexico (Mexico) and Singapore (Singapore), as well as in the world's largest network of connected vehicles, which includes taxis, waste collection trucks and the entire public bus fleet in Porto, Portugal, offering free Wi-Fi to more than 500,000 active customers.

The company offers cost-effective ways of providing in-vehicle internet access and seamless connectivity to a car or fleet. Its networking platforms are designed to overcome urban dead zones, switch automatically to cost-effective Wi-Fi, and expand the vehicle's communication range through the self-organized vehicular mesh.

Geography

Veniam currently has offices in Mountain View (California, US), New York (US), Porto (Portugal), and Singapore (Singapore). The company was established in 2012 in Portugal and in the US. In 2015 Veniam opened a subsidiary in Singapore. An office in New York opened early 2017. Both the Portuguese and the Singapore companies are subsidiaries of the parent company that is incorporated in the United States.

Founding/Entrepreneurial Team

Veniam was founded by 4 individuals: João Barros and Susana Sargento, Portuguese university professors along with Robin Chase and Roy Russel.

Two founders are originally from Portugal, while the other two co-founders are American entrepreneurs. Among the founders, João Barros is the one that serves as CEO. João Barros is a University Professor (on leave) of Electrical and Computer Engineering at the University of Porto. He was a Fulbright scholar twice and has held visiting appointments at MIT, Stanford, Cornell and

Carnegie Mellon University. He regularly teaches at the Porto Business School and serves on the board of Streambolico, a WiFi multicast company he co-founded in 2012.

Between 2009 and 2012, João Barros was the National Director of the Carnegie Mellon Portugal Program, a five-year international partnership funded by the Portuguese Foundation for Science and Technology (FCT) and was Principal Investigator (PI) and Co-Principal Investigator (Co-PI) for numerous national, European and industry funded projects. His work has been featured on NPR, BBC, MIT Technology Review, TechCrunch, FastCompany, and The Atlantic, among several other relevant media outlets. Another co-founder with an academic background is Susana Sargento is an Associate Professor with "Habillitation" in the University of Aveiro and a researcher at the Institute of Telecommunications. She joined the Department of Computer Science of the University of Porto between 2002 and 2004, and she was a Guest Faculty of the Department of Electrical and Computer Engineering from Carnegie Mellon University (US) in 2008. She has been involved in several FP7 projects and EU Coordinated Support Action 2012-316296 "FUTURE-CITIES".

After 10 years of research and academia, João and Susana realized to have a good innovative technology at hand with an interesting market potential.

In 2011, João met the third co-founder, Robin Chase, who currently serves as Executive Chairman at Veniam. Robin was previously founder of Zipcar (where she served as CEO) and GoLoco, an online ridesharing community. In 2012 they decided to move forward with the company and to create Veniam to build the Internet of Moving Things. Robin has several roles outside Veniam: she is on the Board of the World Resources Institute, the National Advisory Council for Innovation & Entrepreneurship for the US Department of Commerce, and the OECD's International Transport Forum Advisory Board. She also served on the Intelligent Transportations Systems Program Advisory Committee for the US Department of Transportation, the Massachusetts Governor's Transportation Transition Working Group, and Boston Mayor's Wireless Task Force.

Robin later put on board of Veniam Roy Russel (who currently serves as CTO) - also former founder and CTO of Zipcar.

The CEO João Barros is based in Mountain View and often travels (approximately 15/20 times a year) to Portugal and Singapore. Susana Sargento is a co-founder, and does not have executive roles at Veniam.

Fundraising Path

As per a more in-depth analysis of this case, we acknowledge that the main reason for relocating to the US has been the relation with the investors. Back in 2012 the founders were looking for the initial funding required to start the company. In 2013 they obtained a first angel seed funding (amount undisclosed) through angel investors in New York, Boston, London and Lisbon.

In 2014 the company raised the Series A funding ($4.9M) from True Ventures, a Silicon Valley-based venture capital firm investing in early-stage technology startups.

As the company started gaining significant traction in the US, the investors expressed the need to be close to Veniam, thus leading the company to establish its headquarters in Mountain View. The founders confirmed that the company's relocation to the US was a requirement of the investors.

Nevertheless, it represented an opportunity for the company. Hence, they can have regular meetings with the CEO and the management team and speed up the decision-making process. Beyond capital, good investors do represent a source of ideas, support, and contacts.

> *"They opened their network to our startup so that we can be successful in our projects. It's not only about the capital."*

The Series B funding round amounting to $25M occurred in February 2016 and mainly involved US-based entities led by Verizon Ventures along with Orange Digital Ventures, Cisco Investments, True Ventures, Yamaha Motor Ventures, Cane Investments LLC, Union Square Ventures, Liberty Global Ventures[12].

Reasons for Relocating

As already mentioned, Veniam moved their headquarters to the US mainly due to the easiness of relations with their investors that would have resulted from the co-location. The founders confirmed that the decision-making process has become faster because of the proximity to the US key investors.

"The investors acted as a bridging organization for us."

Still and all, this was not the only reason. Other important drivers for relocation mentioned by Veniam are:

- the proximity to the US market: the ease of travel connections within the US allows faster visits to American customers;
- the ecosystem: Silicon Valley tech cluster remains unrivalled due to its vibrant and ever evolving technology community;
- a direct presence in the Bay Area helped to find technology partners as well as better leverage the investors' network.

While discussing the obstacles and the reasons that Veniam worked through during the internationalization process, the fragmentation of the European market hasn't been mentioned as neither a problem nor a motive for relocating.

Dual Strategy

Consistently with the dual model, Veniam keeps the R&D, engineering, sales and other strategic roles in their home country (Portugal) where they maintain 80% of the workforce. The CEO is based in the US (Mountain View) together with the sales department.

The company replicated the US model in Singapore where sales and administrative functions are run.

From the interviews with the company representative it emerged that governmental partnerships between Portugal and the US played an important role in the company's decision to relocate in the

[12] Veniam was featured by CNBC as one of the 50 most forward-thinking companies in America (together with unicorns such as Uber and AirBnB), and won the 2016 Best Auto Mobility Product/Service at the TU-Automotive Awards.

US. As a matter of fact, international partnerships between the Portuguese government and American universities – like the Carnegie Mellon and MIT, the involvement with the WBA association and other exchange programs all helped bridging connections, ideas and talent.

> *"This allows an exchange and experience to learn with the Americans on how to create a new business through an immersion training period in the US for entrepreneurs. That has been working very well."*

Drivers and Barriers

The Portuguese Government is improving partnerships with US universities that involve science, education and research. As reported by the interviewee:

> *"Governmental programs with strategic international partners are very important to help change and evolve culture and education, to exchange stories. American culture impels people to start new companies right after they failed. In Europe, we don't have that mentality, once you fail, you stop."*

Entrepreneurial educational programs at European level (promoted by the European Commission) could help connect entrepreneurs through training and networking sessions. Such initiatives could act as a benchmark and empower business people in building up adequate strengths to challenge the market.

Interviewee

Ms. Alexandra Carvalho Vieira, Community Manager at Veniam.

7.2 Case 2 – Cedexis

Activities

Founded in 2009 by former Jive Software executive Marty Kagan and former France Telecom executive Julien Coulon, Cedexis provides cloud performance monitoring and optimization to enterprise customers. Cedexis helps large companies manage their cloud computing, checking for the most efficient places to store data and the fastest ways to access it. Cedexis also provides adaptive automation for dynamically optimizing traffic across clouds, data centres and delivery networks to dynamically match the best-performing clouds with local demand.

Geography

Cedexis started in Paris (France) in 2009. In 2011 the company moved the headquarters to Portland (Oregon, US). They currently have also offices in San Francisco (California, US), London (UK) and sales representatives in Germany, Japan, Israel and Brazil.

The parent company is a Delaware Corporation operating in Oregon (US). The other entities are subsidiaries of the US company.

Key Financial Indicators

As of today, Cedexis raised a total amount of $33M in 3 Rounds (Series A and B) from six investors. The annual revenue run-rate was estimated to be over $12M in 2016[13].

Founding/Entrepreneurial Team

Cedexis started with 2 founders: Julien Coulon and Marty Kagan.

Julien Coulon started in the Internet world in 1992 with France Telecom's Hosting Division. From 1996 to 1998, he spent two years on a technology watch in New York. Back in France, he headed the Internet and Minitel sector of world cup "France 98", then successfully developed their Hosting activity. In 2000 he helped set up Langages Virtuels, a web conferencing start-up later bought by Genesys Conferencing. Julien joined Akamai International in 2002, to launch their E-commerce, Digital Media & Telecom activities in France. He remained Industry Director with Akamai until 2009. Mid 2009, he launched Cedexis with Marty Kagan.

Marty Kagan has 12 years of experience in high-performance software development. He was VP Engineering at Jive Software until October 2008. Marty moved to Jive in 2007 from Akamai Technologies. He spent 5 years in San Mateo (CA) managing the development of the company's caching, streaming, storage, and distributed computing solutions, and 3 years in Paris as Director of Technology for EMEA and APAC operations. Marty began his career at Cisco Systems, where he was part of the team that launched Content Networking, and managed the design and operations

[13] Cedexis has received several awards, innovation prizes and been ranked in prestigious top lists over the years. It won the Best Product Innovations 2016 award by TVTechnology. Cedexis ranked 247 on Deloitte's Technology Fast 500™, a ranking of the 500 fastest growing companies in North America. StreamingMedia selected Cedexis as one of the "100 companies that matter most in online video in 2016". The company also won the Innovation Aware at ICT in Singapore.

of a content delivery network for the NetAid Benefit concert in October 1999, the largest international webcast of its time. He holds an MA from the University of California, Irvine, and a BA from the University of California, Santa Barbara.

Julien and Marty both worked at Akamai Technologies for 3 years working on remaking the world of the internet. Julien Coulon is based in France and constantly travels to the US (approximately 6 times a year). Marty Kagan is no longer actively involved in Cedexis.

Fundraising Path

After raising an initial seed round (€1M) in 2010 from angel investors in France, Cedexis completed a $6MSeries A funding in that same year from Seattle-based Madrona Venture Group and Palo Alto-based Advanced Technology Ventures. Additional $3.5M funding followed in 2015. The company raised a $22MSeries B round in 2016 led by Ginko Ventures with the participation of Foxconn, Nokia Growth Partners, Citrix Systems Ventures (plus prior Series A investors Madrona Ventures and Advanced Technology Ventures).

During the fundraising process in 2010 (Series A), the valuation of the company proposed by potential investors in France was half the amount proposed by American VCs (albeit the company had no customers overseas at that time). At that time, American co-founder Marty Kagan was in the US. Therefore, the company switched legal entities and moved the headquarters to Portland (Oregon, US) because the VC asked to base the company where it could benefit from the statutory bylaws of the State of Delaware.

> *"It was mandatory because of the company bylaws of Delaware. US investors were not open to invest in a French entity."*

When the company started in 2009, its customer base was entirely grounded in France. With the capital raised through the Series A investment round in 2010, Cedexis initiated to expand its footprint in the US.

Following the last fundraising round, the American VC requested the company to further move the US entity - which was in Portland - to Delaware. No tax reasons laid behind such decision. Instead, Delaware is deemed to be the only state having a favorable commerce law.

Reasons for Relocating

As mentioned, the company's relocation to the US was a prerequisite of the Series A investors.

The access to funding in the US – as well as relocation– was facilitated by the presence of the co-founder in the US.

Another key reason for relocating to the US was the access to the US market that is large and homogeneous. The company now has Facebook, Google, Bloomberg, Microsoft, Linkedin and many US companies as customers, thanks to this change.

> *"The market is so big and has the same rules for hiring staff."*

> *"US is one big country that you can target from one location."*

Dual Strategy

Cedexis continues running the engineering, sales, marketing, R&D, finance, support operations in Europe while 1/3 of engineering and R&D is run in the US. Similarly, the Singapore unit is going to run support operations. According to the founder, being close to the customer base is paramount to the survival and growth of the business.

The company hires 75 employees globally and generated $12M in revenue in 2016.

> *"In terms of productivity, efficiency, loyalty and costs European resources are way better."*

Drivers and Barriers

During the interview, numerous thought-provoking facets regarding obstacles and possible solutions emerged. Cedexis has encountered obstacles in scaling up in Europe. The company has offices all over Europe but it is struggling to open offices in Spain.

> *"The problem is that when you hire a person you have to do it per each specific country regulation. If I was in the Europe I wanted I would be able to hire personnel under a unified European contract."*

It is interesting to note the need of having policy makers unifying the European market and establishing European companies instead of local ones.

> *"I would create a European company instead of local ones. To create a sort of United States of Europe."*

According to the company founder, opening a US office is as complex as in Europe. Nowadays, being part of Europe doesn't grant a simpler process for a company to open an office either in France or Spain. The only advantage for founders in Europe is the visa free policy travel (*e.g.* Schengen), as stated by Cedexis' CEO.

Julien Coulon also showed concerns regarding sundry difficulties in European laws and regulations.

At present, the only way Coulon obtains useful information about making business in Europe is by exchanging and meeting with other entrepreneurs and learn from their mistakes. He expressed the need to be coached on how to do business in the different European countries. If he could make an appeal to European policy makers it would be the following:

> *"Make our lives easier, launch a one-stop-shop where to get information on how to extend the business in Europe."*

Interestingly enough, trust and loyalty represent an issue in the US. Cedexis' founder stated that he would trust more European VCs and angels.

> *"US VCs try to seduce you at first with intros and connections. You are a piece of their excel files."*

He specified the feeling of discomfort when working with American VCs. On the contrary, he declared being more satisfied with the relations he started with Finnish investor Nokia and the Taiwanese Ginko during the Series B fundraising. By accepting a European investment, the company managed to maintain a global nature, while if Cedexis was forced to raise money from American VCs it would have become a US-centric company. Long term vision is deemed to be considerably better with European VCs.

> "If I could go back in time I would have accepted a lower value proposition and stayed with a European VC."

Interviewee

Mr. Julien Coulon, Founder and General Manager at Cedexis.

8. EXPERT INTERVIEWS

8.1 Introduction

Following an exploratory approach, the previous chapters of the Study provided some insights about the key motivations behind the decision of several European scaleup companies to relocate part of their value chain abroad, more specifically in the US andnamely Silicon Valley.

We concluded, based on the outcomes of our literature review and both qualitative and quantitative analyses, that the growing trend of dual companies represents a new wave of internationalization for European scaleups that is beneficial to the European ecosystems for the reasons listed below:

- It produces qualified employment, directly and indirectly via related industries/network of suppliers;
- It contributes to GDP growth;
- It fosters international corporate culture (cross-contamination with the US market);
- It fosters entrepreneurial culture (spill-overs).

To properly foster a mutually beneficial culture of transatlantic collaboration, the EU and US governmental bodies envisioned a new framework, in the form of the draft trade agreement denominated as "TTIP – Transatlantic Trade and Investment Partnership", which is currently under scrutiny. As it has been recently and widely expressed by the media, press, and politicians across several countries, a general climate of relative uncertainty drives the current political situation, especially after the results of last year's "Brexit" referendum (a process whose features and timeframes are still under discussion[14]) and the election of the 45th US President Donald J. Trump[15].

These major driving forces put a significant question mark on the outcomes of the ongoing discussions on trade agreements (including the TTIP) and the possible redesign of existing ones[16], in a US political framework that appears to be driven towards a more protectionist approach. Then the consequences on global markets and EU-US relations are still a matter of debate[17].

Starting from the main goals and objectives of the draft design of the TTIP, we arranged the expert interview process to address 5 main themes that are considered relevant for transatlantic collaboration. The goal is to identify high-level propositions to be further explored.

The expert interview process involved a group of 20+ experts including policy makers, investors, entrepreneurs, corporate managers both from Europe and the US. Additionally, we also collected insights and recommendations from the 16 dual companies we interviewed as part of the Study. These companies already managed to "cross the pond" and expand in the US. They are particularly well positioned to provide qualified opinions about the matters addressed above and provide pragmatic suggestions. The recommendations that have been drawn out in this process cannot be considered as being exhaustive nor properly actionable proposals. They merely represent potential suggestions to address policy making at European and transatlantic level.

[14] Source: http://www.bbc.com/news/uk-politics-32810887
[15] Source: http://www.nytimes.com/elections/results/president
[16] Source: http://www.economist.com/blogs/economist-explains/2017/01/economist-explains-15
[17] Source: http://fortune.com/2017/01/24/trump-is-doomed-to-fail-says-eu-trade-chief/

8.2 TTIP Background – Objectives and Current Status

The Transatlantic Trade and Investment Partnership (TTIP) is a proposed trade and investment agreement between the EU and the US, divided in three parts, each specifically aimed at increasing access to the US market, reducing red tape under regulatory cooperation, and designing new rules to make it easier to import, export and invest. Below it is represented the chapter-by-chapter structure of the TTIP deal at the time of writing:

- Market Access
    - Trade in Goods and Customs Duties
    - Services
    - Public Procurement
    - Rules of Origin
- Regulatory Cooperation
    - Regulatory Coherence
    - Technical Barriers to Trade (TBT)
    - Food Safety and Animal and Plant Health (SPS)
    - Specific Industries
        - Chemicals
        - Cosmetics
        - Engineering
        - Medical Devices
        - ICT
        - Pesticides
        - Pharmaceuticals
        - Textiles
        - Vehicles
- Rules
    - Sustainable Development
    - Energy and Raw Materials
    - Customs and Trade Facilitation
    - SMEs
    - Investment Protection and Investor-State Dispute Settlement
    - Competition
    - Intellectual Property (IP) and Geographical Indications (GIs)
    - Government-Government Dispute Settlement

According to the objectives of the Study, we narrowed our focus on the main areas of the agreement that have a direct impact on transatlantic dynamics of new high growth innovative firms. Specifically, we decided to focus on trade, services, data, regulation, IP and investments. At the time of writing, the TTIP agreement is under discussion, having recently completed its 15th round of negotiations [18]. The main discussion topics revolved around the key aspect of regulatory

[18] Source: http://trade.ec.europa.eu/doclib/press/index.cfm?id=1553

coherence, a rationale for cooperation that is highly advocated also by selected dual companies and experts interviewed within the framework of this research.

Recently, the US withdrawal from the TPP (Trans-Pacific Partnership) has been made effective – right after his official settlement in the Oval Office – by US President Donald J. Trump. This decision is in line with the general direction of the Trump administration as indicated in his presidential campaign. As a follow-up, a renegotiation of the NAFTA (North American Free Trade Agreement) appears to be in the books as well[19]. Recent developments of the Brexit process became one of the key drivers of a new discussion process about trade deals between the US and the UK. These talks, led by Prime Minister Theresa May, aim at starting a fruitful conversation with US President Donald J. Trump. With national interest indicated as a top priority, both parties are considering a new deal to reduce regulation in trade between the two countries, a deal which should be designed and signed "quickly"[20]. This proposal could create stronger ties between the two countries, with unknown effects on the outcome of the TTIP negotiations, which are currently somehow at a halt. The option for a new trade deal between the US and the UK is not only legally feasible, but is also likely to start being drafted rather immediately[21]. This approach is nevertheless deemed as unlikely to hinder EU-US relationships, both at a bilateral and coordinated level. Although the current position of German officials about a positive outcome for the TTIP is less than optimistic, the reasonable common approach is to look into any option to avoid the grim scenario of a trade war, opening up a new discussion process based on a pragmatic approach, by offering close cooperation on the basis of common values[22].

In this geo-political framework of relative uncertainty, a renewed focus on EU single market initiatives, especially for digital companies, can be beneficial and represents a perspective that is generally agreed upon by experts that we interviewed for the purpose of the Study. For these reasons, we focused on identifying key topics/issues to be addressed and developed in order to provide reasonable high-level potential solutions to foster opportunities for EU-based companies that are willing to grow internationally, both at the transatlantic and intra-EU level, looking to become the next global top players in tech.

8.3 Themes of Discussion

Following the considerations presented in paragraph 8.2, we analyzed the main goals of the draft design of the TTIP agreement. This resulted in the identification of five main topics/issues to be addressed in active discussion to support policy making at EU level. These topics are key to drive a coordinated effort to support new high growth innovative firms aiming at growing internationally, with specific attention to transatlantic dynamics. Following is the list of the key topics addressed:

- Trade
- Intellectual Property and Copyright
- Privacy and Data Transfer
- Worker Mobility
- Access to Capital

[19] Source: https://www.nytimes.com/2017/01/23/us/politics/tpp-trump-trade-nafta.html
[20] Source: Reuters at https://www.yahoo.com/news/redefining-special-relationship-trump-may-000710599.html
[21] Source: http://www.forbes.com/sites/timworstall/2017/01/23/uk-us-trade-deal-to-be-worked-on-by-theresa-may-and-donald-trump/#c70f0a67d10b
[22] Source: https://www.theguardian.com/world/2016/nov/15/germany-trump-ttip-trade-deal

8.4 Process

The objective of the expert interview process has been to gather top-line thinking from a transatlantic perspective on how policy conditions for new high growth innovative firms and global entrepreneurs could be improved. We involved the following experts in the interview process:

- Paul Benoit, CEO, Qarnot
- Lisa Brodey, Director of the Office for Science and Technology Cooperation, U.S. Department of State
- Javier Cámara Rica, Co-founder and CEO, beBee
- Bogdan Ceobanu, Policy Officer, Startups and Innovation, European Commission
- Jorge Cortell, Founder and CEO, Kanteron Systems, and former IP lecturer
- Matevz Gantar, Bisite Accelerator/H2020 Welcome Project
- Federico Gobbi, Program Manager, Mind the Bridge
- Cinzia Guido, Confindustria, Italy
- Gisli Herjolfsson, Founder and CEO Controlant
- David Hodgson, CEO, Hummingbird Labs
- Bindi Karia, Former VP Silicon Valley Bank, Microsoft; and member of Member of the High Level Group of Innovators for a European Innovation Council
- Sara R. Klucking, Section Chief, Innovation & Programs, Office of Science and Technology Cooperation, U.S. Department of State
- Lenard Koschwitz, Director European Affairs, Allied for Startups
- Juan Imaz, Executive Chairman, beBee
- Tara Lemmey, CEO and Founder LENS Ventures
- Christopher "Che" Mott, Privacycheq
- Michael O'Connor, Chair, E-Xcelerator, and board member of the European Trade Association for Business Angels (EBAN), Seed Funds and Early Stage Market Players
- Ignacio Puente, Policy Officer, DG Research and Innovation, European Commission
- Camille Sailer, President European American Chamber of Commerce NJ
- Aparna Sain, EIT Digital
- David Smith, FirstCapital
- Mikk Vainik, Estonian Ministry of Economic Affairs and Communications
- Walter Van Uytven, CEO Awingu

These individuals have been personally addressed and interviewed on the above-mentioned topics and key issues.

Additionally, we also collected insights and recommendations from the 16 dual companies we interviewed as part of the Study.

Interviewed startup companies expressed a positive and proactive interest in being involved in the discussion about new policies to support entrepreneurship and growth in Europe. Companies answered providing in-depth insights and suggestions, appreciating to have "their voices heard".

In the paragraph below we summarized the main findings that emerged from the interviews for each of the five main areas we decided to focus on.

8.5 Expert Interviews: Findings

Trade

The main goal of the discussion was to find out how to improve trade relationships where startups can benefit from interoperable markets, simplified customs procedures and industry standards that apply globally. Specific discussions have been made on whether and how the TTIP (Transatlantic Trade and Investment Partnership) agreement could foster this process. According to the majority of the interviewees, Europe appears to be fragmented amongst member states, to the point that "different laws create the need to build completely different companies with different processes".

Specifically, interviewees identified the following barriers to be the most relevant in undermining growth opportunities for European companies to scale up:

- Regulatory differences and/or local misinterpretations;
- Cultural barriers;
- Language barriers;
- Taxation.

The expansion in the US shows additional complications and peculiarities (specifically regarding visa requirements). Key findings are listed below:

- The overall sentiment is that TTIP (Transatlantic Trade and Investment Partnership) agreement will not produce any concrete results, at least in the short term;
- Generally, trade regulations are perceived to inhibit innovation;
- Soft agreements are preferred to large deals, which usually follow complicated and long negotiation processes.
- There is a shared need for clear information and training to support European companies in overcoming the risk of making (expensive) mistakes when scaling up internationally within different EU member states and also across the Atlantic (needing specific information about visa issues).

Proposed recommendations include the following:

- A certain kind of "sandboxed" regulation just for startups may be effective, especially in terms of providing fast reactions to concrete and immediate problems;
- Regulatory authorities should support startups with a minimum two-year enforcement "grace period": this would allow innovations introduced by startups to be tested commercially and technically without incurring in costs and penalties;
- A centralized filing system for startups to register is deemed necessary to prepare the launch of operations in the US;
- Governments should act as "champions" in backing innovative concepts in their respective markets and acting as advisers to startups.
- Provide educational/training programs at EU level to support companies in scaling up internationally with a specific focus on the US.

Key quotes include the following:

> *"Opening in another European country is as complicated as opening a branch in the US".*
>
> *"Environmental approvals for test buildings are often a challenge in terms of operating across several markets across EU member states".*
>
> *"Small companies have issues in complying with transfer pricing provisions that regulate the relationship between parent and subsidiaries between Europe and the US, missing tools or know-how to tackle transfer pricing in a straightforward way".*
>
> *"Guidance around data protection rules is needed".*
>
> *"Startups want to scale within a unified ecosystem in Europe".*
>
> *"Governmental programs are very important to change and evolve culture and education, to exchange stories".*
>
> *"Entrepreneurial educational programs at European level (promoted by the EC) could help connect entrepreneurs through training and sessions. They could act as a benchmark and get people to be stronger in facing the challenges of the market".*

Intellectual Property and Copyright

An issue frequently pointed out during interviews is how to manage copyright laws on both sides of the Atlantic and to increase transparency of patents available so as to avoid copyright infringements and minimize licensing costs. Below are the key proposed recommendations about this issue.

- To design an automated patent database complemented by a voluntary and "non-offensive" patent pooling system, the first based on expert input, artificial intelligence and machine learning, the second acting as a voluntary pooling of patents (or patentable ideas) by SMEs, startups, or any other inventor or corporation that believes in the non-offensive use of patents, to create a Defensive Patent Aggregation (DPA);
- To attract, bring together and maintain a critical mass of stakeholders from across the entrepreneurship ecosystem to use and advocate on behalf of such a system as a business opportunity, providing the system worldwide as Software as a Service.

Key quotes include the following:

> *"The existing patent system is not fit for the modern innovation process".*
>
> *"The entrepreneurship ecosystem needs 'non-offensive' protection schemes".*

"The current system, in place for over 150 years, has also been prone to be abuses by large players, patent trolls and other forms of patent aggression".

"A new, result-based system could advance, facilitate and promote exponential innovation".

Privacy and Data Transfer

The main discussion on the privacy issue revolved around finding out how to ensure high-growth innovative firms doing transatlantic business be compliant with data protection rules and have legal certainty for their transatlantic data transfer arrangements.

Key findings and proposed recommendations include the following:

- It would be advisable to create a platform that could offer startups a clear and standardized process to become compliant with the to-be-implemented GDPR (General Data Protection Regulation) as part of becoming a member, with entrepreneurs involved in helping design the platform;
- The GDPR can act as a potential business opportunity for startups offering Compliance as a Service (CaaS), backed and certified by the government. Governments may lead a public education effort and generate initial traction around the project.

Key quotes include the following:

"The main issue of startups in relation to data protection is compliance: they lack information and a lean process to become compliant".

"The Estonian 'X-Road' project represents a model of best practice to implement".

"Governments should start by prioritizing areas and domains where compliance is required in the short term, such as healthtech and fintech".

Access to Capital

The issue of access to adequate funding, both in terms of quality and quantity, represents a common denominator in the key motivations driving early internationalization of the high-growth innovative firms interviewed for purpose of the Study. A seemingly structural lack of adequate financing for growth among EU member states, as pointed out by interviewed companies, can be crippling to ventures that feature an exponential growth potential, thanks to the high level of innovation of their products/services. As discussed, the adoption of the dual model seems to be a way to find a solution to this lack of funding.

We asked the experts to try to identify which financing tools would be needed to ensure that European startups access funds to expand into the respective markets and internationally. More specifically, the role of the government has been tackled extensively, understanding whether procurement processes should be adapted to startups and where investments should be directed.

Key findings and proposed recommendations include the following:

- The availability of venture capital to back later stage funding rounds is still not adequate. More larger venture capital funds are needed;
- A system of private-public foundations modeled as trusts in order to channel funding to startups aimed to directly cover both equity and advisory services has been suggested;
- Grants for early-stage startups need to be restructured to include a debt component. These grants would be limited to R&D and not cover the other costs required for company to grow.

Key quotes include the following:

> *"Pressures typically exerted by private investors help startups become more robust for the market".*
>
> *"Silicon Valley tends to have less 'free money'".*
>
> *"The European system should re-focus financial interventions by leveraging public money with a 'private' emphasis, including complementary investment (matching funds) and venture debt with payback obligation at the reach of a given trigger event".*
>
> *"If you look for raising €50M+, Europe is not the right place to be. For seed and early-stage funding the situation is better (way better than just five years ago)".*

Worker Mobility

During the interview process with selected dual companies, one of the main drivers behind their decision to keep relevant operations in Europe (*e.g.* R&D, Operations, Engineering, etc.), was the peculiarity of European talent, characterized by a relatively lower cost while confronted with US standards, its high quality (in terms of skills and open-mindedness), and the loyalty of European workers. We involved the experts in finding out solutions to help startups access the talent they need to scale and create diverse workforces. Thus, to allow entrepreneurs to be mobile, while expanding their operations across borders.

It is worth noting that some of the companies interviewed did implement from the very start a "remote first" strategy to manage their workforce and tackle international markets from day one. This peculiar approach could be of relevant interest for further research.

Key proposed recommendations include the following:

- To support European entrepreneurs throughout the usually complicated Visa process, the team proposed an entrepreneur visa be issued through an expert peer-review process;
- The Community Evaluated Fast Track ("CEFT") would enable the US government to perform a vigorous screening of talent and business ideas, while outsourcing the business plan evaluation to a community of experts who capitalize on their combined experience.

Key quotes include the following:

> *"Visa applications are complex and costly. Startups can't afford to invest a seven-figure amount into legal advice to ensure they do it right".*
>
> *"Requirements under US immigration rules are a continuous administrative burden".*
>
> *"A unified process leading to one single European Visa would be tremendously more effective than 28 different types for each EU member states".*

9. KEY RECOMMENDATIONS

The Study provides data and evidence that dual companies are a widespread and viable way for allowing European innovative companies to grow (although partially abroad), while maintaining value added activities and employment in Europe. Despite having fully European companies able to scale up within Europe is more desirable, dual companies have proven to be a viable second best solution to fuel innovation and growth in the Old Continent.

In the Study we identified several policy recommendations. In the following text one can see the recommendations we deemed more actionable.

1. **Increase late stage funding for startups**.

The interviewed companies pointed out a substantial lack of growth and late-stage funding options in Europe. Access to significant funding (Series B and beyond) clearly emerges as the main driver for European startups relocating to the US. Increasing the size of VC funds in Europe is key to allow European companies to raise larger follow-on investments in Europe and avoid the need to move to the US. The Pan-European VC Fund of Funds might contribute to bridge this gap.

2. **Don't discriminate startups adopting the dual model.**

Our research shows that the dual model fuels growth for European startups and produces positive externalities in Europe on the local ecosystems in terms of employment, spin-off activities, payroll taxes. Despite that, there often are regulatory restrictions preventing startups adopting the dual model from receiving appropriate incentives and, sometimes, funding all together. Such instance occurs because they are identified as subsidiaries of foreign companies. These "small multinationals" should be eligible for incentives and public funding. Consistently, transfer pricing provisions that regulate the relationship between parent and subsidiaries between Europe and the US should be adjusted and simplified when applied to dual companies.

3. **Improve flexibility in labor market regulation.**

the purpose of the Study is to show that the dual model contributes to foster employment in Europe. Dual companies grow faster because they are fueled by US venture capital funds. The funding is being mainly invested in Europe. Despite that, general labor market rules are mentioned as a relevant roadblock for startups. Being "volatile" entities, startups need to be able to benefit from more flexibility. Revised labor market rules could attract even more investments.

4. **Provide support to European companies in scaling up internationally.**

There is a shared need for clear information and training to support European companies in overcoming the risk of incurring in (expensive) mistakes when scaling up internationally within different EU member states and specifically across the Atlantic (83% of European dual companies relocate to the US). Providing educational/training programs to support European companies in scaling up internationally with a specific focus on the US might help to streamline this internationalization process that affects 13% of European scaleups. Exchange programs and immersion training periods in the US for European entrepreneurs have been mentioned as particularly effective tools.

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KI-NA-28-533-EN-N

Summary

The focus of the Study is on "dual companies", *i.e.* startups initially founded in one European country that moved their headquarters abroad, while maintaining a strong operational presence in their country of origin.

Our research shows that 13% of European scaleups follow the "dual model" with the US (and specifically Silicon Valley) as the typical destination. Access to capital and the lack of a homogenous internal market emerge as the main drivers for relocating to the US.

The dual model allows to take advantage of the US market and capital, while leveraging the quality and relatively lower costs of the European workforce. Our data confirm that dual companies raise more capital compared to companies that followed a more local growth path.

Having fully European companies able to scale up within Europe is more desirable. But dual companies have proven to be a workable second best solution to fuel innovation and growth in the Old Continent and produce positive externalities in terms of employment, taxes, spin-off activities, role models for entrepreneurship.

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ISBN 978-92-79-66947-7