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Going global

How to expand with an M&A mindset

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How to expand with an M&A mindset

Cross-border mergers and acquisitions are bouncing back in 2024 — and so are international investments and growing global teams. These moves allow businesses to expand into new markets and, if done right, widen the diversity and expertise of their workforce, and ultimately grow faster and be more appealing for investment/M&A activity. But growing startups seldom take one single route to international expansion. From hiring contractors to using foreign entities, there are surprising ways in which a company's growth can inadvertently cause a business to miss out on potential M&A or expansion opportunities down the road.

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FOREWORD

There's no one single path to scaling a company

International expansion is an exciting step in any business's growth. And in many countries, market optimism is increasing. A recent report from Santander found that almost a third of UK domestic businesses are considering international expansion in the next three years. Similarly, 56% of businesses in the US, 39% in Spain and 38% in Poland are also weighing up expanding across borders in pursuit of growth.

Omnipresent was founded to make it easier for businesses to effortlessly employ global teams of employees and contractors. Our Employer of Record service and global employment platform have helped hundreds of SMEs scale their business operations across borders.

One form of global expansion where I'm finding our services are in ever higher demand is cross-border mergers and acquisitions (M&A). We've worked with companies from both sides: businesses looking to scale by acquiring and businesses looking to scale by being acquired.

This jump in demand for our services coincides with positive M&A trends across Europe, where deal activity has rebounded by 27%. Cathal Deasey, co-head of investment banking at Barclays, credited this jump with attractive valuations and a moderating rate environment across the continent.

Yet it's still the case that 70-90% of M&A deals fail. Our work with scaling companies has taught us that these failures are often rooted in compliance or workforce related issues. These issues could include the misclassification of contractors, the structure and status of existing legal entities or just poor workforce communication.

So how do you avoid embarking on a deal that ultimately falls apart? Or fails to deliver the expected value? The truth is there's no one single path to scaling a company. But there are ways to grow your workforce internationally that won't then impact your future ability to acquire or be acquired.

This is why we at Omnipresent were so keen to collaborate with Sifted on this Guide. It is a crucial time for the European cross-border M&A market. While many reports on cross-border M&A will focus on the nature, volume or value of global deals, this Guide is designed to help CEOs and founders to take the long view, and grow their company in a manner that will simplify the due diligence a cross-border M&A will entail.

We hope this is a useful resource for business leaders looking to boost investor confidence and set themselves up for future success.

George Britton
Director of go-to-market, Omnipresent

INTRODUCTION

Why global expansion is on the up

Turning your business into an international one has never been an easy feat — and the uncertainty of recent years has stopped many founders from pursuing this milestone. Experts believe things could be about to change in 2024, however. The shift to remote work is allowing founders to look further afield to fill vacancies, and the economic landscape is starting to improve after a prolonged period of high inflation and interest rates. Organic growth and strategic acquisitions are back on the menu. According to Deloitte's recent M&A Trends Survey, 90% of executives expect an increase in foreign M&A targets in 2024, compared to 2023, highlighting how cross-border interactions are on the rise again.

European startups are usually quite fast expanders, opening their first international office within 3.7 years on average, compared to 5.3 years for US businesses. Among startups that are from countries with a population of less than 50m, it's even faster. PwC estimates companies from somewhere like Belgium, for example, will go international after 1.4 years on average.

Done right, international expansion can bring many rewards. Taking the M&A route carries obvious appeal, offering rapid market entry, established customer bases and improved operational infrastructure. For acquired parties, M&A offers a fast track to global reach and resources. Startups that go global raised an average of $60m and attracted 17% more investors than those that didn't expand, according to researchers from Cornell University. Their chances of a successful exit were also 67% higher.

It stands to reason that somewhere like the US is an appealing prospect for European founders. It's a market that has more customers and more capital than anywhere in Europe, as well as promising the powerful network effects you get in places like Silicon Valley. Research by VC firm Horizon Ventures found nearly all European startups with over $550m in revenue have succeeded by targeting the US market. China, India and Southeast Asia are becoming hotbeds for startups.

Despite the rewards, going global isn't without its challenges. Picking the right market, understanding local employment and tax laws, finding the right talent and navigating the cost of global expansion will all be on the priority list, regardless of the route a founder chooses to follow. Then there are language barriers, cultural differences, time zone challenges and communication difficulties. Managing a team spread across different countries is a complex jigsaw puzzle.

At this pivotal moment for those looking to go global, this Sifted guide will help startups better understand how to navigate the many personnel challenges associated with moving to a new market — particularly when doing so through M&A. It covers how to find and hire the right talent, assess legal requirements as an employer and bridge the cultural divides that can open up, drawing from a number of interviews with startup founders, people leaders, legal and other experts.

CHAPTER I

How to build a global team

There's no one-size-fits-all approach

Hiring the right talent is never an easy proposition. But when expanding globally, founders face even more acute challenges. From navigating unfamiliar talent landscapes and competing with established brands, to deciding between organic growth and M&A strategies, there is no one-size-fits-all approach to building a global team.

Done right, international teamwork can help employees innovate faster, collaborate more effectively and accelerate growth. But founders need to balance local expertise with company values, understand diverse talent pools, and align their hiring or acquisition strategy with overall expansion goals.

So, we've asked founders who've successfully navigated global expansion for their strategies and insights.

1

Establish an international mindset from day one

Leaders need to lay the right groundwork so that their startup can span borders

When Deyan Dimitrov founded Laundryheap in London in 2014, he never imagined it would one day employ 150 people, raise $10.3m and operate across 12 markets. That said, international expansion was never far from his mind. So, when an opportunity arose to open in Dubai in 2018 through an existing partner, he jumped at the chance. "It was very opportunistic. When you expand in the early days to another market, it really helps your team think like a multi-market company. We need to cover multiple time zones with multiple currencies, and we need to find a way to work as a team from different locations. We could face these problems on a fairly small scale, when we had one or two people internationally, and then create processes."

> You need to start using English from day one."
>
> **Nicolas Landrin,** *executive director of the Center for Entrepreneurship and Innovation, ESSEC Business School*

LAUNDRYHEAP

Thinking internationally early on should also extend to considering the language used internally, including in official documentation. "You need to start using English from day one," says Nicolas Landrin, executive director of the Center for Entrepreneurship and Innovation at ESSEC Business School in France. "Otherwise, you will build a culture and a legacy of documents that are not written in English. The day you want to hire people in Italy, or Germany, or the UK, or the US, then you're going to create a lot of obstacles for yourself." Using English will also simplify due diligence processes for potential M&A deals.

It also helps to actively hire people with an international mindset, even if they'll always be based at the original headquarters, James Murdock, cofounder of the Irish circular economy platform, Alchemy Global Solutions, says. That often means they're happy to adapt to working with new markets and aren't fazed by different approaches or legislative structures. The startup has physical locations in 12 countries and services 48 more by working with local partners.

"We look to hire people who have got very international approaches to life — that's not just on the account manager or commercial side but in accounting and finance too," Murdock says. "It's complicated doing what we do because we've decided to do it in a bunch of countries. You need globally-minded people who have experience working in or with a bunch of different countries — and who enjoy that."

2

Be patient and adaptable

Expect hiring to take longer in a new market. Focus on talent that can provide value, whether that's at a more junior or more executive level

When entering a new market for the first time, don't rush the process of hiring employees. Putting together the right team takes time and requires a significant amount of planning around who those first hires will be. Founders may also need to adapt their hiring processes for local markets. This means understanding what compliance and best practice looks like in a key market. Should you hire contractors or full time employees? And how can you ensure you're not facing compliance issues that could derail a potential M&A (e.g. contractor misclassification).

> **Hiring in the US is very, very, very expensive, and it takes double the amount of time compared to the UK."**
>
> ***Radha Vyas,*** *cofounder and CEO, Flash Pack*

While looking in new markets can widen a startup's potential talent pool, some founders may find that a lack of brand awareness depresses the interest shown by potential talent. Radha Vyas, cofounder of UK travel startup Flash Pack, is currently building out her team in the US, and says it's been an eye-opening experience.

She's hired 15 people so far but says the first three or four were "excruciating". "Hiring in the US is very, very, very expensive, and it takes double the amount of time compared to the UK," she adds. "We don't have a well-known brand here, so we're not getting lots of speculative applications, like we do in Europe. And we don't have relationships with the best recruiters, it's harder to know which platforms to use to advertise."

Another question to consider is how senior those international hires should be. Vyas says her first US appointee was a junior sales representative: "We're very much thinking about it in terms of return on investment hires."

Others will look for a senior country manager who can lead the operation there, and build a team around them. Italian travel startup WeRoad has sent its cofounder and chief of experience Erika De Santi to each new market, with the intention of hiring a country manager and helping them build a team. That playbook has worked in Spain, the UK, France and Germany so far. "We hire people who are quite independent and entrepreneurial," WeRoad CEO Andrea D'Amico says.

"It's difficult to come up with a fully comprehensive job description about what they have to do, because they may have to do everything. The country manager needs to make it happen themselves, we can't babysit them."

Of course, when expansion happens via acquisition, there's usually a ready-made team waiting for you. That's how the French unicorn BlaBlaCar has managed to expand into 21 countries across Europe, as well as India, Mexico and Brazil. It now employs around 800 people. "I was an avid believer in building the biggest footprint as fast as possible," BlaBlaCar's CEO Nicolas Brusson says. "We employed various strategies to find and build teams across borders. One successful approach was the "acqui-hire" strategy where BlaBlaCar acquired local startups to onboard their teams and leverage their market knowledge and expertise. Another was deploying core team members from the headquarters to new locations."

There were challenges with both, he adds, including: "finding leaders with the right mix of local expertise and cultural fit, and ensuring effective communication across dispersed teams."

3

Build trust with your network

Startups that have international investors or mentors can make sure of that network to build momentum in a new location

Contentful was originally founded in Berlin but found an early international audience with its headless content management system (CMS), designed for software engineers. More than a decade after launching, the unicorn now employs around 800 people across EMEA and the US, and also has a small presence in Asia-Pacific countries. Despite having quite a bit of business in the US without maintaining a physical presence there, CTO and cofounder Paolo Negri said it wasn't until the company's Series B round was led by a Silicon Valley fund that it opened its American subsidiary.

At the beginning, he says, Contentful was seen as a German company and recruitment was challenging. Leveraging their investor's network helped. "A German company in the Bay area was not an easy proposition to sell," he says. "But the fact that a prominent fund like Benchmark would invest added a lot of credibility to the story and they were able to help us with the recruitment process," Negri says about building the US team. "My cofounder also moved there, which was a good way for us to transplant some of the DNA of the company into this new location, and pair it with someone that is strong on local execution."


CONTENTFUL

"You need to have people there that embody the mission of the company to bring credibility."

***Nicolas Landrin,** executive director of the Center for Entrepreneurship and Innovation, ESSEC Business School*

For startups wanting to go global, finding a VC, mentor or board member in that location can help accelerate success, Landrin says. "It's obvious but it makes an absolute difference, particularly on your ability to hire people in the country." He's also a big believer in relocating a founder to the new country for a period of time. "That's especially true in the US. If you're talking about companies that have a product that's not still not very mature (which is usually the case), you're not selling the name of the company or product, you're selling people. You need to have people there that embody the mission of the company to bring credibility."

It's about building trust, Jochem van der Veer, cofounder and CEO of TheyDo, a leading journey management platform from Amsterdam, agrees. The company recently raised €31.1m in funding and intends to use it to build out its customer-facing team in the US. "We have the great logos, we're working with a few really good people that we've managed to hire but we're flying over a lot." The founding team has also been working with an external recruiter to find a VP of sales, which has been helpful. "You can't just put an ad on the website and just hope for the best."

4

Remember a lot can be done remotely

Remote or distributed workforces can help startups expand globally and stay lean

When working out who their first international hires should be, founders should also consider what can be done remotely or via support from existing employees, and what activities need permanent boots on the ground. Some employees may be open to relocation — a 2022 survey by the talent mobility firm Topia found 76% of employees would consider moving abroad for an assignment and 66% agreed international experience is critical to career development.

When edtech startup Yoto is considering expansion, its people director Laura Flint is one of the key people at the table. "We've tended to remain quite lean at Yoto and always hired after the curve. [In those early meetings], I'll be considering, what does resourcing look like? Are boots on the ground immediately necessary? Often the answer is no. There are often ways that I can use our existing, global-facing team, the majority of whom are in the UK. There's such huge value in having people already immersed in our brand who can set up that new market."

When Yoto launched in the UK in 2020, it entered the US just four months later, after a successful Kickstarter campaign generated interest in multiple markets. France and Canada followed shortly after, and the company has just launched its screen-free audio players in Australia, where it's working with a local consultant. A number of executives have visited to facilitate the recent launch. "Our director of operations has been out recently, as well as our COO and head of marketing. They've been doing the groundwork to understand the market and what we need for launch."

> "If you're looking to use the contractor concept as a way to take on employees, you run a misclassification risk. And that's a real issue."
>
> ***James Mallett,*** *co-general counsel and VP of corporate, Omnipresent*

Contractors can be a good way of adding flexibility when testing a new market, or accessing specialised skills on a short-term basis. But James Mallett, co-general counsel and VP of corporate at Omnipresent, says founders need to be aware of the risks of contractor misclassification, which can cause issues in the due diligence phase of an M&A or even lead to fines by the regulators.

This problem arises when companies incorrectly label their employees — intentionally or unintentionally — as independent contractors. "Using contractors is definitely one of the options you can have if you need headcount," he says. "But if you're looking to use the contractor concept as a way to take on employees, you run a misclassification risk. And that's a real issue."

Increasingly, companies are turning to Employer of Record (EOR) services to manage their employee-related functions in new markets. For startups positioning themselves as acquisition targets, a well-structured, compliant global workforce will boost their chances.

The Bottom Line

Establish processes and documentation with **global expansion** in mind

Expect hiring internationally to take **time** and require **proactive action**

Leverage **existing networks**, particularly if you have local investors

Be creative about using your existing talent in **new markets**

Make use of contractors where appropriate but be aware of **legislative responsibilities** — misclassification of contractors or non-compliance with local labour laws can derail M&A processes

CHAPTER II

Early due diligence is worth its weight in gold

Startups need to consider the legal implications around global expansion

When startups expand internationally to accelerate growth and provide access to new markets, there are hard decisions to be taken. Founders may simply be looking to widen their talent pool and hire staff based in other countries. Or they may go down the M&A route — either acquiring a new company or being acquired themselves.

Whatever the outcome, some of the key considerations are the same — how to structure international operations and maintain compliance. This chapter walks readers through how they can decide on the right international path to take.

1

Seek support

Get advice from partners experienced in operating in multiple locations

The rise of remote work means startups can now hire talent from anywhere. But care needs to be given to the local regulations that will govern this employment. These can vary wildly, and non-compliance can create issues that may hinder future prospects with M&A. "Countries like France, Italy and Germany have very heavily regulated employment markets and lots of different peculiarities," says Ominpresent's Mallett. "In other countries, everything has to be signed in wet ink, in person."

Jussi Lindberg, CRO of the Swedish fintech Trustly, says rules like this made securing talent in mainland Europe more difficult than somewhere like the US. The startup now operates in more than 30 countries; the US is its biggest market, with half of its team focused on the country. "If you look at Germany and France, the local labour laws can be absolutely bonkers. You can have an applicant wanting to join your company but having to wait six to nine months before they can join [because of their notice period]. And there are very strict non-competes in some regions. That doesn't help companies that want to scale."


TRUSTLY

One of the common missteps founders make is when they go into a new jurisdiction without understanding the local legal, tax and regulatory environment, says Alex Fisher, partner at Goodwin, a global law firm that does a lot of work with startups. That can cause problems — either with the authorities themselves, or down the road with potential investors. "We see a lot of startups send one or two people, typically consultants, into a jurisdiction and thinking that means they don't have to worry about the legal regime in that country. You have to do some diligence on what your responsibilities are, whether you have to register as an employer, or register with the tax authorities."

"You have to do some diligence on what your responsibilities are, whether you have to register as an employer, or register with the tax authorities."

Alex Fisher, *partner, Goodwin*

Working with so-called Employers of Record (EOR) — which take on a company's HR responsibilities and legal responsibilities for new hires — can help founders navigate multiple jurisdictions through one partner. It's a fairly new option that can help startups scale in an M&A-friendly way, without the complexity of setting up local entities. Richard Ettl, CEO and cofounder of the Swiss startup SkyCell, says he got tied up in the complexities of establishing local entities in the early days of the company. "It's one of the most complex problems to solve for a startup, particularly if you're going into many markets at the same time. You're not just having to solve market issues like sales and operations, but you're also having to solve admin issues, invoicing, tax."

Be adaptable as conditions change

Consultants or EORs can provide a bridge to test a new market

As a startup evolves and expands, so too will its needs. EORs can provide companies with quick access to test a market, even if they will eventually establish an entity there. For startups considering M&A, it allows them to build a presence in a new market without the associated risks and costs of committing to a full legal entity. “Setting up a new entity is very time and resource-hungry,” Katherine Kellett, CFO of Omnipresent says. “You can burn through a lot of cash setting things up incorrectly. EORs allow you speed of entry, to onboard skilled workers where you might not otherwise have resources. It’s a huge advantage.”

Flash Pack was founded in London but has used an EOR to employ 13 members of staff in the US, as well as other talent around the world. “I have developers in Moldova, Egypt, Vietnam. It takes all of the admin and legal headache out of hiring,” cofounder Radha Vyas says. “You can just focus on what you’re good at, which is employing and onboarding really good staff. We’ve been able to access an incredible amount of talent, it’s never felt easier.”

Even while using an EOR, Vyas and her cofounder (who is also her husband) are working on setting up a legal entity in the US. In fact, they’re moving to Miami with their daughter this year to focus on the US market full time. “We can either remain a British business that sells a bit to America, or we could go to America and be an American business,” Vyas says. “The opportunity is huge, it’s at least four times bigger. So it makes sense. And I think it’s a massive signal to potential employees that the founders are going to relocate to America. Because we’ve been talking about it openly, it’s been easier to attract talent.”

Dutch startup TheyDo, which creates customer management software, is on a similar journey. It currently uses an EOR to manage employees from 32 nationalities across 20 countries, but is working on setting up a registered company in the US. “It’ll make it easier to do our invoicing to make sure we have legal contracts with a US address, and speed up the process a bit,” Jochem van der Veer, cofounder and CEO, says. “Plus we see the biggest pull from that market, and a lot of large enterprise contracts, so it makes sense to start investing in a local team there.”

EORs won’t be suitable in all circumstances. Some EOR providers don’t offer the flexibility of other employment models (e.g. PEO, VEO), which can mean they’re not fully compliant in some key employment markets. EOR is also an unregulated industry, so some EORs will skirt around compliance issues by using unlicensed consulting firms, rather than go through the proper channels. Founders need to be careful which EOR partner they work with.

Swedish company Soundtrap, which developed a cloud-based recording and mixing tool, worked with an EOR after divesting the company from Spotify, which acquired it in 2017. Olle Råghall, Soundtrap COO, says the divestiture came with a number of challenges — not least the fact that it needed to be finalised within two weeks. Its 80 employees were also now spread across Sweden, the UK, the US, Spain, Italy, France, Denmark and Germany. “We needed to be able to legally employ everyone,” he says. “It was really complicated — health insurance is completely different for each country for example.”

Soundtrap worked with an EOR to transition its employees into the new company, setting up legal entities in the US and UK, and registering as a non-resident foreign employer in Germany and Spain. “We definitely needed a partner to navigate that,” he adds.

3

Streamline contracts, systems and benefits

Differences in employment terms and benefits between countries can cause friction in international teams, particularly after M&A

According to studies, up to 90% of acquisitions fail, with most researchers emphasising the problems with integrating the two parties involved. One way to address a common point of tension that can occur during international M&A is to streamline the employment terms and conditions, and processes between offices.

James Murdock, CEO at Alchemy, who has a background in M&A, says technology can be another stumbling block. Founders need to streamline systems across the whole company. "One of the biggest things that I've experienced working for other global companies, is the sort of disparity that almost inevitably happens in time between regional setups and regional countries. Those disparities can be all over the place. But technology is a really big one. What you're going to end up with is a different ERP [enterprise resource planning] system in each country, a different warehouse management system, a different bunch of rules and a different way of working. And what you end up with is very different companies that can't harness their global power, because the systems don't talk to each other. You also get a lot of competition between teams. You have to make it a global business from the beginning."

There can be some flexibility between contracts depending on local conditions, Laura Flint, people director at Yoto, says. But you have to be transparent about it. Yoto has teams in the UK, US and France. "From a people perspective, you sometimes need to throw out the HR rulebook and be creative; you can't be totally policy driven about these things," Flint says. "Knowing when something is appropriate to apply consistency from a global perspective, versus when it's appropriate to tweak depending on the market. You want to feel like one team, you want to create the same value for people but you also need to remain relevant and competitive in whatever market you're working in. That's going to require some tweaks."

> "From a people perspective, you sometimes need to throw out the HR rulebook and be creative."
>
> ***Laura Flint,*** *people director, Yoto*

"It's definitely one of the challenges of expanding globally," she adds. "You've got to be transparent about why you've done things in certain ways and show that the overall value is fair and consistent."

In other instances, a startup may be acquiring the business and want to keep certain team members in countries, but not the legal entity they're attached to — these become so-called "orphan employees". "Those operating entities don't necessarily align with the employees that are needed for those functions, so you are left with people on both sides of the divide. We provide the services for both the target and the acquirer businesses to grab employees that fall through the gaps," Mallett from Omnipresent says.

4

Consider future expansion plans carefully

Just because you have the levers in place to hire anyone anywhere in the world doesn't always mean you should

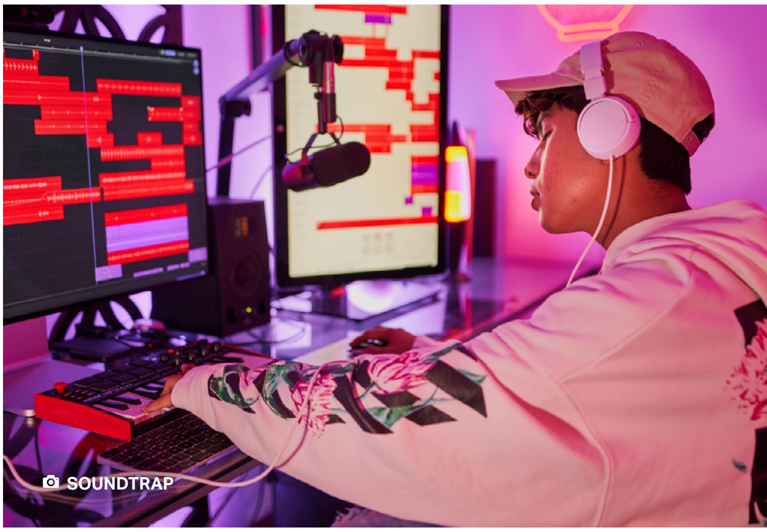
Global opportunities can be incredibly exciting but it's important not to overstretch, particularly if you don't have the team in place to manage it. James Murdock, cofounder of Alchemy, says any international expansion needs to be carefully considered. "We've opened up in more locations and countries than I would have anticipated. And perhaps there's been some discomfort in that at times, because we've gone quickly. But those decisions have been made for good reason," he says.

"We open locations to support businesses that we either feel we've got a really good chance of winning, or we've already won somewhere. Usually there's a two to five month onboarding and contracting period before you start doing things operationally, so it's at that time we would pull the trigger on opening in a new country."

Founders need to recognise when they don't have the bandwidth to successfully support a new market, he adds. "We've also had opportunities to go into mainland China and we have resisted. It would be very complex, very large and require a lot of work politically and financially to do that. You have to be cognisant of your ability to handle those things. Because when you open a new location, a new country, you have to continue running it. [Opening it is] not the job done."

Given the complexity that has been involved with divesting from Spotify, Soundtrap's Råghall says the organisation has decided not to employ anyone beyond the eight markets they're currently in. "My advice would be to think carefully and deliberately about what countries you actually want to employ someone in and build on those countries."

> Think carefully about what countries you actually want to employ someone in and build on those countries."
>
> ***Olle Råghall,*** *COO, Soundtrap*


SOUNDTRAP

The Bottom Line

Get early support to conduct due diligence on the **legal and tax implications** for employers in a target market

Be **adaptable** as the situation changes — an EOR may be more suitable than creating a new entity

Look to **streamline** employer contracts, benefits and processes as your international team grows

Be **realistic** about how many jurisdictions and markets you can handle

CHAPTER III

Building a strong culture to bridge the divide

For companies which embark on M&A, a strong culture is the key to success

Culture has become something of a workplace buzzword in recent years, but at its core, it's a facilitator that underpins everything else, says Lindsay Kohler, lead behavioural scientist at scarlettabbott, a communications agency.

That's particularly important when a company goes through M&A. "Some of the common problems we see as offices grow is there's really a lack of understanding on what defines your culture, or certain aspects of your culture. And if you're not able to understand or articulate culture, then some people will just never feel like they belong."

When two companies merge, or employees from different countries start to work together, it can reveal a whole host of differences — from communication styles and working patterns, to motivation techniques and workflow management. If founders want to ensure effective collaboration and productivity, they need to commit to addressing cultural clashes early and align their diverse teams.

Here's how.

1

Ensure your values translate

Invest time in ensuring would-be acquisitions fit your company's values

Startups are increasingly investing time to establish their values and culture, but these can get lost in expansion, Kohler says. "I define culture as shared fundamentals that people can see, that they can reflect upon and that they can also embody themselves. And how that shows up is really in collective behaviour. Things like what gets praised, what gets rewarded, which type of people get promoted.

"Even if you do have a good understanding, there's often a lack of understanding of how that will translate globally. So, for example, let's say you have a company value of 'bold'. First of all, how was that actually lived in the business? What does that mean? And secondly, that's going to mean something different to someone based in San Francisco, compared to someone in Tokyo."

That might be something that evolves over time. At BlaBlaCar, the leadership team crowdsourced six new "BlaBlaPrinciples" to guide the startup's behaviours and decisions across the offices worldwide. The new direction was agreed five years after the company's first 10 principles were gleaned from its first 60 employees.

At TheyDo, Jochem van der Veer says its values play a central role in its recruitment strategy. "We've built 'value score cards' and trained six people to be value interviewers. It's not role specific — it could be one of our engineers interviewing a potential account executive, for example — but if someone scores low on values, we're not going to make an offer."

Values are something considered by the Laundryheap leadership team before acquisitions too. The startup has made four acquisitions so far, the most recent being in France. "For all of the acquisitions we've done, the team has been one of the main arguments for why we've gone ahead with [the deal]. We've discussed possible positions and we haven't done it, because we didn't feel we had a similar culture to begin with," Deyan Diitrovsays says. "When we met Lavoir Moderne in France, they had a small, very committed team that hadn't raised a lot of capital. They'd put in a lot of sweat equity. And that's something that Laundryheap has done as well. So, we managed to connect on this level."

Acquisitions can lead to high attrition, as employees struggle to cope with the change — up to 75% of acquired people leave after a deal within three years, according to Gallup. But having that early alignment with culture has helped ease the transition, Dimitrov adds. "We just celebrated one year together and everyone from the original team is still around. We organise the work in such a way that they have autonomy [for the French market], and they're rewarded with stock options. Cultural alignment does require investment in terms of time and exchanges in terms of operations. For us it was also important to show [the M&A] is a success for the acquired team, it's not a sign of failure."

THEYDO

> **There's often a lack of understanding of how [values] will translate globally."**
>
> ***Lindsay Kohler,*** *lead behavioural scientist, scarlettabbott*

2

Invest in a people team

Having a team focus full-time on employee matters, helps to streamline culture across locations

Having a dedicated people team really pays off when startups are going through the kind of organisational change that comes with international expansion. Part of their remit will be to work with the rest of the leadership team to formalise the processes and language a startup uses as it expands. That can be particularly helpful after an acquisition, Lindsay Kohler says. “One barrier to cohesion that I see is language and holding on to legacy references.”

> “One barrier to cohesion that I see is language and holding on to legacy references.”
>
> ***Lindsay Kohler,*** *lead behavioural scientist, scarlettabbott*

Laura Flint joined Yoto as the standalone people director when the business had around 70 employees. “A lot of startups at that stage are quite reluctant to invest in a senior people person as their first HR hire,” she says. “It can cost more. It can seem a bit overkill but Yoto saw the value having someone at my level could bring. It means you have an eye on the future about how we grow and scale.”

YOTO

Hierarchies can become more complex with international expansion, and productivity can be impacted if there’s conflicting priorities from new reporting lines, she adds. “People might have a hard line report to their head of department in a different country, but also have a local line manager as well. We have to support those managers and ensure they’re proactively communicating and collaborating to minimise crossed wires or competing expectations. The impact of that on a staff member can be really demotivating.”

Organisational structure is also something Laundryheap has struggled with at times as the business has expanded. There are also questions around cultural norms with regards to work/life balance, expected employee benefits and each country’s approach to work. Hiring an HR team has helped. “It’s hard enough building a team, even when you’re in the same market,” Dimitrov says. “We had a lot of questions between ourselves about what hierarchy would work for us. We have teams that we designed ourselves, but also teams that we acquired in different markets. There are cultural differences as well as different expectations from people about what they expect an employer to do. We’ve invested in three HR people that are really focused on this, making sure everyone knows what they need to do.”

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Rethink what communication and collaboration looks like

Post-expansion companies will have new scheduling conflicts to manage

Building a strong culture that spans geographies also relies on good communication. Leaders need to develop a strong awareness of different cultures, educate team members about cultural differences and promote sensitivity. Team members should feel comfortable expressing their thoughts, ideas and concerns. It takes proactive, intentional measures, Kohler says. "Having a dispersed team when people can't physically connect means you have to be much more intentional about communication and building a shared sense of community. That's not going to happen through osmosis. You have to purposefully ask about mental health, or how new starters are feeling and if they're getting the clarity they need. What are your rules around moments to gather people? How are you using your internal channels to create communities, and how are you helping them to flourish?"

Being purposeful about communication can mean something as simple as being considerate of each other's time zones, Flint says. "We've had to remind our UK team, which is where the majority of us are, to operate with a global mindset. You can't book a meeting just whenever it works for you in the UK, you've got to think about who needs to be in the room. As a business, we truly respect that all of our team have lives outside of work. We don't want to be asking people to join a call at 9pm if we can avoid it."

Technology can make a big difference. The fortnightly all-hands is held at a time that suits EMEA and the US, and is always recorded for those who can't join in person. But the company also has an active Slack community, with special interest groups around running, pets and book recommendations alongside professional news and achievements. "We try to have some fun and get to know each other a little better as well," she says. "And we encourage people to use scheduled send on Slack so someone in the US doesn't wake up and have 50 messages at 7am before they've started their working day."

People are encouraged to work asynchronously at Flash Pack to minimise scheduling conflicts with time zones. An async model is not dependent on real-time communication and collaboration, so employees can work during the hours that suits them. "We've tried to reduce the meeting culture, so it's easier for everyone to work across time zones and keep pace with each other," CEO Radha Vyas says. At the same time, collaboration is encouraged in cross-functional teams, with "radical candour", coaching and mentoring happening across the business. "We are very focused on psychological safety, so everyone feels safe to give their ideas, experiment, innovate and not be afraid to fail," she adds.

An ever increasing number of meetings is what led Richard Ettl at SkyCell to rethink the business's organisational design after significant growth. "Last year we noticed so many people were stuck in calls. Two departments continuously had to agree on who does what. We took a look at which processes needed to move to the right, and which to the left, and that removed 80% of the calls between those two departments. It was a painful exercise but we wanted to understand how we were making decisions and improve that process." That led to the establishment of the improvement and quality team, which focuses on where process design changes would help teams operate more effectively. "A lot of other companies hand that to their operations team, but they're swamped with daily work," he says. "This is a completely separate team that figures out what the next process and IT landscape will look like, and how that will help the business."

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Realise that culture is a work in progress

Leaders need to show patience and consistency

As businesses evolve and expand, so too do their cultures. Building a strong culture is an ongoing project — be that within a country, or across several. It takes considerable effort and a focus that acknowledges and respects differences, WeRoad CEO Andrea D'Amico, says. "You need to be more structured in the way you connect with your team. Being international has forced our managers to understand there is not only one way of thinking or one way to approach work. We're more open to cultural differences, and are able to adjust to them."

WEROAD

The C-suite can be impatient to see success, Kohler says, but where culture is concerned, these things take time. "There is a tendency for the C-suite to have very ambitious visions, but they don't always allow time for people to catch up and get on board. Being patient is really important, as is being authentic and consistent in how they embody the culture."

Passionate leaders invest serious time on culture, agrees Nicolas Landrin, executive director of the Center for Entrepreneurship and Innovation at ESSEC Business School in France. "You need very strong founders who are willing to spend a lot of time conveying this culture. We need leaders and managers who are open minded, who have strong cultural curiosity and are genuinely interested in the way other countries live and work. They have to want to build bridges and create connections across countries."

"Being patient is really important, as is being authentic and consistent in how they embody the culture."

Lindsay Kohler, *lead behavioural scientist, scarlettabbott*

Little surprise then that TheyDo has placed emphasis on developing the leadership team, van der Veer says. "At the stage of the company we're in, the most important team is the leadership. We agree on one cohesive plan of approach, and the leaders go back to their respective teams — people, marketing, sales, product — to deliver that same strategy in the same words, with that same alignment. We can't be everywhere but when we're aligned, when we know what the strategy is and how each of our teams are contributing to that, then geography and time zone is less important. It's about cohesion, consistency and a clear strategy."

The Bottom Line

Ensure an early alignment on **culture** to help ease the M&A process.

Consider hiring a full-time, **senior peoples person** to help smooth onboarding of new foreign staff.

Building a strong culture that spans geographies will require more **purposeful communication** between colleagues.

Patience and respect for **differences** will be required when building bridges/creating connections across countries.

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10 of our experts share their top tips on how to build and manage cross-border teams

"You've got to understand the local nuances. With expansion often comes a lack of knowledge of the local business and its operating environment, be that legal, financial or cultural. Those disconnects need to be bridged. Set really clear, documented remits, goals and performance metrics to discuss that mismatch early around expectations and management. Don't just rely on business as usual."

James Mallett, *co-general counsel and VP of corporate, Omnipresent*

"Expand geographically when you know you have time as a leadership team to support those people, because otherwise you're setting them up for failure."

Andrea D'Amico, *CEO, WeRoad*

"Try to expand internationally, even if it's just a small team, as soon as possible. It gets proportionally harder the bigger you become. If people are hired knowing you're an international company with all of the considerations about processes, time zones, currencies, etc that go into that from day one, everything is much easier. And when we commit to a market, we make sure it's big enough for us to build a small team — no one is on their own."

Deyan Dimitrov, *cofounder and CEO, Laundryheap*

"Sometimes there's friction when it comes to roles and hierarchies after M&As, and some people can't adapt to selling the full proposition of a company's joint mutual capabilities. We make sure we have champions from each acquired company, who are ambassadors to the products they were developing before and can explain them to the rest of the company. It breeds cross collaboration and we've seen some real magic happen."

Jussi Lindberg, *chief revenue officer, Trustly*

"We did as much as we could from the UK before we started hiring in the US. It was our biggest market before we'd even hired even one person there. Somewhere like America could sink your company because it's very expensive. You need to stay lean, particularly in today's market when it's hard to raise huge sums of money."

Radha Vyas, *cofounder and CEO, Flash Pack*

"Culture is something you need to focus on everyday, especially in a distributed organisation where everyone wants to feel included and treated in the same way. Don't forget about those who are remote. It's not only down to HR to drive this, everyone has a role to play."

Carla Carsenzuola, *senior HR director, Kahoot!*

"Building trust and establishing a consistent company culture in newly acquired or newly established offices requires significant effort and communication. At BlaBlaCar, we've had to adopt a more decentralised and flexible leadership style to accommodate the diverse needs of different markets. Local teams are empowered with greater autonomy while maintaining a unified vision and consistent core values."

Nicolas Brusson, *CEO, BlaBlaCar*

"Be creative with how you resource and hire after the curve. So often when you're expanding globally there's a lot of investment required from lots of different areas — people don't have to be one of those big early pulls on investment. Think about how you can use technology and tooling to your advantage. Be efficient with the resources that you've got."

Laura Flint, *people director, Yoto*

"The communication experience is really overlooked, especially in M&A. With acquisitions, the main feeling is uncertainty, and prolonged uncertainty is exhausting. It is our job as leaders to be as authentic and transparent as possible, clarify objectives and illustrate the stages of the integration process, so people know what's coming and who's most likely to be involved or impacted."

Lindsay Kohler, *lead behavioural scientist, scarlettabbott*

"At the beginning we needed entrepreneurial thinking people rather than people from a big corporation. That's the key reason you'll be successful entering a new market. You have to leverage the fact you'll be smaller and faster, versus someone else who is bigger but slower. Speed is the key element."

Richard Ettl, *cofounder and CEO, SkyCell*

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