

Going Global in the US

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Sooner, or later, the typical Australian tech business looks offshore. And, the US as the largest consumer, technology and venture capital market beckons. How difficult can it be to go global in the US given what appears to be a large, homogeneous, English speaking, and rule-of-law market?

Here are the top 5 issues most businesses should be concerned about when setting up in the US.

Location: Access to customers, partners, distribution, transportation and travel hubs, capabilities, and money (and associated costs) will determine your strategic choices.

In the case of a biotech R&D company, the vast majority of US biotech is clustered on both coasts around Boston, New Jersey, San Francisco and San Diego. In the case of software, there are some real competitors to Silicon Valley these days including Reston (VA) and Austin (TX) – each with specific niches. Manufacturing and auto are Midwest based predominately. You would be wise to profile your potential target channel partners and customers in these centres against your objectives.

If your objective includes controlling your burn-rate, you may want to consider surrounding cities with cheaper cost structures and commute to meetings. If air travel costs are a significant part of your budget, consider locating close to any city served by discounted airlines, and South West Airlines in particular.

Money: Some bad news presently here. Venture capital funding for most start-up business is tough. Many venture funds are not eager to deploy cash in risky deals, primarily because they are still licking their wounds from the dot-com implosion. The industry is undergoing its own shakeout with a reduction in both the number of funds managers and a culling of portfolio companies.

Even in the best of times, it's been difficult for the typical Australian startup to raise \$\$\$ from the larger venture capital funds. Traditionally, the Australian deals have been too small (less than \$US2M which cause due diligence problems); were seed/startup (which should have been partly funded in Australia for credibility); had inexperienced management teams with no track record who presented poorly, and were NOT "introduced" – networks are everything in the US. In certain instances, strategic alliances might be a better option.

Culture: It's a huge mistake to think the US is a single homogeneous, English-speaking market! Both in a social and business context, there are significant cultural differences between both coasts, the Midwest, and from North to South. There's more hype on the West Coast compared to more measured approaches in the Midwest and, particularly, on the East Coast where the importance of who you know and who knows you is deeply and conservatively entrenched.

Legal structure: If your ultimate intention is to achieve liquidity through a trade sale, an acquisition, or the holy grail of an IPO, your legal advisors will most likely narrow your choice to incorporating in Delaware or perhaps California. This does NOT mean that you have to have an actual presence in those States. Rather, there's more case law covering corporation law in those states to mitigate any future disputes etc. Delaware is very corporate friendly and has an established "code of governance" to fall back on when deals go sideways!

Intellectual property: Australian companies and entrepreneurs don't appear to place the same value on protecting their intellectual property – which often can be a costly exercise. However failure to secure your patent, trademark, and domains can be even more costly in the long run in global business in establishing (and protecting) a competitive advantage.

Yes it's true, as the saying goes, "if you can make it here, you can make it anywhere"! But there's an even greater lesson: you can afford to 'fail' in the US. Some of the most successful entrepreneurs failed several times before making it. So, if you're failing, fail. And fail fast—to save your cash. And learn quickly so you can try again, with this new wisdom.

About the Author

Rob Muir (FAICD) is Director Business Development ANSTO and a Partner in Prometheus Equity Partners Pty Ltd. Rob's career has included the creation of an international licensing program for Union Carbide Australia; CEO of the Research & Technology Institute of West Michigan; President of the commercialisation subsidiary of Midwest Research Institute (US Top 10 Research Institute and facility manager for the US DOE's National Renewal Energy Lab); President of two VC funded high-tech start-up companies; and founder of the Prometheus Alliance, a corporate investment forum of six Fortune 500 firms, he established while a Vice President of Fluor Daniel.

He is a regular speaker and published author on corporate business strategies, venture capital, and technology commercialization. He also has written and published on the web *A Small Business Guide to Managing Technology for Profit* as a simple practitioner's guide. Rob returned home to Australia in 2002 after 20 years overseas, the last three as the Australian Government's Investment Commissioner for North America. Rob can be contacted at robert.muir@ansto.gov.au.