READY TO GO GLOBAL?

IT HAS BECOME A SYMBOL OF SUCCESS—WHEN YOUR STARTUP OPENS ITS FIRST OFFICE ACROSS AN OCEAN. BUT THE DIFFERENCE BETWEEN CRUSHING IT AND GETTING CRUSHED ABROAD IS KNOWING WHEN YOU'RE READY TO MAKE THE LEAP.

By Kate Rockwood • Illustration by Brian Stauffer

Harry Kargman is bracing himself for the busiest part of his day. It's 3:30 in the afternoon, and the founder and CEO of the mobile advertising firm Kargo is sitting in a small conference room in London, where the company just opened its first international outpost. For the next few hours—as Kargo's three U.S. offices wake up and come to life—his schedule is slammed with back-to-back calls with the teams at home.

"Scheduling a phone call sounds so mundane," says Kargman, who is camped out in the U.K. for the next three weeks to make sure the new operation is running smoothly. (Yes, we're one of the many calls in today's tight window.) "But we're learning that having the right level of communication is one of the biggest challenges of expanding globally. I wake up and there's not a single person on the management team I can reach for five hours. At midnight, I'm still having calls with the West Coast. I don't want to drop off the map, so we had to find a time slot that would work everywhere."

In addition to time zones, there are plenty of potholes on the entrepreneurial path to global domination: Consider the legal paperwork to register the business abroad and review the company's contracts for compliance. The hoops and hassle of setting up a foreign bank account to pay local employees. The stress of scouting talent in a new market. The startup costs of renting a space and hiring employees and traveling between countries. Not to mention finding customers in a place where your brand has no name recognition.

So why go global at all? Well, imagining the payoff is as simple as spinning a globe. "The siren song of being in another market that's twice the size of your current market can be really strong," says Greg Schott, CEO of MuleSoft, which provides application networks for enterprise companies. MuleSoft earned its "unicorn" $1.5 billion valuation in part by making the leap abroad early on: Today the 10-year-old company has eight international offices, stretching from Hong Kong to Amsterdam to Buenos Aires.

But quickly lobbing across the pond wasn't an option for Kargo. Kargman had bootstrapped the now 13-year-old

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business, which only recently started seeing explosive growth: It hit $100 million in revenue in 2015, an increase of 100 percent over the year before and an eye-popping 5,500 percent growth rate over the past five years. Kargo now has the cash flow to think internationally, but there's no guarantee that the company will find success abroad. "It's like starting from scratch—and while it's kind of exciting to start over, it's also a challenge," Kargman says. "You've been knocked off the top rung of the ladder, and now you have to climb back up from the ground floor again."

Committing to the culture

For MuleSoft, Schott says that opening the second global office was certainly easier than the first, but "you can't think you're going to walk in and sell the same way," he stresses. "In France and Germany, you can't get meetings without native speakers. In Japan, it's all about showcasing the partners you have."

A local office in a foreign market doesn't just make it easier to *do* business—it's also a signal to those customers that you *mean* business. "Opening an office is a demonstration of commitment to a market, and that can really help culturally," says Ed Marsh, a principal at Consilium Global Business Advisors and a small-business export adviser for American Express. "But the biggest mistake companies make is not being persistent enough. There will be mistakes and lessons learned and discouraging days, but you can't look at those with the same parameters for success you might use in the domestic market."

Nor can you apply one universal yardstick for all global offices. Schott quickly saw that the company's approach and patience would have to be tailored to each region. Markets with nascent cloud deployment meant fewer competitors but more time spent educating customers and encouraging the tech's adoption. Others, like Japan, had higher costs for getting off the ground but held greater long-term potential.

"We have gone into some markets where we realized that the payback period was too long, and we exited," says Schott, who declined to specify which markets he left. "But we do intend to go back there when the environment has shifted." And when they do, it will likely be with the same all-in mentality that Schott encourages for every entrepreneur. "You might start with one person, but within a reasonably short time you want to have a small office and begin adding people," he says. To make an impression on clients and grab a chunk of the local market, you can't have one employee working out of a home office for long.

Choosing your team—and new markets—wisely

Schott has one other vital piece of advice for the early days of expansion: "Don't hire fighter pilots," he says. "Those global hires have to sync up with your culture early on, or you'll have a remote rogue situation." To seed synchronicity between the offices, Schott hosts a monthly all-hands video meeting, and once a year MuleSoft foots the bill to fly all employees to San Diego for a weeklong team-building retreat. That's 900 people this year. "The dollars are staggering," Schott admits. "But then you think, if you're taking them away from their jobs for a week, that's 2 percent of their total time you just ate, added to the 2 percent you're spending in cost to travel. Are they going to be 4 percent better the rest of the year because we got together and got on

Kargo CEO Harry Kargman

MuleSoft CEO Greg Schott

PHOTOGRAPH BY MICHAEL HINDMAN

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the same page? We believe yes."

Of course, long before you're flying 900 people around the world for a staff retreat, you have to start by picking your first spot. If you're already selling internationally through an e-commerce site, Marsh recommends studying those metrics to gauge geographic interest. But don't stop sleuthing there. "Industry-specific trade associations do a lot of research and can help companies tap into huge databases to see where demand is growing and falling," he says. "And you can also look at global trends beyond your industry, like the surge in middle-class wealth and consumerism in some markets, like China."

That's where Indiegogo is now toying with the idea of opening its next office. The crowdfunding platform, launched in 2008, is used in 223 countries, in four languages, and in five currencies. "We started noticing more and more campaigns from China in Q3 of last year, but we saw that the videos and stories Chinese entrepreneurs were sharing weren't as compelling as they could be," says CEO David Mandelbrot. So in late 2015, Indiegogo started sending an employee to China for extended, weeks-long trips to meet with creative agencies and entrepreneurs. A few months later, they dedicated a second staff member.

"In the past, we've had full-time people in Canada and the U.K., but we found we could do that work from here," he says. "China has proven to be a very different beast—and it's helped that we've had a very specific idea at the outset, not just to move into China but to provide a particular solution for customers there."

Still, more than six months after first considering a Chinese expansion, Mandelbrot seems genuinely undecided on whether opening an office is the next step. "Before we invest in an office space and infrastructure, we want to make sure we're really testing our hypothesis about what's possible in that market in a fairly low-cost way," he says.

Being brave enough to pump the brakes

That pull and hesitation to go global is something most entrepreneurs will grapple with. And some will conclude that it's just not worth it.

Jessica Mah, cofounder and CEO of inDinero, is somewhere in the middle. Her VC-backed, full-service accounting startup opened an office in the Philippines just four years after its 2009 launch. But the expansion wasn't designed to attract new customers. It was a strategic talent grab—snatching star tech and financial hires at a fraction of its San Francisco HQ's payroll. The next step, it would seem, is to appeal to new clients in and around the Philippines—but Mah is still dragging her feet.

"Every week I field the question from an investor or employee or even customer: 'When are you going to go global?' There's immense pressure to do it," she says. "But the conversation comes up a lot with my CEO friends, too, and the vast majority of them who have expanded globally say they regret it. Even if you're successful, going global can distract you from untapped domestic growth."

So while Mah has some of the hassle of managing a global workforce already worked out—she has appointed a president to oversee the Philippines office and invested in robust videoconferencing and regular travel for employees to help gel a unified company culture—she is still not sure global customers are a rising priority.

InDinero would have to double down on its marketing and sales budget, and train employees on the ins and outs of a new country's tax code and compliance requirements—while still trying to nurture its U.S. market share. "Going global is sexy and it sounds good, but is it necessary?" she asks. "We could build a $1 billion business in the U.S., and I don't want to distract us from that goal. So every quarter so far, I'm saying, 'Not right now.'" □