



Life in a Global Start-Up

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I have bags of money. Many bags of money. They aren't very large, and don't have that much money in each one, but each has a different currency from the countries that I visit on a regular basis: Japan, Germany, Korea, the United Kingdom, China, Denmark, Canada and more. I also have a Pasmo card and an Oyster card, and expedited entry into 4 countries and counting. This is life in a global start-up and it is a first for me, but it is likely to be emblematic of a new reality.

I have been doing seed-stage venture capital in the United States for 20 years, and during that time, I have personally worked with over 30 companies, including active management roles in 5. Through most of that time, one of the standard lessons has been to focus on domestic markets first. There were occasional exceptions to that, like semiconductor companies that needed to do work with Taiwan, but in most cases, there would be enough of a domestic market to allow a start-up to build up significant

traction before considering international opportunities. For me, that all changed in 2012 when I co-founded a materials company called Pajarito Powder.[i]

Pajarito Powder makes catalysts for hydrogen fuel cells. The fuel cell is the automotive industry-recognized long-term solution to produce the electricity for electric vehicles,[ii] and some 5,500 fuel cell vehicles have already been rolled-out by the largest car companies in the world, including Toyota, Honda and Hyundai.[iii] They are also being implemented in buses, trucks, trains and ferries. There are other applications as well: back-up power for remote locations like mobile towers, consumer electronics recharging, and distributed generation of electricity (with the added by-product of hot water) for the home. Fuel cells have a problem, however, in that they are too expensive, mostly because of the use of costly platinum as a catalyst. Pajarito Powder, using original technology licensed from universities and national laboratories, has figured out how to cut that platinum, and therefore the cost of the catalyst, in half. It is an exciting technology that has garnered interest from nearly every automaker with a significant fuel cell program. However, those car companies are not all in the United States. In fact, most are not. This has meant that Pajarito Powder has been selling internationally, developing partnerships internationally, and as it ultimately moves toward acquisition, garnering most of that attention internationally.

The fact that the bulk of Pajarito Powder's customers, partners, and even potential acquirers are not in the United States has had impact on the culture, structure and budget of the company many profound ways: our travel, our work schedule and even the skills we have had to develop as the company has grown.

Perhaps the greatest impact we have experienced has been in our travel, both for customer visits and for tradeshow activity. For a business-to-business company, whose components need to be designed into end products, developing strong customer relationships is critical. Couple that need with the nuances of working with people who are non-native English speakers and who have different cultural norms than we might in the United States, and face-to-face interaction becomes critical. As Americans, we are extremely fortunate that so many in the business community around the globe can use English effectively in conducting commerce. This has made it possible to work with customers and partners in a dozen countries on 5 continents (and growing!) with minimal foreign language skills – but it has only been possible with a high degree of personal interaction. Technology is great, and we use e-mail, Skype, WhatsApp and WeChat as much as we can, but particularly in the early days of the relationship, we must see the customers, shake their hands and speak to them in person. This means regular foreign trips and exhibiting at trade shows in Europe and Asia. As an interesting aside, we have learned how to stuff as much trade show gear as humanly possible into the luggage that we can take with us on the airplane.

This need for person-to-person contact certainly brings up the question of if we should have foreign representatives. Over time, we have done this with some of the critical markets, like Japan and China, where the combination of the density of customers, and the differences in culture and comfort in

English dictate it, but this cannot be done lightly. One of the mantras in our venture capital firm is that until a company really understands the sales process, including timing, customer objections and decision-making processes, sales must be done by a senior member of the management team. Hiring salespeople too early just results in under-performing salespeople. The same is true with foreign agents, whether they be distributors, contractors or employees. For us, it was three years before we were comfortable hiring our first foreign representative. It has been a great success, and he has been a tremendous contributor to our organization, but it would have been impossible for him to be effective if we had hired him even one year earlier, before we really understood our business. And, even with him on-board, our management team has remained committed to traveling to support him with major customers.

The global nature of our business has had a real impact on work schedule for our employees as well, particularly those who spend the most time interacting with customers. It is the nature of entrepreneurs and start-up people to be plugged in and ready to work at any time, but in a global start-up, this can be tested early and often. Our company is in the Mountain time zone (the oft-forgotten, but best time zone in the United States), conveniently located 8 hours behind continental Europe and 16 hours behind Japan (15 in the summer). This means that on a regular weekday, the Japanese begin their workday at around 4PM or 5PM our time, the night before. When their day ends at Midnight, the Europeans are heading to work, and then when the Europeans are ready to go home at 8AM our time, it's time to get to work in the United States. As a result, we could be sending and receiving e-mails or doing conference calls at almost any time of the day or night...as, in fact we have. When a company gets big enough, you can have people responsible in different shifts, just as you do for manufacturing, but when the team is small, it can mean a heightened expectation of when to be on, which over time can lead to overwork and burn-out.

Finally, the nature of a global start-up impacts the skills that are necessary within the enterprise, even at the earliest days of the company's development. As discussed, travel is necessary, and you will need people who can handle rigorous travel schedules, as well as individuals who have the appropriate interpersonal skills to understand and respect the nuances of other cultures. Despite the fact that English is a common business language worldwide, it helps to have some language proficiency, particularly in countries where, while English may be taught, it is not used on a day-to-day basis. In the case of Pajarito Powder, however, the most unexpected early skill set required was for international shipping. This is the point where my software colleagues scoff, because everything they ship can be done electronically, but in hardware or materials businesses, hard goods need to be shipped. In the United States, we take for granted the ease with which we can ship items, even ones that are classified as dangerous or exotic, anywhere within the country, safely and easily. However, when it comes time to ship such goods internationally, the challenges become much more significant, and every country's rules and laws simply compound the problem. Once you achieve large and repeat shipments to a particular country, you can build up a competency, but with each new customer, and in particular, each new country, there is a surprisingly high amount of new learning. Our Logistics Manager (I did not realize we would even need one of those when we started) has done a great job, but she has had to devote significant time and energy to learning the shipping rules in each country, and we have even found that

in certain cases and certain countries, it is just not possible to do on a cost-effective basis. To be clear, third party freight forwarding organizations exist who can handle all the shipping issues, but for a company shipping small, early samples, those organizations may make the shipping cost several times the overall price of the shipment itself.

So, what about the use of technology? There is a great deal that technology can help with, and indeed, without the modern tools of e-mail, instant messaging (like WhatsApp and WeChat) and group calling/conferencing (like Skype and WebEx), and the incredible commercial transportation systems for moving people and goods around the world (yes, I am talking about the airlines, which for all our complaining, are pretty amazing in their ability to work efficiently and affordably), all built on new technologies, it would be impossible for a start-up to even contemplate “going global” at an early stage. My own comfort in travel is greatly increased with the presence of apps like Google Maps or Google Translate, or industry specific apps, like the DB Bahn app for train travel in Germany or the litany of airline, hotel, car and general travel apps that make it easier to plan and execute on our worldwide business development activities at the lowest possible cost. But in the end, technology is not capable of fully bridging the gaps – it does not truly bring people together in the same way as face-to-face communications, it does not eliminate the differences in time and work schedules (although I have contemplated moving our company entirely to Greenwich Mean Time to be consistent), and it does not eliminate the legal and logistical hurdles with getting physical product halfway across the planet.

A global start-up relies heavily on technology, but it relies more heavily on a team of people who have the skills and understanding to work effectively in an increasingly interconnected world. Being part of my first global start-up has been an exciting adventure, and one which I think will increasingly be the pattern for more and more of our start-ups to come. The world is shrinking and commerce is now and will be conducted across time zones, borders and oceans. I do not see this being my last global start-up, nor would I want it to be. I shall hang on to my bags of money.

[i] www.pajaritopowder.com

[ii] KPMG Global Automotive Executive Summary 2017; kpmg.com/GAES

[iii] PR Newswire; <https://www.prnewswire.com/news-releases/more-than-5500-hydrogen-fuel-cell-vehicles-sold-so-far-says-information-trends-300563537.html>.