

Impraise



Bas Kohnke,
CEO - Impraise

Industry: HR

Mission statement: "Grow your people, grow your business. Impraise partners with companies to develop their people through painless performance reviews, real-time feedback exchange, lightweight check-ins, and goals setting."

Headquarters: Amsterdam (Jozef Israëlskade 46, 1072 SB Amsterdam)

Founded: 2014

Feedback and performance management tool Impraise has been helping companies across Europe, and now the U.S., open up their teams to more regular performance based conversations.

We spoke with CEO Bas Kohnke to get the low-down on the successes, challenges and lessons Impraise learned as they moved on to capture the New York market. Here are some highlights:

Key takeaways:

- You need a founder or long time employee who lives and breathes the culture to lead your new office - simply traveling back and forth isn't enough
- Be prepared to pay higher salaries and offer more benefits to attract talent in NYC
- Moving to a city with competitors can also have its advantages
- In NL, doing business involves several cups of coffee and relationship building - in the U.S. deals can be closed over the phone or virtually in a shorter space of time
- However, expectations regarding customer service are much higher
- Understand what transfer pricing is and how it should be set up for your business

What motivated you to expand to New York City?

It was actually a really practical reason because with Y combinator we were already over in the U.S. And, for HR tech, the U.S. is a really interesting market because there's more scarcity of talent, they're more forward thinking and they have employment at will so they need to invest in the retention of people because they can leave at any time.

So we saw early on that the U.S. market was really good. But San Francisco has too much of a time difference with Amsterdam. So New York was a good option in terms of time difference, but which would still allow us to serve the U.S. market.

And the second part was that, when clients start using Impraise, there's a change management component which is needed. So the customer support team needs to at least be in the same time zone as the clients, but also as close to them as possible. So this was the basis required for us to actually build a closer relationship with the clients.

There's also a lot of competition in San Francisco because there's so many startups there. Would you say that it's easier to expand to New York because of that?

I actually don't think that it's easier. Indeed, for us, most of the competition is in San Francisco and if your competition is stronger than you are, that becomes challenging. But often the benefits of having the competition near you are underestimated. For example, if there's a lot of competition in the same area that's going to create more market awareness and there'll be more people you can hire from the same industry.

So, one reason why we chose New York versus, let's say Washington DC, or Philadelphia, is because there's a big tech industry in New York. Boston could have been another option, as there's enough talent to hire in that sense. But if you look at San Francisco there's way more talent available that have experience selling similar products or dealing in similar kinds of companies but it's also harder to retain them because of the competition.

But on the large scale I think it was better to grow in New York than it would have been in San Francisco.

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I'm sure you'll have a lot of insights on this given the industry you're in - what are the main differences in recruiting and retaining employees in NYC versus the Netherlands?

I think one thing that we did really well was to have our Head of Sales move there because he was the DNA of the company and he was entrepreneurial so he could open the door and build the culture there.

You really need somebody who will be the leader in the office before considering recruiting and retaining talent. I think, in general, to build a successful office or culture you need to have at least one of the founders or one of your early team members there who can really be the face of the company.

The second part is that, from a Dutch standard, you need to become comfortable with paying high salaries that are at least double what you pay here and you have to be comfortable giving good benefits. One of the mistakes that we made in the beginning is that we didn't understand how important healthcare or 401ks are because we're not used to it here. So you really need to change that if you want to grow your office in NYC.



Impraise team

What are some of the cultural differences in terms of doing business that you've noticed in New York versus the Netherlands?

There's a very simple one. In the Netherlands if you want to sell something to someone, you need to go to visit them for coffee. Even if it's a deal for a few thousand euros, you need to build trust. And I think that's a really big advantage in the U.S. There you can close partnerships for a few hundred thousand dollars per year over the phone, or virtually. There building an inside sales team is generally more effective than having people constantly on the road and meeting customers.

The other part that's different is that, although the market is just huge, there's not that much difference in buying behavior. If you sell in Austin, San Francisco, Chicago or New York, it's all the same kind of mindset in terms of buying culture.

And that makes it interesting when you're searching for new businesses. If you sell here in the Netherlands and start considering selling to Germany or France, you need to redesign everything that you're doing.

People are more optimistic and less risk averse than here. In the Netherlands, people will think six times before they do something and want to avoid risk. Whereas, in the U.S., the culture is built on optimism and thinking: "okay, let's give this a try. Let's do this."

The fact that it's a more competitive market is also good because companies are looking forward to create a competitive edge, also when it comes to how they manage their people which is great for us. And so everything feels much quicker, but it is more competitive.

And one other thing we learned is, the expectations regarding customer service are way higher in the U.S. than we have in the Netherlands. Let's think of, for example, if you go to a restaurant here, the service is known to be awful whereas in the U.S. it's really good. Of course, that's also linked to the way people are compensated. But that also translates into business.

In the U.S. people like to be sold to, but they also like to be treated really well during the sales process. Whereas, I think in the Netherlands, people don't really like to be sold to. They want to feel like they can have a conversation and then start a kind of a partnership.

Would you say that this expansion helped you grow much faster than if you had kept your business in Europe?

Yeah, definitely for our company. We only serve the English speaking market at the moment. So from that perspective, yes for sure.

It brings more complexity in terms of focus within the organization and having to manage two different offices. But from a sales perspective it definitely went faster.

What are some of the successes you've experienced from this expansion?

I would say the U.S. based clients we acquired and the level of brand awareness we've achieved in the U.S.

What you see a lot is that Western Europe is really U.S. minded. So if you have a U.S. based client, European companies often know them. So that helped us to create a name both here and even in Europe. But with our big European customers, nobody would know them or care about them in the U.S.

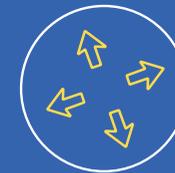
Halve Maen's research finds...



According to our survey, the top 2 responses to the question, "What was your top motivation for expanding to the U.S.?" were:



TO DRIVE REVENUE GROWTH AND INCREASE OUR CUSTOMER BASE



TO EXPAND INTO NEW MARKETS



Indeed, **61%** of respondents strongly agreed that expansion helped them increase their revenue.

Source: Halve Maen's Best Practices Report, "How to Make it Big in the Big Apple"

What were the preparation steps you took before expanding to New York?

We're a bit lucky because we started there so we already had some basics in place. Also, our holding company is a U.S. based company. And the Head of Sales who opened our NYC office already had a green card, so we didn't need to go through visa applications or those kinds of things. The only thing we actually needed to do is find an office and find people.

One thing that we learned later on that we were not fully aware of was transfer pricing. So basically, your IP is developed here in the Netherlands but the U.S. is a separate business. That means that if we sell to a customer in the U.S. and they pay the invoice to the U.S. company, it looks like the U.S. entity earned a lot of money, although there's only a few people working there. But the reason they were able to earn that money is because they sold a product they didn't make.

So what you basically need to do, from a tax perspective, is to have an agreement between the American and the Dutch company that the American company is allowed to sell the software but has to sell or pay most of the profits to the Dutch company.

It works very simple in the sense that, if you agree that the U.S. keeps x percent, for example, 10% of everything is for the U.S. and the rest is for the Dutch company. But it's an important thing for companies to consider because otherwise you could later experience x difficulties.

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What would you say was the biggest challenge later as you started to grow the office?

You need to get a recruitment process in place and get a sense of some very simple things like: What does the labor market look like? What are competitive compensation packages? What are the companies you would like to hire from?

And then, the second part was to start looking at the industry. We needed to build a database of U.S. based prospects that we could reach out to and update our sales process in order to actually be able to scale in the U.S.

And then, as soon as that started to run, we needed to start thinking internally and organizationally: how are we going to evolve? How are we going to manage two different offices and make them feel like one? And that's why we experimented a lot with things like all hands meetings, internal communications, those kinds of things to find the most efficient ways of communicating between our U.S. and Europe based offices.

That included me traveling regularly to the U.S. to be with the team there. What we struggled with for a long time was how to make people feel included in the team and how to make sure they're aware of all the important knowledge and decisions being made in Amsterdam.

I know that every time new people would join in the U.S. you would actually bring them over to Amsterdam for 2 weeks and you would also bring everybody together for company wide off sites. Do you feel like those kinds of things really help?

I think one of the biggest frustrations that, for example, our first U.S. hire had was that he was not a product expert and when he had questions about the product he didn't know who to ask to get an answer. Being in Amsterdam for two weeks really helps new hires to get to know the people they need to reach out to and build a few friendships. That will be one of the last things that I would cut down on if we needed to cut some costs or practices.

Were there any services or networks that you used to help you build this new office?

We decided to go for a full service accounting firm that also does all the tax declarations because we said okay, we don't want to make mistakes with the American accounting system or tax system. And we don't want to invest in becoming experts ourselves. And that was a bit of a higher fee but at least like we didn't have to worry about all accounting and taxes in the U.S. and then we had a different partner in the Netherlands.

The incorporation made it fairly easy. We didn't make use (and it's just because I never really looked into it) of the Dutch organizations based in NYC that can help you to for example, move or connect you with others. I only started discovering that like a year ago. If I would do it again, I would leverage more help from the government institutions.

Looking back now, is there anything else you would have done differently?

Have a co-working space where you can land, especially if you can land in a co-working space where there are other startups that are more mature and can help you navigate is helpful.

Every Dutch company that opens up in the U.S. is gonna run into tax regulation in the U.S. and tax regulation in the Netherlands. And the same goes for law. Generally lawyers tend to cover their asses. So they will say it could be like this but don't take this as formal advice. That's annoying because, for example, when we did fundraising I need to work with both Dutch and U.S. lawyers who gave 80% answers. And then there's a gray area that you have to figure out for yourself considering: will this comply with the combination of Dutch and U.S. law?

I do think there's, there's probably a bunch of Dutch lawyers that have enough experience in the U.S. So I think what would be really helpful from a government perspective is if they can group the lawyers together that are comfortable with U.S. and Dutch law so that you have one person to talk to for both aspects.

What's your main piece of advice for entrepreneurs thinking of expanding to NYC?

Go yourself as a founder or co founder. If you can't, you need one Managing Director there that lives and breathes your culture and has the same spirit as the person in the Netherlands that's building the business. That's the most important part.