

# DRIVERS OF RELOCATION BY INNOVATIVE EU STARTUPS AND SCALEUPS





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# INTRODUCTION

Startups and scaleups are vital engines of innovation, growth and competitiveness in the European Union. They play a central role in developing and commercialising advanced technologies like artificial intelligence (AI), biotechnology and clean technologies. These high-potential companies not only create skilled jobs and attract investment, but also contribute to Europe’s strategic autonomy by driving progress in critical sectors. Their ability to grow quickly within the European Union is essential to closing the innovation gap with global competitors and to building a resilient, future-looking economy.

However, many EU-founded startups and scaleups are choosing to relocate key parts of their business – such as their holding company, legal headquarters or executive team – outside the European Union, most commonly to the United States. Referred to as relocation, this process differs from internationalisation, as it represents a structural shift rather than just commercial expansion. While internationalisation is an integral and often positive part of global growth, relocation can signal deeper systemic limitations within the European Union. When startups relocate, value creation, intellectual property, strategic decision-making and investment flows increasingly accrue outside Europe, weakening the continent’s ability to retain and grow world-class innovation leaders.

Mario Draghi’s [report on the future of European competitiveness](#) highlights that approximately 10% of EU scaleups relocate abroad, [with around 85% moving to the United States](#). From 2008 to 2021, [nearly 30% of European “unicorns” \(startups valued at over \\$1 billion\)](#) relocated their headquarters, predominantly to the United States. This trend is particularly pronounced in the digital technologies, including the AI and biotechnology sectors, which are among the industries most likely to move outside the European Union. As competition increases globally, evidence suggests that many EU-founded companies are considering relocating to the United States because they think it will give them better access to markets, investment opportunities and growth.<sup>1</sup>

The ongoing outflow of companies to other economies weakens the European Union’s ability to close the innovation gap with the United States and threatens its long-term competitiveness and technological sovereignty. Europe is acutely aware of this problem, and it is working to keep young, vibrant companies at home through initiatives such as [TechEU](#), a financing platform created by the European Investment Bank (EIB) to link innovators to sources of funding and expertise. TechEU is the largest-ever EU innovation financing programme, created by the EIB Group, and it is expected to mobilise €250 billion in total investments by 2027. The EIB Group is also working to support innovation through the European Tech Champions Initiative, a fund-of-funds that invests in large-scale venture capital funds (typically €1 billion or more). Those venture capital funds back tech companies during late-stage growth and before initial public offerings. The initiative combines EIB Group resources with those of Germany, France, Spain, Italy, Belgium and the Netherlands, and soon other Member States.

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<sup>1</sup> The European scale-up ecosystem: Evidence on late-stage enterprises’ location choices. Capstone Project – 29 April 2024 Niklas Patzig, Silvère Claisse, Duarte Borrego, Michèle Gentile, Robin Shackleton, Emilie Kieler.

Other EU support includes the [European Innovation Council and SMEs Executive Agency](#), which implements programmes that support innovation, small businesses and the EU single market. The European Innovation Council offers continuous funding support from early research to market scaleup, with programmes like [Pathfinder](#), [Transition](#), [Accelerator](#) and [STEP Scale Up](#), which offer financial and advisory support to help companies commercialise ideas and nascent technologies and grow them globally. Finally, the [European Innovation Council Global Business Expansion Programme](#), which focuses on the Americas and Asia-Pacific, puts innovative companies in touch with corporate partners and public buyers to promote the uptake of new products and solutions and to improve the visibility of startups and scaleups.

# EXECUTIVE SUMMARY

**Young, fast-growing companies relocate for many reasons – including better access to large markets, supportive environments, favourable regulations and venture capital.** While these relocations pose risks to the European Union’s long-term competitiveness, they also reflect the global nature of innovation ecosystems. Relocating to international clusters enables startups to scale faster, access critical resources or accelerate product development in ways not possible otherwise. A nuanced understanding of these patterns is essential to designing effective support mechanisms that enable EU startups to grow quickly and globally while preserving value creation within the European Union.<sup>2</sup>

**That is why the EIB, in partnership with the European Commission’s Directorate-General for Research and Innovation and the Joint Research Centre, commissioned EY to conduct a targeted, qualitative study looking at why and how EU-founded startups and scaleups choose to relocate.** The objective of this study is to gain first-hand information directly from founders and executives, to better understand what drove their decision to relocate and to identify potential ways to improve the conditions for startups and scaleups within the European Union. In-depth interviews with the founders and chief executives of **440 firms** were conducted to:

- identify the key business environment conditions influencing the relocation of innovative, fast-scaling companies that were founded in the European Union;
- understand the process through which founders and executives decide between different types and forms of relocation;
- investigate how founders evaluate the consequences of their relocation decisions;
- gather suggestions for how to create conditions enabling startups and scaleups to remain in the European Union and contribute to their long-term growth in the region.

**The study relied primarily on in-depth interviews with founders and executives, and focused on companies operating in three strategic sectors: digital and deep technologies, biotechnology and clean technologies.** The survey group contained 440 companies from all three sectors that had been formed in EU member countries and had relocated to specific countries, mainly the United States. Companies were categorised by relocation profile to ensure analytical relevance, with the core analysis focused on EU-founded companies that had moved all or part of their operations abroad within the last 15 years.

**A total of 91 interviews were conducted, of which 71 were deemed suitable for inclusion after the data had been verified.** These interviews explored the motivations for relocating, decision-making processes, relocation models, legal considerations and post-relocation reflections. Additional insight was gathered from venture capital firms, law firms, tax advisors and other companies active in the relevant industry, providing legal, financial and contextual information.

**More data are needed on why EU startups and scaleups relocate and on the impact these relocations have on the EU economy.** Existing studies tend to rely on secondary sources that are often inaccurate, and no reliable tools exist to track startup relocation decisions across jurisdictions. There has been little direct engagement with founders and executives to understand the motivation, processes and perceived consequences of relocation.

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<sup>2</sup> As this was not the primary focus of this study, further in-depth analysis is recommended to assess the broader economic implications of startup and scaleup relocation. Research is needed on the direct and indirect impacts on job creation, tax revenues, innovation output and long-term value generation within both the European Union and the destination countries. It would provide a more comprehensive understanding of the systemic effects of relocation and support more informed policymaking.

This lack of first-hand insight limits the European Union's ability to design effective responses to a challenge that directly affects its long-term innovation capacity.

**The study reveals a consistent set of drivers behind relocation decisions, regardless of sector or geography.** Company founders and executives frequently mentioned access to capital, proximity to large and unified markets, regulatory simplicity and availability of experienced commercial and sales talent as reasons for moving. The United States is largely perceived as offering a more attractive environment in all these respects. In contrast, the European Union is viewed as fragmented, bureaucratic and risk averse, particularly when it comes to supporting companies beyond the early stages of growth.

## KEY INSIGHTS

- Startup founders and executives rarely want to abandon Europe altogether. The decision to relocate is more about finding environments that better support the pace, risk and flexibility that innovative companies require. Many founders of startups and scaleups that relocated stress that, if certain barriers in the European Union were addressed, they would have preferred to stay, grow and scale within the region.
- The findings reveal a consistent set of drivers behind relocation decisions, regardless of sector or geography. The primary driver was access to the markets and funding these firms need to scale effectively. The other most frequently cited motivations were the need for more flexible and innovation-friendly regulation, easier access to growth capital, the ability to attract and retain international talent, and stronger local support networks that match the ambition of globally minded companies.
- Interviewees confirmed that the decision to relocate is generally viewed as positive, with companies reporting clear benefits in terms of market access, customer acquisition and revenue generation.
- Nevertheless, all of the interviewed companies maintain a dual footprint, retaining their technical and research and development (R&D) capabilities within the European Union while leveraging the commercial and financial advantages of the new market.
- Interviewees say that relocation could be prevented if Europe did the following:
  - modernised and unified regulations so that new technologies can be tested, piloted and introduced without getting stuck in compliance bottlenecks;
  - unlocked more funding and reduce early-stage costs, particularly for deep and digital technologies, biotech and cleantech companies that require long time horizons for developing products and services;
  - improved labour and immigration policies, which limit flexibility and slow down hiring, especially across borders;
  - invested in education, mentorship and founder support systems that equip entrepreneurs to navigate global markets from day one.

**The study finds that relocation is not a uniform or binary process, but rather a spectrum of strategic decisions influenced by factors like company maturity, sector, target market and investor expectations.** Many companies relocate partially – an approach taken by all those that participated in the study. This allows them to establish a US-based holding company while retaining key functions, such as R&D and engineering teams, in the European Union. They can then benefit from US capital markets, supply chains and regulatory clarity without severing ties to Europe’s talent pool and cost advantages.

Alternatively, companies may choose to pursue full relocation, which involves transferring their legal headquarters and all operations entirely to another country. This decision may be driven by the desire to capitalise on more favourable market conditions, access to venture capital, or regulatory environments.

## RECOMMENDATIONS

The company founders and executives interviewed in this study put forward a range of recommendations that could address relocation outside of the European Union.

These include more flexible, startup- and innovation-friendly regulation, easier access to growth capital, the ability to attract and retain international talent, and stronger local support networks that match the ambition of globally minded companies. In addition, introducing a pan-European legal entity (like the “EU Delaware”), using digital legal tools, providing employee stock options and implementing tax reforms can significantly increase Europe’s appeal to innovative ventures. Importantly, interviewees argue that Europe should not try to replicate Silicon Valley, but should instead focus on building a uniquely European innovation environment that plays to its strengths while addressing systemic gaps.

The study also highlights the need for an EU startup and scaleup database of accurate, up-to-date information on company formation, funding and relocation decisions. Such a tool would enable more structured, data-driven research and improve policymaking to retain and support high-potential companies.

Ultimately, the findings of this study suggest that Europe can retain and grow the next generation of global tech champions, but only if it acts with urgency and vision. The barriers pushing companies to relocate are not insurmountable, but they require cohesive, founder-informed responses across finance, regulation and ecosystem support. If these barriers persist, founders will continue to seek opportunities elsewhere – not because they wish to leave, but because they feel they must relocate to succeed.

# 1 METHODOLOGY

**This study focused on gathering first-hand insights from EU startups and scaleups into the drivers and motivations behind their decisions to relocate, either partially or completely, outside the European Union.** It examined companies spanning the full relocation spectrum, including complete relocations and partial ones, such as relocation of administrative headquarters or sales departments. The term “relocation” is used to refer to any such instance, and should be understood as the strategic decision by an EU-founded startup or scaleup to establish its holding company or move its headquarters or core operations outside the European Union.

The study is structured as follows:

1. **Interviews conducted:** illustrates the distribution of interviewed companies by country of formation, sector, growth stage and country of relocation.
2. **Reasons for relocation:** explores the various factors influencing the relocation decisions of startups and scaleups, including market opportunities, regulatory environments, financial considerations and cultural factors.
3. **Relocation process:** details the relocation process, including the different forms of relocation (moving headquarters, partial relocation or full relocation, etc.), the challenges faced and the impact of relocation on the company’s operations and strategy.
4. **Recommendations:** provides actionable recommendations aimed at improving conditions for startups and scaleups in the European Union, based on the study’s findings.
5. **Conclusion:** summarises the key findings of the study and their implications for EU policy and innovation strategy.
6. **Annexes:** contains the interview guide and a list of interviewed companies and additional entities.

Interviews were conducted with founders and executives who either have undergone relocation or are currently considering it, as well as entities that either support the relocation of companies (such as venture capital investors, law firms or tax advisors) or lead initiatives that strengthen the innovation ecosystem in the European Union.

Initially, a pipeline of startups and scaleups that relocated outside the European Union was created. This pipeline consisted of both companies identified by the EIB<sup>3</sup> and companies selected based on information extracted from the [Dealroom database](#). In selecting relevant companies in this way, the following criteria were applied:

- **EU 27 Member States:** All selected companies were originally founded in one of the 27 Member States.
- **EU 27 headquarters excluded:** All selected companies currently have their headquarters outside the European Union.
- **Time period covered 2010-2024:** All selected companies were founded after 2009, indicating that their relocation must have occurred between 2010 and 2024.
- **Funding rounds:** All selected companies raised funds from at least one of the following investment types: angel, convertible, seed, early venture capital (series A-B), growth equity venture capital (series B+) or late venture capital (series E+).

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<sup>3</sup> We thank the EIB Economics department for kindly sharing their data on identifying relocating patterns of scaleups with us (see [The scale-up gap: Financial market constraints holding back innovative firms in the European Union](#)).

- **Relevant industries/technologies:** All selected companies operate in one of the following three sectors deemed relevant by the Strategic Technologies for Europe Platform<sup>4</sup> communication: deep and digital technologies, clean technologies and biotechnologies.

In the resulting list of 377 companies (before expanding to 440; see below), all 27 Member States were represented as countries of formation, together with the most relevant countries of relocation and all three sectors mentioned above.

All of the companies were contacted via an email address or LinkedIn profile to request a semi-structured interview. At the same time, an interview guide was developed. It incorporated questions suggested by the EIB, the Directorate-General for Research and Innovation and the Joint Research Centre into the Assignment Terms of Reference used for the study, together with additional questions proposed by the implementation team based on prior desk research. The interview guide covered five key areas: context of relocation, motivation for relocation, relocation process, outcomes of relocation, and recommendations for EU policymakers. This structure allowed for a comprehensive exploration of the drivers and challenges associated with relocation, the type of relocation undertaken by the company and the factors that could potentially encourage a return to the EU market. The draft of the interview guide was submitted to representatives of the EIB, the Directorate-General for Research and Innovation and Joint Research Centre for feedback, and was finalised based on their comments and suggestions (see the final version in Annex I).

The interviews were conducted online (primarily via Microsoft Teams and Zoom, depending on the preferences of the interviewees) and based on the standardised semi-structured interview guide, which was shared with each interviewee before the interview took place. The interviews, conducted primarily with key decision-makers at the time of relocation (founders and executives), focused on the following themes:

- **main motivations, realisations and drivers** for innovative startups/scaleups to relocate outside the European Union;
- **selection of the target market for relocation** and potential new directions for relocation;
- **relocation process** and how founders and executives decided between different types and forms of such a relocation;
- **key determinants in the business environment influencing the relocation behaviour** of EU-founded, innovative, fast-scaling companies;
- **how founders evaluate the consequences** of their relocation decision after the fact;
- **potential weaknesses** in the EU business environment and innovation ecosystem;
- **directions for potential solutions** to improve the conditions for startups and scaleups in the European Union;
- **needs and preconditions**, potential difficulties and the types and forms of relocation processes, together with discussion of the possible improvements to the EU market for startup and scaleup companies.

Multiple information sources were used to prepare for the interviews, including various databases (Deal room, [D&B Hoovers](#), etc.), websites and LinkedIn profiles, with a focus on triangulation to enhance the reliability of the data. **Despite these efforts, it became clear that the publicly available data and information on individual companies (such as country of formation, relocation or financials) contained inaccuracies, and there was no reliable tool to accurately track the relocation decisions of EU startups and scaleups over time and across jurisdictions.** Interviewers verified whether the interviewees met the prerequisites for inclusion in the study. While a range of sources were used, **it was only in interviews that key details could be confirmed** – such as the process, status and country of relocation, and financing information. **This underscored the importance of direct engagement with companies to ensure the integrity and reliability of the study.**

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<sup>4</sup> As defined by: Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform. Available at: <https://eur-lex.europa.eu/eli/reg/2024/795/oj/eng>.

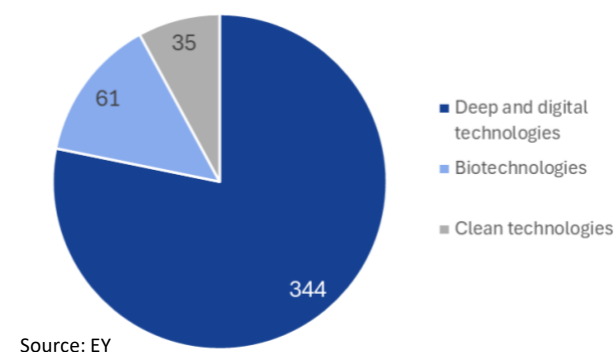
Based on the finding that database information could be inaccurate, the following classification was developed:

- **Category A:** interview with a company that met the definition of a startup<sup>5</sup> / scaleup<sup>6</sup> in the Assignment Terms of Reference for the study at the time of relocation, was founded in the European Union, operates in one of the three relevant sectors, and relocated outside the European Union within the last 15 years.
- **Category B:** interview with a company that did not fully meet<sup>7</sup> the definition of a startup / scaleup in the Assignment Terms of Reference for the study at the time of relocation, was founded in the European Union, operates in one of the three relevant sectors, and relocated outside the European Union within the last 15 years.
- **Category C:** interview with a company founded by an EU resident outside the European Union within the last 15 years and operating in one of the three relevant sectors. While this instance does not constitute relocation of the legal entity, the founder's decision to directly establish the company outside the European Union was informed by their prior experiences and/or expectations, and was driven by the same factors as those in categories A and B. The findings from this category are therefore relevant for purpose of comparison.
- **Category D:**<sup>8</sup> interview with a company not falling into category A, B or C, such as those founded by a non-EU resident outside the European Union within the last 15 years or those not founded within the last 15 years.

The findings presented in the following sections are based solely on information obtained through interviews with companies in categories A, B and C. However, these findings were also confirmed by interviewees in category D (although these are not otherwise reflected in the study).

Additionally, because low response rates were expected, reminder emails were sent, and additional sources were sought out to identify a broader range of companies and complete enough interviews to draw meaningful conclusions. This included recommendations from the interviewed companies and other stakeholders, venture capital databases<sup>9 10</sup> and market reports.<sup>11 12</sup>

**Figure 1: Sector distribution of all entities listed**



These additional sources expanded the list of companies from 377 to 440. The most companies were in the sector deep and digital technologies (344), followed by biotechnologies (61) and clean technologies (35). While the research focused on EU-founded startups and scaleups, the final list reflects adjustments based on verified findings from interviews. As a result, some companies founded outside the European Union are also included, where their founders were EU nationals or their relocation

<sup>5</sup> In the context of this study, a startup is defined as a company with a maximum of five years of history at the time of relocation, which has received at least one round of venture capital financing.

<sup>6</sup> In the context of this study, a scaleup is defined as a company less than ten years old at the time of relocation, which has raised Series C or later rounds of financing or has demonstrated an annualised growth of at least 40% over the last three years.

<sup>7</sup> Mostly due to the difference with funding rounds at the time of the relocation.

<sup>8</sup> As previously explained, despite extensive efforts, existing data sources proved unreliable for tracking EU startup relocations, with many inaccuracies at the company level. Only direct interviews enabled the verification of critical information, including relocation status and financing details.

<sup>9</sup> We included the Y Combinator as it also targets EU companies. The Y Combinator, for example, applies the condition that the foreign startup needs to incorporate in the US (unless the country of formation is Canada, Cayman Island or Singapore). Available at: <https://www.ycombinator.com/companies>.

<sup>10</sup> Another source was the Frontline, which is EU venture capital facilitating transatlantic expansion. Available at: <https://frontline.vc/frontline-seed/>.

<sup>11</sup> Mind the Bridge: [European dual companies – Scaleup migration](#), 2017.

<sup>12</sup> Index Ventures: [Destination US – The Founder's Guide to US Expansion](#), 2020.

decisions were directly relevant to the study’s objectives. The table below presents the countries of formation for all companies from the list of 440.

**Table 1: Countries of formation of all companies**

France	62	Romania	13	Italy	6
Germany	48	Croatia	12	United Kingdom	6
Estonia	31	Denmark	12	Slovenia	5
Poland	30	Lithuania	12	Luxembourg	4
Portugal	22	Belgium	11	United States	4
Spain	21	Finland	10	Switzerland	3
Hungary	20	Greece	9	Canada	1
Czechia	17	Latvia	9	Cyprus	1
Netherlands	16	Slovakia	9	Germany	1
Bulgaria	15	Sweden	9	Israel	1
Ireland	13	Austria	6	Norway	1

Source: EY

To gather first-hand experiences and market intelligence on the motivations and drivers behind relocation, the study also engaged with supportive infrastructure, including venture capital firms, law firms and accelerators. These entities provided valuable insight that was instrumental in validating the data and providing a more nuanced understanding of the relocation process, encompassing the legal structures and regulatory implications involved. Moreover, these entities often facilitated contact with a network of companies relevant to the study.

Finally, the study also incorporated perspectives from institutions, initiatives and market experts, who contributed factual data related to the relocation process and the motivations behind it. This collaborative approach helped align recommendations with ongoing initiatives in the field.

It is important to note that the findings of this study are based on a targeted, non-representative sample of companies, focusing on deep and digital technologies, cleantech and biotech startups and scaleups that relocated outside the European Union. Thus, while the analysis provides valuable insights into the relocation dynamics of high-potential startups within strategic sectors, the conclusions cannot be generally attributed to the whole EU startup and scaleup population. Rather, the study highlights indicative patterns and drivers relevant to specific sub-segments of the innovation ecosystem – particularly those operating at the frontier of technological development. Additionally, the perceptions and recommendations for how to improve the conditions for startups and scaleups in the European Union in this study were, as described above, obtained through interviews with company founders and executives. They reflect the opinions and preferences of the individual interviewees, and were not further examined or elaborated upon.

## 2 INTERVIEWS

Based on the selection and outreach process outlined in the Methodology section, all 440 identified companies were contacted with a request for an interview. 91 agreed and six declined, for a **response rate of 22.1%**. **A total of 91 interviews were conducted with founders and executives from startups and scaleups, 71 of which fell into categories A, B and C.** (Category D accounted for 20.) Figure 2 highlights the countries of formation or the country of residence of founders of the interviewed companies. The most frequently represented Member State is France, with six interviews. Germany, Croatia and Hungary each account for five interviews; followed by Czechia, Estonia, the Netherlands and Slovakia, with four interviews each. Belgium, Italy, Greece, Bulgaria, Denmark, Sweden and Poland each had three interviews; and Finland, Latvia, Lithuania and Spain each had two. There was one interview each from Austria, Portugal, Romania, Ireland and Slovenia. Cyprus, Malta and Luxembourg are not represented in the final interview sample, as no eligible companies from these countries participated in the study.

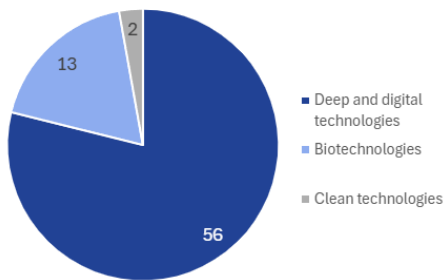
**Figure 2: Country of formation of entities interviewed**



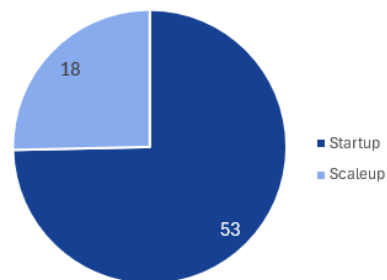
Source: EY

Figure 3 shows the dominance of deep and digital technologies in the sample, while Figure 4 shows the dominance of early-stage companies.

**Figure 3: Sector distribution of entities interviewed**



**Figure 4: Growth stage of entities interviewed**



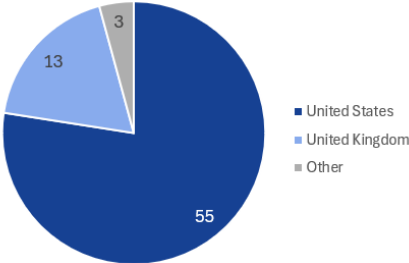
Note: The figures represent the number of companies in each sector, out of a total of 71 interviewed.

Source: EY

Source: EY

Figure 5 depicting the country of relocation or current location of headquarters shows a notable concentration in the United States, where 55 companies chose to relocate (followed by 13 to the United Kingdom and three elsewhere: Dubai, Singapore and New Zealand). This highlights the attractiveness of the US market for startups and scaleups seeking new opportunities beyond the European Union.

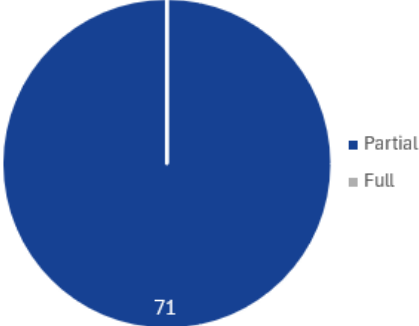
**Figure 5: Countries of relocation**



Source: EY

As shown in Figure 6, all interviewed companies chose to relocate partially as opposed to fully – typically by establishing a holding company in the United States or flipping their corporate structure. In most cases, the companies hired a local sales team in the United States and one or more founders temporarily relocated to build connections with the venture capital ecosystem, engage with potential customers and suppliers, and support the recruitment process. However, in some instances, the US entity functioned primarily as a shell company, serving to present the business as a US-based firm for the benefit of investors and clients, while core operations remained in the European Union.<sup>13</sup>

**Figure 6 : Form of relocation**

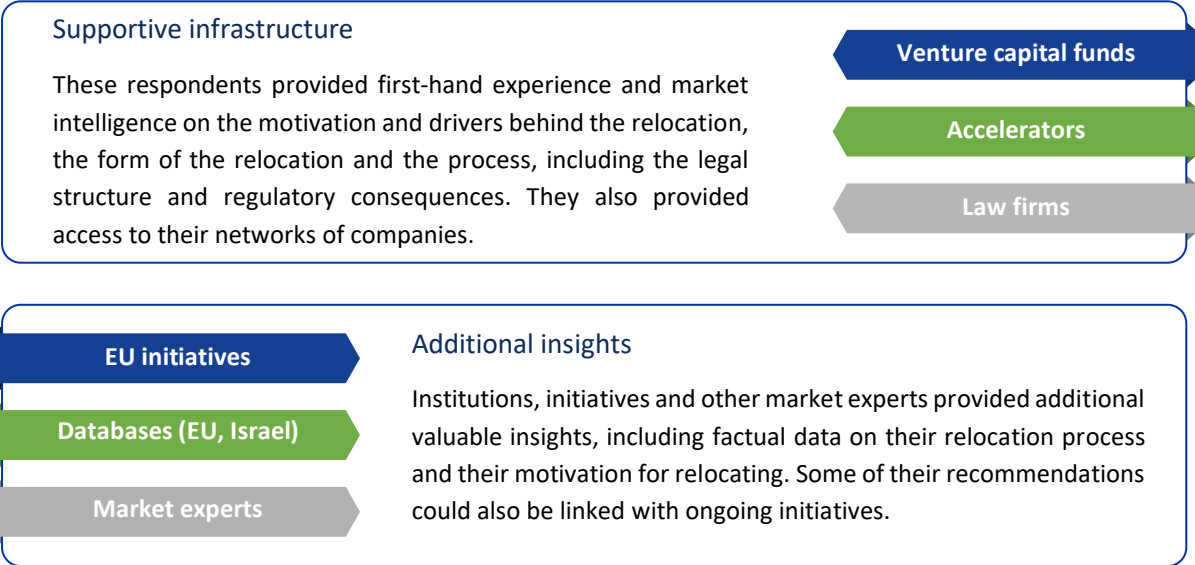


Source: EY

In addition to the founders and executives of the companies that have relocated or are considering relocation in the near future, other relevant institutions were interviewed to provide additional insight and identify potential target companies. **13 interviews were conducted with firms in supportive infrastructure (law firms, venture capital funds and tax advisors) and three with entities offering additional insights (EU initiatives targeting topics of startups environment in the European Union).** The relevance of their input is described in Figure 7 below.

<sup>13</sup> Two of the interviewed companies had undergone mergers, but had retained production in their home countries.

**Figure 7: Additional interviews conducted**



Source: EY

**The findings below represent input from interviewees in categories A, B and C.** However, these findings were also confirmed by the interviewees in category D, although their input is not otherwise reflected in the study. **In addition, the relocation motives and processes presented contain information from the entities in supportive infrastructure and those offering additional insights.**

### 3 REASONS FOR RELOCATION

The decision for startups and scaleups to relocate outside the European Union is influenced by a multitude of factors that reflect both the opportunities available in other markets and the challenges faced within the European Union. This section outlines the primary reasons for relocation, highlighting key market opportunities, regulatory environments, financial considerations, cultural factors and talent acquisition challenges.

The demand for market access and investment opportunities is universal across growth stages, geographies and sectors. Across early-stage companies and scaling ones, and across technology, biotech and cleantech, there are consistent general core drivers and immediate triggers of relocation. Companies are not just trying to grow; they are trying to position themselves in regions that provide the best opportunities for market penetration and capital infusion.

Therefore, regardless of sector or location, startups and scaleups are primarily driven by access to the markets and funding they need to scale effectively. In relation to funding, venture capital firms' preference for companies to incorporate within a regulatory environment they are familiar with is both a general driving force and an immediate trigger. This shared motivation transcends growth stage and industry.

#### 3.1 Market opportunities

**Access to a larger single market** is consistently cited as one of the most compelling reasons for considering relocation – particularly to the United States. The US market offers not just a vast and unified customer base, but also a higher propensity to adopt innovative technologies – especially in sectors like deep and digital technologies, biotech and cleantech. For high-growth companies, the ability to enter **a single, expansive market with fewer regulatory and linguistic barriers significantly reduces go-to-market friction and enables faster scaling.**

In contrast, while the European Union represents a large aggregate market, it remains fragmented in practice, with diverse regulatory frameworks, language barriers and varying consumer behaviours across Member States. This fragmentation often results in additional costs and delays for companies attempting to expand across borders within the European Union. Startups frequently emphasise that a larger market not only translates into greater revenue potential but also accelerates product development cycles. A broader customer base means more extensive real-world testing, a wider variety of use cases and richer user feedback – elements crucial for improving products and staying competitive in innovation-driven sectors.

Additionally, the **demand for cutting-edge technologies** is significantly higher in markets like the United States and United Kingdom (and, increasingly, also the Middle East, where there is a strong appetite for innovation). Corporate clients in these regions are often more willing to adopt new technologies, providing fertile ground for startups and scaleups to introduce their products. This demand is driven by a culture that embraces technological disruption and innovation, making it an attractive destination for companies looking to grow. The presence of established tech giants and a vibrant startup ecosystem further amplifies this demand.

Figure 8 : Reasons for relocation



Source: EY

Relocating to established markets often provides access to **high-value business-to-business relationships**. These connections can lead to strategic partnerships, collaborations and customer acquisition opportunities that are essential for growth. The presence of established companies and industry leaders in regions like Silicon Valley facilitates **networking and relationship-building**, which can be crucial to a startup's success. Such relationships can also provide mentorship and guidance, helping new companies navigate the complexities of scaling their operations.

**Proximity to key suppliers and service providers** is another advantage of relocation mentioned by founders. Being near these resources can streamline supply chains, reduce costs and enhance operational efficiency. This is particularly important for companies in sectors like manufacturing and biotechnology, where timely access to components and services can significantly impact productivity. Additionally, being near suppliers can foster collaboration and innovation, as companies can work closely with their partners to develop new solutions and improve existing products.

Moreover, relocating to a **major market can facilitate entry into global markets**, as the ability to leverage existing connections and infrastructure can significantly reduce the time and resources needed to establish a global presence. Companies based in the United States or United Kingdom often find it easier to expand internationally due to established trade relationships, favourable regulatory environments and access to global distribution networks. This **streamlined entry** can accelerate growth and make a company more competitive on the world stage.

## 3.2 Financial considerations

Access to **strategic and significant financing opportunities** is a critical factor for startups considering relocation. Markets like the United States and United Kingdom are home to **major investment hubs** with active venture capital ecosystems that are **willing to invest in high-risk**, high-reward ventures. This access to capital can be a game-changer for companies looking to scale their operations. The availability of funding can enable startups to invest in R&D, expand their teams and accelerate their go-to-market strategies.

Relocating to **major investment hubs** gives startups access to a diverse range of funding sources. These hubs are characterised by a concentration of **experienced investors with a track record of success** in the deep and digital technologies, biotech and cleantech sectors. This access to capital is essential for companies seeking to fund R&D, production and market entry. The presence of a robust venture capital ecosystem can also foster a culture of innovation, as investors are more likely to support bold ideas and disruptive technologies.

The willingness of US investors to provide **larger ticket sizes** for funding significantly impacts a startup's ability to scale. With more capital, companies can invest in growth initiatives, hire talent and expand their operations more rapidly than they could in the European Union. Larger funding rounds provide the resources companies need to execute business plans effectively and compete on a global scale.

Moreover, the investment culture in the United States is perceived by founders as **less risk averse**, with investors more willing to back disruptive startups and founders with unconventional ideas. This **willingness to invest in high-risk** ventures fosters a culture of resilience and innovation, encouraging entrepreneurs to take risks and pursue new ventures without fear of being penalised for past mistakes. The acceptance of failure as a part of the entrepreneurial journey can empower founders to explore new opportunities and push the boundaries of innovation.

**Investors in the United States and United Kingdom prefer clearer, business-friendly regulations that facilitate investment and growth.** Regulatory clarity can make it easier for startups to navigate the legal landscape and focus on their core business activities, further incentivising relocation. The perception of a more supportive regulatory environment can enhance investor confidence and attract capital to innovative ventures. Especially

in regions like the US, **investors often have a strong preference for investee headquarters to be in their home country; this may even be a condition for investment.** For example, the prominent venture capital accelerator Y Combinator expects startups to be based in the United States.<sup>14</sup> **The clear preference – often an explicit requirement<sup>15</sup> – for investee companies to be based in the United States (preferably incorporated in Delaware) is the most significant immediate trigger for relocation.**

**In the Middle East, investors place a stronger emphasis on personal relationships and founder presence.** Investors in the Middle East are often concerned less about where a company is headquartered, and more about the commitment and engagement of the founders. Founders may need to relocate and establish a physical presence to build relationships, demonstrate dedication to the region and increase their chances of securing funding. This highlights the importance of personal rapport in regions where business is driven largely by trust and relationships rather than formal, institutional requirements.

In addition, **the Middle East is particularly appealing to founders due to its favourable tax regimes,** which offer significant financial advantages. Many countries in the region, such as the United Arab Emirates and Qatar, provide tax incentives like low or zero corporate tax rates, tax-free zones and favourable import/export duties. These policies can significantly reduce operational costs, increase profitability and make the region an attractive location for businesses seeking to maximise financial returns. Founders are often drawn to these markets, where they enjoy a more tax-efficient business environment compared to other regions, something especially alluring for startups looking to reinvest in growth and innovation.

### 3.3 Regulatory environment

The perceived **“non-existence of the single market”** in the European Union was a significant factor influencing the decision to relocate. The **fragmented regulatory landscape** across Member States can pose challenges for startups and scaleups. Navigating different regulations can be cumbersome and time-consuming, leading some companies to seek more streamlined regulatory environments elsewhere. The complexity of compliance can divert valuable resources away from core business activities, hindering growth and innovation. This fragmentation can create uncertainty for businesses, making it difficult to plan and invest in long-term strategies.

Many founders of startups and scaleups, particularly those operating in deep and digital technologies, biotech and cleantech, said that **certain sector-specific regulations in the European Union are overly restrictive** and misaligned with the realities of building breakthrough technologies. For example, the recent AI Act (Regulation (EU) 2024/1689) adopted to ensure ethical and responsible development is perceived by many in the innovation ecosystem as a barrier that slows down experimentation and increases compliance burdens at a stage when speed and flexibility are crucial. Interviewees highlight that **innovation requires a safe space for testing and iteration.** Startups emphasise that developing novel technologies – especially in complex, high-stakes fields like synthetic biology, climate tech or AI hardware – inevitably involves trial and error. Rigid regulatory structures, they argue, leave little room for this kind of agile experimentation, making it harder to bring ideas to market or adapt quickly based on early feedback.

This is one of the main reasons why startups are now looking beyond Europe and exploring relocation opportunities in other regions, particularly in the Middle East. **Founders point to countries like the United Arab Emirates and Saudi Arabia as emerging hubs with more favourable regulatory conditions.** These governments

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<sup>14</sup> Y Combinator has expanded this rule, and currently invests in firms in the United States, the Cayman Islands, Singapore and Canada. See <https://www.ycombinator.com/deal>.

<sup>15</sup> In 11 cases, company representatives explicitly stated that investors requested the relocation of the company. However, it is important to note that many founders chose to relocate even without a formal investor requirement. In several instances, founders were aware that relocation was a clear investor preference or anticipated that such a condition would arise during future fundraising rounds.

are seen as more open to innovation, with flexible licensing, regulatory sandboxes and a willingness to work directly with entrepreneurs to help test and deploy new solutions responsibly, but without the red tape.

In addition to sector-specific regulations, many startups and scaleups point to the **broader bureaucratic burdens** in the European Union as a significant factor influencing their decisions to relocate or expand elsewhere. **Complex taxation systems** – such as in Germany, where companies must file taxes monthly and adhere to strict bookkeeping protocols – are often highlighted as a major drain on time and resources. These requirements can be particularly overwhelming for early-stage companies that operate with small teams and limited in-house administrative support. Moreover, compliance with cross-cutting regulations like the **General Data Protection Regulation** (Regulation (EU) 2016/679), while important for user protection, is often seen by startups as disproportionately burdensome. Founders express frustration over the legal uncertainty, high compliance costs and the potential for steep penalties for even minor infractions. These concerns are amplified when combined with procedural formalities like the **mandatory notarisation requirements** in some EU jurisdictions, which slow down actions like incorporating a company, issuing shares or updating corporate governance documents.

### 3.4 Cultural factors

Cultural attitudes toward entrepreneurship and innovation significantly influence the decision to relocate. In the United States, a vibrant startup culture fosters tech disruption, characterised by a **fail-fast mentality** that encourages entrepreneurs to learn from mistakes and iterate quickly. Established players in both the public and private sectors adopt a **tech-savvy approach**, creating an environment that embraces innovation and risk-taking. The culture also promotes a **pay-it-forward philosophy**, where successful entrepreneurs support emerging ventures, enhancing collaboration and networking opportunities. This provides for **workplace flexibility** (albeit accompanied by a degree of uncertainty).

In contrast, the European Union exhibits a preference for stability and a **cultural resistance to change**, which can hinder entrepreneurial growth. The prevailing risk aversion among venture capitalists, buyers and the public limits willingness to invest in disruptive ideas. Additionally, the European Union places a strong emphasis on **social welfare and work-life balance** which, while beneficial for employees, can create a more cautious approach to business that stifles innovation. This fundamental difference in cultural attitudes underscores the challenges faced by EU startups and scaleups in competing with their US counterparts.

**Table 2: Cultural factors**

	United States	European Union
<b>Startup culture</b>	Vibrant and supportive of tech disruption	Preference for stability and cultural resistance to change
<b>Attitude towards failure</b>	Fail-fast mentality encourages learning from mistakes	Risk aversion prevalent among investors and the public
<b>Innovation approach</b>	Tech-savvy approach by established public and private players	Cautious approach, often limiting disruptive ideas
<b>Supportive community</b>	Pay-it-forward philosophy fosters collaboration	Limited networking and support for emerging ventures
<b>Workplace flexibility</b>	Flexible work environments and uncertainty	Emphasis on social welfare and work-life balance, leading to cautious business practices

Source: EY

### 3.5 Talent acquisition

According to founders, relocating to markets like the United States and United Kingdom provides access to a **larger talent pool**, particularly in skillsets that help companies scale: in market entries, sales, and sectors like deeptech, biotech and cleantech. The United States and United Kingdom boast a high concentration of skilled professionals, including researchers, engineers and business leaders, who are essential to drive innovation and growth. The presence of **top universities and research institutions** in these markets ensures a continuous stream of highly qualified talent, making them attractive for companies seeking to build strong teams.

The ecosystems in the United States and United Kingdom attract, nurture and retain talent with robust job markets and innovative work environments. This can be a significant draw for startups looking to recruit top talent and foster a culture of innovation, as access to a **diverse talent pool** can enhance competitive advantage and drive growth trajectory.

**Despite this, founders expressed strong satisfaction with the quality of technical talent available in Europe.** European engineers and developers are widely regarded as **highly skilled and cost-effective** – a key reason why many startups opt for partial rather than total relocation (retaining engineering and product development in the European Union). They can thus leverage Europe’s technical talent while enjoying the strategic advantages of operating in larger markets and tapping into the other missing skilled labour: mostly **sales talent**, particularly for technical and complex products. This challenge can hinder growth and market penetration, prompting companies to consider relocation to markets where **sales talent** is more readily available. Additionally, the European Union faces a **shortage of experienced talent for scaling companies**, especially in sectors like biotech and life sciences. This lack of expertise can impede growth and innovation, leading some companies to seek **relocation to markets with a more developed talent pool**.

Another area connected to talent acquisition is **labour and immigration law**. Startups often stress that it is not about avoiding regulation altogether, but about finding ecosystems that offer regulatory clarity, efficiency and proportionality. From their perspective, overly complex or inflexible systems risk pushing promising companies out of the European Union and into jurisdictions where the regulatory environment is more in tune with the pace and realities of innovation. One area where this misalignment is particularly evident is in **rigid labour and employment law**. Many founders highlight that rigid labour laws in the European Union – such as strict rules on hiring and firing, probation periods and employee protections – make it difficult to maintain the level of agility required in a fast-moving, resource-constrained startup environment. These challenges are especially pronounced when viewed in the context of the typical startup lifecycle, which includes high uncertainty, frequent pivots, rapid scaling phases and sometimes painful contractions or restructuring.

**Terminating an employment contract**, for instance, is a time-consuming and costly process in many EU countries, often involving extensive documentation, mandatory notice periods and, in some cases, severance pay or legal mediation. While these protections are intended to safeguard workers, startups argue that they limit the flexibility needed to quickly reshape teams, reallocate resources or course-correct after strategic shifts. In early stages, when survival often depends on quick execution and lean operations, such rigidity can be the difference between success and failure. Moreover, **in regulatory environments where labour regulations are particularly protective, there can be a tendency to hire more homogeneous teams** of members more likely to get along. This seemingly beneficial dynamic can inadvertently result in less inclusive practices, as diverse perspectives may be overlooked in favour of maintaining a harmonious work environment.

**Companies trying to operate internationally may have trouble managing remote work across borders**, as labour regulations, social security obligations and tax liabilities vary significantly between Member States. The lack of harmonisation makes it difficult for a founder to build a truly pan-European remote team without incurring legal and administrative complexities that can stifle growth and discourage talent mobility.

In contrast, founders often voiced the perception that **markets like the United States offer a more flexible and business-friendly approach to employment**. The ability to hire and let go of employees more easily, structure compensation more creatively (through employee stock ownership plans, for example) and build remote or hybrid teams without excessive legal friction is seen as a key enabler of startup agility. This flexibility allows founders to adapt their workforce in line with evolving business needs, scale quickly when opportunities arise or restructure efficiently during downturns.

Furthermore, **managing remote work across borders can pose additional challenges for EU-based companies**. The varying national regulations and compliance requirements can complicate workforce management, **making it difficult for companies to implement effective remote work policies**. This can lead to inefficiencies and increased operational costs, prompting some companies to consider relocating to markets with more straightforward regulatory frameworks for remote work.

The challenges associated with talent acquisition in the European Union can be exacerbated by **rigid immigration policies** that make it difficult for companies to attract skilled professionals from outside the region. In contrast, markets like the United States often have more flexible immigration policies that facilitate the movement of talent, allowing companies to build diverse and capable teams. The ability to recruit top talent from a global pool can significantly enhance a company's capacity for innovation and growth.

## 4 RELOCATION PROCESS

The decision to relocate outside the European Union is a significant step for startups and scaleups, and the relocation process itself can take various forms depending on the company's stage and strategic objectives. Understanding the different relocation options and the implications they have on market entry, operations and growth is crucial for companies contemplating such a move. For many, relocation is not just a physical shift; it is an opportunity to tap into new markets, access capital and navigate regulatory environments that align better with their growth ambitions.

**Relocation may be partial or total, ranging from moving specific business units like sales teams, to the complete transfer of operations and even headquarters.** The choice of which form to pursue depends on factors like market entry strategies, tax considerations, talent needs and investor preferences.

**Full or partial relocation can occur with or without a corporate flip** (where a new holding company is created abroad, making the original company a subsidiary). But a corporate flip can signal firm commitment to the new market, and may be essential for attracting investors who prefer companies to be based in certain regions. It also allows businesses to maintain their primary operations while exploring new markets incrementally.

**Internationalisation**, as opposed to relocation, is a process by which a company expands operations into foreign markets while retaining its core functions (like headquarters or legal seat) in its country of origin. Common forms of internationalisation include establishing sales offices abroad, forming international partnerships, or exporting products and services.

### 4.1 Forms of relocation

**Partial relocation** – transferring only selected functions, like commercial activities or executive leadership, to another jurisdiction – enables firms to access new markets and regulatory regimes without severing ties with their domestic ecosystem. By contrast, **full relocation** – transferring all key operations, strategic decision-making and often legal headquarters to a new country – is generally driven by long-term investor expectations, access to capital, or alignment with the legal, fiscal or market frameworks of the destination country.

**Many companies that have relocated from the European Union to markets like the United States or United Kingdom have chosen to make what the startup ecosystem calls a “flip”:** This involves restructuring the company by establishing a new parent entity in a foreign jurisdiction (typically a US-based corporation, such as a Delaware C corporation), and subsequently transferring ownership of the original company to it. The original entity becomes a wholly owned subsidiary of the foreign holding company. Flipping is primarily a legal and financial restructuring, not necessarily involving team relocation, and mostly keeps operations (R&D, engineering, etc.) in the original country.

**The key reason behind this choice is that markets like the United States and United Kingdom offer favourable conditions** for scaling operations, especially in terms of access to capital, market reach and business-friendly regulatory environments. By **having a holding company based in these regions, companies can better leverage opportunities** for funding, particularly from venture capitalists, who are more inclined to invest in companies with a clear presence in these hubs. A presence in the United States or United Kingdom also signals to investors that the company is committed to global growth and aligns with the strategic goals of both attracting investment and expanding into the large, lucrative markets these countries offer.

As mentioned, at the same time, many of these companies opt to maintain **their technical teams or engineering staff** in the European Union, capitalising on the strong talent pool and cost advantages associated with certain

EU countries. For many businesses, this is a strategic division of labour that allows them to maintain their core technical capabilities while minimising the costs associated with the development and production processes.

In contrast, departments like **sales, marketing and customer support are often relocated to the United States or United Kingdom**, where the demand for the company's products or services is higher and where local knowledge of the market is crucial for expanding the customer base. In addition, a strong sales skillset, particularly in scaling and commercialising innovative technologies, is harder to find in the EU market than the US market, where sales and business development capabilities are typically more advanced and deeply embedded in startup culture. These departments are key for driving revenue generation and market penetration. Having sales and marketing teams in these regions allows businesses to better tailor their strategies to the local market, foster relationships with potential clients and ensure customer support is aligned with the expectations of customers in these high-demand areas.

**All interviewed companies opted for partial relocation, typically by establishing a holding company in the United States or flipping their corporate structure.** In most cases, the firm hired a sales team in the United States and one or more founders temporarily relocated to build connections with the venture capital ecosystem, engage with potential customers and suppliers, and support the recruitment process. However, in some instances, the US entity was largely a shell company, serving to present the business as a US-based firm for the benefit of investors and clients, while core operations remained in the European Union.

Although the study primarily examines relocations, **it is important to note that the resulting corporate structures were often the same as that of cases where EU-resident founders (defined in our study as category C) incorporated their companies outside the European Union from the outset, and later opened an operational entity in the European Union. In both scenarios, the end result typically reflects a partial relocation model**, basing strategic or commercial functions abroad while keeping operational or technical teams in the European Union. This suggests that, regardless of the sequence of establishment, the strategic considerations driving internationalisation often lead to similar organisational outcomes.

## 4.2 Challenges

**For early-stage startups, the relocation process is generally smooth**, with no major challenges reported, and typically takes several months to complete. In contrast, scaleups may face more complex considerations due to their larger operational structures and existing commitments.

**For scaleups, the relocation process becomes more difficult due to the scale and scope of the changes required.** These companies often have a broader staff base, customer networks and established business practices, all of which must be adapted to the new market. The relocation costs can be steep, including legal fees for setting up new entities, regulatory compliance costs and the logistical expenses of relocating employees, especially when skilled personnel must be transferred. In addition, tax considerations may differ significantly between markets, requiring careful planning to ensure a smooth transition and avoid unnecessary costs. Operational complexity is also greater for scaleups, which may need to divide operations across multiple locations; for example, keeping technical teams in Europe while relocating sales and marketing to the United States or United Kingdom.

For these reasons, many founders mentioned that startups and scaleups should aim to establish their company in the United States as soon as possible. Founders often recommend incorporating in the United States early on, even before full-scale relocation, as this provides several benefits that can then simplify the process of entering the market. In addition, especially for more mature scaleups, **relocation can involve complex taxation issues, particularly when it comes to the transfer of intellectual property, equity structures and future exit scenarios.**

One of the most critical financial challenges cited by scaleups is the **exit tax** that applies when transferring valuable assets, especially intellectual property, out of the European Union. Tax authorities in several

EU countries (most notably Germany, France and the Netherlands) may impose exit taxes on unrealised capital gains when a company relocates its legal entity or intellectual property ownership to another jurisdiction. This can create substantial tax liabilities for high-growth companies, especially if the intellectual property has appreciated significantly or has been central to the company's valuation. In some jurisdictions, even the act of changing the company's tax residency can trigger taxable events.

**These issues become even more complex when the company has already raised funding.** Venture capital firms, especially in the United States, often prefer a clean, familiar equity structure (typically a Delaware C corporation) to facilitate participation in funding rounds. This can prompt founders to flip the corporate structure – meaning they create a new US holding company above the original EU entity and transfer shares, intellectual property and operations under that new parent company. While effective from an investment perspective, such a flip can trigger capital gains tax obligations for existing shareholders (including founders and early investors), depending on the jurisdiction and tax residency of each party.

**Moreover, flipping or relocating shares can also affect vesting schedules, stock option plans and employee equity, which require careful tax and legal structuring to ensure there are no unintended tax consequences for the team or dilution concerns for investors.** To manage these challenges, founders strongly emphasised the need to engage with international tax experts early, ideally before finalising a relocation or funding structure. Tax advisors can help mitigate or defer exit tax liabilities through advance pricing agreements, intellectual property valuation planning, or structuring the move in stages. In some cases, leveraging double taxation treaties between jurisdictions can help reduce or eliminate certain obligations, if properly managed.

There is also growing awareness among founders that establishing in the United States or United Kingdom early, before significant intellectual property value is created or before raising large funding rounds, allows for a cleaner structure that avoids many of the later-stage tax complications. **This is one of the reasons why founders who have been through the relocation process frequently recommend that others incorporate in the United States as early as possible**, even before committing to a full operational move. Doing so can streamline venture capital engagement, protect intellectual property under more investor-friendly frameworks, and position the company for a smoother exit or acquisition later.

### 4.3 Lessons learned and impact of relocation

Founders confirmed that **expectations of the relocation process are generally met**, with companies reporting clear benefits in terms of market access, customer acquisition and revenue generation. **Lessons learned** from these relocation experiences underscore the importance of strategic foresight, particularly early engagement with target markets and regulatory environments. From the outset, it is crucial for companies to build with international scalability in mind. This proactive approach allows companies to build local networks, engage with customers and investors and grow more rapidly than in the more industrial and regulation-heavy environment often found in the European Union.

Several founders noted that **Brexit** added regulatory complexity that made the United Kingdom less attractive in hindsight. Had Brexit already been in effect at the time of relocation, some founders stated, they might have opted to move directly to the United States, bypassing the United Kingdom entirely in favour of a more stable and predictable environment for scaleup growth.

Importantly, many of the companies interviewed had relocated several years before, during **a time when the “bridge” between the EU and US innovation ecosystems was weaker**. At that time, connections to US investors, accelerators and talent pools were more difficult to access. In contrast, today's startups face fewer barriers to US integration, thanks to improved visibility, global networks and simplified administrative procedures. For example, the incorporation process in Delaware, the most common jurisdiction for US-based startups, has become extremely streamlined, often taking just one to two days online. As a result, relocating directly to

the United States has become an increasingly accessible and appealing option for EU-founded companies aiming for rapid global scale. Unfortunately, this stronger connection has remained largely one-sided, as US investors are still very reluctant to invest under EU legal frameworks. As a result, they often push companies to incorporate in the United States.

In many cases, companies saw their **revenue streams shift significantly to the country of relocation**, particularly when commercial operations (sales, marketing, customer success, etc.) were moved. Nevertheless, all of the interviewed companies maintain a dual footprint, retaining their technical and R&D capabilities within the European Union while leveraging the commercial and financial advantages of the new market. In the United States, for example, founders consistently highlighted that customers are more willing to pay premium prices, engage early with new technologies and support innovation more aggressively, creating a favourable ecosystem for rapid growth and commercial validation.



entirely online. These types of digital-first models demonstrate how streamlined, cross-border company formation can be achieved within the European Union, and could serve as a foundation for a broader, more accessible pan-European corporate structure.

**Creating a one-stop shop** to provide clear, centralised information and support for startups and scaleups is crucial. This would ensure that entrepreneurs have access to the necessary tools and guidance to navigate the complexities of starting and growing a business in the European Union. Additionally, introducing new digital legal tools – which are frequently used in the United States, such as Simple Agreements for Future Equity (SAFE) and electronic signature platforms – can facilitate quick and **efficient financing options** for startups, enabling them to secure funding without unnecessary delays.

It is also vital to **ensure that regulations are cautious yet flexible**, supporting innovation while balancing the need for oversight. Establishing a specific regulatory framework for startups that favours innovative and riskier companies will encourage entrepreneurship and foster a culture of innovation. This framework should include provisions that allow for experimentation and adaptability, enabling startups to pivot and respond to market demands.

1Key takeaways

- Stable, predictable and unified regulatory environment
- EU Delaware model with pan-European legal person or hybrid company regime
- One-stop shop providing clear, centralised information
- Cautious but flexible regulations that are less restrictive
- Specific regulatory framework for startups that favours innovative and riskier companies

## 5.2 Funding and cost-saving opportunities

Establishing **targeted tax incentives** is paramount for nurturing high-growth and high-risk companies within the European Union. Such incentives can alleviate the financial pressures that early-stage companies often face, thereby encouraging them to invest in innovation and expansion. By providing tax relief for more risk-tolerant investors, including wealthy families and wealth management funds, the European Union can create a more attractive investment landscape that stimulates capital flow into these ventures. Furthermore, the introduction of R&D tax credits and grants will incentivise companies to engage in innovative activities, enhancing their competitiveness in an increasingly dynamic market. A **startup-friendly tax regime** that simplifies compliance structures and offers breaks during early growth stages will not only support entrepreneurship, but also empower startups to allocate resources more effectively toward critical areas like product development and market entry.

**Capacity-building programmes for investors** play a crucial role in fostering a robust ecosystem that supports high-potential startups. By equipping investors with the necessary skills and knowledge to navigate the unique challenges associated with high-risk sectors, these programmes can enhance their ability to identify and support innovative ventures. Raising awareness about the specific needs and opportunities in the startup landscape will empower investors to make informed decisions that align with the goals of fostering innovation. Additionally, facilitating partnerships between investors and startups can promote collaboration, enabling investors to gain deeper insights into the operational realities faced by the companies they support. By creating incentives for wealthy families and wealth management funds to actively engage with high-growth companies, the European Union can cultivate a culture of investment that prioritises long-term success and sustainable growth.

Catalysing innovation has been central to the EIB Group’s mission, which is why the Group has implemented in recent years number of initiatives supporting startups and investors, including new ambitious TechEU programme. EIB Group will invest €70 billion in debt and equity financing for innovation, digitalisation and technology, the money is expected to mobilise €250 billion by 2027. TechEU finances European projects and companies from the idea stage to the initial public offering. It provides a complete palette of financial instruments to support companies’ growth and innovation. The TechEU Platform, which has an embedded Investment Readiness Checker, will serve as a one-stop-shop for companies that are looking to establish their presence in Europe (project location or subsidiary) and want support from EU funding programmes (including European Innovation Council funding opportunities<sup>16</sup>) and EIF backed venture capital funds (including funds invested under the European Tech Champions Initiative<sup>17</sup>). TechEU offers investment proposals depending on the project’s location, technology and maturity/stage of development. It will also offer a match-making platform that connects companies to investors across geographies.

**Implementing cost-saving measures** is essential for startups aiming to scale their operations effectively in a competitive environment. Providing subsidies for hiring specialised talent in high-demand sectors can significantly reduce operational costs, allowing companies to build capable teams without incurring prohibitive expenses. Moreover, the creation of EU-wide grants to support international market expansion will enable startups to enter new markets without facing substantial upfront costs, thereby facilitating their growth trajectory. These financial supports are critical in helping startups navigate the complexities of scaling while maintaining a focus on innovation.

2Key takeaways

- Tax incentives and funding support backing high-growth, high-risk startups
- Capacity-building programmes for investors
- Cost-saving and operational support

### 5.3 Labour law and immigration policy

Reforming labour laws and immigration policies is vital for creating a flexible workforce that can adapt to the needs of founders. **Streamlining labour laws to facilitate easier hiring and termination** practices is essential in fostering a flexible workforce that can adapt to the dynamic needs of startups. By reducing restrictions on employment practices, startups can scale rapidly and adjust to changing business conditions with greater agility. A more adaptable workforce enables companies to respond effectively to project cycles and market demands, allowing them to pivot quickly when necessary. This flexibility is particularly important in high-growth sectors where the ability to rapidly assemble and disband teams can be a significant competitive advantage.

**Simplifying hiring processes across EU Member States** is crucial for enhancing the operational efficiency of companies. Standardising and streamlining these processes will significantly reduce the **bureaucratic hurdles** that often impede the ability of companies to recruit talent efficiently. A unified approach to hiring across

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<sup>16</sup> The European Innovation Council (EIC) offers several funding programmes under Horizon Europe to support breakthrough innovations. EIC Pathfinder provides grants for visionary research projects aiming to develop radically new technologies from early-stage ideas to prototypes. EIC Transition helps turn research results into market-ready innovations by funding activities that bridge the gap between lab and commercialization. EIC Accelerator supports start-ups and SMEs with grants and equity investments to scale up high-risk, high-impact innovations, while the new STEP Scale-Up scheme offers major investments to help companies become global leaders in strategic technologies.

<sup>17</sup> The European Tech Champions Initiative (ETCI), started in February 2023 by the EIB Group and five EU Member States, is a Fund of Funds designed to provide late-stage growth capital to promising European tech innovators. It aims to close the scale-up financing gap by investing in large venture capital funds, enabling European companies to raise amounts exceeding €50 million and compete globally. With initial commitments of €3.75 billion and growing, ETCI strengthens Europe’s tech ecosystem, fosters strategic autonomy, and mobilizes significant public and private investments for high-tech scale-ups.

the European Union will not only facilitate smoother recruitment but will also enhance the region’s overall attractiveness as a destination for innovative businesses. By making it easier for founders to hire across borders, the European Union can help them to tap into a **diverse talent pool**, fostering a culture of innovation and collaboration. Additionally, this simplification will enable startups to operate more effectively in multiple jurisdictions, allowing them to focus on growth and development rather than on navigating complex regulatory frameworks.

**Implementing employee incentives**, particularly through stock options and equity-based compensation, is vital for attracting and retaining top talent in high-growth sectors like deeptech, biotech and cleantech. Stock options give employees a sense of ownership in the company, aligning their interests with those of the organisation and motivating them to contribute to its success. To make these incentives even more attractive, and more competitive with those offered by startups outside the European Union, it is also essential to provide tax relief or exemptions on stock options for employees.

**Simplifying immigration processes for skilled workers and entrepreneurs** is critical for enabling founders to recruit talent from around the world quickly. By streamlining visa and work permit processes, the European Union can facilitate easier access to global talent, allowing companies to tap into a broader and more specialised workforce. This is particularly important for startups, which often require niche skills and expertise to drive their innovation efforts.

A more efficient immigration system will not only benefit individual companies, but will also enhance the overall competitiveness of the European Union as a destination for talent. By creating a welcoming environment for skilled workers, the European Union can position itself as a leader in attracting the best and brightest minds from around the globe.

Moreover, **introducing or improving visa programmes** to attract international entrepreneurs and skilled workers is essential for fostering a vibrant startup ecosystem in the European Union. By offering entrepreneur and startup visas to allow these individuals to work and establish businesses, the European Union can be a more appealing destination for innovative ventures. This will not only attract talent, but will also contribute to economic growth and job creation. By prioritising the needs of entrepreneurs and skilled workers, the European Union can cultivate an environment that nurtures innovation and drives the development of groundbreaking technologies.

## 5.4 Education and support systems

**3** **Key takeaways**

- Streamline labour laws to enable easier hiring and termination practices
- Simplify hiring across Member States
- Employee incentives and retention via stock options for employees, and tax incentives for stock options
- Simplify immigration processes for both EU and non-EU skilled workers
- Introduce entrepreneur and startup visas

To ensure that education programmes in science and engineering effectively prepare students for the demands of the modern economy, it is essential to **integrate essential skills** such as entrepreneurship, innovation and sales. By embedding these competencies into the curriculum, education institutions can cultivate a workforce that is not only technically proficient, but also equipped with the business acumen needed to launch and scale innovative ventures. This holistic approach will enhance the employability of graduates and foster a culture of entrepreneurship that encourages the development of new ideas and solutions.

**Fostering a culture of commercialisation** is vital for transforming academic research into market-ready products. By providing scientists and researchers with the necessary tools and training in product development, the European Union can empower them to bring their innovations to market.

Additionally, promoting cross-disciplinary collaboration by connecting scientists with business professionals will facilitate the translation of research into real-world applications. This synergy between academia and industry is crucial for driving technological advancement and bringing innovative ideas to fruition.

**Scholarships and fellowships** are effective means of attracting and retaining top talent in entrepreneurship and innovation, particularly in sectors that drive technological advancement. These financial incentives can support students and researchers pursuing careers in high-growth areas. By investing in the next generation of innovators, the European Union can build a robust pipeline of skilled professionals who are equipped to contribute to the region's economic growth and technological progress.

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#### Key takeaways

- Ensure that educational programmes in science and engineering integrate essential skills
- Foster a culture of commercialisation and cross-disciplinary collaboration
- Use scholarships and fellowships to attract and retain top talent

## 5.5 Additional insights

Another recurring message from startups is the need for **stronger public support for international market entry**. Founders called for more hands-on assistance to help them understand foreign regulatory systems and navigate cultural and business norms. Equally important is access to reliable local partners – whether distributors, advisors or legal experts – that can facilitate a smoother and more confident expansion process. This type of support, if systematically provided, would make a tangible difference to how easily and successfully companies scale beyond EU borders.

Many startups recognise the **European Innovation Council** and similar institutions as vital players in fostering innovation and supporting entrepreneurial growth; however, they see opportunities for these institutions to enhance their impact even further by adopting more agile and user-friendly processes. This would also strengthen venture capital support for the ecosystem.

**Gender inclusivity and diversity** also surfaced as areas where founders would like to see stronger, more visible commitments. Targeted support for gender-balanced teams, as well as policies that address the systemic barriers faced by underrepresented founders, are seen as essential for building a more equitable and dynamic innovation landscape.

In parallel, **broader and better use of test and living labs**, where innovative products can be tested without risks or negative consequences, is crucial for encouraging experimentation and development. These labs provide a platform for startups to validate their ideas and refine their products before entering the market, ultimately reducing the likelihood of failure. By creating safe spaces for innovation, the European Union can support the development of groundbreaking technologies and ensure that its startups are well prepared to meet the challenges of the competitive global landscape.

Finally, founders believe the **current geopolitical moment** presents a rare opportunity for the European Union to position itself as a leader in strategic industries and innovation. With shifting global dynamics and growing emphasis on technological sovereignty, there is strong momentum to make the European Union more competitive, less risk averse and more supportive of globally ambitious ventures.

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#### Key takeaways

- Help firms understand regulatory environments and find reliable local partners in their target markets
- Flexible, user-friendly approach from the European Innovation Council that accelerates processes and reduces bureaucracy
- Support gender balance
- Enhance test and living labs to test innovative products
- Utilise current geopolitical “momentum”

# ANNEX I – INTERVIEW GUIDE

## Context of relocation

1. Before the relocation decision was taken, could you describe your company's situation in terms of growth, market entry, investments, product development, its entrepreneurial/investor ecosystem, etc.?

## Motivation for relocation

2. What were/are the most direct/immediate causes/needs/impediments, either within the EU or in your country/region, that led/are leading to the decision to make the relocation (company valuation, listing, investment preconditions, [change in] regulations, client, talent, technology, market, network, expertise, culture/innovative mindset etc.)? Please provide the greatest level of detail in your answer (for example, if the cause behind the relocation was access to finance, please mention the relevant funding round/ticket size/type of investor/investment conditions/etc.).
3. What favourable conditions did you expect to find in the destination location compared to the conditions in the EU? What were your considerations against the decision to relocate? Are there any specific circumstances in the sector/industry/tech fields which strengthened the motivation to relocate?
4. Have you considered other locations as well, and for what reasons?
5. Were there any actors or parties (in the country of formation or relocation) that facilitated, supported or obliged you to relocate, such as national governments, incubators, investors or fellow founders? How?

## Relocation process

6. Can you describe the relocation process from the moment the decision was taken? How long did the relocation process take?
7. How did you decide on the form of relocation (i.e. partial/full/legal relocation)? Why did you decide to relocate these departments/operations (or all) of your company? How were the intellectual property rights handled, and where is the decision-making currently taking place?
8. What were the greatest challenges during the relocation (e.g. financial / technical / legal / administrative)? How did you overcome them?
9. What were the key determinants (if any) in the relocation process that caused the fast-scaling of your company on the foreign market?

## Outcomes of the relocation decision

10. How did the relocation positively or negatively impact:
11. Your employees? Did you face any challenges in retaining or recruiting talent during and after the relocation?
12. Your financial performance? Can you (approximately) break down your revenue stream geographically before and after relocation? Where is your largest share of revenue coming from? (so as to understand whether market considerations played a role in moving). What was the impact on the cost-saving structure (e.g. salaries, energy, materials)?
13. Your customer base? Did you experience any changes in customer demographics or preferences?
14. Your technological development and innovation capability?

15. Have the expectations/reasons to relocate (part of) your company materialised? Would you take the same decision again with the knowledge you have now? Do you foresee any future relocations or expansions?
16. What lessons have you learned from the relocation process that you would like to share with other startups considering a similar move? Have you advised or would you advise others to relocate?

### **Recommendations for EU policymakers**

17. If you were deciding on relocation under the current conditions in the EU, would you choose to relocate again? How have the conditions in the EU changed since your decision?
18. What do you believe the EU, national and/or regional authorities should do – if anything – to strengthen the business environment in order to grow companies domestically or to attract back companies that have already left the EU? (including the offering of new financial products / programmes). Do you perceive that some forms of relocation (e.g. relocation of the headquarters and sales department due to a strong customer base in the relocation country) should be rather accepted by the EU?

### **Additional information**

19. Are you aware of any other companies operating, especially in the cleantech or biotech sectors, that have also decided / are considering relocating and would be suitable for a similar interview?
20. Do you have any further information that you would like to provide?





# DRIVERS OF RELOCATION BY INNOVATIVE EU STARTUPS AND SCALEUPS



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